

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION

PATERSON INTERNAL AUDIT UNIT
EL MUNDO DEL NIÑO – A CHILD’S WORLD
2010-2011 FISCAL YEAR
FEBRUARY 2012

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
EL MUNDO DEL NIÑO
2010-2011 FISCAL YEAR**

Distribution List of Final Audit Report

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EXECUTIVE SUMMARY

The Paterson Internal Audit Unit conducted an audit of El Mundo Del Niño, 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 \$57,500.44.
- The auditors noted 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 El Mundo Del Niño 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 daycare 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 childcare 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 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.

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

Below is a summary of our findings:

EL MUNDO DEL NIÑO:

El Mundo del Niño is a non-profit childcare center providing services to the children of Paterson, New Jersey. The provider is part of Tri-County Youth Services, which is affiliated with the Catholic Charities Agency of the Diocese of Paterson. The center is located at 433 Main Street in Paterson and was budgeted to serve a total of 105 NJDOE children. The 2010-2011 approved budget totaled \$1,375,414.

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 \$57,500.44 (see exhibit A).

Recommendation:

The auditors recommend that the district recovers \$57,500.44 from this provider.

2. The auditors noted accounting irregularities.

The auditors noted the following accounting irregularities:

- The auditors disallowed expenses that were charged to the NJDOE totaling \$2,948.52. Examples include expenses totaling \$365.85 for an automobile lease charged to Office Equipment/Repair, various membership/partnership dues and fees totaling \$672.57 charged to Office Materials and Supplies, out of state travel totaling \$131.15 charged to Office Materials and Supplies, advertising expenses totaling \$473.45, and NAEYC related expenses and CARI fees totaling \$730.94 charged to

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Office Materials and Supplies. In addition, the provider charged late fees totaling \$37.76 to payroll preparation fees. All of these expenses were included in the totals on the expenditure report. These items are specifically mentioned in the expenditure guidance as disallowed.

- The general ledger and expenditure report contains postings of expenses totaling \$1,090.99 that are unrelated to the 2010-2011 NJDOE contract year. For instance, the provider posted a charge in the amount of \$968.42 to the building/grounds maintenance/repair line for a June 2010 invoice. The auditors disallowed those expenses.

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. The provider should only charge allowable admin/indirect costs to the NJDOE as per the expenditure guidance. Also, if any disallowed expenses are charged to the NJDOE in the current year they should be reclassified and charged to other funding.

3. Deficiencies 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 30 NJDOE employees employed by El Mundo del Niño during the audit period of July 2010 through June 2011, and found the following deficiencies:

- CHRI background checks were not on file for two former employees. One was a long term substitute who worked for the month of June, 2011. The other was a janitor who was terminated March 18th, 2011.
- CARI background checks were not on file for two former employees. One was a long term substitute who worked for the month of June, 2011. The other was a janitor who was terminated March 18th, 2011.
- Evidence of proper P-3 certification was not on file for the long term sub.
- TB test results were not on file for two former employees. One was a long term substitute who worked for the month of June, 2011. The other was a janitor who was terminated March 18th, 2011.

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Recommendation:

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

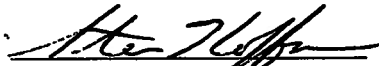
Auditors:

**Rashmi Rawtani
Patricia Sewak**

Submitted by:


**Daniel Sackner
Supervising Auditor**

Approved by:


