



ACADEMY FOR KIDZ

Investigative Report
March 23, 2016

Justin P. Wilson, Comptroller





STATE OF TENNESSEE

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Comptroller

COMPTROLLER OF THE TREASURY

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March 23, 2016

Academy for Kidz
1224 Lischey Avenue
Nashville, Tennessee 37207

To Whom It May Concern:

On August 27, 2015, our office was informed of suspected irregularities at the Academy for Kidz (AFK). As a result, we performed an investigation of selected records for the period July 1, 2014, through September 30, 2015. AFK is a for-profit child care center located in Nashville, Tennessee, serving children from six weeks to age 12 and is licensed by the State of Tennessee to care for a total of 56 children. Included as



part of their child care services, AFK feeds children their breakfast, lunch, and an afternoon snack. All children served by AFK claimed to be qualified for free meals per federal guidelines. AFK received \$83,881 in federal grant funds for the period of our investigation, which were passed through the Tennessee Department of Human Services (DHS) from the Child and Adult Care Food Program. Monthly claims for reimbursement for eligible expenses are filed by AFK with DHS. Our investigation revealed the following deficiencies:

- The academy had questionable meal claim reimbursements totaling \$83,881 related to falsified and/or insufficient documentation.
- The academy had operating deficiencies.
- The Tennessee Department of Human Services failed to provide adequate monitoring.

The findings and recommendations, as a result of our investigation, are presented in this report. These findings and recommendations have been reviewed with the district attorney general for the Twentieth Judicial District.

BACKGROUND

The Child and Adult Care Food Program (CACFP) is a federally funded program that provides payments for eligible meals served to participants who meet age and income requirements. Meals served by participating institutions and facilities must meet minimum guidelines set by the U.S. Department of Agriculture. The CACFP helps institutions and facilities serve well-balanced, nutritious meals to the participants in their care. Institutions earn federal reimbursement for meals served to eligible children and eligible adults in daycare centers, when the meals meet regulatory requirements. In Tennessee, all CACFP funds pass through DHS.

DHS is responsible for providing oversight of AFK's use of and accountability for federal funds. Monthly claims for reimbursement for eligible expenses are filed by AFK with DHS. To receive a claim for reimbursement, AFK prepares meal count rosters listing children who attended and participated in the meals served each day. These meal count rosters are summarized and submitted as part of the claim for reimbursement. These rosters and summaries serve as the primary support for the reimbursement. Furthermore, AFK maintains daily sign-in/sign-out attendance sheets to document children's attendance with parent/guardian signatures.

INVESTIGATIVE FINDINGS AND RECOMMENDATIONS

FINDING 1 THE ACADEMY HAD QUESTIONABLE MEAL CLAIM REIMBURSEMENTS TOTALING \$83,881 RELATED TO FALSIFIED AND/OR INSUFFICIENT DOCUMENTATION

We noted falsified documentation and numerous deficiencies in the supporting documentation provided with meal count records and daily sign-in/sign-out attendance sheets; therefore, we could not determine actual attendance or participation in the meal service program at AFK. We reviewed monthly meal count records as well as daily sign-in/sign-out attendance records at AFK and documentation reported to DHS. AFK did not provide all requested documentation for the period of our investigation. Additionally, we attempted to review AFK's collection, receipting, and depositing practices; however, we were not provided bank statements for three of the months requested. We were able to review only three of 15 months of receipts related to cash payments by parents/guardians for applications and other charges required by AFK. We were advised these services were required to be paid to AFK in cash or money order. We were provided only two of 15 months of receipts related to food purchases. We question the propriety of all \$83,881 received during the period of our investigation due to the following deficiencies:

- A. Meal count records were not accurate and did not appear to represent the actual number of children served. The *USDA FNS Code of Federal Regulations 7 CFR, Section 226.10(c)* requires AFK to ensure the number of meals submitted on claims for reimbursement is correct. In addition, the Tennessee *Child and Adult Care*

Food Program Policies and Procedures Manual require meals to be documented each day for the program participants and reported accurately.

