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Missouri State Auditor

Early Childhood Development, Education, and Care Fund

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CITIZENS SUMMARY

Findings in the audit of the Early Childhood Development, Education and Care Fund

Contract Compliance	The DSS needs to improve its procedures for funding Start Up and Expansion (SUE) child care facilities. Three child care facilities receiving new funding awards in fiscal years 2010 and 2011 stopped participating in the program but did not repay $171,500 the facilities had received. The DSS paid one facility $22,500 to operate a child care facility that no children ever attended. The DSS paid another facility $60,000 to create 16 licensed slots at a new center, but the facility was never built, and the money was not repaid. The DSS paid a third facility $89,000 to add 24 slots, but the owner only added 14 slots and then sold the facility 3 months later to a buyer who chose not to participate in the SUE program. The DSS also paid the Accreditation Facilitation contractor for more facilities than the contractor reported serving, and more per-unit than the contract required
Conflict of Interest	The previous Assistant Commissioner of the Department of Elementary and Secondary Education (DESE) Office of Early and Extended Learning simultaneously served as the Director of a DESE and Department of Social Services (DSS) contractor. The contractor, the Center for Family Policy and Research at the University of Missouri-Columbia, was funded in part by the Early Childhood Development, Education and Care (ECDEC) Fund. The Assistant Commissioner served from April 2010 until August 2012 and remains employed by the DESE. During the Assistant Commissioner's tenure, both state agencies awarded this contractor additional contracts without using a competitive process, resulting in an apparent conflict of interest.
Program Efficiency	The DSS uses two types of contract awards to administer early childhood programs, resulting in program inefficiencies and duplicated efforts. The DSS administers some early childhood programs through competitively and noncompetitively selected contractors, which are subject to different contract requirements, overlap service areas, and provide different levels of funding. The DSS requires facilities in St. Louis City and County to apply to Area Resources for Community and Human Resources (ARCHS), while facilities in all other parts of the state are allowed to apply through the DSS or their local community partnership.
DESE Monitoring	The DESE does not adequately monitor ECDEC Fund contractors to ensure monies are spent in accordance with contractual requirements for the Missouri Preschool Project (MPP) or the Parents as Teachers (PAT) programs. The DESE does not perform formal documented on-site monitoring of MPP contractors and does not adequately review supporting documentation of expenditures claimed on a periodic basis. Due to unresolved technical issues, the DESE temporarily suspended its PAT reporting requirements, and, as a result, contractors did not submit post-expenditure reports for fiscal years 2011 and 2012. The DESE relies on other monitoring procedures to identify school districts for non-compliance; however, these procedures do not extend to private child care facilities.

DSS Monitoring	The DSS did not always ensure corrective action was timely or adequate to address noncompliance and did not use a consistent methodology to determine how many files to review during on-site monitoring. One Stay at Home Parent (SAHP) program contractor remained noncompliant throughout the terms of four contracts, and the DSS had not performed a formal on-site monitoring of the contractor since December 2009. Another SAHP contractor did not submit a corrective plan when it was requested, but the DSS did not perform a follow-up visit for almost a year.
Child Care Assistance Program Controls	Significant weaknesses exist in DSS controls within the Child Care Assistance program, as noted in Report No. 2013-024, *State of Missouri Single Audit*. In response to deficiencies identified in previous audits, the DSS implemented new controls over eligibility determinations, but it is as yet unknown what impact the changes will have on the error rate for eligibility determinations. In addition, none of the changes address control weaknesses over payments to child care providers.
Statutory Compliance	The General Assembly did not appropriate enough monies to various programs operated by the DSS to meet statutory requirements. Pursuant to Section 161.215, RSMo, for fiscal year 2013 the General Assembly was required to appropriate $10,500,000 to various programs operated by the DSS but only appropriated $3,074,500, a deficit of $7,425,500.
Cost Allocation Transfers	The Office of Administration (OA) continues to transfer monies from the ECDEC Fund to the General Revenue Fund for central services costs, which appears questionable based upon legal restrictions. State law limits the ECDEC Fund's uses to, voluntary, early childhood development, education and care programs. In response to Report No. 2010-029, *Central Services Cost Allocation Plan*, the OA formalized its fund eligibility analysis, but it classified the ECDEC Fund as eligible without any comments or other justification to support this classification.

In the areas audited, the overall performance of this entity was **Poor**.*

American Recovery and Reinvestment Act (Federal Stimulus)	The Early Childhood Development, Education, and Care Fund did not receive any federal stimulus monies during the audited time period.

*****The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

Excellent: The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.

Good: The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.

Fair: The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.

Poor: The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
and
Dr. Chris Nicastro, Commissioner of Education
Department of Elementary and Secondary Education
and
Brian Kinkade, Acting Director
Department of Social Services
and
Douglas Nelson, Commissioner
Office of Administration
Jefferson City, Missouri

We have audited certain operations of the Early Childhood Development, Education, and Care Fund, as required by Section 161.215.8, RSMo. The scope of our audit included, but was not necessarily limited to, the 2 years ended June 30, 2012. The objectives of our audit were to:

1. Evaluate internal controls over significant management and financial functions related to the fund.

2. Evaluate compliance with certain legal provisions related to the fund.

3. Evaluate the economy and efficiency of certain management practices and operations related to the fund, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the agencies that administer the fund; 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 tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also 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.

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 Organization and Statistical Information is presented for informational purposes. This information was obtained from the departments' management and was not subjected to the procedures applied in our audit of the fund.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Early Childhood Development, Education, and Care Fund.

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1. Contract Compliance

DSS procedures for funding Start Up and Expansion (SUE) child care facilities need improvement. In addition, the DSS paid the Accreditation Facilitation (AF) contractor for more services than provided and did not have documentation to support increased fees paid to the contractor.

1.1 Start Up and Expansion program

The DSS needs to limit the amount of SUE funding advanced to child care facilities and develop formal procedures to recoup grant monies from child care facilities participating in the program that do not comply with contract requirements. The DSS requires child care facilities participating in the SUE program to increase licensed capacity within 6 months of the effective date of the contract. The contract requires a 4 year commitment by the contractor to maintain the increased capacity.

To facilitate the increased capacity, the DSS provides funding to the facility in each of the first 3 years of the contract if the facility continues to meet capacity requirements. Child care facilities do not receive monies in the fourth contract year, but the DSS requires the facility to maintain the increased licensed capacity. The DSS advances the facility 50 percent of the first year funding prior to the 6 month deadline to increase capacity. The remaining 50 percent is paid after the DSS verifies the facility met the licensed capacity requirement. The DSS reduces the annual funding by 25 percent in the second and third year of the contract. For example, if the DSS awarded a facility $100,000 in the first year of the contract, $75,000 would be awarded in the second year , and $50,000 in the third year of the contract. The DSS pays contractors in quarterly installments during the second and third years of the contract. The DSS suspends future payments if the child care facility does not create the required increased capacity in the allotted timeframe. The DSS may terminate the contract if the child care facility fails to comply with contractual requirements and child care facilities may voluntarily terminate the contract at any time.

