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BOARD OF EDUCATION

RESOLUTION

**ACCEPTANCE OF OFAC REPORT ISSUED IN CASE #ECE-008-14
REGARDING THE EARLY CHILDHOOD PRESCHOOL EDUCATION PROGRAM
PROVIDED BY JEFFERSON PARK DAYCARE CENTER FOR THE 2011/2012
BUDGET YEAR AND ADOPTION OF DISTRICT CORRECTIVE ACTION PLAN**

WHEREAS, on or about June 8, 2015, the State of New Jersey Department of Education Office of Fiscal Accountability and Compliance (“OFAC”) issued a report in Case #ECE-008-14 of its findings and recommendations related to its review of the District’s financial records involving Jefferson Park Daycare Center for the 2011/2012 budget year; and,

WHEREAS, the District has prepared a Corrective Action Plan for adoption by the Board of Education to enact the recommended practices set forth in the OFAC report; and,

WHEREAS, the Board of Educations is required by regulation (N.J.A.C. 6A:23A-5.6) to publicly review and discuss (1) the findings and recommendations contained in the OFAC report at a public meeting of the Board of Education, and (2) the Corrective Action Plan to be adopted by the Board of Education;

NOW, THEREFORE, BE IT RESOLVED, that the Elizabeth Board of Education acknowledges receipt of the OFAC report issued regarding Jefferson Park Daycare Center (Case #ECE-008-14).

BE IT FURTHER RESOLVED that the Elizabeth Board of Education adopts the Corrective Action Plan to address the recommendations and findings that were made in the OFAC report for implementation by District personnel, as set forth in the Corrective Action Plan.

BE IT FURTHER RESOLVED that a copy of the OFAC report and Corrective Action Plan shall be posted on the District’s website with the agenda and meeting minutes for the January 21, 2016 meeting.

BE IT FURTHER RESOLVED that a copy of the Corrective Action Plan and this resolution shall be forwarded to OFAC immediately in accordance with N.J.A.C. 6A:23A-5.6(c).

TRUE COPY APPROVED AND ADOPTED
AT THE BOARD OF EDUCATION MEETING
HELD JANUARY 21, 2016



Harold E. Kennedy, Jr.
School Business Administrator/Board Secretary
Elizabeth, New Jersey

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

CAP# ECE-008-14

2011/2012 Budget Year

NAME OF SCHOOL DISTRICT Elizabeth Public Schools

COUNTY: Union

TYPE OF EXAMINATION: Early Childhood Preschool Education Program
Office of Fiscal Accountability and Compliance (OFAC)
Report of Examination (Date) June 8, 2015

OFAC Case # ECE-008-14

DATE OF BOARD MEETING: January 21, 2016

PROVIDER CONTACT INFORMATION: PROVIDER Jefferson Park Daycare Center
ADDRESS 485 Madison Ave., Elizabeth, NJ 07201
TELEPHONE 908-354-2266
DIRECTOR Khaleeqa Rouse
FAX 908-354-7360

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
I. DOE Preschool Education Program	The Director signed the quarterly expenditure report certifying it was accurate, and complete. During the district's review, the provider did not submit all of the supporting documentation for numerous line items, which resulted in the district disallowing those expenses. In a meeting with the Division of Early Childhood	In accordance with the contract section III M (1) the Provider enhance its current financial management system in order to ensure timely, accurate, current, and complete disclosure of all financial activities related to the DOE program.	The District will recover the remaining balance due of \$ 123,406.00. The recovery will include an agreed upon plan between the District and the Provider which is aggressive, but will take into account the Provider's ability to meet the current costs of the program. Provider submitted an insurance claim for the balance due.	Provider Director Fiscal Specialist Comptroller	June 30, 2016

