Mission: To promote high-quality school readiness, voluntary pre-kindergarten and after school programs, thus increasing all children’s chances of achieving future educational success and becoming productive members of society. The Coalition seeks to further the physical, social, emotional and intellectual needs of Miami-Dade and Monroe County children with a priority toward the ages before birth through age 5.

AUDIT COMMITTEE MEETING
July 30, 2020 at 11:00 am
Via Conference Call
Zoom Meeting ID: 928 1076 0272

I. Welcome & Introductions                     Ileana Alvarez
II. Approval of Minutes                       Ileana Alvarez
III. Verdeja, De Armas & Trujillo Audit Report Octavio Verdeja
IV. Reconciliation Project                   Victor Caballero
V. Internal Controls                           Mercy Castiglione
VI. Public Comments                           Ileana Alvarez
VII. Meeting Adjourn                           Ileana Alvarez
Audit Committee Meeting
April 30, 2018, 11:00 a.m.
Zoom Meeting, meeting ID: 919 7673 9108

Committee Attendees:  Adrian Alfonso; Ileana Alvarez; Rudy Rodriguez;

Committee Absentees:  

Staff Attendees:  Evelio Torres; Angelo Parrino; Mercy Castiglione; Alex Sanchez; Lisa Sanabria; Jackye Russell; Sandra Gonzalez

General Attendees:  

I. Welcome and Introductions  
Adrian Alfonso

- A. Alfonso called the meeting to order and welcomed everyone.
- A quorum was established with five (3) voting members.

II. Approval of Minutes  
Adrian Alfonso

- Motion to approve minutes by I. Alvarez.
- Motion seconded by A. Alfonso
- Motion unanimously passed.

III. OEL Fiscal Monitoring by Watson Rice  
Mercy Castiglione

- M. Castiglione reviewed and discussed the recent audit completed by Watson Rice. No finding were found
  - Motion to approve audit results by A. Alfonso.
  - Motion seconded by I. Alvarez.
  - Motion unanimously passed.

IV. Public Comments  
Adrian Alfonso

V. Adjourn  
Adrian Alfonso
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- Statement of Cash Flows. ......................................... 6
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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
Early Learning Coalition of Miami-Dade/Monroe, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of the Early Learning Coalition of Miami-Dade/Monroe, Inc. (the “Organization”) (a Florida nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Organization has recorded a Due from Providers in the amount of $25,400,000 with respect to overpayments made to such providers, along with a corresponding payable to the Office of Early Learning (OEL) for $25,400,000. As indicated in Note 6, the Organization is in the process of reconciling these provider payments as of June 30, 2019. Should the Organization be unable to collect in whole or in part on the amount due from the providers, OEL will assume all risk and the Organization will not incur a loss. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and Chapter 10.650, Rules of the Auditor General, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report, dated June 19, 2020, on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization’s internal control over financial reporting and compliance.
### Statement of Financial Position

**June 30, 2019**

#### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$13,984,658</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>$6,379,007</td>
</tr>
<tr>
<td>Furniture and equipment, net</td>
<td>$357,438</td>
</tr>
<tr>
<td>Other assets</td>
<td>$65,349</td>
</tr>
<tr>
<td>Due from Providers</td>
<td>$25,400,000</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$46,186,452</strong></td>
</tr>
</tbody>
</table>

#### Liabilities and Net Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$18,411,667</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>$1,258,144</td>
</tr>
<tr>
<td>Due to Office of Early Learning</td>
<td>$25,400,000</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>45,069,811</strong></td>
</tr>
<tr>
<td>Without Donor Restriction</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td><strong>1,116,641</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td><strong>$46,186,452</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
SUPPORT AND REVENUES
  Grants (federal, state, and local)  $ 189,782,053
  The Children's Trust  7,813,970
  Contributions and other  174,807
  **TOTAL SUPPORT AND REVENUE**  197,770,830

EXPENSES:
  Early education services  190,884,835
  Management and general  6,853,299
  **TOTAL EXPENSES**  197,738,134

CHANGE IN NET ASSETS  32,696

NET ASSETS, BEGINNING OF YEAR  1,083,945

NET ASSETS, END OF YEAR  $ 1,116,641

The accompanying notes are an integral part of these financial statements.
EARLY LEARNING COALITION OF MIAMI-DADE/MONROE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

