

**This work plan is subject to change. As such, please contact Cheryl Kilkenny (718-935-2600) at the Office of Auditor General before using this version to determine whether there are revisions in process.**

## **OFFICE OF AUDITOR GENERAL UNIVERSAL PREKINDERGARTEN PROGRAM**

### **PROGRAM DEFINITION**

Chapter 436 of the Laws of 1997 established New York State's Universal Prekindergarten (UPK) Program to provide curriculum and activities that are appropriate to eligible four-year-olds and which promote cognitive, linguistic, physical, cultural, emotional and social development.) UPK programs can be provided in public schools, non-public schools and non-school sites. Eligible participating agencies are providers of childcare and early childhood education, day care providers, early childhood programs, and/or community based organizations, Head Start and nursery schools, family group day care and family day care that meet the standards and requirements of the UPK program.

### **PROGRAM MONITORING**

Currently, the New York City Department of Education's (DOE) UPK program is assessed, monitored, and supervised by the Region that has entered into a contract with private UPK program providers. Assessment includes responsibilities for ensuring that funds are appropriately spent and children are receiving services. Supervision includes overseeing the day-to-day operation of the program. Both functions are critical to the success of the program.

### **SCOPE OF REVIEW**

The work plan that follows was developed by the DOE's Office of Auditor General and is offered as a tool for conducting audits or reviews; it includes tests of compliance with key contract provisions as well as with fiscal requirements.

When an audit or review is conducted by a private audit firm engaged by the Region, the work plan **must** be reviewed by the firm and the Region before implementation since the Region has the option of narrowing or expanding the scope of audit/review to meet its needs and audit timeframe. The Region is not bound to use the same work plan for each of its providers.

The Region may also opt to request that the audit/review includes (or simply consist of) a comparison of a particular Provider's budget and Mid-Year and End-of-Year Expenditure reports over the period of its contractual relationship with the Region. As a key objective, the audit/review should ascertain whether the Provider has been adjusting its budget and spending plan over time to reflect reduced spending in some areas (e.g., equipment and supplies) and distribution of resources to others (e.g. classroom staff salaries, staff development and arts and music programs).

Further, in implementing this work plan, refer to the contract that was in effect during the period subject to the review inasmuch as some contract terms and conditions have been amended, deleted or added.

In the case of procedures that are conducted on a sample basis, the Region should be prepared to expand the scope of review if the sample tested discloses issues requiring further inquiry. The OAG is available to consult if questions in that area arise.

### **COST ALLOCATIONS IN GENERAL**

Many UPK providers operate programs, in addition to a UPK, that are funded by both public and private sources. For example, a provider's facility might house a UPK and a private Prekindergarten program that has no funding source other than the child's family. In some cases, the provider's additional programs may include a Special Education Prekindergarten student funded through, and under separate contract with the DOE (§4410 Program). It is not unusual for a UPK program to be a component of an "Integrated" Special Education program wherein the classroom setting accommodates both general education and special education Prekindergarten students.

In other instances, a provider might be operating two UPK programs, serving two different Regions under separate contracts. In addition, since the UPK program currently provides only a half-day of service (full-day programs are scheduled for SY 2007/2008), a child who attends school under the auspices of the UPK program in the morning, might remain at the site for an afternoon session that is paid for either by another public agency or by the child's family.

As a further example, a UPK program may be sharing space with other programs, such as a senior citizens center, in which case facility, maintenance and other related costs are not exclusively the responsibility of the UPK program.

An audit/review of a UPK program might disclose that the DOE's total payments to the provider did not exceed allowable costs under the UPK contract and that the provider's expenditure for administrative and personal services and equipment and supply purchases were documented and within the budget estimates. Nonetheless, where a multiple or blended funding situation exists, there is a risk that the same expenditures were also covered either partially or

in full by one or more of the other funding sources.

In order to address these concerns, as an initial step in the review process, it must first be determined whether the Provider is operating more than one program and, if so, are the other programs sharing resources. In those cases, the Provider must have a written methodology for allocating shared costs.

For contracts that begin in SY 2007/2008, the budget form requires Providers to disclose sources of funding (public and private) in addition to UPK and where costs are being allocated the provider must report the share of the costs assigned to the UPK program and the shared assigned to the other program(s).

