

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION

PATERSON INTERNAL AUDIT UNIT

BARNEY'S EDUCATION CENTER

2007-2008 FISCAL YEAR

OCTOBER 2009

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
BARNEY'S EDUCATION CENTER
2007-2008 FISCAL YEAR**

Distribution List of Final Audit Report

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Paterson Public Schools

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
BARNEY'S EDUCATION CENTER
2007-2008 FISCAL YEAR**

EXECUTIVE SUMMARY

The Paterson Internal Audit Unit conducted an audit of Barney's Education Center, a provider participating in the Abbott Preschool Education Program, for compliance with the terms of the contract for the 2007-2008 fiscal year.

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

- The provider did not follow the approved budget. As a result, the provider owes the district a balance of \$59,968.18.
- The auditors noted several minor accounting irregularities.
- 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 Barney's Education Center for the period September 2007 through June 2008. 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.

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- 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:

BARNEY'S EDUCATION CENTER:

Barney's Education Center is a childcare center providing services to the children of Paterson, New Jersey. It operates under the auspices of North Jersey Community Coordinated Child Care Agency, Inc. The center is located at 55 Main Street in Paterson, and was budgeted to serve a total of 165 Abbott children. The approved Abbott budget totaled \$1,845,872.

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.

Based on the results of this audit, the provider under spent the approved budget by \$59,968.18 (See exhibit A). The auditors noted that the District underpaid the provider. This was due to the fact that the district used an incorrect version of the budget when calculating the monthly payment due to the provider. Additional funds totaling \$7,703 that are due to the provider have been considered when calculating the budget variance.

Recommendation:

The auditors recommend that the district recovers \$59,968.18 for the 2007-2008 fiscal year from this provider. In the future, the provider must comply with the terms of the contract by submitting quarterly expenditure reports that reflect the correct budget variance.

2. The auditors noted several minor accounting irregularities.

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

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- Several expenses were charged to the incorrect general ledger account. The auditors noted invoices for cleaning supplies that were charged to classroom materials and supplies; sewer charges that were charged to the Rent/Mortgage/Space cost line rather than utilities; items including conference registration were charged to Field Trips; and expenses for security were charged to Building grounds and maintenance.
- The auditors disallowed expenses for parking that were charged to the Rent/Mortgage/Space cost line. That expense was not budgeted.

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.

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

In accordance with the 2007-2008 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.

The auditors reviewed the personnel files for 39 Abbott employees employed by Barney's Education Center during the audit period of September 2007 to June 2008, and found the following deficiencies:

- The CHRI check was missing for three (3) terminated employees.
- The CARI check was missing for one (1) terminated employee.
- T/B test results were dated as much as three (3) years after the hire date of one (1) active employee and one (1) who was terminated in June of 2008. In addition, test results were missing for one (1) employee who was terminated after the audit period.

Recommendation:

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

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BARNEY'S EDUCATION CENTER
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4. The provider failed to prepare and submit the required field trip plan.

The "private provider one year budget instructions and guidance school year 2007-08" (page # 9), state that "Each community provider must submit a field trip plan to their contracting district as part of the budget submission. The plan must detail each trip by destination and cost. Each trip must be justified by an explanation of how it will be integrated with classroom activity and the district's comprehensive preschool curriculum. The plan must adhere to the *Preschool Teaching and Learning Expectations: Standards of Quality* and Field Trip Guidance issued by the Office of Early Childhood Education. Plans must be available for Department review and kept on file at the district." The provider did not prepare and submit this required information nor did the Office of Early Childhood request it from the provider.

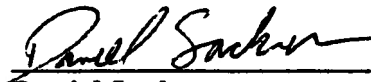
Recommendation:

The auditors recommend that in the future the provider prepare the required field trip plan as part of the budget submission. In addition, the district Office of Early Childhood must require all providers to prepare and submit this information as required by the Department of Education.

Auditors:


Rashmi Rawtani

Submitted by:



Daniel Sackner
Supervising Auditor

Approved by:



Steven Hoffmann
Coordinating Auditor

Expense	FTE/Quantity	Unit Cost / Average Unit Cost	DOE Share of Program Shared Costs	Abbott Share of Appropriation - Abbott Costs	YTD TOTAL PER PROVIDER EXPENDITURE REPORT	BUDGET MINUS YTD PER PROVIDER	YTD TOTAL PER AUDITORS	BUDGET MINUS YTD PER AUDITORS	VARIANCE - AMOUNT DUE BACK
ABBOTT EDUCATIONAL PROGRAM									
Certified Teacher Salary	6	\$48,898	100.00%	100.00%	411,989.00	(118,599.00)	519,863.85	7,851.15	7,851.15
BA Teacher Salary-AIRie	5.00	\$46,865	100.00%	100.00%	119,215.00	115,110.00			
Teacher Assistant Salary	11	\$27,221	100.00%	100.00%	286,569.00	12,867.00	293,610.18	5,825.82	5,825.82
Floating Teacher Assistant Salary	1.83	\$26,603	100.00%	100.00%	50,641.00	(1,868.60)	48,100.26	672.14	672.14
Teacher/Asst Teacher Benefits	23.83	\$7,810	100.00%	100.00%	186,107.00	27,859.00	161,565.53	24,541.47	24,541.47
Substitute Teacher Daily Rate	11.00	\$1,650	100.00%	100.00%	\$18,150	18,150.00		18,150.00	18,150.00
Substitute Assistant Daily Rate	11.00	\$1,125	100.00%	100.00%	\$12,375	(861.00)	9,525.00	2,850.00	2,850.00
Classroom Materials and Supplies	11.00	\$ 2,000	100.00%	100.00%	\$22,000	(31,280.00)	22,000.00	-	-
Classroom Technology	11.00	\$ 800	100.00%	100.00%	\$8,800	(147.00)	8,800.00	-	-
Field Trips w/ Transportation	165.00	\$ 75	100.00%	100.00%	\$12,375	(3,478.00)	12,375.00	-	-
Family Worker Salary	3.67	\$30,394	81.63%	100.00%	\$9,975.54	(3,357.46)	90,875.54	0.01	0.01
Food-Related Costs (CACFP participant, non-reimbursable costs)									
Food (for Abbott children)		\$ 6,057	100.00%	100.00%	6,056.96	(26,045.04)	6,056.96	-	-
Food Worker Salary (cook)	1.00	\$20,389	75.51%	100.00%	\$15,396	2,009.93	13,362.71	2,033.22	2,033.22
Food Worker Salary (cook asst.)	0.83	\$20,172	75.51%	100.00%	\$12,693	874.16	11,412.84	1,280.52	1,280.52
Employer Payroll Taxes (For Abbott Educational Program Positions only)									
Social Security (6.20%)					\$63,582	3,463.81	61,184.71	2,397.10	2,397.10
Medicare (1.45%)					\$14,870	841.94	14,309.33	560.61	560.61
Unemployment (2.80%)					\$28,714	12,932.36	24,324.00	4,390.37	4,390.37
Disability (0.50%)					\$5,128	1,507.57	3,971.01	1,156.56	1,156.56
SUBTOTAL, Abbott Educational Program Costs					\$1,373,146	9,779.67	1,301,436.71	71,708.96	71,708.96
Preschool Center Director Salary/Benefits and Facilities Costs									
Director Salary	1.00	\$75,035	75.51%	100.00%	81,032.00	(4,372.62)	56,659.38	0.00	0.00
Social Security (6.20%)					3,648.00	(135.12)	3,512.88	0.00	0.00
Medicare (1.45%)					853.00	(31.44)	821.56	0.00	0.00
Unemployment (2.80%)					615.00	971.46	831.60	754.86	754.86
Disability (0.50%)					137.00	146.30	138.50	144.80	144.80
Director Benefits	1.00								
Family Worker Benefits	3.67								
Food Worker Benefits (cook)	1.00								
Food Worker Benefits (cook asst.)	0.83								
SUBTOTAL, Other Space Costs					186,758.00	(6,811.04)	180,146.96	(0.00)	(0.00)
TOTAL					2,663,399.00	(19,183.61)	2,633,399.00	0.00	0.00

BARNEY'S EDUCATION CENTER
 BUDGET VS. ACTUAL
 2007/2008 FISCAL YEAR

Expense	FTE/Quantity	Unit Cost/ Average Unit Cost	DOE Share of DOE/DOE Shared Costs	Abbott Share of Abbott/ Abbott Costs	Total Cost	YTD TOTAL PER PROVIDER EXPENDITURE REPORT	BUDGET MINUS YTD PER PROVIDER	YTD TOTAL PER AUDITORS	BUDGET MINUS YTD PER AUDITORS	VARIANCE - AMOUNT DUE BACK
SUM Director Salary/Benefits and Facilities Costs					\$269,374	298,590.00	(29,216.06)	268,474.27	899.67	899.67
All Other Allowable Administrative Support/Indirect Costs (14%)		\$254,589	75.51%	100.00%	192,240.39	199,684.00	(7,443.61)	192,240.39	0.00	0.00
SPECIAL REQUESTS (List each request on a separate line. Attach Special Request form for each.)										
Administrative and Indirect Supplemental Request					\$0					
Security Services (Part-Time) - pro-rated by 75.51%					\$16,612	14,710.00	1,902.20	\$16,049.65	562.55	562.55
(Insert item name or brief description for Special Request #3 on this line.)					\$16,612	14,710.00	1,902.20	16,049.65	562.55	562.55
SUBTOTAL, Special Requests										
DOE PROVIDER PROGRAM TOTALS										
DOE Total Cost					\$1,851,372					
DOE Per-Pupil Cost					\$11,220					
DISTRICT ADJUSTMENTS (amounts withheld, district-purchased, items) FOR DISTRICT USE ONLY										
Instructional Supplies @\$500 per classroom					-\$5,500		(5,500.00)		(5,500.00)	(5,500.00)
(Describe expense to be adjusted and enter negative amount.)					\$0					
(Describe expense to be adjusted and enter negative amount.)					\$0					
DOE Total Cost Less District Adjustments					\$1,845,872	1,876,350.00	(30,477.80)	1,778,201.02	67,871.18	67,871.18
DOE Per-Pupil Cost Less District Adjustments					\$11,187				credit	(7,703.00)
										59,868.18

