

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

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

For the year ended June 30, 2005

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. During Fiscal Year 2005, the Board funded local planning grants to provide the opportunity for communities to identify key partners, choose a lead agency, establish collaborative working relationships, identify facilitators, and determine community need and readiness to receive training and provide the Nurturing Parenting curriculum in its full fidelity. The Nurturing Parenting curriculum improves parenting skills and reduces behaviors linked with child abuse. For Fiscal Years 2005 and 2004, the Trust Fund was appropriated 1.5 full-time equivalent staff and received its funding from the dissolution of marriage docket fees 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, 2005 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, 2005 and as of June 30, 2004.

Colorado Children's Trust Fund Schedule of Revenues and Expenditures For the Fiscal Years ending June 30, 2005 and 2004		
	2005	2004
Revenue		
Dissolution of Marriage Docket Fee	\$ 311,838	\$ 315,000
Interest Income	11,973	7,619
Reimbursement Prior Year ¹	-	15,322
<i>Total Revenue</i>	323,811	337,941
Expenditures		
Grants and Contracts	205,893	175,000
Personal Services	38,849	49,150
Operating Expenses	1,155	1,638
Professional Services	700	687
Indirect Costs	12,259	8,600
<i>Total Expenditures</i>	258,856	235,075
Increase (Decrease) in Fund Balance	64,955	102,866
Total Unrestricted Fund Balance, beg.	303,298	200,432
Total Unrestricted Fund Balance, ending	\$ 368,253	\$ 303,298
Source: Terry & Stephenson, P.C. compilation of data obtained from COFRS subsequent to recommended adjustments.		
1. Reimbursement funds from the Prevention Services Division for Fiscal Year 2003 retirement payouts.		

Result 1:

We noted no significant variances between June 30, 2005 and June 30, 2004.

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 2005.

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, four 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:

Fiscal Year 2003 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.

Implemented: This recommendation was assessed as "Partially Implemented" in Fiscal Year 2004 because the administrative expenditures were not adequately reduced. During Fiscal Year 2005, the Trust Fund reduced its administrative expenditures from 26 percent to 20 percent.

Procedure 5:

We analytically reviewed the Colorado Children's Trust Fund's administrative expenditures and grant and contract expenditures and compared them to total revenues and total expenditures for reasonableness.

Result 5:

Per Section 19-3.5-107(2)(a), C.R.S., states that, "Until the total amount of assets in the trust fund exceeds five million dollars, not more than seventy-five percent of the moneys credited to the trust fund each year pursuant to section 13-32-101(1)(a), C.R.S., plus any interest credited thereon to the trust fund during the previous year shall be available for disbursement or expenditure by the board". The statute does not specifically define whether disbursement of funds for purposes other than grant disbursement and expenditures is also included under the 75 percent limitation. However, the statute does not make a distinction between grant and non-grant disbursements and expenditures.

The total assets were \$303,298 at the beginning of fiscal year 2005. At the end of fiscal year 2005, the total assets were \$474,928. During Fiscal Year 2005, \$311,838 was collected in Divorce Docket Fees of which \$233,879 (75 percent) was available for disbursement or expenditure. An additional \$7,619 in interest from the prior year was also available. As a result, a total of \$241,498 was available for disbursement or expenditure by the Board during Fiscal Year 2005.

We noted a total of \$258,856 in total expenditures for the Fund during Fiscal Year 2005. Of this amount, \$205,893, was for grant and contract expenditures. The remaining \$52,963 consisted of \$38,849 of professional service (.58 FTE) and \$14,114 for indirect costs, office supplies, and information technology. Altogether, the total expenses of \$258,857 exceeded the amount of \$241,498 available under the terms of the statute for disbursement or expenditure by \$17,358.

Recommendation No. 1:

The Department of Public Health and Environment should comply with the limitation on disbursements and expenditures from the Children's Trust Fund established under Section 13-32-101(1)(a), C.R.S.

In addition, the Department should repay the \$17,358 in excess disbursements and expenditures from the Trust made during fiscal year 2005.

Department of Public Health and Environment Response:

The Colorado Children's Trust Fund is created in § 19-3.5-106, C.R.S., and its funding is derived from the fees established in § 13-32-101(1)(a), C.R.S. The Department believes that the 75 percent limitation established in Section 19-3.5-107(2), C.R.S. does not apply to non-grant disbursements and expenditures; therefore, the expenditures do not exceed the statutory limitation.

Department of Public Health and Environment Response (continued):

As the auditors acknowledge and state above, "the statute does not specifically define whether disbursements of funds for purposes other than grant disbursement and expenditures is also included under the 75 percent limitation." Despite this acknowledgment, the recommendation cites the Department for failure to comply with the statute. This recommendation does not afford the Department the opportunity to seek a legal opinion concerning the interpretation of this statute prior to concluding that the Department was out of compliance and should repay excess disbursements and expenditures. In an effort to obtain a more objective interpretation, the Department will seek an opinion from the Office of the Attorney General by April 2006 to clarify the disbursement or expenditure limitation in Section 19-3.5-107(2)(a), C.R.S.

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.

Jery + Stephenson, P.C.

Denver, Colorado
August 11, 2005

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