

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION

PATERSON INTERNAL AUDIT UNIT

ST. JOSEPH'S RMC CHILD CARE

FISCAL YEAR 2014-2015

DECEMBER 2015

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
ST. JOSEPH'S RMC CHILD CARE
2014-2015 FISCAL YEAR**

Distribution List of Final Audit Report

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Paterson Public Schools

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
ST. JOSEPH'S RMC CHILD CARE
2014-2015 FISCAL YEAR**

EXECUTIVE SUMMARY

The Paterson Internal Audit Unit conducted an audit of St. Joseph's RMC Child Care (provider), a provider participating in the New Jersey Department of Education (NJDOE) Preschool Education Program, for compliance with the terms of the contract for FY 2014-2015.

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 \$70,552.32.
- The auditors noted minor reporting errors on the expenditure report.

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 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 NJDOE employees had criminal history record information results, child abuse record information results, Mantoux Tuberculosis 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, each individual employed by the contracted childcare center has had a criminal history background check and 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 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 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.

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ST. JOSEPH'S RMC CHILD CARE
2014-2015 FISCAL YEAR**

ST. JOSEPH'S RMC CHILD CARE:

St. Joseph's RMC Child Care is a non-profit childcare center providing services to the children of Paterson, New Jersey. The St. Joseph's Healthcare System is the umbrella organization of the St. Joseph's RMC Child Care, and therefore manages and controls all the financial operations of this provider. The center is located at 800 Main Street in Paterson and was budgeted to serve a total of 60 NJDOE children. In addition, the provider has three non-NJDOE classrooms. The FY 2014-2015 approved budget totaled \$806,148.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

1. The provider under spent the NJDOE Preschool Education approved budget by \$70,552.32.

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 with each quarterly expenditure report. The District Department of Early Childhood Education (district) shall, based on their review of the quarterly expenditure reports, make prorated adjustments to subsequent monthly payments through the duration of the NJDOE contract.

The auditors determined the provider under spent the approved budget by \$70,552.32 (see exhibit A).

Recommendation:

The auditors recommend that the district recover a total of \$70,552.32 from the provider.

2. The auditors noted minor reporting errors on the expenditure report.

The auditors noted the following:

- Expenditures for benefits for teachers and teacher assistants for July and August were not included in year to date totals on the expenditure report. Auditors included those expenses in their analysis.
- Expenditures for substitute teachers for the month of September were not included in the year to date totals on the expenditure report. Auditors gave credit to the provider in the amount of \$220.

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- Expenditures for substitute assistant teachers for the month of September and December for \$150 and \$300 respectively, were not included in the year to date totals on the expenditure report. Auditors included those expenses in their analysis.
- Information submitted by the provider to support the allocation of indirect costs was inconsistent with the numbers on the expenditure report. For example, accounting fees were posted to the expenditure report at \$173.00 per month yet the expense should have been \$211.54. Other indirect costs had similar differences. In addition, the provider was using an analysis for the prior fiscal year.


Recommendation:

The auditors recommend that the provider enhances its current financial management system in order to correct the findings noted above. The provider should ensure that the expenditure report does not contain any reporting errors. The provider should ensure that indirect cost data provided by St. Joseph's is accurate and up to date.

Auditors:

Janeth Molina

Submitted by:


Daniel Sackner
Supervising Auditor

Approved by:


Steven Hoffmann
Coordinating Auditor

St. Joseph's RMC Child Care
Budget vs. Actual
2014-2015 Fiscal Year

| Expense | FTE/ Quantity | Unit Cost / Average Unit Cost | DOE Share of Costs in Contracted Classrooms | Total Cost | Budget Transfer | Adjusted Total Cost | YTD Total Provider Expenditure Report | Budget Minus YTD Provider | Amount Due Back From Provider | YTD Total Per Auditors | Budget Minus YTD Per Auditors | Variance-Amount Due Back |
|--|---------------|-------------------------------|---|------------------|-------------------|---------------------|---------------------------------------|---------------------------|-------------------------------|------------------------|-------------------------------|--------------------------|
| NATIONAL PROGRAM COSTS | | | | | | | | | | | | |
| Teacher Salary | 4.00 | \$51,775 | 100.00% | \$207,098 | | 207,098.00 | 203,624.00 | 3,474.00 | 3,474.00 | 194,500.64 | 12,597.36 | 12,597.36 |
| Teacher Assistant Salary | 4.00 | \$27,464 | 100.00% | \$109,857 | | 109,857.00 | 113,967.00 | (4,110.00) | | 109,696.99 | 160.01 | 160.01 |
| Assistant Teacher Benefits | 1.00 | \$27,220 | 100.00% | \$27,220 | | 27,220.00 | 24,066.00 | 3,154.00 | 3,154.00 | 24,036.47 | 3,183.53 | 3,183.53 |
| Teacher Stipend | 9.00 | \$12,645 | 100.00% | \$113,807 | (7,434.00) | 106,373.00 | 71,501.00 | 34,872.00 | 34,872.00 | 81,879.09 | 24,493.91 | 24,493.91 |
| Assistant Teacher Stipend | 4.00 | \$1,650 | 100.00% | \$6,600 | | 6,600.00 | 2,420.00 | 4,180.00 | 4,180.00 | 2,640.00 | 3,960.00 | 3,960.00 |
| Materials and Supplies | 5.00 | \$1,125 | 100.00% | \$5,625 | | 5,625.00 | 2,700.00 | 2,925.00 | 2,925.00 | 3,150.00 | 2,475.00 | 2,475.00 |
| Technology | 4.00 | \$800 | 100.00% | \$3,200 | 2,500.00 | 8,500.00 | 9,482.00 | (982.00) | | 8,500.00 | | |
| Transportation | 60.00 | \$75 | 100.00% | \$4,500 | 2,250.00 | 6,750.00 | 5,287.00 | 1,463.00 | 1,463.00 | 5,238.67 | 1,511.33 | 1,511.33 |
| Worker Salary | 1.33 | \$37,677 | 83.33% | \$41,751 | | 41,756.50 | 26,644.00 | 15,112.50 | 15,112.50 | 33,436.94 | 8,319.56 | 8,319.56 |
| Worker Benefits | 1.33 | \$14,352 | 83.33% | \$15,906 | | 15,906.16 | 9,885.00 | 6,021.16 | 6,021.16 | 12,060.62 | 3,845.55 | 3,845.55 |
| Related Costs (CACFP participant, non-reimbursable costs) | | | | | | | | | | | | |
| for contracted preschool children only | | \$13,846 | 100.00% | \$13,846 | | 13,845.60 | 13,846.00 | (0.40) | | 13,845.60 | | |
| Worker Salary (cook) | 0.67 | \$22,756 | 83.33% | \$12,705 | | 12,704.68 | 15,570.00 | (2,865.32) | | 12,704.68 | (0.00) | |
| Worker Benefits (cook) | 0.67 | \$10,355 | 83.33% | \$5,781 | | 5,781.08 | 9,138.00 | (3,356.92) | | 4,787.36 | 993.72 | 993.72 |
| Year Payroll Taxes (For Educational Program Positions only) | | | | | | | | | | | | |
| Security (6.20%) | | | | \$25,473 | | 25,473.39 | 22,958.00 | 2,515.39 | 2,515.39 | 23,570.27 | 1,903.12 | 1,903.12 |
| are (1.45%) | | | | \$5,957 | | 5,957.49 | 5,384.00 | 573.49 | 573.49 | 5,512.40 | 445.08 | 445.08 |
| employment (2.80%) | | | | \$11,504 | | 11,504.11 | 10,396.00 | 1,108.11 | 1,108.11 | 9,383.86 | 2,120.25 | 2,120.25 |
| ility (0.50%) | | | | \$2,054 | | 2,054.31 | 1,856.00 | 198.31 | 198.31 | 1,575.75 | 478.55 | 478.55 |
| TOTAL, Educational Program Costs | | | | \$618,890 | (2,684.00) | \$616,206 | \$589,459 | \$65,747 | 77,061.96 | 548,712.10 | 67,494.22 | 67,494.22 |
| Expense | | | | | | | | | | | | |
| DOE Share of Center-Wide Costs | | | | | | | | | | | | |
| DOE Share of Annual Costs | | | | | | | | | | | | |
| INSTRUMENTAL SUPPORT AND INDIRECT COSTS | | | | | | | | | | | | |
| Salary | 1.00 | \$89,058 | 83.33% | \$39,405 | | 39,404.72 | 32,712.00 | 6,692.72 | 6,692.72 | 39,404.72 | 0.00 | 0.00 |
| Benefits | 1.00 | \$14,110 | 83.33% | \$6,243 | | 6,243.11 | 4,064.00 | 2,179.11 | 2,179.11 | 4,444.44 | 1,798.67 | 1,798.67 |
| Salaries | 1.00 | \$43,844 | 83.33% | \$19,399 | | 19,399.22 | 15,663.00 | 3,736.22 | 3,736.22 | 19,304.76 | 94.46 | 94.46 |
| Benefits | 1.00 | \$14,357 | 83.33% | \$6,352 | | 6,352.40 | 5,101.00 | 1,251.40 | 1,251.40 | 6,322.07 | 30.33 | 30.33 |
| Security (6.20%) | | | | \$3,646 | | 3,645.84 | 2,999.00 | 646.84 | 646.84 | 3,639.99 | 5.86 | 5.86 |
| are (1.45%) | | | | \$853 | | 852.66 | 701.00 | 151.66 | 151.66 | 851.29 | 1.37 | 1.37 |
| employment (2.80%) | | | | \$1,647 | | 1,646.51 | 1,354.00 | 292.51 | 292.51 | 1,506.53 | 139.98 | 139.98 |