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	<p>Education (DECE), it was determined the OFAC would accept all of the legitimate DOE preschool education program expenditures that were supported by invoices previously missing from the district's year-end review. Based on the results of the fiscal review, the OFAC identified \$176,276.00 in underspent DOE preschool education program funds. The district withheld \$52,870.00; therefore, \$123,406.00 remains payable to the district.</p>				
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OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE
EARLY CHILDHOOD PRESCHOOL EDUCATION FISCAL REVIEW RESPONSE
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<p>2. The investigator noted evidence of financial difficulties and the provider's lack of fiscal controls.</p>	<p>A review of the Independent Auditor's Reports for the year ended June 30, 2012, revealed the auditors identified a financial statement finding for recurring operating deficits which stated "The organization has incurred recurring deficits for the last several years. These deficits were financed using available funds in the organization's investment accounts. However, as of June 30, 2012, the investment account funds had been fully depleted."</p>	<p>In accordance with the contract section III M (1), The Provider will enhance its current financial management system, in order to ensure timely, accurate, current, and complete disclosure of all financial activities related to the DOE program.</p>	<p>The District will monitor the provider to ensure appropriate controls are maintained over financial transactions.</p>	<p>Provider Director Fiscal Specialist</p>	<p>CAP# ECE-008-14 September 1, 2015</p>
<p>A review of the audited financial statements compared to the check register revealed the</p>	<p>In accordance with the contract section III M (3), The Provider will enhance its current financial management system, in order to ensure all financial</p>	<p>The District and Provider will agree upon an established increased percentage to be allowed for the</p>	<p>The District and Provider will agree upon an established increased percentage to be allowed for the</p>	<p>Provider Director Fiscal Specialist</p>	<p>February 22, 2016</p>

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	<p>provider's non-DOE expenditures were greater than the non-DOE income, resulting in the use of surplus DOE funds to subsidize the non-DOE expenses.</p> <p>The non-DOE payments included legal fees totaling \$29,102.00, architect fees totaling \$5,908.00, training fees totaling \$5,665.00, website development charges totaling \$4,634.00, an environmental study for \$1,900.00, and other miscellaneous charges totaling approximately \$18,832.00. The provider should ensure State dollars are not used to fund non-DOE</p>	<p>activities related to the agreement are separate from other funding sources. The Provider will ensure all expenditures charged to the DOE program are allowable and approvable for the current contract year.</p> <p>In accordance with the contract section III M (2), The Provider will enhance its current financial management system, in order to ensure expenditures are made in strict accordance with the Departments Private Provider Budget and Expenditure Guidance.</p> <p>The Provider will ensure all expenditures charged to the DOE program are allowable and approvable for the current contract year.</p>	<p>Indirect Cost Expenditures to assist with the DHS funding shortage.</p> <p>The District will monitor the provider to ensure appropriate controls are maintained over financial transactions.</p>	<p>Provider Director Fiscal Specialist</p>	<p>September 1, 2015</p>
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**NEW JERSEY DEPARTMENT OF EDUCATION
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	<p>expenditures.</p> <p>The director made two bank withdrawals in December 2011, in addition to the director's own DOE paychecks. The provider should ensure State dollars are not used to fund salary advances for employees.</p>	<p>In accordance with the contract section III M (2), The Provider will enhance its current financial management system, in order to ensure expenditures are made in strict accordance with the Departments Private Provider Budget and expenditure Guidance.</p> <p>The Provider will ensure all expenditures charged to the DOE program are allowable and approvable for the current contract year.</p>	<p>The District will monitor the provider to ensure appropriate controls are maintained over financial transactions.</p>	<p>Provider Director Fiscal Specialist</p>	<p>September 1, 2015</p>
<p>The review of the general ledger revealed the rent, mortgage, and other space costs; the building grounds and maintenance; the utilities; and the insurance accounts included numerous instances of both, duplicate payments</p>	<p>In accordance with the contract section III M (2), The Provider will enhance its current financial management system, in order to ensure expenditures are made in strict accordance with the Departments Private Provider Budget and expenditure Guidance.</p> <p>The Provider will establish</p>	<p>The District will monitor the provider to ensure appropriate controls are maintained over financial transactions.</p>	<p>Provider Director Fiscal Specialist</p>	<p>September 1, 2015</p>	

