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## BOARD OF EDUCATION

## RESOLUTION

**ACCEPTANCE OF OFAC REPORT ISSUED IN CASE #ECE-009-14  
REGARDING THE EARLY CHILDHOOD PRESCHOOL EDUCATION PROGRAM  
PROVIDED BY JEFFERSON PARK DAYCARE CENTER FOR THE 2012/2013  
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-009-14 of its findings and recommendations related to its review of the District’s financial records involving Jefferson Park Daycare Center for the 2012/2013 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.

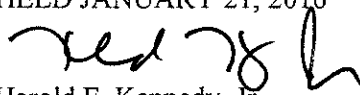
**NOW, THEREFORE, BE IT RESOLVED** that the Elizabeth Board of Education acknowledges receipt of the OFAC report issued regarding Jefferson Park Daycare Center (Case #ECE-009-14).

**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-009-14

2012/2013 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)

OFAC Case # ECE-009-14

DATE OF BOARD MEETING: January 21, 2016

PROVIDER CONTACT INFORMATION: PROVIDER Jefferson Park Daycare Center      DIRECTOR Khaleeqa Rouse

ADDRESS 485 Madison Ave., Elizabeth, NJ 07201

TELEPHONE 908-354-2266      FAX 908-354-7360

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
1. 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 N (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 \$ 17,844.00. 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 cost of the program. The Provider will ensure all expenditures reported on the	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 \$71,784.00 in underspent DOE preschool education program funds. The district withheld \$53,940.00; therefore, \$17,844.00 remains payable to the district.</p>		<p>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>		
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**NEW JERSEY DEPARTMENT OF EDUCATION  
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE  
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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, 2013, revealed the auditors identified two financial statement findings: "The organization has incurred recurring deficits for the last several years. These deficits were financed using available funds in the Organization's investment accounts, and by delaying liquidation of the amount recoupable by its main grantor, Elizabeth Board of Education. However, as of June 30, 2013, the investment account funds had been fully depleted. And the grantor is intensifying its efforts to recoup the</p>	<p>In accordance with the contract section III N (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>September 1, 2015</p>
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NEW JERSEY DEPARTMENT OF EDUCATION  
 OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE  
 EARLY CHILDHOOD PRESCHOOL EDUCATION FISCAL REVIEW RESPONSE  
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<p>outstanding amounts due.”</p> <p>“During the course of our audit, we noted that the Organization did not have a complete set of properly set up general ledger system that could generate a trial balance useable for the audit. This resulted in spending enormous audit time in ensuring the accuracy of the Organization’s financial statements. We also noted that the bank accounts were not reconciled for ten of the twelve months during the fiscal year ended June 30, 2013.”</p>	<p>In accordance with the contract section III N (4), The Provider will enhance its current financial management system, in order to ensure the maintenance of a general ledger and account reconciliation 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>September 1, 2015</p>
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**NEW JERSEY DEPARTMENT OF EDUCATION  
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE  
EARLY CHILDHOOD PRESCHOOL EDUCATION FISCAL REVIEW RESPONSE  
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CAP# ECE-009-14

	<p>A review of the indirect cost line items revealed the following: the building grounds and maintenance, the utilities, the insurance and the accounting line items included invoices with numerous instances of duplicate payments, duplicate postings, and accruals that were not reversed when the provider posted the actual invoice payment to the general ledger.</p>	<p>In accordance with the contract section III N (2), 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 Provider will establish financial internal controls that will eliminate duplicate payments and posting to the general ledger.</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>
	<p>The building, grounds and maintenance, the utilities, and the insurance line items included invoices with numerous shut-off notices, carried-forward balances, and late fees.</p>	<p>The Provider will establish financial internal controls that will ensure insurance payments are uninterrupted, and vendor payments are disbursed timely.</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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	<p>A sample review of the bank statements revealed numerous overdraft and returned item fees.</p>	<p>In accordance with the contract section III N (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 its cash liquidity and notify the District of any shortfall in cash.</p>	<p>Provider Director</p>	<p>January 5, 2014</p>
<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. In addition, the provider's submission and the district's review of the final quarterly expenditure report were not completed in a timely manner.</p>	<p>In accordance with the contract section III N (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>November 15, 2015</p>

