

**STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE
P.O. BOX 500
TRENTON, NEW JERSEY 08625-0500**

**EARLY CHILDHOOD PROGRAM PROVIDER EXPENDITURE REPORT REVIEW
JULY 1, 2003 THROUGH JUNE 30, 2008**

**PATERSON BOARD OF EDUCATION
PASSAIC COUNTY
33-35 CHURCH STREET
PATERSON, NEW JERSEY 07505-1306**

**PATERSON BOARD OF EDUCATION
EARLY CHILDHOOD PROGRAM PROVIDER EXPENDITURE REPORT REVIEW
FOR THE FISCAL YEARS JULY 1, 2003 THROUGH JUNE 30, 2008**

REPORT OF REVIEW

The New Jersey Department of Education, Office of Fiscal Accountability and Compliance (OFAC) has reviewed the Paterson Board of Education's Early Childhood Program's (ECP) fiscal specialist's financial records for the period July 1, 2003 through June 30, 2008. Our review was specifically designed to monitor the results of the district's fiscal specialist process of reviewing and verifying the accuracy of the financial reports submitted by the Abbott Providers for the period under review. This review was designed to detect instances where unexpended or non-allowed expenditures were identified by the fiscal specialist, but not recouped by the district, where applicable. However, our review was not designed to perform an attest function on the financial condition or compliance function on the operation of the Paterson Board of Education's Early Childhood Program taken as a whole. Finally, the distribution of this report should necessarily be limited to those specified parties stated herein, since its preparation is intended solely for their use.

SCOPE

The early childhood program's fiscal specialist's payment and expenditure records were reviewed for the period July 1, 2003 through June 30, 2008.

ADMINISTRATION OF THE EARLY CHILDHOOD PAYMENTS TO ABBOTT PRESCHOOL PROVIDERS

The district's accounting department prepares invoices and purchase orders prior to the start of the academic year. Payments were made to the providers monthly, after the district reviews each attendance and enrollment report to ensure the payments to providers were for the correct population of students.

The district employed an early childhood fiscal specialist to monitor program costs of Abbott Preschool Providers that were reported on quarterly reports of actual expenditures submitted by the providers. The district's continued review of these reports is necessary in order for the district to recoup any unexpended or misspent funds during and at the end of the school year, based on the expenditure reports, enrollment records and monthly payments made by the district.

REVIEW OF FISCAL YEAR 2007-2008

The OFAC reviewed the results of the district's early childhood fiscal specialist process of reviewing and verifying the accuracy of the financial reports submitted by the Abbott Providers as of June 30, 2008. The fiscal specialist provided details of the original Department of Education budgets authorized for the Abbott Providers totaling \$38,721,372.00. For the close of the school year, Abbott Providers submitted final reported expenditures totaling \$38,036,571.52. The fiscal specialist disclosed making total payments to the Abbott Providers of \$38,954,346.28. The fiscal specialist performed a review of the final expenditures and identified an additional \$3,167,142.38 that is to be returned from the Abbott Providers after June 30, 2008. To prevent having large amounts due from Abbott Providers after the close of the fiscal year, the fiscal specialist review of the quarterly expenditure reports must be used by the business office to adjust the payments to the providers.

**PATERSON BOARD OF EDUCATION
EARLY CHILDHOOD PROGRAM PROVIDER EXPENDITURE REPORT REVIEW
FOR THE FISCAL YEARS JULY 1, 2003 THROUGH JUNE 30, 2008**

REVIEW OF PERIOD JULY 1, 2003 THROUGH JUNE 30, 2008

The fiscal specialist provided details (Schedule A) of the Department of Education budgets for the period July 1, 2003 through June 30, 2008 authorizing expenditures for the Abbott Providers totaling \$168,420,526.06. The fiscal specialist disclosed making total payments to the Abbott Providers for the period July 1, 2003 through June 30, 2008 of \$167,236,383.59, which is \$1,184,142.47 less than the Department of Education authorized amount. Also, as a result of the Early Childhood fiscal specialist's continued review of the quarterly reports of actual expenditures submitted by the providers, an additional recoupment of \$14,206,259.68 was identified, of which \$10,087,460.78 has been recovered and \$4,118,798.90 is to be recovered after June 30, 2008 from the Abbott Providers.

