



State of New Jersey

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Acting State Comptroller

August 4, 2015

Clara Brito Herrera
Superintendent of Schools
West New York School District
6028 Broadway Avenue
West New York, NJ 07093

Re: West New York School District Preschool Program Report PA-28

Dear Superintendent Herrera:

Pursuant to the State Comptroller's authority as set forth in *N.J.S.A. 52:15C-1 et seq.*, we reviewed selected fiscal and operating practices concerning the preschool program at the West New York School District (District).

Background

The District's universal preschool program is required to provide State-funded preschool to all three and four-year-old children residing in the District, regardless of family income. Under the School Funding Reform Act of 2008, the District receives preschool education aid (PEA) from the State to implement these preschool programs. The District provides a full-day preschool program, either in-district or through a private provider contracting with the District. The District budgeted \$17,480,296 for 1,188 general education preschool children in fiscal year (FY) 2013 and budgeted \$17,947,245 for 1,183 general education preschool children in FY 2014. For FY 2015, the District budgeted \$17,703,912 for 1,183 general education preschool children. These amounts include prior year PEA carryovers and funding for children with special needs enrolled in general education classrooms.

Audit Objectives, Scope and Methodology

The objectives of our audit were to assess: compliance with the program's eligibility requirements; the accuracy of the program's attendance records; the qualifications and experience of the program's instructional staff; and the accuracy of payments to the providers. Our audit covered the period from July 1, 2012 to June 16, 2015.

To accomplish our objectives, we reviewed the District's policies, State statutes and regulations, prior audit reports, Comprehensive Annual Financial Reports (CAFRs) and other related documents. We also conducted interviews with pertinent District personnel to further understand the District's operations. In addition, we sampled various records and transactions and performed appropriate tests.

Our samples of District and provider records were designed to provide conclusions about the validity of transactions, internal controls and compliance with program requirements. Because we used a non-statistical sampling approach, the results of our testing cannot be projected over the entire population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Concerning our review of the District's program eligibility, attendance, and qualifications and experience requirements, we identified relatively immaterial matters which we discussed with District officials. Our other findings are set forth below.

Audit Findings and Recommendations

Our audit did identify various internal control weaknesses concerning the District's contracted providers' payments and the retention of documentation used to prepare the District's preschool budget. We have summarized the key points below.

Provider Payments

According to the 2013-2014 Preschool Education Program Contract (Contract) between the District and its providers, the District should pay providers a total of 10 monthly tuition payments consisting of an initial payment on September 1 and nine additional monthly payments following receipt and verification of the providers' enrollment reports. We reviewed the monthly payments issued during FY 2013 and found that the District:

- Posted a \$50,000 provider's payment to an incorrect reporting period.
- Erroneously budgeted \$4,000 more for a provider's classroom supplies than was required. Although the District corrected the overbudgeted amount, it still paid the provider

approximately \$4,000 more than its reported expenses. To date it has not recovered the funds.

We also found that the District issued checks to providers that were out of sequence. For example, check number 50576 was issued on October 1, 2012. However, 27 checks with check numbers higher than check number 50576 were issued on August 30, 2012. In addition, the FY 2013 providers' tuition payments, other than one mid-year payment, preceded the payment dates required by the Contract by as much as 77 days for each of the District's 14 providers. Further, because these payments were made so far in advance, the applicable enrollment records could not have been available to the District.

Additionally, we found that the District:

- Delayed the recoupment of \$19,008 in unused funds paid to a provider for two months because the District's Fiscal Specialist was out on leave. According to the Fiscal Specialist, she is the only one who initiates the payment adjustments.
- Posted to an incorrect account 46 of 74 (62 percent) reimbursement payments issued during FY 2013 to providers for workshops attended by their instructional staff.
- Incorrectly processed 11 of 30 (37 percent) FY 2013 and FY 2014 workshop reimbursement payments. For example, we identified several instances in which a payment was issued prior to the receipt of the corresponding voucher, in some cases with no voucher at all, or without evidence of the document's date of receipt.
- Did not ensure that the providers had applied for the Child and Adult Care Food Program (CACFP), as required by *N.J.A.C. 6A:13A-4.5(c)*. This program reimburses child care centers for eligible meals and snacks served to enrolled children.
- Did not know that one provider's director had been disqualified from CACFP; therefore, although she was permitted to participate in the preschool program, the child care center was not allowed to charge the actual cost of food for eligible preschoolers and the food worker's expenses. As a result, the center must provide the food at its own expense. When we alerted the District to this issue the line item amounts for the food and the food worker's salary were transferred to different line items, as is permitted by a DOE Guidance document.
- Adopted three separate resolutions certifying that the findings of various audits were discussed in public board meetings and Corrective Action Plans (CAPs) were approved more than 30 days after the public board meetings, which was beyond the time frame set forth in *N.J.A.C. 6A:23A-5.6(b)*.

