

**CHILD AND FAMILY CONNECTIONS, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**CHILD AND FAMILY CONNECTIONS, INC.  
TABLE OF CONTENTS  
JUNE 30, 2010 AND 2009**

	<b>Page(s)</b>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6 – 10
<b>Additional Information</b>	
Schedule of Expenditures of Federal Awards, State Financial Assistance, and State Matching of Federal Awards	12
Notes to Schedule of Expenditures of Federal Awards, State Financial Assistance, and State Matching of Federal Awards	13
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	14 – 15
<b>Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Financial Assistance Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General</b>	16 – 17
<b>Schedule of Findings and Questioned Costs – Federal Awards Programs and State Financial Assistance Projects</b>	18 – 22
<b>Management Letter of Independent Auditors' Required by Chapter 10.650, Rules of the Auditor General</b>	23
<b>Management's Response</b>	25 - 26

JAMES MOORE & CO., P.L.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Child and Family Connections, Inc.:

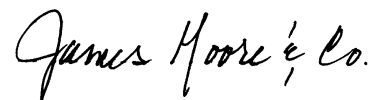
We have audited the accompanying statements of financial position of Child and Family Connections, Inc. (the "Organization") as of June 30, 2010 and June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child and Family Connections, Inc. as of June 30, 2010 and June 30, 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2010, on our consideration of Child and Family Connections, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Child and Family Connections, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, State Financial Assistance, and State Matching of Federal Awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Daytona Beach, Florida  
December 16, 2010

**CHILD AND FAMILY CONNECTIONS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,019,496	\$ 2,517,089
Certificate of deposit	-	250,000
Other accounts receivable	17,223	15,638
Prepaid expenses	82,690	65,087
Total current assets	3,119,409	2,847,814
<b>Deposits</b>	55,137	53,999
<b>Other assets</b>	46,000	46,000
<b>Investment in limited partnership</b>	-	-
<b>Restricted cash and cash equivalents - Client trust funds</b>	143,923	80,894
<b>Property and equipment, net</b>	195,788	131,205
<b>Total Assets</b>	\$ 3,560,257	\$ 3,159,912
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current liabilities</b>		
Accounts payable	\$ 2,150,981	\$ 1,946,886
Accrued expenses	311,070	259,537
Deferred revenue	543,430	597,079
Total current liabilities	3,005,481	2,803,502
<b>Client trust funds</b>	143,923	80,894
<b>Total liabilities</b>	3,149,404	2,884,396
<b>Net assets</b>		
Unrestricted	403,007	268,468
Temporarily restricted	7,846	7,048
Total net assets	410,853	275,516
<b>Total Liabilities and Net Assets</b>	\$ 3,560,257	\$ 3,159,912

The accompanying notes to financial statements  
are an integral part of these statements.

**CHILD AND FAMILY CONNECTIONS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<b>2010</b>			<b>2009</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and revenue</b>						
Public support - government grants	\$ 37,252,780	\$ -	\$ 37,252,780	\$ 35,795,801	\$ -	\$ 35,795,801
Private support	234,408	8,725	243,133	87,540	6,640	94,180
Other	2,428	-	2,428	27,750	-	27,750
Net assets released from restrictions:						
Expiration of time restrictions	7,927	(7,927)	-	11,553	(11,553)	-
Total support and revenue	<u>37,497,543</u>	<u>798</u>	<u>37,498,341</u>	<u>35,922,644</u>	<u>(4,913)</u>	<u>35,917,731</u>
<b>Expenses</b>						
Purchased program services	31,645,518	-	31,645,518	30,802,535	-	30,802,535
Professional fees and insurance	255,175	-	255,175	184,710	-	184,710
Salaries and benefits	3,455,218	-	3,455,218	3,062,293	-	3,062,293
Occupancy	1,030,227	-	1,030,227	1,088,548	-	1,088,548
General and administrative	888,891	-	888,891	506,132	-	506,132
Depreciation expense	87,975	-	87,975	9,825	-	9,825
Loss on disposal of assets	-	-	-	3,447	-	3,447
Total expenses	<u>37,363,004</u>	<u>-</u>	<u>37,363,004</u>	<u>35,657,490</u>	<u>-</u>	<u>35,657,490</u>
<b>Increase (decrease) in net assets</b>	<u>134,539</u>	<u>798</u>	<u>135,337</u>	<u>265,154</u>	<u>(4,913)</u>	<u>260,241</u>
<b>Net assets, beginning of year</b>	268,468	7,048	275,516	3,314	11,961	15,275
<b>Net assets, end of year</b>	<u>\$ 403,007</u>	<u>\$ 7,846</u>	<u>\$ 410,853</u>	<u>\$ 268,468</u>	<u>\$ 7,048</u>	<u>\$ 275,516</u>

The accompanying notes to financial statements  
are an integral part of these statements.