Three of the 18 child care facilities (17 percent) receiving new funding awards in state fiscal years 2010 and 2011 stopped participating in the program before the 4 year agreements expired. The DSS has not required these three child care facilities to repay any of the approximately $171,500 paid before the facility owners voluntarily or the DSS terminated the contracts.

- The DSS paid a facility $22,500 to operate an in-home child care facility that no children attended. Of the $22,500 paid between September 2010 and May 2011, an estimated $18,700 was budgeted for the owner's salary. The child care facility created the required four slots within the allotted timeframe, but according to the owner, she received no interest in anyone attending her facility. In a May 2011 monitoring visit, the DSS requested the child care facility submit a corrective action plan due to the lack of enrollment. The child care facility owner voluntarily terminated the contract in July 2011 and informed the DSS she closed the business. The DSS did not request a repayment of any monies paid to the facility and the facility owner did not refund any of the monies.

- The DSS paid a child care facility $60,000 between September 2009 and February 2010 to create 16 licensed slots at a new center the owner never built. Building project delays occurred while the contractor tried to obtain additional grant funding and complete necessary environmental studies, and the facility owner never began construction of the facility. The DSS suspended payments to the child care facility in February 2010 and placed the child care facility on a corrective action plan after facility officials informed the DSS they would be unable to create the required capacity within the allotted time. The child care facility continued to update the DSS on its progress; however, in July 2010 the DSS terminated the contract because the child care facility owner failed to begin construction.

  In July 2010, the DSS requested but did not receive repayment of the $60,000 paid. In August 2010, the DSS requested the child care facility submit documentation detailing how the facility spent the $60,000 to determine whether equipment was purchased which could be sold to repay monies to the DSS. However, the majority of the facility's grant budget was for personnel and construction costs with only a small portion budgeted for equipment. The facility did not submit expenditure documentation and did not repay any funds, and the DSS performed no additional follow-up to pursue repayment.

- The DSS paid $89,000 to a child care facility to increase capacity by 14 slots for only 3 months. The DSS paid the child care facility between September 2010 and May 2011 to expand the facility's licensed capacity by 24 slots; however, the facility owner sold the facility within the first year of the SUE contract. The facility budgeted the majority of the funding for teacher salaries and the remaining for remodeling, equipment, education and training, and administrative costs. The facility became licensed and began accepting additional children in February 2011. During a May 2011 monitoring visit, the facility owner informed the DSS she had only filled 14 of the 24 licensed slots for children under age 2 and notified the DSS of her intent to sell the business. DSS officials initially informed the owner she would need to repay all monies received and suggested she sell items purchased with grant funds prior to the transfer of ownership to generate monies to help repay the DSS. The owner voluntarily terminated the contract upon the sale of the facility because the new owner did not wish to assume the requirements of the SUE grant. The facility owner did not repay any funds and the DSS could not confirm the final disposition of the items purchased with grant funds.

The SUE contract terms and conditions allow the DSS to recoup funds if a contract is terminated. One clause in the contract indicates, in the event of involuntary termination, the DSS may recoup all funds not already expended by the child care facility and the DSS, at its discretion, may request repayment of all funds paid. Other clauses in the contract require full repayment for either a voluntary termination or involuntary termination. DSS officials could provide no specific reason why repayment was not pursued or followed-up on for these three contracts. At the time of our audit, DSS officials indicated they had not consulted with the Division of Legal Services (DLS), the legal support unit of the DSS, regarding repayment on any of the above contracts. After we questioned the lack of repayment, officials contacted the DLS and expressed their desire to recoup monies paid to the first and second child care facilities and a portion of the funding paid the third facility.

The DSS could reduce the amount of monies subject to noncompliance by facilities by limiting the amount of monies advanced. Reimbursing facilities for expenditures rather than advancing funding would reduce the risk payments are made to noncompliant contractors. To ensure SUE funding is used appropriately to improve the quality and quantity of early childhood programs, the DSS should review the need to advance funding to child care facilities. In addition, formal specific procedures are necessary to ensure the DSS makes timely and appropriate decisions regarding contract terminations and grant repayments.

A similar condition was noted in our prior audit report.

1.2 Accreditation Facilitation program

The DSS paid the AF contractor for more services than provided and did not have documentation to support increased fees paid to the AF contractor. The contract was effective from July 2007 through November 2011. The DSS issued a new request for proposal in 2011, and awarded the same contractor the new contract in late 2011. The DSS paid this contractor approximately $645,000 and $708,000 for fiscal years ended June 30, 2012 and 2011, respectively.

Overbilling

The DSS paid the AF contractor to provide accreditation guidance to 150 child care facilities per month, regardless of the actual number of facilities served or enrolled. The DSS required the contractor to report the actual number of facilities served at the same time invoices were submitted for payment. We compared this information to the amounts the DSS paid for the 34 month period between July 2009 and April 2012. For 10 of the 34 months (29 percent), the DSS paid the contractor for more facilities than the contractor reported serving. For these 10 months, the DSS paid the contractor $17,268 for 40 facilities that were billed but not reported as served. After we brought this to their attention, DSS officials reviewed the invoices and additional information provided by the contractor. DSS personnel identified, in some cases, the contractor served a larger number of facilities than the contractor originally reported.

DSS officials indicated they did not originally adjust billed amounts because the contract terms were vague, did not specifically prohibit the contractor from billing for more facilities than actually served, and did not define what services the contractor must offer for a facility to qualify as served. In January 2010, a new DSS employee began reviewing invoices and approving payments for this contract and questioned the contractor's billing practices. The employee discussed the issues with her supervisor and the supervisor indicated the DSS could not modify the billing or payment methods until the DSS issued a new contract. Program officials could not confirm if they consulted the DLS or the DSS Contract Management Unit on this matter. Contract terms should be clear and definite to avoid confusion over contractual requirements.

The new contract specifies what services the contractor must offer to a facility to qualify as a facility served during a given month. The DSS also reviews invoices and related reports to ensure the DSS only pays the contractor for facilities actually served during the month.

Contract pricing

Prior to July 2009, the DSS increased the per-unit price paid for contracted services from $360 per facility served as stated in the contract to $432 per facility, a 20 percent increase. Officials could not provide documentation to explain the price increase and the contract stated no price increases were allowed for the original contract or annual renewals. In addition, the DSS reduced the proposed number of facilities to serve from 180 to 150 per month. The contractor stated the price increased because the DSS requested an increase of 4 hours of service per year to be provided to facilities. However, the contract does not specify a minimum number of service hours the contractor must provide.