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	<p>or duplicate postings.</p> <p>The utilities, the insurance, and the accounting line items included invoices with numerous shut-off notices, pending cancellation notices, cancellation and reinstatement notifications and carried-forward balances.</p> <p>A sample review of the bank statements revealed numerous overdraft and returned item fees.</p>	<p>financial internal controls that will eliminate duplicate payments and posting to the general ledger.</p> <p>The Provider will establish financial internal controls that will ensure insurance payments are uninterrupted, and vendor payments are disbursed timely.</p> <p>In accordance with the contract section III M (2), The Provider will enhance its current financial management system, in order to ensure expenditures are made in strict accordance with the Departments Private Provider Budget and expenditure Guidance.</p>	<p>The District will monitor the provider to ensure appropriate controls are maintained over financial transactions.</p> <p>The Provider will ensure its cash liquidity and notify the District of any shortfall in cash.</p>	<p>Provider Director Fiscal Specialist</p> <p>Provider Director</p>	<p>February 3, 2014</p> <p>January 5, 2014</p>
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**NEW JERSEY DEPARTMENT OF EDUCATION
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EARLY CHILDHOOD PRESCHOOL EDUCATION FISCAL REVIEW RESPONSE
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<p>3. The investigator detected accounting irregularities.</p>	<p>The quarterly expenditure report received from the provider did not reconcile to the quarterly expenditure report received from the district.</p>	<p>In accordance with the contract section III M (6), The Provider will enhance its current financial management system, in order to ensure the timely completion of all financial requirements, and timely submission of all financial reports described in section VII of the Provider Pre-School Contract.</p>	<p>The Provider and District will ensure a final version of the quarterly expenditure report is completed, agreed upon, and maintained by both the district and the provider.</p>	<p>Provider Director Fiscal Specialist</p>	<p>February 22, 2015</p>
	<p>The teacher and teacher assistant, the family worker, the director, and the clerical worker benefit line items were understated. In a meeting with DECE, it was determined all of the legitimate benefit invoices, which were previously missing from the district's year-end</p>	<p>In accordance with the contract section III M (6), The Provider will enhance its current financial management system, in order to ensure the timely completion of all financial requirements, and timely submission of all financial reports described in section VII of the Provider Pre-School Contract.</p>	<p>The Provider will ensure all expenditures reported on the quarterly expenditure report are supported by actual invoices, proof of payment, and submitted to the district with each quarterly submission in a timely manner.</p>	<p>Provider Director Fiscal Specialist</p>	<p>February 22, 2015</p>

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	<p>review, would be considered allowable expenditures.</p> <p>The provider reported the payroll taxes based on the budgeted percentage rather than the actual costs. In addition, the provider did not take into consideration the \$29,600.00 threshold for the unemployment and disability payroll taxes.</p>	<p>In accordance with the contract section III M (1), The Provider will enhance its current financial management system, in order to ensure timely, accurate, and complete disclosure of all financial activities related to the DOE program.</p>	<p>The Provider will ensure the general ledger reconciles to the quarterly expenditure report; and the salaries, the benefits, the payroll taxes and administrative and indirect costs are reported accurately.</p>	<p>Provider Director Fiscal Specialist</p>	<p>February 3, 2014</p>
	<p>The rent, mortgage, and other space costs, the building grounds and maintenance, the security, the utilities, the insurance, and the accounting line items were</p>	<p>In accordance with the contract section III M (6), The Provider will enhance its current financial management system, in order to ensure the timely completion of all financial requirements, and timely submission of all financial reports described in section</p>	<p>The Provider will ensure all expenditures reported on the quarterly expenditure report are supported by actual invoices, proof of payment, and submitted to the</p>	<p>Provider Director Fiscal Specialist</p>	<p>February 3, 2014</p>

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<p>understated. In a meeting with DECE, it was determined all of the legitimate invoices, which were previously missing from the district's year-end review, would be considered allowable expenditures.</p>	<p>VII of the Provider Pre-School Contract.</p>	<p>district with each quarterly submission in a timely manner.</p>	<p>Provider Director Fiscal Specialist</p>	<p>April 15, 2014</p>
<p>A review of the indirect cost line items on the quarterly expenditure report revealed the expenditures did not reconcile, on a quarterly or yearly basis, to the general ledger.</p>	<p>In accordance with the contract section III M (1), The Provider will enhance its current financial management system, in order to ensure timely, accurate, and complete disclosure of all financial activities related to the DOE program.</p>	<p>The Provider will ensure the general ledger reconciles to the quarterly expenditure report; and the indirect costs are reported accurately. The Provider will also ensure all expenditures reported on the quarterly expenditure report are supported by actual invoices, proof of payment, and submitted to the district with each</p>		

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	<p>The provider included late fees and the Directors and Officers Liability insurance policy on the quarterly expenditure report, which are considered unallowable costs to the DOE funded program.</p>	<p>In accordance with the contract section III M (2), The Provider will enhance its current financial management system, in order to ensure expenditures are made in strict accordance with the Departments Private Provider Budget and expenditure Guidance.</p> <p>The Provider will ensure all expenditures charged to the DOE program are allowable and approvable for the current contract year.</p>	<p>quarterly submission in a timely manner.</p> <p>The District will monitor the provider to ensure appropriate controls are maintained over financial transactions.</p>	<p>Provider Director Fiscal Specialist</p>	<p>November 15, 2015</p>
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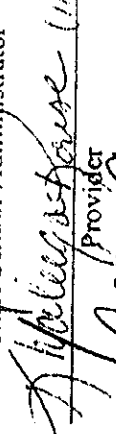
NEW JERSEY DEPARTMENT OF EDUCATION
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EARLY CHILDHOOD PRESCHOOL EDUCATION FISCAL REVIEW RESPONSE
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SUPPORTING DOCUMENTATION MUST BE SUBMITTED ALONG WITH THE CORRECTIVE ACTION PLAN

