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Missouri State Auditor

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December 2007

# ELEMENTARY AND SECONDARY EDUCATION AND SOCIAL SERVICES

## Early Childhood Development, Education, and Care Fund



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## **Better Procedures Needed To Eliminate Overpayments and Evaluate Efficiency**

The Department of Social Services (DSS)'s failure to adhere to established controls, DSS's poorly written contracts with child care facilities, and a lack of adequate communication between the Department of Elementary and Secondary Education (DESE) and DSS resulted in potential overpayments to child care facilities totaling at least \$969,305. Significant improvements are needed to ensure child care facilities actually create the additional capacity to care for children. The DSS lacks an adequate system to track program data and produce management reports to analyze the effectiveness of programs. DESE and DSS have not conducted on-site monitoring of child care facilities as often as necessary.

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Failure to adhere to controls, poorly written contracts, and lack of communication led to overpayments

DSS's failure to adhere to established controls, confusing and ambiguous contracts with DSS child care facilities, and a lack of adequate communication between DESE and DSS resulted in overpayments. Both DESE and DSS provide grants to child care facilities to create or expand the capacity of quality early childhood programs for children. Based on an analysis of the contractual requirements for each of these facilities and the licensing history provided by the Department of Health and Senior Services (DHSS), our audit found 5 of 16 facilities tested did not create the required increased capacity. (See page 10)

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DSS did not adequately measure program performance

The DSS did not have an adequate system in place to track program data and produce management reports that would allow DSS to assess the effectiveness of Early Childhood Development, Education, and Care (ECDEC) programs and ensure program goals are met. The DSS has created a computerized database to enter periodic reports and invoices. However, program staff have not entered data as required and we found the database was incomplete and inaccurate. DSS staff stated that the database is not user friendly, the information maintained is not useful, and due to current work loads, staff do not have time to enter program data. (See page 15)

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Increased on-site monitoring could help ensure compliance

The state has not monitored ECDEC contractors as frequently as necessary to ensure monies are spent in accordance with contractual requirements. Neither DESE nor DSS have created an on-site monitoring policy. In addition, due to other staffing priorities, on-site monitoring has not been conducted as often as officials have determined necessary. (See page 16)

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Efficiency may be improved if fewer agencies administered programs

Programs may be administered more efficiently and effectively if fewer departments were involved. Currently, ECDEC funded child care programs include DSS (for children ages birth to 3), DESE (for children ages 3 to 5), and DHSS for licensure purposes. As a result, child care facilities are subject to regulation and monitoring visits from at least two and possibly three state departments. (See page 18)

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## **Abbreviations**

DESE	Department of Elementary and Secondary Education
DSS	Department of Social Services
DHSS	Department of Health and Senior Services
ECDEC	Early Childhood Development, Education, and Care
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office
SAMII	Statewide Accounting System



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**Missouri State Auditor**

Honorable Matt Blunt, Governor  
and  
Members of the General Assembly  
and  
Dr. Kent King, Commissioner  
Department of Elementary and Secondary Education  
and  
Deborah E. Scott, Director  
Department of Social Services  
Jefferson City, MO

From fiscal year 1999 to 2007, Missouri spent approximately \$276.5 million from the Early Childhood Development, Education, and Care (ECDEC) Fund to increase the quantity and quality of early childhood services available to children ages birth to 5. The fund supports two programs administered by the Department of Elementary and Secondary Education (DESE), one by the Division of School Improvement, and the other by the Division of Special Education; four programs administered by the Department of Social Services (DSS), Children's Division; and the Department of Health and Senior Services (DHSS) program to regulate and license child care facilities. Audit objectives included (1) determining whether the state complies with legal provisions significant to the ECDEC Fund, (2) providing background information on the source of funding, the programs funded, and previous audit work performed on ECDEC funded programs, (3) presenting selected financial information relevant to the ECDEC Fund, and (4) determining whether internal controls were adequate to effectively administer ECDEC funded programs.

Our audit found DSS's failure to adhere to established controls, poorly written contracts with DSS child care facilities, and a lack of adequate communication between DESE and DSS resulted in overpayments to child care facilities. Significant improvements are needed to ensure child care facilities actually create the additional capacity to care for children. The audit also found DSS lacked an adequate system to track program data and produce management reports to analyze the effectiveness of programs, and DESE and DSS had not conducted on-site monitoring of child care facilities as often as necessary.

We conducted our audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. This report was prepared under the direction of John Blattel. Key contributors to this report were John Luetkemeyer, Andrea Paul, and Amy Ames.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA  
State Auditor

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# Introduction

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In 1998, the General Assembly passed House Bill 1519, which created the Early Childhood Development, Education, and Care (ECDEC) Fund. The purpose of the fund is to improve the quality and quantity of early childhood programs available to children ages birth to 5. The Department of Elementary and Secondary Education (DESE), Division of School Improvement, the Department of Social Services (DSS), Children's Division, and the Department of Health and Senior Services (DHSS) receive appropriations from the ECDEC Fund.

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## Studies Illustrate Benefit of Early Childhood Programs

In accordance with statutory requirements,<sup>1</sup> in July 2003 DESE and DSS released the results of a 4-year study that evaluated the impact of early childhood development, education, and care in Missouri. The analysis reported the strong relationships between high quality early childhood experiences and children's later performance across many developmental domains, including cognitive, linguistic, and socio-emotional functioning. The study showed that children who have had high quality early childhood experiences are more prepared for school, perform better throughout their school careers, and have better adult outcomes, such as higher income potential and less involvement in crime.<sup>2</sup>

Disparities in student achievement appear by kindergarten. Children growing up in adverse environments often begin school at a disadvantage because they are less likely to receive education at home that prepares them for school.<sup>3</sup> High-quality preschool programs improve students' schooling experiences and increase the likelihood of graduating from high school.<sup>4</sup> Preschool has been shown to reduce special education use by about 12 percent, on average.<sup>5</sup>

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<sup>1</sup> Section 313.835.1(3)(e)d, RSMo.

<sup>2</sup> House Bill 1519 Early Childhood Project: Executive Summary and Policy Recommendations, p. 2.

<sup>3</sup> Christine Winqvist Nort, Jean Lennon, Baiming Liu, and Kathryn Chandler, *Home Literacy Activities and Signs of Children's Emerging Literacy, 1993 and 1999*, NCES 2000-026rev (Washington, DC: U.S. Department of Education, 1999), p. 6, cited by *The Economic Promise of Investing in High-Quality Preschool: Using Early Education to Improve Economic Growth and the Fiscal Sustainability of States and the Nation*, the Research and Policy Committee of the Committee for Economic Development, 2006, p. 17.

<sup>4</sup> Schweinhart, *Lifetime Effects: The High/Scope Perry Preschool Study Through Age 40*, p. 16; Campbell et al., "Early Childhood Education: Young Adult Outcomes From the Abecedarian Project," pp. 42-57; Reynolds et al., "Age 21 Cost-Benefit Analysis of the Title I Chicago Child-Parent Centers," pp. 267-303, cited by *The Economic Promise of Investing in High-Quality Preschool: Using Early Education to Improve Economic Growth and the Fiscal Sustainability of States and the Nation*, the Research and Policy Committee of the Committee for Economic Development, 2006, p. 20.

