



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued November 25, 2014

Department of Early Education and Care

For the period July 1, 2011 through June 30, 2013





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Office of the State Auditor
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Making government work better

November 25, 2014

Commissioner Thomas L. Weber
Department of Early Education and Care
51 Sleeper Street, Fourth Floor
Boston, MA 02210

Dear Commissioner Weber:

I am pleased to provide this performance audit of the Department of Early Education and Care. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2011 through June 30, 2013. My staff discussed the contents of this report with management of the agency, and their comments are reflected in this report.

I would also like to express my appreciation to the Department of Early Education and Care for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written over a light blue circular background.

Suzanne M. Bump
Auditor of the Commonwealth

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EXECUTIVE SUMMARY

The Department of Early Education and Care (EEC), established by Chapter 15D of the Massachusetts General Laws, is responsible for the licensing of childcare providers and for providing the following: financial assistance for childcare services to low-income families, information and referral services, parenting support for families, and professional development opportunities for staff in the early education and care field.

According to EEC's website, its mission is to "provide a system of early education and out-of-school time care in Massachusetts that provides all children with the necessary foundation for healthy and positive educational development and lifelong success." EEC regulates the licensure of early education and care and out-of-school-time programs in Massachusetts and more than 10,000 family childcare and group/school-age early education and care programs across the Commonwealth, as well as nearly 700 residential care programs and adoption / foster care placement agencies. The department administers its services through a central office located in Boston and five regional offices located in Lawrence, Quincy, Springfield, Taunton, and Worcester. During fiscal years 2012 and 2013, EEC administered approximately \$506.5 and \$501 million, of which federal funds totaled approximately \$395 million and \$384.5 million respectively.

In accordance with Chapter 11, Section 12, of the General Laws and as required by Chapter 38, Section 2, of the Acts of 2013, the Office of the State Auditor (OSA) conducted an audit of certain administrative activities of EEC covering the period July 1, 2011 through June 30, 2013. The objectives of the audit were to (1) evaluate the vendor payment process, (2) assess adherence to regulations concerning the transportation of students, and (3) determine the integrity of the current waitlist (KinderWait) for access to childcare.

Summary of Findings

- EEC did not ensure that its childcare waitlist was maintained in an unduplicated format and appropriately updated. As a result, EEC has continually provided the Legislature with inaccurate monthly reports of children who were waiting to receive EEC-supported childcare services. EEC reported to the Legislature that there were 59,190 children on its KinderWait waitlist as of June 30, 2013. However, our analysis of the KinderWait database showed that on this date, the waitlist was overstated by as many as 21,561 children (36%).
- KinderWait confirmation letters, intended to verify the accuracy of waitlist information, may not have been mailed to as many as 15.3% of the families from a test population of 59,193 families

for fiscal year 2013. Not adhering to this process calls into question the reliability of EEC's waitlist information.

- During the period January 18, 2013 through June 30, 2013, childcare resource and referral agencies (CCRRs) and contracted childcare providers billed, and received from EEC, a total of \$395,302 in reimbursements for 14,240 childcare service days when children may have had absences in excess of EEC's allowed number of days (30 days within a six-month period). Because these reimbursements were for unauthorized childcare service costs, they represent improper payments that EEC should recover.
- Many drivers and monitors for the 15 EEC childcare providers we visited did not have valid records of Criminal Offender Record Information checks or of background record checks (BRCs) performed by the Department of Children and Families (DCF), both of which are required by EEC regulations. As a result, EEC cannot be certain that people with disqualifying criminal records do not have access to children in EEC-supported care.
- EEC is not ensuring that each vehicle used to transport children to or from EEC-supported childcare facilities contains at least one adult who is trained in CPR or first aid. Without a properly trained adult present, children who need these types of medical help may not have anyone available to assist them.
- EEC did not ensure that all drivers had valid 7D vehicle or school bus driver certifications. Drivers without the appropriate vehicle certifications may not meet the physical, criminal background, safety, or driving requirements for operators and could therefore pose increased risk to the safety of children being transported.
- Our review of 15 childcare providers' transportation services revealed that transportation logs, used as a tracking mechanism for each child being transported, were not always filled out properly: some were missing post-trip signoffs intended to verify that the bus or van is empty, and some were missing other information. In addition, many transportation logs were not available for our review because they were not consistently maintained by contracted transportation providers. Without completed, signed transportation logs, providers cannot substantiate that they are safeguarding against children being left in a bus or van by accident.
- There were numerous issues with the documentation being maintained by childcare providers to show that vehicles operated by their contracted transportation providers had undergone inspections, and had insurance coverage, required by state laws and regulations. Therefore, EEC cannot assure the Commonwealth and OSA that vehicles used to transport children passed all required state inspections and have adequate insurance to cover accidents.
- During our audit period, transportation service providers were required to submit transportation oversight plans to ensure that they followed state regulations. However, 48 (39%) of those providers had not submitted a plan that met EEC's contract requirements by September 30, 2012. As of March 3, 2014, 10 of the providers still had not submitted a plan that met EEC's requirements. EEC did not take any actions such as terminating these providers' contracts. Contracted childcare providers that lack sufficient transportation oversight policies and procedures, and providers whose subcontractors lack such policies and procedures, increase the