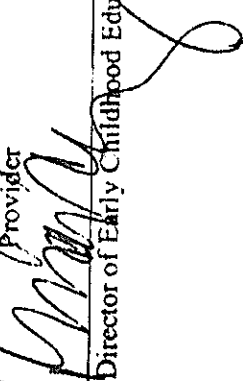
CAP# ECE-008-14



Chief School Administrator

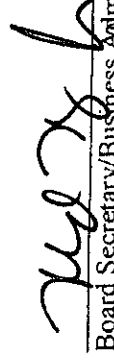


Provider



Director of Early Childhood Education

1/21/16
Date



Board Secretary/Business Administrator

1/21/2016
Date

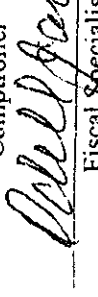
1/21/16
Date



Comptroller

1/21/2016
Date

1/21/16
Date



Fiscal Specialist

1/21/16
Date



State of New Jersey

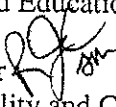
DEPARTMENT OF EDUCATION
PO Box 500
TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor
KIM GUADAGNO
L.T. Governor

DAVID C. HESPE
Commissioner

June 8, 2015

TO: Ellen Wolock, Ed.D., Administrator
Division of Early Childhood Education

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

SUBJECT: Elizabeth Public Schools
Early Childhood Preschool Education Program
Jefferson Park Day Care Center, Inc.
OFAC Case #ECE-008-14

The Office of Fiscal Accountability and Compliance (OFAC) completed a fiscal review of the 2011-2012 preschool education program contract (the contract), budget and financial records of Jefferson Park Day Care Center, Inc. (the provider), a contracting preschool provider in the Elizabeth Public Schools (the district).

The OFAC was advised of concerns regarding certain financial and administrative operations of the provider. A review was deemed appropriate for the 2011-2012 and the 2012-2013 contract years and an investigator from the OFAC reviewed the financial and operational data of the provider. The review revealed several areas of concern during the 2011-2012 contract year which were generally resolved in the 2012-2013 contract year. A separate report will be issued for both contract years. The OFAC recommends additional monitoring and follow-up be performed by the district in order to prevent any occurrence of potential fraud, waste, and abuse of the educational components in the preschool education program. The review revealed a potential violation of the state tax laws. Accordingly, the OFAC will notify the Department of Treasury and Department of Labor and Workforce Development.

A copy of the report on this matter is attached for your review. The district, in collaboration with the provider, is required to submit a corrective action plan (CAP) to the OFAC, in conformance with the provisions of N.J.A.C. 6A:23A-5.6. A copy of the corrective action procedures and the CAP format will be sent to the district and the provider. The CAP format can be accessed on the Department of Education internet site by visiting <http://www.state.nj.us/education/ece/budget/cap/> or contacting the county liaison with the Division of Early Childhood Education.

If you have any questions, please contact Thomas C. Martin, Manager, Investigations Unit, at (609) 633-9615.

RJC/I:\ECE\Final ECE Reports\13-14 Reports\Frs\ECE_008_14 Jefferson Park Day Care Final Report 2011_2012.Doc
Attachment

Distribution

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STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE

ELIZABETH PUBLIC SCHOOLS
EARLY CHILDHOOD PRESCHOOL EDUCATION PROGRAM

REPORT OF EXAMINATION

JUNE 2015

**NEW JERSEY DEPARTMENT OF EDUCATION
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE**

**REPORT OF EXAMINATION – JUNE 2015
ELIZABETH PUBLIC SCHOOLS
EARLY CHILDHOOD PRESCHOOL EDUCATION PROGRAM**

EXECUTIVE SUMMARY

The Office of Fiscal Accountability and Compliance (OFAC) completed a fiscal review of Jefferson Park Day Care Center, Inc. (the provider), a contracting preschool provider in the Elizabeth Public Schools (the district) for the Department of Education (DOE) preschool education program. The fiscal review was conducted to ensure compliance with the terms of the 2011-2012 preschool education program contract (the contract). The fiscal review is not a comprehensive audit; it is a review of certain fiscal aspects of the preschool education program.

