

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION

PATERSON INTERNAL AUDIT UNIT
B.J. WILKERSON MEMORIAL CHILD DEVELOPMENT CENTER,
INC.
2009-2010 FISCAL YEAR
MAY 2011

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**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
B.J. WILKERSON MEMORIAL CHILD DEVELOPMENT CENTER,
INC.
2009-2010 FISCAL YEAR**

EXECUTIVE SUMMARY

The Paterson Internal Audit Unit conducted an audit of B.J. Wilkerson Memorial Child Development Center, Inc., (provider) a provider participating in the Department of Education (DOE) Preschool Education Program, for compliance with the terms of the contract for the 2009-2010 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 \$40,567.87.
- The auditors noted several minor accounting irregularities.
- The auditors noted deficiencies in obtaining proper Child Abuse Record Information (CARI) checks for two of 56 DOE staff members working for the provider.

DETAILED FINDINGS

The Paterson Internal Audit Unit reviewed the financial records and supporting documentation in accordance with the executed contract for the provider for the period September 2009 through June 2010. During this year, funds were allocated based on a presumptive budget submitted by the provider and approved by the district. The DOE 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 provider had a current license.
- The DOE 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.

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- The provider maintained a financial system that provides timely, accurate, current and complete disclosure of all financial activities related to the DOE 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.
- The provider submitted the proper supporting documentation with the quarterly expenditure reports.

Below is a summary of the audit findings:

B.J. WILKERSON MEMORIAL CHILD DEVELOPMENT CENTER, INC.:

B.J. Wilkerson Memorial Child Development Center, Inc. is a non-profit childcare center providing services to the children of Paterson, New Jersey. The center has two locations with Site #3 located at 124 Haledon Avenue in Prospect Park (13 DOE classrooms and one non DOE classroom), and Site #1 located at 437 West Broadway in Paterson (four DOE classrooms and one non DOE classroom). The center was budgeted to serve a total of 255 DOE children. The 2009-2010 approved combined budgets totaled \$2,925,032.

1. DOE Preschool Program.

The DOE funds the six and a half hour educational component of the DOE 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 DOE contract.

Based on the results of this audit, the provider under spent the approved budget by \$40,567.87 (See exhibit A).

Recommendation:

The auditors recommend that the district recovers \$40,567.87 from this provider for the 2009-2010 fiscal year.

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2. The auditors noted several minor accounting irregularities.

The auditors noted several instances of accounting irregularities:

- Non salary expenses were not always properly allocated to the DOE Preschool Education Program. The provider's expenditure reports and general ledger reflect the gross total for some of the indirect costs rather than just the allowable DOE portion. The expenditure report submission is required to reflect only the amounts allowed under the DOE contract. Examples include expenses charged to building and grounds maintenance and repair and food for meetings. In addition, there were instances when the required allocation percentages were applied to the expenses and the resulting calculation was incorrect. For example, for Site #1 all indirect costs should be shown as the invoice amount multiplied by the DOE share (75.51%) multiplied by the DOE/non DOE share (83.33%). Expenses that were incorrectly calculated included Site #1 expenses charged to security and Site #3 expenses charged to telecommunications.
- For Site #1, the provider posted an amount equal to 1/12 of the budgeted lease amount. This amount did not correlate to either the executed lease or the actual amount paid. This amount was posted with the sole purpose to match the budgeted amount as opposed to accurately represent the amount paid. The approved lease contains a capital improvements clause which entitles the provider to a lease reduction of \$291.67 per month over the five year lease period. This amount was not considered in the approved budget amount for rent and therefore would be due back to the district.
- The auditors noted various mis-postings in the general ledger. For instance, food expenses that were invoiced from the vendor(s) with the Site #3 address were posted to Site #1. The provider explained that most of the food is shipped to Site #3 and then sent to Site #1. For audit purposes, the auditors gave full credit and explained to the provider that going forward the invoices should show exactly which items were shipped to Site #1. In addition, expenses totaling \$1,149.60 in Site #1 charged to classroom materials and supplies should have been posted to building and grounds maintenance and repair. An expense totaling \$1,298 in security was charged to Site #1 but should have been charged to Site #3.

Recommendation:

The auditors recommend that the provider enhances its current financial management system in order to provide an accurate and complete disclosure of all financial activities. In order to achieve the accurate disclosure of all financial activities, this provider must properly code and allocate all DOE related expenses to the correct site and account. Any postings related to rent must correlate to the amount due based on the executed lease

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amount. In the future, the provider must comply with the terms of the contract by submitting accurate quarterly expenditure reports with properly allocated expenses.