**Steven Hoffmann
Coordinating Auditor**

Expense	Total Cost	YTD TOTAL PER PROVIDER REPORT	BUDGET TRANSFER	BUDGET MINUS YTD PER PROVIDER	AMOUNT DUE BACK FROM PROVIDER	YTD TOTAL PER AUDITORS	BUDGET MINUS YTD PER AUDITORS	VARIANCE - AMOUNT DUE BACK
EI Mundo Del Nino								
2010/2011 Fiscal Year								
Budget vs. Actual								
EDUCATIONAL PROGRAM COSTS								
Teacher Salary	\$347,389	\$335,057.00		\$12,332.00	\$12,332.00	\$334,895.18	\$12,493.84	\$12,493.84
Teacher Assistant Salary	\$195,982.00	\$195,983.00		-\$1.00		195,981.93	\$0.07	\$0.07
Floating Teacher Assistant Salary	\$34,631	\$30,711.00		\$3,920.17	\$3,920.17	\$34,631.17	\$0.00	\$0.00
Teacher/Assistant Teacher Benefits	136,525.60	\$136,526.00		-\$0.40		\$136,525.60	\$0.00	\$0.00
Substitute Teacher Stipend	\$11,550	\$20,507.00		-\$8,957.00		\$11,550.00	\$0.00	\$0.00
Substitute Assistant Teacher Stipend	\$9,000	\$4,807.00		\$4,193.00	\$4,193.00	\$7,575.00	\$1,425.00	\$1,425.00
Classroom Materials and Supplies	\$14,000	\$13,858.00		\$142.00	\$142.00	\$13,121.70	\$878.30	\$878.30
Classroom Technology	\$5,600	\$6,493.00		-\$893.00		\$5,600.00	\$0.00	\$0.00
Field Trips w/ Transportation	\$7,875	\$6,858.00		\$1,017.00	\$1,017.00	\$6,857.50	\$1,017.50	\$1,017.50
Family Worker Salary	\$46,225	\$38,239.00		\$7,985.57	\$7,985.57	\$38,239.29	\$7,985.28	\$7,985.28
Family Worker Benefits	\$21,329.17	\$25,576.00		-\$4,246.83		\$21,329.17	\$0.00	\$0.00
Food-Related Costs (CACFP participant, non-reimbursable costs)								
Food (for contracted preschool children only)	16,061.50	\$18,379.00		-\$2,317.50		\$16,061.50	\$0.00	\$0.00
Food Worker Salary (cook)	\$21,431.31	\$21,185.00		\$246.31	\$246.31	\$21,431.31	\$0.00	\$0.00
Food Worker Benefits (cook)	9,262.09	\$16,656.00		-\$7,393.91		\$9,262.09	\$0.00	\$0.00
Assistant Food Worker Salary (asst. cook)	2,907.50	\$3,266.00		-\$358.50		\$2,907.50	\$0.00	\$0.00
Assistant Food Worker Benefits (asst. cook)	\$0	\$0.00		\$0.00		\$0.00	\$0.00	\$0.00
Employer Payroll Taxes (For Educational Program Positions only)								
Social Security (6.20%)	\$41,485	\$38,610.00		\$2,875.16	\$2,875.16	\$38,941.35	\$2,543.81	\$2,543.81
Medicare (1.45%)	\$9,702	\$9,018.00		\$684.18	\$684.18	\$9,107.25	\$594.92	\$594.92
Unemployment (2.80%)	\$18,735	\$17,415.00		\$1,320.24	\$1,320.24	\$14,376.86	\$4,358.38	\$4,358.38
Disability (0.50%)	\$3,346	\$3,110.00		\$235.58	\$235.58	\$2,544.15	\$801.43	\$801.43
SUBTOTAL, Educational Program Costs	\$953,037	\$942,254.00		\$10,783.05	\$34,951.20	\$920,938.53	\$32,098.52	\$32,098.52
ADMINISTRATIVE SUPPORT AND INDIRECT COSTS								
SUPPORT COSTS								
Director Salary	\$46,502.20	\$51,951.00		-\$5,448.80		\$46,502.20	\$0.00	\$0.00
Director Benefits	\$11,435.39	\$16,582.00		-\$5,146.61		\$11,435.39	\$0.00	\$0.00
Clerical Salary	28,417.66	\$24,041.00		\$4,376.66	\$4,376.66	\$27,629.97	\$787.69	\$787.69
Clerical Benefits	\$7,644.74	\$7,697.00		-\$52.26		\$7,644.74	\$0.00	\$0.00
Custodian Salary	\$22,472	\$22,035.00		\$436.52	\$436.52	\$22,471.52	\$0.00	\$0.00
Custodian Benefits	\$8,854.33	\$10,083.00		-\$1,178.67		\$8,854.33	\$0.00	\$0.00
Social Security (6.20%)	\$6,038	\$6,078.00		-\$39.73		\$5,989.43	\$48.84	\$48.84
Medicare (1.45%)	\$1,412	\$1,421.00		-\$8.92		\$1,400.75	\$11.42	\$11.42
Unemployment (2.80%)	\$2,727	\$2,745.00		-\$18.04		\$2,356.79	\$370.17	\$370.17
Disability (0.50%)	\$487	\$490.00		-\$3.04		\$398.51	\$88.45	\$88.45
INDIRECT COSTS								
Rent, Mortgage, Other Space Costs	\$69,701	\$91,575.00		-\$21,874.45		\$69,700.54	\$0.00	\$0.00
Office Equipment->2000 and Repair	\$6,418	\$7,722.00		-\$1,303.63		\$6,418.37	\$0.00	\$0.00
Office Materials and Supplies	\$4,455	\$5,991.00		-\$1,535.90		\$3,967.22	\$487.88	\$487.88

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

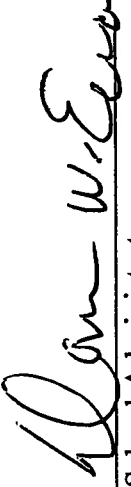
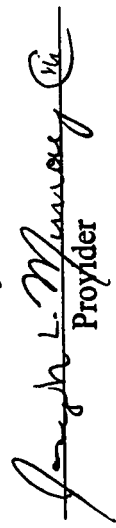
CAP# _____

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: April 4, 2012

PROVIDER CONTACT INFORMATION: Name of PROVIDER El Mundo del Niño NAME OF DIRECTOR Mr. Joseph Murray
Address of Provider 433 Main Street, Paterson, NJ 07501
TELEPHONE NUMBER 973-278-3110 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
1	NJ Department of Education Preschool Program. The Provider under spent \$57,500.44.	The Department of Early Childhood Education (DECE) will recover unspent funds of \$57,500.44 from the provider.	Reduce monthly tuition payments.	Susana Peron	January 2013

 Alan W. Egan 3/21/12 Date
 Chief School Administrator Board Secretary/Business Administrator
 Joseph L. Murray 3-19-2012 Date
 Fiscal Specialist Provider
3/21/12 Date
3/19/12 Date

NEW JERSEY DEPARTMENT OF EDUCATION
 OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE
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2	The auditors noted accounting irregularities.	The District will direct the provider to implement fiscal accounting controls that will provide accurate and complete disclosure of all financial activities. The provider will be directed to charge only allowable expenditures as per the expenditure guidance.	Continue to review the expenditure report to ensure accounting controls are in place.	Susana Peron	June 2012

Don W. Zera 3/21/12 DWE 3/21/12
 Chief School Administrator Date Board Secretary/Business Administrator Date
Toni Scholing 3-19-2012 Joseph L. Murray Jr 3/19/12
 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**

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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 for two former employees a substitute and a janitor.	The DECE will continue to do site visits to review the center's staff background checks and will continue to require that providers perform timely CHRI, and CARI background checks and TB tests.	Continue to perform centers' site visits and personnel file reviews.	Susana Peron	June 2012

Don W. Egan
Chief School Administrator
Tom Scholking
Fiscal Specialist

3-19-2012 Date
Joseph Murray Board Secretary/Business Administrator
Provider
3/21/12 Date
3/19/12 Date