

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION

PATERSON INTERNAL AUDIT UNIT

MEMORIAL DAY NURSERY

2009-2010 FISCAL YEAR

NOVEMBER 2010

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
MEMORIAL DAY NURSERY
2009-2010 FISCAL YEAR**

Distribution List of Final Audit Report

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New Jersey Department of Education

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Paterson Public Schools

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
MEMORIAL DAY NURSERY
2009-2010 FISCAL YEAR**

EXECUTIVE SUMMARY

The Paterson Internal Audit Unit conducted an audit of Memorial Day Nursery, 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 \$135,744.18.
- 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 Memorial Day Nursery 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 day care center had a current license.
- The DOE funded Preschool Program 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 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.

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Below is a summary of the audit findings:

MEMORIAL DAY NURSERY I AND II:

Memorial Day Nursery is a childcare center providing services to the children of Paterson, New Jersey. There are two locations for Memorial Day Nursery, which are located at 397 Grand Street and 238 Straight Street in Paterson. The provider's combined budget was to serve a total of 285 children. The combined approved budget totaled \$3,262,250.00.

1. DOE Preschool Program.

The Department of Education (DOE) funds the 6½ hour 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 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 contract.

The auditors noted several budget line items that were calculated as under spent, including:

- A special request for a playground for Site II was budgeted for \$25,000; however, nothing was spent.
- Field trips were budgeted at \$21,375; however, the auditors calculated the combined expenses totaling \$18,074. The auditors disallowed any field trips that were not on the approved field trip plan and that were not educationally appropriate. Examples included a trip to McDonalds, a movie, and a magic show.
- Administrative support and indirect costs for Site II were budgeted at \$433,338; however auditors calculated expenses totaling \$415,238.24.

Based on the results of this audit, the provider under spent the combined approved budget by \$ 135,744.18 (See exhibit A).

Recommendation:

The auditors recommend that the district recovers \$135,744.18 from this provider for the 2009-2010 fiscal year.

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

In accordance with the 2009-2010 Preschool Education Program Contract, providers must obtain the appropriate credential documentation, a CARI background check and a CHRI

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fingerprint background check for all staff members who will be working at the center on a regularly scheduled basis. 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. For the 2008-2009 school year the "Private Provider Expenditure Guidance" prepared by DOE requires that providers obtain waivers from any staff member who chooses to opt out of benefits coverage. The waivers must be signed annually and must indicate proof of insurance from another source.

The auditors reviewed the combined personnel files for 67 Memorial Day Nursery employees during the audit period of September 2009 to June 2010, and found the following deficiencies:

- The CHRI check was missing for the food worker assistant. The food work assistant was hired September 7, 2001 and was employed the entire audit period. The food worker assistant had an updated CHRI completed and the results were obtained November 19th, 2010.
- The CARI check was missing for the cook. The cook was hired on March 12, 2009; was employed the entire audit period. At the auditors request, a CARI background check was completed on October 21st, 2010.

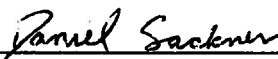
Recommendation:

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

Auditors:

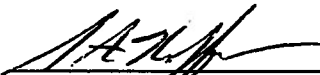
**Rashmi Rawtani
Patricia Sewak**

Submitted by:



**Daniel Sackner
Supervising Auditor**

Approved by:



**Steven Hoffmann
Coordinating Auditor**

Memorial Day I and II
2009/2010 Fiscal Year
Budget vs. Actual

Expense	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	SALARIES	BENEFITS	PAYROLL TAXES	ADMIN / INDIRECT
EDUCATIONAL PROGRAM COSTS										
Teacher Salary	\$985,640.00		\$10,351.97	\$985,660.52	\$10,131.45	\$10,131.45	\$985,860.52			
Teacher Assistant Salary	\$469,615.00	\$5,677.00	\$2,774.20	\$466,443.65	\$2,688.55	\$2,688.55	\$466,443.65			
Floating Teacher Assistant Salary	\$81,760.00		\$2,614.44	\$84,374.35	\$0.10	\$0.10	\$84,374.35			
Teacher/Assistant Teacher Benefits	\$373,347.00	-\$1,323.00	-\$8,142.00	\$357,507.90	\$7,697.10	\$7,697.10		\$357,507.90		
Substitute Teacher Stipend	\$32,333.00		-\$983.00	\$30,350.00	\$1,000.00	\$1,000.00				
Substitute Assistant Teacher Stipend	\$16,576.00		\$8,361.50	\$16,575.00	\$8,362.50	\$8,362.50				
Classroom Materials and Supplies	\$51,181.00	\$3,500.00	-\$9,681.00	\$28,500.00	\$9,500.00	\$9,500.00				
Classroom Technology	\$15,347.00		-\$147.00	\$15,196.39	\$3.61	\$3.61				
Startup Classroom Materials and Supplies	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00				
Startup Classroom Technology	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00				
Field Trips w/ Transportation	\$21,366.00		\$9.00	\$18,074.00	\$3,301.00	\$3,301.00				
Family Worker Salary	\$145,881.00		\$691.07	\$145,361.66	\$1,210.41	\$1,210.41	\$145,361.66			
Family Worker Benefits	\$14,408.00	-\$8,000.00	\$12,288.00	\$16,578.45	\$10,117.55	\$10,117.55		\$16,578.45		
Expense										
Food-Related Costs (CACFP participant, non-reimbursable costs)										
Food (for contracted preschool children only)	\$33,100.00		\$0.34	\$33,100.11	\$0.23	\$0.23				
Food Worker Salary (cook)	\$43,840.00	-\$9,216.00	\$812.94	\$34,159.51	\$464.43	\$464.43	\$34,159.51			
Food Worker Benefits (cook)	\$10,338.00		\$3,572.00	\$5,924.69	\$4,413.31	\$4,413.31		\$5,924.69		
Assistant Food Worker Salary (asst. cook)	\$20,485.00		\$3,376.48	\$18,485.24	\$2,000.24	\$2,000.24	\$18,485.24			
Assistant Food Worker Benefits (asst. cook)	\$7,711.00		\$7,286.00	\$512.33	\$7,188.67	\$7,188.67		\$512.33		
Employer Payroll Taxes (For Educational Program Positions only)										
Social Security (6.20%)	\$112,836.00		\$5,657.32	\$107,550.47	\$5,285.85	\$5,285.85			\$107,550.47	
Medicare (1.45%)	\$26,369.00		\$1,327.14	\$25,152.83	\$1,236.21	\$1,236.21			\$25,152.83	
Unemployment (2.80%)	\$50,958.00		\$5,919.34	\$35,862.77	\$15,085.56	\$15,085.56			\$35,862.77	
Disability (0.50%)	\$9,100.00		\$4,975.70	\$4,062.56	\$5,037.14	\$5,037.14			\$4,062.56	
SUBTOTAL Educational Program Costs	\$2,546,172.00		\$51,074.44	\$2,429,632.53	\$92,323.91	\$92,323.91	\$1,734,684.93	\$380,623.36	\$172,928.73	
Expense										
ADMINISTRATIVE SUPPORT AND INDIRECT COSTS										
SUPPORT COSTS										
Director Salary	\$93,305.00		\$1,707.37	\$44,361.71	\$50,650.66	\$50,650.66	\$90,292.08			\$90,292.08
Director Benefits	\$4,819.00	-\$393.00	\$8,971.33	\$3,472.51	\$10,317.82	\$10,317.82		\$4,701.36		\$4,701.36
Clerical Salary	\$70,737.00		-\$2.00	\$35,368.00	\$35,368.00	\$35,368.00	\$70,735.00			\$70,735.00
Clerical Benefits	\$12,935.00		\$8,565.00	\$3,038.09	\$9,896.91	\$9,896.91		\$4,049.21		\$4,049.21
Custodian Salary	\$68,180.00		\$5,007.92	\$48,426.00	\$19,753.92	\$19,753.92	\$68,180.00			\$68,180.00
Custodian Benefits	\$12,387.00		\$2,183.00	\$3,822.90	\$9,574.10	\$9,574.10		\$11,745.88		\$11,745.88
Social Security (6.20%)	\$14,503.00		\$416.49	\$7,845.59	\$6,557.90	\$6,557.90		\$14,210.84		\$14,210.84
Medicare (1.45%)	\$6,550.00		\$88.95	\$1,856.24	\$1,533.70	\$1,533.70		\$3,323.50		\$3,323.50
Unemployment (2.80%)	\$6,550.00		\$993.96	\$3,123.26	\$3,426.70	\$3,426.70		\$5,507.57		\$5,507.57
Disability (0.50%)	\$1,170.00		\$175.64	\$362.41	\$807.23	\$807.23		\$639.45		\$639.45

**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 Memorial Day and Memorial Day II
NAME OF DIRECTOR Gina Johnson
Address of Provider: 397 Grand Street Paterson, NJ 07505

TELEPHONE NUMBER (973) 742-3295 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTAT ION
1	DOE Preschool Program unexpended funds	The District will recover unexpended funds of \$135,744.18 from the Provider.	Reduce monthly tuition payments to the centers.	Susana Peron	June 30, 2011

Gina W. Egan 1/24/11 Date
Chief School Administrator
Tom Schabing 12-22-10 Date
Fiscal Specialist
Board Secretary/Business Administrator
Date
Date
Provider

1-5-11
Date

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OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE
EARLY CHILDHOOD EDUCATION LIMITED REVIEW RESPONSE
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2	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 Providers perform timely CHRI and CARI background checks.	Continue to do site visits and review staff documentation of background checks.	Susana Peron	June 30, 2011

Dan W. Egan 1/24/11 Date
 Chief School Administrator
Tom Schelling 12-22-10 Date
 Fiscal Specialist
Joseph R. ... 1/28/11 Date
 Board Secretary/Business Administrator
 _____ Date
 Provider