<sup>5</sup> Belfield, "The Fiscal Impacts of Universal Pre-K," cited by *The Economic Promise of Investing in High-Quality Preschool: Using Early Education to Improve Economic Growth and the Fiscal Sustainability of States and the Nation*, the Research and Policy Committee of the Committee for Economic Development, 2006, p. 20.

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Reducing special education enrollments is particularly beneficial to state education budgets because it costs about twice as much to educate each child enrolled in a special education class.<sup>6</sup> Preschool also reduces grade repetition by approximately 21 percent.<sup>7</sup> The cost of repeating one grade is about \$7,700 per student.<sup>8</sup>

A study<sup>9</sup> authorized by DESE and conducted by the Parents as Teachers National Center, released in April 2007, studied 7,710 public school students from a stratified random sample of Missouri districts and schools. The children were assessed at kindergarten entry and again in third grade to examine the impact of pre-kindergarten services on school readiness and later school success of children in the early elementary years. The study showed that 71 percent of children living in poverty that participate in preschool programs enter kindergarten ready for school, while only 64 percent of children living in poverty that do not participate in preschool programs enter kindergarten ready for school. The added value of early childhood programs carries over to third grade achievement for children living in poverty. The study compared Missouri Assessment Program Communication Arts test results at the third grade level for the 7,710 students in the random sample. The results showed that 79 percent of children that participated in early childhood education scored above the lowest level on the test, compared to 77 percent of students (a difference of about 150 children) living in poverty that did not participate in preschool programs.

States across the nation have recognized the importance of early childhood education. In fiscal year 2007, not a single legislature decreased its investment in pre-kindergarten, and 31 states plus the District of Columbia increased financial commitments to early childhood education. Over the past 2 years states' pre-kindergarten investments have grown by more than

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<sup>6</sup> Augenblick and Myers, Incorporated, "Calculations of the Cost of an Adequate Education in Maryland in 2000-2001 Using Two Different Analytic Approaches" (Denver, CO: Augenblick and Myers, Incorporated, 2002), cited by *The Economic Promise of Investing in High-Quality Preschool: Using Early Education to Improve Economic Growth and the Fiscal Sustainability of States and the Nation*, the Research and Policy Committee of the Committee for Economic Development, 2006, p. 20.

<sup>7</sup> Belfield, "The Fiscal Impacts of Universal Pre-K," cited by *The Economic Promise of Investing in High-Quality Preschool: Using Early Education to Improve Economic Growth and the Fiscal Sustainability of States and the Nation*, the Research and Policy Committee of the Committee for Economic Development, 2006, p. 20.

<sup>8</sup> *The Economic Promise of Investing in High-Quality Preschool: Using Early Education to Improve Economic Growth and the Fiscal Sustainability of States and the Nation*, the Research and Policy Committee of the Committee for Economic Development, 2006, p. 20.

<sup>9</sup> A research summary based on a report by: Pfannenstiel, J.C., & Zigler, E. (2007). The Parents as Teachers program: its impact on school readiness and later school achievement.

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\$1 billion.<sup>10</sup> During fiscal year 2007, state agencies spent \$29.4 million of \$30.9 million appropriated by the Missouri General Assembly for ECDEC programs.

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## ECDEC Funded Programs

ECDEC Fund revenues consist of transfers from the Gaming Commission Fund and interest earned on fund balances. According to Section 313.835.1, RSMo, all revenue received by the Gaming Commission from license fees, penalties, admission fees, and administrative fees are deposited into the Gaming Commission Fund. As required by state law<sup>11</sup>, fund revenues less expenditures and other statutorily required transfers<sup>12</sup> shall be transferred to the ECDEC Fund to be used to give parents meaningful choices and assistance in choosing the child care and education arrangements that are appropriate for their family. Any monies deposited in the ECDEC Fund shall be used to support programs that prepare children prior to the age in which they are eligible to enroll in kindergarten to enter school ready to learn and shall be annually appropriated for voluntary programs serving children in every region of the state. The state legislature appropriated monies annually to ECDEC programs administered by DESE, DSS, and DHSS. The seven programs with the amount of the 2007 appropriation and a brief description follows.

## DESE Programs

Early Childhood Program \$14,757,600  
Provides funding to public schools, head start, and private child care centers that offer educational instruction for children 2 years from kindergarten entry, or 3 to 5 years of age. The purpose of the program is to increase capacity and quality at facilities that offer quality early childhood education to 3 to 5 year olds. Priority funding is given to programs serving low-income and special needs children.

First Steps Program \$578,644  
Provides early intervention for children with certain disabilities for ages birth to 3. The purpose of First Steps is to help families improve their child's development, learning, and participation in family and community life. First Steps provides services such as: occupational therapy, speech therapy, special instruction, audiology, physical therapy, assistive technology, and other supportive services.

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<sup>10</sup> Pre[k] Now, *Votes Count: Legislative Action on Pre-K Fiscal Year 2007*, October 2006.

<sup>11</sup> Section 313.835, RSMo.

<sup>12</sup> See Appendix V for a schedule showing statutorily required transfers.

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DSS Programs

Start Up and Expansion Program \$3,689,400  
Provides competitive grants to community based agencies, organizations, or individuals wishing to start child care programs or expand existing programs. The purpose of the program is to increase capacity at facilities offering quality infant and toddler child care for ages birth to 3. 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 Program \$3,074,500  
Provides funding to promote partnerships between Early Head Start and community child care facilities. The purpose of the program is to promote quality care for Missouri's birth to age 3 population, including prenatal care. The program serves families with children birth to 3 and pregnant women whose incomes are under 100 percent of the federal poverty level. Services include child care, parent education, access to a medical home, and other support services.

Stay at Home Parent Program \$3,074,500  
Provides funding to community organizations that assist 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. This program allows parents to take advantage of early childhood educational opportunities. The purpose of the program is to increase the availability of services and programs to parents of low-income households and build on existing resources in the community.

Accreditation Facilitation Program \$3,074,500  
Provides grants to community organizations which provide early childhood education to help with the cost of becoming accredited. The program provides training and professional instruction to early childhood educators. It also provides scholarships to teachers for continuing education or certification. The purpose of the program is to improve the quality of early childhood programs by establishing more accredited providers.

Purchase of Child Care \$1,548,152  
Provides approximately \$1.2 million additional monies for the Early Head Start Program and \$300,000 for rate enhancements paid to child care facilities providing services to a high percentage of children receiving state assistance.

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DHSS Program

Child Care Improvement Program

\$728,740

The DHSS is responsible for the regulation and licensing of child care facilities. DHSS uses monies appropriated to the Child Care Improvement Program to contract with the Missouri Child Care Resource and Referral Network, which coordinates a series of early childhood educator trainings to help assist licensed child care providers meet annual training and education requirements. ECDEC monies are also used for the Opportunities in a Professional Education Network Initiative. The initiative is Missouri's career development initiative for early childhood and school-age/after-school professionals. The purpose of the program is to support the implementation of a coordinated career development system that will recruit, support, and retain professionals who work with young children and youth.