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 OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE  
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 CORRECTIVE ACTION PLAN

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	<p>A review of the substitute teacher assistant, the family worker, and the clerical worker salary line items revealed the salaries reported in the payroll registers did not reconcile to the salaries reported on the quarterly expenditure report</p>	<p>In accordance with the contract section III N (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>			

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	<p>A review of the substitute teacher assistant, the family worker, and the clerical worker salary line items revealed the salaries reported in the payroll registers did not reconcile to the salaries reported on the quarterly expenditure report.</p> <p>The teacher and teacher assistant, the family worker, the clerical, and the security guard 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 review, would be considered allowable expenditures.</p>	<p>In accordance with the contract section III N (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>In accordance with the contract section III N (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 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>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>Provider Director Fiscal Specialist</p>	<p>CAP# <u>ECE-009-14</u> November 15, 2015</p> <p>February 3, 2014</p>
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OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE  
EARLY CHILDHOOD PRESCHOOL EDUCATION FISCAL REVIEW RESPONSE  
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	<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 \$30,300.00 threshold for the unemployment and disability payroll taxes.</p> <p>A review of the indirect cost line items revealed the following: the building grounds and maintenance, the utilities, the security, the insurance, and the accounting line items were understated. In a meeting with DECE, it was determined all of the legitimate invoices, which were</p>	<p>In accordance with the contract section III N (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>In accordance with the contract section III N (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 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>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>Provider Director Fiscal Specialist</p>	<p>CAP# <u>ECE-009-14</u> February 3, 2014</p> <p>April 15, 2014</p>
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**NEW JERSEY DEPARTMENT OF EDUCATION  
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE  
EARLY CHILDHOOD PRESCHOOL EDUCATION FISCAL REVIEW RESPONSE  
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	<p>previously missing from the district's year-end review, would be considered allowable expenditures.</p> <p>The rent, mortgage, and other space cost line item was not accurately reported. In a meeting with the DECE, it was determined the allowable space costs should be based on the fair market leasehold value of the property.</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 N (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>In accordance with the contract section III N (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 space costs agreement between the District and The Provider will be based on the fair market leasehold value of the property.</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</p>	<p>Provider Director Fiscal Specialist Comptroller</p> <p>Provider Director Fiscal Specialist</p>	<p>February 22, 2016</p> <p>April 15, 2014</p>
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NEW JERSEY DEPARTMENT OF EDUCATION  
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE  
EARLY CHILDHOOD PRESCHOOL EDUCATION FISCAL REVIEW RESPONSE  
CORRECTIVE ACTION PLAN


CAP# ECE-009-14


	<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 N (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>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>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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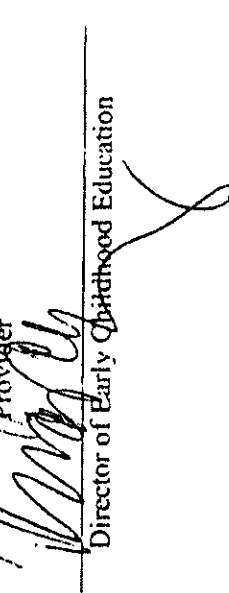
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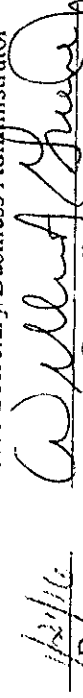
SUPPORTING DOCUMENTATION MUST BE SUBMITTED ALONG WITH THE CORRECTIVE ACTION PLAN


