



Early Learning Coalition of Broward County, Inc.
Audit Committee Meeting Agenda
December 7, 2021 – 1:00 PM
Virtual Meeting

Meeting Call-In Number: 1 (872) 240-3212 Access Code: 190-356-629

Members are reminded of conflict of interest provisions. In declaring a conflict, please refrain from voting or discussion and declare the following information: 1) Your name and position on the Board, 2) The nature of the conflict and 3) Who will gain or lose as a result of the conflict. Please also fill out form 8B prior to the meeting.

PAGE			
I.	Call to Order		Richard Campillo, Audit Chair
II.	Roll Call		Melody Martinez, Board Liaison
III.	Consent Agenda <ul style="list-style-type: none"> • Approve Audit Committee meeting minutes August 31, 2021 	2	Richard Campillo, Audit Chair
IV.	Audit Committee Regular Business <ul style="list-style-type: none"> • AUD222RB1 – Accept 2020 403B Audit Report and IRS Form 5500 • AUD222RB2 – Payroll System Software Issue-FYI 	3 9	Richard Campillo, Audit Chair Martha Parker, Engagement Partner, Keefe McCullough CPAs Christine Klima, CAO
V.	Other New Business Matters from the Committee Matters from the Chair Public Comment Next ELC Audit Committee Meeting: TBD Adjourn		

Please Note: *Agenda subject to revisions and additions at the discretion of the Chair.*



Early Learning Coalition of Broward County, Inc.
Audit Committee Meeting Minutes
August 31, 2021 12:15 PM
 Virtual

Members in Attendance	Chair, Richard Campillo; Michael Asseff, Monica King; Beverley Batson
Members Absent	Twan Russell
Staff in Attendance	Renee Jaffe, CEO; Christine Klima, CAO; Howard Bakalar, CPO; Judith Merritt COO, Stephanie Landreville, Controller; Maggie Laino, Quality Assurance Manager; Elsy Silvestre, Controller; Melody Martinez, Board Liaison
Others in Attendance	Jacob Jackson, General Counsel

Item	Action/Discussion
Welcome & Call to Order	Chair Richard Campillo called the meeting to order at 2:16 PM. Roll was called and a quorum was established.
CONSENT AGENDA	
a. Approve March 12, 2021 Audit Committee meeting minutes	A Motion was made by Monica King to approve the ELC of Broward Audit Committee meeting minutes from March 12, 2021. Seconded by Michael Asseff. Unanimously Approved. Motion Passes.
Audit Committee REGULAR BUSINESS:	Approve Auditor Engagement Letters for FY21 Audit and Preparation of Form 5500 Preparation for ELC 403B Retirement Plan
b. a. A212AUD1 Accept Keefe McCullough Engagement Letters For FY21 Audit and other Services	Keefe McCullough completed its internal review of the final audit report after the ELC Board approved the draft pending that final step. There were only cosmetic updates to the report. A Motion was made by Michael Asseff to approve Auditor Engagement Letters for FY21 Audit and Preparation of Form 5500 Preparation for ELC 403B Retirement Plan. Seconded by Monica King. Unanimously Approved. Motion Passes.
NEW BUSINESS	No discussion
MATTERS FROM THE COMMITTEE	No discussion.
MATTERS FROM THE CHAIR	No discussion.
PUBLIC COMMENT	There was no comment.
NEXT MEETING DATE	TBD
ADJOURN	Michael Asseff adjourn the meeting at 12:19 PM

These minutes contain the action items of the Board meeting of the Early Learning Coalition of Broward. They do not include all the Committee's discussions or comments on each matter or issue raised during the meeting. A tape recording of the meeting is held in the Coalition office. Corrections from the Committee will be taken prior to approval at the next meeting.

ITEM/MEETING	AUD222RB1 / AUDIT
DATE:	December 7, 2021
SUBJECT:	1. 403B Retirement Plan Audit Report for Plan Year 2020 2. 403B Retirement Plan IRS Form 5500 Plan Year 2020
FOR ACTION:	Yes
RECOMMENDED ACTIONS:	1. Approve Audit Report & Management Response for 403B Retirement Plan Year 2020 2. Approve IRS Form 5500 for 403B Retirement Plan Year 2020
FINANCIAL IMPACT:	None
ELC STAFF LEAD	C. Klima

Background Information:

As of December 31, 2020 the number of employee participants in ELCS’s 403B Retirement Plan exceeded the Department of Labor threshold that triggers an annual audit requirement for the Plan. In March 2021, ELC engaged CPA firm Keefe McCullough LLP, the firm which also conducts our annual Financial Audit, to conduct the first Retirement Plan Audit since the Plan was established in 2002. Prior to this engagement, staff identified a number of historical compliance problems with the Plan and immediately began working with Valic Financial, the custodian and administrative interface for the Plan, to issue an updated Plan document and help identify any another issues that needed to be addressed. ELC also engaged an attorney specializing in Retirement Plan law from Tripp Scott to review the Plan and assist with developing a remediation plan.