<table>
<thead>
<tr>
<th>Early Education Service</th>
<th>Management and General</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dues and subscriptions $4,301</td>
<td>$69,441</td>
<td>$73,742</td>
</tr>
<tr>
<td>Enhancement projects 11,505,828</td>
<td>510,483</td>
<td>12,016,311</td>
</tr>
<tr>
<td>Educational materials 1,269,404</td>
<td>128,612</td>
<td>1,398,016</td>
</tr>
<tr>
<td>(Quality Initiatives)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment repairs and maintenance 1,377</td>
<td>5,725</td>
<td>7,102</td>
</tr>
<tr>
<td>Insurance 96,676</td>
<td>7,691</td>
<td>104,367</td>
</tr>
<tr>
<td>Meetings and conferences 30,904</td>
<td>12,979</td>
<td>43,883</td>
</tr>
<tr>
<td>Occupancy costs 1,477,097</td>
<td>211,428</td>
<td>1,688,525</td>
</tr>
<tr>
<td>Office 161,100</td>
<td>394,277</td>
<td>555,377</td>
</tr>
<tr>
<td>Other 1,345,442</td>
<td>-</td>
<td>1,345,442</td>
</tr>
<tr>
<td>Postage and freight 21,336</td>
<td>27,045</td>
<td>48,381</td>
</tr>
<tr>
<td>Printing 84,371</td>
<td>18,801</td>
<td>103,172</td>
</tr>
<tr>
<td>Professional fees 182,001</td>
<td>752,384</td>
<td>934,385</td>
</tr>
<tr>
<td>Salaries and benefits 15,129,663</td>
<td>4,298,560</td>
<td>19,428,223</td>
</tr>
<tr>
<td>Direct child care 157,422,811</td>
<td>-</td>
<td>157,422,811</td>
</tr>
<tr>
<td>Sub-recipient contracts 1,459,355</td>
<td>24,166</td>
<td>1,483,521</td>
</tr>
<tr>
<td>Telephone 321,087</td>
<td>174,187</td>
<td>495,274</td>
</tr>
<tr>
<td>Travel and training 368,665</td>
<td>107,045</td>
<td>475,710</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BEFORE DEPRECIATION 190,881,418</td>
<td>6,742,824</td>
<td>197,624,242</td>
</tr>
<tr>
<td><strong>DEPRECIATION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3,417</td>
<td>110,475</td>
<td>113,892</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$190,884,835</td>
<td>$6,853,299</td>
<td>$197,738,134</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## Statement of Cash Flows

**For the Year Ended June 30, 2019**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$32,696</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>$113,892</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
</tr>
<tr>
<td>Grants receivable</td>
<td>$6,099,528</td>
</tr>
<tr>
<td>Other assets</td>
<td>$(19,519)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$4,246,230</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>$328,474</td>
</tr>
<tr>
<td><strong>TOTAL ADJUSTMENTS</strong></td>
<td>$10,768,605</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY OPERATING ACTIVITIES</strong></td>
<td>$10,801,301</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES:</strong></td>
<td></td>
</tr>
<tr>
<td>Purchases of furniture and equipment</td>
<td>$(185,754)</td>
</tr>
<tr>
<td><strong>NET CASH USED IN INVESTING ACTIVITIES</strong></td>
<td>$(185,754)</td>
</tr>
<tr>
<td><strong>NET INCREASE IN CASH AND CASH EQUIVALENTS</strong></td>
<td>$10,615,547</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</strong></td>
<td>$3,369,111</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT END OF YEAR</strong></td>
<td>$13,984,658</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
NOTE 1 - NATURE OF ORGANIZATION
Early Learning Coalition of Miami-Dade/Monroe, Inc. f/k/a Miami-Dade School Readiness Coalition, Inc. (the “Organization”) was incorporated under the laws of the State of Florida on April 12, 2000, following the enactment of Florida State Statute 411.01 that established the Florida Partnership for School Readiness (the “Partnership”). The Organization has been entrusted to implement the Voluntary Pre-kindergarten (“VPK”) program in accordance with the laws, rules and regulations of the State of Florida particularly the Voluntary Pre-kindergarten Education Program Act, Chapter 1002, Part V, Florida Statutes. This program is designed to prepare all 4-year olds for kindergarten and build the foundation for future educational success.

The Organization’s mission is to promote school readiness and voluntary pre-kindergarten programs, thus increasing the probability for all children of achieving future educational success and becoming productive members of society. The Organization seeks to further the physical, social, emotional, and intellectual needs of Miami-Dade and Monroe County children beginning before birth through age five.