The provider was referred to the OFAC regarding certain financial and administrative operations. A review was deemed appropriate for the 2011-2012 and the 2012-2013 contract years and an investigator from the OFAC reviewed the financial and operational data of the provider. As of February 2013, the provider contracted with a new director and a new accounting firm. Although there were several areas of concern revealed during the 2011-2012 school year, the issues were generally resolved in the 2012-2013 school year. A separate report has been issued for both contract years.

As a result of the fiscal review, the following deficiencies were noted:

1. The OFAC review determined the provider underspent the approved 2011-2012 budget by a total of \$176,276.00. The district withheld \$52,870.00 in underspent funds; therefore, \$123,406.00 remains payable to the district (see Exhibit A).
2. The investigator noted evidence of financial difficulties and the provider's lack of fiscal controls.
3. The investigator detected accounting irregularities.

DETAILED FINDINGS

The OFAC reviewed the budget, the financial records and a sample review of the supporting documentation for the contract period of July 1, 2011, through June 30, 2012. During the contract year, the funds were allocated to the provider and approved by the district. The actual costs reported were based on a six-hour and fifty-minute, 181-day comprehensive educational preschool program.

The fiscal review was conducted to determine whether or not:

- The childcare center had a current license.
- The provider maintained a current facility lease.
- The provider had a current independent audit performed.

- The provider filed federal and state tax returns.
- The provider maintained a financial management system that provided timely, accurate, current and complete disclosure of all financial activities related to the DOE preschool education program.
- The provider maintained the proper insurance as required by the contract.
- The provider submitted the proper documentation to support the sample review of the quarterly expenditure report.

The provider is a nonprofit childcare center located at 485 Madison Avenue with administrative offices located at 1090 Mary Street, Elizabeth, New Jersey, and was budgeted to serve a total of 75 children funded by the DOE. The 2011-2012 approved budget totaled \$1,126,957.00.

During the fiscal review, the OFAC investigator worked collaboratively with the district and the provider to minimize the number of compliance findings.

Below is a summary of the remaining fiscal review findings:

1. DOE Preschool Education Program

The DOE funded the six-hour and fifty-minute educational component of the preschool education program, and the wrap-around program was funded privately.

The director signed the quarterly expenditure report certifying it was accurate and complete. During the district's review, the provider did not submit all of the supporting documentation for numerous line items, which resulted in the district disallowing those expenses. In a meeting with the Division of Early Childhood Education (DECE), it was determined the OFAC would accept all of the legitimate DOE preschool education program expenditures that were supported by invoices previously missing from the district's year-end review.

Based on the results of the fiscal review, the OFAC identified \$176,276.00 in underspent DOE preschool education program funds. The district withheld \$52,870.00; therefore, \$123,406.00 remains payable to the district (see Exhibit A).

Recommendation:

The OFAC recommends the district recover the underspent funds from the provider totaling \$123,406.00. The recovery should include an agreed upon plan between the district and the provider which is aggressive, but also takes into account the provider's ability to meet the current costs of the program. In addition, the district and the provider should review the issues below and make the necessary adjustments.

2. The investigator noted evidence of financial difficulties and the provider's lack of fiscal controls

The provider may be experiencing financial difficulties as a direct result of the lack of fiscal controls.

- A review of the Independent Auditor's Reports for the year ended June 30, 2012, revealed the auditors identified a financial statement finding for recurring operating deficits which stated, "The organization has incurred recurring deficits for the last several fiscal years. These deficits were financed using available funds in the organization's investment accounts. However, as of June 30, 2012, the investment account funds had been fully depleted."
- A review of the audited financial statements compared to the check register revealed the provider's non-DOE expenditures were greater than the non-DOE income, resulting in the use of surplus DOE funds to subsidize the non-DOE expenses.
 - The non-DOE payments included legal fees totaling \$29,102.00, architect fees totaling \$5,908.00, training fees totaling \$5,665.00, website development charges totaling \$4,634.00, an environmental study for \$1,900.00 and other miscellaneous charges totaling approximately \$18,832.00. The provider should ensure State dollars are not used to fund non-DOE expenditures.
 - The director made two bank withdrawals in December 2011, in addition to the director's own DOE paychecks. The provider should ensure State dollars are not used to fund salary advances for employees.
 - The provider operated the before and after-care program and did not receive funding from the Department of Human Services (DHS) during the 2011-2012 school year. The wrap-around program salaries totaled \$116,889.00 while the private income and donations totaled \$65,015.00.