To ensure contractors provide required services and bill appropriately, contract terms should be specific and the DSS should only pay contractors for actual services provided. Additionally, price increases, if allowed, should be supported by documentation.

Recommendations

The DSS:

1.1 Evaluate the need to advance SUE funding to child care facilities and develop policies and procedures specifying terms and conditions applicable when a contract is voluntarily or involuntarily terminated, including full or partial repayment of grant funds. The DSS should continue to work with the DLS to enforce contract provisions and recoup monies owed to the state.

1.2 Ensure contract terms are specific, and if contract price increases are allowed proper documentation is retained. In addition, the DSS should determine if recovery of overpayments is warranted.

Auditee's Response

The DSS provided the following responses:

1.1 The DSS agrees with the recommendations to strengthen policies and procedures. While funds are no longer appropriated for this program, DSS will use this finding as an opportunity to ensure the terms and conditions of payment for goods and services are clearly communicated in its contracts. The DSS will also ensure specific contract language and written policies exist regarding recoupment of funds for noncompliant contractors.

In July 2011, the DSS consolidated all purchasing and procurement functions under the Division of Finance and Administrative Services (DFAS); this has allowed better oversight and management of the contract development and purchasing/procurement processes. Staff managing the Purchasing/Procurement Unit is knowledgeable of contract payment terms and work closely with the Office of Administration on all purchasing/procurement activities.

On April 17, 2013, the DSS issued letters requesting repayment from two of the three child care facilities referenced in the finding. A legal review of the third facility found that the contractor met contractual obligations and the DSS could not pursue repayment.

1.2 The DSS agrees the contract terms should be more specific. As stated in the audit finding, the DSS issued a new contract in FY 2011 with more specific contract terms. While funds are no longer appropriated for this particular program, the DSS will use this finding as a reminder to ensure its contract language and intent is specific and clear. Additionally, proper documentation will be maintained for all contracts and amendments.

2. Conflict of Interest

The previous Assistant Commissioner of the Department of Elementary and Secondary Education (DESE) Office of Early and Extended Learning simultaneously served as the Director of a DESE and Department of Social Services (DSS) contractor, funded in part by the Early Childhood Development, Education, and Care (ECDEC) Fund. The Assistant Commissioner served from April 2010 until August 2012 and remains employed by the DESE. During the Assistant Commissioner's tenure, both state agencies awarded additional contracts to this contractor without using a competitive procurement process, and DSS contracts list the Assistant Commissioner as overseeing the contracts in her capacity as Director, resulting in an apparent conflict of interest. The DESE paid the contractor approximately $203,000 from the ECDEC Fund during the 2 years ended June 30, 2012. The DSS paid the contractor approximately $1,007,000 from the ECDEC Fund during the 2 years ended June 30, 2012.

Department of Elementary and Secondary Education

While serving as the Assistant Commissioner of the Office of Early and Extended Learning, the Assistant Commissioner continued to serve as the Director of the Center for Family Policy and Research at the University of Missouri - Columbia (University), referred to as the Opportunities in a Professional Education Network (OPEN). In September 2010, the Office of Early and Extended Learning awarded the OPEN a contract to perform educational assessments of facilities participating in the Missouri Preschool Project. The DESE awarded the contract without using a competitive procurement process because the Office of Administration (OA) allows state agencies, including the DESE and DSS, to exempt contracts with other governmental entities from the competitive process. A contractor affiliated with a public school district previously performed the assessments. Officials indicated they were satisfied with the work of the previous contractor and could provide no specific reason or documentation why they changed contractors after the Assistant Commissioner assumed responsibility over early childhood education programs.

Upon appointment as Assistant Commissioner, officials with the DESE and the University reviewed their procedures and determined there was no conflict because the Assistant Commissioner would not approve contracts or payments between the DESE and the OPEN. The Assistant Commissioner was also removed as administrator at the OPEN on existing contracts between the DESE and the OPEN. However, letters from the University to the DESE state she ". . . will continue working on the contract(s)" in her capacity at the OPEN. The Assistant Commissioner's job duties included supervising employees and formulating policies and procedures at both entities. While the Assistant Commissioner did not directly approve contracts at the DESE or OPEN, she continued to work on the contracted programs and was the immediate supervisor of DESE officials responsible for issuing early childhood contracts allowing for influence over contract decisions and program management. DESE policy requires employees avoid any interest or activity which improperly influences, or gives the appearance of improperly influencing, the conduct of their official duties.

The position of Assistant Commissioner was unfunded for fiscal year 2013 due to budgeted staffing reductions and the DESE reduced the position effective August 31, 2012. The DESE rehired the former Assistant Commissioner as a Special Assistant to the Commissioner on September 1, 2012. Her current job duties consist solely of overseeing implementation and progress of an early childhood pilot assessment project planned during the time she served as Assistant Commissioner. The pilot project is in progress and does not involve the OPEN. The Assistant Commissioner position remains unfunded and vacant and the DESE merged employees of the Office of Early and Extended Learning into other offices of the DESE for supervisory purposes.

Department of Social Services

The DSS awarded two new contracts to the OPEN in October 2010 and September 2011 to perform educational assessments of child care facilities participating in the Start Up and Expansion (SUE) and Accreditation Facilitation programs. The DSS also continued to fund another contract, originally established in November 2009, for technical assistance to contractors participating in the SUE program. All three DSS contracts list the Assistant Commissioner as overseeing, in her capacity as the OPEN Director, the DSS contracts at the OPEN and the DSS paid a portion of her OPEN salary with ECDEC Fund monies through these contracts. DSS officials indicated a factor for selecting the OPEN to perform assessments was the DESE's existing contractual relationship with OPEN for educational assessments.

DSS officials indicated they did not believe this situation presented a conflict because the DSS did not employ the Assistant Commissioner. Additionally, officials stated the DSS negotiated directly with University purchasing officials, not employees of the OPEN, when awarding these contracts. However, a conflict exists because the DESE and the DSS are the primary agencies responsible for implementation of early childhood programs statewide and coordinate their activities to accomplish similar objectives.

While the Assistant Commissioner was not directly involved in the contract award process by either state agency and did not approve payments for the various contracts, personal interests in the business matters of the DESE and the DSS create the appearance of a conflict of interest and should be avoided.

Recommendation

The DESE and the DSS avoid the appearance of conflicts of interest.

Auditee's Response

The DESE provided the following response:

The DESE concurs with the recommendation and will continue to avoid apparent conflicts of interest.