**CHILD AND FAMILY CONNECTIONS, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<b>2010</b>			<b>2009</b>		
	<b>Program Services</b>	<b>Supporting Services</b>		<b>Program Services</b>	<b>Supporting Services</b>	
	<b>Child Services</b>	<b>Administrative Services</b>	<b>Total</b>	<b>Child Services</b>	<b>Administrative Services</b>	<b>Total</b>
Purchased program services:						
Case management	\$ 8,009,513	\$ -	\$ 8,009,513	\$ 8,108,310	\$ -	\$ 8,108,310
Foster home licensing and recruiting	3,180,437	-	3,180,437	3,767,807	-	3,767,807
Mental health services	1,054,029	-	1,054,029	1,093,496	-	1,093,496
Maintenance adoption services	8,288,153	-	8,288,153	7,892,449	-	7,892,449
Residential and therapeutic care	7,024,608	-	7,024,608	6,490,247	-	6,490,247
Prevention and support services	1,005,924	-	1,005,924	1,153,419	-	1,153,419
Independent living and transitional support services	3,034,253	-	3,034,253	2,244,515	-	2,244,515
Other	48,601	-	48,601	52,292	-	52,292
Total purchased program services	31,645,518	-	31,645,518	30,802,535	-	30,802,535
Salaries and benefits	2,539,925	915,293	3,455,218	2,080,677	981,616	3,062,293
General and administrative	588,674	300,217	888,891	325,690	180,442	506,132
Professional fees and insurance	120,072	135,103	255,175	73,237	111,473	184,710
Occupancy	949,157	81,070	1,030,227	976,454	112,094	1,088,548
Depreciation	65,981	21,994	87,975	4,913	4,912	9,825
Loss on disposal of fixed assets	-	-	-	-	3,447	3,447
<b>Total expenses</b>	<b>\$ 35,909,327</b>	<b>\$ 1,453,677</b>	<b>\$ 37,363,004</b>	<b>\$ 34,263,506</b>	<b>\$ 1,393,984</b>	<b>\$ 35,657,490</b>

The accompanying notes to financial statements  
are an integral part of these statements.

**CHILD AND FAMILY CONNECTIONS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Net increase in net assets	\$ 135,337	\$ 260,241
Adjustments to reconcile net increase in net assets to net cash provided by operating activities:		
In kind donation of equipment	(145,897)	-
Depreciation	87,975	9,825
Loss on disposal of assets	-	3,447
Decrease (increase) in other accounts receivable	(1,585)	373,514
Increase in prepaid expenses and deposits	(18,741)	(9,034)
Increase in accounts payable	204,095	54,703
Increase in accrued expenses	51,533	59,945
Increase (decrease) in deferred revenue	(53,649)	384,672
Decrease (increase) in restricted cash and cash equivalents - client trust funds	(63,029)	5,208
Increase (decrease) in client trust funds	63,029	(5,208)
Net cash provided by operating activities	259,068	1,137,313
<b>Cash flows from investing activities</b>		
Purchases of furniture and equipment	(6,661)	(128,382)
Purchase of certificate of deposit	-	(250,000)
Redemption of certificate of deposit	250,000	-
Net cash provided by (used in) investing activities	243,339	(378,382)
<b>Net increase in cash and cash equivalents</b>	502,407	758,931
<b>Cash and cash equivalents, beginning of year</b>	2,517,089	1,758,158
<b>Cash and cash equivalents, end of year</b>	\$ 3,019,496	\$ 2,517,089
<b>Supplemental disclosure of cash flow information:</b>		
In kind donation of equipment	\$ 145,897	\$ -

The accompanying notes to financial statements  
are an integral part of these statements.

**CHILD AND FAMILY CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

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

(a) **General**—Child and Family Connections, Inc., (the Organization) is a Florida nonprofit organization exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Organization was organized as a corporation under the laws of the State of Florida in December 1999, for the purpose of administering, integrating, coordinating, and assuring the delivery of child protection services, emergency shelter, in-home protective services, relative care placements, foster care, foster care supervision, permanent foster care, intensive residential treatment, independent living, family reunification, and family prevention, adoption and appropriate related services in Palm Beach County, Florida.