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## Previous SAO Audit Information

The SAO has previously issued three audits pertaining to programs funded by ECDEC monies.

### Previously audited ECDEC funded programs

<u>Report Title</u>	<u>Report Number</u>	<u>Date Issued</u>
DESE/First Steps Program	2007-01	January 2007
DSS/Early Head Start Contract With KCMC Child Development Corporation	2006-34	June 2006
DHSS/Child Care Facilities Inspections and Licensing	2002-52	July 2002

Source: SAO

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## Scope and Methodology

To determine whether the state complied with legal provisions significant to the ECDEC Fund, we reviewed relevant state laws and regulations to obtain an understanding of those provisions. We also assessed the risk that illegal acts, including fraud, and violation of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with those provisions. We relied on audit work performed during the SAO's annual statewide financial statement audit at the Missouri Gaming Commission to ensure statutorily required amounts were properly transferred from the Gaming Commission Fund to the ECDEC Fund. To ensure a minimum of 10 percent of monies deposited into the fund were appropriated to three programs administered by DSS, as required by state law, we reviewed the Office of Administration's Summary of Appropriation Activity reports and discussed with applicable staff the procedures in place to forecast fund revenues and to amend future appropriations.

To provide information related to the programs funded by the ECDEC Fund, we gathered information from DESE, DSS, and DHSS. We also compiled a listing of previous audits issued by the SAO.

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To present financial information related to the ECDEC Fund, we obtained revenue, expenditure, and appropriation data from the statewide accounting system, SAMII. We used this data to prepare a schedule of fund activity for fiscal year 1999 through fiscal year 2007 and a statement of appropriations for fiscal years 2005 through 2007. We verified the reliability of this financial information by comparing the revenues, expenditures, and fund balances from the SAMII system to the State Treasurer's Office Fund Activity reports. To present a schedule of statutorily required transfers out of the Gaming Commission Fund, we pulled transfer data from the Combined Statement of Receipts, Disbursements, Other Financing Uses, and Changes in Cash and Investments schedule from prior SAO audits of the Missouri Gaming Commission.

To determine whether internal controls were adequate to effectively administer ECDEC funded programs,<sup>13</sup> we discussed current procedures with DESE and DSS officials, obtained an understanding of relevant internal controls, and considered whether those controls have been properly designed and placed in operation. In addition, we selected eight child care facilities that received both DESE and DSS funding in 2006, six randomly selected child care facilities that received DSS funding in fiscal years 2004, 2005, or 2006,<sup>14</sup> one child care facility that defaulted on a DESE contract and was subsequently awarded a contract from DSS, and one child care facility that continued to receive ECDEC monies from DSS after the facility defaulted on two DESE grants.

We requested comments on a draft of our report from the Commissioner of Elementary and Secondary Education and the Director of the Department of Social Services. We conducted our work between October 2006 and September 2007.

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<sup>13</sup> For the purposes of this report, controls related to DESE's First Steps Program and DHSS's Child Care Improvement Program were not reviewed because a separate audit of the respective program has either recently been issued or is currently in process.

<sup>14</sup> We randomly selected two child care facilities from each of these fiscal years.

# Better Procedures Needed to Eliminate Overpayments and Evaluate Effectiveness

DSS's failure to adhere to established controls, DSS's poorly written contracts with child care facilities, and a lack of adequate communication between DESE and DSS resulted in potential overpayments to child care facilities totaling at least \$969,305. Significant improvements are needed to ensure child care facilities actually create the additional capacity to care for children. The DSS lacks an adequate system to track program data and produce management reports to analyze the effectiveness of programs. DESE and DSS have not conducted on-site monitoring of child care facilities as often as necessary.

## Failure to Adhere to Controls, Poorly Written Contracts, and Lack of Communication Led to Overpayments

DSS's failure to adhere to established controls, confusing and ambiguous contracts with DSS child care facilities, and a lack of adequate communication between DESE and DSS resulted in overpayments. Both DESE and DSS provide grants to child care facilities to create or expand the capacity of quality early childhood programs for children. DESE's policy requires child care centers to increase licensed capacities by December 15, while DSS's policy requires licensed capacity to be increased by June 30 of the first contract year. DESE requires facilities to increase capacity and then provides funding to the facility while DSS advances funding so funds are available to the facility to increase capacity. Based on an analysis of the contractual requirements for each of these facilities and the licensing history provided by DHSS, our audit found 5 of 16 facilities tested did not create the required increased capacity as noted in Table 2.1:

**Table 2.1: ECDEC Noncompliant Contractor Data**

	Number of Slots Required by Contract	Actual Slots Created/Added	Difference	Early Childhood Program Funding	Start Up and Expansion Program Funding	Total Funding
Facility 1	32	14 <sup>A</sup>	18	\$249,020	\$135,000	\$384,020
Facility 2	27	17	10	228,083	175,000	403,083
Facility 3	23	18	5	0	151,375	151,375
Facility 4	8	0	8	0	70,000	70,000
Facility 5	29	18 <sup>B</sup>	11	221,960	188,910	410,870
Total	119	67	52	\$699,063	\$720,285	\$ 1,419,348

<sup>A</sup> Created a total of 20 additional slots per DHSS licensing information; however, only 14 slots related to ECDEC funding.

<sup>B</sup> Created a total of 28 additional slots per DHSS licensing information; however, only 18 slots related to ECDEC funding.

Source: DHSS Child Care License, SAMII Expenditure Data

- Facility 1 received ECDEC funding totaling \$384,020 from DESE and DSS during fiscal years 2004 through 2007 to create a total of 32 additional licensed slots. Based on licensing information provided by DHSS, the facility increased the license capacity by 20

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slots in September 2004. However, according to the owner of the facility, it was the owner's understanding that only 14 of the 20 additional slots created were based on the funding from DESE and DSS. The owner's interpretation of the DSS contract was to create four additional licensed slots, and the owner's understanding of the DESE contract was to create 10 additional licensed slots. However, the owner sent documentation to DESE stating the facility had created the 20 additional slots required. Additionally, the owner stated that when DSS performed an on-site visit in October 2006, the owner informed the DSS representative that only four additional slots were created and filled. However, the DSS staff person responsible for the program told us she was not made aware of the owner's position regarding the contract requirements.

Fiscal year 2007 was the last year of the 3-year contract with DSS, and according to a DESE official, DESE did not renew its contract for fiscal year 2008 because the facility failed to receive accreditation. Therefore, the facility is not receiving ECDEC funding in fiscal year 2008.

- Facility 2 received ECDEC funding totaling \$403,083 from DESE and DSS during fiscal years 2003 through 2007 to create a total of 27 licensed slots in two child care centers. The facility contracted with DESE from fiscal years 2003-2008 to create 10 licensed slots at the first center and contracted with DSS from 2006-2008 to create 17 licensed slots at the second center.

