



AUDIT REPORT: THE VILLAGE EARLY CHILDHOOD CENTER

Audit Report. Auditor of State Mary Mosiman released a [report](#) on a special investigation of The Village Early Childhood Center in Osceola, Iowa, for the period of January 1, 2013, through January 31, 2015.

Background. The Village Early Childhood Center Board and an Osceola Police Department representative requested a special investigation of The Village Early Childhood Center, due to concerns regarding tuition billing, payroll accounting and paid time off, and purchasing of center supplies. The Center provides childcare services to families with infants and preschool- to elementary school-aged children.

Loan Agreement. The Center entered a loan agreement stipulating that the Center's \$550,000 loan was to be backed by Clarke County, the Clarke County Development Corporation, the City of Osceola, and the Center; however, the audit found that the Center has not been able to meet the financial obligations established by the agreement. Failure to meet these financial obligations has resulted in approximately \$44,000 (mostly from the Child Care Assistance General Fund appropriation) being retained by the State of Iowa due to the outstanding balance.

Audit Findings. The audit revealed a pattern of unauthorized purchases, unsupported disbursements, undeposited collections, and unpaid tuition charges. Approximately \$69,000 in payments collected from guardians for tuition was not deposited to the Center's bank account. Additionally, over \$19,000 was paid out of the account for personal purchases, payments to the Center's former director, payroll tax penalties and interest, and late fees.

Audit Recommendations. The Auditor of State's Office made the following recommendations:

- To maintain internal control, a segregation of duties among employees should be enforced.
- An employee uninvolved in collections and disbursement responsibilities should provide periodic oversight.
- Costs and results of activities should be reported to the Board and included in meeting minutes.
- The Board should monitor payroll activity and employee reimbursements. Receipts, invoices, and related documentation must be submitted with reimbursement requests.
- The Board should establish a written policy that prohibits the personal use of the Center credit card.

STAFF CONTACT: Angel Banks-Adams (515)281-6301 angel.banks-adams@legis.iowa.gov