



Joint Legislative Audit Committee
Office of the Auditor General



FINANCIAL AUDIT REPORT
GOVERNOR'S ADVISORY COMMISSION
ON CHILD CARE
YEAR ENDED JUNE 30, 1979

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT **F-511**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

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FINANCIAL AUDIT REPORT
GOVERNOR'S ADVISORY COMMITTEE
ON CHILD CARE
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI
CHAIRMAN

November 21, 1980

511

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Governor's Advisory Commission on Child Care, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Michael Dendorfer, CPA; Ross Luna; Lisa Kenyon; and Mark Tebbutt.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Governor's Advisory Committee on Child Care. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

The Governor's Advisory Committee on Child Care was established to provide policy recommendations to the Governor and the Superintendent of Public Instruction concerning child care and development. The advisory committee is composed of representatives from various state agencies; public members representing private education, health care, child welfare, child care, and community action interests; and parents of children in child-care programs.


The programs of the Governor's Advisory Committee are supported by appropriations from the State's General Fund.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the balance sheet of the Governor's Advisory Committee on Child Care as of June 30, 1979 and the related statement of financing sources, expenditures, and changes in operating clearing for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Governor's Advisory Committee on Child Care at June 30, 1979 and the results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



WESLEY E. VOSS
Assistant Auditor General

Date: August 29, 1980

Staff: Curt Davis, CPA
Michael Dendorfer, CPA
Ross Luna
Lisa Kenyon
Mark Tebbutt

GOVERNOR'S ADVISORY COMMITTEE ON CHILD CARE

BALANCE SHEET
GENERAL FUND

JUNE 30, 1979

ASSETS

Total Assets \$ --

LIABILITIES AND FUND EQUITY

Liabilities:
 Accounts payable \$ 9,168

Fund Equity:
 Operating clearing (Note 4) (9,168)

 Total Fund Equity (9,168)

 Total Liabilities and Fund Equity \$ --

The notes to the financial statements are an integral part of this statement.

GOVERNOR'S ADVISORY COMMITTEE ON CHILD CARE
STATEMENT OF FINANCING SOURCES, EXPENDITURES, AND
CHANGES IN OPERATING CLEARING
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Financing Sources:	
Support appropriation (Note 2)	\$ 71,317
Miscellaneous adjustments (Note 3)	<u>2,778</u>
Total Financing Sources	<u>74,095</u>
Expenditures:	
Personal services	43,377
Operating expenditures	<u>29,026</u>
Total Expenditures	<u>72,403</u>
Excess of Financing Sources over (under) Expenditures	1,692
Operating Clearing - July 1	<u>(10,860)</u>
Operating Clearing - June 30	<u><u>\$ (9,168)</u></u>

The notes to the financial statements are an integral part of this statement.

GOVERNOR'S ADVISORY COMMITTEE ON CHILD CARE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the Governor's Advisory Committee on Child Care. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Governmental Fund Type. The Governor's Advisory Committee on Child Care accounts for only its portion of the General Fund. The State Controller maintains the central accounts for all state funds and annually publishes fund statements.

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The General Fund is the Governmental Fund Type in the Governor's Advisory Committee on Child Care and is used to account for all financial resources not accounted for in another fund. The General Fund is maintained on the modified accrual basis of accounting. These are some of its significant elements:

Income

Throughout the fiscal year all income including revenues, transfers, and reimbursements, except for certain reimbursements which are recorded when billed, are accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against budget appropriations for which no goods or services have been received.

Liabilities

Retirement Plan - Regular employees of the committee are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the department and its employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. Retirement contributions for the year totaled \$4,809.

Vacation and Sick Leave - Costs of vacation and sick Leave are charged when these benefits are used rather than when they are earned.

2. SUPPORT APPROPRIATION

The account balance of \$71,317 represents the portion of the General Fund revenue allocated to the Governor's Advisory Committee on Child Care by the legislative Budget Act actually transferred during the fiscal year. The amount transferred from prior year and current year appropriations was used to pay off prior year accounts payable as well as to fund current year expenditures.

3. MISCELLANEOUS ADJUSTMENTS

This account shows the difference between the net amount of revenues, expenditures, abatements, and reimbursements accrued as of the previous June 30 and the actual amount of revenues, expenditures, abatements, and reimbursements related to the prior year but obtained during the current fiscal year.

4. OPERATING CLEARING

This account is the connecting link between the records of the various state agencies and the central fund accounts of the State Controller for the General Fund and other funds not accounted for entirely by one agency.

SUPPLEMENTAL INFORMATION

The following financial statement is not considered necessary for a fair presentation of the committee's financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles but is presented as additional analytical data. The supplemental information has been subjected to the audit procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

On the following supplemental financial statement--
Comparison of Budgeted Expenditures with Actual Expenditures--
the amounts shown as budgeted expenditures reflect the Governor's Budget after allowing for adjustments by the Budget Act, interim statutory changes affecting appropriations, and authorized executive budget revisions issued during the year.

GOVERNOR'S ADVISORY COMMITTEE ON CHILD CARE

COMPARISON OF BUDGETED EXPENDITURES
WITH ACTUAL EXPENDITURES
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Budget as Adjusted</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Expenditures:			
Personal services	\$48,117	\$43,377	\$ 4,740
Operating expenses	<u>26,888</u>	<u>29,026</u>	<u>(2,138)</u>
Total Expenditures	<u>\$75,005</u>	<u>\$72,403</u>	<u>\$ 2,602</u>

OTHER COMMENTS

As an integral part of our examination, we reviewed the committee's accounting procedures and its related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the committee's financial statements present financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the committee in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The committee generally concurs with the suggested operating improvements, recommendations, and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps