

**STATE OF NEW JERSEY**  
**DEPARTMENT OF EDUCATION**

**PATERSON INTERNAL AUDIT UNIT**

**PATERSON DAY CARE 100**

**2010-2011 FISCAL YEAR**

**FEBRUARY 2012**

**NEW JERSEY DEPARTMENT OF EDUCATION  
PATERSON INTERNAL AUDIT UNIT  
PATERSON DAY CARE 100  
2010-2011 FISCAL YEAR**

**Distribution List of Final Audit Report**

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Paterson Public Schools

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New Jersey Department of Education

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Paterson Public Schools

**NEW JERSEY DEPARTMENT OF EDUCATION  
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PATERSON DAY CARE 100  
2010-2011 FISCAL YEAR**

**EXECUTIVE SUMMARY**

The Paterson Internal Audit Unit conducted an audit of Paterson Day Care 100, 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 \$74,376.56.
- The auditors noted accounting irregularities.
- The auditors found evidence of the provider's lack of fiscal controls.

**DETAILED FINDINGS**

The Paterson Internal Audit Unit reviewed the financial records and supporting documentation in accordance with the executed contract for Paterson Day Care 100 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 (CARD) 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:

**PATERSON DAY CARE 100:**

Paterson Day Care 100 is a non-profit childcare center providing services to the children of Paterson, New Jersey. The center is located at 363 Broadway in Paterson and was budgeted to serve a total of 180 NJDOE children. In addition, the provider has one non-DOE classroom which was not disclosed to the district when the original budget was prepared. That budget was subsequently revised and the 2010-2011 approved budget totaled \$1,980,288.

**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 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 \$74,376.56 (see exhibit A).

**Recommendation:**

The auditors recommend that the district recovers \$74,376.56 from this provider.

**2. The auditors noted accounting irregularities.**

The auditors noted the following accounting irregularities:

- The general ledger and expenditure report contains postings of expenses that are unrelated to the 2010-2011 NJDOE contract year. For instance, credit card statements from Home Depot and Staples included a prior year balance that rolled forward which was disallowed by auditors. Auditors allowed only current purchases and not actual amounts paid.

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- Non salary expenses were incorrectly allocated to the NJDOE. The totals for the indirect costs on the expenditure report did not take into account both of the required allocation percentages (75.51% and 93.75%). The provider only reduced the expenses by 75.51%.
- The auditor noted several expenses that were incorrectly charged in the general ledger and expenditure report. One example was an expense totaling \$2,460 charged to classroom materials and supplies that should have been charged to field trips.

**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.

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


The auditors found evidence of finance charges, late fees, and partial payments:

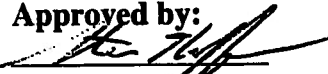
- The auditors noted finance charges totaling \$1,592.99 and late fees totaling \$725.21 which were allocated to the NJDOE by the provider. These charges and fees are a result of partial payments made to Home Depot, Staples, Office Depot and PSE&G. The auditors disallowed those fees.

**Recommendation:**

The auditors recommend that the provider establishes sound fiscal controls aimed at ensuring that the NJDOE funding is managed appropriately and vendor payments are disbursed timely. The provider should only charge allowable administrative and indirect costs to the NJDOE as per the expenditure guidance. Finance charges and late fees should not be charged to the NJDOE. If any of the expenses are charged to the NJDOE in the current year they should be reclassified and charged to other funding.

