

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION

PATERSON INTERNAL AUDIT UNIT
PATERSON ECUMENICAL PRESCHOOL
2010-2011 FISCAL YEAR
NOVEMBER 2011

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
PATERSON ECUMENICAL PRESCHOOL
2010-2011 FISCAL YEAR**

Distribution List of Final Audit Report

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Paterson Public Schools**

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EXECUTIVE SUMMARY

The Paterson Internal Audit Unit conducted an audit of Paterson Ecumenical Preschool, 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. The district did not renew its contract with this provider for the 2011-2012 fiscal year and apparently the provider is no longer in business. In addition, the provider failed to submit the required expenditure report and only submitted payroll and benefits information for the fourth quarter. The auditors were able to contact the provider to request additional documentation; however, the provider failed to submit the documentation that was requested. Follow up telephone calls made to the provider were never returned. Accordingly, the audit numbers are based solely on data that could be verified by the auditors.

As a result of the audit, the auditors noted the following:

- o The provider failed to provide all required documentation supporting expenditures of NJDOE Preschool Education Program funds. As a result, the provider owes the district a balance of \$110,604.31.
- o As of the quarter ending March 31, 2011, the provider owed payroll taxes to the State of New Jersey in the amount of \$4,550.23.
- o Deficiencies noted in the review of personnel files.
- o The provider failed to prepare and submit the required field trip plan.
- o The provider failed to submit proof of Employee Fidelity Bond Insurance.

DETAILED FINDINGS

The Paterson Internal Audit Unit reviewed the financial records and supporting documentation in accordance with the executed contract for Paterson Ecumenical Preschool 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:

- o The day care center had a current license.
- o 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

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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 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 the audit findings:

PATERSON ECUMENICAL PRESCHOOL:

Paterson Ecumenical Preschool is a non-profit childcare center providing services to the children of Paterson, New Jersey. The center is located at 1 Market Street in Paterson and was budgeted to serve a total of 60 NJDOE children. The 2010-2011 approved budget totaled \$680,057. However; the provider served less than the contracted number of children for October 2010 and therefore the district withheld a total of \$9,067.32 from their budget.

1. DOE Preschool Program.

The NJDOE funds the six hour and 55 minute day 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 Paterson Department of Early Childhood Education shall, based on their review of the quarterly expenditure reports, make prorated adjustments to subsequent monthly payments through the duration of the NJDOE contract.

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Based on the failure of the provider to submit supporting documentation as required by the contract the auditors have determined that \$110,604.31 (See exhibit A) of NJDOE Preschool Education Program funds be refunded.

Recommendation:

The auditors recommend that the district Department of Early Childhood Education consider the feasibility of pursuing the recovery of \$110,604.31 from the provider either on their own or by using the services of the districts' Legal Department.

2. **As of the quarter ending March 31, 2011, the provider owed payroll taxes to the State of New Jersey in the amount of \$4,550.23.**

The provider is required to file both federal and state payroll tax returns on a quarterly basis. Beginning with the quarter ending September 30, 2010 the provider was reporting a balance due on form NJ-927-W (Employer's Quarterly Report). As of March 31, 2011 the balance escalated to \$4,550.23. The provider failed to provide auditors with any documentation to show that back taxes have been paid.

Recommendation:

The auditors recommend that the district Department of Early Childhood Education verify that payroll taxes are paid in a timely manner for all providers.

3. **Deficiencies noted in the review of personnel files.**

In accordance to the 2010-2011 NJDOE Preschool contract, the district shall verify the credentials and progress toward obtaining the appropriate certification or credentials, where applicable, of all preschool teaching staff in a Provider and shall verify that all required background and criminal checks on all employees have been conducted.

Due to the fact that the provider is apparently no longer in business, the auditors were unable to verify the credentials and background checks for the 14 NJDOE employees employed by the provider during the audit period of September 2010 to June 2011. However; using information obtained from a prior audit of this provider and information provided from the Department of Early Childhood Education, the auditors noted that the CHRI and CARI was not on file with the Department of Early Childhood Education for one floating assistant teacher.

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Recommendation:

The auditors recommend that the district Department of Early Childhood Education verify the required credentials and background checks annually to ensure compliance with the terms of the NJDOE Preschool Contract.