The Organization's primary source of funding is from the State of Florida's Department of Children and Families (DCF). As of July 1, 2009, a new contract in the amount of \$108,555,459 was entered into which will expire on June 30, 2012. Amendment No. 4 effective June 11, 2010 increased the amount of the contract to \$109,569,437. The contract can be terminated without cause by either the Organization or DCF with 30 calendar days notice. In the event funding is unavailable, the contract with DCF can be terminated with 24 hours notice.

(b) **Basis of financial reporting**—The Organization's financial statements have been prepared on an accrual basis. The Organization is required to report information regarding its financial position and activities in according to three classes of net assets:

**Unrestricted net assets**—Net assets that are not subject to donor-imposed restrictions.

**Temporarily restricted net assets**—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

**Permanently restricted net assets**—Net assets subject to donor-imposed stipulations that will not be met by either actions of the Organization or the passage of time. As of June 30, 2010 and 2009, there were no permanently restricted net assets.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization records all revenues and gains that are spent in the same fiscal year as unrestricted revenue. Any amounts not spent are recorded as either temporarily restricted or permanently restricted revenue if donor restrictions exist.

(c) **Contributions**—Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

(d) **Cash and cash equivalents**—The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(e) **Certificate of deposit**—The Organization's certificate of deposit is reported at cost plus accrued interest, which approximates fair market value.

**CHILD AND FAMILY CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

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

(f) **Income taxes**—The Organization is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is classified as a publicly supported organization that is not a private foundation under Section 509 (1) of the Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements. The Organization had no net unrelated business income for the years ended June 30, 2010 and 2009.

The Organization files income tax returns in the U.S. federal jurisdiction. The Organization is no longer subject to U.S. Federal income tax examinations by tax authorities for years before 2007. The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

(g) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

(h) **Property and equipment**—Furniture and equipment acquired by the Organization is considered to be owned by the Organization. However, funding sources may maintain an equitable interest in the assets purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State of Florida has a reversionary interest in those assets purchased with its funds that have a cost of \$1,000 or more and an estimated useful life of at least one year. The Federal Government has a reversionary interest in those assets purchased with its funds that have a cost of \$5,000 or more and an estimated useful life of at least one year.

Furniture and equipment with a value greater than \$1,000 and an estimated useful life of at least one year is recorded at cost when purchased or at estimated fair market value when contributed. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from three to seven years. Repairs and maintenance are expensed as incurred.

(i) **Other accounts receivable**—Other accounts receivable are stated at the amount management expects to collect from balances at year-end. Based on management's assessment of the current relationship and credit worthiness of entities having balances with the Organization, it has concluded that the realization of losses on balances outstanding at year-end will be immaterial.

(j) **Deferred revenue**—Deferred revenue, if any, primarily consists of advances received for contracted programs that apply to future periods.

(k) **Functional allocation of expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**CHILD AND FAMILY CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

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

(l) **Reclassification**—Certain amounts from the 2009 financial statements have been reclassified to conform with the current year presentation. Specifically, Organization reclassified the 2009 amounts reported as investment in limited partnership to other assets. This reclassification occurred as a result of the Organization receiving a distribution from the limited partnership, reducing its carrying value to zero. This reclassification had no effect on the change in net assets or the nature of net assets. See notes to financial statements 11 and 12 for additional information

(m) **Subsequent events**—The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 16, 2010, which is the date that the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

(2) **Significant Funding Source:**

The Organization receives a substantial amount of its funding (approximately 99%) from the U.S. Department of Health and Human Services that is passed through the State of Florida and the Department of Children and Families. A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the Organization's programs and activities.

(3) **Certificate of Deposit:**

At June 30, 2009, the Organization held a certificate of deposit with a face value of \$250,000. This certificate bore interest at 2.25% and matured on November 12, 2009.

(4) **Concentration of Credit Risk:**

Significant concentrations of credit risk for all financial instruments owned by the Organization for the years ended June 30, 2010 and 2009 are as follows:

**Cash in bank**—The Organization maintains demand deposits and one certificate of deposit with two federally insured banks. At times, the balances in these accounts were in excess of federally insured limits. At June 30, 2010 and 2009, the account balances exceeded federally insured limits by \$3,908,846 and \$3,503,820, respectively. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(5) **Property and Equipment:**

Property and equipment consist of the following as of June 30, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Furniture and equipment	\$ 343,463	\$ 201,052
Less: Accumulated depreciation	147,675	69,847
	\$ 195,788	\$ 131,205

DCF holds a reversionary interest in all non-expendable tangible personal property acquired with funds received from DCF. Depreciation expense for the years ended June 30, 2010 and 2009 was \$87,975 and \$9,825, respectively.

