



State of New Jersey
DEPARTMENT OF EDUCATION
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CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

CHRISTOPHER D. CERF
Acting Commissioner

December 20, 2011

Cami Anderson
State District Superintendent
Newark Public Schools
2 Cedar Street
Newark, New Jersey 07102

Dear Ms. Anderson:

Attached is the internal audit report on early childhood provider Clinton Hill Community and Early Childhood Center, Inc. In accordance with N.J.A.C. 6A:23A-5.6 the Newark Public Schools are required to publicly review and discuss the findings in the report at the next regularly scheduled public board meeting. Within 30 days of the public meeting the district board of education shall adopt a resolution certifying that the findings were discussed in a public meeting and approving a corrective action plan to address the issues raised in the findings. The resolution shall be submitted to the Internal Audit Unit within 10 days of adoption. The findings of the audit and the board of education's corrective action plan shall be posted on the district's web site.

Should you have any questions, please feel free to contact Walter Szeluga (ext. 6671) or myself.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven Hoffmann".

Steven Hoffmann
Coordinating Auditor
NJ Department of Education
(973) 621-2750

c: Christopher Cerf
Ellen Wolock
Robert Cicchino
Walter Szeluga

NEW JERSEY DEPARTMENT OF EDUCATION

NEWARK INTERNAL AUDIT UNIT

CLINTON HILL COMMUNITY AND EARLY CHILDHOOD CENTER, INC.

2009-2010 FISCAL YEAR

DECEMBER 2011

Confidential: This report is solely for management purposes and is not intended for any other use.

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NEWARK INTERNAL AUDIT UNIT
CLINTON HILL COMMUNITY AND EARLY CHILDHOOD CENTER, INC.
2009-2010 FISCAL YEAR**

Distribution List of Final Audit Report

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State Operated School District of Newark

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EXECUTIVE SUMMARY

The Newark Internal Audit Unit conducted an audit of Clinton Hill Community & Early Childhood Center, Inc. (Clinton Hill) participating in the New Jersey Department of Education (NJDOE) funded preschool program, for compliance with the terms of the 2009-2010 contract and budget.

The more significant deficiencies noted were:

- The auditors determined that the provider under spent the approved budget by \$92,256. The majority of the under spent lines were teacher, teacher assistant, floating teacher assistant, family worker and director benefits and classroom technology. The district withheld \$145,617 from the provider's payments leaving a balance due the provider of \$53,361.
- The Newark Office of Early Childhood (NOEC) did not have a completed Criminal History Record Information (CHRI) for 10 employees. The NOEC did not have a completed Child Abuse Record Information (CARI) for 11 employees. The provider did not obtain the completed CHRI for three of the 10 employees. The provider did not obtain the CARI for three of the 11 employees.
- The provider did not have tuberculin (TB) test results for five employees and the test was done late for 13 employees.
- The provider did not have health benefit coverage for their employees for the period July 2009 through October 2009.

DETAILED FINDINGS

The Newark Internal Audit Unit reviewed the expenditure reports and supporting documentation for Clinton Hill for the period July 2009 through June 2010 for compliance with the executed contract and approved budget. During this year, the providers were given expenditure guidance that must be used to document and justify all expenditures relating to the NJDOE funded preschool program. As per New Jersey Administrative Code 6A:13A, the Newark Public Schools (district) shall monitor the expenditures at least quarterly and must recoup any unexpended or misspent funds based on the quarterly expenditure reports, enrollment records and monthly payments made by the school district. Each provider must submit to the district a quarterly report of actual, approvable, reasonable and customary expenditures with supporting documentation and receipts. The quarterly report must include expenditures for all district-approved budget lines for the school year. The quarterly report must be signed and certified by an officer of the corporation. All providers must complete the "2009-2010 Private Provider One-Year Planning Budget Worksheet" and file it with the district prior to the start of the fiscal year. This worksheet will serve as the basis for the quarterly reports. Providers will be reimbursed only for costs that are allowable and documented through quarterly expenditure reports.

The provider may submit budget modification requests to the district. The district may set a date past which the requests will no longer be accepted for the budget year and must notify the providers of that date prior to the fourth quarter of the budget year. The NOEC set a transfer deadline of Monday May 3, 2010. The auditors only revised the original budget for modifications approved by the Newark Director of Early Childhood.