risk of problems associated with the transport of children, such as the problems identified in this report.

Recommendations

- EEC should continue to use KinderWait’s auto-archive feature.
- EEC should ensure that its personnel routinely search KinderWait for multiple applications submitted for the same child and remove all duplicates from its waitlist.
- EEC should develop policies, procedures, and internal controls to ensure that KinderWait confirmation letters are sent to applicants at the appropriate times, including sending letters manually in cases where KinderWait has not generated them automatically.
- EEC should recoup improper payments made for excessive absences retroactive to January 18, 2013. All state funds recovered for prior fiscal years’ expenditures must be processed in the current fiscal year as miscellaneous revenue. Also, where applicable, federal funds reclaimed within the applicable obligation period should be credited back to EEC’s federal awards and re-obligated. Any federal funds recovered after the end of the applicable obligation period must be returned to the United States Department of Health and Human Services’ Administration for Children and Families.
- EEC should take a proactive approach to reduce improper payments related to excessive absences by emphasizing prevention versus “pay and chase.” One possible solution is to require contracted childcare providers and CRRs to use EEC’s ad hoc attendance report themselves to monitor any children whose absences are approaching the 30-day mark. In addition, EEC should establish internal controls to ensure that providers of childcare services do not bill for children with absences in excess of what EEC’s regulations, policies, and procedures allow.
- EEC should establish policies and procedures to review provider bills for unallowable absences before they are paid.
- EEC should establish effective monitoring and evaluation procedures to ensure that the required BRCs are performed before and during individuals’ employment, including that of all drivers and monitors who might have unsupervised contact with children.
- EEC should establish policies requiring childcare providers to notify EEC when hiring or contracting drivers or monitors so that EEC can ensure that DCF BRCs are performed for all drivers and monitors involved in the transportation of children to and from EEC-supported childcare facilities. These checks are not conducted otherwise.
- EEC should review childcare providers and systems to ensure that certain driver, monitor, and vehicle records are maintained in their transportation files and should retrain the providers’ and systems’ personnel as appropriate to ensure compliance with documentation requirements.
- EEC should establish the necessary procedures and related internal controls for monitoring childcare providers’ oversight of drivers’ and monitors’ compliance with CPR and first-aid certification requirements.

- EEC should establish the necessary procedures and related internal controls for monitoring licensed childcare providers to ensure that providers (1) verify that their employees and subcontracted employees acting as school bus and 7D vehicle drivers are properly licensed and certified and (2) maintain copies of these licenses and certifications on site.
- EEC should establish the necessary policies, procedures, and related internal controls to ensure that transportation providers properly complete and maintain transportation logs as prescribed by regulations.
- EEC should ensure that childcare providers maintain transportation logs with the required signatures.
- EEC should clearly communicate the period of time that completed transportation logs must be retained by childcare providers and ensure compliance.
- EEC should establish and implement the necessary policies, procedures, and related internal controls to ensure that childcare providers verify that all school buses and 7D vehicles have a valid registration, verify that they pass all required maintenance and safety inspections, maintain records for all required inspections, and have the records available for review.
- EEC should develop policies, procedures, and internal controls to ensure that all childcare providers and subcontracted transportation companies maintain at least the minimum required insurance on school buses and 7D vehicles used to transport children.
- EEC should establish and implement the necessary policies, procedures, and associated internal controls to ensure that all contracted childcare providers have submitted a transportation oversight plan that adequately documents policies and procedures necessary to comply with EEC requirements. EEC should maintain direct, periodic oversight to ensure ongoing compliance with transportation regulations and applicable EEC policies.

