

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION

PATERSON INTERNAL AUDIT UNIT

PATERSON FAMILY CENTER

2008-2009 FISCAL YEAR

MAY 2010

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
PATERSON FAMILY CENTER
2008-2009 FISCAL YEAR**

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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New Jersey Department of Education**

- Robert J. Cicchino, Director
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- Steven Hoffmann, Coordinating Auditor
New Jersey Department of Education**

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

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
PATERSON FAMILY CENTER
2008-2009 FISCAL YEAR**

EXECUTIVE SUMMARY

The Paterson Internal Audit Unit conducted an audit of Paterson Family Center, a provider participating in the Department of Education (DOE) – funded Preschool Education Program, for compliance with the terms of the contract for the 2008-2009 fiscal year.

As a result of the audit, the following deficiencies were noted:

- The provider under spent the approved budget. As a result, the provider owes the district a balance of \$78,575.62.
- Minor accounting irregularities were noted.
- Deficiency noted in the review of required staff credentials.

DETAILED FINDINGS

The Paterson Internal Audit Unit reviewed the financial records and supporting documentation in accordance with the executed contract for Paterson Family Center for the period September 2008 through June 2009. During this year, funds were allocated based on a zero-based budget submitted by the provider and approved by the District. A zero-based budget is based on the actual costs of the program. The budget should reflect actual costs based on a six and a half hour day and 185 day school year.

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

- The day care center had a current license.
- The DOE funded Preschool Program employees had criminal history record information (CHRI) results, child abuse record information (CARI) results, Mantoux Tuberculosis (TB) test results, and applicable credentials on file. The contract requires the provider to provide proof to the District, prior to the commencement of the program, that each individual employed by the contracted child care center has had a criminal history background check and that said check indicates that no criminal history record information exists on file in either the Identification Division of the Federal Bureau of Investigation or the State Bureau of Identification, which would disqualify said employee from employment pursuant to law, or that the check reveals a disqualifying offense and the individual has demonstrated rehabilitation.
- 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 agreement.
- The provider properly handled cash receipts and disbursements; and completed year-end bank reconciliation for each account handling DOE funding.
- The provider maintained the proper insurance as required by the contract.

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- The provider submitted the proper supporting documentation with the quarterly expenditure reports.

Below is a summary of the audit findings:

PATERSON FAMILY CENTER:

Paterson Family Center is a childcare center providing services to the children of Paterson, New Jersey. The center is part of New Jersey Community Development Corporation, which is a public, not-for-profit organization. The center is located at 16 Spruce Street in Paterson. The provider was budgeted to serve a total of 105 children. The approved budget totaled \$1,108,870.

1. The provider under spent the approved budget.

The Department of Education (DOE) funds the 6 1/2 hour 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 that 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 DOE with each quarterly expenditure report. The Paterson Office of Early Childhood shall, based on their review of the quarterly expenditure reports, make prorated adjustments to subsequent monthly payments through the duration of the contract.

The auditors noted several budget line items that were calculated as under spent, including:

- Teacher salaries were budgeted at \$335,999; however, the auditors calculated expenses totaling \$308,720.
- Teacher and Teacher Assistant benefits were budgeted at \$111,106; however, the auditors calculated expenses totaling \$98,152.
- Substitute Assistant pay was budgeted at \$7,875; however, the auditors calculated expenses totaling \$1,115.
- A special request in the budget for a security guard was budgeted at \$22,119; however, the auditors calculated expenses totaling \$18,665.

Based on the results of this audit, the provider under spent the approved budget by \$78,575.62 (See exhibit A).

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Recommendation:

The auditors recommend that the district recovers \$78,575.62 from this provider for the 2008-2009 fiscal year.

2. The auditors noted minor accounting irregularities.

The auditors noted the following while reviewing the general ledger prepared by the provider:

- Several expenses were charged to the incorrect general ledger account. The auditors noted an invoice to Prismatic Magic that was charged to classroom materials and supplies that should have been charged to field trips. An invoice for radon testing was also charged to classroom materials and supplies.