**CHILD AND FAMILY CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

(6) **Line of Credit:**

On July 10, 2006, the Organization executed a line of credit, with a financial institution that allows borrowings up to \$1,000,000, with an interest rate equal to Prime Rate. The interest rate at June 30, 2010 was 3.25%. There were no advances from this line of credit during fiscal year 2010 and as of June 30, 2010, no amounts were outstanding on the line of credit. The line of credit is collateralized by the Organization's accounts receivable. The line of credit will expire on January 28, 2012.

(7) **Employee Leasing Company:**

The Organization utilizes the service of an employee leasing service for staffing purposes. The employee leasing service provides employee benefits, including health insurance and 401(k) plan participation. All expenses associated with the services provided by the employee leasing service are shown as salaries and benefits on the Statement of Functional Expenses. Effective January 1, 2009, the Organization increased its 401(k) matching contribution from 3% to 4%. For the years ended June 30, 2010 and 2009, the Organization made retirement contributions totaling \$24,642 and \$24,738, respectively.

(8) **Grants and Match Requirements:**

The Organization has an agreement with and receives a substantial portion of its support from the State of Florida Department of Children and Families and the U.S. Department of Health and Human Services. The agreement with DCF has a requirement that a specified amount of the grant be funded by matching funds from specified sources. The Organization is subject to audit by the granting agencies and, if these audits are unfavorable, the agencies can require a refund of a portion of the contracts. It is management's opinion that the terms of the agreement have been substantially met and costs submitted for reimbursements are allowable under the agreement. Management believes that the matching requirements were met.

(9) **Commitments:**

The Organization leases certain office space under agreements classified as operating leases. Office space leases expire at various dates through June 2015. Total rent expense for the years ended June 30, 2010 and 2009, was approximately \$1,030,000 and \$1,089,000, respectively. Future minimum lease payments under all such leases having initial non-cancelable terms in excess of one year for each of the next five years and in the aggregate are as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2011	\$ 1,006,702
2012	999,340
2013	811,150
2014	275,765
2015	169,391
	<u>\$ 3,262,348</u>

**CHILD AND FAMILY CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

(10) **Contingencies:**

Amounts received or receivable from governmental agencies are subject to audit and adjustment by grantor agencies, principally federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

(11) **Investment in Limited Partnership and Related Support:**

The Organization owns a 3.8462% interest in The Community Based Care Partnership, Ltd. The Community Based Care Partnership, Ltd. was created in 2007 and is contracted together with Magellan Behavioral Health Florida, Inc. to provide allowable prepaid mental health services to Medicaid eligible children for the State of Florida.

Under this contractual relationship, Community Based Care Partnership, Ltd. is to provide administrative services for this contract through CBC of Seminole (“General Partner”) and the various community based care organization throughout the State. The Organization contracts with Community Based Care Partnership, Ltd. to provide administrative services for the prepaid mental health program in the Organization’s service areas.

The Organization is considered a limited partner in the contractual relationship with Community Based Care Partnership, Ltd. As a limited partner, the Organization is an independent contractor, not an employee, agent, or joint venturer of Community Based Care Partnership, Ltd.

During 2009, the Organization received a distribution from the limited partnership for \$46,084, which reduced the carrying value of the investment in The Community Based Care Partnership, Ltd. to zero. As discussed in note 1(l), the prior year amount reported as investment in limited partnership has been reclassified to other assets a result of this distribution and subsequent investment (see note 12 to the financial statements for additional information).

(12) **Other Asset – Child Welfare Trust:**

In 2009, the limited partners of The Community Based Care Partnership, Ltd. formed the Child Welfare Trust (the “Trust”) which is a risk pool formed to provide assets to meet the obligations of the prepaid mental health program. Each partner made an initial contribution to the Trust of \$46,000. The Organization shares in this risk pool based on their respective ownership percentage. The Organization may be required to fund the risk pool on an annual basis based on the medical loss ratio. Quarterly, the General Partner makes a determination whether the assets held in the risk pool are sufficient to meet the obligations of the prepaid mental health program in the Organization’s service areas. If funding of the risk pool is required, the Organization may be required to utilize unrestricted funds as it is not a chargeable expense under the grant agreement with the State of Florida, Department of Children and Families as discussed in Note 1(a). During the year ended June 30, 2010, the Organization was not required to make any additional contributions to the Trust.