**Auditors:**  
**Rashmi Rawtani**  
**Patricia Sewak**

**Submitted by:**  
  
**Daniel Sackner**  
**Supervising Auditor**

**Approved by:**  
  
**Steven Hoffmann**  
**Coordinating Auditor**

Waterson Day Care 100

10/2011 Fiscal Year

Budget vs. Actual

Expense	Total Cost	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
<b>EDUCATIONAL PROGRAM COSTS</b>							
Teacher Salary	\$594,025	\$584,692.00	\$9,333.00	\$9,333.00	\$586,055.99	\$7,969.01	\$7,969.01
Teacher Assistant Salary	\$320,628	\$315,710.00	\$4,918.00	\$4,918.00	\$316,276.66	\$4,351.34	\$4,351.34
Floating Teacher Assistant Salary	\$51,627	\$49,015.00	\$2,612.00	\$2,612.00	\$49,016.40	\$2,610.60	\$2,610.60
Teacher/Assistant Teacher Benefits	\$234,010	\$252,085.00	(\$18,075.00)		\$234,010.00	\$0.00	\$0.00
Substitute Teacher Stipend	\$19,800	\$20,884.00	(\$1,084.00)		\$8,140.00	\$11,660.00	\$11,660.00
Substitute Assistant Teacher Stipend	\$15,750	\$19,737.00	(\$3,987.00)		\$8,265.00	\$7,485.00	\$7,485.00
Classroom Materials and Supplies	\$24,000	\$30,133.00	(\$6,133.00)		\$24,000.00	\$0.00	\$0.00
Classroom Technology	\$9,600	\$8,921.00	\$679.00	\$679.00	\$6,197.74	\$3,402.26	\$3,402.26
Field Trips w/ Transportation	\$13,500	\$15,997.00	(\$2,497.00)		\$13,500.00	\$0.00	\$0.00
Family Worker Salary	\$93,199	\$93,870.00	(\$671.12)		\$92,169.21	\$1,029.67	\$1,029.67
Family Worker Benefits	\$20,878	\$30,384.00	(\$9,506.31)		\$20,877.69	\$0.00	\$0.00
<b>Food-Related Costs (CACFP participant, non-reimbursable costs)</b>							
Food (for contracted preschool children only)	\$14,806	\$41,228.00	(\$26,422.16)			\$14,805.84	\$14,805.84
Food Worker Salary (cook)	\$20,889	\$20,890.00	(\$0.96)		\$20,889.00	\$0.04	\$0.04
Food Worker Benefits (cook)	\$6,424	\$10,124.00	(\$3,699.99)		\$6,424.01	\$0.00	\$0.00
Assistant Food Worker Salary (asst. cook)	\$16,192	\$17,557.00	(\$1,364.69)		\$15,921.50	\$370.81	\$370.81
Assistant Food Worker Benefits (asst. cook)	\$6,424	\$10,180.00	(\$3,755.99)		\$6,424.01	\$0.00	\$0.00
<b>Employer Payroll Taxes (For Educational Program Positions only)</b>							
Social Security (6.20%)	\$70,191	\$65,979.00	\$4,211.83	\$4,211.83	\$67,991.29	\$2,199.54	\$2,199.54
Medicare (1.45%)	\$16,416	\$15,431.00	\$984.60	\$984.60	\$15,901.19	\$514.41	\$514.41
Unemployment (2.80%)	\$31,699	\$29,797.00	\$1,902.09	\$1,902.09	\$27,396.34	\$4,302.75	\$4,302.75
Disability (0.50%)	\$5,661	\$5,321.00	\$339.55	\$339.55	\$5,656.32	\$4.23	\$4.23
<b>SUBTOTAL, Educational Program Costs</b>	<b>\$1,585,718</b>	<b>\$1,637,935.00</b>	<b>(\$52,217.15)</b>	<b>\$24,980.07</b>	<b>\$1,525,012.36</b>	<b>\$60,705.50</b>	<b>\$60,705.50</b>
<b>ADMINISTRATIVE SUPPORT AND INDIRECT COSTS</b>							
<b>SUPPORT COSTS</b>							
Director Salary	70,479.34	\$75,180.00	(\$4,700.66)		\$70,479.34	(\$0.00)	(\$0.00)
Director Benefits	\$6,060	\$10,104.00	(\$4,043.61)		\$6,060.39	(\$0.00)	(\$0.00)
Clerical Salary	\$39,496.88	\$41,803.00	(\$2,306.13)		\$39,496.88	\$0.00	\$0.00
Clerical Benefits	\$15,414	\$18,379.00	(\$2,965.05)		\$15,413.95	\$0.00	\$0.00
Custodian Salary	\$20,114	\$21,013.00	(\$898.94)		\$20,114.06	\$0.00	\$0.00
Custodian Benefits	\$6,023	\$9,320.00	(\$3,297.49)		\$6,022.51	\$0.00	\$0.00
Social Security (6.20%)	\$8,066	\$8,556.00	(\$490.40)		\$8,065.60	(\$0.00)	(\$0.00)
Medicare (1.45%)	\$1,886	\$2,001.00	(\$114.69)		\$1,886.31	(\$0.00)	(\$0.00)

