

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION

PATERSON INTERNAL AUDIT UNIT

C.A.S.A.

COMMUNITY ACTION FOR SOCIAL AFFAIRS, INC.

2010-2011 FISCAL YEAR

NOVEMBER 2011

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
COMMUNITY ACTION FOR SOCIAL AFFAIRS, INC. (C.A.S.A.)
2010-2011 FISCAL YEAR**

Distribution List of Final Audit Report

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**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
COMMUNITY ACTION FOR SOCIAL AFFAIRS, INC. (C.A.S.A.)
2010-2011 FISCAL YEAR**

EXECUTIVE SUMMARY

The Paterson Internal Audit Unit conducted an audit of Community Action for Social Affairs, Inc. (C.A.S.A.), a provider participating in the New Jersey Department of Education (NJDOE) Preschool Education Program, for compliance with the terms of the contract for the 2010-2011 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 \$74,973.36.
- The auditors noted accounting irregularities.
- The auditors found evidence of the provider's lack of fiscal controls including failure to provide health benefits coverage for six months.
- 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 C.A.S.A. for the period September 2010 through June 2011. During this year, 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 day care center had a current license.
- The NJDOE 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 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.

Below is a summary of our findings:

COMMUNITY ACTION FOR SOCIAL AFFAIRS (C.A.S.A.) DAY CARE:

C.A.S.A. Day Care is a non-profit childcare center providing services to the children of Paterson, New Jersey. The center is located at 37-41 Mill Street in Paterson and was budgeted to serve a total of 75 NJDOE children. The 2010-2011 approved budget totaled \$806,396.

1. NJDOE Preschool Program.

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 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 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.

Based on the results of this audit, the provider under spent the approved budget by \$74,973.36 (see exhibit A).

Recommendation:

The auditors recommend that the district recovers \$74,973.36 from this provider.

2. The auditors noted accounting irregularities.

The auditors noted the following accounting irregularities:

- Non-salary expenses were not properly allocated to the NJDOE Preschool program. With the exception of food, the educational program costs were erroneously allocated

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to both NJDOE and DHS. Those costs should be covered 100% by NJDOE. The provider reported less than the allowable amount on the expenditure report. The general ledger also reflected an allocated amount.

- Indirect costs on the expenditure report for the month of June were shown as 100% NJDOE, rather than allocating only the allowable NJDOE portion. The expenditure report submission is required to reflect only the amounts allowed under the NJDOE contract.
- The general ledger and expenditure report contains postings of expenses that are unrelated to the 2010-2011 NJDOE contract year. For instance, the provider charged \$1,553.65 to the food line, which the auditors found to be related to an invoice from June, 2010. In addition, the provider posted a charge in the amount of \$635.41 to the utilities line for a June 2010 invoice. The auditors disallowed those expenses.
- The final year to date expenditure report submitted by the provider contained addition and footing errors. The version submitted contained no adjustments for approved budget transfers. A final corrected expenditure report was not received until the day before the audit exit conference.
- The District failed to review the expenditure reports in a timely manner. The allocation errors on the expenditure report and G/L were not brought to the attention of the provider or their accountant.

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. This would include revising the method(s) used to allocate expenses to the child care center. All NJDOE allowable expenses should be charged correctly as indicated in the NJDOE Preschool budget and contract. In the future, the provider must comply with the terms of the contract by submitting accurate quarterly expenditure reports with properly allocated expenses. The auditors also recommend that the District review the expenditure reports on a timely basis and make necessary adjustments. In addition, the District should institute procedures to ensure a timely review of the providers' quarterly submissions. These procedures would be set to determine whether or not the providers' submissions fully satisfy the quarterly submission requirements of the NJDOE preschool contract. In the case that the submission is deemed unsatisfactory or incomplete, the provider must be notified immediately and given a firm deadline for compliance. The auditors should be provided with quarterly reports that have been reviewed for compliance with the submission requirements.

3. The auditors found evidence of the provider's lack of fiscal controls.

The auditors found evidence of a lapse in employee benefits, partial payments made to vendors, NSF fees, and late fees from a vendor.