St. Joseph's RMC Child Care
Budget vs. Actual
2014-2015 Fiscal Year

| Expense | FTE/ Quantity | Unit Cost / Average Unit Cost | DOE Share of Costs in 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 |
|--|------------------|-------------------------------------|--|--------------------------------------|------------|--------------------|------------------------|---|--|--|------------------------------|--|---------------------------------|
| Direct Costs - SPACE COSTS | | | | | | | | | | | | | |
| Mortgages, Other Space Costs | | \$116,452 | 83.33% | 53.10% | \$51,525 | | 51,525.22 | 51,528.00 | (2.78) | | 51,525.22 | 0.00 | 0.00 |
| Expense | | Total Cost | DOE Share of Annual Costs | DOE Share of Center-Wide Costs | Total Cost | | | | | | | | |
| RECT COSTS - ALL OTHER ALLOWABLE INDIRECT | | | | | | | | | | | | | |
| Equipment- \$2000 and Repair | | \$4,313 | 83.33% | 53.10% | \$1,908 | | 1,908.33 | 440.00 | 1,468.33 | 1,468.33 | 575.67 | 1,332.66 | 1,332.66 |
| Materials and Supplies | | \$4,000 | 83.33% | 53.10% | \$1,770 | | 1,769.84 | 1,084.00 | 685.84 | 685.84 | 479.46 | 1,290.38 | 1,290.38 |
| Related Paper Supplies | | \$2,000 | 83.33% | 53.10% | \$885 | | 1,326.92 | 3,153.00 | (1,826.08) | (1,826.08) | 3,677.17 | (2,350.25) | (2,350.25) |
| Printing Supplies | | \$2,000 | 83.33% | 53.10% | \$885 | | 1,326.92 | 2,289.00 | (962.08) | (962.08) | 2,098.57 | (771.65) | (771.65) |
| Ag/Grounds Maintenance/Repair | | \$2,900 | 83.33% | 53.10% | \$1,283 | | 1,283.13 | 1,283.00 | 0.13 | 0.13 | 9,767.05 | (8,483.91) | (8,483.91) |
| Bus | | \$40,000 | 83.33% | 53.10% | \$17,698 | | 19,498.41 | 18,762.00 | 736.41 | 736.41 | 33,819.52 | (14,321.11) | (14,321.11) |
| Communications Services | | \$2,900 | 83.33% | 53.10% | \$1,283 | | 1,283.13 | 712.00 | 571.13 | 571.13 | 575.36 | 707.77 | 707.77 |
| Copy | | \$28,515 | 83.33% | 53.10% | \$12,617 | | 12,616.75 | 12,617.00 | (0.25) | (0.25) | 11,157.99 | 1,458.76 | 1,458.76 |
| Office | | \$4,900 | 83.33% | 53.10% | \$2,168 | | 2,168.05 | 2,168.00 | 0.05 | 0.05 | 2,688.96 | (520.91) | (520.91) |
| Printing Fees | | \$3,900 | 83.33% | 53.10% | \$1,726 | | 1,725.59 | 1,726.00 | (0.41) | (0.41) | 1,184.45 | 541.14 | 541.14 |
| TOTAL ADJUSTMENT TO NET OUT ISPEANT INDIRECT COSTS | | | | | \$0 | | | | | | | | |
| Total of Above Administrative Support and Indirect Costs | | | 100.00% | 100.00% | \$171,587 | \$2,684 | \$174,271 | \$158,598 | \$15,673 | \$15,675.58 | 138,666.57 | 2,110.67 | 2,110.67 |
| Approved Budgeted Costs | | | | | | | | | | | | | |
| Program | | | | | | | | | | | | | |
| Program Startup Supplies (2 new classrooms) | | | | | \$2,075 | | 2,075.00 | 1,400.00 | 675.00 | 675.00 | 1,400.00 | 675.00 | 675.00 |
| Tables and Outdoor Tables | | | | | \$11,956 | | 11,956.00 | 11,817.00 | 139.00 | 139.00 | 11,683.57 | 272.43 | 272.43 |
| TOTAL, Other Approved Budgeted Costs | | | | | \$15,640 | | 15,640.00 | 1,884.00 | (244.00) | | 1,640.00 | | |
| OTHER PROGRAM TOTALS | | | | | \$15,671 | | 15,671.00 | 15,101.00 | 570.00 | 814.00 | 14,733.57 | 947.43 | 947.43 |
| Total Cost | | | | | \$806,148 | | \$806,148.13 | \$724,158.00 | \$81,990.13 | \$93,551.55 | \$702,102.24 | \$70,552.32 | \$70,552.32 |

