

**State of Colorado
Department of Public Health and Environment**

**Agreed Upon Procedures
for
Colorado Children's Trust Fund**

For the year ended June 30, 2004

Office of the State Auditor
State of Colorado

During the 1989 legislative session, the General Assembly passed House Bill 89-1216 which created the Colorado Children's Trust Fund within the Department of Social Work of Colorado State University (CSU) under the Department of Higher Education. This legislation was amended by Senate Bill 93-175, effective May 28, 1993, which increased the size of the Trust Fund's board from seven to nine members and allocated the Trust Fund to the Department of Higher Education. This legislation was further amended by House Bill 00-1025, effective July 1, 2000, which allocated the Trust Fund to the Colorado Department of Public Health and Environment. The purpose of the Trust Fund is to help prevent child abuse and neglect. This includes reducing the incidence of child abuse and neglect for Colorado's children and reducing the need for state intervention in child abuse and neglect prevention and education. In lieu of issuing grants during Fiscal Year 2004, the Trust Fund joined with the Kempe Children's Foundation and developed a beneficial social marketing campaign to increase public awareness and empathy surrounding the issues of child abuse and neglect in Colorado and its prevention for Fiscal Year 2004. The Trust Fund was appropriated 1.5 full-time equivalent staff and received its funding from the dissolution of marriage docket fee and interest.

We have performed the agreed-upon procedures enumerated below in order to assist the Office of the Colorado State Auditor and the Colorado Department of Public Health and Environment in meeting certain reporting requirements of the Colorado Children's Trust Fund under Section 19-3.5-105(1)(i), C.R.S. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The agreed upon procedures performed and results are as follows:

Procedure 1:

We have obtained the Comparative Balance Sheet and Statement of Revenue and Expenditures for Fund 229 – Colorado Children's Trust Fund for the fiscal year ended June 30, 2004 and compiled the following schedule along with the recommended adjustments and reviewed it for reasonableness. In addition, we conducted a variance analysis of all accounts by comparing the balances as of June 30, 2004 and as of June 30, 2003.

Colorado Children's Trust Fund Schedule of Revenues and Expenditures For the Fiscal Years ending June 30, 2004 and 2003¹		
	2004	2003
Revenue		
Dissolution of Marriage Docket Fee	\$ 315,000	\$ 338,985
Interest Income	7,619	46,191
Donations	-	2,972
Reimbursement Prior Year ²	15,322	-
Federal Grants	-	101,990
<i>Total Revenue</i>	337,941	490,138
Expenditures		
Grants and Contracts	175,000	390,828
Personal Services	49,150	148,379
Operating Expenses	1,638	7,743
Professional Services	687	7,000
Indirect Costs	8,600	36,355
<i>Total Expenditures</i>	235,075	590,305
Excess of Revenue Over/(Under) Expenditures		
	102,866	(100,167)
Intergovernmental Transfer	-	(980,396)
Increase (Decrease) in Fund Balance	102,866	(1,080,563)
Total Unrestricted Fund Balance, beg.	200,432	1,280,995
Total Unrestricted Fund Balance, ending	\$ 303,298	\$ 200,432
Source: Terry & Stephenson, P.C. compilation of data obtained from COFRS subsequent to recommended adjustments.		
1. See Result 1 for explanation of the \$18,655 difference from certain information in Fiscal Year 2003 Report.		
2. Reimbursement funds from The Prevention and Intervention Service for Children and Youth Division for prior year retirement payouts. See Result 4, Recommendation 2.		

Result 1:

We noted a significant variance between June 30, 2004 and June 30, 2003. During the year ending June 30, 2003, there was an Intergovernmental Transfer of \$980,396 from the Colorado Children's Trust Fund to the General Fund per Senate Bill 03-191. There was no such transfer in Fiscal Year 2004.