Expense	Total Cost	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
Unemployment (2.80%)	\$3,643	\$3,864.00	(\$221.47)		\$2,721.91	\$920.62	\$920.62
Disability (0.50%)	\$650	\$690.00	(\$39.55)		\$562.03	\$88.42	\$88.42
<b>INDIRECT COSTS</b>							
Rent, Mortgage, Other Space Costs	\$33,980	\$34,407.00	(\$427.41)		\$32,256.57	\$1,723.02	\$1,723.02
Office Equipment > \$2000 and Repair	\$1,416	\$1,300.00	\$115.82	\$115.82	\$1,191.41	\$224.41	\$224.41
Office Materials and Supplies	\$4,247	\$6,069.00	(\$1,821.55)		\$4,247.45	(\$0.00)	(\$0.00)
Food-Related Paper Supplies	3,539.54	\$9,311.00	(\$5,771.46)		\$3,539.54	\$0.00	\$0.00
Cleaning Supplies	\$3,540	\$3,198.00	\$341.54	\$341.54	\$2,253.59	\$1,285.95	\$1,285.95
Food for Meetings	\$1,274	\$2,249.00	(\$974.77)		\$1,274.23	\$0.00	\$0.00
Building/Grounds Maintenance/Repair	\$24,646	\$24,723.00	(\$77.18)		\$20,734.01	\$3,911.81	\$3,911.81
Utilities	\$11,327	\$21,561.00	(\$10,234.47)		\$11,326.53	\$0.00	\$0.00
Telecommunications Services	\$4,601	\$5,318.00	(\$716.60)		\$4,601.40	\$0.00	\$0.00
Insurance	\$42,828	\$42,807.00	\$21.44	\$21.44	\$37,311.63	\$5,516.82	\$5,516.82
Accounting Fees	\$21,237	\$25,081.00	(\$3,843.76)		\$21,237.24	\$0.00	\$0.00
Payroll Preparation Fees	\$5,663	\$10,524.00	(\$4,860.73)		\$5,663.27	(\$0.00)	(\$0.00)
<b>Subtotal of Above Administrative Support and Indirect Costs</b>	<b>\$330,131</b>	<b>\$377,458.00</b>	<b>(\$47,327.11)</b>	<b>\$478.80</b>	<b>\$319,458.83</b>	<b>\$13,671.06</b>	<b>\$13,671.06</b>
Additional teacher and assistant teacher benefit funds (\$2,368 per person)	\$61,568	\$61,568.00	\$0.00		\$61,568.00	\$0.00	\$0.00
<b>SUBTOTAL, Other Approved Budgeted Costs</b>	<b>\$61,568</b>						
<b>Total Cost</b>	<b>\$1,977,417</b>	<b>\$2,076,961.00</b>					
<b>DISTRICT ADJUSTMENTS (amounts withheld for items to be purchased by the district) FOR DISTRICT USE ONLY</b>							
Creative Curriculum.net license	\$2,871	\$2,921.00	(\$50.00)		\$2,871.00	\$0.00	\$0.00
<b>Total Cost Less District Adjustments</b>	<b>\$1,980,288</b>	<b>\$2,079,882.00</b>					
<b>TOTAL</b>			<b>(\$99,594.26)</b>	<b>\$25,458.87</b>	<b>\$1,905,911.19</b>	<b>\$74,376.56</b>	<b>\$74,376.56</b>

**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 Paterson Day Care 100 NAME OF DIRECTOR Ms. Suzanne Powell  
Address of Provider 363 Broadway, Paterson NJ 07501  
TELEPHONE NUMBER 973-278-5200 FAX NUMBER \_\_\_\_\_

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
1	NJ Department of Education Program. The Provider under spent budget by \$74,376.56.	The Department of Early Childhood Education (DECE) will recover unspent funds of \$74,376.56 from the provider.	Reduce monthly tuition payments.	Susana Peron	January 2013

Alan Wilson 3/21/12 Date  
Chief School Administrator  
Edna Scholig 3/21/12 Date  
Fiscal Specialist  
Board Secretary/Business Administrator  
Provider  
Date

Filed on appeal concerning Findings



**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

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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 implement fiscal accounting controls that will provide accurate and complete disclosure of all financial activities. Including: allocate and charge expenses accurately in the quarterly reports. The DECE will review the quarterly reports on a timely basis and will make timely adjustments.	Continue to review the expenditure report to ensure accounting controls are in place.	Susana Peron	December 2012

[Signature]  
Chief School Administrator  
[Signature]  
Fiscal Specialist

[Signature]  
Board Secretary/Business Administrator  
[Signature]  
Provider

3/21/12 Date  
3/19/12 Date

File an appeal concerning Findings

**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 Paterson Day Care 100 NAME OF DIRECTOR Ms. Suzanne Powell  
Address of Provider 363 Broadway, Paterson NJ 07501

TELEPHONE NUMBER 973-278-5200 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 DECE will direct the provider to establish fiscal controls in managing NJ Department of Education (DOE) funding. The DECE will direct the provider to comply with the DOE expenditure guidance. Late fees and finance charges must be charged to other funding sources.	Continue to review the expenditure reports to ensure DOE guidelines are followed.	Susana Peron	December 2012

Don W. Egan 3/21/12 Date  
Chief School Administrator Board Secretary/Business Administrator

Emi Scholting \_\_\_\_\_ Date  
Fiscal Specialist Provider

*File on appeal  
re: Corrine Findings*