**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

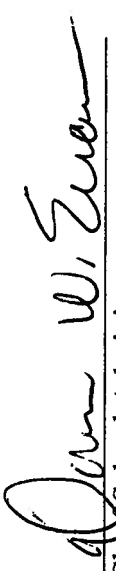
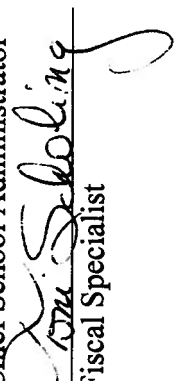
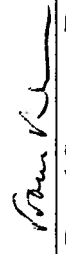
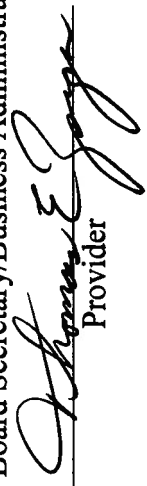
TYPE OF EXAMINATION: Abbott Early Childhood Education Program
Internal Audit Unit
Report of Examination - (Dated) _____ OFAC Case # _____

DATE OF BOARD MEETING: _____

PROVIDER CONTACT INFORMATION: Name of PROVIDER Barney's Educational Center NAME OF DIRECTOR Mr. Tom Zsiga
Address of Provider 55 Main Street, Paterson NJ 07505

TELEPHONE NUMBER (973) 278-9414 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
1	The Provider under spent the approved budget.	The District will recover under spent fund of \$59,968.18. The Department of Early Childhood (DECE) will continue to be vigilant to ensure compliance with the terms of the contract.	Reduce the monthly tuition payments to the center. Continue to review expenditure reports to ensure compliance.	Susana Peron	June 2010

 Chief-School Administrator
 Fiscal Specialist
 Board Secretary/Business Administrator
 Provider
 Date 11/6/10 Date 11-18-09 Date 11/18/09 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
 Internal Audit Unit

Report of Examination - (Dated) _____ OFAC Case # _____

DATE OF BOARD MEETING: _____

PROVIDER CONTACT INFORMATION: Name of PROVIDER Barney's Educational Center NAME OF DIRECTOR Mr. Tom Zsiga
 Address of Provider 55 Main Street, Paterson NJ 07505

TELEPHONE NUMBER (973) 278-9414

FAX NUMBER _____

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 DECE will re-emphasize DOE guidelines to the Provider's accountant to ensure proper recording of expenditures.	Review the general ledger in detail to ensure that expenditures are recorded properly.	Susana Peron	June 2010

NAME OF SCHOOL DISTRICT PATERSON PUBLIC SCHOOL DISTRICT COUNTY: PASSAIC

Adrienne W. Ewan
 Chief School Administrator

Wendy Scholking
 Fiscal Specialist

11/6/10
 Date

Thomas E. Spiga
 Board Secretary/Business Administrator

11/8-09
 Date

6-9-10
 Date

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

CAP# _____

TYPE OF EXAMINATION: Abbott Early Childhood Education Program
Internal Audit Unit
 DATE OF BOARD MEETING: Report of Examination - (Dated) _____ OFAC Case # _____

PROVIDER CONTACT INFORMATION: Name of PROVIDER Barney's Educational Center NAME OF DIRECTOR Mr. Tom Zsiga
 Address of Provider 55 Main Street, Paterson NJ 07505

TELEPHONE NUMBER (973) 278-9414 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTA TION
3	Deficiencies 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 centers' background checks and advise Providers to perform timely background checks and physicals on all staff.	Susana Peron	June 2010

Ann W. Swan 4/6/10 Tom K 12/10
 Chief School Administrator Date Board Secretary/Business Administrator Date
Tom Schelling 1-18-09 Thomas E. Pagan 11/18/08
 Fiscal Specialist 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
Internal Audit Unit

Report of Examination - (Dated) _____ OFAC Case # _____

DATE OF BOARD MEETING: _____

PROVIDER CONTACT INFORMATION: Name of PROVIDER Barney's Educational Center NAME OF DIRECTOR Mr. Tom Zsiga
 Address of Provider 55 Main Street, Paterson NJ 07505

TELEPHONE NUMBER (973) 278-9414

FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
4	The Provider failed to prepare and submit the required field trip plan.	The DECE has obtained the center's field trip plan for FY 2008-2009.	Field trip plans are filed within the Department of Early Childhood Education. FY'09-10 plans were submitted at contract signing.	Susana Peron	June 2010

Ann W. Swan
 Chief School Administrator

Toni Scholting
 Fiscal Specialist

11/6/10
 Date

11-15-09
 Date

[Signature]
 Board Secretary/Business Administrator

[Signature]
 Provider

1-4-10
 Date

11/18/09
 Date