**CHILD AND FAMILY CONNECTIONS, INC.**

**ADDITIONAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2010**

**CHILD AND FAMILY CONNECTIONS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE, AND STATE MATCHING OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>Federal Agency/State Agency, Pass-Through Entity, State Project</u>	<u>CFDA/ CSFA Number</u>	<u>Grantor's Contract Number</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS</b>			
<b>U.S. Department of Health and Human Services</b>			
Passed through State of Florida			
Department of Children and Families:			
Temporary Assistance for Needy Families (TANF) - TANF Cluster	93.558	IJ701	\$ 2,905,014
Access and Visitation Program	93.597	IJ701	41,356
Chafee Education and Training Vouchers Program	93.599	IJ701	120,027
Child Welfare Services	93.645	IJ701	417,492
Promoting Safe and Stable Families	93.556	IJ701	617,866
Family Preservation and Support Services	93.556	IJ701	17,918
			<u>635,784</u>
Title IV-E Foster Care	93.658	IJ701	6,632,974
Title IV-E Foster Care - American Recovery and Reinvestment Act	93.658	IJ701	262,367
			<u>6,895,341</u>
Adoption Assistance	93.659	IJ701	4,149,508
Adoption Assistance - American Recovery and Reinvestment Act	93.659	IJ701	460,614
			<u>4,610,122</u>
Social Services Block Grant	93.667	IJ701	2,472,643
Child Abuse and Neglect Grant	93.669	IJ701	15,032
Chafee Foster Care Independent Living	93.674	IJ701	350,039
Medical Assistance Program	93.778	IJ701	53,745
Adoption Incentive Payments	93.603	IJ701	366,235
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 18,882,830</u></b>
<b>STATE FINANCIAL ASSISTANCE</b>			
<b>Department of Children and Families</b>			
Community Based Care Supports	60.094	IJ701	\$ 14,495,851
<b>Total Expenditures of State Financial Assistance</b>			<b><u>\$ 14,495,851</u></b>
<b>STATE MATCHING OF FEDERAL AWARDS</b>			
<b>Department of Children and Families</b>			
Chafee Education and Training Vouchers Program	93.599	IJ701	\$ 30,007
Child Welfare Services	93.645	IJ701	139,164
Adoption Assistance	93.659	IJ701	2,825,050
Adoption Assistance - American Recovery and Reinvestment Act	93.659	IJ701	270,172
Chafee Foster Care Independent Living	93.674	IJ701	87,510
Medical Assistance Program	93.778	IJ701	61,934
Block Grants for Community Mental Health Services	93.958	IJ701	454,289
Promoting Safe and Stable Families	93.556	IJ701	5,973
<b>Total Expenditures of State Matching of Federal Awards</b>			<b><u>\$ 3,874,099</u></b>
<b>Total Expenditures of Federal Awards, State Financial Assistance, and State Matching of Federal Awards</b>			<b><u>\$ 37,252,780</u></b>

See accompanying notes to the Schedule of Expenditures of Federal Awards,  
State Financial Assistance, and State Matching of Federal Awards

**CHILD AND FAMILY CONNECTIONS, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE, AND STATE MATCHING OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Note (1): Basis of Accounting**

The Schedule of Expenditures of Federal Awards, State Financial Assistance, and State Matching of Federal Awards (the Schedule) is prepared on the accrual basis of accounting.

**Note (2): Service Provided Contracts**

Only revenues earned in accordance with the contract terms are reported as expenditures on the Schedule.

**Note (3): Sub-recipients**

Of the expenditures presented in the accompanying Schedule, Child and Family Connections, Inc. provided federal awards, state financial assistance, and state matching of Federal Award under contract number IJ701 to sub-recipients as follows:

4Kids of South Florida	\$ 87,000	Hibiscus Children's Center	\$ 490,971
A&D Group Home	44,640	Images of Glory	119,065
Alpha House	32,161	JAFCO	109,040
Alternate Family Care	70,751	Kids in Distress	376,833
Brookwood Florida	39,495	New Options of RPB	72,362
Camelot Community Care	89,325	Our Mother's Home	95,390
Charlee Family Care	70,450	Parent Child Center	419,610
Chrysalis Center	57,725	Place of Hope	1,644,474
Children's Home Society	5,128,720	Pleasant Place	39,765
Choices Children & Families Consortium	83,890	Real Life Children's Ranch	257,978
Choices Programs Org	67,800	Reyna Group Home	131,356
Devereux Foundation	252,984	Tampa Bay Academy	24,092
Family Preservation	4,025,680	TCHPS	1,173,539
Father Flanagan's Boys Home	392,602	The 12 for Children	38,962
Florida Baptist Children Home	40,270	The Haven	698,272
Foster Adoptive Parent Association	93,665	VisionQuest Life Corp	518,352
Genesis House	114,733	VisionQuest National Ltd	105,590
Girls and Boys Town	409,382	Vita Nova	546,469
Grandma's Place	365,220	World Good News	106,737
	<u>11,466,493</u>		<u>6,968,857</u>
		Total payment to sub-recipients	<u>\$ 18,435,350</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of  
Child and Family Connections, Inc.:

We have audited the financial statements of Child and Family Connections, Inc., (the Organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

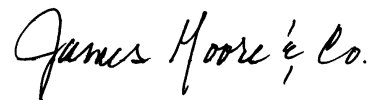
## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2006-05 and 2010-01.

We noted certain matters that we reported to management of the Organization in a separate letter dated December 16, 2010.

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of Child and Family Connections, Inc., others within the entity, the Board of Directors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "James Moore & Co." The signature is written in black ink and is positioned to the right of the main body of text.

Daytona Beach, Florida  
December 16, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

To the Board of Directors of  
Child and Family Connections, Inc.:

**Compliance**

We have audited Child and Family Connections, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs and state financial assistance projects for the year ended June 30, 2010. The Organization's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2006-05 and 2010-01.

## Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.


*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2006-05 and 2010-01. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the Organization, Board of Directors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daytona Beach, Florida  
December 16, 2010



**CHILD AND FAMILY CONNECTIONS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS**  
**PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**I. Summary of Auditors' Results:**

**Financial Statements:**

- Type of auditors' report issued: *Unqualified*

**Internal control over financial reporting:**

- No significant deficiencies or material weaknesses were reported related to internal control over financial reporting.
- No instances of noncompliance material to the financial statements were noted.

**Federal Awards:**

- No material weaknesses were identified related to internal control over major programs.
- Two significant deficiencies were identified related to internal control over major programs.
- Type of auditors' report issued on compliance for major programs: *Unqualified*
- The audit disclosed audit findings, which are required to be reported in accordance with Section 510(a) of Circular A-133 and are included in this schedule.
- Identification of Major programs:
  - CFDA No. 93.558 – Temporary Assistance for Needy Families (TANF) Grant.
  - CFDA No. 93.658 – Foster Care Title IV-E.
  - CFDA No. 93.659 – Adoption Assistance.
- Dollar threshold used to distinguish between Type A and Type B programs was \$566,485.
- Auditee is not considered to be a low risk auditee pursuant to OMB Circular A-133.

**CHILD AND FAMILY CONNECTIONS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS**  
**PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
(Continued)

**State Financial Assistance:**

- No material weaknesses or significant deficiencies were reported related to internal control over major projects.
- Type of auditors' report issued on compliance for major projects: *Unqualified*
- The audit disclosed no audit findings, which are required to be reported in accordance with Rules of the Auditor General, Chapter 10.650.
- Identification of Major projects:
  - CSFA No. 60.094 – Community Based Care Supports.
- Dollar threshold used to distinguish between Type A and Type B projects was \$433,266.

**II. Financial Statement Findings:**

None

**II. Findings and Questioned Costs Major Federal Programs and State Projects:**

**2010-01 Eligibility Determination**

CFDA No. 93.659 – Adoption Assistance

CFDA No. 93.558 – Temporary Assistance for Needy Families (TANF) Grant

**Criteria**

*OMB Circular A-133 Compliance Supplement, Part 6—Internal Controls, Section E. Eligibility and Chapter 215.97, Florida Statutes, Florida Single Audit Act, Part 5—Internal Controls, Section D. Eligibility* identify control activities necessary to provide reasonable assurance that only eligible individuals and organizations receive assistance under Federal award programs and State projects, that sub-awards are made only to eligible recipients, and that amounts provided to or on behalf of eligible recipients were calculated in accordance with program and project requirements.