1. In numerous instances, children listed on the meal count records could not be traced to daily sign-in/sign-out records. The AFK owner advised that she prepared the meal count records and the subsequent claims for reimbursement; however, she also indicated that she was not at the child care center as she should have been and relied on the center director and the staff. She advised that she would call AFK and ask if all of the children had been present that month. The AFK owner would then prepare the meal count to indicate that all children enrolled were present each day for the month. Therefore, meal count records do not accurately reflect the children who were present and participated in the meal service. Additionally, we reviewed meal count documentation on file with DHS submitted by AFK and noted that some monthly claims on file with DHS did not agree with meal count records submitted to investigators by AFK. For several months, AFK requested and received more CACFP funds than AFK had documentation to support. We noted AFK received \$5,712.43 more in reimbursement than the agency's calculations reflect it should have received.
2. In numerous instances, a child's name would be listed in two different age groups on the meal count records, resulting in children being double counted.
3. We noted large unexplained variances in meal counts for specific age groups. For example, during March 2015, the AFK meal count summary indicated ten school age children, and in April and May 2015, no school age children were noted; however in June 2015, 20 school age children were claimed.
4. It appears that children less than one year old (infants) were included in the meal count summary. CACFP eligibility notes that infants less than one year old and not claimed for CACFP meals should not be included in the summary totals. AFK does not maintain adequate records to support infants participating in the CACFP meal program. Furthermore, AFK did not provide requested documentation, and we could not determine the purchase of infant formula or supplements that would indicate infants were being claimed for CACFP funds. Therefore, we question all infants included in meal count summaries.
5. AFK's licensed capacity is 56 participants. From November 2014 through July 2015, AFK claimed 100 percent attendance and snacks served to all enrolled participants. From April 2015 through July 2015, AFK claimed the maximum amount for breakfast, lunch, and snacks with perfect attendance at its licensed capacity of 56. We question the plausibility of perfect attendance during this period based on our own observations and records kept by AFK (see Exhibit 1). The owner advised us that she completed the meal count sheets as if all enrolled students were present each day and received a meal. She also admitted no one at AFK compared students enrolled to attendance.

Exhibit 1

ACADEMY FOR KIDZ CHILD CARE CENTER
DAILY ATTENDANCE SHEETS

DATE: 7-23 / YR 15 10:00 1-8 (21) Pre-K
1-9

ADULT: CHILD RATIO & CHILDREN COUNT

(7:00)		(9:00)		(11:00)		(1:00)		(3:00)		(5:00)	
		3	21	3	21	3	21	3	21	3	10

TEACHER _____ // AGE GROUPING _____

On July 23, 2015, 21 children were counted by the center. However, 56 meals were claimed by the center on July 23, 2015, and submitted for reimbursement to DHS.

- B. Daily sign-in/sign-out attendance records provided to investigators were not accurate and, in many instances, were falsified.
1. During the month of November 2014, most of the daily sign-in/sign-out attendance sheets provided to investigators were photocopies of one sheet with the date changed for all age groups. We noted the daily sign-in/sign out sheets for the three to five year old age group were photocopied for the entire month of November 2014. Additionally, we noted daily sign-in/sign-out sheets dated on Sundays when the day care was closed. The AFK owner reviewed these records with investigators and admitted the sheets were photocopies. She went on to explain that she was not at the child care center as often as she should have been and relied on the center director to gather requested records. We were unable to interview the center director. The owner had no additional explanation of why these attendance records were photocopies of the same document, but stated she “just submitted the claim.”
 2. Daily sign-in/sign-out attendance sheets sometimes contained more parent/guardian signatures than the AFK center’s licensed capacity of 56. In one instance, we noted 59 signatures of parents/guardians. Furthermore, many attendance sheets included a child count performed by center employees at specific times during the day. The number of signatures indicating children present was often greater than the count noted. Furthermore, we noted numerous instances in which white-out was used to conceal the child count or the child count had been scribbled out. We conclude that these records were unreliable and appeared to have been falsified to reflect higher attendance than actual.
 3. We compared daily sign-in/sign-out attendance sheets that we observed during site visits in September 2015 with daily sign-in/sign-out attendance

sheets later provided by the childcare center as documentation of attendance. The names of several children had been added to the lists we observed and “signed in” several hours before our site visits.

RECOMMENDATION

CACFP guidelines should be followed. Meal count records and claims for reimbursement submitted to DHS should be accurate and represent the actual number of children served. Supporting documentation should be consistent, accurate, and on file for inspection. Sign-in/sign-out sheets should accurately reflect the number of participants. Supervisory personnel should review all records prior to submitting claims for reimbursement. DHS should seek reimbursement for any amounts unsupported or overpaid.

FINDING 2 THE ACADEMY HAD OPERATING DEFICIENCIES

During our investigation, we noted the following operating deficiencies at AFK that were due to a lack of oversight by management:

- A. AFK did not provide investigators with all requested bank statements. We were not provided with three of the months requested; therefore, we could not review deposits and disbursements. AFK’s owner did not provide these bank statements to us because she stated that AFK funds were comingled with her personal funds.

- B. Receipts documenting food purchases were not provided as requested. We obtained November 2014 and February 2015 receipts from AFK; however, upon our request for additional receipts for the period examined, AFK did not provide any receipts. We noted one receipt classified in the accounting records as cleaning supplies; however, we determined the purchase was actually for dog food (see Exhibit 2). CACFP guidelines require institutions to ensure that all food items that are identified on the menus be supported by purchase receipts.

