

Office of Child Care Services

Office of Child Care Services Background

The Office of Child Care Services (Office) is authorized by Section 3 of Chapter 28A of the Massachusetts General Laws. The primary mission of the Office is to ensure that, in the absence or inability of parents to provide proper care, the Commonwealth will provide substitute residential care and protection for every child. Chapter 43 of the Acts of 1997 authorized the Office to be the lead agency to administer day care services within the jurisdiction of the Executive Office of Health and Human Services (EOHHS) and to communicate with other state agencies providing similar or related services outside of EOHHS.

The Office establishes standards for, and monitors, childcare programs throughout the Commonwealth. OCCS also administers and purchases subsidized child care for income eligible families, early learning services, special child care services and child care resource and referral services. Licenses are issued and renewed, through its five regional offices, to providers of child care centers, nursery schools, private kindergartens, family day care homes, school age child care programs, preschool programs, residential and temporary shelter facilities for children, and foster care and adoption placement agencies. In addition, the Office administers a primary prevention program and the Children's Trust Fund to provide statewide child abuse and neglect prevention services.

In fiscal year 1999, the Office administrated \$309 million. Federal funds amounted to approximately \$170 million.

The federal funding to the Office is detailed in the accompanying Schedule of Expenditure of Federal Awards. The Office's major program was:

CFDA #	Federal Program Description
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory & Matching Funds of the Child Care & Development Fund

Findings on Reportable Conditions

Finding Number 31: MMARS Revenue Reports and Bank Statements not Reconciled in a Timely Manner

Our prior report noted that the Office of Child Care Services (Office) records its cash receipts but does not compare deposit slips with bank statements. Specifically, the Office did not compare the bank statements with the Massachusetts Management Accounting and Reporting System (MMARS) appropriate reconciliation. We recommended that the Office assign someone the responsibility to perform a monthly reconciliation between the weekly deposit slips received from the regional offices and the bank statements as outlined in its internal control guide, as well as, to compare the bank statements with the MMARS reports and its cashbook.

Our follow-up review indicated that the Office has developed new policies and procedures for bank reports and revenue reconciliation procedures since the prior audit. As a result, the Office is now performing reconciliations of its bank statements to the MMARS 469A report and daily deposit slips provided by the regional offices. However, the Office could not provide current reconciliations nor clearly demonstrate that they were performed in a timely manner, as stated in its Internal Control Guide. Without timely reconciliations there is no assurance that errors and variances would be detected for resolution within a reasonable time period.

The Office's Internal Control Guide, dated May 1999, Section 11 states:

"The Office of Child Care Services ensures that revenue is received and deposited promptly in accordance with the Policies of the State Comptroller's Office. Cash transfers of funds in MMARS occur weekly, OCCS reconciles revenue deposits with bank statements, MMARS 469A Reports and OCCS records on a monthly basis."

Further, The State Comptroller's Internal Control Guide Chapter VIII, Revenue Controls States:

"Monthly reconciliations should be performed with the State Treasurers records, bank statements, department records and MMARS reports. This should be done at least on a monthly basis." (*Department of Health and Human Services – Child Care Mandatory and Matching Funds of the Child Care and Development Fund 93.596; Fiscal Year 1998 Single Audit Finding 45*)

Recommendation

We recommend that the Office perform the required reconciliations each month according to the guidelines set forth in the Internal Control Guides.

Department Corrective Action Plan

To ensure that Revenues are reconciled in a timely manner, OCCS has initiated a monthly reconciliation to be conducted by the Central Office Administration and Finance Unit. Within 7 (seven) days of the issuance of MMARS Report 469A the prepared and signed reconciliation will be completed (signed and dated by both the preparer and the reviewer) and submitted to the OCCS Assistant Commissioner for Administration and Finance for approval and signature.