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- While analyzing health benefits, the auditors noted that the provider failed to provide health benefits for NJDOE employees for six months (March through August 2011). The provider switched health care providers and enrolled with AmeriHealth for health benefits coverage effective September 1, 2011. This is a repeat audit finding from the February 2008 audit report.
- The auditors noted partial payments made to vendors for such expenses as food and the security system.
- Between July 1, 2010 and June 30, 2011, the auditors noted that the provider accumulated various bank charges totaling \$544.00 in "Non Sufficient Funds" (NSF) and other related fees imposed by their banking institution.
- The auditors noted late fees on vendor invoices totaling \$53.00. Those fees were charged to NJDOE by the provider. The auditors disallowed those fees.
- Violations for false fire alarms and garbage payable to the City of Paterson totaling \$936.30 were charged to building and grounds maintenance. The auditors disallowed those expenses.

Recommendation:

The auditors recommend that the provider establishes sound fiscal controls aimed at ensuring that NJDOE funding is managed appropriately and vendor payments are disbursed timely. Also, the provider must provide uninterrupted health benefits coverage. In addition, the provider should not charge fines or penalties to the NJDOE.

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

In accordance with the 2010-2011 NJDOE 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 20 NJDOE employees employed by C.A.S.A. during the audit period of July 2010 to June 2011, and found the following deficiency:

- The CARI check was not completed for one (1) terminated employee. The employee was hired January 18, 2011 and was terminated April 29, 2011.

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Recommendation:

The auditors recommend that the District ensures that all required documentation is on file.

Auditors:

**Rashmi Rawtani
Patricia Sewak -**

Submitted by:


**Daniel Sackner
Supervising Auditor**

Approved by:


