

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION

PATERSON INTERNAL AUDIT UNIT

ST. JOSEPH'S RMC CHILD CARE

2010-2011 FISCAL YEAR

OCTOBER 2011

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
ST. JOSEPH'S RMC CHILD CARE
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 St. Joseph's RMC (regional medical center) Child Care, a provider participating in the Department of Education (DOE) 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 under spent the approved budget. As a result, the provider owes the district a balance of \$15,396.11.
- The auditors noted minor accounting irregularities.

DETAILED FINDINGS

The Paterson Internal Audit Unit reviewed the financial records and supporting documentation in accordance with the executed contract for St. Joseph's RMC Child Care, 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 DOE 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 DOE 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 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 DOE agreement.
- The provider properly handled cash receipts and disbursements; and completed year-end bank reconciliation for each account handling DOE funding.

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- 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 our findings:

ST. JOSEPH'S RMC CHILD CARE:

St. Joseph's RMC Child Care is a non-profit childcare center providing services to the children of Paterson, New Jersey. The St. Joseph's Healthcare System is the umbrella organization of the St. Joseph's RMC Child Care, and therefore manages and controls all the financial operations of this DOE provider. The center is located at 800 Main Street in Paterson and was budgeted to serve a total of 30 DOE children. In addition, the provider has five non-DOE classrooms. The 2010-2011 approved budget totaled \$361,429.

1. DOE Preschool Program.

The DOE funds the six hour and 55 minute educational component of the DOE 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 DOE contract.

Based on the results of this audit, the provider under spent the approved budget by \$15,396.11 (see exhibit A).

Recommendation:

The auditors recommend that the district Office of Early Childhood recover the \$15,396.11 from this provider.

2. The auditors noted minor accounting irregularities.

The auditors noted minor accounting irregularities:

- The majority of the amounts on the provider's general ledger and accounts payable summaries for indirect costs did not agree to the quarterly expenditure reports on a monthly basis. The auditors requested and were provided with

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monthly operating expense schedules for the audit period. After analysis, the auditors determined that in some cases the amounts per the monthly operating expense schedule did not agree to the expenditure report. The provider explained to the auditors that the monthly difference is due to a timing issue between when the hospital closes out the accounting month and the required due date for the expenditure reports. In addition, some expenses that need to be allocated may be reclassified via a journal entry in the subsequent month.

- The provider was charging expenses to the incorrect account(s). Examples include items charged to classroom materials and supplies that should have been charged to other accounts including classroom technology, cleaning supplies, and building/grounds maintenance/repair.


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. In order to achieve the accurate disclosure of all financial activities, the provider should prepare a monthly general ledger that agrees to the expenditure report. The provider will work with the district Office of Early Childhood to resolve the timing issue. In addition, the provider should charge expenses to the correct account(s). The provider should refer to the expenditure guidance prepared by the DOE – Division of Early Childhood Education.

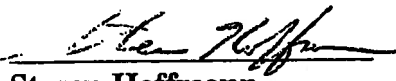
Auditor:

Rashmi Rawtani

Submitted by:


Daniel Sackner
Supervising Auditor

Approved by:


Steven Hoffmann
Coordinating Auditor

**St. Joseph's RMC Child Care
2010/2011 Fiscal Year
Budget vs. Actual**

		YTD TOTAL PER PROVIDER EXPENDITURE REPORT	BUDGET MINUS YTD PER PROVIDER	YTD TOTAL PER AUDITORS	BUDGET MINUS YTD PER AUDITORS	VARIANCE - AMOUNT DUE BACK
EDUCATIONAL PROGRAM COSTS						
Teacher Salary	\$98,565	\$112,405	(13,840.28)	98,565.00	-	-
Teacher Assistant Salary	\$51,627	\$59,014	(7,386.69)	51,627.00	-	-
Floating Teacher Assistant Salary	\$7,901	\$7,359	542.50	7,528.58	372.75	372.75
Teacher/Assistant Teacher Benefits	\$35,242	\$35,242	(0.04)	35,241.96	-	-
Substitute Teacher Stipend	\$3,300	\$2,800	500.00	2,900.00	400.00	400.00
Substitute Assistant Teacher Stipend	\$2,625	\$2,625	-	2,550.00	75.00	75.00
Classroom Materials and Supplies	\$4,000	\$3,911	89.32	3,002.13	997.87	997.87
Classroom Technology	\$1,600	\$941	659.34	416.99	1,183.01	1,183.01
Field Trips w/ Transportation	\$2,250	\$1,643	606.95	1,923.05	326.95	326.95
Family Worker Salary	\$15,803	\$14,941	862.04	15,285.31	517.38	517.38
Family Worker Benefits	\$7,081	\$7,081	0.98	7,081.46	(0.00)	(0.00)
Food-Related Costs (CACFP participant, non-reimbursable costs)						
Food (for contracted preschool children only)	13,324.22	\$13,324	0.22	\$3,933.77	9,390.45	9,390.45
Food Worker Salary (cook)	\$6,378	\$7,401	(1,023.78)	6,377.60	(0.00)	(0.00)
Food Worker Benefits (cook)	\$0	\$0	-	-	-	-
Assistant Food Worker Salary (asst. cook)	\$1,799	\$2,296	(497.12)	1,799.15	(0.00)	(0.00)
Assistant Food Worker Benefits (asst. cook)	\$0	\$0	-	-	-	-
Employer Payroll Taxes (For Educational Program Positions only)						
Social Security (6.20%)	\$11,658	\$12,899	(1,243.11)	11,571.22	84.64	84.64
Medicare (1.45%)	\$2,728	\$3,021	(295.03)	2,706.17	19.79	19.79
Unemployment (2.80%)	\$5,264	\$5,817	(553.00)	4,574.11	689.83	689.83
Disability (0.50%)	\$940	\$1,040	(100.27)	737.34	202.65	202.65
SUBTOTAL, Educational Program Costs:	\$272,081	\$293,759	-\$21,678	\$257,821	14,260.29	14,260.29
	75.40%					
ADMINISTRATIVE SUPPORT AND INDIRECT COSTS						
SUPPORT COSTS						
Director Salary	\$17,554	\$21,079	(3,524.86)	17,553.86	(0.00)	(0.00)
Director Benefits	\$3,235	\$3,235	(0.23)	3,234.77	(0.00)	(0.00)
Clerical Salary	\$9,425	\$11,418	(1,992.67)	9,425.04	(0.00)	(0.00)
Clerical Benefits	\$300	\$300	0.16	300.16	0.00	0.00
Custodian Salary	3,803.34	\$6,416	(2,612.34)	3,803.34	(0.00)	(0.00)
Custodian Benefits	\$0	\$0	-	-	-	-
Social Security (6.20%)	\$1,908	\$2,015	(108.27)	1,872.69	235.81	235.81
Medicare (1.45%)	\$448	\$471	(24.86)	391.19	55.15	55.15
Unemployment (2.80%)	861.90	\$910	(48.00)	861.90	0.00	0.00
Disability (0.50%)	\$154	\$162	(8.58)	134.89	19.02	19.02
INDIRECT COSTS						
Rent, Mortgage, Other Space Costs	\$24,252	\$24,252	0.18	\$24,252.00	0.18	0.18
Office Equipment >\$2000 and Repair	108.51	\$648	(537.72)	\$108.51	(0.00)	(0.00)
Office Materials and Supplies	425.20	\$336	88.91	\$425.20	(0.00)	(0.00)
Food-Related Paper Supplies	633.15	\$642	(8.88)	\$633.15	0.00	0.00
Cleaning Supplies	510.83	\$520	(9.35)	510.83	(0.00)	(0.00)
Food for Meetings	\$300	\$179	121.31	57.37	242.58	242.58
Building/Grounds Maintenance/Repair	\$1,593	\$654	939.55	\$1,010.35	582.84	582.84
Utilities	12,784.93	\$13,160	(375.16)	12,784.93	0.00	0.00
Telecommunications Services	75.43	\$108	(32.17)	\$75.43	0.00	0.00
Security	7,965.50	\$7,974	(8.38)	\$7,965.50	0.00	0.00
Insurance	\$1,201	\$1,073	128.15	\$1,201.07	(0.00)	(0.00)
Accounting Fees	1,212	\$1,212	0.30	\$1,211.68	0.28	0.28
Subtotal of Above Administrative Support and Indirect Costs:	\$88,750	\$96,761	-\$8,011	\$7,813.85	1,135.82	1,135.82
PROVIDER PROGRAM TOTALS						
Total Cost	\$360,831					
DISTRICT ADJUSTMENTS (amounts withheld for items to be purchased by the district) FOR DISTRICT USE ONLY						
Creative Curriculum.net license	\$599		\$599	599.60	0.00	0.00
Total Cost Less District Adjustments	\$361,429					
		\$390,519.73	-\$29,090.43			

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: December 7, 2011

PROVIDER CONTACT INFORMATION: Name of PROVIDER St. Joseph's RMC Child Care
 NAME OF DIRECTOR Karen Perez
 Address of Provider: 800 Main Street, Paterson NJ 07503

TELEPHONE NUMBER (973) 754-4433 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 District will recover \$15,396.11 from the Provider.	Reduce monthly tuition payments to the Provider.	Susana Peron	February 2012

Don W. Ewan Chief School Administrator Date 1/17/12
Don Sholing Fiscal Specialist Date 11.15.11
Carol A. Fredrick Board Secretary/Business Administrator Date _____
Karen Perez Provider Date 11-16-2011

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OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE
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2	The auditors noted several minor accounting errors.	The District will direct the Provider to implement fiscal accounting controls that will eliminate errors and allocate expenses to the correct general ledger account.	Continue to review general ledger to ensure accounting controls are in place.	Susana Peron	February 2012

Adam W. Egan Chief School Administrator Carol A. Frick Board Secretary/Business Administrator 1/17/12 Date
Tina Scholaj Fiscal Specialist Karen Perez Provider 11-15-11 Date
1/18/12 Date 11-16-2011 Date