



The Coalition's Mission is to provide leadership and advocacy that builds a community where all children are prepared for success in school

Audit Committee Meeting
Monday, November 29, 2010
3:30pm to 5:00pm

Early Learning Coalition of the Big Bend Region
Northwood Centre, 1940 North Monroe Street, Suite 70, Tallahassee, FL 32303

Committee Members Present:

Rodney Reams, Chair
Catie McRae
Linda Nelson

Staff Present:

Lauren Faison, Chief Executive Officer
Kathy Hayes, Controller
Megan Gocs, Executive Assistant
Travis Gordon, Senior Accountant

Committee Members Absent:

Marlon Hunter

Guests Present:

Matt Hansard, Thomson Brock Luger & Company

1. Welcome and Roll Call

Rodney Reams, Chair, welcomed committee members, staff and guests. Roll call was taken and quorum was established at 3:30pm.

2. Approval of Agenda

The motion to approve the agenda for this meeting was made by Catie McRae. This motion was seconded by Linda Nelson. This motion was approved.

3. Approval of Minutes for May 20, 2010

The motion to approve the minutes for the Audit Committee Meeting of May 20, 2010 was made by Linda N. This motion was seconded by Catie M. This motion was approved.

4. Public Comment

There was no public comment.

5. Review Financial Statements and Draft Management Letter

Rodney R. introduced Matt Hansard of Thomson Brock Luger & Company to the committee.

Each year the Early Learning Coalition of the Big Bend Region (ELC) engages an audit firm to render an opinion on the financial statements and controls of the ELC, as well as render an opinion on the ELC in relation to the Florida Single Audit Act and the major grants the ELC receives.

Firstly, Matt H. went through the 'Auditors' Communication with those Charged with Governance' letter with the committee. Per this letter and Auditing Standards No. 114, auditors

are required to keep those charged with governance adequately informed about matters related to the audit, and that are significant and relevant to their governance responsibilities. In this letter, Matt H. advised the committee that the ELC has not made any significant changes to existing accounting practices and that no significant or unusual transactions were identified by the auditors. In relation to audit adjustments, Matt H. provided the committee with a document entitled 'Early Learning Coalition of the Big Bend Adjusting Journal Entries'. This document detailed all of the post closing adjustments recorded by the ELC.

Matt H. then reviewed the draft Financial Statements and Supplementary Information from the 2009 – 2010 fiscal audit with the committee. His review included, the Statements of Financial Position, Statements of Activities, Statements of Cash Flows, the Notes to the Financial Statements, the Schedule of Functional Expenses and the Schedule of Expenditures of Federal Awards and State Financial Assistance. When reviewing the Notes to Financial Statements, Rodney R. requested that a note be added to the Operating Lease Section that states that if the ELC was to lose their funding, the office lease could be terminated without penalty. Matt H. informed the committee that he would also add an additional note to this section in relation to donated services.

The Audit Committee was informed that Thomson Brock Luger & Company found no significant deficiencies or material weaknesses during their audit of the ELC, and that management had in place adequate internal controls that would detect errors or fraud. Matt H. also reported that the ELC complied with each of the Federal and State Programs in which they are funded for.

Matt H. reviewed the Management Letter with the committee. He informed the committee that during testing of provider payables, a former provider had been overpaid by the ELC by an immaterial amount and the amount due back to the ELC has remained on its books for over two years. He recommended that management utilize the Office of Early Learning's Fiscal Guidance 240.03 – Collection of a Delinquent Account, to properly document collection efforts by the ELC of any unsettled provider debts. Lauren Faison informed the committee that this was the result of a provider closing. The ELC now have in place procedures for when a provider closes. When the ELC is notified of a provider closing, staff perform a retroactive audit before they pay the provider their final payment.

During testing of provider eligibility requirements, several provider files were found without a completed Form W-9, Taxpayer Identification and Certification. It was recommended that staff strengthen their documentation maintenance procedures to assure that W-9s are maintained for each provider for 1099 compliance purposes as well as complying with provider documentation policies.

During the beginning of fieldwork, it was noted that several year end closing journal entries necessary to present the financial statements in accordance with generally accepted accounting principles had not been prepared. It was also noted that while testing the capital outlay adjustment to capitalize technology equipment purchased as a depreciable asset, that prepaid maintenance contract amounts included in the invoice were not separated and recorded as a prepaid service. In order to properly record prepaid maintenance contracts, it was recommended that the contract amounts be posted to a prepaid expense account and amortized as a maintenance expense over the contract life.

The committee then reviewed the status of the prior year's audit recommendations. They were informed that each of the prior year's recommendations had been addressed by staff. During the prior year's audit, it was recommended that management create and document a policy where

Board approval is required for reimbursements requested by the Chief Executive Officer exceeding a predetermined threshold. This recommendation was made to strengthen the inherent weaknesses of approval being made by subordinate employees for reimbursements requested by the Chief Executive Officer. Subsequently, procedures have been adopted by staff to address this recommendation.

While testing cash disbursements for providers during the prior year's audit, it was noted that there was no check request authorization form attached. Management concurred, and while testing provider payments during the current year, it was noted that no check request authorization forms were omitted from the provider support for payment.

In addition, it was also recommended that management formalize in writing control procedures to be utilized when debit cards were used to purchase goods and services by those staff members that were issued with a card. Subsequently, management have terminated that all debit cards issued to staff and have provided Coalition credit cards to only the Chief Executive Officer, the Controller and the Director of Human Resources. To reduce the risk of personal use, management developed a written credit card procedure that requires approval by the Board for an employee to hold a Coalition credit card and prior approval by the Finance Department for use of the card. Additionally, credit card holders need to sign a form agreeing to adhere to the credit card procedures and taking financial responsibility for any unauthorized charges to the card.

The motion to approve the 2009 – 2010 fiscal audit performed by Thomson Brock Luger & Company was made by Catie M. This motion was seconded by Linda N. This motion was approved.

6. Discussion Item

a. Audit Engagement for the 2010 – 2011 Fiscal Year

Rodney R. introduced the matter of audit engagement for the 2010 – 2011 fiscal year to the committee. Matt H. informed the committee that Thomson Brock Luger & Company have been the ELC's fiscal auditors for the last five years. He also informed the committee that there is no mandated requirement that the ELC change auditors every five years, per discussions in the previous meeting.

Matt H. excused himself from the meeting.

The committee discussed the matter of engaging an audit firm for the 2010 – 2011 fiscal year. The committee members unanimously agreed that they would like to continue to utilize the services of Thomson Brock Luger & Company for the ELC's next fiscal audit.

Meeting adjourned at 4:45pm.

Minutes recorded by: _____
Megan Gocs, Executive Assistant

Full Committee Approval Date: _____

Committee Chair's Initials: _____

Board Secretary Initials: _____

A digital recording of this meeting is available at the office of the Early Learning Coalition of the Big Bend Region.