This issue has been resolved based on the OFAC review of the 2012-2013 school year. Therefore, this issue does not need to be addressed in the corrective action plan.

- The review of the general ledger revealed the rent, mortgage, and other space costs; the building, grounds and maintenance; the utilities; and the insurance accounts included numerous instances of both duplicate payments or duplicate postings.
- A review of the payroll registers, the accounts payable check register and the New Jersey WR-30 (NJWR-30) revealed the provider did not have proper procedures in place to report manual payroll checks or salary advance withdrawals to the payroll company in a timely manner; therefore, the NJWR-30 was incorrectly stated.

This issue has been resolved based on the OFAC review of the 2012-2013 school year. Therefore, this issue does not need to be addressed in the corrective action plan.

- A review of the benefit line items revealed the policy through Horizon Blue Cross Blue Shield was cancelled for the months of July 2011 through September 2011 for lack of payment. The provider resumed medical coverage through Oxford United Healthcare in October 2011 and had continuous coverage through June 2012.

This issue has been resolved based on the OFAC review of the 2012-2013 school year. Therefore, this issue does not need to be addressed in the corrective action plan.

- A review of the indirect cost line items revealed the following:
 - The accounting line item invoices from July 2011 through November 2011 for Accountemps were outstanding for over a year until paid on December 5, 2012. In addition, the building, grounds and maintenance invoice for Daryl Rhodes, dated March 14, 2012, was not paid until June 5, 2012.

This issue has been resolved based on the OFAC review of the 2012-2013 school year. Therefore, this issue does not need to be addressed in the corrective action plan.

- The rent, mortgage, and other space costs line item included monthly mortgage statements for the building located at 1090 Mary Street with numerous late payments and late fees.

This issue has been resolved based on the OFAC review of the 2012-2013 school year. Therefore, this issue does not need to be addressed in the corrective action plan.

- The utilities, the insurance and the accounting line items included invoices with numerous shut-off notices, pending cancellation notices, cancellation and reinstatement notifications, and carried-forward balances.
- A sample review of the bank statements revealed numerous overdraft and returned item fees.

Recommendation:

The financial position of the provider's DOE preschool education program should be determined as soon as possible. The OFAC recommends the provider establish sound fiscal controls and work with the district to determine an exception to the standard proration based on the lack of funds received from the DHS to ensure the DOE funds are managed appropriately. The provider should ensure the medical insurance payments are uninterrupted, the vendor payments are disbursed timely, the manual paychecks are reported to the payroll company accurately and in a timely manner, and eliminate the instances of duplicate payments and postings in the general ledger.

3. The investigator detected accounting irregularities

The investigator noted the following irregularities:

- The quarterly expenditure report received from the provider did not reconcile to the quarterly expenditure report received from the district.
- A review of the substitute teacher and substitute teacher assistant, the family worker, the director and the clerical worker salary line items revealed the provider understated the salaries. The provider issued numerous manual checks which were not reported in a timely manner to the payroll company and did not appear on the payroll registers; therefore, the district disallowed the costs. The OFAC reviewed the copies of the cancelled manual payroll checks and included the salary payments in the OFAC calculation of allowable DOE funded salaries.

This issue has been resolved based on the OFAC review of the 2012-2013 school year. Therefore, this issue does not need to be addressed in the corrective action plan.

- The provider reported earnings for the teacher assistants, the family workers, the food worker, the director, the clerical worker, the custodian, and the security guard on the NJWR-30 which was less than the earnings included on the payroll registers and the employee earnings record.

This issue has been resolved based on the OFAC review of the 2012-2013 school year. Therefore, this issue does not need to be addressed in the corrective action plan.

- A review of the benefit line items revealed the following:
 - The teacher and teacher assistant, the family worker, the director, and the clerical worker benefit line items were understated. In a meeting with the DECE, it was determined all of the legitimate benefit invoices, which were previously missing from the district's year-end review, would be considered allowable expenditures.
 - The provider incorrectly reduced the administrative employees' ten-month benefit expense by the DOE share of the annual costs equal to 73.88 percent rather than report the ten-month expense at 100 percent.

This issue has been resolved based on the OFAC review of the 2012-2013 school year. Therefore, this issue does not need to be addressed in the corrective action plan.