Recommendation:

The auditors recommend that the provider ensures that all expenses are properly charged to the program in accordance with the expenditure guidance provided by the Department of Education.

3. Deficiency noted in the review of required staff credentials.

In accordance with the 2008-2009 Preschool Education Program Contract, providers must obtain the appropriate credential documentation, a CARI background check and a CHRI fingerprint background check for all staff members who will be working at the center on a regularly scheduled basis in order to secure a new or renewal license. Staff members whose duties require contact with children for at least 20% of the center's weekly operating hours shall take a Mantoux Tuberculin skin test. For the 2008-2009 school year the "Private Provider Expenditure Guidance" prepared by DOE requires that providers obtain waivers from any staff member who chooses to opt out of benefits coverage. The waivers must be signed annually and must indicate proof of insurance from another source.

The auditors reviewed the personnel files for 22 Paterson Family Center employees during the audit period of September 2008 to June 2009, and found the following deficiency:

- The CHRI check was missing for the security guard. The guard was hired May 7, 2007; was employed the entire audit period and was terminated July 12, 2009. The guard failed to attend the scheduled appointments with Sagem Morpho.

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2008-2009 FISCAL YEAR**

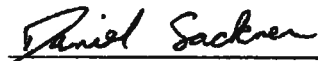
Recommendation:

The auditors recommend that in the future the district Office of Early Childhood ensure that all required staff credentials are on file.

Auditors:

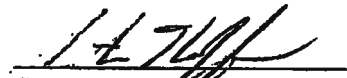
**Rashmi Rawtani
Patricia Sewak**

Submitted by:



**Daniel Sackner
Supervising Auditor**

Approved by:



**Steven Hoffmann
Coordinating Auditor**

PATERSON FAMILY CENTER
BUDGET VS. ACTUAL
2008-2009 FISCAL YEAR

Certified Teacher Salary	7	\$48,000	100.00%	100.00%	\$313,895	\$22,104	\$22,104	\$308,720.29	\$27,278.32	\$27,278.32	
BA Teacher Salary-AltRte					\$0	\$0	\$0				
Teacher Assistant Salary	7	\$23,957	100.00%	100.00%	\$167,698	\$0	\$0	\$166,473.33	\$1,225.02	\$1,225.02	
Floating Teacher Assistant Salary	1.17	\$29,525	100.00%	100.00%	\$30,523	\$3,923	\$3,923	\$30,523.98	\$3,922.18	\$3,922.18	
Teacher/Asst Teacher Benefits	15.00	\$7,407	100.00%	100.00%	\$83,148	\$27,958	\$27,958	\$98,152.04	\$12,953.73	\$12,953.73	
Substitute Teacher Daily Rate	7.00	\$1,650	100.00%	100.00%	\$5,820	\$5,730	\$5,730	\$10,990.00	\$560.00	\$560.00	
Substitute Assistant Daily Rate	7.00	\$1,125	100.00%	100.00%	\$1,115	\$6,760	\$6,760	\$1,115.00	\$6,760.00	\$6,760.00	
Classroom Materials and Supplies	7.00	\$ 2,000	100.00%	100.00%	\$9,066	\$4,934	\$4,934	\$7,155.92	\$8,843.08	\$8,843.08	
Classroom Technology	7.00	\$ 800	100.00%	100.00%	\$5,600	\$332	\$332	\$5,600.00	\$0.00	\$0.00	
Field Trips w/ Transportation	106.00	\$ 75	100.00%	100.00%	\$7,875	\$0	\$0	\$7,875.00	\$0.00	\$0.00	
Family Worker Salary	2.33	\$28,413	81.63%	100.00%	\$49,572	\$4,549	\$4,549	\$49,982.28	\$4,158.47	\$4,158.47	
Food-Related Costs (CACFP participant, non-reimbursable costs)											
Food (for Abbott children)	0		100.00%	100.00%	\$0	\$0	\$0				
Food Worker Salary (cook)	1.00		75.51%	100.00%	\$0	\$0	\$0				
Food Worker Salary (cook asst.)	0.17		75.51%	100.00%	\$0	\$0	\$0				
Employer Payroll Taxes (For Abbott Educational Program Positions only)											
Social Security (6.20%)					\$37,925	\$4,007	\$4,007	\$33,838.35	\$4,086.36	\$4,086.36	
Medicare (1.45%)					\$9,869	\$937	\$937	\$7,913.81	\$955.68	\$955.68	
Unemployment (2.80%)					\$17,127	\$6,566	\$6,566	\$10,507.48	\$6,619.81	\$6,619.81	
Disability (0.50%)					\$3,058	\$3,058	\$3,058	\$1,080.34	\$1,978.11	\$1,978.11	
SUBTOTAL, Abbott Educational Program Costs					\$817,250	\$90,859	\$90,859	\$738,908.82	\$77,340.75	\$77,340.75	
Director Salary	1.00	\$81,330	75.51%	100.00%	\$61,386	\$17	\$17	\$61,366.16	\$17.29	\$17.29	
Social Security (6.20%)					\$3,974	(\$166)	(\$166)	\$3,806.50	\$1.07	\$1.07	
Medicare (1.45%)					\$880	(\$40)	(\$40)	\$880.23	\$0.25	\$0.25	
Unemployment (2.80%)					\$1,720	\$800	\$800	\$881.80	\$1,027.75	\$1,027.75	
Disability (0.50%)					\$307	\$307	\$307	\$72.25	\$234.91	\$234.91	
Director Benefits	1.00	\$11,643									
Family Worker Benefits	2.00	\$4,263									
Food Worker Benefits (cook)											
Food Worker Benefits (cook asst.)											
Rent, Mortgage, Other Space Costs		\$98,824	75.51%	100.00%	\$73,112	\$0	\$0	\$73,112.00	\$0.00	\$0.00	
SUM Director Salary/Benefits and Facilities Costs					\$157,001	\$2,214.71	\$2,214.71	\$155,718.54	\$1,281.17	\$1,281.17	
SUPPORT COSTS											
Clinical Salary	1.00	\$27,780	75.51%	100.00%	\$21,348	(\$371)	(\$371)	\$21,348	\$0	\$0	