OTHER MATTERS

In FY 2003-2004 the district did not hire a fiscal specialist until April 2004. This caused a delay in the district's administration of the Abbott Preschool Provider financial report reviews and reductions of payments. Therefore, the Paterson Public Schools made payments to Abbott Preschool providers in the amount of \$768,375.09 that failed to present proof of expenditures for Abbott Preschool purposes. The amount above includes \$301,383.00, paid to the Dr. Martin Luther King Jr. Memorial Day Care Center, an Abbott Provider that failed to file any quarterly reports. As a result of this and other noncompliance the provider was not renewed for FY 2004-2005. A remaining \$245,798.00 is from FY 2003-2004 that was paid to four centers which filed partial reports but failed to submit all four quarterly reports for review. These centers were also not renewed by the district for noncompliance. In FY 2005-2006 Silver Fox Learning Center failed to file any quarterly reports but was paid \$221,193.88. This provider was not renewed for FY 2006-2007 as a result of this and other noncompliance.

SPECIFIC FINDING AND RECOMMENDATION

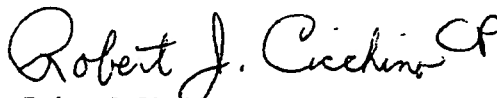
The five-year review disclosed that \$4,118,798.90 must be collected from the Abbott Providers for the period of review. To decrease the amounts of refunds due the district after the end of the fiscal year, the Business Office must adjust the payments to the providers after each quarter based on the review of the provider submitted expenditure reports by the Fiscal Specialist.

Submitted by:



Robert W. Ortley, Manager
State Aid Audit Unit

Approved by:



Robert J. Cicchino, Director
Office of Fiscal Accountability and Compliance

**PATERSON BOARD OF EDUCATION
EARLY CHILDHOOD PROGRAM EXPANSION AID PROVIDER EXPENDITURE REVIEW
JULY 1, 2003 THROUGH JUNE 30, 2008**

School Year	July 1, 2003 - June 30, 2004	July 1, 2004 - June 30, 2005	July 1, 2005 - June 30, 2006	July 1, 2006 - June 30, 2007	July 1, 2007 - June 30, 2008	July 1, 2003 - June 30, 2008
Department of Education authorized budgets	\$ 29,560,108.00	\$ 30,945,650.00	\$ 33,617,134.06	\$ 35,576,262.00	\$ 38,721,372.00	\$ 168,420,526.06
Total payments to Abbott Providers	28,390,148.69	30,716,937.28	33,223,538.81	35,852,978.44	38,872,863.90	167,056,467.12
DOE authorized budgets less total payments to Abbott Providers	\$ 1,169,959.31	\$ 228,712.72	\$ 393,595.25	\$ (276,716.44)	\$ (151,491.90)	\$ 1,364,058.94
Additional recoupment from Abbott Providers	\$ 2,010,323.70	\$ 2,992,591.07	\$ 2,760,811.40	\$ 3,275,391.13	\$ 3,167,142.38	\$ 14,206,259.68
Collected:	\$ 2,010,323.70	\$ 2,992,591.07	\$ 2,727,531.16	\$ 2,357,014.85	\$ -	\$ 10,087,460.78
To be collected:	\$ -	\$ -	\$ 33,280.24	\$ 918,376.28	\$ 3,167,142.38	\$ 4,118,798.90
Due from Abbott Providers Classified as uncollectible	\$ 547,181.21	\$ -	\$ 221,193.88	\$ -	\$ -	\$ 768,375.09

**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 Schools 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: November 18, 2009

CONTACT INFORMATION: Name Department of Early Childhood NAME OF DIRECTOR Susana Peron
Address 90 Delaware Ave, Paterson NJ 07503