**Steven Hoffmann
Coordinating Auditor**

		YTD TOTAL PER PROVIDER EXPENDITURE REPORT	BUDGET TRANSFER	BUDGET MINUS YTD PER PROVIDER	ACTUAL PROVIDER RECLAIM AMOUNT	YTD TOTAL PER AUDITORS	BUDGET MINUS YTD PER AUDITORS	VARIANCE - AMOUNT DUE BACK
Teacher Salary	\$248,788	\$282,388.00		-\$3,601.00	\$0.00	\$248,788.00	\$0.00	\$0.00
Teacher Assistant Salary	\$128,128	\$128,801.00		-\$672.00	\$0.00	\$128,128.00	\$1,008.00	\$1,008.00
Reading Teacher Assistant Salary	\$20,004	\$24,388.00		-\$4,387.99	\$0.00	\$20,004.17	\$0.00	\$0.00
Teacher/Assistant Teacher Benefits	\$78,342	\$40,388.00		\$34,882.47	\$34,882.47	\$46,883.94	\$28,468.54	\$28,468.54
Substitute Teacher Stipend	\$8,280	\$8,484.00	-\$3,881.00	\$1,128.00	\$1,128.00	\$4,888.00	\$0.00	\$0.00
Substitute Assistant Teacher Stipend	\$4,688	\$0.00		\$8,882.80	\$8,882.80	\$0.00	\$8,882.80	\$8,882.80
Classroom Materials and Supplies	\$10,000	\$4,888.00		\$8,812.00	\$8,812.00	\$8,812.88	\$4,888.18	\$4,888.18
Classroom Technology	\$4,000	\$1,447.00		\$2,553.00	\$2,553.00	\$1,916.00	\$2,084.00	\$2,084.00
Field Trips w/ Transportation	\$8,688	\$4,112.00		\$1,813.00	\$1,813.00	\$8,388.00	\$288.00	\$288.00
Family Worker Salary	\$32,830	\$38,168.00		-\$5,338.00	\$0.00	\$32,830.88	\$0.00	\$0.00
Family Worker Benefits	\$7,017	\$3,888.00		\$3,884.00	\$3,884.00	\$4,074.88	\$2,842.47	\$2,842.47
Food for contracted preschool children only	\$8,818	\$472.00		\$8,146.70	\$8,146.70	\$8,817.70	\$8,817.70	\$8,817.70
Food Worker Salary (cook)	\$7,844	\$8,748.00		-\$904.00	\$0.00	\$7,883.48	\$288.88	\$288.88
Food Worker Benefits (cook)	\$4,708	\$2,801.00		\$2,504.00	\$2,504.00	\$3,083.48	\$1,808.88	\$1,808.88
Employer Payroll Taxes (For Educational Program Positions only)								
Social Security (6.20%)	\$27,588	\$28,243.00		\$2,318.48	\$2,318.48	\$28,582.84	\$888.84	\$888.84
Medicare (1.45%)	\$8,448	\$8,477.50		-\$2,881.84	\$0.00	\$8,212.88	\$288.18	\$288.18
Unemployment (2.80%)	\$12,448	\$28,800.00		-\$14,183.78	\$0.00	\$12,448.28	\$0.00	\$0.00
Disability (0.80%)	\$2,228	\$0.00		\$2,222.84	\$2,222.84	\$2,008.40	\$220.14	\$220.14
SUBTOTAL Educational Program Costs	\$808,488	\$987,372.90	-\$3,881.00	\$27,488.83	\$71,880.78	\$848,888.88	\$84,888.88	\$84,888.88
ADMINISTRATIVE SUPPORT AND INDIRECT COSTS								
SUPPORT COSTS								
Director Salary	\$88,418	\$88,288.00		-\$2,884.00	\$0.00	\$88,418.84	\$0.00	\$0.00
Director Benefits	\$7,678	\$3,740.00		\$3,888.00	\$3,888.00	\$8,488.11	\$1,088.84	\$1,088.84
Clerical Salary	\$18,281	\$21,170.00		-\$2,818.88	\$0.00	\$18,280.81	\$0.00	\$0.00
Clerical Benefits	\$3,888	\$2,388.00		\$1,888.88	\$1,888.88	\$3,783.70	\$1,888.88	\$1,888.88
Custodian Salary	\$18,488	\$18,418.00		\$3,088.87	\$3,088.87	\$14,418.88	\$4,088.88	\$4,088.88
Custodian Benefits	\$3,888	\$1,848.00		\$2,248.88	\$2,248.88	\$2,128.48	\$1,788.10	\$1,788.10
Social Security (6.20%)	\$8,681	\$8,888.00		-\$213.78	\$0.00	\$8,387.34	\$813.88	\$813.88
Medicare (1.45%)	\$1,322	\$1,317.00		-\$4.88	-\$4.88	\$1,248.88	\$73.41	\$73.41
Unemployment (2.80%)	\$2,888	\$8,788.00		-\$3,238.88	\$0.00	\$2,882.18	\$0.00	\$0.00
Disability (0.80%)	\$488	\$0.00		\$488.78	\$488.78	\$374.20	\$81.84	\$81.84
INDIRECT COSTS								
Rent, Mortgage, Other Space Costs	\$33,378	\$48,888.00		-\$18,210.04	\$0.00	\$33,377.88	\$0.00	\$0.00
Office Equipment \$2000 and Repair	\$1,718	\$0.00	-\$888.00	\$888.00	\$888.00	\$888.00	\$888.00	\$888.00
Office Materials and Supplies	\$2,583	\$2,888.00		-\$14.88	\$0.00	\$2,583.01	\$0.00	\$0.00
Food-Related Paper Supplies	\$480	\$0.00		\$480.00	\$480.00	\$480.00	\$0.00	\$0.00
Cleaning Supplies	\$3,887	\$7,442.00	\$1,888.00	-\$1,881.88	\$0.00	\$2,588.88	\$3,284.48	\$3,284.48
Food for Meetings	\$248	\$0.00	-\$122.00	\$122.00	\$122.00	\$0.00	\$122.00	\$122.00
Building/Grounds Maintenance/Repair	\$4,808	\$7,888.00	\$2,484.00	-\$470.88	\$0.00	\$8,348.88	\$1,018.47	\$1,018.47
Utilities	\$13,283	\$11,317.00		\$1,888.04	\$1,888.04	\$10,788.00	\$2,488.04	\$2,488.04
Telecommunications Services	\$2,081	\$2,284.00	\$128.00	-\$108.88	\$0.00	\$1,888.88	\$284.38	\$284.38
Security	\$1,470	\$1,118.00		\$387.00	\$387.00	\$817.48	\$588.88	\$588.88
Insurance	\$7,888	\$4,288.00		\$3,588.88	\$3,588.88	\$4,887.18	\$2,888.11	\$2,888.11
Accounting Fees	\$5,888	\$10,888.00	\$0.00	-\$4,871.88	\$0.00	\$8,888.00	\$0.00	\$0.00
Payroll Preparation Fees	\$1,888	\$1,877.00		-\$13.88	-\$13.88	\$1,883.01	\$0.00	\$0.00
Advertising	\$807	\$1,813.00	\$103.00	-\$1,203.00	\$0.00	\$310.00	\$0.00	\$0.00
Subtotal of Above Administrative Support and Indirect Costs	\$188,411	\$218,188.00	\$8,881.00	-\$18,888.83	\$18,488.48	\$188,882.78	\$20,888.78	\$20,888.78
Creative Curriculum cost	\$1,488	\$1,888.00		-\$388.78	\$0.00	\$1,488.28	\$0.00	\$0.00
Total Cost Less District Adjustments	\$808,488							
TOTAL		\$784,380.80	\$0.00	\$28,888.84	\$90,384.31	\$731,422.87	\$74,873.38	\$74,873.38

