

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION

PATERSON INTERNAL AUDIT UNIT
A WHOLE NEW KIDS WORLD, INC.

2009-2010 FISCAL YEAR

JANUARY 2011

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
A WHOLE NEW KIDS WORLD, INC.
2009-2010 FISCAL YEAR**

EXECUTIVE SUMMARY

The Paterson Internal Audit Unit conducted an audit of A Whole New Kids World, Inc., a provider participating in the DOE Preschool Education Program, for compliance with the terms of the contract for the 2009-2010 fiscal year.

As a result of the audit, the auditors noted the following:

- The provider under spent the approved budget. As a result, the provider owes the district a balance of \$25,809.31.
- The auditors noted several accounting irregularities.
- The District's contract for the 2009-2010 fiscal year identifies the provider by the name of A Whole New World Preschool; the auditors noted that this center's legal name is A Whole New Kids World, Inc.

DETAILED FINDINGS

The Paterson Internal Audit Unit reviewed the financial records and supporting documentation in accordance with the executed contract for A Whole New Kids World, Inc. for the period September 2009 through June 2010. During this year, funds were allocated based on a presumptive budget submitted by the provider and approved by the District. The DOE budget should reflect actual costs based on a six and a half hour day and 185 day school year.

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

- The day care center had a current license.
- The DOE employees had criminal history record information (CHRI) results, child abuse record information (CARI) results, Mantoux Tuberculosis (TB) 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 child care center has had a criminal history background check and that 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 that 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 DOE agreement.

NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
A WHOLE NEW KIDS WORLD, INC.
2009-2010 FISCAL YEAR

- The provider properly handled cash receipts and disbursements; and completed year-end bank reconciliation for each account handling DOE funding.
- The provider maintained the proper insurance as required by the contract.
- The provider submitted the proper supporting documentation with the quarterly expenditure reports.

Below is a summary of the audit findings:

A WHOLE NEW KIDS WORLD, INC.

A Whole New Kids World, Inc. (the provider) is a non-profit childcare center providing services to the children of Paterson, New Jersey. The center is located at 624 East 29th Street in Paterson. The provider was budgeted to serve a total of 75 DOE children. The approved DOE budget totaled \$862,633.

1. DOE Preschool Program.

The Department of Education (DOE) funds the 6 ½ hour educational component of the DOE 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 that 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 DOE with each quarterly expenditure report. The Paterson Office of Early Childhood shall, based on their review of the quarterly expenditure reports, make prorated adjustments to subsequent monthly payments through the duration of the DOE contract.

Based on the results of this audit, the provider under spent the approved budget by \$25,809.31 (See exhibit A).

Recommendation:

The auditors recommend that the district recovers \$25,809.31 from this provider for the 2009-2010 fiscal year.

2. The auditors noted several accounting irregularities.

The auditors noted several instances of accounting irregularities:

- The provider did not always properly allocate indirect costs in the general ledger. Indirect costs should be allocated between DOE and DHS. The provider was charging 100% of certain costs to DOE rather than allocating them 75.51% to DOE and

NEW JERSEY DEPARTMENT OF EDUCATION
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2009-2010 FISCAL YEAR

24.49% to DHS as per the approved budget. Examples include expenses charged to building/grounds maintenance and repair.

- The provider is combining multiple expense categories into one account in the general ledger. One example is Teacher salaries and sub teacher pay which are combined into one account. Other examples include expenses for payroll taxes and benefits which are also combined into one account in the general ledger. Each line item on the budget should have its own general ledger account.
- The provider is expensing the net payroll amount to the salary account rather than the gross amount.
- The provider charged DOE for expenses that were not part of the DOE Preschool Program. An example noted was a field trip totaling \$1,390 to "Space Port" that was a staff team building experience.
- The final expenditure report submitted by the provider shows the incorrect amount to be reclaimed by the district. It was corrected by the Office of Early Childhood at the request of the auditors.
- Items were posted to the incorrect general ledger account. An example noted was air conditioners purchased from Lowe's that were charged to classroom materials and supplies that should have been charged to building/grounds maintenance and repair.

