



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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Des Moines, Iowa 50319-0004

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David A. Vaudt, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

July 20, 2012

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the AIM - Jefferson, Keokuk Early Childhood Iowa (ECI) Area Board, d/b/a Jefferson/Keokuk Early Childhood Iowa Area for the year ended June 30, 2011.

The Jefferson/Keokuk Early Childhood Iowa Area is established under Chapter 256I of the Iowa Code. The purpose of the Jefferson/Keokuk Early Childhood Iowa Area is to improve the well-being and quality of life of young children, age 0-5, and their families, reduce barriers to community efforts and improve the efficiency and effectiveness of local education, health and human services programs within Jefferson and Keokuk Counties.

The Area's revenues totaled \$363,796 for the year ended June 30, 2011, including state grants of \$363,608. Expenses for the year ended June 30, 2011 totaled \$393,164.

A copy of the audit report is available for review in the Jefferson/Keokuk Early Childhood Iowa Area Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1133-0052-B000.pdf>.

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**JEFFERSON/KEOKUK EARLY CHILDHOOD IOWA AREA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SCHEDULE OF FINDINGS**

**JUNE 30, 2011**

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**Jefferson/Keokuk Early Childhood Iowa Area**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Stephen Burgmeier	Chairperson	June 30, 2012
Michael Berg	Vice Chairperson	June 30, 2011
Frosty Van Voorst	Member	June 30, 2011
MaryAnn Williams	Member	June 30, 2011
Christine Estle-Tedrow	Member	June 30, 2012
Nancy Sieber	Member	June 30, 2012
Deb House-Deere	Member	June 30, 2013
Pat McReynolds	Member	June 30, 2013
Kerry Phillips	Member	June 30, 2013
Al Millard	Executive Director	June 30, 2011

**Jefferson/Keokuk Early Childhood Iowa Area**



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Independent Auditor's Report

To the Members of the Jefferson/Keokuk Early Childhood Iowa Area Board:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Jefferson/Keokuk Early Childhood Iowa Area as of and for the year ended June 30, 2011, which collectively comprise the Area's basic financial statements listed in the table of contents. These financial statements are the responsibility of the Area's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

The financial statements of the Jefferson/Keokuk Early Childhood Iowa Area have not been audited for prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2010.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2010, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Jefferson/Keokuk Early Childhood Iowa Area as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2012 on our consideration of the Jefferson/Keokuk Early Childhood Iowa Area's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 7 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 19, 2012

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Jefferson/Keokuk Early Childhood Iowa Area provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the Area's financial statements, which follow.

Because the Area has not previously been required to be audited, much of the information is not easily comparable to prior years.

### **2011 FINANCIAL HIGHLIGHTS**

- Net assets decreased \$29,368 from \$24,609 to (\$4,759).

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Area's financial activities.

The Entity-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the Area as a whole and present an overall view of the Area's finances.

The Fund Financial Statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the Area's operations in more detail than the entity-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

### **REPORTING THE AREA'S FINANCIAL ACTIVITIES**

#### *Entity-wide Financial Statements*

The Statement of Net Assets and the Statement of Activities present the Area's net assets. Over time, increases or decreases in the Area's net assets may serve as a useful indicator of whether the financial position of the Area is improving or deteriorating.

The Statement of Net Assets and the Statement of Activities include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Area's net assets decreased from a year ago, decreasing from \$29,368 at June 30, 2010 to (\$4,759) at June 30, 2011. The analysis that follows focuses on the Area's net assets at June 30, 2011.

<b>Statement of Net Assets</b>		
Current and other assets	\$	53,109
Accounts payable		<u>57,868</u>
Net assets (deficit)	\$	<u>(4,759)</u>

The net assets of the Area's governmental funds decreased \$29,368 during the year, primarily due to a reduction in the Early Childhood and School Ready allocations from the State of Iowa. The following analysis details the changes in net assets resulting from the Area's activities during the year ended June 30, 2011.