According to the license history provided by DHSS, the first center increased its licensed capacity by 12 slots from 108 to 120 in June 2002. In November 2005, the facility decreased the licensed capacity at the first center by 16 and moved those slots to the second center, which was opened in March 2005. Based on licensing information provided by DHSS, the second center added a total of 7 licensed slots in December 2005. However the contract with DSS required 17 licensed slots be created. DSS disbursed a total of \$175,000 to this facility in fiscal years 2006 and 2007, even though the center failed to comply with the contract.

In accordance with fiscal year 2008 contract renewals, the facility will receive \$50,000 from DSS and \$15,000 from DESE for its two centers. Also under the terms of a new contract awarded by DSS to this facility in fiscal year 2008, the facility will receive a total of \$225,000 over 3 years to increase its license capacity by 16 slots. According to a DSS official, DSS did not verify contractual

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compliance with the first contract awarded to this facility prior to renewing or awarding additional contracts.

- Facility 3 received ECDEC funding totaling \$175,000 from DSS during fiscal years 2005 through 2007 to create 23 additional licensed slots. According to the contract, these slots were required to be added by June 30, 2005. According to a DSS official, the facility was unable to increase capacity in its first year; so DSS extended the deadline to June 30, 2006. The facility again was unable to increase capacity. At this point, DSS required the facility to refund \$23,625 of \$175,000 it had advanced to the facility, and granted an extension to June 30, 2007. No documentation of either extension was available in DSS files. Based on licensing information from DHSS, the facility increased the licensed capacity by 18 slots in June 2007, leaving it 5 slots short of the required number of slots.
- Facility 4 received ECDEC funding totaling \$70,000 from DSS during fiscal years 2006 and 2007, and will receive additional funding of \$20,000 for fiscal year 2008 to create 8 additional licensed slots. According to the contract, the facility was required to increase capacity by the end of the first contract year, or June 30, 2006. However, based on licensing information from DHSS, the facility had not increased capacity by August 2007.

DSS granted this facility a new 3-year contract in fiscal year 2008. Under the new contract, the facility will receive \$225,000 over 3 years to create an additional 40 licensed slots. DSS staff did not ensure the facility adhered to the first early childhood startup contract by increasing capacity before entering into a second contract. A DSS official agreed that DSS should have ensured the facility adhered to the first contract before issuing the second contract.

- Facility 5 originally contracted with DSS in fiscal year 2003 to create 48 additional licensed slots for \$225,000. According to a DSS official, the facility was unable to create the required number of licensed slots and DSS agreed to reduce funding and the required additional slots to 19. However DSS could not provide adequate documentation of this agreement. Based on SAMII data, DSS paid this contractor a total of \$188,910 under this contract from fiscal year 2003 to 2005.

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The facility also received ECDEC funding totaling \$221,960 from DESE during fiscal years 2004 through 2007 to create 10 licensed slots. Based on licensing information from DHSS, the facility created 28 licensed slots in August of 2003. However, according to the owner of the facility, it currently serves eight infant and toddlers, and thirteen 3 to 5 year olds with 7 slots reserved for older school age children who are not eligible for ECDEC funding. Based on this data, the facility created the required slots for DESE's contract, but only created 8 of the 19 required slots for children eligible for DSS's funding.

In total, 52 of the required 119 (about 44 percent) additional licensed slots were not created. DESE policies require all of the slots contracted for to be created or all funding be returned. DSS contracts entitle DSS a full refund of all fees paid in the event of contractor noncompliance. As a result, the total amount of potential overpayments is \$969,305<sup>15</sup> through fiscal year 2007. Since DSS's policy is to provide funding for early childhood programs up front, it is imperative that adequate monitoring procedures exist to ensure overpayments do not occur.

Licensed capacity information was not adequately verified by DSS

According to officials at DESE and DSS, to ensure the child care facilities create or expand its early childhood program by the contractually required slots, program employees compare licensed capacity<sup>16</sup> prior and subsequent to receiving grant monies. However, this procedure was not adequately performed by DSS, resulting in the noncompliance and overpayments noted for the five child care facilities. A DSS employee initially told us she did not know why overpayments were not detected, then later stated that DSS allowed facility 2 to decrease licensed capacity in one age group and increase capacity in the birth to 3 age group, allowing the facility to maintain the same overall licensed capacity and comply with the contractual requirements. However, DSS's contract with facility 2 did not include language that allowed the facility to rearrange licensed slots, and DSS could not provide documentation of such an agreement.

Poorly written contracts led to confusion

Our review of seven DSS contracts with the five noncompliant facilities found conflicting information regarding the additional licensed slots to be created in four of these contracts. Specifically, the proposed number of children the facility is required to add to its licensed capacity differs from

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<sup>15</sup> Represents \$1,419,348 of total funding less \$228,083 for 10 slots that were created in DESE's contract with facility 2 and \$221,960 for 10 slots that were created for DESE's contract with facility 5.

<sup>16</sup> Child care facilities are licensed by the Department of Health and Senior Services.

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one section of the contract to another. As a result, inconsistencies in the contracts have left division staff unable to determine the required number of slots to be added. For example, the division employee responsible for contract compliance told us she could not determine whether facility 4 had created the required number of licensed slots because the contract contained three different numbers for the slots required to be created.

DSS does not have an adequate system in place to ensure the information submitted on the grant applications is accurate and complete. According to a division official, DSS officials and staff review the application to ensure the information is accurate and complete. However, the current licensed capacity as reported by the facility did not agree with the license certificate provided by DHSS in two of seven contracts reviewed. We received differing explanations of why this information was not correct. However, none of the explanations adequately explained the discrepancies.

Officials from both DSS and DESE told us the intention of the programs is to create and maintain increased capacity. However, contracts with child care facilities did not contain specific language regarding maintaining the increased capacity.

Better communication may have prevented overpayments

According to officials from both DESE and DSS, neither agency considered grants awarded and slots required by the other department. This lack of communication contributed to the overpayments. A DESE employee stated better communication with DSS may have detected the noncompliance and resulting overpayment for facility 1. A DESE official stated that after being informed by the SAO, the department will monitor this issue closer to detect noncompliant contractors. Changes made by DSS to the Start Up and Expansion Program in fiscal year 2008 should allow each agency to more easily use the license certificate issued by DHSS to ensure the appropriate slots are created as required by each department's contract.

In addition, DESE and DSS have not developed a method to share information regarding noncompliant contractors. According to a DESE official, in May of 2004 DESE conducted an on-site visit of facility 4 and found the facility was noncompliant in the following areas:

- Supervision
- Records
- 10 Percent Match Requirement
- Budget Control
- Accreditation
- Teacher Evaluation
- Teacher Qualifications

- 
- Curriculum Training
  - Class Size
  - Materials and Supplies

Based on this evaluation, DESE pulled the facility's funding and required it to refund \$24,120. However, although the facility defaulted on its contract with DESE, DSS continued to fund the facility. Additionally, DSS approved new contracts with the facility in fiscal years 2006 and 2008. According to a DSS official, DSS was not aware the contractor failed to meet DESE's program requirements until after the bid evaluation process. Per the official, DSS decided to conduct more on-site visits to ensure the facility operated in compliance with the contract. According to the official, since fiscal year 2005, one on-site visit has been conducted; however, no documentation of the visit could be located, and the visit apparently did not detect the noncompliance noted earlier.