Recommendation:

The auditors recommend that the provider implements sound fiscal controls to correct the irregularities noted above. In order to achieve sound fiscal controls, the provider must properly allocate DOE related expenses in the general ledger. The provider should ensure that expenses are charged to the correct account in the general ledger.

3. The District's contract for the 2009-2010 fiscal year identifies the provider by the name of A Whole New World Preschool, rather than their legal name: A Whole New Kids World, Inc.

The DOE Preschool Education Program Contract was executed between the district and A Whole New World Preschool. The provider's legal name is A Whole New Kids World, Inc.

Recommendation:

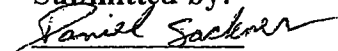
The auditors recommend that when entering into legal contracts the district's Office of Early Childhood use the provider's proper legal name.

Auditors:

Rashmi Rawtani

Patricia Sewak

Submitted by:



Daniel Sackner

Supervising Auditor

Approved by:



Steven Hoffmann

Coordinating Auditor

A Whole New Kids World, Inc.
2009/2010 Fiscal Year
Budget vs. Actual

Expense	YTD TOTAL PER PROVIDER EXPENDITURE REPORT	BUDGET TRANSFER	BUDGET MINUS YTD PER PROVIDER	YTD TOTAL PER AUDITORS	BUDGET MINUS YTD PER AUDITORS	VARIANCE - AMOUNT DUE BACK
EDUCATIONAL PROGRAM COSTS						
Teacher Salary	\$239,168.00		\$6,930.11	\$239,157.65	\$6,940.46	\$6,940.46
Teacher Assistant Salary	\$129,308.00		(\$1,209.76)	\$128,098.25	-\$0.01	-\$0.01
Floating Teacher Assistant Salary ⁰	\$20,102.00		(\$1.00)	\$18,989.45	\$1,111.56	\$1,111.56
Teacher/Assistant Teacher Benefits	\$103,939.00		(\$5,878.00)	\$98,061.00	\$0.00	\$0.00
Substitute Teacher Stipend	\$6,340.00		\$1,910.00	\$6,460.00	\$1,790.00	\$1,790.00
Substitute Assistant Teacher Stipend	\$4,394.00		\$2,168.50	\$3,910.35	\$2,652.15	\$2,652.15
Classroom Materials and Supplies	\$7,536.00	(\$2,500.00)	(\$36.00)	\$6,932.77	\$3,067.23	\$3,067.23
Classroom Technology	\$2,000.00		\$2,000.00	\$1,999.98	\$2,000.02	\$2,000.02
Startup Classroom Materials and Supplies	\$0.00		\$0.00			
Startup Classroom Technology	\$0.00		\$0.00			
Field Trips w/ Transportation	\$3,955.00		\$1,670.00	\$2,565.00	\$3,060.00	\$3,060.00
Family Worker Salary	\$40,001.00		\$0.03	\$37,398.32	\$2,602.72	\$2,602.72
Family Worker Benefits	\$9,583.33		\$0.33	\$9,583.33	\$0.00	\$0.00
Expense	Total Cost					
Food-Related Costs (CACFP participant, non-reimbursable costs)						
Food (for contracted preschool children only)	\$14,015.82		(\$0.18)	\$14,015.82	\$0.00	\$0.00
Food Worker Salary (cook)	\$17,859.00		\$0.04	\$17,859.04	\$0.00	\$0.00
Food Worker Benefits (cook)	\$4,342.00		(\$0.16)	\$4,341.84	\$0.00	\$0.00
Assistant Food Worker Salary (asst. cook)	\$0.00		\$0.00			
Assistant Food Worker Benefits (asst. cook)	\$0.00		\$0.00			
Employer Payroll Taxes (For Educational Program Positions only)						
Social Security (6.20%)	\$28,952.00		\$397.13	\$27,642.89	\$1,309.25	\$1,309.25
Medicare (1.45%)	\$6,771.00		\$397.06	\$6,464.87	\$306.19	\$306.19
Unemployment (2.80%)	\$13,075.00		\$1,021.16	\$10,764.27	\$2,310.88	\$2,310.88
Disability (0.50%)	\$2,335.00		\$36.85	\$1,775.98	\$558.87	\$558.87
SUBTOTAL, Educational Program Costs	\$663,730		\$9,406.11	\$636,020.80	\$27,709.31	\$27,709.31
Expense	Total Cost					
ADMINISTRATIVE-SUPPORT AND INDIRECT COSTS						
SUPPORT COSTS						
Director Salary	\$54,253.00		(\$0.43)	\$54,224.74	\$27.83	\$27.83

