

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE

PATERSON INTERNAL AUDIT UNIT

LOVE KIDS CARE II

FISCAL YEAR 2014-2015

FEBRUARY 2016

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
LOVE KIDS CARE II
FISCAL YEAR 2014-2015**

Distribution List of Final Audit Report

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New Jersey Department of Education**

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Paterson Public Schools**

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State-Operated Audit Unit
New Jersey Department of Education**

**Daniel Sackner, Supervisor of Internal Audit
Paterson Public Schools**

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
LOVE KIDS CARE II
FISCAL YEAR 2014-2015**

EXECUTIVE SUMMARY

The Paterson Internal Audit Unit conducted an audit of Love Kids Care II (provider), a provider participating in the New Jersey Department of Education (NJDOE) Preschool Education Program, for compliance with the terms of the contract for the 2014-2015 fiscal year.

As a result of the audit, the following deficiency was noted:

- The provider under spent the approved budget. As a result, the provider owes the District a balance of \$16,089.88.

AUDIT SCOPE

The Paterson Internal Audit Unit reviewed the financial records and supporting documentation in accordance with the executed contract for the provider for the period July 2014 through June 2015. During this period, funds were allocated based on a presumptive budget submitted by the provider and approved by the Paterson School District (District). The NJDOE budget should reflect actual costs based on a six hour and 55 minute day and 185 day school year.

The audit scope included detailed testing to determine whether or not:

- The provider had a current license.
- The provider properly filed federal and state tax returns.
- The provider maintained a financial system that provides timely, accurate, current and complete disclosure of all financial activities related to the NJDOE agreement.
- The provider properly handled cash receipts and disbursements; and completed year-end bank reconciliation for each account handling NJDOE funding.
- The provider maintained the proper insurance as required by the contract.
- The provider submitted the proper supporting documentation with the quarterly expenditure reports.

As noted below, as of July 1, 2015 the provider is no longer contracted to provide services to children funded through the NJDOE program in the District. The auditors mailed an engagement letter to the provider and attempted to schedule an entrance conference in order to conduct the audit. The provider failed to cooperate with auditors regarding scheduling and did not provide the auditors with all of the documents needed to complete the audit. Accordingly, the audit scope was limited. The auditors used the bank statements and general ledger for the review of non-salary expenses. If the auditors matched an expense in the

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general ledger to the bank statement and the expense appeared reasonable, the expense was allowed by the auditors. If items were not traceable or the expense was deemed questionable, no credit was given. Also, the auditors could not conduct a review of staff personnel files.

LOVE KIDS CARE II

The provider is a non-profit childcare center providing services to the children of Paterson, New Jersey. The center is located at 526 Broadway in Paterson and was budgeted to serve a total of 30 NJDOE children. The FY 2014-2015 approved budget totaled \$400,094. The District did not contract with this provider for FY 2015-2016. The District paid the provider the total budget of \$400,094.

FINDINGS AND RECOMMENDATIONS

1. **The provider under spent the NJDOE Preschool Education approved budget by \$16,089.88**

The NJDOE funds the six hour and 55 minute educational component of the preschool program and the Department of Human Services (DHS) funds the wraparound component.

The Statement of Assurance signed by the director of the childcare center certifies the expenditure report is accurate and complete with all supporting documentation. The provider shall submit all supporting documentation including receipts for all expenditures related to the NJDOE funded program with each quarterly expenditure report. The District Department of Early Childhood Education shall, based on their review of the quarterly expenditure reports, make prorated adjustments to subsequent monthly payments through the duration of the NJDOE contract.

Based on the results of this audit, the provider under spent the approved budget by \$16,089.88 (see exhibit A).

Recommendation

The auditors recommend that the District pursue the recovery of \$16,089.88 from the provider.

Auditors:

Janeth Molina

Submitted by:


Daniel Sackner
Supervising Auditor

Approved by:


Steven Hoffmann
Coordinating Auditor

LOVE KIDS CARE II
BUDGET VS. ACTUAL
FISCAL YEAR 2014-2015

Expense	FTE/Quantity	Unit Cost / Average Unit Cost	DOE Share of Costs in Contracted Classrooms	Total Cost	Budget Transfer	Adjusted Total Cost	YTD Total Per Provider Expenditure Report	Budget Minus YTD Per Provider	Amount Due Back From Provider	YTD Total Per Auditors	Budget Minus YTD Per Auditors	Variance - Amount Due Back
EDUCATIONAL PROGRAM COSTS												
Teacher Salary	2.00	\$49,283	100.00%	\$98,566.00		\$98,566.00	97,823.00	743.00	743.00	98,424.00	2,141.00	2,141.00
Teacher Assistant Salary	2.00	\$27,408	100.00%	\$54,816.00	\$47.00	\$54,863.00	56,882.00	(1,999.00)		52,859.94	2,305.36	2,305.36
Floating Teacher Assistant Salary	0.33	\$30,309	100.00%	\$10,001.97		\$10,001.97	10,181.00	(179.03)		10,001.97	-	-
Teacher/Assistant Teacher Benefits	4.00	\$9,820	100.00%	\$35,280.87		\$35,280.87	24,185.00	11,095.87	11,095.87	28,787.26	6,523.62	6,523.62
Substitute Teacher Second	2.00	\$1,650	100.00%	\$3,300.00	\$880.00	\$3,300.00	4,235.00	(275.00)		3,960.00	-	-
Substitute Assistant Teacher Steward	2.33	\$1,125	100.00%	\$2,625.00	\$225.00	\$2,625.00	2,475.00	371.25	371.25	2,437.50	488.75	488.75
Classroom Materials and Supplies	2.00	\$1,800	100.00%	\$3,600.00	\$280.00	\$3,280.00	3,488.00	(188.00)		3,290.00	-	-
Classroom Technology	2.00	\$800	100.00%	\$1,600.00		\$1,600.00	888.00	712.00	712.00	888.00	745.00	745.00
Field Trips w/ Transportation	30.00	\$75	100.00%	\$2,250.00	\$335.00	\$2,585.00	2,388.00	216.00	216.00	2,248.50	335.50	335.50
Family/Visitor Salary	1.00	\$22,855	83.33%	\$27,381.24		\$27,381.24	27,383.00	(1.76)		27,381.24	(0.00)	(0.00)
Family/Visitor Benefits	1.00	\$10,311	83.33%	\$9,301.81	\$387.00	\$9,688.81	8,859.00	(829.81)		8,847.38	111.44	111.44
Food-Related Costs (CACFP participant, non-reimbursable costs)												
Food (for contracted preschool children only)		\$3,100	100.00%	\$3,088.00		\$3,088.00	3,100.00	(0.40)		3,088.00	-	-
Food/Visitor Salary (cook)	0.33	\$22,327	83.33%	\$8,159.77		\$8,159.77	5,702.00	437.77	437.77	5,704.00	437.68	437.68
Employee Payroll Taxes (For Educational Program Positions only)												
Social Security (6.20%)				\$12,573.86		\$12,573.86	12,674.00	(10.14)		12,583.49	270.37	270.37
Medicare (1.45%)				\$2,940.88		\$2,940.88	2,941.00	(0.24)		2,877.53	63.23	63.23
Unemployment (2.80%)				\$5,878.82		\$5,878.82	5,880.00	(1.48)		5,001.87	877.46	877.46
Disability (0.50%)				\$1,014.02		\$1,014.02	1,014.00	0.02	0.02	830.10	183.92	183.92
SUBTOTAL - Educational Program Costs				\$278,839.88	\$1,924.00	\$280,757.58	\$288,939.80	\$10,887.58	\$13,464.91	\$288,654.36	\$14,303.32	\$14,303.32
ADMINISTRATIVE SUPPORT AND INDIRECT COSTS												
SUPPORT COSTS												
Director Salary	1.00	\$34,773	83.33%	\$34,009.81		\$34,009.81	34,811.00	(1.10)		34,809.81	(0.00)	(0.00)
Director Benefits	1.00	\$8,465	83.33%	\$8,411.84	\$874.00	\$8,338.94	6,388.00	(0.08)		6,318.68	67.26	67.26
Social Security (6.20%)				\$2,189.21		\$2,189.21	2,180.00	(1.78)		2,188.21	(0.00)	(0.00)
Medicare (1.45%)				\$504.74		\$504.74	510.00	(5.26)		504.74	(0.00)	(0.00)
Unemployment (2.80%)				\$874.67		\$874.67	880.00	(5.33)		888.00	36.67	36.67
Disability (0.50%)				\$174.05		\$174.05	174.00	0.05	0.05	180.00	14.05	14.05