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## DSS System Not Adequately Measuring Program Performance

The DSS did not have an adequate system in place to track program data and produce management reports that would allow DSS to assess the effectiveness of ECDEC programs and ensure program goals are met. The DSS has created a Grants Tracking System, a computerized database where periodic reports and invoices are entered. However, program staff have not entered data as required and we found the database was incomplete and inaccurate. DSS staff stated that the database is not user friendly, the information maintained is not useful, and due to current work loads, staff do not have time to enter program data. According to a division official, the Grants Tracking System was created to capture data trends and produce reports that would improve the grant award process, allow the division to better administer the programs, and provide reports for the legislature on the effectiveness of the programs.

The DESE has created a database to track data related to the ECDEC program. Information submitted by child care facilities on the grant application is entered into the database, including contact information, dollar amount requested, and projected annual budget. Additionally, financial and program data, such as actual expenditures, reimbursement requests, and the number of children served, is entered into the system. The division staff can run queries to pull data from the system and produce reports from the inception of the program. The reports are submitted to national organizations that compile early childhood statistics, used internally to report the status of the program, and provided to the state legislature to report the accomplishments of the program. The reports generated show program outcomes such as number of facilities receiving funds, number of children served, school districts that offer ECDEC funded programs, special education enrollment, and ECDEC spending per child.

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The DSS did not maintain a listing of and was unable to readily provide data for contractors that did not fulfill contractual requirements, or to track money refunded from noncompliant contractors. According to a division official, while there is no list to track noncompliant contractors, the agency relies on the memory of experienced division officials, the hardcopy historical documentation in contractor files, and the officials from other divisions within DSS. According to this official, a uniform way to track noncompliant contractors has not been developed because of the lack of time and importance, there have been too few fraudulent contractors to worry about, and noncompliant contractors are often put on a corrective action plan and resolve any issues before the DSS requires the contractor to refund the grant amount. The official acknowledged that the need for a listing to track money refunded from noncompliant contractors is becoming more important since the department is dealing with multiple funding streams.

The DESE has created a spreadsheet to track contractors that were unable to fulfill the ECDEC contracts. The spreadsheet lists the contractor name, contract year, the reason for noncompliance, the awarded grant amount, and the actual expenditures. Additionally, the Financial Management section within DESE tracks the ECDEC contractor refunds to ensure the noncompliant facilities refund money to DESE as required.

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## Increased On-site Monitoring Could Help Ensure Compliance

The state has not monitored early childhood contractors as frequently as necessary to ensure monies are spent in accordance with contractual requirements. Neither DESE nor DSS have created an on-site monitoring policy. In addition, due to other staffing priorities, on-site monitoring has not been conducted as often as officials have determined necessary.

The DESE has contracted with the Project Construct National Center to provide technical assistance to ECDEC recipients. The Center annually monitors each child care facility using the Early Childhood Environmental Rating Scale assessment tool to ensure DESE is funding quality programs and meeting educational requirements. The assessment tool is a nationally recognized evaluation method for early childhood programs. However, the Center does not perform a financial review to ensure expenditures reimbursed by the department are accurate and appropriate. The on-site monitoring performed by DESE staff includes assessing a facility's:

- Accreditation progress
- Budgeted and actual expenditures submitted to DESE
- Student enrollment
- Physical inventory list
- Materials and supplies are appropriate to implement curriculum

- Educational material available to students
- Fee schedule to ensure a sliding fee scale for low income families
- Educators have the required qualifications and have attended professional development opportunities
- Program quality evaluation
- Current child care license

According to a DESE official, staff currently try to monitor contractors on-site once every 5 years; however, since staffing levels are limited, many on-site visits were not completed. Since program inception in fiscal year 1999, DESE has visited 115 of 379 (about 30 percent) ECDEC contractors. DESE currently employs four program supervisors who oversee 379 contractors and 524 Parents as Teacher programs. The DESE official agreed that more frequent monitoring of program funding is needed.

The DSS has contracted with the University of Missouri-Columbia, Center for Family Policy and Research to provide technical assistance to ECDEC child care facilities under the Start-Up and Expansion Program. Providers visit facilities monthly to assist in meeting grant goals, approving the quality of the facility, and preparing a professional development plan with yearly goals for all staff. The Center for Family Policy and Research representative must also meet with DSS representatives monthly to report issues and communicate concerns regarding the goals and requirements of the grant within each facility.

DSS began on-site monitoring of ECDEC contractors in fiscal year 2006. During on-site monitoring, DSS staff ensure contractor compliance with contractual requirements, such as number and eligibility of children served, and whether programs are meeting matching requirements. Although a DSS official stated that the goal is to monitor each contractor once per year, current staffing levels and a high turnover rate limit the number of site visits that are presently conducted. Table 2.2 shows the number of contractors monitored through fiscal year 2007:

**Table 2.2: Number of DSS ECDEC Contractors Monitored**

<b>Program</b>	<b>Number of Contractors</b>	<b>Number Monitored</b>	<b>Percentage Monitored</b>
Start Up and Expansion	43	21	49
Stay at Home Parent	26	10	38
Accreditation Facilitation	6	4	67
Early Head Start	10	4	40

Source: Department of Social Services.

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According to DESE and DSS officials, the departments do not have enough program specialist/program supervisors to adequately monitor contractor compliance and ensure monies are spent in accordance with contractual requirements. A DSS official also pointed to high employee turnover resulting in decreased monitoring. Although both DESE and DSS officials attributed the lack of on-site monitoring to current staffing levels, neither agency has performed an analysis or study to determine the numbers of staff needed to ensure program goals are met and ECDEC monies are spent appropriately.

DESE and DSS had performed on-site monitoring at two of the five noncompliant facilities. However DSS did not identify overpayments because monitoring visits did not include adequate procedures to verify compliance with contractual requirements regarding increased capacity.

Fewer departments may better administer ECDEC funded child care programs

ECDEC funded child care programs may be administered more efficiently and effectively if fewer departments were involved. Currently, ECDEC funded child care programs include DSS (for children ages birth to 3), DESE (for children ages 3 to 5), and DHSS for licensure purposes. As a result, child care facilities are subject to regulation and monitoring visits from at least two and possibly three state departments.

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## Conclusions

DSS's failure to adhere to established controls, poorly written contracts with DSS child care facilities, and a lack of adequate communication between DESE and DSS resulted in overpayments to child care facilities. Significant improvements are needed to ensure child care facilities actually create the additional capacity to care for Missouri's children.

DSS does not have an adequate system in place to track program data and produce management reports to allow the DSS to assess the effectiveness of the program. DSS's system also did not capture information regarding noncompliant contractors.