In February 2021, the Board approved Tripp Scott’s recommendation that ELC enter the IRS Voluntary Compliance Program to correct all of the historical issues found. The Board also agreed with the recommendation to procure a qualified Third Party Administrator with specialized expertise in Retirement Plan compliance and best practices to handle Plan administration/compliance on behalf of ELC going forward.

Current Status:

The Audit Report contains no findings.

However, in a Report to Management (attached below), the Auditors confirmed the compliance problems that ELC previously identified and highlighted areas where controls should be strengthened going forward. We agreed with all of the recommendations in our response to each issue, outlined the steps we have taken to correct the problems and affirmed our commitment to procure a qualified Third Party Administrator with specialized expertise in Retirement Plan compliance and best practices to handle Plan administration/compliance on our behalf going forward.

IRS Form 5500 was prepared by Keefe McCullough’s tax team. It reflects financial data tested during the 2020 Plan year audit process and has been reviewed and reconciled by staff.

Recommendation:

Staff recommend the following motions:

1. Approve Audit Report & Management Response for 403B Retirement Plan Year 2020
2. Approve IRS Form 5500 for 403B Retirement Plan Year 2020

Supporting Documentation:

1. 2020 403B Report to Management with Draft Response
2. 2020 403B Retirement Plan Audit Report (separate link)
3. 2020 403B Retirement Plan IRS Form 5500 (separate link)

Early Learning Coalition of
Broward County, Inc. Retirement Plan

Report to Management
For the Year Ended December 31, 2020



To the Board of Directors
Early Learning Coalition of Broward County, Inc. Retirement Plan

Except as discussed in the following paragraph, in planning and performing our audit of the financial statements of Early Learning Coalition of Broward County, Inc. Retirement Plan (the "Plan") as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of issuing our report on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

We were engaged to perform an audit of the Plan as permitted by ERISA Section 103(a)(3)(C) pursuant to 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the ERISA Income Security Act of 1974 (ERISA). Our audit did not include all of the procedures required by auditing standards generally accepted in the United States of America and did not include a consideration of internal control relating to the information summarized in Notes 3, 4, and 5 to those financial statements.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs 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 were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 Plan's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in the Plan's internal control, discussed on the accompanying memorandum, to be material weaknesses.

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.

We will review the status of these comments during our next audit engagement. We have already discussed this comment and suggestion with various Plan personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

CPA's + Trusted Advisors

Early Learning Coalition of Broward County, Inc. Retirement Plan

This communication is intended solely for the information and use of Plan management, the Plan Administrator, Trustees, and others within the management of the Plan Sponsor, and is not intended to be, and should not be, used by anyone other than these specified parties.

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 14, 2021

Current Year Internal Control Comments and Recommendations:

2020-01: Plan Administration: It was noted during our audit procedures, that the Plan is self-administered. Due to the complex and specialized nature of employee benefit plans subject to ERISA, certain required compliance tests were not performed timely. The Plan was also not operating under a fully adopted plan document. In addition, the Plan had several other compliance failures and is in the process of submitting a plan to the IRS's Voluntary Compliance Program (VCP) to correct compliance failures in the Plan.

Management's Response:

Management agrees. The decision to self-administer the Plan was made at the time the Coalition was formed in 2002 when the organization had less than 10 employees. However, no internal Plan Administration policies or procedures were developed for the Coalition until staff began making ERISA compliance inquiries with Plan Sponsor Valic in 2016. In 2017, when significant compliance failures dating back to 2009 came to light, staff began consulting with ELC's external auditors and Valic staff to identify the full scope of the problems and formulate a plan for corrective action. Staff also began a search for a Broward-based attorney that specialized in ERISA law to shepherd the agency through the necessary corrective action filings and procedures. In 2020, with the help ELC's newly procured audit firm, ELC engaged the law firm Tripp Scott to prepare the voluntary correction plan filing with the IRS that is now ready for submission. Once the IRS accepts and approves the Coalition's corrections, Tripp Scott will assist the Coalition in procuring a qualified, specialized third party administrator for the Plan to handle all administrative transactions and ensure ERISA compliance going forward.

