

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION

PATERSON INTERNAL AUDIT UNIT

LOVE KIDS CARE II

2011-2012 FISCAL YEAR

NOVEMBER 2012

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
LOVE KIDS CARE II
2011-2012 FISCAL YEAR**

Distribution List of Final Audit Report

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Paterson Public Schools

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
LOVE KIDS CARE II
2011-2012 FISCAL YEAR**

EXECUTIVE SUMMARY

The Paterson Internal Audit Unit conducted an audit of Love Kids Care II (provider), a provider participating in the New Jersey Department of Education (NJDOE) Preschool Education Program, for compliance with the terms of the contract for the 2011-2012 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 \$12,368.69.
- The provider charged IRS penalties totaling \$2,420.63 to the NJDOE Preschool program.
- The auditors noted minor accounting errors.
- The auditors noted numerous outstanding checks as of year end, including items dated as far back as 2006.
- 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 the provider for the period September 2011 through June 2012. During this period, 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 provider 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.

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- 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.

LOVE KIDS CARE II

The provider is a non-profit childcare center providing services to the children of Paterson, New Jersey. The center is located at 526 Broadway in Paterson and was budgeted to serve a total of 30 NJDOE children. The 2011-2012 approved budget totaled \$409,559.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

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 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 the 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 \$12,368.69 (see exhibit A).

Recommendation:

The auditors recommend that the district recovers \$12,368.69 from this provider.

2. The provider charged IRS penalties totaling \$2,420.63 to the NJDOE Preschool program.

The provider received four notices totaling \$2,420.63 for penalties due to the fact the required federal employment tax deposits were not made in sufficient amounts by the required dates. The entire amount of these penalties was charged to the NJDOE to Office Materials and Supplies. The expenses were disallowed by the auditors.

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Recommendation:

The auditors recommend that the provider establishes sound fiscal controls aimed at ensuring the NJDOE funding is managed appropriately and IRS payments are disbursed timely and in accordance with IRS guidelines. The provider should only charge allowable administrative and indirect costs to NJDOE as per the expenditure guidance. Penalties should not be charged to the NJDOE. If any of these expenses are charged to NJDOE in the current year they should be reclassified and charged to other funding. In addition, the district should monitor this provider on a quarterly basis to ensure that payroll tax deposits are made on a timely basis.

3. The auditors noted minor accounting errors.

The auditors noted minor accounting errors. The following expenses totaling \$1,105 were disallowed by the auditors:

- CARI and daycare license fees totaling \$305 that were charged to office materials and supplies.
- Expenses totaling \$500 payable to the National Association for the Education of Young Children that were charged to office materials and supplies.
- An expense for \$300 charged to field trips for a church rental for graduation.

These expenses should not have been charged to the NJDOE and were disallowed by the auditors.

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 costs to the NJDOE.

4. The auditors noted numerous outstanding checks as of year end, including items dated as far back as 2006.

A proper bank reconciliation should include a list of outstanding checks. As of June 30, 2012 the provider has outstanding checks totaling \$60,857.77. This amount includes checks totaling \$32,441.11 dated between June 30, 2006 and June 23, 2011. Some of the vendors include the City of Paterson for \$9,106.41 and the State of NJ for \$8,671.21. Sound business practices require that checks over six months old be reviewed to determine why they never cleared the bank.

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2011-2012 FISCAL YEAR**

Recommendation:

The auditors recommend that the provider review all old outstanding checks and make necessary adjustments to their accounting records. Checks that will not clear should be written off in accordance with state law. In addition, the district should review the outstanding check list and consider recovering funds for any expenditure charged to the NJDOE preschool program which the provider cannot demonstrate that payment was made.

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

In accordance with the 2011-2012 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 TB skin test.

The auditors reviewed the personnel files for 14 NJDOE employees employed by the provider during the audit period of July 2011 through June 2012, and found the following deficiency:

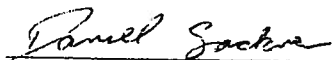
- TB test results were not on file for an employee who was both a teacher assistant and a substitute teacher assistant. The employee worked during May and June of 2012 and did not take a TB test.

Recommendation:

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

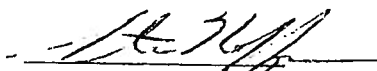
**Auditors:
Rashmi Rawtani**

Submitted by:



**Daniel Sackner
Supervising Auditor**

Approved by:



**Steven Hoffmann
Coordinating Auditor**

LOVE KIDS CARE II
BUDGET VS. ACTUAL
2011/2012 FISCAL YEAR

EXPENSE	QUANTITY	UNIT PRICE	UNIT AMOUNT	CLASSIFICATION	BUDGET TRANSFER	ADJ DOE BUDGET	YTD TOTAL PER PROVIDER EXPENDITURE REPORT	BUDGET MINUS YTD PER PROVIDER	AMOUNT DUE BACK FROM PROVIDER	YTD TOTAL PER AUDITORS	BUDGET MINUS YTD PER AUDITORS	VARIANCE AMOUNT DUE BACK
EDUCATIONAL PROGRAM COSTS												
Teacher Salary	2.00	\$	49,692	100.00%			\$99,384	\$0	\$0	99,384.00		
Teacher Assistant Salary	2.00	\$	26,636	100.00%			\$53,672	\$0	\$0	53,672.00		
Floating Teacher Assistant Salary	0.33	\$	24,005	100.00%			\$8,002	\$8,002	\$8,002	7,201.80	799.87	799.87
Teacher/Assistant Teacher Benefits	4.00	\$	9,471	100.00%			\$37,885	\$2,845	\$2,845	40,333.85	396.15	396.15
Substitute Teacher Stipend	2.00	\$	1,650	100.00%			\$3,300	\$-345	\$-345	3,300.00		
Substitute Assistant Teacher Stipend	2.33	\$	1,125	100.00%			\$2,625	\$-150	\$-150	2,625.00		
Classroom Materials and Supplies	2.00	\$	2,000	100.00%			\$4,000	\$-721	\$-721	4,000.00		
Classroom Technology	2.00	\$	800	100.00%			\$1,600	\$-112	\$-112	1,600.00		
Field Trips w/ Transportation	30.00	\$	75	100.00%			\$2,250	\$-118	\$-118	2,061.95	182.05	182.05
Family Worker Salary	1.00	\$	25,763	100.00%			\$25,763	\$5,387	\$5,387	20,376.19	5,387.09	5,387.09
Family Worker Benefits	1.00	\$	13,381	100.00%			\$13,381	\$-1,904	\$-1,904	11,439.62	37.17	37.17
Food-Related Costs (CACFP participant, non-reimbursable costs)												
Food (for contracted preschool children only)		\$	1,289	100.00%			\$1,289	\$-587	\$-587	1,288.56	0.96	0.96
Food Worker Salary (cook)	0.33	\$	15,888	100.00%			\$5,296	\$-1,056	\$-1,056	5,294.90		
Employer Payroll Taxes (For Educational Program Positions only)												
Social Security (6.20%)							\$12,279			11,894.94	383.65	383.65
Medicare (1.45%)							\$2,872			2,781.88	89.72	89.72
Unemployment (2.80%)							\$5,545			5,056.26	488.91	488.91
Disability (0.50%)							\$990			765.35	224.86	224.86
SUBTOTAL, Educational Program Costs							\$280,132			273,082.31	7,990.44	7,990.44
ADMINISTRATIVE SUPPORT AND INDIRECT COSTS												
Director Salary	1.00	\$	31,544	100.00%			\$31,544	\$0	\$0	31,544.20	0.19	0.19
Director Benefits	1.00	\$	12,837	100.00%			\$17,667	\$-4,830	\$-4,830	12,836.70		
Social Security (6.20%)							\$1,955.75			1,955.74	0.01	0.01
Medicare (1.45%)							\$457.39			457.39	0.00	0.00
Unemployment (2.80%)							\$883.24			883.24	0.00	0.00
Disability (0.50%)							\$157.72			151.50	6.22	6.22
INDIRECT COSTS												
Rent, Mortgage, Other Space Costs		\$	26,679	83.33%			\$22,231.77	\$-2,443	\$-2,443	22,231.77	(0.00)	(0.00)
Office Equipment-\$2000 and Repair		\$	5,704	83.33%			\$4,753.14	\$-2,377	\$-2,377	2,055.83	320.31	320.31
Office Materials and Supplies		\$	5,800	83.33%			\$4,833.14	\$1,236	\$6,069	4,127.84	1,941.30	1,941.30
Food-Related Paper Supplies		\$	600	83.33%			\$499.98	\$0	\$0	499.98		
Cleaning Supplies		\$	7,500	83.33%			\$6,249.75	\$-1,071	\$-1,071	5,178.75		
Building/Grounds Maintenance/Repair		\$	6,000	83.33%			\$4,999.80	\$-941	\$4,058.80	4,058.80		
Utilities		\$	6,783	83.33%			\$5,652.27	\$0	\$0	5,652.27		
Telecommunications Services		\$	2,500	83.33%			\$2,083.25	\$0	\$0	2,083.25		
Security		\$	1,500	83.33%			\$1,249.95	\$0	\$0	1,249.95		
Insurance		\$	9,000	83.33%			\$7,499.70	\$2,689	\$10,188.70	10,188.70		
Accounting Fees		\$	6,000	83.33%			\$4,999.80	\$-379	\$4,620.80	4,620.80		
Payroll Preparation Fees		\$	600	83.33%			\$499.98	\$-98	\$401.98	401.98		
Subtotal of Above Administrative Support and Indirect Costs							\$113,388			109,452.48	2,994.25	2,994.25
Other Approved Budgeted Costs												
Playground resurfacing (not increased \$7,000)							\$12,000	\$0	\$0	10,616.00	1,384.00	1,384.00
Classroom materials (not to exceed \$3,500)							\$3,440.80	\$0	\$0	3,440.80		
SUBTOTAL, Other Approved Budgeted Costs							\$15,441			14,056.80	1,384.00	1,384.00
PROVIDER PROGRAM TOTALS												
Total Cost							\$408,960					
DISTRICT ADJUSTMENTS (amounts withheld for items to be purchased by the district) FOR DISTRICT USE ONLY												
Teaching Strategies Gold assessment license			\$599				\$599	\$0	\$0	598.50		
Total Cost Less District Adjustments							\$409,559	\$0	\$0	\$416,434	\$-2,036	\$-2,036
Total								\$0	\$6,531	397,190.09	12,368.69	12,368.69