**Condition**

During testing we noted three families (out of fifty-one tested) currently receiving TANF subsidies were found to be residing out of state. One of the requirements for TANF funding is that the recipients must reside in the state of Florida. In each of these three instances, the families' addresses in the accounting software had been changed to show an out of state address, but the stream the child was receiving funding out of never changed. The Organization is required to perform TANF eligibility re-certifications each year. Had these re-certifications been performed timely, this would have been discovered in a timely manner. In all three cases, our audit brought the issue of families living out of state to staff's attention in time for the funding streams to be changed before the close of the year. We recommend controls be implemented to ensure when an address is changed in finance (especially out of the state of Florida), the programmatic departments are notified in case the move would trigger a change in funding eligibility.

**CHILD AND FAMILY CONNECTIONS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS**  
**PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
(Continued)

Inconsistencies in the maintenance of and completion of required forms were also noted as follows:

- Four files (out of sixty) were missing either the initial Title IV-E or initial TANF screening worksheets. Files that are missing these screening worksheets do not contain adequate documentation to determine the child's eligibility for funding a particular funding stream.
- One initial TANF screening worksheet (out of thirteen) was not properly signed by the preparer.
- One initial Title IV-E screening worksheet (out of sixty) was not properly signed by the preparer.

We recommend adequate controls be put in place to ensure all required forms are maintained in the child files to properly document the determination of the child's eligibility. In addition, we recommend the forms be completely filled out; including authorizing signatures of the form preparer.

We also noted three children were determined to be eligible under one funding stream although they were being funded from a different funding stream. In all three instances, the child was determined to be eligible for funding under either CFDA 93.558 (TANF) or CFDA 93.659 (Title IV-E), but was being funded under CSFA 60.094. Although these children would have been eligible for at least one funding stream for adoption subsidy, we recommend a process be implemented to ensure that once eligibility is determined, the children are coded correctly in ICWSIS under the proper funding stream.

**Effect**

Files must contain the appropriate documentation to support eligibility. Files should be reviewed on a regular basis to ensure that eligibility has not updated since the initial determination.

**Recommendation**

The Organization must develop and implement corrective action plans to ensure that information affecting funding eligibility be shared between departments. Any required re-certifications should be performed on a regular basis, and the funding for each child should be updated as the Organization receives information that may affect eligibility for the various funding streams.

See section IV for prior year audit findings and current year status.

**IV. Prior Year Audit Findings:**

**2006-05 Eligibility Documentation**

CFDA No. 93.659 – Adoption Assistance

CFDA No. 93.558 – Temporary Assistance for Needy Families (TANF) Grant

**Criteria**

*OMB Circular A-133 Compliance Supplement, Part 6—Internal Controls, Section E. Eligibility and Chapter 215.97, Florida Statutes, Florida Single Audit Act, Part 5—Internal Controls, Section D.*

**CHILD AND FAMILY CONNECTIONS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS**  
**PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
(Continued)

*Eligibility* identify control activities necessary to provide reasonable assurance that only eligible individuals and organizations receive assistance under Federal award programs and State projects, that subawards are made only to eligible recipients, and that amounts provided to or on behalf of eligible recipients were calculated in accordance with program and project requirements.

**Condition**

We noted during our testing of eligibility for the year ended June 30, 2009, in a sample of forty client files each from the Title IV-E and TANF child funding streams (eighty files in total), that several required forms could not be located as follows:

*Adoption – Title IV-E*

- One file was missing the most recent Notice of Case Action.
- Seven files were missing the Termination of Parental Rights on both of the biological parents.
- Ten files were missing the Termination of Parental Rights on one biological parent.
- Eight files were missing the copy of the Shelter Order or Court Order for voluntary removal, signed by the judge
- One file had an incomplete copy of the Shelter Order or Court Order for voluntary removal, signed by the judge. This shelter order was missing the first page, which indicates what children are covered by the order.
- One file was missing proof that reasonable efforts were made to place the child without paying a subsidy.
- One file contained documentation that the adoptive parents were willing to adopt the child without any sort of subsidy. Subsequent to the documentation the parents changed their mind and requested a subsidy, the file was missing documentation of any such a request for subsidy.

*Adoption – TANF*

- One file could not be located for testing.
- One file was missing the Final Judgment of Adoption.
- Five files were missing the Termination of Parental Rights on both of the biological parents.
- One file was missing the Termination of parental Rights on one biological parent.
- In two files, the Final Judgment of Adoption was not properly signed by the presiding judge.
- Four files were missing the copy of the Shelter Order or Court Order for voluntary removal, signed by the judge
- One file had an incomplete copy of the Shelter Order or Court Order for voluntary removal, signed by the judge. This shelter order was missing the first page, which indicates what children are covered by the order.
- In one file, the shelter order or Court Order was not properly signed by the presiding judge.
- Three files were missing the TANF Form determining the child is eligible for TANF funding.