<b>Changes in Net Assets</b>		
Program revenues:		
Operating grants and restricted interest	\$	<u>363,796</u>
Program expenses:		
Early childhood		55,660
Family support and parent education		173,003
Preschool support for low income families		94,915
Quality improvement		37,044
Other program services		21,388
Administration		11,154
Total expenses		<u>393,164</u>
Change in net assets		(29,368)
Net assets beginning of year		<u>24,609</u>
Net assets (deficit) end of year	\$	<u>(4,759)</u>

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

- The Special Revenue, Early Childhood Fund cash balance decreased \$2,802 from the prior year to a year-end balance of \$5,084.
- The Special Revenue, School Ready Fund cash balance decreased \$26,566 from the prior year to a year-end balance of (\$9,843).
- The above decreases in cash balances were due to a reduction in School Ready and Early Childhood grant funds received from the State of Iowa.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- Due to the current recession, future funding decreased for fiscal year 2012 for the Jefferson/Keokuk Early Childhood Iowa Area.
- The fiscal year 2012 grant funding for Early Childhood and School Ready totaled \$227,929 and \$57,921, respectively, a total of \$285,850, which is a decrease of \$77,758 from fiscal year 2011.

## **CONTACTING THE AREA'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Area's finances and to show the Area's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tammy Wetjen-Kesterson, Executive Director, 744 Clinton Avenue, Marengo, Iowa 52301.

**Jefferson/Keokuk Early Childhood Iowa Area**

**Basic Financial Statements**

**Exhibit A**

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Jefferson/Keokuk Early Childhood Iowa Area

## Statement of Net Assets

June 30, 2011

**Assets**

Cash	53,109
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**Liabilities**

Accounts payable	<u>57,868</u>
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**Net Assets**

Restricted for grant purposes	5,084
Unrestricted net assets (deficit)	<u>(9,843)</u>
<b>Total net assets (deficit)</b>	<b><u>(4,759)</u></b>

See notes to financial statements.

## Jefferson/Keokuk Early Childhood Iowa Area

## Statement of Activities

Year ended June 30, 2011

	Operating Expenses	Grants and Restricted Interest	Net (Expense) Revenue and Change in Net Assets
<b>Functions/Programs:</b>			
Governmental activities:			
Early childhood	\$ 55,660	52,655	(3,005)
Family support and parent education	173,003	149,385	(23,618)
Preschool support for low income families	94,915	96,092	1,177
Quality improvement	37,044	35,898	(1,146)
Other program services	21,388	18,062	(3,326)
Administration	11,154	11,704	550
Total	<u>\$ 393,164</u>	<u>363,796</u>	<u>(29,368)</u>
Net assets beginning of year			24,609
Net assets (deficit) end of year			<u>\$ (4,759)</u>

See notes to financial statements.

**Exhibit C**

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Jefferson/Keokuk Early Childhood Iowa Area

Balance Sheet  
Governmental Funds

June 30, 2011

	Special Revenue		
	Early Childhood	School Ready	Total
<b>Assets</b>			
Cash	9,005	44,104	53,109
<b>Liabilities and Fund Balances</b>			
Accounts payable	3,921	53,947	57,868
Fund balances:			
Restricted for grant purposes	5,084	-	5,084
Unassigned	-	(9,843)	(9,843)
Total fund balances	5,084	(9,843)	(4,759)
<b>Total liabilities and fund balances</b>	9,005	44,104	53,109

See notes to financial statements.

## Jefferson/Keokuk Early Childhood Iowa Area

## Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2011

	Special Revenue		
	Early Childhood	School Ready	Total
<b>Revenues:</b>			
State of Iowa grants:			
Early childhood	\$ 52,637	-	52,637
Family support and parent education	-	149,385	149,385
Preschool support for low income families	-	96,092	96,092
Quality improvement	-	35,898	35,898
Other program services	-	17,892	17,892
Allocation for administration	2,770	8,934	11,704
Total State of Iowa grants	55,407	308,201	363,608
Interest on investments	18	170	188
Total revenues	55,425	308,371	363,796
<b>Expenditures:</b>			
Program services:			
Early childhood	55,660	-	55,660
Family support and parent education	-	173,003	173,003
Preschool support for low income families	-	94,915	94,915
Quality improvement	-	37,044	37,044
Other program services	-	21,388	21,388
Administration	2,567	8,587	11,154
Total expenditures	58,227	334,937	393,164
Net change in fund balances	(2,802)	(26,566)	(29,368)
Fund balances beginning of year	7,886	16,723	24,609
Fund balances end of year	\$ 5,084	(9,843)	(4,759)

See notes to financial statements.