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

In accordance to the 2009-2010 DOE 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.

The auditors reviewed the personnel files for 56 employees employed by the provider during the audit period of September 2009 to June 2010, and found the following deficiencies:

- The CARI check was not on file for two former employees. One employee was hired October 23, 2009 and terminated March 12, 2010. The other was employed during the entire audit period and terminated at the end of the fiscal year.

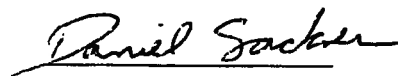
Recommendation:

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

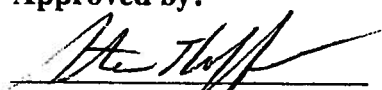
Auditors:

**Rashmi Rawtani
Patricia Sewak**

Submitted by:


**Daniel Sackner
Supervising Auditor**

Approved by:


**Steven Hoffmann
Coordinating Auditor**

BJ Wilkerson #1 & #3 2009/2010 Fiscal Year Budget vs. Actual																							
Teacher Salary				\$853,828	\$851,719.00																		
Teacher Assistant Salary				\$443,333	\$450,914.00																		
Floating Teacher Assistant Salary				\$70,709	\$98,812.00																		
Teacher/Assistant Teacher Benefits				\$293,524	\$318,632.00																		
Substitute Teacher Stipend				\$28,050	\$32,740.00																		
Substitute Assistant Teacher Stipend				\$22,313	\$24,235.00																		
Classroom Materials and Supplies				\$34,000	\$27,508.00																		
Classroom Technology				\$13,600	\$12,940.00																		
Field Trips w/ Transportation				\$19,125	\$21,796.00																		
Family Worker Salary				\$134,328	\$133,973.00																		
Family Worker Benefits				\$98,333	\$73,730.00																		
Food-Related Costs (CACFP participant, non-reimbursable costs)																							
Food (for contracted preschool children only)				\$59,376	\$62,537.00																		
Food Worker Salary (cook)				\$35,553	\$35,553.00																		
Food Worker Benefits (cook)				\$10,412	\$16,508.00																		
Assistant Food Worker Salary (asst. cook)				\$16,192	\$16,192.00																		
Assistant Food Worker Benefits (asst. cook)				\$3,568	\$4,932.00																		
Employer Payroll Taxes (For Educational Program Positions only)																							
Social Security (6.20%)				\$99,467	\$98,405.00																		
Medicare (1.45%)				\$23,262	\$23,014.00																		
Unemployment (2.60%)				\$44,921	\$44,440.00																		
Disability (0.50%)				\$8,022	\$7,935.00																		
SUBTOTAL, Educational Program Costs				\$2,251,904	\$2,356,315.00																		