Department Contact Person: Richard Steele, Director of Accounting for OCCS

Findings on Compliance with Rules and Regulations

Finding Number 32: Monitoring of Subrecipients Needs Improvement

Our prior report noted that the Office of Child Care Services (Office) needed to improve its onsite monitoring of subrecipients to ensure that funds are being spent in accordance with contract requirements and other appropriate regulations. We also noted that the Office needed to document its site visits to subrecipients. We recommended that the Office monitor the Child Care Resource and Referral Agencies (CCRA) for compliance with terms and conditions of the contract, evaluate the quality of CCRA's recordkeeping practices, and document its site visits. We also recommended that the Office comply with its formal reporting policy, which includes a mechanism for follow-up action with specified timeframes for resolution.

Our follow-up review revealed that the Office did not conduct any on-site reviews of subrecipients during our audit period. The Commonwealth of Massachusetts Procurement Policies and Procedures Handbook, Chapter 5 titled; Contract Execution and Management; Monitoring and Evaluating Contractor Performance and Compliance, states in part:

"The Commonwealth has a responsibility to conduct monitoring and evaluation of the commodities and services it purchases. These activities can assist in identifying and reducing fiscal and programmatic risk as early as possible, thus protecting both public funds and clients being served.

Contract managers are responsible for monitoring contractor performance and other issues that arise during the life of the contract. In developing monitoring and evaluation procedures, the Commonwealth, through its departments or Procurement Management Team (PMTs), should strive for methods which rely on, among other things, national or industry standards and which are coordinated, cost efficient and appropriate, to the level of risk to the Commonwealth in the purchase of the commodities or services."

The Office is currently in the process of developing a monitoring plan for determining contract compliance with providers that includes risk assessment tools. The plan is in the draft stage and the Office anticipates that the contract staff will be trained on the monitoring tools. Site visits will begin at the end of October 1999. Because the Office was developing a new monitoring tool, it did not conduct any site visits during our audit period. It is imperative that the Office conduct and document site visits to ensure that the CCRA's comply with all aspects of contract requirements and that records are being maintained. The Office cannot be assured that assets are being properly safeguarded at the CCRA's without adequate monitoring practices. (*Department of Health and Human Services – Child Care and Development Block Grant 93.575 and Child Care Mandatory and Matching Funds of the Child Care and Development Fund 93.596; Fiscal Year 1998 Single Audit Finding 46*)

We recommend that the Office conduct and document on-site visits of CCRA's to determine compliance with the terms and conditions of its contracts and regulations. A schedule for follow-up action to determine resolution should also be established.

Department Corrective Action Plan

OCCS will complete the development of a comprehensive monitoring tool by December of 1999. Once completed, OCCS Contract and Monitoring Coordinators will be trained on the use of the tool during the months of January and February. In addition, starting in January of 2000 through February of 2000, OCCS Contract and Monitoring Coordinators will begin to conduct preliminary site visits to all CCRRs to discuss the monitoring tool and provide an overview of what will occur during the on-site review.

Formal on-site monitoring of the CCRRs will begin in late March of 2000. The on-site monitoring will consist of interviews with administrative and programmatic staff of the CCRRs, review of client records to verify eligibility, review of personnel records and agency policies and procedures with the objective of determining their compliance with the terms of their contract (including the Request for Response); and the Commonwealth's Terms and Conditions for Human and Social Services. OCCS' Contract and Monitoring Coordinators will be required to prepare a site visit report, which will be given to the CCRRs, with their findings, recommendations and required follow-up action including timelines for corrective action.

Once monitoring of CCRRs has occurred, OCCS will begin to monitor its child care contractors using the format described above.

Department Contact Person: Joanne McMahan, Director of Procurement and Contracting

Findings not Repeated from Prior Years

1. The Office of Child Care Services (Office) needed to ensure that policies and procedures were in place to eliminate the appearance of a conflict of interest when Child Care Resource and Referral Agencies (CCRA) select providers and submit bills for payment. The Office's Legal Unit developed a Disclosure Form to be used by the CCRA's which parents will sign indicating that they were given three choices of child care providers. The contracts that were signed by the CCRA's were also amended to include language that the Disclosure Forms must be maintained for monitoring purposes. (*Fiscal Year 1998 Single Audit Finding 44*)

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