Jefferson/Keokuk Early Childhood Iowa Area

Notes to Financial Statements

June 30, 2011

**(1) Summary of Significant Accounting Policies**

The Jefferson/Keokuk Early Childhood Iowa Area (Area) is established under Chapter 256I of the Code of Iowa. The goal of the Area is to improve the well-being and quality of life for young children, age 0-5, and their families, reduce barriers to community efforts and improve the efficiency and effectiveness of local education, health and human services programs. The Area is funded by allocations of federal and state block grants.

An autonomous Board with a minimum of nine citizens from Jefferson and Keokuk Counties governs the Jefferson/Keokuk Early Childhood Iowa Area. The Jefferson/Keokuk Early Childhood Iowa Area Board is comprised of an elected official from each County and one representative each from early care, education, health, human services, business and faith interest and a parent of young children.

The Area designated First Resources Corporation, a nonprofit corporation, as fiscal agent to administer the grant funds as permitted by Chapter 256I.8(1a) of the Code of Iowa.

The Area's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of Jefferson/Keokuk Early Childhood Iowa Area are intended to present the financial position and the changes in financial position of only that portion of the fiscal agent's financial activity attributable to the transactions of the Early Childhood and School Ready grants, which are reported in separate special revenue funds.

**A. Reporting Entity**

For financial reporting purposes, the Jefferson/Keokuk Early Childhood Iowa Area has included all funds, organizations, agencies, commissions, and authorities. The Area has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Area are such that exclusion would cause the Area's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Area to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Area. The Area has no component units which meet the Governmental Accounting Standards Board criteria.

**B. Basis of Presentation**

Entity-wide financial statements – The Statement of Net Assets and the Statement of Activities report information on all of the activities of the Area.

The Statement of Net Assets presents the Area's assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Area reports the following major governmental funds:

Special Revenue:

The Early Childhood Fund is used to account for funds allocated from the Iowa Department of Human Services to enhance the capacity and quality of child care services to help parents obtain or retain employment.

The School Ready Fund is used to account for funds allocated from the Iowa Department of Education to support a comprehensive school ready children plan designed by the Area Board.

C. Measurement Focus and Basis of Presentation

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Area considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Area.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

#### **D. Fund Balance**

In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification and to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted.

#### **(2) Cash**

The Area's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance.

#### **(3) Risk Management**

The Area is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Area assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance in any of the past three fiscal years.

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

**Jefferson/Keokuk Early Childhood Iowa Area**



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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Members of the Jefferson/Keokuk  
Early Childhood Iowa Area Board:

We have audited the accompanying financial statements of the Jefferson/Keokuk Early Childhood Iowa Area as of and for the year ended June 30, 2011, and have issued our report thereon dated June 19, 2012. Our report expressed qualified opinions on the financial statements since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2010. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Jefferson/Keokuk Early Childhood Iowa Area is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Jefferson/Keokuk Early Childhood Iowa Area's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Jefferson/Keokuk Early Childhood Iowa Area's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jefferson/Keokuk Early Childhood Iowa Area's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Area's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (G) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (H) through (J) to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jefferson/Keokuk Early Childhood Iowa Area's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. 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. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Area's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Area. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comment involving statutory and other legal matters is not intended to constitute a legal interpretation of those statutes.