TELEPHONE NUMBER (973) 321-0540 FAX NUMBER (973)321-0455

FINDING/ RECOMMEN DATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTA TION	COMPLETION DATE OF IMPLEMEN TATION
1	The Department of Early Childhood Education (DECE) must collect \$4,118,798.90. The DECE must adjust payments to providers after each quarter's review.	The DECE has collected \$2,690,057 of the \$4,118,798.90. The remaining \$1,428,742.16 will be collected from Providers by June 30, 2010. The District will explore the feasibility of adjusting payments to Providers after each quarter. However, the District receives 34 financials each quarter of the fiscal year. These financials are not	At the completion of the fiscal review the District gives Providers the option to appeal the reclaim amount on the basis that errors may have been made or documents were omitted from the expenditures presented to the District. The appeal process gives Providers an understanding	Susana Peron	June 2010

Donna W. Egan 11/18/09 Frankie 11/24/09
 Chief School Administrator Date Board Secretary/Business Administrator Date
Patricia Schobling 11-3-09 Susana Peron
 Fiscal Specialist Date Provider

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

FINDING/ RECOMMEN DATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTA TION	COMPLETION DATE OF IMPLEMANTA TION
		<p>always received timely and are not accurate or complete as required. To adjust Providers payments after each quarter, requires the District to complete the review of 34 financials prior to releasing the next tuition payments to the centers. The District believes that to delay the release of tuition payments creates a hardship on the centers.</p>	<p>of how the District arrived to the reclaim amount and concludes in an agreement as to the amount of funds to be reclaimed by the District. The District will continue to reduce tuition payments to centers that owe funds.</p>		

Dorini W. Egan
Chief School Administrator
Dorini Schelling
Fiscal Specialist

11/19/09
Date
11-3-09
Date

Ramona #124105
Board Secretary/Business Administrator
Amanda Pypin
Provider

11-3-09
Date
11-3-09
Date

**Paterson Public School
School Board Program Summary Sheet**

**Calculations to clarify recoupment of preschool funds as outlined in the Office of Fiscal Accountability and Compliance
Report received October 2009**

Summary of Preschool Budgets, Payments and Recoupments from FY0304 through FY0809									
Category	FY0304	FY 0405	FY 0506	FY 0607	FY 0708	FY 0809	FY0910	Total	
Approved Budget	\$ 29,405,428	\$ 30,733,526	\$ 33,459,956	\$ 36,025,051	\$ 38,963,432	\$ 38,706,404	\$ 39,630,781	\$ 207,293,796	
Total Payments	\$ 28,356,449	\$ 29,151,489	\$ 30,704,922	\$ 33,311,869	\$ 35,532,715	\$ 36,201,470		\$ 193,258,914	
Difference	\$ 1,048,979	\$ 1,582,037	\$ 2,755,034	\$ 2,713,182	\$ 3,430,717	\$ 2,504,934		\$ 14,034,883	
FY0304 Recoupment	\$ 1,048,979	\$ 1,545,719	\$ 443,665					\$ 3,038,363	
FY0405 Recoupment		\$ 36,318	\$ 2,013,628	\$ 768,963				\$ 2,818,909	
FY0506 Recoupment			\$ 297,741	\$ 1,734,422	\$ 993,109			\$ 3,025,272	
FY0607 Recoupment				\$ 209,796	\$ 2,347,040	\$ 812,379		\$ 3,369,215	
FY0708 Recoupment					\$ 90,568	\$ 1,533,633	\$ 1,428,742	\$ 3,052,943	
FY0809 Recoupment						\$ 158,922		\$ 158,922	

*Recoupment occurring this fiscal year

Outstanding Recoupment from OFAC Report (\$4,118,799)			
Reason for Recoupment	Time Period Recouped	Portion of Outstanding Balance	
Checks collected from Friendship Corner Lawsuit	February 2008 - June 2009	\$ 210,000	
FY 0607 Recoupment	Sept 2008- June 2009	\$ 812,379	
FY0708 Recoupment	Sept 2008- June 2009	\$ 1,533,633	
FY 0708 Recoupment	Sept 2009 - June 2010	\$ 1,428,742	
Total Collected by June 2010		\$ 3,984,754	
Uncollectible	September 2009 - June 2010	\$ 148,394	
Total Outstanding Recoupment		\$ 4,132,953	

* Sha'Terra Memorial and Loving Care left the collaborative and \$148,394 could not be recouped from FY0708