We noted that \$24,396 of Grants and Contracts Expenditures incurred for Fiscal Year 2003 Grant Expenditures were properly accrued in Fiscal Year 2003, but the accruals were not properly reversed in Fiscal Year 2004. The \$24,396 was recorded as Accounts Payable Reversions. As a result, both revenues and expenditures were overstated by \$24,396 on the Colorado Financial Reporting System (COFRS). The Schedule of Revenues and Expenditures in this report has been corrected for this error. There is no effect on the Net Revenue/Fund Balance for the Trust Fund.

We noted the Total Unrestricted Fund Balance as of June 30, 2003 Agreed Upon Procedures Report was \$219,087, or \$18,655 greater than the \$200,432 reported as of June 30, 2003 on COFRS. The difference was due to the fact that expenditures for the Colorado Youth Grant in the amount of \$18,655 were excluded from the Fiscal Year 2003 Agreed Upon Procedures Report because the Department of Public Health and Environment (Department) reported that the expenditures should not have been recorded in the Colorado Children's Trust Fund. However, when performing our procedures for Fiscal Year 2004 we determined that \$18,655 in revenue for the Colorado Youth Grant had previously been recorded in the Colorado Children's Trust Fund in Fiscal Year 2001. Therefore, the correct Total Unrestricted Fund Balance as of June 30, 2003 was \$200,432 as reported on COFRS. The Schedule of Revenues and Expenditures in this report reflects the corrected amounts for Fiscal Year 2003 Grants and Contract expenditures and ending Total Unrestricted Fund Balance and Fiscal Year 2004 beginning Total Unrestricted Fund Balance.

Procedure 2:

We reviewed the procedures applicable to internal controls over revenue and cash disbursements for the Colorado Children's Trust Fund. These procedures were the same as those in place for the Colorado Department of Public Health and Environment. Therefore, we relied on the internal control testwork performed by us during the annual audit for Fiscal Year 2004.

Result 2:

No exceptions were noted.

Procedure 3:

We tested compliance with internal controls over revenue and cash disbursements, including a review of the total salary and related benefit costs, and a review of contractor and grant disbursements. We selected two revenue receipts, two cash disbursement payment vouchers, and one employee for testing in order to determine compliance with internal controls.

Result 3:

No exceptions were noted.

Procedure 4:

We reviewed the prior year recommendations to the Department of Public Health and Environment regarding the Colorado Children's Trust Fund and verified they were properly implemented.

Result 4:

Recommendation No. 1: Evaluate the administrative expenditures for the Colorado Children's Trust Fund and reduce them as appropriate to eliminate the deficit spending for the program.

Partially Implemented: The Department eliminated the deficit spending; however, administrative expenditures were 26 percent of total program expenditures for Fiscal Year 2004. During our Fiscal Year 2003 agreed-upon procedures engagement, we determined that the administrative costs were about 28 percent of expenditures, after excluding \$56,000 in expenditures the Department reported should not have been charged to the Fund. While the 26 percent in administration expenditures for Fiscal Year 2004 represents a 2 percent reduction in the percentage of administrative expenditures from the prior year, this still appears excessive for the program.

Recommendation No. 2: Reimburse the Colorado Children's Trust Fund for the Prevention and Intervention Services for Children and Youth Division retirement payouts charged to the program.

Implemented: The Prevention and Intervention Service for Children and Youth Division reimbursed CCTF for retirement payouts resulting in prior year expenditure reimbursement revenue of \$15,322.

Procedure 5:

We analytically reviewed the Colorado Children's Trust Fund's Non-Contractual Expenditures and Grant and Contract Expenditures and compared them to total revenues and total expenditures for reasonableness.

Result 5:

We noted that program grant and contract expenditures equaled \$175,000, or about 74 percent of total program expenditures; the remaining \$60,075, or 26 percent covered non-contractual costs such as personal services, operating expenses, professional services and indirect costs. These costs included about \$49,000 for .78 FTE and the remaining \$11,075 is for indirect costs, office supplies, and information technology. See Recommendation No. 1 under Result 4 above.

Scope

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Colorado Office of the State Auditor and the Colorado Department of Public Health and Environment and is not intended to be and should not be used by anyone other than those specified parties.

Jerry + Stephenson, P.C.

Denver, Colorado
August 18, 2004

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