



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE  
Governor

KIM GUADAGNO  
Lt. Governor

ROCHELLE R. HENDRICKS  
Acting Commissioner

December 3, 2010

Dr. Clifford B. Janey  
State District Superintendent  
Newark Public Schools  
2 Cedar Street  
Newark, New Jersey 07102

Dear Dr. Janey,

Attached is the internal audit report on early childhood provider Page Academy 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 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: Rochelle Hendricks  
Ellen Wolock  
Robert Cicchino  
Walter Szeluga

DEC 08 2010

NEW JERSEY DEPARTMENT OF EDUCATION

NEWARK INTERNAL AUDIT UNIT

PAGE ACADEMY INC.

2008-2009 FISCAL YEAR

NOVEMBER 2010

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

**NEW JERSEY DEPARTMENT OF EDUCATION  
NEWARK INTERNAL AUDIT UNIT  
PAGE ACADEMY INC.  
2008-2009 FISCAL YEAR**

**Distribution List of Final Audit Report**

Rochelle Hendricks, Acting Commissioner  
New Jersey Department of Education

Clifford B. Janey, State District Superintendent  
State Operated School District of Newark

Ellen Wolock, Director, Office of Preschool Education  
New Jersey Department of Education

Robert Cicchino, Director Office of Fiscal Accountability and Compliance  
New Jersey Department of Education

Steven C. Hoffmann, Coordinating Auditor  
New Jersey Department of Education

Walter S. Szeluga, Supervising Auditor  
Newark Public Schools

**NEW JERSEY DEPARTMENT OF EDUCATION  
NEWARK INTERNAL AUDIT UNIT  
PAGE ACADEMY INC.  
2008-2009 FISCAL YEAR**

**EXECUTIVE SUMMARY**

The Newark Internal Audit Unit conducted an audit of Page Academy Inc., a provider participating in the Department of Education (DOE) funded preschool program, for compliance with the terms of the 2008-2009 contract and budget.

The more significant deficiencies noted were:

- The auditors determined that the provider under spent the approved budget by \$45,564. The majority of the under spent lines were teacher assistant, floating teacher assistant and substitute teacher and substitute teacher assistant salaries, education staff benefits and a utility expense special request. The district withheld \$41,534 from the provider's payments leaving a balance due back to the district of \$4,030.
- The Newark Office of Early Childhood (NOEC) paid the provider \$324,966 but did not review the quarterly expenditure reports as submitted.
- The NOEC did not have a completed Child Abuse Record Information background check (CARI) for three employees on file for the beginning of the 2008-2009 contract year. The provider had a completed CARI for the three employees for 2008-2009.
- The provider did not have a written benefits policy.
- The provider did not have a benefits waiver for one employee.

**DETAILED FINDINGS**

The Newark Internal Audit Unit reviewed the expenditure reports and supporting documentation for the provider for the period July 2008 through June 2009 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 DOE funded preschool program. The providers were permitted to choose between a presumptive budget and a line-item budget process. For providers who chose the line-item budget process, all expenditures were required to be in strict accordance with the budget approved by the district board of education and the DOE. Providers who choose the presumptive budget process were required to complete a 2008-2009 Private Provider One-Year Planning Budget Worksheet and file it with the district prior to the start of the fiscal year. This worksheet served as the basis for the quarterly reports and all expenditures must be within allowable expenditure categories.

The audit scope included determining whether or not:

- The day care center had a current license.
- The DOE 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.

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- The provider maintained a financial system that provides timely, accurate and complete disclosure of all financial activities related to the DOE funded preschool agreement.
- The provider properly handled DOE 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:

**PAGE ACADEMY INC:**

Page Academy Inc., a for-profit organization, operates a childcare center providing services to the children in Newark, New Jersey. The provider is located at 530 Central Avenue in Newark, NJ 07103 and serves a total of 30 children in the DOE preschool program. The approved budget was \$366,500. The NOEC paid the provider \$324,966 of the approved budget.

**1. Abbott Preschool Program**

The DOE funds the six-hour educational component of the DOE 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 2008-2009. The contract states that based on the district review of the quarterly expenditure reports, the district shall make prorated adjustments to subsequent monthly payments.