Exhibit 2

Receipt noted as “kitchen floor cleaning linoleum kit;” however, we determined from the vendor website the purchase was for dog food.

CLUB MANAGER BETHANI SANDERS
(615) 356 - 5545
NASHVILLE, TN 3075
11/20/18 10 2619 6447 012
806690 O.N.F. 38.98 T
SUBTOTAL 38.98
TAX 9.25 % 3.61
TOTAL 42.59
DEBIT TEND 42.59
CHANGE DUE 0.00

EFT DEBIT 42.59 PAY FROM PRIMARY
ACCOUNT # TOTAL PURCHASE ***** 8344 S
NETWORK ID. 0076 APPR CODE 599662
TERMINAL # M0034354

BEST SELLER

\$38⁹⁸

Online Select your Club for price and availability

Buy now

Subscribe

Purina ONE Smartblend Lamb & Rice Formula (4 lbs.)

Item #: 806690 | Model #: 01529

★★★★★ (17)

- C. Collections were not properly receipted. We requested receipts on multiple occasions but were able to review only three of 15 months of receipts related to cash payments by parents/guardians for applications and other charges required by AFK; therefore, we could not determine if receipts were consistently issued during the period examined. We were advised that parents/guardians were required to pay AFK in cash or money order. AFK’s owner advised us that receipts were written at the time collections were removed from the collection box instead of when the cash was received.
- D. All collections were not deposited to an official bank account; rather we were advised that cash collections were often used to purchase food and supplies. Sound business practices dictate that collections should be deposited into an official bank account and purchases should be made by check or electronic transfer.
- E. In at least two instances, menus were not posted for all parents/guardians to observe as required by the *CACFP Policies and Procedures Manual*. Furthermore, in one instance, we observed a meal served that did not agree with the posted menu items. CACFP policy requires each menu to accurately list the food items that are to be served.

RECOMMENDATION

All bank statements should be on file and available for audit inspection. Academy funds should not be comingled with personal funds of the owner in AFK’s bank account. As

required by the *CACFP Policy and Procedures Manual*, AFK should provide receipts documenting all food purchases. Collections should be receipted at the time of collection and deposited into an official bank account, and purchases should not be made in cash. Menus should accurately reflect food items served. Additionally, the menu must be posted for all parents and guardians to observe.

**FINDING 3 THE TENNESSEE DEPARTMENT OF HUMAN SERVICES
FAILED TO PROVIDE ADEQUATE MONITORING**

DHS' external program review staff conducted an unannounced on-site monitoring review at AFK on January 7, 2015. Their review of AFK's records included only the month of November 2014, and revealed the following deficiencies: 1) five of 56 participants, all of whom were classified as free, did not have an application on file for the test month, which resulted in an overpayment of \$487; 2) one lunch menu did not meet USDA meal pattern requirements; and 3) the agency did not provide documentation for the required CACFP training. Additionally, DHS observed 14 lunch meals served and reviewed the records of the meal count rosters for November 2014.

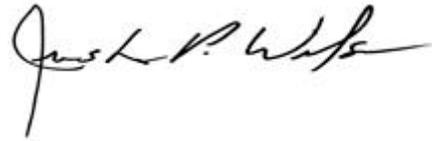
Our investigation revealed other deficiencies in the month of November 2014 not reflected in the DHS monitoring. For that month, AFK subsequently claimed and was paid for 46 lunch meals served with perfect attendance for all 46 eligible pre-school and ten school-age children for the entire month. We found no attempt by DHS staff to reconcile actual attendance with claimed attendance. As noted previously, we examined daily sign-in/sign-out sheets in an attempt to determine actual attendance in November 2014. We noted that most of the daily sign-in/sign-out sheets for the month of November 2014 were photocopies of the same document with the date altered at the top of each sheet for all age groups. We noted the daily sign-in/sign out sheets for the three to five year old age group were photocopied for the entire month of November 2014. Additionally, we noted daily sign-in/sign-out sheets dated on Sundays when the day care was closed. The AFK owner reviewed these records with investigators and admitted the sheets were photocopies. She went on to explain that she was not at the child care center as often as she should have been and relied on the center director to gather requested records. We were unable to interview the center director. The owner had no additional explanation of why these attendance records were photocopies of the same document, but stated she "just submitted the claim." Each photocopied daily sign-in/sign-out sheet reflected perfect attendance. We question the plausibility of perfect attendance during this period based on our own observations, DHS' meal count observation, and records maintained by AFK.

RECOMMENDATION

DHS should reconcile actual attendance with claimed attendance for the month selected.

If you have any questions concerning the above, please contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/kbh