**CHILD AND FAMILY CONNECTIONS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS**  
**PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
(Continued)

**Effect**

Files must contain the appropriate documentation to support eligibility. Inadequate file documentation and retention may result in disallowed costs.

**Recommendation**

The Organization must develop and implement corrective action plans to ensure that all files are properly maintained and that all eligibility requirements are met. Files should be inspected on a regular basis to ensure that noncompliance regarding eligibility is discovered and corrected promptly.

**Current Year Status**

We noted during our testing of eligibility for the year ended June 30, 2010, in a sample of client files from the Title IV-E and TANF child funding streams, that several required forms could not be located as follows:

Adoption – Title IV-E

- Sixteen files (out of sixty) were missing the most recent Notice of Case Action.
- Two files (out of nineteen) were missing a copy of the Shelter Order or Court Order for voluntary removal, signed by the judge.
- Two files (out of nineteen) were missing a copy of the original subsidy agreement signed by both parties before the finalization of adoption.
- One file (out of nineteen) was missing the Final Judgment or Adoption Order.

Adoption – TANF

- Thirty-two files (out of forty-eight) were missing the yearly TANF re-certification of eligibility.
- Two (out of twenty) files were missing copy of the Shelter Order or Court Order for voluntary removal, signed by the judge.
- One file (out of twenty) was missing a signed copy of the subsidy agreement with the adoptive parents.
- Two files (out of twenty) were missing the Termination of Parental Rights on both of the biological parents.
- Two files (out of twenty) were missing the Title IV-E screening worksheet determining the child ineligible for IV-E funding.
- One file (out of twenty) did not contain adequate documentation to determine the child's eligibility for funding.

**V. Views of Responsible Officials and Corrective Action Plans:**

See attached letter on pages 25 - 26 from Child and Family Connections, Inc.

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS'  
REQUIRED BY CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

To the Board of Directors  
Child and Family Connections, Inc.:

We have audited the financial statements of Child and Family Connections, Inc. (the Organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 16, 2010.

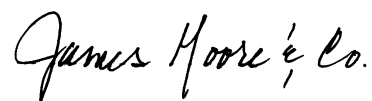
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and State Project, and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 16, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements or State Project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred and (2) deficiencies in internal control that are not significant deficiencies. No such matters were noted that are required to be disclosed.

In addition, appropriate corrective action was taken on all prior year comments listed in the management letter required by Chapter 10.650, Rules of the Auditor General for the year ended June 30, 2009.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Daytona Beach, Florida  
December 16, 2010



**MANAGEMENT'S RESPONSE**



December 13, 2010

James Halleran  
James Moore and Co.  
Daytona Beach, FL

Re: Response to Financial Statement Audit Finding

**Response to Audit Finding:**

Management's Response: As a result of the findings of this audit, as well as an internal review of title IVE Maintenance Adoption Subsidy (MAS) files, CFC continues to collect copies of all documentation required for Title IVE Maintenance Adoption Subsidy (MAS) per CFOP 175-71 and maintain them in CFC's MAS file. CFC continues to pursue obtaining all missing documents noted during this audit and the internal review and is reviewing other files to determine the need for documentation.

The following processes have been implemented to correct the issues outlined in the audit:


Currently when finance receives a change of status, if the new address is an out of state address, finance verifies the coding to determine whether the current payments have been TANF. If payments are TANF, finance notifies program operations via email. Once program operations reviews the change information a verification email is returned to finance. Finance is currently in process of reviewing all procedures and is working on implementing some formal documentation to track funding stream changes and strengthen our internal controls.

Effective April 2010, a new file documentation checklist was created and implemented. This allows for a thorough review of each subsidy file at the time of receipt of the file with a sign off by the Adoptions supervisor.

Effective June 2010, a new TANF and IV-E determination checklists were created and implemented. This allows us to closely monitor our files to ensure federal compliance as well as completing accurate initial determinations.

A master spreadsheet was created for all missing documents in files initiated under DCF authority. This allows us to track and monitor the retrieval of such documents once DCF is able to access their files.

Sincerely,

A handwritten signature in cursive script, appearing to read "Judith Karim".

Judith Karim  
Acting Chief Executive Officer