**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: Workshop: January 9, 2013 Regular Meeting: January 23, 2013

PROVIDER CONTACT INFORMATION: Name of PROVIDER Love Kids Care II NAME OF DIRECTOR Mr. Baswick Burt-Miller
Address of Provider 526 Broadway, Paterson NJ 07514
TELEPHONE NUMBER 973-684-1441 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
1	NJDOE Preschool Program	The District will recover unspent funds of \$12,368.69 from the Provider.	Reduce the tuition payments to the Provider.	Nancy Aguado-Holtje	June 2013

[Signature]
Chief School Administrator

[Signature]
Fiscal Specialist

[Signature]
Board Secretary/Business Administrator

[Signature]
Provider

12/31/12 Date
12-18-12 Date
1/25/13 Date

**NEW JERSEY DEPARTMENT OF EDUCATION
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE
EARLY CHILDHOOD EDUCATION LIMITED REVIEW RESPONSE
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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 # _____

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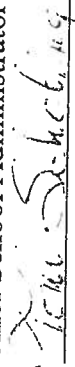
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TELEPHONE NUMBER 973-684-1441

FAX NUMBER _____


FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
2	The Provider charged IRS penalties totaling \$2,420.63 to the NJDOE Preschool program.	The District will direct the provider to establish sound fiscal controls in managing NJDOE funding. The District will ensure that IRS payments are made timely and penalties are not charged to NJDOE. The District will monitor payment of Payroll Taxes.	Continue to review the general ledger and bank statements for timely and proper payments.	Nancy Aguado-Holtje	June 2013


Chief School Administrator


Fiscal Specialist

12/31/12

Date


Board Secretary/Business Administrator

12-18-12

Date


Provider

1/25/13

Date

12-18-12

Date

**NEW JERSEY DEPARTMENT OF EDUCATION
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3	The auditors noted minor accounting errors.	The District will direct the Provider to implement fiscal controls and a self review procedure that will eliminate accounting errors.	Continue to review the general ledger and the expenditure report to ensure accounting controls are in place.	Nancy Aguado-Holtje	June 2013

Alan W. Egan
Chief School Administrator

15744 S. H. G. G. G.
Fiscal Specialist

W. D. G. G.
Board Secretary/Business Administrator

12/21/12
Date

B. A. B. B.
Provider

12-18-12
Date

1/25/13
Date
12-18-12
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)

DATE OF BOARD MEETING: Report of Examination - (Dated) _____ OFAC Case # _____
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4	The auditors noted numerous outstanding checks as of year end, including items dated as far back as 2006.	The District will direct the Provider to review and research old outstanding items on the bank reconciliation for ultimate clearance/write-off. The District will determine if uncleared items represent NJDOE funds. If so, the District will reclaim the uncleared/unspent funds.	Review uncleared items on the bank reconciliation.	Nancy Aguado-Holtje	June 2013

[Signature] Chief School Administrator
[Signature] Fiscal Specialist
[Signature] Board Secretary/Business Administrator
[Signature] Provider
 Date 12/21/12 Date 1/25/13
 Date 12-18-12 Date 12-18-12

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


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NAME OF SCHOOL DISTRICT PATERSON PUBLIC SCHOOL DISTRICT COUNTY: PASSAIC

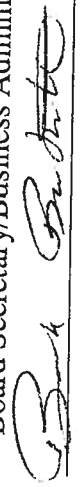
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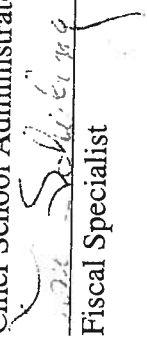
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5	Deficiencies noted in the review of required staff credentials.	The District will continue to do site visits and documentation reviews to ensure all required documentation is on file.	Continue site visits and documentation reviews.	Nancy Aguado-Holtje	June 2013

 _____
 Chief School Administrator
 Date 12/21/12

 _____
 Board Secretary/Business Administrator
 Date 12-18-12

 _____
 Provider
 Date 12-18-12

 _____
 Fiscal Specialist
 Date 1/15/13