Other Matters

Fifteen-Passenger Vans

Massachusetts is one of only eight states that allow 15-passenger vans to be used to transport children. The Massachusetts Registry of Motor Vehicles has policies that prohibit the initial registration of new nonconforming¹ 15-passenger vans; however, 15-passenger vans that have already been registered can continually be re-registered in the Commonwealth for the purpose of transporting students to and from childcare facilities. During our visits to 15 childcare providers, we determined that 7 of the 15 were using a total of 14 15-passenger vans.

¹ Vehicles that were designed by the manufacturer to transport more than 10 people, including the driver, and do not meet federal motor vehicle safety standards.

Even though there are no laws that prohibit the use of such vans, available safety data strongly suggest that 15-passenger vans should not be used to transport students. They have a significantly higher rollover rate that has led the National Highway Traffic Safety Administration to recommend that states prohibit the use of 15-passenger vans for this purpose.

Childcare Vouchers Not Issued

Beginning on February 4, 2011, EEC decided to stop issuing childcare slots under its income-eligible (IE) childcare voucher program. According to EEC management, this occurred because the agency risked overspending its IE funding in fiscal year 2011 as it had done in previous years. EEC stopped using the funds that had been appropriated for this program until it could effectively manage them. As a result, EEC accumulated annual operating surpluses totaling more than \$18 million for fiscal years 2011 and 2012, and an estimated 2,780 eligible children were not placed in childcare.

While the program was closed, the Executive Office for Administration and Finance worked with EEC to assist with budgeting and related activities concerning the program. Subsequently, in September 2013, EEC reactivated IE voucher access based on the resulting improvements.

Post-Audit Action

During our audit, the following actions took place:

- EEC reactivated the auto-archive feature of its waitlist software on July 18, 2013, at which time EEC identified 20,287 children's entries that should have been archived. EEC subsequently removed these entries from KinderWait.
- The director of EEC's Audit Compliance and Resolution Unit stated that beginning in July 2013, EEC incorporated a monitoring check for excessive absences into its reviews of childcare providers and CCRRs and ultimately recouped a total of \$7,364.45. However, these reviews have only been conducted at a limited number of EEC providers, and EEC does not have any policies and procedures to review provider bills for unallowable absences before they are paid. EEC management told OSA that a longer-term corrective action would be addressed in the Child Care Financial Assistance system that would replace the current voucher billing system (the Child Care Information Management System) as well as the contract provider billing system (the Electronic Child Care Information Management System).
- On February 3, 2014, EEC hired a full-time transportation compliance monitor. The transportation compliance monitor has been creating policies and procedures to address transportation compliance issues. Draft versions of some of these documents were forwarded to OSA during our field work; they include the following:

- Transportation Compliance Monitoring Plan
- Transportation Risk Assessment Analysis and Review—Annual Risk Assessment Worksheet
- On-Site Monitoring Review—Transportation Compliance Checklist

OVERVIEW OF AUDITED AGENCY

Background

The Department of Early Education and Care (EEC), established by Chapter 15D, Section 2, of the Massachusetts General Laws, is the lead state education agency for the administration of public and private early education and care programs and services. In February 2008, the Massachusetts Legislature created an Executive Office of Education (EOE) to oversee the Commonwealth's three education agencies (EEC, the Department of Elementary and Secondary Education, and the Department of Higher Education). EEC reports directly to EOE and is overseen by an 11-member board and managed by a commissioner, who is also the board secretary and EEC's chief executive officer. In its report "Recommendations of the Special Commission on Early Education and Care Operations and Finance," EEC states that its mission is "to provide a system of early education and out-of-school time care in Massachusetts that provides all children with the necessary foundation for healthy and positive educational development and lifelong success." EEC operates from a central office in Boston, located at 51 Sleeper Street, and five regional offices administered by regional directors.

EEC is responsible for the licensure or approval of several different kinds of care, including childcare centers, childcare programs for school-age children, Family Child Care² homes, placement agencies, family foster care that is not supervised and approved by a placement agency, group care facilities, and temporary shelter facilities. In addition to licensing childcare providers, EEC is responsible for enforcing applicable state laws, regulations, and its own licensing standards to ensure the health and safety of all children in its licensed early education and childcare programs.