  
\_\_\_\_\_  
Chief School Administrator

  
\_\_\_\_\_  
Provider


  
\_\_\_\_\_  
Director of Early Childhood Education

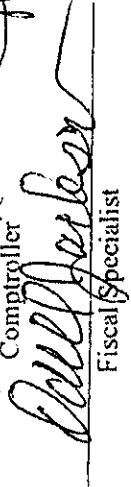
  
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Date

\_\_\_\_\_  
Board Secretary/Business Administrator

  
\_\_\_\_\_  
Comptroller

  
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Fiscal Specialist

11/21/2016  
Date

11/21/16  
Date

11/24/16  
Date



State of New Jersey

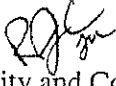
DEPARTMENT OF EDUCATION  
PO Box 500  
TRENTON, NJ 08625-0500

CHRIS CHRISTIE  
*Governor*  
KIM GUADAGNO  
*Lt. 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-009-14

The Office of Fiscal Accountability and Compliance (OFAC) completed a fiscal review of the 2012-2013 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 labor laws. Accordingly, the OFAC will notify the 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\_009\_14 Jefferson Park Day Care Final Report 2012-2013.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 2012-2013 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 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 2012-2013 budget by a total of \$71,784.00. The district withheld \$53,940.00 in underspent funds; therefore, \$17,844.00 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, 2012, through June 30, 2013. 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 2012-2013 approved budget totaled \$1,166,759.00.

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 Department of Human Services (DHS) funded the wrap-around 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 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 \$71,784.00 in underspent DOE preschool education program funds. The district withheld \$53,940.00; therefore, \$17,844.00 remains payable to the district (see Exhibit A).

#### **Recommendation:**

The OFAC recommends the district recover the underspent funds from the provider totaling \$17,844.00 and 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, 2013, revealed the auditors identified two financial statement findings:
  - "The organization has incurred recurring deficits in the last several fiscal years. These deficits were financed using available funds in the Organization's investment accounts and by delaying the liquidation of the amount recoupable by its main grantor, Elizabeth Board of Education. However, as of June 30, 2013, the investment account funds had been fully depleted. And the grantor is intensifying its efforts to recoup the outstanding amounts due."
  - "During the course of our audit, we noted that the Organization did not have a complete set of properly set up general ledger system that could generate a trial balance useable for the audit. This resulted in spending enormous audit time in ensuring the accuracy of the Organization's financial statements. We also noted that the bank accounts were not reconciled for ten of the twelve months during the fiscal year ended June 30, 2013."
- A review of the indirect cost line items revealed the following:
  - The building, grounds and maintenance, the utilities, the insurance, and the accounting line items included invoices with numerous instances of duplicate payments, duplicate postings, and accruals that were not reversed when the provider posted the actual invoice payment to the general ledger.
  - The building, grounds and maintenance, the utilities and the insurance line items included invoices with numerous shut-off notices, carried-forward balances and late fees.
- 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 decrease in funds received from the DHS to ensure the DOE funds are managed appropriately. The provider should establish a complete general ledger system that can produce both financial statements and trial balances, eliminate the instances of duplicate payments and postings, ensure the vendor payments are disbursed timely and perform the bank reconciliations on a monthly basis.

### **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. In addition, the provider's submission and the district's review of the final quarterly expenditure report were not completed in a timely manner.
- A review of the substitute teacher assistant, the family worker, and the clerical worker salary line items revealed the salaries reported in the payroll registers did not reconcile to the salaries reported on the quarterly expenditure report.
- A review of the teacher and teacher assistant, the family worker, the clerical worker and the security guard benefit line items revealed the provider understated the expenditures. 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 reported the payroll taxes based on the budgeted percentage rather than the actual costs. In addition, the provider did not take into consideration the \$30,300.00 threshold for the unemployment and the disability payroll taxes.
- A review of the indirect cost line items revealed the following:
  - The building, grounds and maintenance, the utilities, the security, 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.
  - The rent, mortgage and other space cost line item was not accurately reported. In a meeting with the DECE, it was determined the allowable space costs should be based on the fair market leasehold value of the property.
  - 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.