BJ Wilkerson #1 & #3 2009/2010 Fiscal Year Budget vs. Actual	YTD TOTAL PER PROVIDER EXPENDITURE REPORT	BUDGET TRANSFER	BUDGET MINUS YTD PER PROVIDER	YTD TOTAL PER AUDITORS	BUDGET MINUS YTD PER AUDITORS	VARIANCE - AMOUNT DUE BACK
ADMINISTRATIVE SUPPORT AND INDIRECT COSTS						
Director Salary	\$102,060		(\$0.83)	\$102,060.18	(\$0.00)	\$0.00
Director Benefits	\$15,137		(\$8,474.02)	\$15,136.99	(\$0.01)	\$0.00
Clerical Salary	\$101,362		\$0.41	\$100,738.70	\$623.72	\$623.72
Clerical Benefits	\$16,395		(\$2,431.83)	\$16,330.11	\$65.06	\$65.06
Custodian Salary	\$59,312		\$559.18	\$59,269.89	\$42.29	\$42.29
Custodian Benefits	\$16,338		(\$7,557.30)	\$16,337.70	(\$0.00)	\$0.00
Social Security (6.20%)	\$16,290		\$34.56	\$16,248.26	\$41.29	\$41.29
Medicare (1.45%)	\$3,810		\$7.65	\$3,800.00	\$9.66	\$9.66
Unemployment (2.80%)	\$7,357		\$15.57	\$6,536.06	\$820.51	\$820.51
Disability (0.50%)	\$1,314		\$2.67	\$1,097.04	\$216.63	\$216.63
INDIRECT COSTS						
Rent, Mortgage, Other Space Costs	\$215,107		(\$15,696.16)	\$212,865.80	\$2,241.05	\$2,241.05
Office Equipments-\$2000 and Repair	\$2,230		(\$4,422.86)	\$2,230.14	\$0.00	\$0.00
Office Materials and Supplies	\$3,785		(\$2,385.24)	\$3,753.49	\$31.27	\$31.27
Food-Related Paper Supplies	\$2,434		\$2,327.28	\$2,433.72	\$0.00	\$0.00
Cleaning Supplies	\$5,254		(\$1,084.75)	\$6,009.12	(\$754.87)	\$0.00
Food for Meetings	\$681		\$84.13	\$300.62	\$280.51	\$280.51
Building/Grounds Maintenance/Repair	\$3,785		(\$6,657.59)	\$3,785.41	\$0.00	\$0.00
Utilities	\$11,996		(\$4,230.50)	\$11,996.49	\$0.01	\$0.00
Telecommunications Services	\$4,414		(\$3,082.98)	\$4,414.02	(\$0.00)	\$0.00
Security	\$4,085		(\$420.12)	\$2,586.58	\$1,498.30	\$1,498.30
Insurance	\$14,828		(\$8,526.87)	\$24,371.53	(\$9,543.40)	\$0.00
Accounting Fees	\$28,236		(\$5,783.37)	\$28,235.63	\$0.00	\$0.00
Payroll Preparation Fees	\$8,475		(\$4,526.79)	\$9,475.20	\$0.01	\$0.00
Advertising	\$0		\$0.00	\$0.00	\$0.00	\$0.00
Staff Transportation	\$0		\$0.00	\$0.00	\$0.00	\$0.00
Profit, if Applicable (Max of 2.5% of Ed Costs)	\$0		\$0.00	\$0.00	\$0.00	\$0.00
Subtotal of Above Administrative Support and Indirect	\$644,585		(\$76,904.29)	\$649,012.68	(\$4,427.97)	\$5,870.30
Other Approved Budgeted Costs:						
Security with fringe	\$19,043		(\$1,230.80)	\$19,043.20	\$0.00	\$0.00
classroom materials	\$13,000		\$6,584.00	\$1,975.85	\$11,024.15	\$11,024.15
creative curriculum.net	\$5,000		\$0.00	\$5,000.00	\$0.00	\$0.00
SUBTOTAL, Other Approved Budgeted Costs	\$37,043		\$5,353.20			
DISTRICT ADJUSTMENTS: (amounts withheld for items to be purchased by the district) FOR DISTRICT USE ONLY						
(Describe expense to be adjusted and enter negative a	-\$8,500		(\$8,500.00)			

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: _____

PROVIDER CONTACT INFORMATION: Name of PROVIDER BJ Wilkerson Memorial Child Development Center, Inc.
 NAME OF DIRECTOR Ron Williams
 Address of Provider: 437 W. Broadway, Paterson NJ 07522

TELEPHONE NUMBER (973) 595-5272 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
1	Department of Education Preschool Program.	The District will recover \$40,567.87 from the Provider.	Reduce monthly tuition payments to the Provider.	Susana Peton	January 2012

Alan W. Eno Chief School Administrator Date 6/24/11
Dee Schelling Fiscal Specialist Date 5-26-2011
Joseph R. Anthony Board Secretary/Business Administrator Date 6/27/11
 _____ Provider Date _____

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EARLY CHILDHOOD EDUCATION LIMITED REVIEW RESPONSE
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TELEPHONE NUMBER (973) 595-5272 FAX NUMBER _____

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2	The auditors noted several minor accounting irregularities.	The Department of Early Childhood Education (DECE) will reemphasize the Department of Education 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	January 2012

Ron Williams
Chief School Administrator
Toni Schelling
Fiscal Specialist

6/24/11
Date
5-26-2011
Date

Joseph A. Mantegna
Board Secretary/Business Administrator
Date

6/27/11
Date

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: _____

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3	Deficiencies noted in the review of required staff credentials.	The District will continue to do site visits to review centers' background checks and will continue to require that the Provider perform timely CHRI and CARI background checks.	Continue to do site visit and review staff documentation of background checks.	Susana Peron	January 2012

Debra W. E.
Chief School Administrator

Toni Schelling
Fiscal Specialist

Joseph R. Mantecón
Board Secretary/Business Administrator

6/27/11
Date

6/24/11
Date

5-26-2011
Date

Date

Provider