



State of New Jersey

DEPARTMENT OF EDUCATION

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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 Rainbow Land 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 or myself.

Sincerely,

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
RAINBOW LAND LEARNING CENTER
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

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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 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:

RAINBOW LEARNING CENTER:

Rainbow Land Learning Center, a for-profit organization, operates a childcare center providing services to the children in Newark, New Jersey. The provider is located at 67-71 Somme Street in Newark, NJ 07105 and serves a total of 90 children in the DOE preschool program. The approved budget was \$1,137,960. The NOEC paid the provider \$1,082,760 of the approved budget.

1. Abbott Preschool Program

The DOE funded 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 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 presumptive budget process. Providers will be reimbursed for all expenditures within allowable expenditure categories. 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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CARI's were done June 3, 2009. The provider should have sent copies of the results to the NOEC. The TB tests were done in May and June 2009.

Recommendation:

The auditors recommend that the provider submit a CARI and a CHRI and any other required documentation when staffing changes during the contract year. The auditors recommend that the NOEC ensure they have all required documentation for all DOE funded preschool program employees for each contract year and retain the documents for future audit purposes. NOEC can detect changes in staffing during the year by reviewing the expenditure reports.

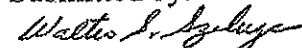
3. Benefit Waivers

The provider is to obtain benefit waivers annually for all DOE Preschool Program employees who waive coverage. One employee dropped coverage starting October 2008 and a waiver was not obtained. A waiver was obtained from the employee on April 21, 2009 for the 2009-2010 contract year.

Recommendation:

The auditors recommend that the provider obtain waivers for employees that drop coverage during the contract year and that the NOEC verify that all waivers are obtained.

Submitted by:


Walter S. Szeluga
Supervising Auditor

Approved by:


Steven C. Hoffmann
Coordinating Auditor