LOVE KIDS CARE II
BUDGET VS. ACTUAL
FISCAL YEAR: 2014-2015

Expense	FTE/Quantity	Unit Cost/Average Unit Cost	DOE Share of Contracted Classrooms	DOE Share of Center-Wide Costs	Total Cost	Budget Transfer	Adjusted Total Cost	YTD Total Per Provider Expenditure Report	Budget Minus YTD Per Provider	Amount Due Back From Provider	YTD Total Per Auditors	Budget Minus YTD Per Auditors	Variance-Amount Due Back
INDIRECT COSTS - SPACE COSTS													
36% Mortgage, Other Space Costs		\$27,757	83.33%	100.00%	\$23,129.83		\$23,129.83	24,678.00	(1,548.17)		23,129.83	0.00	0.00
INDIRECT COSTS - ALL OTHER ALLOWABLE INDIRECT													
Office Equipment-2000 and Repair		\$1,000	83.33%	100.00%	\$833.30		\$833.30	894.00	(60.70)				
Office Materials and Supplies		\$ 7,000	83.33%	100.00%	\$5,833.10	-\$382.00	\$5,451.10	5,428.00	23.10				
Food-Religious Paper Supplies		\$ 1,000	83.33%	100.00%	\$833.30		\$833.30	850.00	(16.70)				
Printing Supplies		\$ 8,000	83.33%	100.00%	\$6,666.40		\$6,666.40	5,475.00	1,191.40				
Food for Meetings		\$ -	83.33%	100.00%	\$0.00		\$0.00						
Building/Grounds Maintenance/Repair		\$ 8,500	83.33%	100.00%	\$7,083.05	-\$3,001.00	\$4,082.05	4,400.00	(317.95)				
Utilities		\$ 8,500	83.33%	100.00%	\$7,083.05	\$1,000.00	\$8,083.05	8,231.00	(147.95)				
Telecommunications Services		\$ 3,000	83.33%	100.00%	\$2,499.90	-\$516.00	\$1,983.90	1,477.00	507.90				
Security		\$ 1,000	83.33%	100.00%	\$833.30		\$833.30	1,182.00	(348.70)				
DELAWARE		\$ 17,000	83.33%	100.00%	\$14,166.10		\$14,166.10	15,650.00	(1,383.90)				
Accounting Fees		\$ 7,000	83.33%	100.00%	\$5,833.10		\$5,833.10	8,238.00	(2,404.90)				
Travel Preparation Fees		\$ 850	83.33%	100.00%	\$708.31		\$708.31	708.00	0.31		49,431.33	43.67	43.67
Subtotal of Above Administrative Support and Indirect Costs					\$118,538.28	-\$1,824.00	\$116,714.28	\$119,726.00	-\$3,011.72	\$9.85	\$117,450.78	\$161.26	\$161.26
Other Approved Budgeted Costs													
KEYC					\$1,726.00		\$1,726.00	550.00	1,176.00	1,176.00	0	\$1,726.00	\$1,726.00
SUBTOTAL, Other Approved Budgeted Costs					\$1,726.00		\$1,726.00	\$280.00	\$1,446.00	\$1,446.00	\$0.00	\$1,446.00	\$1,726.00
PROVIDER PROGRAM TOTALS													
Total Cost					\$400,094.84		\$400,094.84	\$393,226.00	6,868.84	14,839.98	\$394,064.98	16,029.86	16,029.86

**NEW JERSEY DEPARTMENT OF EDUCATION
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE
EARLY CHILDHOOD EDUCATION LIMITED REVIEW RESPONSE
CORRECTIVE ACTION PLAN**

CAP# _____

NAME OF SCHOOL DISTRICT PATERSON PUBLIC SCHOOL DISTRICT COUNTY: PASSAIC

TYPE OF EXAMINATION: Abbott Early Childhood Education Program
Office of Fiscal Accountability and Compliance (OFAC)
 Report of Examination - (Dated) _____ OFAC Case # _____
 DATE OF BOARD MEETING: Workshop: March 2, 2016 Regular Meeting: March 16, 2016

PROVIDER CONTACT INFORMATION: Name of PROVIDER Love Kids Care II
 NAME OF DIRECTOR Mr. Baswick Burt-Miller Address of Provider 528 Broadway Paterson, NJ 07514

TELEPHONE NUMBER 973-684-0505 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
1	The provider underspent the NJDOE Preschool Education budget by \$16,089.88	The District will pursue the recovery of \$16,089.88 from the provider	The DECE will urge the Legal Dept. to pursue the recovery of \$16,089.88	Legal Department Nancy Aguado- Holije	June 2016

Alan W. Egan _____ Date 2/22/16
 Chief School Administrator Board Secretary/Business Administrator

Jon Sholing _____ Date 2-11-2016
 Fiscal Specialist Provider

3/09/16 _____
 Date