



State of New Jersey
DEPARTMENT OF EDUCATION
PO Box 500
TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

KIMBERLEY HARRINGTON
Acting Commissioner

December 16, 2016

Mr. Christopher Cerf
State District Superintendent
Newark Public Schools
2 Cedar Street
Newark, New Jersey 07102

Dear Mr. Cerf:

Attached is the internal audit report on early childhood provider Saint Justine's Nursery, Inc. I & II. 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 Clarence Joffrion or myself.

Sincerely,

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

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

c: Robert Cicchino
Ellen Wolock
Clarence Joffrion

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

NEWARK INTERNAL AUDIT UNIT
SAINT JUSTINE'S NURSERY, INC. I & II
FISCAL YEAR 2014-2015
DECEMBER 2016

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
SAINT JUSTINE'S NURSERY, INC. I & II
FISCAL YEAR 2014-2015**

Distribution List of Final Audit Report

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

Clarence Joffrion, Supervising Auditor
Newark Public Schools

**NEW JERSEY DEPARTMENT OF EDUCATION
NEWARK INTERNAL AUDIT UNIT
SAINT JUSTINE'S NURSERY, INC. I & II
FISCAL YEAR 2014-2015**

EXECUTIVE SUMMARY

The Newark Internal Audit Unit conducted an audit of Saint Justine's Nursery, Inc. I and II (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 2014-2015 fiscal year.

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

- The provider under spent the approved budget. As a result, the provider owes the district a balance of \$8,804.
- The provider failed to maintain the minimum insurance as required by the NJDOE contract.
- The provider failed to submit a general ledger in accordance with Generally Accepted Accounting Principles as required by the NJDOE contract.

AUDIT SCOPE

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 2014 through June 2015. During this period, funds were allocated based on a presumptive budget submitted by the provider and approved by the district. The NJDOE budget should reflect actual costs based on a six hour day and 191 day school year.

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

- The provider had a current license.
- The NJDOE employees had criminal history record information results, child abuse record information results, Mantoux Tuberculosis 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, each individual employed by the contracted childcare center has had a criminal history background check and said check indicates that no criminal history record information exists on file in either the Identification Division of the Federal Bureau of Investigation or the State Bureau of Identification, which would disqualify said employee from employment pursuant to law, or the check reveals a disqualifying offense and the individual has demonstrated rehabilitation.
- The provider properly filed federal and state tax returns.
- The provider maintained a financial system that provides timely, accurate, current and complete disclosure of all financial activities related to the NJDOE agreement.
- The provider properly handled cash receipts and disbursements; and completed year-end bank reconciliations for each account handling NJDOE funding.

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SAINT JUSTINE'S NURSERY, INC. I & II
FISCAL YEAR 2014-2015**

- 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 annually obtained signed waivers from staff members choosing to opt out of benefit coverage. The waiver must indicate proof of insurance from another source.
- The provider based all benefit expenditures on a written uniform policy.

SAINT JUSTINE'S NURSERY INC. I & II:

Saint Justine's Nursery Inc. I & II are for-profit childcare centers providing services to the children of Newark, New Jersey. The provider's respective facilities are located at: 119-137 Clifford Street, New Jersey and consists of six NJDOE classrooms; and 184 Pacific Street, Newark, New Jersey and consists of six NJDOE classrooms. The centers were budgeted to serve a total of 180 children. The FY 2014-2015 approved budgets totaled \$2,497,920.

Finding 1: The provider under spent the NJDOE Preschool Education approved budget by \$8,804.

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 certifies 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 with each quarterly expenditure report. 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.

Saint Justine's Nursery Inc. I and II approved combined budget was \$2,497,920 for FY 2014-2015. The provider received \$2,422,187 from the district and had \$2,413,383 in allowable expenditures. As a result, the provider owes the district a total of \$8,804 (see exhibit A).

Recommendation:

The auditors recommend that the district recovers \$8,804 from the provider.

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Finding 2: The provider failed to maintain the minimum insurance as required by the NJDOE contract.

The audit revealed that the provider did not maintain insurance at the proper minimums for FY 2014-2015. Below is a listing of requirements and amounts of coverage provided by the provider:

<u>INSURANCE REQUIRED PER CONTRACT</u>	<u>AMOUNT REQUIRED PER CONTRACT</u>	<u>ACTUAL COVERAGE DOCUMENTED</u>	<u>SHORTAGE IN COVERAGE</u>
Property Damage Aggregate	\$3,000,000	\$1,000,000	\$2,000,000
Sexual Molestation Aggregate	\$3,000,000	\$1,000,000	\$2,000,000
Auto Bodily Injury	\$2,000,000	\$ 0	\$2,000,000
Auto Property Damage	\$2,000,000	\$ 0	\$2,000,000
Calculated Fidelity Bond	\$ 213,958	\$ 20,000	\$ 193,958

The provider's records indicate a lapse in coverage from July 1, 2016 through September 11, 2016. The insurance certificates in effect since September 11, 2016 lack the required coverage as stated above.

Recommendation:

The auditors recommend that the provider secure the proper minimum insurances for both sites and provide the District with proof as required by the New Jersey Preschool Contract.

Finding 3: The provider failed to submit a general ledger in accordance with Generally Accepted Accounting Principles (GAAP).