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The audit scope included determining whether or not:

- The day care center had a current license.
- The NJDOE funded preschool employees, employed during the contract period, have CHRI results, CARI results, applicable teaching credentials and TB test results on file. The contract has a provision that the provider shall 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 which would disqualify said employee from employment pursuant to law.
- The provider maintained a financial system that provides timely, accurate and complete disclosure of all financial activities related to the NJDOE funded preschool agreement.
- The provider properly handled NJDOE funded preschool cash receipts and disbursements; completed a year - end bank reconciliation for each bank account handling this funding.
- The provider maintained the proper insurance as required by the contract.
- The provider submitted the proper supporting documentation with the quarterly expenditure reports.
- The provider based all benefit expenditures on a written uniform policy.
- The provider annually obtained signed waivers from staff members choosing to opt out of benefit coverage. The waivers must indicate proof of insurance from another source.

Below is a summary of the audit findings:

CLINTON HILL COMMUNITY & EARLY CHILDHOOD CENTER, INC.:

Clinton Hill is a not-for-profit organization, providing services to the children in Newark, New Jersey. The provider is located at 420 Hawthorne Avenue and serves a total of 75 children in the NJDOE preschool program. The approved budget was \$1,040,842. The NOEC paid the provider \$895,225 of the approved budget.

1. NJDOE Education Preschool Program:

The NJDOE funds the six-hour educational component of the NJDOE preschool program and the Department of Human Services (DHS) funds the wrap around component. The provider shall submit to the NOEC a quarterly expenditure report of actual, approvable, reasonable and customary expenditures with supporting documentation and receipts. The quarterly report shall include expenditures for all approved budget lines for the school year including all approved salaries, benefits, payroll taxes, substitute stipends, classroom materials and supplies, start-up classroom materials/supplies and technology, if applicable, field trips and transportation, space costs, food costs, and all allowable administrative and indirect costs as itemized under the Administrative Support and Indirect Costs section of the Private Provider Expenditure Guidance for school year 2009-2010. The contract states that based on the district review of the quarterly expenditure reports, the district shall make prorated adjustments to subsequent monthly payments.

Providers will be reimbursed only for costs that are allowable and documented through quarterly expenditure reports in strict accordance with the approved budget. Unexpended funds will be recouped by the district.

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Salaries that do not relate back to the provider's Schedule A are non-allowable salary costs. All benefit expenditures must be based on a written, uniform policy based on an equitable standard of distribution. Non allowable benefit and pension costs include the cost of benefits that do not relate back to the provider's written policy. Providers must obtain waivers from any staff member choosing to opt out of benefit coverage. Waivers must be signed annually, and must indicate proof of insurance from another source.

The NOEC paid the provider \$895,225. The provider should charge the expenses to the expenditure report during the year that the expense was incurred and not the year paid. The auditors reviewed the documentation submitted with the expenditure reports and requested during the course of the audit. At the auditor's request, the provider submitted payroll documentation for September 2009. The provider charged the NJDOE program Building Repairs and Maintenance budget line \$1,000 in the first quarter based on an altered work order/invoice. The work order/invoice was applicable to the 2008-2009 school year. The date of order, the start date and invoice date were altered to make it appear the charges were applicable for the 2009-2010 school year. In the second quarter, the provider charged \$1,500 based on an October 2009 payment. A copy of the unaltered work order/invoice and a second work order/invoice were submitted as support. The provider also submitted an expense of \$550 for electrical work also applicable to the 2008-2009 school year. The auditors denied the \$2,500 in charges and notified the NOEC of the alteration. The NOEC notified the auditors that Clinton Hill was not part of the NJDOE program in 2008-2009. The auditors also denied the \$550 in charges. The provider charged two employees for accounting services. The auditors allowed only one on the basis that a second accounting person was unnecessary. The auditors denied one of two security guards charged to the NJDOE program on the basis of one security guard per location. The provider has one location. The provider had 75 NJDOE funded children and no non NJDOE classes. The provider charged NJDOE for 90 children for a field trip to the Land of Make Believe. The additional 15 non NJDOE funded children and chaperones led to the provider utilizing and charging the NJDOE for a third bus. The auditors denied the \$515 charges for the 15 children and the third bus.