The provider chose the line-item budget process. 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.

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.

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The NOEC paid the provider \$324,966 but did not review the quarterly expenditure reports. The auditors reviewed the documentation submitted. The provider had not submitted all the vendor invoices entered on the provider summaries, included late charges for reimbursement and sometimes did not use the correct factors. The auditors requested and the provider submitted the missing invoices. The provider participates in the Child and Adult Care Food Program (CACFP). The auditors requested a reconciliation of the providers CACFP costs less reimbursements to determine if the provider sustained excess costs that would be reimbursed under the DOE preschool program. The reconciliation showed there was no reimbursement from the CACFP for September 2008 because the provider submitted the paperwork late. Therefore, the auditors did not approve any expenses as excess costs. The budgeted amount was \$2,430. Overall, the auditors determined that the provider under spent the budget by \$48,210. The NOEC withheld \$41,564. The auditors determined that \$4,030 is due back to the Newark Public Schools (NPS).

**Recommendation:**

The auditors recommend that the provider reimburse \$4,030 to the NPS and that the NOEC review the quarterly expenditure reports on a timely basis.

**2. Personnel File Review**

The DOE funded preschool program employees, employed during the contract period should have CHRI results, CARI results, applicable teaching credentials, and Mantoux tuberculin 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 personnel documentation from the NOEC except for the TB test results which were requested from the provider. The auditors reviewed the documentation provided by the NOEC for the DOE preschool program employees and noted the following:

A CARI background check for three (two teachers and a cook) employees for 2008-2009 was not provided. NOEC provided a CARI dated January 6, 2009 and July 27, 2009 for the two teachers. The NOEC's staff information page indicated previous CARI's were done in September 2007 and March 2007 for these two teachers. It appears the NOEC discarded the old CARI when a new one was obtained. They did not have a CARI for the cook for 2008-2009. The latest CARI they had for the cook was July 26, 2005.

The auditors requested the above documentation from the provider for 2008-2009. The provider had the CARI background check for all three employees. The CARI dates for the teachers were the same as the NOEC staff information page. The latest CARI for the cook was August 18, 2008.

The auditors provided the NOEC with a copy of the CARI for the cook obtained from the provider.

**Recommendation:**

The auditors recommend that the NOEC ensure they receive and retain all CARI results for all DOE funded preschool program employees for each contract year to verify contract compliance for future audit purposes.

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3. Benefits

The DOE funded Preschool Program guidance for 2008-2009 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 do not obtain the written benefit policies from the providers.

The auditors determined the provider did not have a written benefits policy. There was no waiver done for the director.

Recommendation:

The auditors recommend that the provider create a written uniform benefits policy and obtain annually waivers from all DOE Preschool Program employees. The auditors recommend that NOEC verify that the provider has a written policy; it complies with DOE guidance and that all waivers are completed annually.

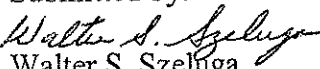
4. Bank Reconciliations

The DOE funded Preschool Program contract states that the provider shall implement sound fiscal practices that include but are not limited to maintaining a financial management system that provides timely, accurate, current and complete disclosure of all financial activities related to the agreement, in accordance with Generally Accepted Accounting Principles (GAAP). The auditors believe the provider should prepare monthly bank reconciliations as an example of a sound fiscal practice. A bank reconciliation compares the cash balance in the general ledger to the bank statement balance as of a particular date and accounts for any differences. The provider did not prepare monthly bank reconciliations for the contract period. The auditors had the same finding in the review of compliance with the 2003-2004 contract. The provider indicated they started doing bank reconciliations for the 2009-2010 contract year.

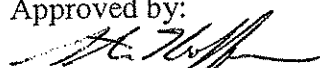
Recommendation:

The auditors recommend that the provider continue preparing bank reconciliations on a monthly basis and the NOEC verify they are done.

Submitted by:

  
Walter S. Szeluga  
Supervising Auditor

Approved by:

  
Steven C. Hoffmann  
Coordinating Auditor