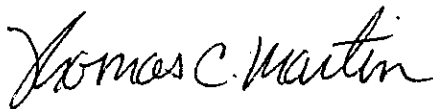
**Recommendation:**

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 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 indirect costs are reported accurately. The provider and the district should document the agreed upon costs related to the facility and 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.

**OBSERVATIONS**

The provider did not maintain accurate employment contracts for the part-time family worker, the director and the clerical worker.

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.  
2012 - 2013 Fiscal Year  
Budget vs. Actual

EXPENSE	BUDGETED TOTAL COST	YTD TOTAL PER QUARTERLY EXPENDITURE REPORT	BUDGET AMOUNT YTD EXPENDITURE	YTD TOTAL ACCEPTED BY OFAC	BUDGET AMOUNT YTD ACCEPTED BY OFAC	VARIANCE AMOUNT DUE EACH
<b>EDUCATIONAL PROGRAM COSTS</b>						
Teacher Salary	\$ 319,884	\$ 309,561	\$ 10,123	\$ 312,461	\$ 7,223	\$ 7,223
Teacher Assistant Salary	\$ 189,947	178,782	\$ 11,165	178,782	11,165	\$ 11,165
Floating Teacher Assistant Salary	\$ 30,626	30,625	\$ 1	30,626	-	\$ -
Teacher/Assistant Teacher Benefits	\$ 92,602	43,680	\$ 48,922	64,055	28,547	\$ 28,547
Substitute Teacher Stipend	\$ 8,000	8,585	\$ (585)	4,500	3,500	\$ 3,500
Substitute Assistant Teacher Stipend	\$ 5,600	3,214	\$ 2,386	6,331	(731)	\$ (731)
Classroom Materials and Supplies	\$ 5,035	-	\$ 5,035	-	5,035	\$ 5,035
Classroom Technology	\$ 1,000	-	\$ 1,000	-	1,000	\$ 1,000
Field Trips w/ Transportation	\$ 1,500	-	\$ 1,500	-	1,500	\$ 1,500
Family Worker Salary	\$ 50,797	48,784	\$ 4,013	50,682	115	\$ 115
Family Worker Benefits	\$ 7,620	-	\$ 7,620	208	7,412	\$ 7,412
<b>Food-Related Costs (CACFP participant, non-reimbursable costs)</b>						
Food (for contracted preschool children only)	\$ 6,721	6,721	-	6,721	-	\$ -
Food Worker Salary (cook)	\$ 9,499	-	\$ 9,499	-	9,499	\$ 9,499
Food Worker Benefits (cook)	\$ 1,425	-	\$ 1,425	-	1,425	\$ 1,425
Assistant Food Worker Salary (asst. cook)	\$ -	-	\$ -	-	-	\$ -
Assistant Food Worker Benefits (asst. cook)	\$ -	-	\$ -	-	-	\$ -
<b>Employer Payroll Taxes (For Educational Program Positions only)</b>						
Social Security (6.20%)						
Medicare (1.45%)	\$ 67,249	59,933	7,316	71,572	(4,323)	\$ (4,323)
Unemployment (2.80%)						
Disability (0.50%)						
<b>Sub Total Educational Program Costs</b>	<b>\$ 797,305</b>	<b>\$ 887,886</b>	<b>\$ 109,420</b>	<b>\$ 725,938</b>	<b>\$ 71,367</b>	<b>\$ 71,367</b>
<b>ADMINISTRATIVE SUPPORT AND INDIRECT COSTS</b>						
<b>SUPPORT COSTS</b>						