DESE and DSS had not adequately monitored ECDEC contractors to ensure monies are spent in accordance with contractual requirements. According to division officials, on-site monitoring was not conducted as often as necessary due to inadequate staffing levels. In addition, DSS on-site monitoring visits did not include adequate procedures to determine whether child care facilities were complying with contractual requirements regarding increased capacity. Greater efficiency and effectiveness may be achieved by consolidating the administration of ECDEC programs under fewer state agencies.

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## Recommendations

We recommend the Commissioner of the Department of Elementary and Secondary Education and the Director of the Department of Social Services:

- 2.1 Determine the extent and seek reimbursement of overpayments made to noncompliant early childhood contractors.
- 2.2 Ensure each agency is aware of the other agency's contractual requirements with child care facilities when determining contractor compliance regarding increased capacity. In addition, we recommend these agencies share information regarding noncompliant facilities.
- 2.3 Determine the optimal frequency to perform and develop a written policy for on-site monitoring. This policy should specify how often visits are to occur, procedures to be performed including specific procedures to verify increased capacity, and require written documentation of monitoring visits to be maintained.
- 2.4 Amend future contract language to include specific language requiring increased capacity to be maintained during contract renewal periods and new contracts.

We recommend the Director of the Department of Social Services:

- 2.5 Ensure licensure information is properly verified when determining contractor compliance with increased child care capacity.
- 2.6 Ensure grant applications contain accurate information and contracts do not include conflicting information.
- 2.7 Ensure adequate documentation of contract extensions and amendments is maintained.
- 2.8 Develop a system to track program data and produce management reports to allow DSS to assess the effectiveness of ECDEC programs. The system should contain accurate, up-to-date, and complete statistical data for each of the early childhood programs administered by DSS with the option to conduct analyses.
- 2.9 Maintain a listing of noncompliant contractors that includes the reason for noncompliance and any amounts owed to DSS.

We recommend the General Assembly:

- 2.10 Consider utilizing fewer agencies to administer ECDEC programs.

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## Agency Comments

### Department of Elementary and Secondary Education comments

- 2.1 *DESE partially concurs. DESE will further review facility 1 to determine compliance with contractual requirements. If it is determined that facility 1 has been in noncompliance DESE will take the necessary steps to seek reimbursement.*
- 2.2 *DESE partially concurs. DESE guidelines are available on our website from the time the Invitation for Bid is open through June 30 of that contract year. A meeting with representatives from the Departments of Elementary and Secondary Education, Health and Senior Services, and Social Services was conducted on Monday, November 26, 2007. The purpose of this meeting was to outline the process for notifying partner agencies of new and noncompliant awardees. DESE will continue to request involvement of the partner agencies in the Pre Bid meeting which is offered each year for potential contractors to learn about the requirements of the contract and ask questions regarding eligibility. We will also continue to request a representative from each agency to participate in scoring these competitive bids. Each year prior to awarding the contracts, DESE submits a list of potential awardees to DHSS for licensing review; DHSS notifies DESE if any candidates are not in good standing.*
- 2.3 *DESE partially concurs. DESE verifies increased licensed capacity prior to payment of any funding and is currently considering the development of a policy to regulate the frequency of program monitoring.*
- 2.4 *DESE partially concurs. Contract language could be amended to require programs to maintain the required increase of capacity throughout the contracts and all renewals. However, DESE would reserve the option to review each situation to determine if the change in license capacity is necessary to sustain the program as a whole or if it is being requested to circumvent the intent of the program guidelines.*

### Department of Social Services comments

- 2.1 *We agree with this recommendation to the extent that the facts and the contract provisions support reimbursement recovery. When it is determined that a reimbursement is appropriate, any amounts paid for child care slots not created will be recovered. Recovery of the full amount paid under the contract will not be pursued as recommended in the audit report. The purpose of the Start Up and Expansion Grant is to provide quality community based providers an opportunity to expand*

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*child care slots. A decision to seek reimbursement of payment in full would jeopardize the availability of the child care slots created by compromising the facility's ability to remain in business. Closing a quality child care facility is not a good outcome for the community or for the families and children of Missouri.*

*We have studied the files of the five providers included in the audit findings and will take the following actions:*

- Providers 2 and 4 will be placed on corrective action plans with an expected outcome of increasing child care slots to the number required in the contract by June 30, 2008.*
- Provider 1 was required to create 12 additional DSS child care slots. DSS verified that those slots were actually created but were not maintained. DSS will make changes to the FY 2009 Start Up and Expansion contracts to require providers to maintain the additional created slots through the life of the contract (see response to 2.4).*
- DSS and DESE are investigating provider 5's compliance with the contract. A corrective action plan and/or reimbursement plan will be established, as needed.*
- A review of the facts and contract provisions continues for provider 3 to determine if reimbursement recovery is appropriate.*

*2.2 We agree with this recommendation. DSS has a communication plan in place with DHSS for noncompliant child care providers that are both licensed by the DHSS and receiving child care subsidies from DSS. DSS will build on that plan, adding information relevant for Start Up and Expansion contractor oversight.*

*For part of the time period covered in the audit an overlap in the age of children served by DSS and DESE made it difficult to use DHSS licensing information and effectively assess a provider's compliance with adding new child care slots. Changes were made in July 2006 so that DSS funds only child care slots for children age zero to two, while DESE funds child care slots for children over two years of age, as the licensing requirements are much different for these two groups.*

*The DSS Early Childhood and Prevention Services Section is developing a communication plan to ensure that information regarding*

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*noncompliant facilities is shared between the DSS and DESE. A communication policy will be in place by January 31, 2008.*

- 2.3 *We agree with this recommendation. The Early Childhood and Prevention Services Section is developing policies and procedures to document and standardize the frequency and quality of on-site monitoring. Recommended suggestions in the audit report will be included. The policies and procedures will be completed by January 31, 2008.*

*Effective December 2007, questions relating to Start Up and Expansion contract provisions will be added to the list of questions on the tool used by the DSS Division of Budget and Finance Contract Compliance Unit to monitor child care subsidy providers. This is an efficient way to identify combination Child Care Subsidy/Start Up and Expansion providers that may need more extensive review.*

- 2.4 *We agree with this recommendation. Fiscal year 2009 contracts will include language requiring contracted providers to maintain additional created child care slots during the three-year contract period and a fourth year.*

- 2.5 *We agree with this recommendation. The staff overseeing the Start Up and Expansion contracts has worked closely in the past year and a half with DHSS to increase communication regarding our contractors. As part of the monitoring process, DSS staff have access to DHSS licensing files and licensing information database.*

- 2.6 *We agree with this recommendation. The Early Childhood and Prevention Services Section and contract management staff have established procedures to ensure grant applications and contracts contain accurate and consistent information.*

- 2.7 *We agree with this recommendation. Policies and procedures are in development to ensure that all documentation and contract amendments are on file. This policy will be completed and in place by January 31, 2008.*