## **REPORTING**

**The Region must be notified immediately if conditions posing a safety or health risk (e.g., observations of inappropriate conduct, obstructed stairwells, staff who have not been subject to medical or security clearance, students who have not been immunized) are uncovered.**

Prior to performing the audit/review procedures, the auditor should obtain copies of the following financial and program records (if available), which should be made part of the workpapers.

### **CHECKLIST OF RECORDS**

- Organization chart
- Attendance records
- Provider school calendar
- Listing of programs operated by the Provider with locations and hours of operation
- Listing of bank accounts, imprest funds
- Mid-Year and End-of- Year reports
- Provider's written allocation methodologies
- Cash receipts, disbursement journals and General Ledgers
- Payroll Records, including payroll tax forms
- Bank statements and canceled checks
- Rental agreement/mortgage documents
- List of teachers, assistant teachers and aides by classroom assignment

## WORK PLAN

### **PRELIMINARY AND GENERAL AUDIT STEPS**

1. Contact the Region and obtain copies of the Provider’s invoices (Form 1032) submitted to the Region.
2. Interview the Provider’s executive Director to obtain background information regarding the programs operated. Identify the Key staff that will be the liaison for this audit/review, including the fiscal person who will answer financial questions.

### **A. FINANCIAL/COMPLIANCE**

**Objectives:**

To determine whether:

1. Total payments by the DOE were consistent with the terms of the contract.
2. Expenditures made are consistent with the budget and reflect actual costs incurred by the Vendor as approved by the Region.

<b>Procedures</b>	Done by	Date	WP Ref
<p>i. Verify that the Regions payments to the Provider are consistent with the payment obligations stated in the contract. Determine whether any policy promulgated during the year under review should be applied.</p> <p>NOTE: Whether the expenditure reports referred to below are available will depend on the timing of audit/review. Reference the <i>Expenditure Guide for Programs Receiving UPK Funding</i>: <a href="http://schools.nyc.gov/NR/rdonlyres/6E430D1B-7F0A-4F40-8693-726EA6E0436/15193/CostReimbursementManual91206.pdf">http://schools.nyc.gov/NR/rdonlyres/6E430D1B-7F0A-4F40-8693-726EA6E0436/15193/CostReimbursementManual91206.pdf</a></p> <p>(a) Using the latest approved budget and End-of-Year report compare the budgeted costs with the reported accrued costs by category to ascertain that the provider did not exceed the approved budget. In addition, review cost categories that require approval from the Region and confirm that approval was obtained when necessary.</p> <p>(b) If the End-of-Year report is not available, compare the latest approved budget with the Mid-Year report to determine if the expenditures in the Mid-Year report reflect a pattern that is consistent with the expected spending pattern. (e.g., while costs such as rent should be constant throughout the school year, the majority of instructional supplies expenditures should be incurred early in the</p>			

<p>school year. Therefore, where the instructional supplies expenditures do not meet expectations, further inquiry should be made with the Provider.</p>			
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**B. ALLOCATION METHODOLOGY:**

**Objectives:**

To determine whether:

1. The Provider has documented the allocation method for each cost category.
2. The methodology is reasonable and was applied.

<b>Procedure</b>	<b>Done by</b>	<b>Date</b>	<b>WP Ref</b>
<p>i. Determine whether the Provider is operating more than one program and, if so, are the other programs sharing resources with the UPK program. In those cases, the Provider must have written methodologies for allocating shared costs.</p> <p>ii. Review the Provider’s allocation methodologies to ascertain if it is reasonable and was applied consistently and uniformly. For example, if the Provider has established that facility cost will be allocated based on square footage, then all related expenditures for this category (rent; utilities; licenses; and permits) should be allocated based on this method. See <i>Expenditure Guide for Programs Receiving UPK Funding</i></p> <p>iii. Using the End-of Year (Mid-Year) report and general ledger:</p> <ul style="list-style-type: none"> <li>• Trace the amount charged to the UPK program to the general edger to determine if all charges were properly recorded in the general ledger. Where charges were moved from one account to another through journal entries, make appropriate inquiry to obtain explanations for these entries (you may need to consider selecting some transactions from these accounts when conducting your test of OTPS and PS expenditures). If any discrepancies are noted speak to the Provider’s fiscal person.</li> </ul> <p>iv. Where charges are split among multiple program ledgers, make the appropriate inquiry to determine if these charges are being allocated (see step (ii) above for further instructions.)</p>			

**C. PAYROLL AND FRINGE BENEFITS**

**Objective:**

To determine whether personal services costs charged to the contract are reasonable and properly documented and whether employees pay rates and fringe benefits are consistent with the amount budgeted.

