

**STATE OF NEW JERSEY**  
**DEPARTMENT OF EDUCATION**

**PATERSON INTERNAL AUDIT UNIT**  
**APPLE TREE CHILD DEVELOPMENT CENTER II, INC.**

**2008-2009 FISCAL YEAR**

**FEBRUARY 2010**

**NEW JERSEY DEPARTMENT OF EDUCATION  
PATERSON INTERNAL AUDIT UNIT  
APPLE TREE CHILD DEVELOPMENT CENTER II, INC.  
2008-2009 FISCAL YEAR**

**EXECUTIVE SUMMARY**

The Paterson Internal Audit Unit conducted an audit of Apple Tree Child Development Center II, Inc. (hereinafter referred to as Apple Tree), a provider participating in the Abbott Preschool Education Program, for compliance with the terms of the contract for the 2008-2009 fiscal year.

As a result of the audit, the auditors noted the following:

- The provider under spent the approved budget. As a result, the provider owes the district a balance of \$35,461.41.
- Several minor accounting irregularities were noted.
- Deficiencies 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 Apple Tree 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 Abbott 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 Abbott 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 Abbott agreement.
- The provider properly handled cash receipts and disbursements; and completed year-end bank reconciliation for each account handling Abbott funding.
- The provider maintained the proper insurance as required by the contract.

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PATERSON INTERNAL AUDIT UNIT  
APPLE TREE CHILD DEVELOPMENT CENTER II, INC.  
2008-2009 FISCAL YEAR**

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

Below is a summary of the audit findings:

**APPLE TREE CHILD DEVELOPMENT CENTER II, INC.:**

Apple Tree is a non-profit childcare center providing services to the children of Paterson, New Jersey. The center is located at 779 E. 26<sup>th</sup> Street in Paterson. The provider was budgeted to serve a total of 75 Abbott children. In addition, the provider also has one non-Abbott classroom. The approved Abbott budget totaled \$813,275.

**1. The provider under spent the approved budget.**

The Department of Education (DOE) funds the 6 1/2 hour educational component of the Abbott 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 Abbott 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 Abbott contract.

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

- Teacher assistant salaries were budgeted at \$118,212; however, the auditors calculated expenses totaling \$109,100.50.
- Substitute Assistant pay was budgeted at \$3,750; however, the provider reported no expenses.
- An approved special request totaling \$5,630 for additional instructional materials had expenses totaling \$1,407.58 per the auditors.
- Classroom technology was budgeted at \$1,500; however the auditors calculated expenses totaling \$859.98. While attempting to verify technology purchases the auditors noted that a computer and monitor that were purchased by the provider in March of 2009 were not on the premises at the time of the inspection. Both items were subsequently brought on site but as of December 2009 the computer was still in the box and not in use. The monitor was still in the box when the auditors followed up on January 29, 2010.

Based on the results of this audit, the provider under spent the approved budget by \$35,461.41 (See exhibit A).

**NEW JERSEY DEPARTMENT OF EDUCATION  
PATERSON INTERNAL AUDIT UNIT  
APPLE TREE CHILD DEVELOPMENT CENTER II, INC.  
2008-2009 FISCAL YEAR**

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2008-2009 FISCAL YEAR**

**Recommendation:**

The auditors recommend that the district recovers \$35,461.41 from this provider for the 2008-2009 fiscal year. The auditors also recommend that any items purchased during the contract period be placed in service during that same contract period in order to properly benefit the Abbott students.

**2. The auditors noted several 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 invoices from Lowe's for Building grounds and maintenance that were charged to Field Trips. Invoices for weekly cleaning services were inconsistently charged to the general ledger. Some were charged to Utilities and others charged to Custodial Cleaning.
- 51 invoices totaling \$4,111.63 were not provided to the auditors. However, auditors did allow 11 of those invoices totaling \$323.34 (gross amount – before any applicable allocations to the Abbott preschool program) without an invoice. The auditors allowed any reasonable expenditure less than \$25.00 even though no invoice could be provided. Invoices provided by some vendors were missing pertinent details such as a description of the goods or services provided. In addition, the majority of invoices requested by auditors were not easily located on the provider's premises. Missing invoices were also cited as a finding in the prior audit report on Apple Tree which was issued in April 2005.
- The provider uses a computerized time keeping system; however, that system is not used for payroll purposes. Manual time cards are still filled out and used to prepare payroll.

**Recommendation:**

The auditors recommend that the provider ensures that all expenses are properly charged to the Abbott program in accordance with the expenditure guidance provided by the Department of Education. The provider should not accept an invoice from a vendor that does not have all the pertinent information. The provider should implement a proper filing system to retain all invoices so that they are readily available at the auditor's request. The provider should explore the option of integrating the time keeping system with payroll.