- The provider reported the payroll taxes based on the budgeted percentage rather than the actual costs. In addition, the provider did not take into consideration the \$29,600.00 threshold for the unemployment and the disability payroll taxes.
- A review of the indirect cost line items revealed the following:

- Although the DOE has allowed flexibility when the DHS funding is not available to cover the provider's standard calculation for a line item, a sample review of the rent, mortgage, and other space costs and the building, grounds and maintenance line items revealed the provider's quarterly expenditure report did not consistently allocate the agreed-upon DOE share of the costs equal to 83.33 percent to the correct approved line items.

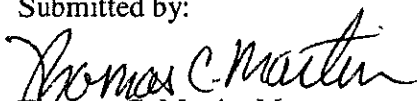
This issue has been resolved based on the OFAC review of the 2012-2013 school year. Therefore, this issue does not need to be addressed in the corrective action plan.

- The rent, mortgage, and other space costs, the building, grounds and maintenance, the security, the utilities, the insurance and the accounting line items were understated. In a meeting with the DECE, it was determined all of the legitimate invoices, which were previously missing from the district's year-end review, would be considered allowable expenditures.
- A review of the indirect cost line items on the quarterly expenditure report revealed the expenditures did not reconcile, on a quarterly or yearly basis, to the general ledger.
- The provider included late fees and the Directors and Officers Liability insurance policy on the quarterly expenditure report, which are considered unallowable costs to the DOE funded program.

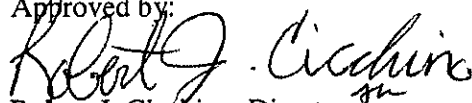
Recommendation:

The OFAC recommends the provider enhance its current financial management system, in order to ensure the accurate disclosure of all financial activities related to the DOE preschool education program. The provider should ensure a final version of the quarterly expenditure report is completed, agreed upon, and maintained by both the district and the provider. In addition, the provider should ensure the general ledger reconciles to the quarterly expenditure report; and the salaries, the benefits, the payroll taxes and the administrative and indirect costs are reported accurately. The provider should also ensure all expenditures reported on the quarterly expenditure report are supported by actual invoices and proof of payment, and submitted to the district with each quarterly submission in a timely manner.

Submitted by:


Thomas C. Martin, Manager
Investigations Unit

Approved by:


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

Special Investigator:

Suzanne Fenske

Jefferson Park Day Care Center, Inc.