4. The provider failed to prepare and submit the required field trip plan.

The "Private Provider One-Year Budget Planning Workbook Instructions School Year 2010-2011" states on page 8 that "Each private provider must submit a field trip plan to their contracting district as part of the budget submission. The plan must detail each trip by destination and projected cost. Each trip must be justified by an explanation of how it will be integrated with classroom activities and the district's comprehensive preschool curriculum. The plan must adhere to the *Preschool Teaching and Learning Expectations: Standards of Quality* and Field Trip Guidance issued by the Division of Early Childhood Education. The provider did not prepare and submit this required information.

Recommendation:

The auditors recommend that the district Department of Early Childhood Education require all providers to prepare and submit this information as required by the NJDOE. The Department of Early Childhood Education should consider implementing policies and procedures to penalize providers for not submitting documentation that is requested.

5. Contract non-renewal.

For reasons including fiscal instability, failure to provide a program during the summer months, poor academic performance of graduating four year olds, and the late submission of required documentation, the district did not renew the preschool program contract for the 2011-2012 school year. Section IX, letter f on page 18 of the 2010-2011 contract states that "Upon non-renewal, the District shall recover from the Provider all playground materials, playground equipment both installed and uninstalled, start-up classroom materials and start-up classroom technology or the monetary equivalent thereof. The amount to be recovered shall be at least equal to the amount approved for the initial start-up costs". As part of the close out process, an equipment and material inventory should be taken on non consumable items purchased with NJDOE funds to determine which items or their monetary equivalent needed to be returned to the district. The 2010-2011 guidance states the district may require providers to supply an inventory of each NJDOE-funded classroom for each quarter to demonstrate that appropriate materials and supplies and classroom technology are present in each classroom. The District does not require the providers to supply these inventories. The district did recover curriculum and assessment books.

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Recommendation:

The auditors recommend that the district require all providers to submit the above mentioned inventories. These inventories could be used as a source document of recoverable items should the district not renew the contract. The district should review the expenditure reports for the past few years to determine what may be recoverable. If possible, the district should pursue recovery of these items or their monetary equivalent.

6. The provider failed to submit proof of Employee Fidelity Bond Insurance.


Providers are required to procure and maintain Fidelity Bond Insurance which insures against employee's dishonest acts. The amount of the bond is based on a percentage of the approved budget. The provider failed to comply with requests made by the Paterson Department of Early Childhood Education to submit a copy of proof of fidelity bond coverage for the 2010-2011 fiscal year.

Recommendation:

The auditors recommend that the district Department of Early Childhood Education ensure that the required proof of insurance is on file for all providers. The Department of Early Childhood Education should consider implementing policies and procedures to penalize providers for not submitting documentation that is requested.

Auditors:
Patricia Sewak

Submitted by:


Daniel Sackner
Supervising Auditor

Approved by:


Steven Hoffmann
Coordinating Auditor

Paterson Ecumenical 2010/2011 Fiscal Year Budget vs. Actual							
Expense	Total Cost	PROVIDER EXPENDITURE REPORT	BUDGET TRANSFER	BUDGET MINUS YTD PER PROVIDER	YTD TOTAL PER AUDITORS	BUDGET MINUS YTD PER AUDITORS	VARIANCE - AMOUNT DUE BACK
EDUCATIONAL PROGRAM COSTS							
Teacher Salary	\$197,748	\$137,710.00		\$60,038.00	\$197,748.00	\$0.00	\$0.00
Teacher Assistant Salary	\$95,257	\$85,430.00		\$29,827.00	\$92,922.97	\$2,334.03	\$2,334.03
Floating Teacher Assistant Salary	\$23,824	\$11,646.00		\$12,179.00	\$18,994.68	\$6,829.32	\$6,829.32
Teacher/Assistant Teacher Benefits	\$81,824	\$60,208.00		\$21,618.49	\$75,566.67	\$8,257.82	\$8,257.82
Substitute Teacher Stipend	\$6,600	\$0.00		\$6,600.00	\$0.00	\$6,600.00	\$6,600.00
Substitute Assistant Teacher Stipend	\$5,625	\$0.00		\$5,625.00	\$0.00	\$5,625.00	\$5,625.00
Classroom Materials and Supplies	\$8,000	\$583.00		\$7,437.00	\$0.00	\$8,000.00	\$8,000.00
Classroom Technology	\$3,200	\$224.00		\$2,976.00	\$0.00	\$3,200.00	\$3,200.00
Field Trips w/ Transportation	\$4,500	\$0.00		\$4,500.00	\$0.00	\$4,500.00	\$4,500.00
Family Worker Salary	\$30,340	\$21,075.00		\$9,264.60	\$26,217.55	\$4,122.05	\$4,122.05
Family Worker Benefits	\$6,868	\$3,811.00		\$2,846.68	\$8,617.03	\$40.55	\$40.55
Food-Related Costs (CACFP participant, non-reimbursable costs)							
Food (for contracted preschool children only)	\$8,818	\$11,054.00		-\$2,436.30	\$0.00	\$8,817.70	\$8,817.70
Food Worker Salary (cook)	\$9,722	\$6,692.00		\$3,030.40	\$9,722.40	-\$0.01	-\$0.01
Food Worker Benefits (cook)	\$2,921	\$2,830.00		\$90.60	\$2,920.60	\$0.00	\$0.00
Assistant Food Worker Salary (asst. cook)	\$0	\$0.00		\$0.00	\$0.00	\$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%)	\$22,885	\$15,029.00		\$7,856.19	\$21,303.55	\$1,581.64	\$1,581.64
Medicare (1.45%)	\$5,352	\$3,617.00		\$1,835.18	\$4,982.28	\$389.80	\$389.80
Unemployment (2.80%)	\$10,935	\$3,632.00		\$6,703.25	\$7,808.78	\$2,726.49	\$2,726.49
Disability (0.50%)	\$1,846	\$186.00		\$1,680.58	\$1,321.28	\$524.29	\$524.29
SUBTOTAL Educational Program Costs	\$626,256	\$343,583.00		\$181,671.68	\$463,926.78	\$61,328.78	\$61,328.78
ADMINISTRATIVE SUPPORT AND INDIRECT COSTS							
SUPPORT COSTS							
Director Salary	\$33,172	\$28,698.00		\$4,473.83	\$33,171.83	\$0.00	\$0.00
Director Benefits	\$4,423	\$3,482.00		\$961.01	\$4,423.01	\$0.00	\$0.00
Clerical Salary	\$18,821	\$15,749.00		\$4,071.72	\$19,820.72	\$0.00	\$0.00
Clerical Benefits	\$0,151	\$4,589.00		\$1,581.64	\$6,150.84	\$0.00	\$0.00
Custodian Salary	\$0	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00
Custodian Benefits	\$0	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00
Social Security (6.20%)	\$3,286	\$2,754.00		\$531.53	\$3,285.53	\$0.00	\$0.00
Medicare (1.45%)	\$768	\$644.00		\$124.39	\$768.39	\$0.00	\$0.00
Unemployment (2.80%)	\$1,484	\$688.00		\$795.79	\$1,409.29	\$74.49	\$74.49
Disability (0.50%)	\$265	\$33.00		\$231.98	\$247.10	\$17.86	\$17.86
INDIRECT COSTS							
Rent, Mortgage, Other Space Costs	\$29,100	\$30,582.00		-\$1,481.60	\$27,183.60	\$1,916.80	\$1,916.80
Office Equipment-\$2000 and Repair	\$1,510	\$1,882.00		-\$371.80	\$0.00	\$1,510.20	\$1,510.20
Office Materials and Supplies	\$5,286	\$1,877.00		\$3,608.71	\$0.00	\$5,285.71	\$5,285.71
Food-Related Paper Supplies	\$1,888	\$1,087.00		\$800.78	\$0.00	\$1,887.78	\$1,887.78
Cleaning Supplies	\$755	\$188.00		\$567.10	\$0.00	\$755.10	\$755.10
Food for Meetings	\$0	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00
Building/Grounds Maintenance/Repair	\$11,327	\$10,219.00		\$1,107.53	\$0.00	\$11,328.53	\$11,328.53
Utilities	\$5,286	\$4,008.00		\$1,279.71	\$0.00	\$5,285.71	\$5,285.71
Telecommunications Services	\$2,285	\$595.00		\$1,670.31	\$0.00	\$2,285.31	\$2,285.31
Security	\$844	\$749.00		\$95.20	\$0.00	\$844.20	\$844.20
Insurance	\$18,878	\$7,528.00		\$11,349.55	\$0.00	\$18,877.55	\$18,877.55
Accounting Fees	\$3,681	\$2,832.00		\$849.12	\$0.00	\$3,681.12	\$3,681.12
Payroll Preparation Fees	\$3,418	\$2,372.00		\$1,045.59	\$0.00	\$3,417.59	\$3,417.59
Subtotal of Above Administrative Support and Ind	\$163,608	\$120,314.00		\$33,291.88	\$96,459.91	\$67,145.95	\$67,145.95
PROVIDER PROGRAM TOTALS							
Total Cost	\$878,880	\$463,897.00					
DISTRICT ADJUSTMENTS (amounts withheld for items to be purchased by the district FOR DISTRICT USE ONLY)							
Creative Curriculum.net license	\$1,197	\$0.00		\$1,197.00	\$0.00	\$1,197.00	\$1,197.00
TOTAL		\$463,897.00		\$216,160.42	\$560,385.69	\$119,671.73	\$119,671.73
LOW LEVEL OF SERVICE AMOUNT						\$9,067.42	\$9,067.42
AMOUNT DUE BACK						\$110,604.31	\$110,604.31