2020-02: Documentation Contained in Personnel Files: During our testing of participant data, we noted that there were instances where employee personnel files did not contain adequate support for the employees' elective deferrals. We recommend that documentation be obtained and maintained in employee files to support plan operations.

Management's Response:

Management agrees. In 2019 ELC implemented new internal controls and documentation requirements for all new and updated employee deferral elections. By December 31, 2021 staff will also confirm all existing elective deferrals with updated forms signed by all participants. The Coalition also intends to procure a qualified, specialized third party administrator for the Plan to handle all administrative transactions and ensure ERISA compliance going forward.

2020-03: Calculation of Employer Matching Contributions: During our audit procedures, we noted the Plan Sponsor was contributing to participants from the date of participation in the Plan. Prior to the January 1, 2020 restatement, under the plan document, participants become eligible to receive employer contributions upon completion of 1 year of service.

Management's Response:

Management agrees. The practice of making contributions earlier than the eligibility date included in the Plan document began in 2002 when the Coalition was formed and the Plan was first established. The problem was corrected when the terms of the Plan and the practice of making contributions were brought into alignment in the restated Plan document that was effective January 1, 2020. Fortunately, no corrective action for this historical compliance error will be required by the IRS because the error did not harm any employees, and indeed it was more generous than the Plan document required. The Coalition intends to procure a qualified, specialized third party administrator for the Plan to handle all administrative transactions and ensure ERISA compliance going forward.

Current Year Internal Control Comments and Recommendations (continued):

2020-04: Participant Loans: During our audit, we noted that the Plan Sponsor was unable to locate the Participant Loan Program Document for the Plan. It is the Plan Sponsor's responsibility to ensure compliance with the Plan document and loan instructions in the administration of the Plan. Prior to the issuance of the audit, the Plan Sponsor was able to obtain a copy of the Participant Loan Program from the third-party service provider.

Management's Response:

Management agrees. Valic created the Participant Loan Program Document for the Plan when the Coalition's Plan was formed in 2002 and the Document is not listed or available with other Plan Documents on the Coalition's online account with Valic. The Loan Program Document has since been secured. All loans that have been issued to date are in compliance with its terms. The Coalition intends to procure a qualified, specialized third party administrator for the Plan to handle all administrative transactions and ensure ERISA compliance going forward.

ITEM/MEETING	AUD222RB2 / AUDIT
DATE:	December 7, 2021
SUBJECT:	Recently Identified System Issue with ADP Payroll Software with Compliance Implications
FOR ACTION:	No. For Discussion Only
RECOMMENDED ACTIONS:	N/A
FINANCIAL IMPACT:	N/A
ELC STAFF LEAD	C. Klima

Background Information:

ELC staff recently determined that a feature of the ADP Payroll System that ELC has used to process payroll since the ELC was formed does not work as intended and some payroll calculations have been incorrect as a result. Specifically, the feature purports to calculate lump sum, retroactive payroll calculations back to an effective date set by the user. This feature is typically used when a change to rate of pay has been approved, but the change must be applied retro-actively because the change was authorized to take effect in a prior payroll period. However, fiscal staff recently found that the feature disregarded the requested effective date in some cases after staff merit increases were processed as a batch. This system issue resulted in multiple payment errors to staff.

When the error was discovered, staff contacted ADP technical support. While ADP acknowledged that the calculation was incorrect, they could not fully diagnose the underlying cause of the problem unless they could observe a live calculation transaction as we processed and paid it. Since we did not have another instance of retro-active pay since the previous batch was processed, the problem is not yet fully diagnosed by ADP and remains unresolved in their system. Meanwhile ELC staff has stopped using the feature.

Staff have informed and discussed the issue with ELC’s auditors, Keefe McCullough and will also discuss the issue with DEL’s monitoring team when they arrive in January.

Current Status:

The system issue resulted in the following errors and staff actions for a single payroll batch:

- 4 employees were underpaid.
 - Fiscal staff have corrected these errors and the employees have been paid.
 - Total Impact: \$455
- 121 employees were overpaid by \$19 on average.
 - Fiscal staff have not collected these amounts from employees because the amounts are immaterial when weighed against the administrative cost of making corrections to tax, retirement and other calculations.
 - Total impact: \$2,323

Recommendation:

None. For discussion only

Supporting Documentation:

None.