The auditors determined that the provider under spent the budget by \$92,256. The NOEC withheld \$145,617. The provider is due \$53,361.

Recommendation:

The auditors recommend that NPS pay \$53,361 to the provider. The auditors recommend that the provider submit expenses during the year incurred rather than year paid. The auditors recommend that the NOEC closely review documentation submitted for altered documentation. If another instance of altered documentation is noted, the NOEC should consider terminating or non-renewing the provider.

2. Personnel File Review:

The NJDOE funded preschool program employees, employed during the contract period, should have CHRI results, CARI results, applicable teaching credentials, and TB test results on file with the provider. Per the contract, the provider must provide copies of all the above except the TB test results to the NOEC. The auditors requested the CHRI results, CARI results and applicable teaching credentials from the NOEC. The

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TB test results were requested from the provider. The auditors reviewed the documentation provided by the NOEC for the NJDOE funded preschool program employees and noted the following:

- No CHRI results for 10 employees plus the CHRI for one employee was not done until July 21, 2010.
- No CARI results for 11 employees.
- No certification for a substitute teacher.

The auditors obtained seven of the 10 CHRI results and eight of the 11 CARI results from the provider. The auditors reviewed the TB test results and noted five were not done and 13 were done late. The auditors received the certification from the provider. The provider stated they ensure current staff members are present whenever a substitute is with the children. The provider believed substitutes were exempt from providing a CHRI or CARI.

Recommendation:

The auditors recommend that the NOEC personnel reviewing the provider expenditure reports notify the certification supervisor of all employees working in the NJDOE funded program. The certification supervisor should verify that the NOEC has all applicable credentials, CHRI results and CARI results for these employees. The supervisor should pursue the provider for all missing or incomplete documentation. The auditors recommend that the NOEC retain these documents for future audit purposes. The auditors recommend that the NOEC have the provider promptly obtain the missing CHRI, CARI and TB results for the employees noted above if still working at the center.

3. Benefits:

The NJDOE funded Preschool Program guidance states all benefit expenditures must be based on a written, uniform policy based on an equitable standard of distribution, such as years of service or education. Providers must obtain waivers from any staff member choosing to opt out of benefit coverage. Waivers must be signed annually, and must indicate proof of insurance from another source. The NOEC stated they did not obtain the written benefit policies from the providers in 2009-2010.

The auditors were given a copy of the Employee Benefits Package for 2009-2010. It consisted of a list of benefits offered consisting of medical and prescription coverage provided by Aetna, dental coverage provided by Aetna PPI, vision coverage provided by Avesis. The provider showed the premium rates as of July 2010. The benefit package also included life insurance and accidental death and personal loss coverage underwritten by Aetna Life Insurance Company and a 401K plan administered by Sungard Transaction Network. The provider does not match contributions. The package did not show which employees were eligible to participate (full time and/or part time) and whether there is a waiting period before coverage begins. The provider submitted a copy of their employee handbook subsequent to the wrap up meeting. It stated all full time employees shall be covered and all part time employees are given an option of enrolling at a cost. It did not address whether there is a waiting period before coverage begins.

The information in the employee benefit package was inaccurate. The provider did not have benefits for its employees from July 2009 through October 2009. The provider had medical and prescription coverage

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starting in November 2009 through May 2010 through Horizon not Aetna as indicated in the employee benefits package. They used Aetna in June 2010. Dental coverage was to be provided by Aetna PPI. Vision coverage was to be provided by Avesis. Dental and vision coverage were provided by the Association of Community Service Agencies administered by PPI Benefit Solutions as was life insurance, accidental death and dismemberment coverage.

The auditors noted one employee did not have vision coverage. There was no waiver of coverage.

Recommendation:

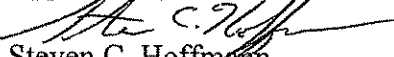
The auditors recommend that the NOEC ensure the center provides benefits for the entire contract period. The auditors recommend that the NOEC ensure that the written provider benefit policy complies with NJDOE guidelines. The auditors recommend that the NOEC ensure the provider annually obtains waivers from all employees who opt out of coverage and ensure that the signed waivers include proof of insurance from another source.

Submitted by:



Walter S. Szeluga
Supervising Auditor

Approved by:



Steven C. Hoffmann
Coordinating Auditor