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State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

THE NEWARK PUBLIC SCHOOLS

OFFICE OF SCHOOL BUSINESS ADMINISTRATOR

DAVID C. HESPE
Acting Commissioner

July 21, 2014

Ms. 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 Mount Carmel Guild Cares. 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 me.

Sincerely,

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

c: Robert Cicchino
Ellen Wolock
Valerie Wilson ✓
Clarence Joffrion

NEW JERSEY DEPARTMENT OF EDUCATION

NEWARK INTERNAL AUDIT UNIT

MOUNT CARMEL GUILD CARES
CATHOLIC CHARITIES OF THE ARCHDIOCESE OF NEWARK

2012-2013 FISCAL YEAR

JULY 2014

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
MOUNT CARMEL GUILD CARES
CATHOLIC CHARITIES OF THE ARCHDIOCESE OF NEWARK
2012-2013 FISCAL YEAR**

Distribution List of Final Audit Report

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New Jersey Department of Education

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State Operated School District of Newark

Robert Bumpus, Acting Assistant Commissioner
New Jersey Department of Education

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Newark Public Schools

**NEW JERSEY DEPARTMENT OF EDUCATION
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EXECUTIVE SUMMARY

The Newark Internal Audit Unit conducted an audit of the childcare centers operated by Mt. Carmel Guild Cares Catholic Charities of the Archdiocese of Newark(provider), a provider participating in the New Jersey Department of Education (NJDOE) Preschool Education Program, for compliance with the terms of the contract for the 2012-2013 fiscal year.

As a result of the audit, the following deficiencies were noted:

- The auditors determined the provider under spent the approved budget by \$52,041. The majority of the underspent lines were floating teacher assistant salary, accounting fees and payroll fees. The district overpaid the provider \$21,191 by duplicating the cost of materials and supplies in the monthly payments.
- The provider failed to maintain a financial management system that provided accurate and complete disclosure of all financial activities related to the NJDOE agreement.

DETAILED FINDINGS

The Newark Internal Audit Unit reviewed the financial records and supporting documentation in accordance with the executed contract for the provider for the period July 2012 through June 2013. During this period, funds were allocated on a presumptive budget submitted by the provider and approved by the district. The NJDOE budget should reflect actual cost based on a six hour day and 191 day school year.

The audit scope included a detailed testing to determine whether or not:

- The day care center had a current license;
- The NJDOE employees had criminal history record information (CHRI) results, child abuse record information (CARI) results, Mantoux Tuberculosis (T/B) test results, and applicable credentials on file. The contract requires the provider to provide proof to the district prior to the commencement of the program that each individual employed by the contracted childcare center has had a criminal history background check and that check indicates that no criminal record information exists on the file in either the Identification Division of the Federal Division of the Federal Bureau of Investigation or the State Bureau of Identification which would disqualify said employee from employment pursuant to the law, or that the check reveals a disqualifying offense and the individual has demonstrated rehabilitation;
- The provider properly filed federal and state tax returns;

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- The provider maintained a financial system that provides timely, accurate and complete disclosure of all financial activities related to the NJDOE agreement;
- The provider properly handled cash receipts and disbursements; completed a year-end bank reconciliation for each bank account handling NJDOE 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; and
- The provider annually obtained signed waivers from the staff members choosing to opt out of the benefit coverage. The waivers must indicate proof of insurance.

MT CARMEL GUILD CARES CATHOLIC CHARTIES OF THE ARCHDIOCESES OF NEWARK

The provider is a non-profit childcare center providing services to the children of Newark, New Jersey. The center operates one location at 590 North 7th Street, Newark, New Jersey and was budgeted to serve a total of 120 NJDOE children. The approved budget totaled \$1,345,209.

Below is a summary of our findings and recommendations:

1. NJDOE Preschool Program.

The NJDOE funds the six hour educational component of the preschool program and the Department of Human Services (DHS) funds the wraparound component. The Statement of Assurance signed by the director of the childcare center certified the expenditure report is accurate and complete with all supporting documentation. The provider shall submit all supporting documentation including receipts for all expenditures related to the NJDOE contract with each quarterly expenditure reports. The District Department of Early Childhood Education (district) shall, based on their review of the quarterly expenditure reports, make prorated adjustments to subsequent monthly payments through the duration of the NJDOE Contract.

The auditors determined that the district paid the provider the budgeted amount of \$1,345,209 plus an erroneous \$21,191 above the budget for a grand total of \$1,366,400. The provider under spent that amount by \$52,041.

Recommendation:

The auditors recommend that the district recover \$52,041 from this provider for the 2012-2013

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fiscal year. In addition, the district should pay the appropriate monthly amounts to the provider in accordance with the budget.

2. **The provider failed to maintain a financial management system that provided accurate and complete disclosure of all financial activities related to the NJDOE agreement.**


The auditors determined that the provider did not maintain an adequate financial management system as required under Section XI of the Preschool Education Program Contract, which states "The provider shall maintain a current and complete disclosure of all financial activity related to the agreements in accordance with "GAAP". The provider failed to maintain a preschool accounting system of all financial activities related to the agreement separate from other funding sources. The provider also failed to maintain a general ledger and account reconciliation of all financial activities related to the agreement.

Recommendation:

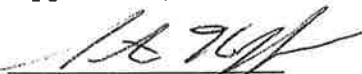
The auditors recommend that the provider enhance its current financial management system in order to provide an accurate and complete disclosure of all NJDOE financial activities. The provider should prepare a general ledger that accurately reflects all cash receipts and disbursements related to the NJDOE agreement.

Auditor:
Karen Shanks

Submitted by:


Clarence Joffrion
Supervising Auditor

Approved by:


Steven C. Hoffmann
Coordinating Auditor