The DSS provided the following response:

The Department of Social Services (DSS) understands the importance of the need to avoid appearances of conflict of interest. The DSS structures *functions and processes to identify and manage conflicts of interest. Regarding the contracts discussed in this finding, the DSS purchasing/procurement staff worked with the University of Missouri purchasing/procurement staff for contract execution. The Assistant Commissioner (an employee of the Department of Elementary and Secondary Education - DESE, not the DSS) was not a party to contract negotiations.*

3. Program Efficiency

The DSS uses two types of contract awards to administer early childhood programs, resulting in program inefficiencies and duplicated efforts. The DSS has not evaluated the need for the two types of contracts, or the funding allocated between the two types of contractors. Additionally, DSS procedures to administer the Start Up and Expansion (SUE) program differ among regions of the state. The DSS expended approximately $13.8 million and $14.2 million from the ECDEC Fund for the years ended June 30, 2012 and 2011, respectively.

3.1 Competitive and noncompetitive awards

The DSS administers some early childhood programs through competitively and noncompetitively selected contractors. The types of contractors are subject to different contract requirements, overlap service areas, and provide different levels of funding. The DSS has not periodically assessed the need for and efficiency of the two types of contracts, or the funding allocated to the noncompetitive contractors.

The DSS contracts with not-for-profit organizations through the competitive solicitation process to administer the Accreditation Facilitation (AF) and Stay at Home Parent (SAHP) programs and provides direct grants to competitively selected child care facilities for the SUE program. The DSS also contracts with ten noncompetitively selected local community partnership agencies to administer the AF, SAHP, and SUE programs. The OA grants the DSS authority to exempt the community partnership contracts from competitive solicitation. Community partnership agencies are non-profit organizations established to administer the Caring Communities program that was created by Executive Order in 1993. The partnerships work with local, state, and federal partners to meet local social service needs.

The DSS allocates $3.2 million in early childhood funding each year to the same ten community partnerships the DSS originally awarded AF, SAHP, and/or SUE funding to in 1998, when the General Assembly created the ECDEC Fund. The amounts allocated to the ten community partnerships remain constant each year and have not changed from the original 1998 funding levels. If the DSS receives reduced appropriations for any of the three early childhood programs, the noncompetitive awards remain the same while the DSS reduces competitive awards. As noted above, the DSS has not periodically evaluated these funding allocations.

Accreditation Facilitation and Stay at Home Parent programs

AF and SAHP contract requirements differ for competitive and noncompetitive contractors even though the services provided are similar. As a result, the DSS must perform additional work to administer and monitor the programs. In addition, some noncompetitive contractors subgrant their SAHP funding to entities already receiving funding through competitive grants. At least one community partnership agency participates in the SAHP program through the competitive award process.

The DSS pays competitive contractors a fixed price per program or family served. The DSS reimburses noncompetitive contractors for actual expenditures, including fixed administrative costs, up to a maximum award amount regardless of the number of facilities or families served. Noncompetitive contractors are not required to submit supporting documentation for expenditures and submit less detailed information on services provided to clients, while competitive contractors submit a copy of their general ledger and detailed information on all programs or families served during the month. The use of multiple types of contracts requires DSS staff to use different monitoring procedures and tools and increases the overall number of contracts to monitor.

In addition, at least two noncompetitive contractors for the SAHP program subcontract with entities that the DSS awarded funds to through the competitive solicitation process. For these, the noncompetitive contractor retains a portion of the contract monies for administrative purposes, although they perform limited work. Additionally, at least one community partnership not already participating in the noncompetitive program bid to be a competitive contractor for the SAHP program. If noncompetitive contract monies are flowing to entities already participating in the competitive contracts and community partnerships are willing to participate in the competitive process, the use of multiple types of contracts may not be necessary.

Start Up and Expansion program

Noncompetitive contractors subaward only a portion of their SUE funding to child care facilities reducing ECDEC Fund monies used for direct early childhood services. The DSS paid noncompetitive SUE contractors approximately $1.4 million in fiscal year 2011, of which only $727,000 (52 percent) was passed through to child care facilities. The remaining 48 percent funded operating costs of the contractors and the costs of providing technical assistance to child care facilities receiving grants. By comparison, the DSS only paid approximately $194,000, 11 percent of the $1.7 million total competitive awards, for technical assistance provided to child care facilities receiving competitive grants from the DSS. The noncompetitive contract allows contractors to set the level of funding they will distribute to child care facilities.

Duplicate service areas

For the AF and SAHP programs, noncompetitive contractors serve regions of the state where services are already offered by competitive contractors, resulting in duplicated efforts. Additionally, for the SUE program, with the exception of St. Louis City and St. Louis County, the DSS awards competitive grants to child care facilities statewide including the same areas where noncompetitive contractors award SUE grants.

DSS officials indicated they award the two types of contracts because this is historically how the programs have been administered. DSS officials also indicated they utilized community partnership agencies to administer the programs in accordance with Section 205.565, RSMo, which allows the DSS to administer and award grants to qualifying entities to carry out the Caring Communities program. However, the statute is not specific to the ECDEC Fund.

Conclusions

Efficient administration of the various early childhood programs, including evaluating the need for two types of contracts and the funding levels for each type of contract, and requiring sufficient documentation to support contractor expenditures, is necessary to ensure ECDEC Fund monies are used as intended to improve the quality and quantity of early childhood programs. Simplifying the mechanism for distributing ECDEC Fund monies would reduce the level of effort necessary to administer and monitor the program, may result in increased funding to facilities statewide, and would prevent duplicated service areas. Allowing only one type of contract award with uniform contract requirements would simplify monitoring procedures and ensure the most ECDEC funding possible is provided for direct early childhood services in accordance with the purpose of the fund.

3.2 St. Louis area funding

The DSS does not administer the SUE program consistently throughout the state. DSS policies require facilities in St. Louis City and County to apply to Area Resources for Community and Human Services (ARCHS), a community partnership for SUE grants, while child care facilities in all other parts of the state are allowed to apply through the DSS or their local community partnership. The DSS paid ARCHS $959,440 during each of the years ended June 30, 2012 and 2011 to fund SUE grants.

ARCHS provides child care facilities in St. Louis City and St. Louis County 3 year SUE grants with a maximum of $90,000. If facilities applied for the DSS competitive grants they could receive 3 year grants with a maximum of $270,000. Additionally, the ARCHS grant requires facilities to add a minimum of 21 slots to receive the maximum funding while the DSS grant only requires facilities to add a minimum of 13 slots to receive maximum funding.

The DSS established the policy to restrict applicants in these areas because, when compared to the other community partnerships, ARCHS receives the largest amount of SUE funding. However, to ensure facilities have an equal opportunity to obtain funding for SUE projects, the DSS should allocate funding consistently on a statewide basis.

Recommendations

The DSS:

3.1 Perform a comprehensive analysis to determine whether current funding allocations between competitive and noncompetitive selected contractors result in the most efficient delivery of early childhood services. In addition, the DSS should require all contractors to submit sufficient documentation to support expenditures and reported services provided.

3.2 Allocate SUE funding consistently statewide.

Auditee's Response

The DSS provided the following responses:

3.1 The DSS will complete an analysis on Stay at Home Parent program (SAHP) funding allocations to determine the best way to distribute funds. As part of the analysis, the DSS will ensure there are processes and procedures in place to require all contractors to submit appropriate documentation to support contract requirements and expenditures. Beginning FY 2013, the General Assembly did not authorize funding for the remaining two programs included in this finding.

3.2 While the Start Up and Expansion program is not currently funded, if funding were appropriated in the future, the DSS would develop a methodology to allocate funds statewide. This methodology would consider factors such as, number of families receiving subsidy and availability of child care providers accepting child care subsidy families by geographical areas.

4. DESE Monitoring

The DESE does not adequately monitor ECDEC Fund contractors to ensure monies are spent in accordance with contractual requirements for the Missouri Preschool Project (MPP) or the Parents as Teachers (PAT) programs. The DESE has not created an on-site monitoring policy and performs only limited, informal on-site monitoring of early childhood contractors. The DESE assigned a supervisor to each of the three regions of the state to monitor MPP and PAT programs within the region, but due to budget constraints, caseloads per supervisor increased thereby limiting its ability to effectively monitor early childhood contractors.

The DESE expended approximately $14.8 million from the ECDEC Fund in each of the years ended June 30, 2012 and 2011. The DESE issued approximately 165 grants and contracts for the MPP program and over 520 grants for the PAT program during the year ended June 30, 2012.

Missouri Preschool Project

The DESE does not have procedures in place to perform formal documented on-site monitoring of MPP contractors. The DESE performed limited informal on-site monitoring of MPP contractors, but did not document the results of the monitoring visits. In addition, the DESE does not adequately review supporting documentation of expenditures claimed on a periodic basis. MPP contractors submit periodic reports of expenditures when requesting payment from the DESE. These reports do not include vendor invoices, payroll records, or other supporting documentation.

The DESE conducted informal on-site monitoring of MPP contractors identified as at-risk for non-compliance based on reports from the DESE technical assistance provider. DESE officials could not provide any statistics; however, they indicated there is not a method in place to capture the number of visits made. Due to reduced ECDEC appropriations in fiscal year 2012, the DESE reduced technical assistance funding, limiting the potential identification of at-risk contractors.

Parents as Teachers reports

The DESE does not obtain information needed to properly monitor PAT contractors. DESE reimburses PAT contractors on a fee per-unit basis for each screening or parent education visit completed. DESE policy requires personnel use contractor post-expenditure reports to compare contractor actual expenditures to contractor annual budgets. DESE policy also requires PAT contractors submit self-monitoring reports every 5 years. The self-monitoring reports include information regarding supervision, record keeping, budget, and reporting, and also require school district personnel to provide certain assurances related to compliance with DESE policies.

Due to unresolved technical problems with the DESE computer system, PAT contractors are unable to submit the post-expenditure or self-monitoring reports. Effective September 2011, the DESE temporarily suspended the reporting requirements due to the technical issues. Contractors did not submit post-expenditure reports for state fiscal years 2011 and 2012. The post-expenditure and self-monitoring reports were the DESE's only procedures to review the fiscal and programmatic practices of each PAT contractor. When DESE officials identified the issues in 2011, they notified the Office of Administration - Information Technology Services Division (OA-ITSD) about the technical issues.

Other monitoring

The DESE relies on other monitoring procedures, including cash management desk monitoring and review of financial audit reports of public school districts to identify at-risk districts for non-compliance. However, these procedures, do not extend to private child care facilities receiving MPP awards. In addition, during fiscal year 2012, the DESE included only four public schools receiving MPP or PAT grants in its cash management desk monitoring.

Timely monitoring of contractors is necessary to ensure expenditures are adequately supported, monies are used for intended purposes, and program objectives are attained. Additionally, critical system issues should be addressed timely to ensure existing program monitoring procedures are not interrupted.

Recommendation

The DESE implement periodic on-site monitoring procedures for early childhood contractors, including monitoring of compliance with contractual requirements and fiscal practices, and review of supporting documentation for expenditures. In addition, the DESE should work with the OA-ITSD to ensure system functionality is restored in a timely manner.

Auditee's Response

The DESE provided the following response:

The DESE concurs with the recommendation. A three-tiered monitoring system has been implemented to address the monitoring requirements. In addition, the Department will continue to emphasize the critical nature of the system functionality issues and work with the OA-ITSD to address these.

5. DSS Monitoring

The DSS did not always ensure corrective action was timely or adequate to address noncompliance. In addition, the DSS does not use a consistent methodology to determine how many files to review during on-site monitoring. DSS policy requires periodic visits every 1, 2, or 3 years based on the dollar value of the contract for the Stay at Home Parent (SAHP), Start Up and Expansion (SUE), Accreditation Facilitation (AF), and Early Head Start (EHS) programs.

We reviewed the most recent monitoring reports for 20 early childhood contracts and noted several weaknesses.

- One SAHP contractor remained noncompliant throughout the terms of four SAHP contracts in effect between October 2007 and December 2012. In addition, the DSS has not performed formal on-site monitoring of the contractor since December 2009. As of March 2012, the contractor had only served the 25 families per month requested by the corrective action plan for 8 contract months for one contract and 2 months for another contract, and never met the monthly requirement for the other two contracts.

  The DSS indicated an evaluator made several informal on-site visits, but did not prepare any reports to document the additional visits. Since December 2009, the contractor has operated under a corrective action plan and the DSS performs additional desk monitoring for the contractor. The DSS only paid the contractor based on the actual number of families served each month; however, the overall effectiveness of the program may be limited by serving less families.

- In June 2010, the DSS performed on-site monitoring of another SAHP program contractor and requested, but the contractor did not submit, a corrective action plan. Corrective action plans are due within 10 days of request as required by DSS policy. The DSS did not perform a follow-up visit with the contractor until March 2011. The contractor did submit a corrective action plan for this review.

- DSS monitoring instruments do not always include a methodology for determining how many files should be reviewed. DSS evaluators use standard monitoring tools to review samples of child or family files to verify contractors meet eligibility and other requirements. Evaluators also review personnel files to ensure the contractor's employees meet educational and background check requirements. Only three of the seven monitoring instruments used include instructions on the number of files to review. Two of the three instruments instruct the evaluator to review five children files and the other instrument instructs the evaluator to review three facility files. This selection method does not consider the size of the population or risk factors, such as previous noncompliance. For the remaining four instruments, officials indicated they try to review 10 percent of the population; however, this standard is not included in written policies or procedures and workers do not document the number reviewed.