Substantially, all of the Organization’s support and revenue was received from a contract with the Partnership. The contract provides for a comprehensive program of readiness and services that enhances the cognitive, social, and physical development of children in order to achieve performance standards and outcome measures established by the Partnership. The Organization provides school readiness services to every eligible family, to the extent that funding resources are available. The Organization receives additional support and revenue from grants and donations from other sources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncement
The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspects of the Organization’s financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources.

Basis of Accounting
The Organization prepares its financial statements on the accrual basis of accounting. Accounting standards establish external financial reporting standards for not-for-profit organizations, which include four basic financial statements: the statement of financial position, the statement of activities, the statement of functional expenses, and the statement of cash flows. Accounting standards require that resources be classified for accounting and reporting purposes into the following two separate classes of net assets according to externally imposed restrictions:
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

- Net assets without donor restrictions: The portion of the net assets of the Organization that can be used subject only to the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws. In some cases, the use of these resources is also subject to limits resulting from contractual agreements entered into by the Organizations with suppliers, creditors, and others in the course of its business. The Organization has the greatest ability to choose when using these resources. Net assets without donor restrictions generally result from grant revenues, contributions and support that are not subject to donor-imposed restrictions reduced by expenses incurred in providing services, raising contributions, and performing administrative functions.

- Net assets with donor restrictions: The portion of the net assets of the Organization that is subject to either donor imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit the Organization’s choices when using these resources because the Organization has a fiduciary responsibility to its donors to follow the donor’s instructions. Net assets with donor restrictions generally result from donor-restricted contributions.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures including, but not limited to, the determination of the net realizable value of receivables and the useful lives of donated and acquired assets. Accordingly, actual results could differ from those estimates.

Concentration

The Organization places its cash deposits with creditworthy, high-quality institutions. At times, cash balances may temporarily exceed the Federal Deposit Insurance Coverage (“FDIC”) limit of $250,000.

The Organization has $1,116,641 in net assets as of June 30, 2019. Substantially, all of the Organization’s support was provided by the Federal government and the State of Florida under early childhood education and voluntary pre-kindergarten programs. A significant reduction in this level of support, if this were to occur, would have an adverse effect on the Organization’s programs and activities and its ability to satisfy its financial and program obligations and commitments. However, the payable obligations under the subcontracted service provider arrangements are only payable from the Organization upon support provided from the Federal government and the State of Florida. To the extent the subcontracted payment arrangements will not be forthcoming, the Organization will not be obligated. The Organization’s risk is limited to the support received from the federal and state grants.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments
The fair value of financial instruments is determined by reference to various market data and other valuation techniques, as appropriate. Unless otherwise disclosed, the fair value of financial instruments, including cash and cash equivalents, grants receivable, accounts payable, deferred revenues and other liabilities, approximates their recorded values due primarily to the short-term nature of their maturities.

Reclassifications
Certain reclassifications were made to the prior year to conform to the current year presentation.

Cash and Cash Equivalents
The Organization considers all highly-liquid investments with a maturity of three months or less to be cash equivalents.

Furniture and Equipment, Net
Furniture and equipment are stated at cost at the date of acquisition. Major betterments and additions are capitalized, while replacements, maintenance, and repairs which do not improve or extend the lives of the respective assets are charged to expense as incurred. Donated furniture and equipment are recorded at their fair market value at the date of donation. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenues or expenses. Depreciation is computed using the straight line method over the estimated useful lives of the assets, which generally range from 3 to 5 years.

Income Taxes
The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

The Organization recognizes and measures tax positions taken or expected to be taken in its tax return based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where the Organization files tax returns. The Organization is generally no longer subject to U.S. Federal or State examinations by tax authorities for years before 2016.

Support and Revenue
The Organization’s principal source of revenue is derived from federal and state grants. Grant revenues are recognized based on the incurrence of allowable costs for cost reimbursement awards. Contributions are recognized upon receipt, unless accompanied by restrictions or conditions. Based on the Organization’s experience with the grantors, management has determined that the related grants receivable are fully collectible. Consequently, no allowance for doubtful accounts is included in the accompanying financial statements.

Grants and other revenues where the donor-imposed restrictions are met in the same reporting period in which the revenue is recognized are reported as without donor restricted support.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Functional Expenses
Program expenses and management and general expenses have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Subsequent Events
The Organization has evaluated subsequent events through June 19, 2020, which is the date the financial statements were available to be issued. See Notes 6, 7 and 11.