- 2.8 *We agree with this recommendation. DSS is developing outcomes based, performance oriented contracts. The Early Childhood and Prevention Services Section continues to work with the Office of Administration, Information Technology Services Division, to develop a user-friendly database to capture the information for these programs. The Early Childhood and Prevention Services Section has recently*

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*designated a lead person, with database and information technology experience, to serve as the liaison with the Information Technology Services Division to fast track the development and implementation of the database.*

*2.9 We agree with this recommendation. Until now, this information has resided in individual case records rather than a central location. DSS has implemented a central tracking system for noncompliant contractors that will be accessible by all Early Childhood and Prevention Services Section staff. The tracking system includes details about the status of corrective action plans as well as information on overpayments.*

*2.10 DSS will be asking the Coordinating Board for Early Childhood to review and make recommendations regarding the administration of the ECDEC Fund.*

*To address contract compliance, DSS established the Contract Compliance Unit in March 2006. The unit was directed to begin its work with the Child Care Subsidy Program by conducting on-site contract reviews. Since the unit's inception, over 2,900 providers have been reviewed. As a result, 240 contracts have been terminated and 140 licensed providers have been referred to DHSS for possible licensure violations. These and other actions have resulted in \$19.5 million in savings to the Child Care Program, providing funds to increase child care eligibility and provider rates. I am directing the expansion of the Contract Compliance Unit's duties to include a review of all DSS ECDEC contracts.*

Appendix I

EARLY CHILDHOOD DEVELOPMENT, EDUCATION, AND CARE FUND  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	Year Ended June 30,								
	2007	2006	2005	2004	2003	2002	2001	2000	1999
RECEIPTS									
Interest and Refunds	\$ 543,340	478,875	310,550	405,574	831,481	1,807,659	2,745,383	1,393,287	62,048
Total Receipts	<u>543,340</u>	<u>478,875</u>	<u>310,550</u>	<u>405,574</u>	<u>831,481</u>	<u>1,807,659</u>	<u>2,745,383</u>	<u>1,393,287</u>	<u>62,048</u>
DISBURSEMENTS (by agency)									
Elementary and Secondary Education	14,950,001	14,897,573	18,101,642	17,721,832	24,419,641	28,355,972	22,748,506	8,905,599	12,303
Social Services	13,598,527	13,782,712	14,196,038	13,356,904	31,936,647	15,407,842	11,924,117	6,780,609	209,069
Health and Senior Services	817,855	825,550	760,433	871,782	955,412	767,030	218,293	0	0
Office of Administration	36,511	0	0	0	0	0	0	0	0
Total Disbursements	<u>29,402,894</u>	<u>29,505,835</u>	<u>33,058,113</u>	<u>31,950,518</u>	<u>57,311,700</u>	<u>44,530,844</u>	<u>34,890,916</u>	<u>15,686,208</u>	<u>221,372</u>
RECEIPTS (UNDER) DISBURSEMENTS	<u>(28,859,554)</u>	<u>(29,026,960)</u>	<u>(32,747,563)</u>	<u>(31,544,944)</u>	<u>(56,480,219)</u>	<u>(42,723,185)</u>	<u>(32,145,533)</u>	<u>(14,292,921)</u>	<u>(159,324)</u>
TRANSFERS									
Transfers from Gaming Commission Fund	28,923,521	30,357,641	33,570,596	27,484,600	34,173,702	31,746,595	30,538,114	34,417,893	25,500,000
Transfers to:									
Office of Administration (OA)-Operating	382,285	603,866	576,100	481,496	167,197	167,874	36,273	0	0
OA-Capital Improvements	0	0	741	0	0	0	0	0	0
Revenue-Operating	0	0	0	0	25	0	834	0	0
Total Transfers	<u>28,541,236</u>	<u>29,753,775</u>	<u>32,993,755</u>	<u>27,003,104</u>	<u>34,006,480</u>	<u>31,578,721</u>	<u>30,501,007</u>	<u>34,417,893</u>	<u>25,500,000</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	<u>(318,318)</u>	<u>726,815</u>	<u>246,192</u>	<u>(4,541,840)</u>	<u>(22,473,739)</u>	<u>(11,144,464)</u>	<u>(1,644,526)</u>	<u>20,124,972</u>	<u>25,340,676</u>
CASH JULY 1	<u>6,634,086</u>	<u>5,907,271</u>	<u>5,661,079</u>	<u>10,202,919</u>	<u>32,676,658</u>	<u>43,821,122</u>	<u>45,465,648</u>	<u>25,340,676</u>	<u>0</u>
CASH JUNE 30	<u>\$ 6,315,768</u>	<u>6,634,086</u>	<u>5,907,271</u>	<u>5,661,079</u>	<u>10,202,919</u>	<u>32,676,658</u>	<u>43,821,122</u>	<u>45,465,648</u>	<u>25,340,676</u>

Appendix II

EARLY CHILDHOOD DEVELOPMENT, EDUCATION, AND CARE FUND  
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES  
 YEAR ENDED JUNE 30, 2007

	Appropriations	Expenditures	Lapsed Balances
Department of Elementary and Secondary Education			
For grants to school districts under the Early Childhood Development, Education and Care Program, including up to \$25,000 in expense and equipment, for program administration	\$ 14,757,600	14,371,357	386,243
For the First Steps Program	578,644	578,644	0
Total Department of Elementary and Secondary Education	<u>15,336,244</u>	<u>14,950,001</u>	<u>386,243</u>
Department of Social Services, Children's Division			
For the purpose of funding early childhood start-up and expansion grants pursuant to Chapter 313, RSMo	3,689,400	3,537,497	151,903
For the purpose of funding early childhood development, education, and care programs for low-income families pursuant to Chapter 313, RSMc	3,074,500	2,978,570	95,930
For the purpose of payments to accredited child care providers pursuant to Chapter 313, RSMo	3,074,500	2,961,176	113,324
For the purpose of funding certificates to low-income, at-home families pursuant to Chapter 313, RSMo	3,074,500	2,782,421	292,079
For the purpose of funding child care services, the general administration of the programs, and to support the Educare Program	1,548,152	1,295,247	252,905
For the Children's Division personal service and/or expense and equipmen	53,597	42,971	10,626
For the payment of real property leases, related services, utilities, systems furniture, structural modifications, and related expenses	645	645	0
Total Department of Social Services	<u>14,515,294</u>	<u>13,598,527</u>	<u>916,767</u>
Department of Health and Senior Services, Division of Regulation and Licensure			
For the purpose of funding activities to improve the quality of childcare, increase the availability of early childhood development programs, before- and after-school care, in-home services for families with newborn children, and for general administration of the program	728,740	576,961	151,779
For the purpose of funding program operations and support Personal Service and/or Expense and Equipment	252,476	240,894	11,582
Total Department of Health and Senior Services	<u>981,216</u>	<u>817,855</u>	<u>163,361</u>
Office of Administration			
DHSS IT Consolidation Expense and Equipment	35,145	35,116	29
DSS IT Consolidation Personal Service	1,397	1,392	5
Unemployment Benefits	102	3	99
	<u>36,644</u>	<u>36,511</u>	<u>133</u>
Total All Funds	<u>\$ 30,869,398</u>	<u>29,402,894</u>	<u>1,466,504</u>