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APPLE TREE CHILD DEVELOPMENT CENTER II, INC.  
2008-2009 FISCAL YEAR**

**3. Deficiencies noted in the review of required staff credentials.**

In accordance with the 2008-2009 Abbott Preschool 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 18 Apple Tree employees during the audit period of September 2008 to June 2009, and found the following deficiencies:

- Three (3) active employees had a CHRI that were dated between seven and 15 months after their hire date. In addition, the CHRI check for the clerical person was dated 10 months after her hire date and was addressed to another day care center.
- One (1) active employee who did have the waiver on file was missing evidence of other medical coverage.

**Recommendation:**

The auditors recommend that in the future the provider ensures that that all required staff credentials are on file. The auditors also recommend that the district ensures that all required waivers and proof of insurance from another source are kept on file on an annual basis.

**Auditors:**

**Rashmi Rawtani  
Patricia Sewak**

**Submitted by:**

  
**Daniel Sackner  
Supervising Auditor**

**Approved by:**

  
**Steven Hoffmann  
Coordinating Auditor**

APPLE TREE CHILD DEVELOPMENT CENTER II, INC.  
 BUDGET VS. ACTUAL  
 2008-2009 FISCAL YEAR

DESCRIPTION	APPROVED BUDGET TRANSFERS	REVISED BUDGET TOTALS	YTD TOTAL PER PROVIDER EXPENDITURE REPORT	BUDGET MINUS YTD PER PROVIDER	YTD TOTAL PER AUDITORS	BUDGET MINUS YTD PER AUDITORS	VARIANCE - AMOUNT DUE BACK
<b>Administrative Support</b>							
Certified Teacher Salary		\$24,637	231,932.00	4,804.86	231,832.30	4,804.38	4,804.39
BA Teacher Salary-AIRCo		\$0					
Teacher Assistant Salary		\$119,512	110,037.00	8,774.83	109,100.50	9,711.13	9,711.13
Floating Teacher Assistant Salary		\$19,884.08	19,886.00	(0.81)	19,884.00	(0.00)	(0.00)
Teacher/Asst Teacher Benefits		\$87,918	111,814.00	(14,796.09)	97,017.91		
Substitute Teacher Daily Rate		\$5,899	2,320.00	3,180.00	2,320.00	3,180.00	3,180.00
Substitute Assistant Daily Rate		\$5,825		3,750.00		3,750.00	3,750.00
Classroom Materials and Supplies		\$0.00	13,296.00	38.00	10,826.00	2,600.00	2,600.00
Classroom Technology		\$4,000	1,519.00	(19.00)	828.88	640.62	640.62
Field Trips w/ Transportation		\$5,825	7,484.00	(864.00)	6,620.00		
Family Worker Salary		4,308	66,203.00	(21,897.04)	44,305.96	0.00	0.00
<b>Food-Related Costs (CACFP participant, non-reimbursable costs)</b>							
Food (for Abbott children)		\$0					
Food Worker Salary (cook)		\$0					
Food Worker Salary (cook asst.)		\$0					
<b>Employer Payroll Taxes (For Abbott Educational Program Positions only)</b>							
Social Security (6.20%)		\$28,877	26,544.00	332.59	25,128.76	1,747.81	1,747.81
Medicare (1.45%)		\$8,288	6,208.00	77.85	5,878.09	408.76	408.76
Unemployment (2.80%)		\$12,198	11,888.00	148.61	7,688.35	4,248.47	4,248.47
Disability (0.50%)		\$2,187	2,141.00	28.47	1,877.48	589.89	589.89
<b>SUBTOTAL - Abbott Educational Program Costs</b>		\$69,664	611,441.00	(16,842.39)	663,417.34	31,381.88	31,381.88
<b>Preschool Children/Teacher Salary/Benefits</b>							
Director Salary		\$44,918	72,384.00	(27,448.13)	44,917.87	0.00	0.00
Social Security (6.20%)		\$2,785	4,487.00	(1,702.09)	2,784.91	0.00	0.00
Medicare (1.45%)		\$851	1,049.00	(207.89)	851.31	0.00	0.00
Unemployment (2.80%)		\$1,258	2,028.00	(768.30)	882.90	584.80	584.80
Disability (0.50%)		\$223	382.00	(157.41)	155.63	88.78	88.78
Director Benefits		\$10,288					
Family Worker Benefits		\$5,729					
Food Worker Benefits (cook)							
Food Worker Benefits (cook asst.)							
Rent, Mortgage, Other Space Costs		\$14,265	27,779.00	(7,484.48)	20,294.52	(0.00)	(0.00)
<b>SUM Director Salary/Benefits and Facilities Costs</b>		\$45,329	45,329.00	(0.12)	44,473.61	855.27	855.27
<b>ADMINISTRATIVE SUPPORTING COSTS</b>		\$109,490	153,386.00	(37,848.22)	115,916.96	1,536.83	1,536.83
<b>SUPPORT COSTS</b>							
Clerical Salary		\$28,032					
Clerical Benefits		\$3,787					
Janitor Salary		\$13,839					
Janitor Benefits		\$5,729					
Social Security (6.20%)		\$2,805					