Monitoring procedures should be designed to ensure deficiencies are corrected timely and adequately, and include a documented methodology for determining sample sizes that considers population size and risk. Without adequate procedures in place there is an increased risk contractor noncompliance will not be detected or corrective action taken.

Recommendation

The DSS improve monitoring procedures to ensure corrective action is taken for noncompliant contractors and sampling methodologies consider population size and risk.

Auditee's Response

The DSS provided the following response:

The DSS agrees that monitoring procedures should be improved. The CD is working with the DFAS Compliance and Quality Control Unit (CQCU) and the Division of Legal Services (DLS) to develop a sanctions policy and process that will ensure corrective action is taken for all noncompliant contractors.

The DSS is evaluating and revising the current contract monitoring policy to include a risk-based approach to monitoring. The DFAS CQCU has recently provided Monitoring training to all DSS staff and provided tools that will be used to assist staff in determining risk and developing a monitoring plan that considers both population size and risk.

The Children's Division (CD) is also developing a comprehensive contract management system to account for its Early Childhood Development Education and Care Contracts and all other quality contracts. This system will provide for enhanced tracking of expenditures, corrective action plan statuses, monitoring information, documentation of visits and execution, and termination of contracts.

6. Child Care Assistance Program Controls

As noted in Report No. 2013-24, *State of Missouri Single Audit*, issued in March 2013, significant weaknesses exist in DSS controls over Child Care Assistance program eligibility and provider payments. Controls over eligibility and provider payments are not sufficient to prevent and/or detect payments on behalf of ineligible clients or improper payments to child care providers. The DSS operates a statewide Child Care Assistance program funded by both federal and state revenue sources. The DSS expended approximately $3.1 million and $2.1 million from the ECDEC Fund for the Child Care Assistance program for the years ended June 30, 2012 and 2011, respectively.

As noted in the 2013 audit report, the DSS lacks sufficient controls to ensure eligibility determinations are accurate and payments are proper and adequately supported. At least three significant factors contribute to the weak control system including limited supervisory review of child care eligibility determinations, failure to perform on-site contract compliance reviews of child care providers and minimal other procedures in place to review provider attendance records, and poor case management and document retention.

In response to deficiencies identified in previous audits, the DSS implemented new controls over eligibility determinations. Although the DSS has a system for monthly supervisory reviews of eligibility determinations by caseworkers statewide for other DSS assistance programs, the review system did not previously include the Child Care program. Effective March 1, 2012, the DSS requires all eligibility supervisors to review a minimum of three child care cases each month in the case review system. While the new procedures improve controls over eligibility determinations, there are no requirements for random case selection and only limited procedures to ensure the monthly case reviews are performed.

The case review system discussed above only applied to 4 months of fiscal year 2012, and it is unknown what impact the changes will have on the error rate for eligibility determinations. In addition, none of these changes address control weaknesses over payments to child care providers. The lack of controls over eligibility determinations and payments to providers can result in provider overpayments and reimbursements for ineligible clients and/or unallowable costs.

Recommendation

The DSS continue to review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

Auditee's Response

The DSS provided the following restatement of the DSS Corrective Action Plan submitted in response to the FY12 Statewide Single Audit finding:

The DSS, CD continues to review and revise its child care policy regarding child care eligibility determinations, provider payments and case record documentation and retention requirements. Policy changes are reviewed and approved by the Family Support Division (FSD) prior to implementation. This is a continuous quality improvement effort between the two divisions.

The majority of the CD Child Care manual has been re-reviewed, revised and posted for staff. Staff is advised of changes through memorandums. Also, both FSD and CD staff receive support through Practice Points and Practice Alerts, as needed, to enforce and clarify program policy. Technical assistance is provided to field staff on a regular basis with in person meetings with FSD and CD management.

The CD continues to work with the FSD to improve the quality of training for Eligibility Specialist and Supervisors in order to improve child care case management. The CD will seek technical assistance from U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care Region VII office on what other states are doing to reduce and eliminate instances of missing and insufficient documentation.

Currently, the CD is working with the FSD to develop a child care calculation worksheet to assist workers in calculating the amount of child care for children and families until future system enhancements can be implemented. The DSS is exploring implementation of an electronic time and attendance system.

The CD is working with the DFAS to implement a Child Care Compliance Review Team (CCRT) to conduct both desk and on site reviews. The CCRT will establish a "risk based" compliance model, perform data mining, work directly with the CD's Child Care Provider Relations Units (CCPRU) and with the DLS/Investigations to determine which child care providers will be reviewed. The proposed team will have staff to perform data mining, reviews, and following through with implementation of corrective actions to address findings. This will ensure a consistent approach to performing reviews of child care providers.

With the implementation of a case review system in March 2012, FSD supervisors were trained to review child care cases starting in June 2012. This system provides monitoring of eligibility determinations. Child Care program and policy staff provides ongoing technical assistance to supervisors to support the reading of child care cases. Data is being gathered from the case review system and reviewed to determine which local FSD offices are in need of Program Enhancement Plans (PEP). The PEP will be introduced to FSD by Summer 2013, in an effort to support controls over eligibility determinations.

The 2014 Governor's Budget recommendation includes funding for a new eligibility and enrollment system. If appropriated by the General Assembly, the new system will include enhanced internal controls and document imaging for Child Care eligibility case files. Funding for a new eligibility, enrollment and document imaging system will allow the FSD to implement a new structure for income maintenance programs eligibility and case work. This new structure includes the specialization of case work across Missouri. When implemented, Child Care eligibility will be maintained in specific offices and will allow for a higher level of expertise in the area of Child Care eligibility determinations and Child Care case work.

7. Statutory Compliance

ECDEC Fund appropriations passed by the General Assembly and signed by the Governor for the year ended June 30, 2013, do not comply with amounts required by state law.

The General Assembly did not appropriate enough monies to various programs operated by the DSS to meet statutory requirements. Section 161.215, RSMo, requires the General Assembly to appropriate at least 10 percent of fund revenues to the Early Head Start (EHS) program, 10 percent to Accreditation Facilitation (AF), and 10 percent to the Stay at Home Parent (SAHP) program. The table below shows the amounts required by law, amounts actually appropriated, and the amounts of noncompliance.