**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: January 4, 2012

PROVIDER CONTACT INFORMATION: Name of PROVIDER CASA

NAME OF DIRECTOR Ms. Rosa Payano
Address of Provider: 37 Mill Street, Paterson NJ 07501

TELEPHONE NUMBER: 973-754-7040 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTAT ION
1	NJDOE Preschool Programs	The District will recover \$74,973.36 from the provider.	Reduce monthly tuition payments to the provider.	Susana Peron	June 2013

[Signature]
Chief School Administrator

[Signature]
Fiscal Specialist

12/19/11 Date
Dr. Carol A. Fralich Board Secretary/Business Administrator

12-14-2011 Date
[Signature] Provider

12/16/11 Date
12/14/11 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: January 4, 2012

PROVIDER CONTACT INFORMATION: Name of PROVIDER CASA

NAME OF DIRECTOR Ms. Rosa Payano
Address of Provider: 37 Mill Street, Paterson NJ 07501

TELEPHONE NUMBER: 973-754-7040 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
2	The auditors noted accounting irregularities.	The District will direct the provider to comply with the contract and to submit accurate and complete disclosure on the quarterly reports. The Department of Early Childhood Education (DECE) will continue to make efforts to timely review providers' quarterly submissions. The District will notify the provider if submission is unsatisfactory or incomplete and requires immediate compliance.	The DECE will continue to make efforts to timely review all providers quarterly submissions and will require immediate compliance for unsatisfactory or incomplete submissions.	Susana Peron	June 2011

Jim W. Egan
Chief School Administrator

Luigi Schelling
Fiscal Specialist

12/19/11 Date
B. Carol A. Fedick
Board Secretary/Business Administrator

12-14-2011 Date
[Signature]
Provider

12/16/11 Date
12/14/11 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: January 4, 2012

PROVIDER CONTACT INFORMATION: Name of PROVIDER CASA

NAME OF DIRECTOR Ms. Rosa Payano
Address of Provider: 37 Mill Street, Paterson NJ 07501

TELEPHONE NUMBER: 973-754-7040 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
3	The auditors found evidence of the provider's lack of fiscal controls.	The District will direct the provider to establish sound fiscal controls to ensure that NJDOE funding is managed properly and payments are disbursed timely. The DECE will direct the provider to provide uninterrupted health benefits coverage and not charge NJDOE for fees and penalties.	The DECE will direct the provider to establish fiscal controls and properly manage NJDOE funding and payments. The DECE will ensure that health benefits are provided without interruption. The DECE will ensure that fees and penalties are not charged to NJDOE funding.	Susana Peron	June 2011

Dan W. Egan 12/16/11 Date 12/16/11
Chief School Administrator Board Secretary/Business Administrator

M. Scholing 12-11-2011 Date 12/14/11
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: January 4, 2012

PROVIDER CONTACT INFORMATION: Name of PROVIDER CASA

NAME OF DIRECTOR Ms. Rosa Payano
Address of Provider: 37 Mill Street, Paterson NJ 07501

TELEPHONE NUMBER: 973-754-7040 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTAT ION
4	Deficiency noted in review of staff credentials.	The DECE will continue to review staff credentials to ensure that all required documentation is on file.	Continue to review and ensure that all providers' personnel documentation is on hand.	Susana Peron	June 2011

Ann W. Evans
Chief School Administrator
Teri Scholing
Fiscal Specialist

12/19/11 Date
D. Carl A. Fralich Board Secretary/Business Administrator
12-14-2011 Date
[Signature] Provider

12/16/11 Date
12/14/11 Date