



Susan Montee, CPA
Missouri State Auditor

ADMINISTRATION

Children's Trust Fund Board

June 2008

Report No. 2008-34



auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

June 2008

The following report is our audit of the Children's Trust Fund Board.

Some costs allocated to the Children's Trust Fund (CTF) may not be allowable. During the year ended June 30, 2007, costs allocated included the Office of Administration (OA), the offices of the Governor, Lieutenant Governor, Secretary of State, State Auditor, and Attorney General, the General Assembly, the Capitol Police, and the Department of Revenue (DOR). During the year ended June 30, 2006, costs were allocated as previously noted with the addition of the State Treasurer's Office and the exception of Capitol Police costs. State law specifically allows that monies may be appropriated from the CTF for costs incurred by the DOR and OA, but no mention is made in state law of the other offices and agencies. Based upon expenditures allowed by state law, it is questionable whether costs allocated to the CTF totaling \$19,040 and \$17,377 during the years ended June 30, 2007 and 2006, respectively, for offices other than the DOR and the OA are allowable.

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YELLOW SHEET

CHILDREN’S TRUST FUND BOARD

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the Children's Trust Fund Board
and
Kirk Schreiber, Executive Director
Jefferson City, Missouri

We have audited the Children's Trust Fund Board. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2007 and 2006. The objectives of our audit were to:

1. Determine if the board has adequate internal controls over significant management and financial functions.
2. Determine if the board has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.
4. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the board; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk

assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the board's management and was not subjected to the procedures applied in our audit of the board.

The accompanying Management Advisory Report presents our finding arising from our audit of the Children's Trust Fund Board.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Kenneth W. Kuster, CPA
Audit Manager: Peggy Schler, CPA
In-Charge Auditor: Joyce Thomson

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CHILDREN'S TRUST FUND BOARD
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Cost Allocations

Some costs allocated to the Children's Trust Fund (CTF) may not be allowable. The Office of Administration (OA) applies a cost allocation method to recover costs for services provided by certain state agencies to the various state funds. For the years ended June 30, 2007 and 2006, the OA transferred \$37,939 and \$37,779, respectively, from the CTF to the state's General Revenue Fund for the cost allocations. Based upon expenditures allowed by state law, it is questionable whether costs allocated to the CTF totaling \$19,040 and \$17,377 during the years ended June 30, 2007 and 2006, respectively, for offices other than the Department of Revenue (DOR) and the OA are allowable.

During the year ended June 30, 2007, costs allocated included the OA, the offices of the Governor, Lieutenant Governor, Secretary of State, State Auditor, and Attorney General, the General Assembly, the Capitol Police, and the DOR. During the year ended June 30, 2006, costs were allocated as previously noted except costs of the State Treasurer's Office were also allocated and Capitol Police costs were not allocated. Of these agencies, state law specifically allows that monies may be appropriated from the CTF for costs incurred by the DOR and OA, but no mention is made in state law of the other offices and agencies.

Section 210.173, RSMo, provides in part, that the General Assembly may appropriate monies annually from the CTF to the DOR to pay the costs incurred for collecting and transferring certain contributions; to the OA to pay the expenses incurred for budgetary, procurement, accounting, and other related management functions performed; and to pay the expenses of members of the board and the salary of the executive director. Funds appropriated by the General Assembly from the CTF shall only be used by the board for purposes authorized under Sections 210.170 to 210.173 and Section 143.1000, RSMo. Funds received from gifts, bequests, contributions (other than contributions made pursuant to Section 143.1000, RSMo), grants, and federal funds may be used and expended by the board as required or, in the absence of any specific requirements, as the board may determine for any lawful purpose.

To ensure monies are used in compliance with state law, the CTF Board should consult legal counsel to determine if all costs allocated to the CTF during fiscal years 2007, 2006, and prior years were allowable.

Although this finding relates only to costs allocated to the CTF, we plan to review the cost allocation on a statewide basis at a later date.

WE RECOMMEND the CTF Board consult with legal counsel to determine if all costs allocated to the CTF are authorized by state law. If any costs allocated are deemed unallowable, a reimbursement should be requested from the Office of Administration to recoup the unallowable amounts transferred.