EEC provides financial assistance for childcare in the form of a voucher or contracted slot to eligible Massachusetts families. To qualify, caregivers must meet EEC's income guidelines and

- be working, seeking employment, or enrolled in an education or training program (not including graduate, law, or medical school) for at least 20 hours per week for part-time care and at least 30 hours per week for full-time care;
- be retired (if older than 65 years); or
- have one or more children with a diagnosed and documented disability or special need.

² Family childcare allows a provider to care for a small group of children in the provider's residence.

Income-Eligible Vouchers and Contracted Slots

Presently, EEC uses both vouchers and contracts to purchase developmentally appropriate childcare for infants, toddlers, preschoolers, and school-age children.

One type of voucher offered by EEC is the childcare voucher program, which helps eligible families pay for care at early education and care or out-of-school-time programs. Childcare vouchers are certificates that show the number of hours and days per week a child has been approved for subsidized childcare. Parents with vouchers can select any childcare provider (daycare center, family care, or in-home care) that has space available and accepts vouchers. EEC contracts with seven childcare resource and referral agencies (CCRRs) to provide families with referrals to local early education and care providers. CCRRs administer the childcare voucher program and give families information on licensed and license-exempt programs, including childcare centers, family childcare providers, preschools, and out-of-school-time programs. CCRRs also receive voucher payments from EEC that they then distribute to childcare providers.

In addition to CCRRs, EEC works with contracted family childcare systems, which are coordinated networks of family childcare providers, and also works directly with contracted center-based childcare providers to administer contracted slots. These contracted slots set aside spaces at specific childcare centers, family childcare providers, or schools for children from low- to moderate-income families. During our audit period, more than 12,000 childcare providers were associated with CCRRs and contracted slots.

During fiscal years 2012 and 2013, EEC expended more than \$225 million and \$214 million, respectively, for almost 30,000 children associated with income-eligible (IE) vouchers and contracted slots. To be eligible for either a voucher or a contracted slot, a family must be prequalified and entered on EEC's centralized KinderWait waitlist. However, children referred for childcare by the Department of Children and Families (DCF) through either a voucher or a contracted slot, or by the Department of Transitional Assistance (DTA) through a voucher, get immediate placement and are not placed on KinderWait. During fiscal years 2012 and 2013, approximately \$410 million in total was expended for more than 21,000 children associated with vouchers and contracted slots through DCF and DTA.

Families that have an IE voucher or contracted slot pay on a sliding scale based on their income and family size. Very-low-income families receive free childcare. Families receiving a childcare subsidy through a voucher or contracted slot may also receive funding for transportation between home or school and childcare. For fiscal years 2012 and 2013, based on information provided by EEC, the department spent more than \$100 million on transportation expenses. Only CCRRs, family childcare systems, and individual contracted childcare providers can bill EEC directly for childcare services provided. EEC uses the Child Care Information Management System (CCIMS) to determine family eligibility for entry and renewal of services according to EEC's Subsidy Policy.

CCIMS

CCIMS is a Windows-based client resource database used by CCRRs to administer the EEC voucher program. CCRRs use CCIMS to perform family intake and record family profiles, which include family size, income, work status, childcare placement, family copayments, and eligibility information. Family profiles are maintained for active and past voucher-program participants. CCRRs also enter provider information in CCIMS. Provider profiles in CCIMS contain information such as the agency name, address, services provided, and license status. CCIMS is installed on CCRRs' servers. These servers are backed up nightly onto the EEC computer system, allowing EEC to monitor information about childcare placements and vacancies daily. CCIMS user profiles are set up by function to restrict unauthorized use of the system and protect data integrity.