Director Salary	\$ 61,281	\$ 58,471	\$ 2,810	\$ 58,471	\$ 2,810	\$ 2,810
Director Benefits	\$ 9,192	5,230	3,962	5,230	3,962	\$ 3,962
Clerical Salary	\$ 22,295	22,295	-	26,150	(3,855)	\$ (3,855)
Clerical Benefits	\$ 3,575	3,574	1	4,700	(1,125)	\$ (1,125)
Custodian Salary	\$ 6,594	-	6,594	-	6,594	\$ 6,594
Custodian Benefits	\$ 3,089	-	3,089	-	3,089	\$ 3,089
Security Guard Salary	\$ 29,130	29,130	-	29,130	-	\$ -
Security Guard Benefits	\$ 4,138	-	4,138	156	3,982	\$ 3,982
Social Security (6.20%)						
Medicare (1.45%)	\$ 14,597	11,871	2,726	13,872	725	\$ 725
Unemployment (2.80%)						
Disability (0.50%)						
<b>INDIRECT COSTS</b>						
Rent, Mortgage, Other Space Costs	\$ 63,835	6,804	57,031	59,498	4,337	\$ 4,337
Office Equipment > \$2000 and Repair	\$ 4,266	4,266	-	4,266	-	\$ -
Office Materials and Supplies	\$ 4,837	4,837	-	4,837	-	\$ -
Food-Related Paper Supplies	\$ 739	-	739	-	739	\$ 739
Cleaning Supplies	\$ 4,890	4,283	607	4,283	607	\$ 607
Food for Meetings	\$ 554	477	77	477	77	\$ 77
Building/Grounds Maintenance/Repair	\$ 47,296	44,803	2,493	58,717	(11,421)	\$ (11,421)
Utilities	\$ 26,617	19,163	7,454	23,487	3,130	\$ 3,130
Telecommunications Services	\$ 6,866	5,347	1,519	5,347	1,519	\$ 1,519
Security	\$ 4,961	5,320	(359)	12,220	(7,259)	\$ (7,259)
Insurance	\$ 27,726	15,441	12,285	24,823	2,903	\$ 2,903
Accounting Fees	\$ 26,596	28,750	(2,154)	31,275	(4,679)	\$ (4,679)
Payroll Preparation Fees	\$ 3,177	2,098	1,079	2,098	1,079	\$ 1,079
Advertising	\$ 738	-	738	-	738	\$ 738
Staff Transportation	\$ -	-	-	-	-	\$ -
Profit, If Applicable (Max of 2.5% of Ed Costs)	\$ -	-	-	-	-	\$ -
<b>Subtotal of Above Administrative Support and Indirect Costs</b>	<b>\$ 376,989</b>	<b>\$ 272,160</b>	<b>\$ 104,829</b>	<b>\$ 369,037</b>	<b>\$ 7,952</b>	<b>\$ 7,952</b>
<b>PROVIDER PROGRAM TOTALS</b>						
<b>Total Cost</b>	<b>\$ 1,174,294</b>	<b>\$ 960,045</b>	<b>\$ 214,249</b>	<b>\$ 1,094,975</b>	<b>\$ 79,319</b>	<b>\$ 79,319</b>
<b>DISTRICT ADJUSTMENTS or Other Approved Budgeted Costs</b>						
Classroom Materials and Supplies	\$ (5,035)	-	(5,035)	-	(5,035)	\$ (5,035)
Classroom Technology	\$ (1,000)	-	(1,000)	-	(1,000)	\$ (1,000)
Field Trips W/Transportation	\$ (1,500)	-	(1,500)	-	(1,500)	\$ (1,500)
<b>Total Cost after District Adjustments or Other Costs</b>	<b>\$ 1,166,759</b>	<b>\$ 960,045</b>	<b>\$ 208,714</b>	<b>\$ 1,094,975</b>	<b>\$ 71,784</b>	<b>\$ 71,784</b>
						<b>DISTRICT RECOVERED \$ (53,940)</b>
						<b>UNDERSPENT BY THE PROVIDER \$ 17,844</b>