In accordance with Section III, subsection M, point 1, 3 and 4 of the Preschool Contract and N.J.A.C. 6A:13A-10.2, the early childcare provider is required to provide the district with a general ledger that is in conformity with GAAP. Upon review of the general ledger submitted by the provider, auditors determined that the submitted general ledger was prepared on a cash basis. Due to recording transactions on a cash basis, the provider did not record all expenditures in the year in which they were incurred.

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FISCAL YEAR 2014-2015**

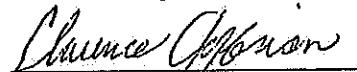
Recommendation:

The auditors recommend that the provider enhances its current financial management system in order to provide an accurate and complete disclosure of all financial activities. In the future, the provider must comply with the terms of the contract by submitting accurate general ledger and quarterly expenditure reports with properly allocated expenses and recorded revenues.

Auditors

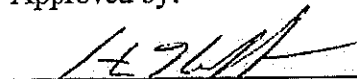
Temple Garretson
Dwayne Ortiz
Patricia Sewak
Francine Wright

Submitted by:



Clarence Joffrion
Supervising Auditor

Approved by:



Steven C. Hoffmann
Coordinating Auditor

St. Justine 1 & 2 (COMBINED)

2014/2015 Fiscal Year

Budget vs. Actual

St. Justine I & 2 (COMBINED)							
2014/2015 Fiscal Year							
Budget vs. Actual							
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Expense	Total Cost	BUDGET TRANSFER	ADJUSTED BUDGET	YTD TOTAL PER PROVIDER EXPENDITURE REPORT	BUDGET MINUS YTD PER PROVIDER	AMOUNT DUE BACK PER PROVIDER	YTD TOTAL PER AUDITORS	BUDGET MINUS YTD PER AUDITORS
Disability (0.50%)	\$639	\$0	\$639	\$756	-\$117	\$0	\$331	\$308
INDIRECT COSTS -- SPACE COSTS								
Rent, Mortgage, Other Space Costs	\$426,923.98	\$85,000	\$611,924	\$509,647	\$2,277	\$2,277	\$511,924	\$0
INDIRECT COSTS -- ALL OTHER ALLOWABLE INDIRECT								
Office Equipment-\$2000 and Repair	\$13,642.86	\$5,923	\$19,566	\$13,816	\$5,750	\$5,750	\$12,740	\$6,828
Office Materials and Supplies	\$1,403.27	\$0	\$1,403	\$1,050	\$353	\$353	\$1,135	\$268
Food-Related Paper Supplies	\$8,185.71	\$0	\$8,186	\$3,301	\$4,885	\$4,885	\$3,173	\$5,012
Cleaning Supplies	\$8,575.51	\$0	\$8,576	\$7,890	\$686	\$686	\$7,775	\$801
Food for Meetings	\$233.88	\$0	\$234	\$117	\$117	\$117	\$0	\$234
Building/Grounds Maintenance/Repair	\$2,494.69	\$0	\$2,495	\$2,595	-\$100	\$0	\$2,109	\$386
Utilities	\$34,302.04	\$3,607	\$37,909	\$35,799	\$2,110	\$0	\$37,909	\$0
Telecommunications Services	\$7,406.12	\$0	\$7,406	\$7,701	-\$295	\$0	\$7,406	\$0
Security	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance	\$44,670.61	\$0	\$44,671	\$43,906	\$765	\$765	\$44,670	\$1
Accounting Fees	\$29,234.69	\$2,853	\$32,088	\$40,603	-\$8,515	\$0	\$32,088	\$0
Payroll Preparation Fees	\$5,457.14	\$0	\$5,457	\$3,214	\$2,243	\$2,243	\$3,213	\$2,244
Advertising	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Staff Transportation	\$132.53	\$0	\$133	\$0	\$133	\$133	\$0	\$133
Profit, if Applicable (Max of 2.5% of Ed Costs)	\$41,500	\$0	\$41,500	\$40,000	\$1,500	\$1,500	\$40,000	\$1,500
Auditor Calculated Over/Under Amount							\$15,879	-\$15,879
Subtotal of Above Administrative Support and Indirect Costs	\$783,486	\$128,460	\$911,946	\$932,096	-\$20,150	\$18,708	\$907,345	\$4,602
PROVIDER PROGRAM TOTALS								
Total Cost	\$2,497,921		\$3,009,845					
Per-Pupil Cost	\$27,755		\$33,443					
DISTRICT ADJUSTMENTS (amounts withheld for items to be purchased by the district) FOR DISTRICT USE ONLY								
Classroom Materials and Supplies	-\$24,000		-\$10,373					
Classroom Technology	-\$9,600		-\$2,922					
Benefits	-\$297,704		-\$274,475					
(Describe expense to be adjusted and enter negative amount)	\$0		\$0					
(Describe expense to be adjusted and enter negative amount)	\$0		\$0					
Total Cost Less District Adjustments	\$2,166,617		\$2,722,075					
Per-Pupil Cost Less District Adjustments	\$24,074		\$30,245					
TOTAL	\$2,497,921	\$0	\$2,497,920	\$2,538,903	-\$40,982	\$33,310	\$2,413,383	\$84,539
				Provider paid in 14/15 FY				
				Auditor approved				
				Amount due back				