Appendix III

EARLY CHILDHOOD DEVELOPMENT, EDUCATION, AND CARE FUND  
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES  
 YEAR ENDED JUNE 30, 2006

	Appropriations	Expenditures	Lapsed Balances
Department of Elementary and Secondary Education			
For grants to school districts under the Early Childhood Development, Education and Care Program, including up to \$25,000 in expense and equipment, for program administration	\$ 14,757,600	14,318,929	438,671
For the First Steps Program	578,644	578,644	0
Total Department of Elementary and Secondary Education	<u>15,336,244</u>	<u>14,897,573</u>	<u>438,671</u>
Department of Social Services, Children's Division			
For the purpose of funding early childhood start-up and expansion grants pursuant to Chapter 313, RSMo	3,689,400	3,578,248	111,152
For the purpose of funding early childhood development, education, and care programs for low-income families pursuant to Chapter 313, RSMo	3,074,500	2,969,157	105,343
For the purpose of payments to accredited child care providers pursuant to Chapter 313, RSMo	3,074,500	2,896,371	178,129
For the purpose of funding certificates to low-income, at-home families pursuant to Chapter 313, RSMo	3,074,500	2,737,448	337,052
For the purpose of funding child care services, the general administration of the programs, and to support the Educare Program	1,548,152	1,548,152	0
For the Children's Division personal service and/or expense and equipment	51,993	51,993	0
DSS IT Consolidation Personal Service	1,343	1,343	0
Total Department of Social Services	<u>14,514,388</u>	<u>13,782,712</u>	<u>731,676</u>
Department of Health and Senior Services, Division of Health Standards and Licensure			
For the purpose of funding activities to improve the quality of childcare, after-school care, in-home services for families with newborn children, and for general administration of the program in accordance with Section 313.835, RSMo	728,740	559,350	169,390
For the purpose of funding program operations and support Personal Service and/or Expense and Equipment	230,320	227,262	3,058
DHSS IT Consolidation Expense and Equipment	38,938	38,938	0
Total Department of Health and Senior Services	<u>997,998</u>	<u>825,550</u>	<u>172,448</u>
Total All Funds	<u>\$ 30,848,630</u>	<u>29,505,835</u>	<u>1,342,795</u>

Appendix IV

EARLY CHILDHOOD DEVELOPMENT, EDUCATION, AND CARE FUND  
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES  
 YEAR ENDED JUNE 30, 2005

	Appropriations	Expenditures	Lapsed Balances
Department of Elementary and Secondary Education			
For grants to school districts under the Early Childhood Development, Education and Care Program, including up to \$25,000 in expense and equipment, for program administration	\$ 16,545,112	12,815,600	3,729,512
For the First Steps Program	<u>5,286,042</u>	<u>5,286,042</u>	<u>0</u>
Total Department of Elementary and Secondary Education	<u>21,831,154</u>	<u>18,101,642</u>	<u>3,729,512</u>
Department of Social Services, Children's Division			
For the purpose of funding early childhood start-up and expansion grants pursuant to Chapter 313, RSMo	4,136,278	3,622,721	513,557
For the purpose of funding early childhood development, education, and care programs for low-income families pursuant to Chapter 313, RSMo	3,446,898	2,937,042	509,856
For the purpose of payments to accredited child care providers pursuant to Chapter 313, RSMo	3,446,898	3,044,564	402,334
For the purpose of funding certificates to low-income, at-home families pursuant to Chapter 313, RSMo	3,446,898	3,032,370	414,528
For the purpose of funding child care services, the general administration of the programs, and to support the Educare Program	1,548,152	1,507,969	40,183
For the Children's Division personal service and/or expense and equipment	<u>53,336</u>	<u>51,372</u>	<u>1,964</u>
Total Department of Social Services	<u>16,078,460</u>	<u>14,196,038</u>	<u>1,882,422</u>
Department of Health and Senior Services, Division of Health Standards and Licensure			
For the purpose of funding activities to improve the quality of childcare, after-school care, in-home services for families with newborn children, and for general administration of the program in accordance with Section 313.835, RSMo	728,740	492,920	235,820
For the purpose of funding program operations and support Personal Service and/or Expense and Equipment	269,258	255,713	13,545
Health Leasing	<u>17,516</u>	<u>11,800</u>	<u>5,716</u>
Total Department of Health and Senior Services	<u>1,015,514</u>	<u>760,433</u>	<u>255,081</u>
Total All Funds	<u>\$ 38,925,128</u>	<u>33,058,113</u>	<u>5,867,015</u>

Appendix V  
 GAMING COMMISSION FUND  
 COMPARATIVE SCHEDULE OF STATUTORILY REQUIRED TRANSFERS

	Year Ended June 30,													Total	
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995		1994
Transfers to Veterans' Commission Capital Improvement Trust Fund*	\$ 6,000,000	6,000,000	9,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	38,905,493	53,876,013	0	8,408,536	0	0	137,190,042
Transfers to Missouri National Guard Trust Fund*	4,000,000	4,000,000	5,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	0	0	0	0	31,000,000	
Transfers to Missouri College Guarantee Fund	5,000,000	5,000,000	5,000,000	5,000,000	4,500,000	4,500,000	6,000,000	4,500,000	3,000,000	0	0	0	0	42,500,000	
Transfers to Early Childhood Development Education and Care Fund	28,923,521	30,357,641	33,570,596	27,484,600	34,173,702	31,746,595	30,538,114	34,417,893	25,500,000	0	0	0	0	276,712,662	
Transfers to Compulsive Gamblers Fund	248,173	160,814	489,850	489,850	472,704	398,074	46,612	0	0	0	0	0	0	2,306,077	
Transfer to the General Revenue Fund - State	0	0	0	0	0	0	0	0	0	0	0	0	3,000,000	3,000,000	
Gaming Proceeds for Education Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	929,232	
<b>TOTAL</b>	<b>\$ 44,171,694</b>	<b>45,518,455</b>	<b>53,060,446</b>	<b>38,974,450</b>	<b>45,146,406</b>	<b>42,644,669</b>	<b>42,584,726</b>	<b>44,917,893</b>	<b>70,405,493</b>	<b>53,876,013</b>	<b>0</b>	<b>8,408,536</b>	<b>3,000,000</b>	<b>929,232</b>	<b>493,638,013</b>

\* Transfers during the year ended June 30, 2005, include \$3 million and \$1 million to the Veterans' Commission Capital Improvement Trust fund and Missouri National Guard Trust Fund, respectively, that pertain to the year ended June 30, 2004. The transfer made to the Veterans' Commission Capital Improvement Trust Fund in fiscal year 1999 included \$35,905,493 of remaining net proceeds collected during fiscal year 1998 and therefore, distributed pursuant to the laws effective for fiscal year 1998 collections.