APPLE TREE CHILD DEVELOPMENT CENTER I, INC.  
 BUDGET VS. ACTUAL  
 2008-2009 FISCAL YEAR

	APPROVED BUDGET TRANSFERS	REVISED BUDGET TOTALS	YTD TOTAL PER PROVIDER EXPENDITURE REPORT	BUDGET MINUS YTD PER PROVIDER	YTD TOTAL PER AUDITORS	BUDGET MINUS YTD PER AUDITORS	VARIANCE - AMOUNT DUE BACK
Medicare (1.45%)		\$698					
Unemployment (2.80%)	\$1,267	\$1,267					
Disability (0.50%)		\$226					
<b>INDIRECT COSTS</b>							
Office Equipment/2000 and Repair	\$1,865	\$1,865					
Office Materials and Supplies	\$2,767	\$2,767					
Food-Related Paper Supplies	\$0	\$0					
Cleaning Supplies	\$3,149	\$3,149					
Food for Meetings	\$400	\$400					
Building/Grounds Maintenance/Repair	\$3,500	\$3,500					
Utilities	\$18,000	\$18,000					
Telecommunications Services	\$2,000	\$2,000					
Security Equipment	\$500	\$500					
Insurance	\$20,000	\$20,000					
Accounting Fees	\$0	\$0					
Payroll Preparation Fees	\$0	\$0					
Advertising	\$400	\$400					
Staff Transportation	\$0	\$0					
Profit, if Applicable (2.5% max)	\$0	\$0					
<b>Subtotal of Above Administrative and Indirect Costs</b>	\$97,091	\$97,091	\$11,289.09	(\$1,472.70)	\$95,618.39	\$12,618.70	\$12,618.70
Additional Instructional materials	\$5,650	\$5,650					
<b>SUBTOTAL, Special Requests</b>	\$5,650	\$5,650			1,407.58	4,242.42	4,242.42
<b>DOE Total Cost</b>	\$15,778	\$15,778	\$76,800.00	(\$6,451.19)	70,348.81	6,428.19	6,428.19
<b>DOE Per-Pupil Cost</b>	\$10,877	\$10,877	\$76,800.00	(\$6,451.19)	70,348.81	6,428.19	6,428.19
<b>DOE Total Cost Less District Adjustments</b>	\$2,500	\$2,500					
<b>DOE Per-Pupil Cost Less District Adjustments</b>	\$1,667	\$1,667					
<b>Presumptive Budget Total</b>	\$ 813,275.00	\$ 813,275.00					
<b>Funds Remaining to be Allocated</b>	\$ 0.19	\$ 0.19					



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: March 31, 2010

PROVIDER CONTACT INFORMATION: Name of PROVIDER Apple Tree  
 NAME OF DIRECTOR Dr. Peggy Delson-Rinin Address of Provider 779 E. 26<sup>th</sup> Street, Paterson, NJ 07504

TELEPHONE NUMBER (973) 881-8585 FAX NUMBER \_\_\_\_\_

FINDING/ RECOMMENDATI ON NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATIO N	COMPLETION DATE OF IMPLEMENTATIO N
1	The Provider under spent the approved budget.	The District has begun to recover \$35,461.41 from the Provider.	The District will recover \$28,369.41 through a reduction of tuition payments to the center. The District will request that the center place into service all technology purchased during the current school year.	Susana Peron	October 2010

Don W. Egan 4/16/10 Date  
 Chief School Administrator  
Peggy Delson-Rinin 3-29-10 Date  
 Board Secretary/Business Administrator  
\_\_\_\_\_ Provider  
 Fiscal Specialist  
 Date 03/29/2010

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

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FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
2	The auditors noted several minor accounting irregularities.	The District will ensure that expenses are properly charged to the Abbott Program in accordance with the expenditure guidance. Invoices from vendors should have all pertinent purchase information. The District will recommend that the Provider implement a proper filing system.	Review the general ledger in detail to ensure that expenditures are recorded properly. Purchase invoices will be reviewed to ensure pertinent information is included and a proper filing system is in place.	Susana Peron	December 2010

Alan W. Egan 4/16/10 Patron Date 3/29/2010  
 Chief School Administrator Board Secretary/Business Administrator  
Patricia Scholten 3-29-10 Peggy Delson-Rini  
 Fiscal Specialist Provider

**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: March 31, 2010

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 NAME OF DIRECTOR Dr. Peggy Delson-Rini Address of Provider 779 E.26<sup>th</sup> Street, Paterson, NJ 07504

TELEPHONE NUMBER (973) 881-8585 FAX NUMBER \_\_\_\_\_

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
3	Deficiencies noted in the review of required staff credentials.	The District will continue to do site visits and require the Providers to perform timely background checks. The District will review medical insurance waivers to determine that other insurance has been verified by the center.	Request medical insurance forms and confirm that other insurance has been verified.	Susana Peron	December 2010

Dan W. Egan 4/16/10 Date  
 Chief School Administrator  
Don Scholier 3-29-10 Date  
 Fiscal Specialist  
[Signature] Board Secretary/Business Administrator  
[Signature] Provider  
 3/22/10 Date  
 03/29/2010 Date