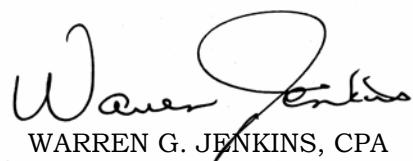
The Jefferson/Keokuk Early Childhood Iowa Area's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Area's responses, we did not audit the Jefferson/Keokuk Early Childhood Iowa Area's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Jefferson/Keokuk Early Childhood Iowa Area, citizens of the State of Iowa and other parties to whom the Jefferson/Keokuk Early Childhood Iowa Area may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Jefferson/Keokuk Early Childhood Iowa Area during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 19, 2012

Jefferson/Keokuk Early Childhood Iowa Area

Schedule of Findings

Year ended June 30, 2011

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas:

- (1) Cash – reconciling bank accounts, initiating cash receipt and disbursement transactions and handling and recording cash.
- (2) Receipts – collecting, depositing and posting.
- (3) Disbursements – preparing and signing checks, recording disbursements and reconciling bank statements.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the Area should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials and/or Board members. Evidence of review of reconciliations should be indicated by the signature or initials of the independent reviewer and the date of the review.

Response – We accept the recommendation and will pursue implementation.

Conclusion – Response accepted.

- (B) Monthly Bank Reconciliations – Although monthly bank reconciliations were prepared, they were not reviewed by an independent individual or provided to the Area Board for review.

Recommendation – The monthly bank reconciliations should be provided to an independent individual or to the Area Board for review and approval.

Response – We accept the recommendation and will pursue implementation.

Conclusion – Response accepted.

- (C) Supporting Documentation and Approval – During fiscal year 2011, the Area contracted with eleven providers. The provider contracts require detailed monthly invoices be submitted prior to payment to support the services rendered. The invoices and documentation are to be submitted to the Early Childhood Program Administrator, who is to verify the accuracy and adequacy of the documentation and approve the disbursement.

Jefferson/Keokuk Early Childhood Iowa Area

Schedule of Findings

Year ended June 30, 2011

For 13 of 43 provider claims tested, adequate supporting documentation was not available or did not agree with the amount paid. For 2 of 43 provider claims tested, the claims did not include evidence of approval by the Program Administrator. In addition, provider claims were not made available to the Area Board for timely review. Also, for 10 of 43 provider claims, the invoice was not cancelled to prevent reuse.

Recommendation - All contract payments should be supported by detailed invoices or other supporting documentation as required by the provider contracts. The invoices and supporting documentation should be reviewed and approved by the Program Administrator and be made available to the Area Board for timely review. To aid in preventing duplicate payments, all invoices and supporting documentation should be marked paid or stamped "paid" with the date of payment.

Response – We accept the recommendation and will pursue implementation.

Conclusion - Response accepted.

- (D) Contract Monitoring – During the year ended June 30, 2011, the Area contracted with eleven providers. The contract language included a monitoring clause, as follows:

The activity will be monitored through written quarterly reports and other reports if requested more often, detailing the activity and amount. These reports will be provided to the Childhood Program Administrator. The families who are assisted may be identified through a system kept by the Contractor with open records of names and addresses given to the Childhood Program Administrator upon request.

For the 5 contracts tested, contract monitoring could not be determined because documentation was not retained.

Recommendation – The Area Board should ensure contractor performance is monitored for compliance and documentation is retained for subsequent review.

Response – We accept the recommendation and will pursue implementation.

Conclusion - Response accepted.

- (E) Annual Financial Report – Fund Balances – Section 256I.8 of the Code of Iowa states, in part, the Early Childhood Iowa Area Board shall “ submit an annual report on the effectiveness of the community plan in addressing school readiness and children’s health and safety needs to the state board and to the local government bodies in the area.” The annual report template is provided on the Early Childhood Iowa website.

The annual report submitted to the Department of Management for fiscal year 2011 did not reconcile to the Area’s financial activity. The ending fund balances reported on the Annual Financial Report for fiscal year 2011 were understated by \$2,922 for the Early Childhood funds and overstated by \$20,986 for the School Ready funds. In addition, the amount reported for School Ready - Preschool Support for Low Income Families expenditures was overstated by \$6,682.

Jefferson/Keokuk Early Childhood Iowa Area

Schedule of Findings

Year ended June 30, 2011

Recommendation – The Area should review and reconcile the annual report with the Area's general ledger and balances per the year-end bank statements adjusted for outstanding accruals and make appropriate corrections for the annual report. In addition, the Area Board should contact the Early Childhood Iowa Office, Department of Management, to determine the appropriate resolution.