**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: JUNE 16, 2010

PROVIDER CONTACT INFORMATION: Name of PROVIDER Paterson Family Center
NAME OF DIRECTOR Robert Guarasci

Address of Provider: 16 Spruce Street, Paterson, NJ 07501

TELEPHONE NUMBER (973) 413-1570 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
2	The auditors noted minor accounting irregularities.	The DECE will re-emphasize Department of Education (DOE) guidelines to the Provider's accountant to ensure proper recording of expenditure.	Review the general ledger in detail to ensure that expenditures are recorded properly.	Susana Peron	June 2010

Dan W. Egan
Chief School Administrator
Tom Scholing
Fiscal Specialist

6/4/10
Date
6-4-10
Date

[Signature]
Board Secretary/Business Administrator
Robert Guarasci
Provider

6/4/10
Date
6/8/10
Date

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1	The Provider under spent the approved budget.	The District has recovered under spent funds of \$78,344. The Department of Early Childhood Education (DECE) will continue to be vigilant to ensure compliance with the terms of the contract.	Reduce the September 2010 monthly tuition payments to the center by \$231.62. Continue to review expenditure reports to ensure compliance.	Susana Peron	September 2010

Don W. Evan
Chief School Administrator
Igni Scholins
Fiscal Specialist

Date 6/4/10
Date 6-4-10
Date 6/4/10
Date 6/3/10

Frank
Board Secretary/Business Administrator
Robert Swan
Provider

**NEW JERSEY DEPARTMENT OF EDUCATION
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3	Deficiency noted in the review of required staff credentials.	The District will continue to do site visits to review center's background checks, and will continue to require that Providers perform timely background checks and request timely physicals from all staff.	The DECE will continue to review center's background checks and advise Providers to forward documentation of the same to the DECE.	Susana Peron	June 2010

[Signature]
Chief School Administrator

[Signature]
Fiscal Specialist

6/4/10
Date

6-4-10
Date

[Signature]
Board Secretary/Business Administrator

[Signature]
Provider

6/4/10
Date

6/8/10
Date