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

CHRIS CHRISTIE  
Governor

KIM GUADAGNO  
Lt. Governor

CHRISTOPHER D. CERF  
Acting Commissioner

September 23, 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 Kiddie Korner Learning Center. 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,

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**

**KIDDIE KORNER LEARNING CENTER**

**2009-2010 FISCAL YEAR**

**SEPTEMBER 2011**

**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  
KIDDIE KORNER LEARNING CENTER  
2009-2010 FISCAL YEAR**

Distribution List of Final Audit Report

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New Jersey Department of Education

Cami Anderson, State District Superintendent  
State Operated School District of Newark

Bari Erlichson, Assistant Commissioner  
New Jersey Department of Education

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New Jersey Department of Education

Robert Cicchino, Director Office of Fiscal Accountability and Compliance  
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Newark Public Schools

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**EXECUTIVE SUMMARY**

The Newark Internal Audit Unit conducted an audit of Kiddie Korner Learning Center (Kiddie Korner), a provider participating in the Department of Education (DOE) 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 \$66,137. The majority of the under spent lines were teacher salaries, teacher assistant salaries, teachers/assistants/floater benefits and substitute teacher and teacher assistant stipends. The district withheld \$53,154 from the provider's payments leaving a balance due back to the district of \$12,983.
- The Newark Office of Early Childhood (NOEC) did not have a completed Child Abuse Record Information (CARI) background check for six employees, a completed Criminal History Record Information (CHRI) for six employees nor the credentials for seven employees on file for the beginning of the 2009-2010 contract year. The provider had the completed CARIs for four of the employees, had the completed CHRIs for all six employees however, one was not dated until the end of the subsequent school year and had the credentials for all seven of the employees. The provider did not have a TB test result for one employee. The TB test for two employees was done late.
- The provider did not obtain signed waivers from two employees who did not have all benefit coverage's. The waiver signed by six employees choosing to opt out of all or some benefit coverage's did not include proof of other insurance.

**DETAILED FINDINGS**

The Newark Internal Audit Unit reviewed the expenditure reports and supporting documentation for Kiddie Korner 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 DOE 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 Newark Public Schools 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 district set a transfer deadline of Monday May 3, 2010. The NOEC stated that if the provider complained, a transfer would be accepted after that date if the request was reasonable.

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The Newark Director of Early Childhood did not approve transferring \$5,000 from the Substitute Teacher and Substitute Teacher Assistant salary lines and \$5,000 from Field Trips to Food Costs (\$10,000) and transferring \$6,050 from Classroom Equipment (\$3,500) and Teacher, Teacher Assistant and Floater Teacher Assistant benefits (\$2,550) to Building Maintenance. Therefore, the auditors did apply these modifications to the originally approved budget. All other modifications were approved by the director of the NOEC.

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.
- The provider maintained a financial system that provided 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:

**KIDDIE KORNER LEARNING CENTER:**

Kiddie Korner, a not for-profit organization, operates a childcare center providing services to the children in Newark, New Jersey. The provider is located at 740 South 18<sup>th</sup> Street and 319 Verona Avenue Newark, NJ 07105 and serves a total of 90 children in the DOE preschool program. The approved budget was \$1,158,120. The NOEC paid the provider \$1,104,966 of the approved budget.

**1. DOE Preschool Education 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

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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.

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 \$1,104,966. The auditors reviewed the documentation submitted. The provider did not submit all the vendor invoices and did not use the quarterly provider summary for each budget line in the submission of their indirect costs. The provider submitted a transaction detail by account sheet for each category for all quarters. The transaction detail proved to be difficult to work with as it showed cash entries with no vendor names and journal entries with no support. In some cases, the amount on the transaction detail did not agree with the amount on the expenditure report. Based on our review, the auditors calculated that the provider under spent the approved budget by \$112,245 less the amount withheld leaving \$59,091 due back to the district. The provider was given additional time to provide additional documentation. The auditors reviewed the additional documentation submitted and approved it where appropriate. Overall, the auditors determined that the provider under spent the budget by \$66,137. The major under spent lines were teacher salaries, teacher assistant salaries, teachers/assistants/floater benefits and substitute teacher and teacher assistant stipends. The NOEC withheld \$53,154. The auditors determined that \$12,983 is due back to the district.

**Recommendation:**

The auditors recommend that the provider reimburse \$12,983 to the district and that in the future, the provider complete provider summaries for each line to explain the quarterly charges that would tie into the entries on the quarterly expenditure reports.

**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 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 TB test results were requested from the provider. The auditors reviewed the documentation provided by the NOEC for the DOE preschool program employees and noted the NOEC did not have a completed CARI background check for six employees, a completed CHRI for six employees nor the credentials for seven employees on file for the 2009-2010 contract year. The provider had the completed CARIs for four of the six employees and the completed CHRIs for all six of the employees, however, the CHRI for one of the

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directors was not completed until June 14, 2011. The provider had the credentials for the seven employees. The provider did not have the TB test result for one employee and the TB test results for two employees were obtained late in May and June 2010 respectively.

**Recommendation:**

The auditors recommend that the NOEC personnel reviewing the provider expenditure reports notify the certification supervisor of all employees working in the DOE 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.

**3. Benefits:**


The DOE 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 provider submitted an undated benefits policy to the auditors on June 27, 2011 which stated that all full time employees' benefits are subsidized and that employees are given a predetermined amount of funds towards their benefits based on their position. The policy identified the benefits offered and that all new full time employees are eligible after a 30 day probationary period. The auditors noted that the employees contributed to a 401K plan. The provider informed the auditors that they do not match the employee contributions. This fact should be stated in their policy. The policy should also indicate the amount of funds that are allocated to each position. The provider did not have waivers for two employees who did not have all benefit coverage's. The provider had waivers for six employees who chose to waive all or some benefit coverage's but the waiver did not include required proof of insurance from another source.

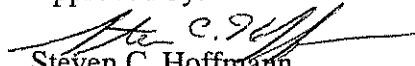
**Recommendation:**

The auditors recommend that the provider revise their written benefits policy for the points noted above and annually obtain waivers from all employees who decline 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