Procedure	Done by	Date	WP Ref
<p>Using the Provider’s organization chart, End-of-Year (or Mid-Year) report, the latest payroll records (e.g.,NYS-45) and cancelled payroll checks ( front and back) for the UPK program:</p> <ul style="list-style-type: none"> <li>i. Trace all individuals appearing on the End-of-Year (Mid-Year) report to the organization chart. Report any discrepancies.</li> <li>ii. Trace all employees matched in step (i) above to the payroll records. Report all instances where employees are not found on the payroll records.</li> <li>iii. Identify and observe a sample of employees to confirm that they are working in the position indicated by the organization chart and that they work exclusively for the UPK program (unless they are indicated as split funding). If it is not clear for which program they are working, interview them.</li> <li>iv. Review cancelled payroll checks to determine whether the checks are negotiated through the Provider’s bank account rather than the payee’s account. Note any case(s) where the Provider is cashing the payroll checks and obtain contact information for the affected employee(s).</li> <li>v. Review documentation for fringe benefits costs (e.g., pension, health insurance, payroll tax,). Determine that fringe benefits are paid only for staff working for the UPK program and that they are employees not consultants.</li> </ul>			

**D. EXPENDITURES**

Although Providers are not required to follow the DOE procurement rules, transactions should be closely scrutinized and appropriate inquiry should be made if it appears that the Provider may be involved with a vendor or consultant

in a less-than-arms-length relationship or is expending funds provided by the DOE in an imprudent or inappropriate manner. In that regard, reference [Expenditure Guide for Programs Receiving UPK Funding](#). In the event that questionable financial activity is uncovered or suspected, the OAG should be consulted.

**Objective:**

To determine whether purchases of OTPS for the UPK program are documented, located on site, and used by the UPK program.

Procedures	Done by	Date	WP Ref
<p>ii. Using the General Ledger for the most recent ten-month period, select at least 15 material OTPS transactions in various cost categories</p> <ul style="list-style-type: none"> <li>• Request the invoices and proof of payment for the selected transactions. If the expense was paid by a credit card, obtain the statement for the applicable month that shows the transaction.</li> <li>• Where possible, observe the location of the purchased items to ensure the items are used for the UPK program and make inquiry to determine if the items benefit other programs (see allocation methodology for rules)</li> <li>• If the item purchased is equipment/furniture, review whether inventory records reflect the item and location.</li> </ul> <p>iii. If the Provider uses consultants, from the most recent ten-month period, select five (5) consultant payments (or all payments if fewer than five are identified) and request records from the Provider</p> <ul style="list-style-type: none"> <li>• Request from the Provider, the contract (service agreement) identifying the consultant and the nature and dates of service provided.</li> <li>• Ascertain whether the services benefit the program and that the costs are reasonable. If a question remains whether the services were actually delivered as indicated by the documents, interview staff that were supposed to have received the services. If other programs benefited from the same consulting services determine whether costs were appropriately allocated.</li> <li>• Review invoices and proof of payment to determine the appropriateness of the charges (copy the front and back of the check(s) paid to the consultant).</li> </ul>			

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**E. STUDENT RECORDS**

**Objectives:**

To determine whether:

1. The Provider rendered UPK services to those students who are registered in the UPK program.
2. The Provider maintains an emergency contact card readily available for each UPK student.
3. Students attending the UPK program have been medically cleared.

Procedures	Done by	Date	WP Ref
i. Obtain the list of students registered by the Region and the invoices submitted by the Provider and compare it to the Provider's register and classroom attendance records. ii. For each student in the UPK Program, determine whether the Provider maintains on file a completed emergency contact card. iii. Review the Provider's records to determine that, for each student in the UPK program, there is a report of a medical examination, including immunizations, signed by a physician.			