FY13 DSS Appropriations Subject to the 10 percent Requirement

Program	10 Percent Requirement[1]	Appropriated	Shortage
EHS	$ 3,500,000	0[2]	3,500,000
AF	3,500,000	0	3,500,000
SAHP	3,500,000	3,074,500	425,500
Total	$ 10,500,000	3,074,500	7,425,500

[1]The required amount is based on 10 percent of at least $35 million required by House Bill 1731 to be appropriated to the ECDEC Fund.
[2]The General Assembly did not appropriate any funds for the EHS program. The DSS plans to use $2,676,737 from its general child care assistance appropriation under Section 11.285 of House Bill 2011 for the EHS program.

The General Assembly passed and the Governor signed House Bill 1731 in 2012 changing the source of revenues from gaming revenues to the Master

Tobacco Settlement monies for the ECDEC Fund for fiscal year 2013 and subsequent years. The bill requires the State to appropriate at least $35 million annually to the ECDEC Fund from the Master Tobacco Settlement monies.

To ensure amounts appropriated comply with state law, the DSS should work with the General Assembly to ensure required amounts are appropriated or existing statutes are revised.

Recommendation

The DSS work with the General Assembly to ensure future appropriations are in compliance with state law.

Auditee's Response

The DSS provided the following response:

The General Assembly has the authority to appropriate funds for the programs referenced in this finding without a request from the DSS. The Governor's FY 2014 budget recommendations included $3.5 million in ECDEC funds for an Accreditation Facilitation Program and $3.5 million in ECDEC funds for The Early Head Start Program.

8. Cost Allocation Transfers

Central services cost allocation transfers made by the OA from the ECDEC Fund to the General Revenue Fund continue to appear questionable based on legal restrictions. In addition, while the OA made changes to its procedures in response to a 2010 State Auditor's office report, current procedures still do not require personnel to document reasons for including a fund in the cost allocation plan. The OA transferred $388,068 and $351,547 from the ECDEC Fund for a portion of central services costs during the years ended June 30, 2012 and 2011, respectively.

Central services are services provided to other state agencies by state offices including the OA, State Auditor, Governor, Lieutenant Governor, Secretary of State, Attorney General, General Assembly, Capitol Police, and Department of Revenue. Examples of central services costs allocated include accounting services, facilities management, technology services, budget and planning, personnel, and purchasing services provided by the OA; audits performed by the State Auditor's office; and the administration of revenue and taxation duties by the Department of Revenue.

Report No. 2010-29, *Central Services Cost Allocation Plan*, issued in March 2010, questioned the propriety of some cost allocation transfers, including those from the ECDEC Fund based on statutory language limiting the fund's use. Section 161.215, RSMo, states all moneys in the ECDEC Fund ". . . shall be annually appropriated for voluntary, early childhood development, education and care programs serving children in every region of the state not yet enrolled in kindergarten."

The OA changed cost allocation procedures in response to the 2010 audit report, including formalizing the review of fund eligibility through an analysis model to ensure consistency and performing an additional examination of all funds classified in earlier fiscal years. Officials provided us with documentation of the review of all funds for the year ended June 30, 2012, and indicated the annual review includes a review of statutory language. The OA classifies the ECDEC Fund as eligible for inclusion in cost allocation plan transfers, but there are no comments or other justification provided to indicate why the OA considers central services cost allocation transfers from the fund allowable.

If the OA intends to continue making transfers from the ECDEC Fund, clear and sufficient legal basis for doing so should be documented.

Recommendation

The OA review the legal basis for including the ECDEC Fund in the cost allocation transfer and document specific reasons why the transfer is allowable.

Auditee's Response

The OA provided the following response:

One component of OA's analysis model that is used to determine if a fund should be included or excluded from the cost allocation plan is a review of the statutory authorization of the fund. Programs established in statute could not function without the associated administrative costs and those administrative costs are part of the cost of the program. Therefore, unless the statute specifically prohibits use of a fund for administrative purposes, it is assumed that administrative expenses are permitted. This is consistent with the legislative process that annually appropriates the authority to charge funds for central administrative costs. The ECDEC fund statute (Section 161.215 RSMo) authorizes funding of programs, those programs require administrative costs in order to function, the annual cost allocation transfer that is appropriated by the legislature acknowledges those costs, and the ECDEC fund statute does not prohibit use of the fund for administrative purposes.

Early Childhood Development, Education, and Care Fund
Organization and Statistical Information

The General Assembly created the Early Childhood Development, Education, and Care (ECDEC) Fund in 1998 under Section 161.215, RSMo. Prior to July 2012, fund revenues consisted of transfers from the Gaming Commission Fund and interest earned on fund balances. In accordance with Section 313.835, RSMo, all revenues received by the Gaming Commission from license fees, penalties, admission fees, and administrative fees were deposited into the Gaming Commission Fund. Gaming Commission Fund revenues less expenditures and other statutorily required transfers were transferred to the ECDEC Fund to be used to support programs that prepare pre-kindergarten age children to enroll in kindergarten and annually appropriated for voluntary programs serving children in every region of the state. Effective July 2012, the ECDEC Fund no longer receives transfers from the Gaming Commission Fund and revenues now consist solely of monies received from the state Master Tobacco Settlement.

The General Assembly appropriates ECDEC funds annually to the Department of Social Services (DSS), Children's Division, and Department of Elementary and Secondary Education (DESE), Office of Early and Extended Learning. In addition, the Department of Health and Senior Services (DHSS), Division of Regulation, receives approximately $260,000 in annual appropriations for costs related child care licensure and regulation.

The ECDEC funded programs at the DESE for the 2 years ended June 30, 2012, are as follows:

- Missouri Preschool Project - The purpose of the Missouri Preschool Project is to increase capacity and quality at child care facilities statewide. The program provides funding to public schools and private child care centers that offer educational instruction for children 1 to 2 years from kindergarten entry.

- First Steps - The First Steps program helps families improve their child's development, learning, and participation in family and community life. The program provides early intervention services for children, birth to age 3, with developmental delays or disabilities.

- Parents as Teachers - The Parents as Teachers (PAT) program serves families from pregnancy until their child enters kindergarten and enhances child development as well as supports parents in their role as a child's first teacher. PAT is available to all families in Missouri and provides personal visits with a certified parent educator, group meetings, developmental screenings, and access to community resources.

The ECDEC funded programs at the DSS for the 2 years ended June 30, 2012, are as follows:

- Start Up and Expansion program - The purpose of the Start Up and Expansion program is to increase capacity at facilities offering infant and toddler child care for ages birth to 2 or 3 years old, depending on the contract type. The program provides funding for equipment, supplies, initial staff salaries, minor remodeling to meet licensing guidelines, and education and training of staff.

- Early Head Start - The Early Head Start program serves families with children birth to age 3 and pregnant women whose incomes are below 185 percent of the federal poverty level. Services offered include child care, parent education and support, developmental screenings, access to a medical home, support toward attaining family self-sufficiency, and mental health services including substance abuse counseling.