AUDITEE'S RESPONSE

The Executive Director indicated that the Office of Administration (OA) has already implemented the necessary changes from this point forward to bring the allocation formula in compliance with Section 210.173.3, RSMo. The OA corrected this issue immediately for fiscal year 2008 after it was brought to their attention with a fund adjustment/correction transfer into the Children's Trust Fund. However, no adjustments are planned to correct allocations made in prior years. The Office of Budget and Planning has indicated that the CTF's Central Services costs will be approximately \$21,317 for fiscal year 2009, a substantial reduction in cost allocation from previous years.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

CHILDREN'S TRUST FUND BOARD
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Children's Trust Fund Board on the finding in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended June 30, 2005.

Although the unimplemented recommendation is not repeated, the board should consider implementing this recommendation.

Contract Monitoring

- A. The Children's Trust Fund Board (CTFB) did not track disbursements for media services and, as a result, the amount paid during the year ended June 30, 2005, exceeded the contracted amount by approximately \$53,000.
- B. The CTFB did not periodically request supporting documentation from license plate partner grantees.

Recommendation:

The CTFB establish monitoring procedures for all contracts and grants. This should include periodic reviews of supporting documentation for the license plate partner grant disbursements.

Status:

Partially implemented. Effective January 1, 2007, the CTF Board contracted with a different media services provider. The vendor provides detailed documentation which allows more effective monitoring of this contract. Effective July 1, 2006, the CTF Board of Directors adopted a revised policy establishing monitoring procedures for all grant contracts, including license plate partner grantees. In addition, the CTF Board amended contracts for all current license plate partner grantees to require a written annual report and supporting expenditure documentation to be submitted. Written annual reports and supporting documentation were received from these grantees during fiscal year 2007 and 2006. However, a contract compliance review was performed on only one of the twelve license plate partner grantees that received funding during fiscal year 2007. The Executive Director indicated the intent of the revised policy was to provide onsite or telephone monitoring of new license plate partner grantees during the first year expenditures are claimed. Although not noted in the current report, we recommend the CTF continue to work toward monitoring contract compliance of license plate partner grantees as required by the current policy.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

**CHILDREN'S TRUST FUND BOARD
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION**

The Children's Trust Fund (CTF) Board was established by Section 210.170, RSMo, to provide child abuse and neglect public awareness and prevention programs throughout the state. Under the provisions of Section 210.174, RSMo, any individual or corporation may designate a part or all of his/her income tax refund to be contributed to the Children's Trust Fund. Additional funding is derived from contributions made directly to CTF including to obtain the specialized CTF license plate, fees on marriage licenses, vital records, federal and other grants.

Section 210.170, RSMo, provides that the board shall consist of twenty-one members. Seventeen members are appointed by the Governor with the advice and consent of the Senate. Members serve until their successor is appointed. Two members of the Missouri House of Representatives are appointed by the speaker of the House and two members of the Missouri Senate are appointed by the president pro tem of the Senate. Members of the Senate and House of Representatives serve on the Children's Trust Fund Board until their term in the House or Senate expires. On June 30, 2007, the Children's Trust Fund Board had twenty-one members. Members serving on the board as of June 2007 were:

<u>Members</u>	<u>City</u>	<u>Term Expires</u>
Nela Beetem	Holts Summit	September 2009
Terry Bloomberg	St. Louis	September 2006
Nanci A. Bobrow, Ph.D.	St. Louis	September 2006
Sam Burton, Ph.D.	Rolla	September 2004
Lynne M. Cooper, D.Min.	St. Louis	September 2005
Laurie Donovan	St. Peters	September 2009
Christy Garnett	Independence	September 2006
Margaret Krokstrom	St. Louis	September 2008
Dena Ladd	St. Louis	September 2007
Reverend Robert Marty	Mexico	September 2006
Kimberley Mathis	St. Louis	September 2009
Sheryl Maxwell	Lilbourn	September 2008
Daniel "Duke" McVey	Jefferson City	September 2000
Patrice O'Neil Mugg	Kirkwood	September 2007
Kay Lynne Myers	Kansas City	September 2006
Nuzhat Nisar, M.D.	St. Louis	September 2008
Regina Staves, Ph.D.	Kansas City	July 2006
Representative Mike McGhee	Odessa	
Representative Brad Robinson	Bonne Terre	
Senator Maida Coleman	St. Louis	
Senator Carl Vogel	Jefferson City	

The board is empowered to enter into contracts with public or private agencies, schools, or qualified individuals to establish community-based educational and service programs focused on the prevention of child abuse and neglect. The programs include crisis care, home visiting, counseling, and support groups. The board also provides public education about the problem of child abuse and neglect. These

programs include crisis care, home visiting, counseling, and support groups. The board also provides public education about the problem of child abuse and neglect and how Missouri citizens can contribute to prevention efforts.