2011 - 2012 Fiscal Year

Budget vs. Actual

EXPENSE	BUDGETED TOTAL COST	YTD TOTAL PER QUARTERLY EXPENDITURE REPORT	BUDGET REVENUE YTD EXPENDITURES	YTD TOTAL ACCREDITED BY OFAC	BUDGET REVENUE YTD ACCREDITED BY OFAC	VARIANCE AMOUNT/OUR BALANCE
EDUCATIONAL PROGRAM COSTS						
Teacher Salary	\$ 306,198	\$ 297,805	\$ 8,393	\$ 297,805	\$ 8,393	\$ 8,393
Teacher Assistant Salary	\$ 185,232	184,805	427	184,805	427	\$ 427
Floating Teacher Assistant Salary	\$ 28,485	29,680	(225)	29,680	(225)	\$ (225)
Teacher/Assistant Teacher Benefits	\$ 81,803	36,546	45,257	42,785	39,018	\$ 39,018
Substitute Teacher Stipend	\$ 8,000	8,558	(558)	9,327	(1,327)	\$ (1,327)
Substitute Assistant Teacher Stipend	\$ 5,600	-	5,600	-	5,600	\$ 5,600
Classroom Materials and Supplies	\$ 5,035	-	5,035	-	5,035	\$ 5,035
Classroom Technology	\$ 1,000	-	1,000	-	1,000	\$ 1,000
Startup Classroom Materials and Supplies	\$ -	-	-	-	-	\$ -
Startup Classroom Technology	\$ -	-	-	-	-	\$ -
Field Trips w/ Transportation	\$ 2,625	-	2,625	-	2,625	\$ 2,625
Family Worker Salary	\$ 43,538	40,139	3,399	40,559	2,979	\$ 2,979
Family Worker Benefits	\$ 229	44	185	247	(18)	\$ (18)
Food-Related Costs (CACFP participant, non-reimbursable costs)						
Food (for contracted preschool children only)	\$ 6,565	2,705	3,860	2,705	3,860	\$ 3,860
Food Worker Salary (cook)	\$ 5,349	779	4,570	779	4,570	\$ 4,570
Food Worker Benefits (cook)	\$ 83	42	41	42	41	\$ 41
Assistant Food Worker Salary (asst. cook)	\$ -	-	-	-	-	\$ -
Assistant Food Worker Benefits (asst. cook)	\$ -	-	-	-	-	\$ -
Employer Payroll Taxes (For Educational Program Positions only)						
Social Security (6.20%)	\$ 38,417	34,829	1,588	34,903	1,514	\$ 1,514
Medicare (1.45%)	\$ 8,517	8,146	371	8,163	354	\$ 354
Unemployment (2.80%)	\$ 18,446	11,231	5,215	8,337	8,109	\$ 8,109
Disability (0.50%)	\$ 2,937	2,467	470	2,678	259	\$ 259
SUBTOTAL Educational Program Costs	\$ 745,029	\$ 657,778	\$ 87,263	\$ 662,815	\$ 82,214	\$ 82,214
ADMINISTRATIVE SUPPORT AND INDIRECT COSTS						
SUPPORT COSTS						
Director Salary	\$ 59,583	\$ 45,402	\$ 14,181	\$ 59,583	\$ -	\$ -
Director Benefits	\$ 9,619	3,352	6,267	4,649	4,970	\$ 4,970
Clerical Salary	\$ 21,944	21,944	-	22,433	(489)	\$ (489)
Clerical Benefits	\$ 13,550	1,140	12,410	1,475	12,075	\$ 12,075
Custodian Salary	\$ 1,618	1,618	-	1,618	-	\$ -
Custodian Benefits	\$ 83	51	32	51	32	\$ 32
Social Security (6.20%)	\$ 6,098	4,306	1,792	5,185	913	\$ 913
Medicare (1.45%)	\$ 1,426	1,007	419	1,213	213	\$ 213
Unemployment (2.80%)	\$ 2,754	1,161	1,593	1,106	1,648	\$ 1,648
Disability (0.50%)	\$ 492	207	285	327	165	\$ 165
INDIRECT COSTS						
Rent, Mortgage, Other Space Costs	\$ 16,581	9,917	6,664	12,205	4,376	\$ 4,376
Office Equipment >\$2000 and Repair	\$ 1,884	1,447	437	1,447	437	\$ 437
Office Materials and Supplies	\$ 8,609	3,578	5,033	3,576	5,033	\$ 5,033
Food-Related Paper Supplies	\$ 443	-	443	-	443	\$ 443
Cleaning Supplies	\$ 5,403	3,749	1,654	3,749	1,654	\$ 1,654
Food for Meetings	\$ 554	610	(56)	610	(56)	\$ (56)
Building/Grounds Maintenance/Repair	\$ 52,815	33,172	19,643	47,142	5,673	\$ 5,673
Utilities	\$ 30,248	22,183	8,065	22,305	7,943	\$ 7,943
Telecommunications Services	\$ 7,479	4,456	3,023	4,456	3,023	\$ 3,023
Security	\$ 42,215	35,061	7,154	36,250	5,965	\$ 5,965
Insurance	\$ 42,333	17,048	25,285	23,305	19,028	\$ 19,028
Accounting Fees	\$ 56,000	29,318	26,684	31,851	24,149	\$ 24,149
Payroll Preparation Fees	\$ 6,299	2,412	3,887	2,412	3,887	\$ 3,887
Advertising	\$ 2,484	918	1,566	918	1,566	\$ 1,566
Staff Transportation	\$ 74	-	74	-	74	\$ 74
Profit, if Applicable (Max of 2.5% of Ed Costs)	\$ -	-	-	-	-	\$ -
Subtotal of Above Administrative Support and Indirect Costs	\$ 390,588	\$ 244,053	\$ 146,535	\$ 287,888	\$ 102,722	\$ 102,722
PROVIDER PROGRAM TOTALS						
Total Cost	\$ 1,135,617	\$ 901,829	\$ 233,788	\$ 950,681	\$ 184,936	\$ 184,936
DISTRICT ADJUSTMENTS or Other Approved Budgeted Costs						
Classroom Materials and Supplies	\$ (5,035)	-	(5,035)	-	(5,035)	\$ (5,035)
Classroom Technology	\$ (1,000)	-	(1,000)	-	(1,000)	\$ (1,000)
Field Trips	\$ (2,625)	-	(2,625)	-	(2,625)	\$ (2,625)
Total Cost after District Adjustments or Other Costs	\$ 1,126,957	\$ 901,829	\$ 225,128	\$ 950,681	\$ 176,276	\$ 176,276
						DISTRICT RECOVERED
						\$ (52,870)
						UNDERSPENT BY THE PROVIDER
						\$ 123,406