

Arizona Early Childhood Development and Health Board

CONCLUSION: The Office of the Auditor General has completed a special audit of the Arizona Early Childhood Development and Health Board, also known as First Things First (FTF), pursuant to a Joint Legislative Audit Committee resolution. FTF was established by voter initiative in 2006 to provide early childhood development and health programs to Arizona children from birth to age 5. FTF's fiscal year 2015 revenues were \$130 million, most of which were tobacco tax revenues, but its revenues have declined. FTF spent more than \$162.5 million in fiscal year 2015, largely for grants and contracts supporting its programs and services. These expenditures included approximately \$3.1 million for media and community and parent outreach and awareness efforts to meet statutory responsibilities. Although FTF has generally implemented adequate financial controls, it should strengthen controls in four areas. FTF has also implemented effective procedures for managing grants, as well as a research and evaluation plan that directs its program evaluation efforts, although it should enhance its reporting and collection of program outcomes. Finally, FTF has implemented several ongoing processes to identify opportunities for collaboration and coordination with other organizations providing early childhood services.

FTF's fiscal year 2015 revenues were \$130 million, but its revenues have declined

FTF collected nearly \$130 million in revenues in fiscal year 2015, but its revenues have declined as a result of declining tobacco tax revenues. Tobacco taxes comprise the majority of FTF's revenues, but tobacco tax revenues declined by an average of about \$2 million annually between fiscal years 2010 and 2015. This decline is consistent with national trends and is projected to continue. FTF has taken various steps to plan for and manage its sustainability in light of its declining revenues, including commissioning independent tobacco tax revenue projections and adopting a sustainability plan. The revenue projections commissioned by FTF provide reasonable short-term projections, but long-term projections are generally less reliable because making long-term projections is more challenging. FTF has commissioned updated projections every 2 years since 2012 to offset this challenge, and reported that it plans to continue doing so.

FTF spent nearly \$163 million in fiscal year 2015

FTF spent more than \$162.5 million in fiscal year 2015. The majority of this spending, more than \$142 million, was for providing and administering 254 grants and contracts to support FTF programs and services. FTF also spent nearly \$13 million for employee payroll and benefits in fiscal year 2015, and incurred additional expenditures for program materials, consulting and other professional services, education and program advertising, and rent.

FTF generally has appropriate financial controls but should strengthen them in four areas

FTF has generally implemented adequate financial internal controls. For example, FTF had implemented procedures for ensuring payments are supported for employee payroll and benefits and grant and contract awards, which comprised approximately 96 percent of FTF's fiscal year 2015 expenditures. However, we found that FTF had insufficient and/or ineffective controls in four areas—cash receipts, purchasing cards (p-cards), travel, and wireless devices—and should strengthen its controls to better comply with *State of Arizona Accounting Manual* requirements.

Recommendations

FTF should:

- Improve controls over cash receipts by developing and implementing written policies and procedures for limiting access to cash receipts to as few employees as operationally practicable, ensuring cash receipts are logged, regularly reconciling the cash receipt log to deposits, and properly separating cash receipt duties;

- Improve its policies and procedures for handling p-card purchases that exceed purchasing limits and identifying supervisors' responsibilities for reviewing and approving p-card transactions;
- Strengthen its controls over travel by ensuring that proper documentation is maintained for all travel-related purchases, having another individual review and approve the CEO's travel claims, and developing and implementing written policies and procedures regarding reimbursements for canceled travel plans; and
- Continue to evaluate and pursue a cost-reimbursement option for wireless devices, but perform periodic reviews of wireless device use and service plans if it continues to provide state-issued wireless devices.

FTF has implemented effective grants management procedures

FTF has implemented effective, standardized grants management procedures that comply with statutory requirements and align with best practices. For example, FTF plans its grant solicitations to meet identified needs, publicizes grant opportunities to potential applicants, trains grant evaluators on reviewing and scoring applications, orients new grantees, uses a centralized grants management information technology system to track and administer its grants, reviews reimbursement requests prior to distributing funds, and monitors grantees to ensure they are meeting contractual obligations. We reviewed a sample of 22 competitive grants awarded for fiscal years 2012 through 2015 and found that FTF complied with the procedures tested for these 22 grants. Additionally, FTF works to continually improve its grants management procedures.

FTF has implemented research and evaluation plan but should enhance program outcome reporting

FTF has implemented a research and evaluation plan that directs its program evaluation efforts. This plan was developed based on recommendations from a panel of national experts FTF convened and directs FTF staff to perform several research and evaluation activities. These activities include developing program standards of practice based on available research and best practice, monitoring program implementation, and studying and evaluating key funded programs. The plan also directs FTF to enhance its data collection and systems, as well as collaborate with partners to securely share data. However, FTF should include more program outcome-related information in its annual report and enhance program outcome data collection, as needed, to more clearly demonstrate the impact of its programs.

Recommendations

FTF should enhance its annual report by including more outcome-related information, and enhance its outcome data collection, as needed, to more clearly demonstrate its programs' impact.

FTF engages in media and community and parent outreach and awareness strategies

FTF engages in media and community and parent outreach and awareness efforts to help meet statutory responsibilities to increase public information about the importance of early childhood development and health and offer parent and family support, education, and information on early childhood development and literacy. In fiscal year 2015, FTF spent nearly \$1.4 million on its state-wide media efforts, which included television, radio, billboard, and Internet advertising, and the use of social media. FTF also spent approximately \$1.7 million on community and parent outreach and awareness through efforts such as presentations and community events, site tours, and distributing printed materials and educational items. FTF uses various means to assess the impact of these efforts, including reviewing reports prepared by its media consultants that provide information on the effectiveness of its advertising and assessing specific measures of success, such as the number of referrals FTF receives to share information about early childhood development and health.

FTF fosters collaboration and coordination of early childhood services

FTF was created as a collaborative agency to help coordinate early childhood development and health programs. FTF has implemented several ongoing processes to identify new opportunities for collaboration and coordination, including assessing needed childhood services at both the state and regional levels every 2 years; developing annual funding plans to prioritize and fund needed services, which helps ensure that FTF is not funding duplicative or unnecessary services; participating in a national collaborative that supports state leaders in developing programs, policies, and services to address the needs of young children and their families; and hosting an annual summit that encourages collaboration. FTF also has established ongoing partnerships with other Arizona state agencies that serve children and their families.