**NEW JERSEY DEPARTMENT OF EDUCATION
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE
EARLY CHILDHOOD EDUCATION LIMITED REVIEW RESPONSE
CORRECTIVE ACTION PLAN**

CAP# _____

NAME OF SCHOOL DISTRICT PATERSON PUBLIC SCHOOL DISTRICT COUNTY: PASSAIC

TYPE OF EXAMINATION: Abbott Early Childhood Education Program
Office of Fiscal Accountability and Compliance (OFAC)
Report of Examination - (Dated) _____ OFAC Case # _____

DATE OF BOARD MEETING: _____

PROVIDER CONTACT INFORMATION: Name of PROVIDER A Whole New Kids World, Inc.
NAME OF DIRECTOR Ms. Carla Mathis
Address of Provider: 624-632 East 29th Street, Paterson NJ 07504

TELEPHONE NUMBER (973) 523-2353 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
2	The auditors noted several accounting irregularities.	The District will direct the Provider to implement fiscal controls that will eliminate accounting errors and allocate expenses to the correct general ledger account.	Continue to review the general ledger to ensure accounting controls are in place.	Susana Peron	January 2012

Dan W. Egan Chief School Administrator Date 3/18/11
Tom Scherling Fiscal Specialist Date 2-8-2011
Dan W. Egan Board Secretary/Business Administrator Date 3/18/11
Carla Mathis Provider Date 2/7/11

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NAME OF DIRECTOR Ms. Carla Mathis
Address of Provider: 624-632 East 29th Street, Paterson NJ 07504

TELEPHONE NUMBER (973) 523-2353 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
1	DOE Preschool Program recovery.	The District will recover \$25,809.31 from the Provider.	Reduce monthly tuition payments to the Provider.	Susana Peron	January 2012

Don W. Egan Chief School Administrator Don W. Egan Board Secretary/Business Administrator 3/18/11 Date 3/18/11 Date
Donna S. Hocking Fiscal Specialist Donna S. Hocking Provider 2-8-2011 Date 2/9/11 Date

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OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE
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DATE OF BOARD MEETING: _____

PROVIDER CONTACT INFORMATION: Name of PROVIDER A Whole New Kids World, Inc.

NAME OF DIRECTOR Ms. Carla Mathis

Address of Provider: 624-632 East 29th Street, Paterson NJ 07504

TELEPHONE NUMBER (973) 523-2353

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FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
3	The District contract for FY' 2009-2010 identifies the Provider by "A Whole New World Preschool" rather than "A Whole New Kids World, Inc."	The FY' 2010-2011 contract was corrected to reflect the legal name.	FY' 2010-2011 contract has been corrected to reflect that "A Whole New World Preschool is operated by A Whole New Kids World, Inc."	Susana Peron	July 1, 2010

Sam W. E... Chief School Administrator
Tom Scholking Fiscal Specialist
3/18/11 Date
2-8-2011 Date
Joseph Anthony Board Secretary/Business Administrator
Chela Mathis Provider
3/18/11 Date
2/7/11 Date