The board may appoint an executive director to perform administrative duties. Kirk Schreiber was appointed Executive Director in October 2005. Three other employees perform various administrative duties and responsibilities.

Appendix A

CHILDREN'S TRUST FUND BOARD
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER
 FINANCING USES, AND CHANGES IN CASH AND INVESTMENTS

	Year Ended June 30,	
	<u>2007</u>	<u>2006</u>
RECEIPTS		
Contributions	\$ 252,763	208,020
Marriage license fees	993,377	999,628
Vital records sales	594,588	642,566
Intergovernmental receipts	495,948	545,178
Interest	166,298	124,127
Interagency receipts *	702,815	681,345
Miscellaneous refunds	0	2,269
Total Receipts	<u>3,205,789</u>	<u>3,203,133</u>
DISBURSEMENTS		
Personal service	187,049	164,148
Expense and equipment	119,339	96,136
Program disbursements	2,692,294	2,528,985
Office lease	12,224	1,039
Refunds	12,551	12,779
Total Disbursements	<u>3,023,457</u>	<u>2,803,087</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING SOURCES (USES)		
	182,332	400,046
OTHER FINANCING SOURCES (USES) **		
Transfers in	136,517	108,053
Transfers out	<u>(115,650)</u>	<u>(105,781)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)		
	203,199	402,318
CASH BALANCE, JULY 1		
	<u>3,424,484</u>	<u>3,022,166</u>
CASH BALANCE, JUNE 30		
	<u>\$ 3,627,683</u>	<u>3,424,484</u>

* Interagency receipts include payments received from other state agencies for contracted services.

** Transfers in amounts are income tax contributions designated by individual and corporate taxpayers on their income tax returns under the provisions of Section 143.1000, RSMo. Transfer out amounts include employee fringe benefits, allocation of costs in support of the state's central services and other.

Appendix B

CHILDREN'S TRUST FUND BOARD
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2007			2006		
	<u>Appropriations</u>	<u>Expenditures</u>	<u>Lapsed Balances</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Lapsed Balances</u>
CHILDREN'S TRUST FUND						
Programs	\$ 3,360,000	2,692,294	667,706	3,360,000	2,528,985	831,015
Personal service	199,077	187,049	12,028	191,421	164,148	27,273
Expense and equipment	145,140	119,339	25,801	145,200	96,136	49,064
Other fund refunds	14,495	12,551	1,944	14,495	12,779	1,716
Office lease	11,888	11,888	0	0	0	0
OA - ITT	1,099	336	763	1,039	1,039	0
Unemployment benefits	146	0	146	0	0	0
Total Children's Trust Fund	<u>\$ 3,731,845</u>	<u>3,023,457</u>	<u>708,388</u>	<u>3,712,155</u>	<u>2,803,087</u>	<u>909,068</u>

Appendix C

CHILDREN'S TRUST FUND BOARD
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2007	2006	2005	2004	2003
Salaries and wages	\$ 187,049	164,148	165,913	162,909	170,239
Travel, in-state	6,942	5,869	6,395	7,759	11,157
Travel, out-of-state	4,893	1,790	2,614	1,847	0
Fuel and utilities	0	0	0	1,247	3,198
Supplies	18,962	22,630	26,817	23,471	24,767
Professional development	3,555	3,546	1,975	2,385	3,595
Communication service and supplies	4,564	3,354	4,346	5,679	5,787
Professional services	66,700	46,931	25,759	19,763	50,245
Housekeeping and janitorial services	0	0	0	896	1,269
Maintenance and repair services	407	455	258	1,695	809
Computer equipment	198	644	1,895	1,207	0
Office equipment	699	9,480	222	36	0
Other equipment	320	0	0	0	0
Real property rentals and leases	12,288	1,175	1,400	6,223	14,460
Equipment rental and leases	1,982	0	0	0	1,509
Miscellaneous expenses	14,803	1,312	1,508	1,909	3,933
Refunds	12,801	12,779	250,270	0	0
Program distributions	2,687,294	2,528,974	2,588,805	2,274,513	2,623,428
Total Expenditures	\$ <u>3,023,457</u>	<u>2,803,087</u>	<u>3,078,177</u>	<u>2,511,539</u>	<u>2,914,396</u>

Note: Certain classifications of expenditures changed during the five-year period, which may affect the comparability of the amounts.