Response – We accept the recommendation and will pursue implementation.

Conclusion – Response accepted.

- (F) Childhood Program Administrator – The Area Board entered into a contract for a Childhood Program Administrator for the period July 1, 2010 through June 30, 2011 for a fee not to exceed \$65,110. The total amount paid to this contractor for fiscal year 2011 was \$64,704.

At the end of each month, the contractor provided an invoice describing the funding category to be charged. Although the monthly invoices identified contractor expenses by type, such as salary, travel, rent, postage, office supplies, program support and telephone, the allocation method used to charge the Early Childhood and School Ready funding sources could not be determined. The Childhood Program Administrator's contract expenses were charged to five funding categories, including Early Childhood Administration, School Ready Administration, Early Childhood Program Services, School Ready Program Services - Quality Improvement and School Ready Program Services - Other Program Services. The amount charged to Early Childhood Program Services totaling \$11,370 and School Ready Program Services - Other Program Services totaling \$9,998 appeared to be charged based on the amounts originally budgeted. No additional documentation was provided to support these charges were program related.

Recommendation - The Area Board should ensure charges made to each funding source meet the requirements of the School Ready Funding parameters and the Early Childhood funding parameters and proper support is retained. In addition, the Area Board should contact the Early Childhood Iowa Office, Department of Management, to determine the appropriate resolution.

Response – We accept the recommendation and will pursue implementation.

Conclusion – Response accepted.

Jefferson/Keokuk Early Childhood Iowa Area

Schedule of Findings

Year ended June 30, 2011

- (G) Contractor Insurance – During fiscal year 2011, the Area Board contracted with eleven providers. Per contract requirements, the contractor shall maintain, at its own expense, insurance covering its work for the entire life of the contract. For 5 of 5 contracts tested, evidence was not maintained to support the contractor's compliance with the insurance requirement.

Recommendation – The Area should ensure each contractor providing services maintain adequate insurance coverage. Documentation should be maintained to support the contractor's compliance.

Response – We accept the recommendation and will pursue implementation.

Conclusion – Response accepted.

- (H) Lack of Written Policies and Procedures – The Area has not adopted written policies and procedures regarding acceptable business practices, conflict of interest and code of conduct.

Recommendation – The Area should include the above noted items in its written policies and procedures manual.

Response – Policies and procedures were adopted December 20, 2011.

Conclusion – Response accepted.

- (I) Grant Allocations and Timely Deposits – Eight of eight grant allocations received during fiscal year 2011 were not deposited timely. Deposits were not made within 20 days of receipt.

Recommendation – Grant allocations received should be deposited on a timely basis.

Response – We accept the recommendation and will pursue implementation.

Conclusion – Response accepted.

- (J) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Area to retain canceled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each canceled check.

Recommendation – The Area should obtain and retain an image of both the front and back of each canceled check, as required.

Response – We accept the recommendation and will pursue implementation.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

Jefferson/Keokuk Early Childhood Iowa Area

Schedule of Findings

Year ended June 30, 2011

**Other Findings Related to Required Statutory Reporting:**

- (1) Financial Condition – The Special Revenue, School Ready Fund had a deficit balance of \$9,843 at June 30, 2011.

Recommendation – The Area Board should contact the Early Childhood Iowa Office, Department of Management, to determine the resolution of this matter.

Response – We accept the recommendation and will pursue implementation.

Conclusion – Response accepted.

- (2) Questionable Disbursements - An expenditure for \$38 was noted for Board member meals at Pizza Ranch, which may not meet the purpose for which the funds were provided.

Recommendation - The Area Board should determine and document how this expenditure meets the intended purpose for which the funds were provided before authorizing any further payments.

Response – We accept the recommendation and will pursue implementation.

Conclusion – Response accepted.

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Jefferson/Keokuk Early Childhood Iowa Area

Staff

This audit was performed by:

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Jessica P.V. Green, Staff Auditor  
Tyler L. Carter, Assistant Auditor



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