



EARLY CHILDHOOD INVESTMENT CORPORATION
Follow up to FY06 OAG Internal Control Audit Finding

ECIC has undertaken the following steps in order to improve its system of internal controls:

During fiscal year 2007 ECIC retained the services of Plante Moran to draft financial policies and procedures. The manual was expanded and updated during 2008 by an independent consultant retained by ECIC. The manual underwent a thorough review by the Department of Human Services (DHS), and is awaiting approval of the ECIC Board of Directors. Even though formal approval is still pending ECIC has implemented the procedures outlined in the manual.

After the abrupt departure of ECIC's contractual accountant in early 2007, ECIC retained the services of Plante Moran to maintain the accounting records and produce monthly financial statements. Plante Moran began the process of transitioning ECIC's financial records to the Peachtree accounting software.

In April of 2008 ECIC hired a Certified Public Accountant as an ECIC employee and began an orderly in house transition of the accounting functions away from Plante Moran.

The new accountant focused her attention on internal controls and implemented compensating controls, improvements in the segregation of duties for opening mail and check processing, financial grant management oversight procedures, documentation of financial transactions, and the creation of subsidiary ledgers.

ECIC established an Administrative Division led by a chief administrative officer in calendar year 2008.

DHS has authorized the creation of an additional contract administrator to assist in the monitoring of Great Start Collaborative contracts. The position was filled in early 2009.

ECIC added an additional position to the accounting function in early 2009.

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JUDY Y. SAMUELSON
CEO - ECIC

Michigan Early Childhood Investment Corporation
 Corrective Action Plan and Status of the Audit Recommendations
 Financial Audit
 10/01/2005-09/30/2006
 Report issued March 12, 2008

OAG Audit Finding	Responsible Individual	Anticipated Implementation Date	Corrective Action/Update	Status
Finding 01—Internal Control (material weakness)				
The OAG recommends that ECIC implement effective internal control to help ensure the reliability of its financial reporting and compliance with State laws and grant agreements.				
<p>ECIC did not have effective internal control to help ensure the reliability of its financial reporting and compliance with State laws and regulations.</p> <p>Although ECIC corrected errors affecting the financial presentation of its operations when brought to its attention, the audit disclosed many internal control weaknesses normally associated with a small start-up organization. The audit identified internal control weaknesses such as:</p> <ul style="list-style-type: none"> ▪ Insufficient knowledge related to governmental financial accounting and reporting. ▪ Missing documents to support expenditures, assets, and liabilities. ▪ Insufficient grant management oversight procedures. 	<p>Judy Samelson, ECIC-CEO</p>	<p>Fall, 2006</p> <p>Summer, 2008</p> <p>Fall, 2008</p>	<p><u>Preliminary Response</u> ECIC agrees with the recommendation. ECIC recognizes the need for appropriate internal control and is committed to a high quality internal control system that is continually monitored to ensure that it meets the needs of the organization. ECIC immediately incorporated many of the recommendations from the public accounting firm's analysis into its day-to-day operations. ECIC used the analysis as a basis to establish a formal policies and procedures manual for the organization. In addition, ECIC plans to establish an Administrative Division within the organization in fiscal year 2007-2008. The division will be led by a chief administrative officer with the staff support necessary to ensure efficient and effective internal control and fiscal management.</p> <p><u>Update 07/2008</u> An Administrative Division has been established. An Office Administrator was named February, 2008; an Accountant was hired May, 2008; a Chief Administrative Officer was hired June, 2008.</p> <p>A Policies and Procedures Manual has been developed and will be formally approved by the ECIC Executive Committee.</p>	<p>open</p>