Retention of Documentation

N.J.A.C. 6A:13A-10.2(a)(7) requires providers to make "all financial and program information available on request for inspection at any time to the school district or Department designee."

Of the 15 instructional staff records tested, 10 were from providers and five were in-district. We found exceptions for nine of the providers' instructional staff records. These exceptions resulted from the District failing to maintain certain information submitted by the providers that had been used to calculate the FY 2014 budgeted health benefit amounts.

Recommendations

1. Exercise due diligence when processing provider payments to ensure accuracy and compliance with the terms of the Contract.
2. Obtain documentation from the providers that they have applied for CACFP in accordance with *N.J.A.C. 6A:13A-4.5(c)*.
3. Adhere to the provisions of *N.J.A.C. 6A:23A-5.6(b)* when adopting a resolution certifying that the findings were discussed in a public board meeting and a CAP was approved.
4. Ensure that any and all records concerning the operation of the preschool program are retained in accordance with the District's Records Retention Schedule.

Reporting Requirements

We provided a draft copy of this report to District officials for their review and comment. Their comments were considered in preparing the final letter report and are attached as Appendix A.

The Office of the State Comptroller is required by statute to monitor the implementation of our recommendations. To meet this requirement and in accordance with *N.J.A.C. 17:44-2.8(a)*, following the distribution of the final audit report, the West New York School District shall report to the Office of the State Comptroller within 90 days stating the corrective action taken or underway to implement the recommendations contained in the report and, if not implemented, the reason therefor.

We thank the management and staff of the West New York School District for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,



Anne Vidunas-Gladwell, CPA
Acting Director, Audit Division

c: Dean Austin, Board Secretary/School Business Administrator
Beverly Lazzara, Director, Special Services
Rita A. Mendez, Principal, Early Childhood Program
David C. Hespe, Commissioner of Education, Department of Education
Robert Cicchino, Director, Office of Fiscal Accountability and Compliance, Department of Education
Ellen Wolock, Administrator, Division of Early Childhood Education, Department of Education
Karin Garver, Education Program Development Specialist, Division of Early Childhood Education, Department of Education

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Maximizing all students' potential
for success in an ever changing world.

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Mr. William P. Challice
Audit Director
Office of the state Comptroller
P.O. Box 024
Trenton, NJ 08625-0024

Dear Mr. Challice:

As you are aware, I am the newly appointed Superintendent of Schools for the West New York Board of Education. The purpose of this letter is to respond to your office's preliminary results of the performance audit concerning the West New York School District's Preschool Education Program.

A number of findings have to do with the fact that our present accounting software has restrictions on the number of months you can work in at one time. Until the system is rolled over to the following school year, checks for the subsequent year cannot be dated any later than July 31st and once the year is rolled over the previous year is locked for any adjustments. This is the primary reason for the finding that the District reported a \$50,000.00 payment to an incorrect reporting period. System limitations are also partly responsible for checks being out of sequence. The major reason why closing one year and opening the subsequent year has been delayed in the past was due primarily to the fact that the fiscal year for Federal Grants ended August 31st not June 30th. The Federal Grant fiscal year was changed to June 30th subsequent to the period covered by this audit. As such, the change in the Federal Grant fiscal year, along with certain internal system changes, will help to alleviate these types of reporting issues.

Some findings are the result of specific staffing situations which occurred during the period audited by your Office. The District's Fiscal Specialist was out on an extended maternity leave of absence which left our staff spread even thinner than usual. This primarily caused the late recoupment of funds, incorrect account coding situations along with incomplete document flow and in some cases incomplete documentation. I, along with the District's newly appointed Business Administrator, are working to better cross-train the Business Office staff to provide support if such instances occur in the future.

It is the District's intention to create a more consistent environment for the overseeing of the Early Childhood Program. This will help to alleviate other deficiencies noted in the June 10, 2015 audit letter, such as insufficient record retention, adherence to proper timelines for Board discussions of OFAC audits, and ensure that providers are in compliance with filing requirements.

I will look forward to continuing to work with your Office in order to ensure that the District's practice and procedures are consistent with State and Federal requirements.

Sincerely,



Clara Brito Herrera
Superintendent of Schools