**F. SCHOOL YEAR/ATTENDANCE**

**Objectives:**

To determine whether:

1. The equivalent of one hundred eighty (180) days of instruction has been provided/scheduled (dependent on period of review) and that the program operated for the minimum number of hours and days per week specified in the contract.
2. The Provider maintains on site an accurate record of attendance on a daily basis of each enrolled student and that attendance is recorded in an approved roll book/card. Entries for recording attendance are limited to a "P" for present; an "A" for absent; and an "E" for an excused absence (e.g., religious observance or family emergency).
3. The Provider has reported in writing and by telephone to the Region any student who was absent for 10 consecutive days or 20 aggregate days in any 3-month period. For any students determined to have been absent for

- 20 aggregate days, check that Provider has submitted to the Region a written report on a 407 Form by the close of the next business day.
4. The Provider has forwarded all roll books/attendance cards to the Region within 5 business days or the last day of instruction for the school year, and has completed and transmitted, by the fifth day of each following month, an attendance (Form 1032) to the Region office.

Procedures	Done by	Date	WP Ref
<ul style="list-style-type: none"> <li>i. Obtain the Provider’s calendar and ascertain that the equivalent of one hundred eighty (180) days of instruction has been provided or scheduled.</li> <li>ii. Obtain a copy of the program schedule and confirm that the half-day program operates for a minimum of two and one-half hour, five days per week, and the full-day program operates for a minimum of five hours per day, five days per week.</li> <li>iii. Check the teachers’ roll books to verify that students’ attendance is recorded. Note the name of any student who was marked absent for 10 consecutive days or 20 days in the aggregate within a 3-month period. If any student is identified within those categories, ask the Provider to show you records of outreach to the parent and Region. If there are no students in those categories, proceed to Step 5.</li> <li>iv. Confirm with the Region that the Provider informed them of any student (identified in Step 3, above,) who was absent for 10 consecutive days or 20 aggregate days and in the case of the latter, the Region should have received a form 407 for each student who was absent.</li> <li>v. Ascertain that the Provider forwarded all roll books/cards to the Region within 5 business days of the last day of instruction for the school year.</li> <li>vi. Confirm that the Provider completed and transmitted, by the fifth day of each following month, a Form1032 (Invoice /attendance) to the Region.</li> </ul>			

**G. CLASS SIZE and STAFFING**

**Objective:**

To determine whether class size is limited to 20 children and that for classes of 19 to 20 children, there are one teacher and two paraprofessionals, and for classes of 18 children or fewer, there are one teacher and one paraprofessional.

Procedure	Done By	Date	WP
i. Observe all UPK classrooms, verify class registers, and determine the following: <ul style="list-style-type: none"> <li>• The class did not exceed 20 children.</li> <li>• Classes of 19 to 20 children have one teacher and two paraprofessionals.</li> <li>• Classes of 18 children or fewer have one teacher and paraprofessional.</li> </ul>			

NOTE: Where UPK students are integrated in one class with Prekindergarten Special Education students, the State Education Department sets the student-to-teacher ratios.

**H. MEDICAL CLEARANCE**

**Objectives:**

To determine whether the Provider maintains for all prekindergarten teachers providing instruction through the UPK program a statement from a certified physician based on either a review of medical history or a medical history or a medical exam, that the employee is medically fit to perform his/her assigned duties.

Procedures	Done by	Date	WP Ref
i. For all staff that have contact with UPK students (refer to contract for definition) review the personnel files to determine whether there is written documentation that they have medical clearance and/or recent medical examination stating that the staff member is free from contagious or communicable disease.			

**I. SECURITY CLEARANCE**

**Objective:**

To determine whether the Provider’s staff members and independent contractors engaged have obtained security clearance in accordance with the applicable contract prior to the staff beginning services. Clearance includes, fingerprinting, review of criminal conviction record and child abuse and maltreatment clearance.

<b>Procedures</b>	Done by	Date	WP Ref
i. For each staff member who is required to obtain security clearance under the terms of the contract, review the personnel files to ascertain that there is evidence that the staff member has security clearance as required by the contract in effect during the period subject to the audit/review.			

**J. INSURANCE**

**Objectives:**

To determine whether the Provider carries the types and limits of insurance coverage required under the terms of the contract, e.g., worker’s compensation insurance, comprehensive general liability insurance and has identified the DOE and the City of New York as additional insured parties.

<b>Procedures</b>	Done by	Date	WP Ref
i. Review the insurance policies to determine if the Provider has the appropriate coverage for Workers Compensation; Comprehensive General Liability Insurance and State Disability Insurance. (Keep a copy in your workpaper) and that the insurance policy includes DOE and the City of New York as additional insured parties.			