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

NAME OF SCHOOL DISTRICT PATERSON PUBLIC SCHOOL DISTRICT COUNTY: PASSAIC CAP# _____

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

PROVIDER CONTACT INFORMATION: Name of PROVIDER St. Joseph's RMC Child Care
NAME OF DIRECTOR Ms. Kyle S. Miller Address of Provider 800 Main Street Paterson, NJ 07503

TELEPHONE NUMBER 973-754-4433 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 Educational budget by \$70, 552.32 | The district will recover \$70,552.32 | Reduce monthly tuition payments to the Provider. | Nancy Aguado- Holtje | June 2016 |

Dan W. Enger 2/18/16 Nancy Holtje 3/09/16
 Chief School Administrator Board Secretary/Business Administrator Date
Jane Scholting 2-8-2016 _____
 Fiscal Specialist Provider Date

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

CAP# _____


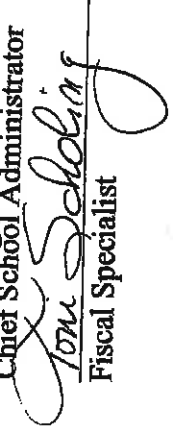

NAME OF SCHOOL DISTRICT PATERSON PUBLIC SCHOOL DISTRICT COUNTY: PASSAIC

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 St. Joseph's RMC Child Care
NAME OF DIRECTOR Ms. Kyle S. Miller Address of Provider 800 Main Street Paterson, NJ 07503

TELEPHONE NUMBER 973-754-4433 FAX NUMBER _____

| FINDING/ RECOMMENDATION NUMBER | FINDING | CORRECTIVE ACTION | METHOD OF IMPLEMENTATION | INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION | COMPLETION DATE OF IMPLEMENTATION |
|--------------------------------------|--|---|---|---|---|
| 2 | The auditors noted minor reporting errors on the expenditure report. | The DECE will re-emphasize District guidelines to the provider's accountant to ensure proper recording of expenditures. | The District will provide new guidelines to the accountant. Also, the District will review general ledger in detail to ensure all expenditures are recorded properly. | Nancy Aguado-Holtje Toni Scholing | June 2016 |

 Chief School Administrator
 Fiscal Specialist
 Board Secretary/Business Administrator
 Date 2/18/16 Date 3/22/16
 Date 2-8-2016 Date _____
 Provider _____