NOTE 3 - FURNITURE AND EQUIPMENT, NET
Furniture and equipment is comprised of the following as of June 30, 2019:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office equipment</td>
<td>$1,683,874</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>153,305</td>
</tr>
<tr>
<td></td>
<td>1,837,179</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(1,479,741)</td>
</tr>
<tr>
<td></td>
<td>$ 357,438</td>
</tr>
</tbody>
</table>

Pursuant to the contract with the Partnership, upon termination of the contract the Partnership retains title to all furniture and equipment purchased with funds provided by the Partnership. Accordingly, these assets are recorded as net assets with donor restriction and are reported under the caption “School Readiness Services.”

Depreciation expense was $113,892 for the year ended June 30, 2019.

NOTE 4 - ACCOUNTS PAYABLE
Accounts payable consist of the following at June 30, 2019:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Development</td>
<td>$12,606,984</td>
</tr>
<tr>
<td>Other</td>
<td>5,804,683</td>
</tr>
<tr>
<td></td>
<td>$ 18,411,667</td>
</tr>
</tbody>
</table>
NOTE 5 - COMMITMENTS AND CONTINGENCIES

Operating Leases
The Organization leases its Miami-Dade and Monroe County facilities under noncancelable operating leases expiring in at various dates through June 2029. Additionally, the Organization leases copiers. Future minimum payments under these leases are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$673,010</td>
</tr>
<tr>
<td>2021</td>
<td>400,319</td>
</tr>
<tr>
<td>2022</td>
<td>383,334</td>
</tr>
<tr>
<td>2023</td>
<td>299,914</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,631,890</td>
</tr>
<tr>
<td></td>
<td>$3,388,467</td>
</tr>
</tbody>
</table>

Rent expense for the year ended June 30, 2019 was $1,188,343.

Other
The Organization participates in a number of federal and state grants assistance programs. Amounts received or receivable from grantor agencies are subject to audit and compliance testing by those agencies to determine if activities undertaken by the Organization comply with the conditions of the grant. Any disallowed amounts may constitute a liability to the Organization. Management believes that no material liability will arise from any such audits.

Litigation
The Organization is exposed to various asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the Organization’s financial position or results of operations.

NOTE 6 – OFFICE OF EARLY LEARNING - EFS SYSTEM
The Office of Early Learnings (“OEL”) has experienced difficulties in the implementation and functionality of its client and data management system, EFS MOD. OEL is currently in the process of updating their electronic filing data systems, specifically data migration and the School Readiness attendance modules.

In order to assure that the children of Miami-Dade and Monroe would continue to be served and that providers were paid timely, OEL instructed the Organization to make estimated payments throughout fiscal year 2019. The Organization has been reconciling the provider payments for the fiscal year, but it has proven to be a tedious process. Subsequent to year-end, the Organization reconciled 93% of provider payments. Based on the results obtained from those reconciliations, OEL and the Organization believe that the net overpayment to providers as a result of making estimated payments, may be approximately $25,400,000. OEL is fully aware of these overpayments. At June 30, 2019, the overpayments to the providers of $25,400,000 have been recorded as Due from Providers, and a liability to OEL has been recorded for the same amount. In the event that the providers do not pay in full or in part, the Organization will not be liable to the OEL and the Organization will not incur any loss.
NOTE 7 – RETIREMENT PLAN
The Organization has a retirement plan available for eligible employees in which the Organization matches employee contributions. During the year ended 2019, the Organization revised the calculation of amounts matched and recorded an adjustment of approximately $235,000 to reflect amounts owed under the retirement plan. Subsequent to year-end, another adjustment was required (see Note 11). All adjustments are funded by OEL and, accordingly, do not negatively impact the Organization.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS
As of June 30, 2019, the Organization does not have net assets with donor restrictions.

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS
The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could be readily made available within one year of the balance sheet to fund expenses without limitations:

Cash and cash equivalents $ 13,984,658
Grants receivable 6,379,007
Financial Assets available to meet cash needs
for operating expenses within one year: $ 20,363,665

NOTE 10 – ASU 2016-14
The implementation of ASU 2016-14 required the following changes to net assets at July 31, 2018.

<table>
<thead>
<tr>
<th>Net Asset Class</th>
<th>As Originally Presented</th>
<th>After Adoption of ASU 2016-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted net assets</td>
<td>$ 1,083,945</td>
<td>$ -</td>
</tr>
<tr>
<td>Temporarily restricted net assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Permanently restricted net assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net assets without donor restrictions</td>
<td>-</td>
<td>1,083,945</td>
</tr>
<tr>
<td>Net assets with donor restrictions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$ 1,083,945</td>
<td>$ 1,083,945</td>
</tr>
</tbody>
</table>
NOTE 11 – SUBSEQUENT EVENTS
As indicated in Note 6, the Organization has reconciled 93% of provider payments in order to determine whether the amount of $25,400,000 is due from the providers.