- Stay at Home Parent Program - The Stay at Home Parent program offers assistance, including building on existing resources in the community, to eligible parents whose family income does not exceed 185 percent of the federal poverty level and who wish to care for their children under 3 years of age in the home.

- Accreditation Facilitation - The purpose of the Accreditation Facilitation program is to improve the quality of early childhood programs by establishing more accredited providers. The program provides grants to early childhood facilities to provide the technical and financial assistance necessary to become accredited, including training and professional instruction. The program also provides scholarships to teachers for continuing education or certification.

- Child Care Assistance program - The Missouri Child Care Assistance program assists eligible parents or guardians with the costs of child care on a sliding fee basis. The purpose of the program is to provide adequate child care and enable families to gain employment and remain employed.

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Early Childhood Development, Education, and Care Fund did not receive any federal stimulus monies during the 2 years ended June 30, 2012.

Appendix A

Early Childhood Development, Education, and Care Fund
Comparative Statement of Receipts, Disbursements, and Changes in Cash and Investments

		Year Ended June 30,	
		2012	2011
RECEIPTS			
Interest	$	38,768	40,842
Refunds		41,536	6,018
Cost Recovery and other		6,398	150
Total Receipts		86,702	47,010
DISBURSEMENTS (by agency)			
Elementary and Secondary Education		14,876,157	14,876,157
Social Services		13,832,932	14,216,828
Health and Senior Services		230,926	234,326
Office of Administration		7,956	35,937
Total Disbursements		28,947,971	29,363,248
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE TRANSFERS		(28,861,269)	(29,316,238)
TRANSFERS			
Transfers from Gaming Commission Fund		29,227,622	30,998,622
Transfers to:			
OA-Worker's Compensation		0	(88)
OA-Cost Allocation		(388,068)	(351,547)
Fringe benefits		(109,876)	(113,215)
Total Transfers		28,729,678	30,533,772
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS		(131,591)	1,217,534
CASH AND INVESTMENTS, JULY 1		5,011,306	3,793,772
CASH AND INVESTMENTS, JUNE 30	$	4,879,715	5,011,306

Appendix B

Early Childhood Development, Education, and Care Fund
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,					
	2012			2011		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION						
Early Childhood Program	$ 11,757,600	11,404,872	352,728	14,757,600	14,314,872	442,728
First Steps	578,644	561,285	17,359	578,644	561,285	17,359
Parents as Teachers	3,000,000	2,910,000	90,000	0	0	0
Total Department of Elementary and Secondary Education	15,336,244	14,876,157	460,087	15,336,244	14,876,157	460,087
DEPARTMENT OF SOCIAL SERVICES						
Early Childhood Startup and Expansion	3,689,400	2,631,275	1,058,125	3,689,400	3,192,767	496,633
Childhood Development (Early Head Start)	3,074,500	2,980,122	94,378	3,074,500	2,982,265	92,235
Childhood Development Certificate (Stay at Home Parent)	3,074,500	2,607,980	466,520	3,074,500	2,469,696	604,804
Purchase of Child Care	2,676,737	2,596,435	80,302	2,676,737	2,618,297	58,440
Accredited Providers	3,074,500	2,974,984	99,516	3,074,500	2,911,389	163,111
Personal Service	44,283	41,253	3,030	44,283	41,755	2,528
Expense and Equipment	11,856	0	11,856	11,856	0	11,856
State Owned Facilities	904	883	21	679	659	20
Total Department of Social Services	15,646,680	13,832,932	1,813,748	15,646,455	14,216,828	1,429,627
DEPARTMENT OF HEALTH AND SENIOR SERVICES						
Personal Service	206,785	200,568	6,217	206,785	200,488	6,297
Expense and Equipment	57,561	30,358	27,203	57,561	33,838	23,723
Child Care Improvement Program	0	0	0	728,740	0	728,740
Total Department of Health and Senior Services	264,346	230,926	33,420	993,086	234,326	758,760
OFFICE OF ADMINISTRATION						
Personal Service	1,482	1,437	45	1,482	1,438	44
Expense and Equipment	24,279	6,369	17,910	54,279	34,462	19,817
Unemployment Benefits	261	150	111	38	37	1
Total Office of Administration	26,022	7,956	18,066	55,799	35,937	19,862
Total Early Childhood Development, Education, and Care Fund	$ 31,273,292	28,947,971	2,325,321	32,031,584	29,363,248	2,668,336

Appendix B

Early Childhood Development, Education, and Care Fund
Comparative Statement of Appropriations and Expenditures

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30, 2012	2011
Early Childhood Development, Education, and Care Fund		
DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION		
Early Childhood Program	$ 352,728	442,728
First Steps	17,359	17,359
Parents as Teachers	90,000	0
DEPARTMENT OF SOCIAL SERVICES		
Early Childhood Startup and Expansion	110,682	110,682
Childhood Development (Early Head Start)	92,235	92,235
Childhood Development Certificate (Stay at Home Parent)	92,235	92,235
Purchase of Child Care	80,302	58,440
Accredited Providers	92,235	92,235
Personal Service	1,328	1,328
Expense and Equipment	356	356
State Owned Facilities	21	20
DEPARTMENT OF HEALTH AND SENIOR SERVICES		
Personal Service	6,204	6,204
Expense and Equipment	1,727	1,727
Child Care Improvement Program	0	728,740
OFFICE OF ADMINISTRATION		
Personal Service	44	44
Expense and Equipment	728	728
Unemployment Benefits	8	0
Total Early Childhood Development, Education, and Care Fund	$ 938,192	1,645,061

Appendix C

Early Childhood Development, Education, and Care Fund
Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2012	2011	2010	2009	2008
Salaries and wages	$ 243,257	243,681	251,969	71,094	242,740
Travel, in-state	10,010	0	1,399	5,444	4,329
Travel, out-of-state	257	0	301	1,053	1,455
Supplies	2,592	1,073	2,463	2,437	14,442
Professional development	0	0	0	0	1,303
Communication service and supplies	131	11,755	0	0	400
Services:					
Professional services	15,898	5,390	54,698	619,002	570,772
Maintenance and repair	5,844	23,053	13,176	55,000	900
Equipment:					
Computer	526	28,700	21,467	0	35,268
Office	0	4,713	0	0	245
Other	0	0	0	0	77
Building lease payments	883	659	603	662	1,309
Miscellaneous expenses	0	0	47	0	615
Program distributions	28,668,573	29,044,224	28,975,717	25,649,184	33,997,854
Total Expenditures	$ 28,947,971	29,363,248	29,321,840	26,403,876	34,871,709