**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 Paterson Ecumenical Preschool
NAME OF DIRECTOR Ms. Elsie Whorley
Address of Provider: 1 Market Street, Paterson, New Jersey 07501

TELEPHONE NUMBER: Center No Longer Open FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
1	Department of Education Preschool Program.	The center is no longer in business. The District will consult with the Legal Department on the feasibility of pursuing the recovery of \$110,604.31.	Consult with the Legal Department. Send letter requesting payment.	Susana Peron	June 2012

Alm W. Egan
Chief School Administrator

Ann Solodov
Fiscal Specialist

12/19/11 Date
B. Carl A. Fredericks
Board Secretary/Business Administrator

12/16/11 Date

12-18-2011 Date

Provider

Date

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2	As the quarter ending March 31, 2011, the provider owed payroll taxes to the State of New Jersey in the amount of \$4,550.23.	The District will send a Corrective Action Plan to the provider requesting to see documentation on payment of payroll taxes to the State of New Jersey.	Consult with the Legal Department. Send Corrective Action Plan.	Susana Peron	June 2012

Don W. Swan
Chief School Administrator
Isue Spohling
Fiscal Specialist

Dr. Carol A. Friedrichs
Board Secretary/Business Administrator

12/16/11
Date

12/19/11
Date

12-18-2011
Date

Date

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3	Deficiencies noted in the review of personnel files.	The Department of Early Childhood Education (DECE) disputes this finding. The auditors did not review the personnel files; therefore they cannot assume that the CHRI and CARI were missing for the Floating Assistant Teacher.	The DECE staff will continue to review centers' personnel files at least once per year.	Susana Peron	On Going

Dan W. Zia
Chief School Administrator

Tom Scholting
Fiscal Specialist

12/19/11 Date
Dr. Carl A. Fredericks Board Secretary/Business Administrator

12/16/11 Date

12-18-2011 Date

Provider

Date

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4	The provider failed to prepare and submit the required field trip plan.	The provider did not comply with the DECE requirement to submit the Field Trip Plan. The auditors were given copies of DECE correspondence to the provider requesting the Field Trip Plan and other documentation.	The DECE will continue to require Field Trip Plans from all providers.	Susana Peron	On Going

Adam W. Egan
 Chief School Administrator
Joni Scholing
 Fiscal Specialist

Dr. Carol A. Fredrick
 Board Secretary/Business Administrator

12/16/11
 Date

12-18-2011
 Date

 Date

 Provider

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5	Contract non-renewal.	The District recovered useful items which were the curriculum and assessment material. The District reviewed the prior two years technology and classroom expenditures and determined no useful items to recover. The District will consider requiring providers to establish and submit a yearly inventory.	The District has recovered all material deemed useful.	Susana Peron	On Going

Don W. Swan
Chief School Administrator
Tom Schelling
Fiscal Specialist

12/19/11 Date
D. Carl A. Friedrichs Board Secretary/Business Administrator

12/16/11 Date

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6	The provider failed to submit proof of Employee Fidelity Bond Insurance	The provider did not comply with DECE requirements to submit proof of insurance. The auditors were given copies of DECE correspondence to the provider requesting copy of the Employee Fidelity Bond Insurance.	The DECE will continue to require Employee Fidelity Bond Insurance from all providers.	Susana Peron	On Going

Alan W. Ego
Chief School Administrator
Debbie Scholins
Fiscal Specialist

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

12/16/11
Date

12-18-2011
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