In addition, as indicated in Note 7, an adjustment was required and recorded to fund the Organization’s retirement plan. Subsequent to year-end, another adjustment was required to fund the retirement plan for the following fiscal year end. The amount of this additional funding is approximately $257,000. Such amount will be paid by to the Office of Early Learning (OEL) to the Organization and accordingly will not result in a negative impact to the Organization.

Finally, the effect of the COVID-19 virus has been felt worldwide and has caused economic disruption. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, it is too early to predict or reasonably estimate the effect of any operational, funding, or contribution delays as a result of the virus.
SUPPLEMENTARY INFORMATION
<table>
<thead>
<tr>
<th>Federal/State Agency</th>
<th>CFDA/ CFSA Number</th>
<th>Number</th>
<th>Total Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FEDERAL AWARDS:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>U.S. Department of Health and Human Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporary Assistance for Needy Families Program:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed Through Florida's Office of Early Learning</td>
<td>93.558</td>
<td>SR199</td>
<td>$ 41,336,773</td>
</tr>
<tr>
<td>Child Care Development Fund (CCDF) Cluster:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CCDF Block Grant</td>
<td>93.575</td>
<td>SR199</td>
<td>47,586,838</td>
</tr>
<tr>
<td>Passed Through Florida's Office of Early Learning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CCDF - Mandatory Matching</td>
<td>93.596</td>
<td>SR199</td>
<td>32,787,238</td>
</tr>
<tr>
<td><strong>CCDF Cluster Total</strong></td>
<td></td>
<td></td>
<td>80,374,076</td>
</tr>
<tr>
<td>Social Services Block Grant</td>
<td>93.667</td>
<td>SR199</td>
<td>11,841</td>
</tr>
<tr>
<td>Passed Through Florida's Office of Early Learning</td>
<td></td>
<td></td>
<td>11,841</td>
</tr>
<tr>
<td>Head Start Program:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through Administration for Children and Families/</td>
<td>93.600</td>
<td>04HP0007-03-02</td>
<td>12,442,622</td>
</tr>
<tr>
<td>Office of Head Start</td>
<td></td>
<td></td>
<td>12,442,622</td>
</tr>
<tr>
<td>Refugee and Entrant Assistance - State Administered</td>
<td>93.566</td>
<td>XK047</td>
<td>231,103</td>
</tr>
<tr>
<td>Programs:</td>
<td></td>
<td></td>
<td>231,103</td>
</tr>
<tr>
<td>Passed through Department of Children and Families:</td>
<td>93.576</td>
<td>XK047</td>
<td>469,210</td>
</tr>
<tr>
<td>Refugee and Entrant Assistance - Discretionary Grants</td>
<td></td>
<td></td>
<td>469,210</td>
</tr>
<tr>
<td>Passed through Department of Children and Families:</td>
<td>93.576</td>
<td>XK047</td>
<td>469,210</td>
</tr>
<tr>
<td>PPHF: Early Childcare and Education Obesity Prevention</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program - Obesity Prevention in Young Children - financed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>solely by Public Prevention and Health Funds</td>
<td>93.742</td>
<td>8609310006-ELCM-01</td>
<td>100,237</td>
</tr>
<tr>
<td>Passed through Nemours Foundation</td>
<td></td>
<td></td>
<td>100,237</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Health and Human Services</strong></td>
<td></td>
<td></td>
<td>134,965,862</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES OF FEDERAL AWARDS</td>
<td></td>
<td></td>
<td>$134,965,862</td>
</tr>
</tbody>
</table>
## STATE FINANCIAL ASSISTANCE:

**Florida Department of Education and Commissioner of Education**

Voluntary Pre-Kindergarten Education Program:

- Passed Through Florida's Office of Early Learning
  - CFDA Number: 48.108
  - Grant Number: SV199
  - Expenditures: $54,645,630
- Passed Through Florida's Office of Early Learning
  - CFDA Number: 48.108
  - Grant Number: OA199
  - Expenditures: $106,126
- Passed through University of Florida
  - CFDA Number: 48.108
  - Grant Number: N/A
  - Expenditures: $87,095

**Program Total**

<table>
<thead>
<tr>
<th>CFDA/ CFSA Number</th>
<th>Grant Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>48.108</td>
<td>SV199</td>
<td>$54,645,630</td>
</tr>
<tr>
<td>48.108</td>
<td>OA199</td>
<td>$106,126</td>
</tr>
<tr>
<td>48.108</td>
<td>N/A</td>
<td>$87,095</td>
</tr>
</tbody>
</table>

**TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

$54,838,851

**TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

$189,804,713
1. GENERAL


2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the accrual basis of accounting and includes expenses incurred by the Organization during the year ended June 30, 2019.

3. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of the Organization during its fiscal year July 1, 2018 to June 30, 2019. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance and Chapter 10.650, Rules of the Auditor General of the State of Florida. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

4. INDIRECT COST RATE

The Early Learning Coalition has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance during the years ended June 30, 2019.
To the Board of Directors
Early Learning Coalition of Miami-Dade/Monroe, Inc.

We have audited, in accordance with the 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, the financial statements of the Early Learning Coalition of Miami-Dade/Monroe, Inc. (the “Organization”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free from 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 item 2019-001.

Organization’s Response to Findings

The Organization’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coral Gables, Florida
June 19, 2020

CERTIFIED PUBLIC ACCOUNTANTS
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors
Early Learning Coalition of Miami-Dade/Monroe, Inc.

Report on Compliance for Each Major Federal Program and State Project

We have audited Early Learning Coalition of Miami-Dade/Monroe, Inc.’s (the “Organization”) compliance with the types of compliance requirements described in the OMB Compliance Supplement, and the requirements described in the 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 projects for the year ended June 30, 2019. 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.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization’s major federal programs based on our audit of the types of compliance requirements referred to above. 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and Chapter 10.650, Rules of the Auditor General. Those standards 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 project occurred. An audit includes examining, on a test basis, evidence about the Center’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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Organization’s compliance.
Basis for Qualified Opinion on CFDA 93.575 / 93.596 Child Care Development (CCDF) Cluster and CFDA 93.558 Temporary Assistance for Needy Families

As described in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding the following:

<table>
<thead>
<tr>
<th>Finding #</th>
<th>CFDA/CSFA #</th>
<th>Program (or Cluster) Name</th>
<th>Compliance Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019-001</td>
<td>93.575/93.596</td>
<td>Child Care Development (CCDF) Cluster</td>
<td>Activities Allowed or Unallowed/ Allowable Costs/Cost Principles, and Eligibility</td>
</tr>
<tr>
<td></td>
<td>93.558</td>
<td>Temporary Assistance for Needy Families</td>
<td></td>
</tr>
</tbody>
</table>

Compliance with such requirements is necessary, in our opinion, for the Organization to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 93.575 / 93.596 Child Care Development (CCDF) Cluster and CFDA 93.558 Temporary Assistance for Needy Families

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.575 / 93.596 Child Care Development (CCDF) Cluster and CFDA 93.558 Temporary Assistance for Needy Families for the year ended June 30, 2019.

Unmodified Opinion on the Major State Project and Other Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project (CSFA 48.108) and other major federal program (CFDA 93.600 Head Start) identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program has been modified with respect to these matters.

The Organization’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.
Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 will not be prevented, or detected and corrected, on a timely basis. 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be significant deficiencies.

The Organization’s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Coral Gables, Florida
June 19, 2020

CERTIFIED PUBLIC ACCOUNTANTS
SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards and State Financial Assistance

Internal control over major federal programs and state projects:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes No

Type of auditor’s report issued on compliance for major programs Qualified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or Chapter 10.650, Rules of the Auditor General? Yes No

Identification of major programs:

<table>
<thead>
<tr>
<th>CFDA/CFSA Number</th>
<th>Name of Federal/State Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>93.575, 93.596</td>
<td>Child Care Development Fund (CCDF) Cluster</td>
</tr>
<tr>
<td>93.558</td>
<td>Temporary Assistance for Needy Families</td>
</tr>
<tr>
<td>93.600</td>
<td>Head Start</td>
</tr>
<tr>
<td>48.108</td>
<td>VPK State General Funds</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between Type A and Type B programs:

$ 3,000,000 Federal

$ 1,645,166 State

Auditee qualified as low-risk auditee? Yes No
SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS

See Finding 2019-001 below.

PRIOR YEAR FINDINGS

None

SECTION III – FEDERAL PROGRAM AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2019-001 – Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Eligibility - (Significant Deficiency / Noncompliance)

Programs: Child Care Development Fund Cluster – CFDA# 93.575 93.596
Temporary Assistance for Needy Families – CFDA# 93.558

Criteria: In accordance with the contracts, the Organization is required to comply with all applicable federal, state, and local laws regarding activities allowed and/or allowable cost and eligibility of the programs.

Conditions: Challenges with the Florida Department of Education’s (DOE) new data system that the Organization is contractually required to utilize created a number of operational and data integrity issues. The system was released before all functions required by the organization to properly operate were functional. The data was inaccurate due to data migration issues when DOE migrated from the old legacy system to the new system. This has caused significant challenges for all the entities relying on the system’s controls and process to adequately determine supported payments to providers. In addition, while the Organization has continued to perform the eligibility functions required by the granting agencies in order to determine whether a child was eligible for service and has retained the necessary documentation for each child as required, the Organization did not utilize the eligibility information or criteria in determining the amount actually due or paid to the provider. Instead, the Organization made estimated payments to all providers as required to do so by the DOE. The DOE is currently in the process of updating and correcting the system so that payments made to providers are accurately supported.

Cause: The Organization was unable to extract many management reports and those that were extracted were inaccurate. This not only included management reports needed to properly project and pay expenditures or adjust expenditures based on eligibility criteria, but also reports needed by providers to reconcile the payments made by the organization. As the result, the organization was directed by the DOE to pay providers based on estimates instead of the usual practice of paying providers based on actual attendance or changes in eligibility criteria which can fluctuate monthly based on the number of eligible families and children enrolled.
DEPARTMENT OF HEALTH AND HUMAN SERVICES
2019-001 – Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Eligibility - (Significant Deficiency / Noncompliance)
(Continued)

Effect: Due to the volume of transactions processed by the organization and the number of providers under contract, a manual reconciliation system was not practical. Additionally, the organization was not able to fully begin the reconciliation process and had to stop several times because the data changed with every enhanced version of the data system. Every time the data changed, the reconciliation process had to start from inception. As a result, adequately demonstrating that program expenditures are accurate and complete was not a possibility. The organization requested support from the DOE and a team of DOE representatives provided this support in person in Miami on February 17 – 21, 2020. After a discussion that included inviting a number of providers to be part of the reconciliation process for their programs, a plan was developed with the DOE on how to best approach the reconciliation process, considering the volume, workload, and timeframe.

Recommendation: Due to the inability to rely on the new DOE system, the Organization should reconcile each provider on a monthly basis and remit payment based on those reconciliations. If impractical, a plan should be in place, in coordination with the DOE, in the event that there is a similar problem with this system in the future. As of the date of these financial statements, the Organization had reconciled 54% of all provider payments.

Views of Responsible Officials and Planned Corrective Action: Refer to pages 25-26.

Questioned Costs
As explained in Note 6 to the financial statements, OEL and the Organization believe that the net overpayment to providers as a result of making estimated payments may be approximately $25,400,000.
June 19, 2020

Corrective Action Plan
For the Year Ended June 30, 2020

Audit Finding No.: 2019-001
Audit Finding Title: Activities Allowed or Unallowed and Allowable Cost/Cost Principles and Eligibility

Responsibility for these findings lies entirely with the Florida Department of Education’s Office of Early Learning (OEL) and not with the ELC. In July 2018, OEL deployed a flawed new version of the Single Statewide Information System that lacked critical functionality needed to comply with OEL and the State of Florida’s own requirements for monthly provider payment processing. ELC was incapable of performing the necessary reconciliations because this functionality was not available in the new OEL system for all 12 months of the fiscal year. OEL’s statement of responsibility is included below.

Development/Deployment of EFS Mod. In July 2018, OEL launched SR eligibility and enrollment features and migrated the data from the 35 EFS Legacy databases into EFS Mod. Unfortunately, the data migration resulted in SR data mismatches. OEL decided the best course of action was to work with coalitions to correct the data errors over the next few months. However, these efforts still continue.

Payments to Providers. The absence of EFS Mod system functionality for all twelve months of FY2018-19 prevented the Early Learning Coalitions (ELCs) and Redlands Christian Migrant Association (RCMA) from complying with monthly reconciliation requirements as instructed in OEL’s grant agreements. Given the issues related to the data migration, OEL instructed coalitions and RCMA in July 2018 to pay providers based on estimated attendance. These instructions included a plan to “true-up” (i.e., reconcile) any FY2018-19 estimates used with actual attendance data once records migrated to EFS Mod were corrected and the system’s attendance functionality feature was operational. However, system functionality challenges remain and corrections are ongoing for the data and records in EFS Mod.

Conclusions. All early learning coalitions and RCMA were impacted by the issues described here for EFS Mod in FY2018-19. These system-wide issues are to be considered state agency-level errors and as a result, OEL understands and asserts —
• The amounts presented are based on best available data from OEL records and/or self-reported estimates from the entity as of 1/31/2020.
• The variances noted are a consequence of the ongoing (but incomplete) efforts of OEL to obtain data accuracy and system functionality for EFS Mod for FY2018-19.
• Future efforts to address EFS Mod data corrections and system upgrades may identify and/or result in additional variances for this entity.

The ELC is now working entirely in EFS Mod effective July 2019. The Early Learning Coalition is required to utilize the state’s data system to determine eligibility for families and to make payments to providers. Payments are driven by the number of children that are eligible. The Department of Education, Office of Early Learning, does not allow Early Learning Coalitions to utilize program funds to create local stand-alone systems as a backup for their data system. Due to the volume of cases, the dollar amount, the complexity of the eligibility and provider payment process, a manual system is not practical or allowable. While the Early Learning Coalition is cognizant that it remains responsible for managing the state and federal dollars under its grant agreement with the Department of Education, the only system that can be used to manage the DOE grants is the state system. The Department of Education is responsible for ensuring that the system remains operational and that data reports necessary to help Early Learning Coalitions manage its grants are available. If the state’s data system is not operational for any reason, the Early Learning Coalition is unable to perform the process of determining family eligibility for its programs and is unable to make payments to providers.

Corrective Action Plan and anticipated completion date

The ELC began a manual reconciliation process upon realization of the flaws in the EFS Mod system. As mentioned above, the reconciliation process was delayed due to continued system functionality challenges that remained during the entire fiscal year ended June 30, 2019. Despite these challenges, the ELC has reconciled a significant amount of provider payments, however the reconciliation process is still ongoing. The completion of all reconciliations is dependent on the final review and approval of the OEL. In the event that the Early Learning Coalition’s management foresees a problem with the data system, they will seek the assistance, guidance and authorization of the Department of Education to determine what alternate system may be available to ensure that the family eligibility and the payment process to providers continues uninterrupted. However, the Early Learning Coalition is unable to provide assurances that the Department of Education’s alternative system will produce accurate eligibility determinations or accurate payments as the Early Learning Coalition has no control over the state data systems it is required to utilize.

Sincerely,

Evelio Torres
President & CEO
## 2018-2019 Provider Reconciliations Snapshot
### 7/24/2020

<table>
<thead>
<tr>
<th>Provider Type</th>
<th>Total Providers</th>
<th>Complete as of 6/12/2020</th>
<th>Complete as of 6/15/2020</th>
<th>Complete as of 6/26/2020</th>
<th>Complete as of 7/03/2020</th>
<th>Complete as of 7/10/2020</th>
<th>Complete as of 7/17/2020</th>
<th>Complete as of 7/24/2020</th>
<th>Remaining as of 7/24/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underpaid providers</td>
<td>169</td>
<td>2</td>
<td>4</td>
<td>46</td>
<td>57</td>
<td>59</td>
<td>72</td>
<td>77</td>
<td>92</td>
</tr>
<tr>
<td>Overpaid providers</td>
<td>738</td>
<td>10</td>
<td>13</td>
<td>64</td>
<td>128</td>
<td>163</td>
<td>253</td>
<td>275</td>
<td>463</td>
</tr>
<tr>
<td>Providers who owe the ELC &lt; $1500</td>
<td>64</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>62</td>
</tr>
<tr>
<td>Total Letters Sent</td>
<td>971</td>
<td>12</td>
<td>17</td>
<td>112</td>
<td>187</td>
<td>224</td>
<td>327</td>
<td>354</td>
<td>617</td>
</tr>
</tbody>
</table>

### Percent Complete by Date

**Underpaid providers**
- 6/12/2020: 2%
- 6/15/2020: 4%
- 6/26/2020: 27%
- 7/03/2020: 34%
- 7/10/2020: 35%
- 7/17/2020: 43%
- 7/24/2020: 46%

**Overpaid providers**
- 6/12/2020: 10%
- 6/15/2020: 13%
- 6/26/2020: 9%
- 7/03/2020: 17%
- 7/10/2020: 22%
- 7/17/2020: 34%
- 7/24/2020: 37%

**Providers who owe the ELC < $1500**
- 6/12/2020: 0%
- 6/15/2020: 0%
- 6/26/2020: 0%
- 7/03/2020: 2%
- 7/10/2020: 3%
- 7/17/2020: 3%
- 7/24/2020: 3%

**Total Letters Sent**
- 6/12/2020: 12%
- 6/15/2020: 17%
- 6/26/2020: 12%
- 7/03/2020: 19%
- 7/10/2020: 23%
- 7/17/2020: 34%
- 7/24/2020: 36%