eCCIMS

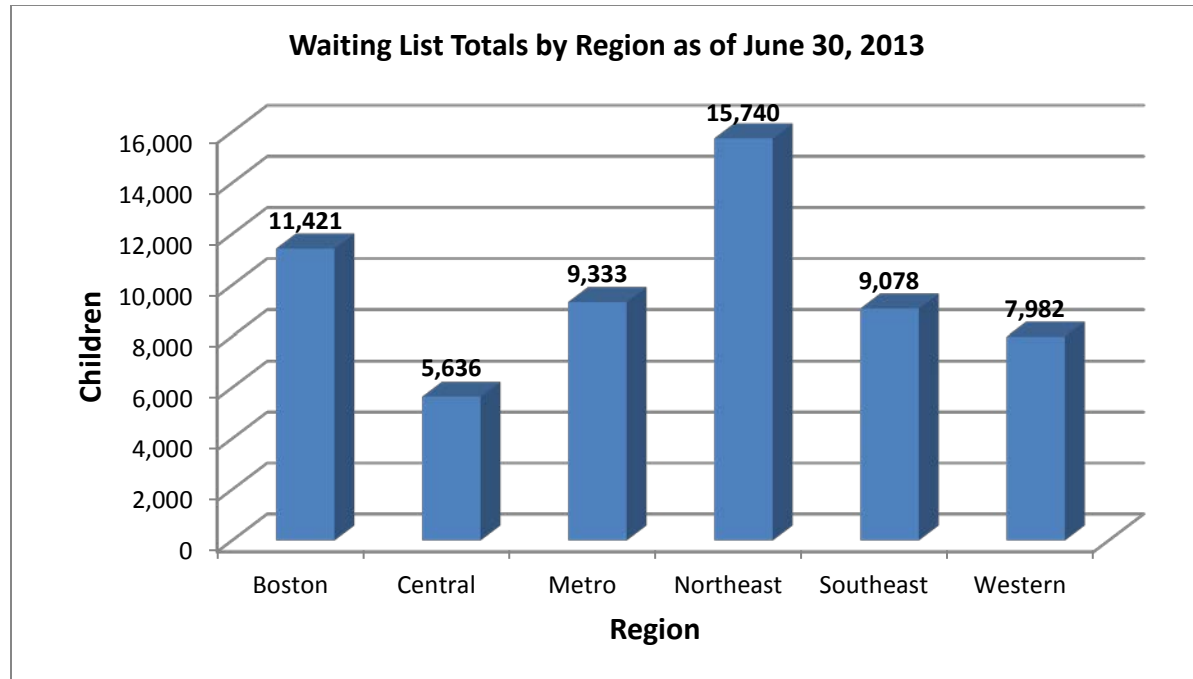
The Electronic Child Care Information Management System (eCCIMS) is a Web-based application that collects intake, eligibility, waitlist, and billing information from EEC's contracted childcare providers. eCCIMS allows EEC administrators to view vendor activity in real time, thereby increasing efficiency and improving the use of childcare funding.

KinderWait

On August 15, 2011, EEC transitioned its childcare waitlist from eCCIMS to a new, online, self-serve waitlist program called KinderWait in order to maintain a consolidated, unduplicated waitlist of children waiting for access to subsidized childcare. KinderWait maintains a list of IE children for all age groups that EEC serves: infants, toddlers, preschoolers, and school-age children. KinderWait information also includes family income, current address, phone number(s), main contact, and child

status codes that affect a child's priority on KinderWait. For example, children of homeless or teen parents are considered part of the priority population and are coded accordingly. So that EEC can maintain an accurate waitlist, applicants are required to periodically confirm/update their information stored in KinderWait. Children can be removed from KinderWait if their families decide that care is no longer needed, if their families do not maintain/update their contact information, or if they are over the age of 13 (unless they have special needs). Also, children who have been removed from KinderWait but who are still eligible are allowed to be reinstated on the list within six months of the date of their removal.

For the period ended June 30, 2013, EEC reported that 59,190 individual children were waiting for childcare throughout the Commonwealth, as detailed in the graph below.



AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

Chapter 38, Section 2, of the Acts of 2013 states that “the state auditor shall conduct an audit of the department of early education and care which shall include but not be limited to (a) vendor payments; (b) adherence to regulation concerning the transportation of students; and (c) the integrity of the current wait list for access to care.” In accordance with that requirement and with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Department of Early Education and Care (EEC) for the period July 1, 2011 through June 30, 2013. In some instances, we examined documentation outside the audit period in order to get a more complete understanding of controls in place. The objectives of the audit were to (1) evaluate the vendor payment process, (2) assess adherence to regulations concerning the transportation of students, and (3) determine the integrity of the current waitlist (KinderWait) for access to childcare.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence that provides a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve our audit objectives, we first reviewed all state and federal laws, regulations, policies, and procedures applicable to our audit objectives. We also gained an understanding of the internal controls we deemed significant to our audit objectives and evaluated the design and effectiveness of those controls. We conducted interviews with EEC management and other staff members, reviewed EEC records and supporting source documents, and performed necessary tests of these records. For the purposes of this audit, we relied on electronic information extracted from the KinderWait application. KinderWait contains information including profiles of children and families on the childcare waitlist. To assess the reliability of these data, we reviewed available documentation, interviewed EEC officials responsible for compiling the data, and performed reasonableness checks by verification of data reliability to determine the accuracy and completeness of stored data. For the purposes of this report, except for the problems we identified in Audit Finding 1, we determined that the data were sufficiently reliable.

To accomplish our objectives, we analyzed EEC billing information from the Child Care Information Management System (CCIMS) and Electronic Child Care Information Management System (eCCIMS), as well as payment information and state accounting records in the Commonwealth's Massachusetts Management Accounting and Reporting System (MMARS), to identify vendor invoicing and payments made by the Commonwealth to fund EEC's operations. To assess the reliability of these data, we reviewed available documentation, interviewed EEC officials responsible for compiling the data, and performed reasonableness checks by verification of data reliability to determine the accuracy and completeness of stored data. Based on that analysis, we concluded that the data used were of sufficient reliability for the background information, sampling methodology, and other purposes of our audit.

To determine whether EEC was executing proper authorizations for contracted provider payments, we analyzed a statistical random sample of 31 provider payments and associated source documents. We compared eCCIMS billing records, signed provider invoices, and MMARS accounting entries for accuracy, and we checked that all required approvals were made before payment.

To determine whether EEC was executing proper authorizations for childcare voucher payments, we analyzed a judgmental sample of eight provider payments and associated source documents. We compared CCIMS billing records, signed provider invoices, and MMARS accounting entries for accuracy, and we checked that all required approvals were made before payment.

To determine whether EEC was ensuring that provider payments were allowable and whether the scope, quality, and timing of the audit work performed by EEC's fiscal monitoring staff could be relied on, we met with EEC officials to gain an understanding of the provider invoice validation process. We also reviewed documented reimbursement rates, eligibility requirements, childcare information system billing controls, and procedures for monitoring childcare resource and referral agencies (CCRRs) and childcare provider compliance with applicable EEC regulations, policies, and procedures. We accompanied EEC fiscal monitoring personnel on two childcare provider audits and observed their review of records, including family income and residence, established reimbursement rates, and attendance records, as well as their performance of eligibility redeterminations for a preselected sample of children. Additionally, we reviewed a judgmental sample of EEC fiscal monitoring files for two contracted provider audits and two CCRR audits conducted during our audit period. Based on these discussions, activities, and reviews, we determined that EEC was

ensuring that provider payments were allowable and that the scope, quality, and timing of its audit work could be relied on.

In order to assess EEC's adherence to regulations concerning the transportation of children, we selected a judgmental sample of 15 childcare providers offering transportation services and performed tests to assess the effectiveness of EEC's process for monitoring the providers' transportation services. We tested for compliance with applicable driver, monitor, and vehicle laws, regulations, and EEC policies and procedures.

To determine whether EEC was ensuring that drivers responsible for the transportation of children were properly licensed and certified and that drivers and monitors³ were properly trained, maintained current CPR and first-aid certifications, and had the required criminal history background record checks performed, we analyzed a judgmental sample of 221 drivers and 23 monitors. These drivers and monitors were employed by or subcontracted with 1 or more of our sample of 15 childcare providers during our audit period. We reviewed personnel files maintained by the childcare providers for evidence of regulatory compliance and then interviewed transportation providers and EEC officials regarding any required documentation that was missing.

To determine whether the EEC was ensuring vehicles used to transport children complied with state laws and regulatory requirements, we reviewed provider-maintained records for a judgmental sample of 195 vehicles. These vehicles were used by one or more of our sample 15 childcare providers during our audit period. We reviewed documentation to check whether these vehicles, when in use, had valid registrations; all required vehicle inspections had been conducted; and minimum required insurance coverage had been maintained. We then interviewed transportation providers and EEC officials regarding any undocumented, invalid, or inadequate registrations, inspections, or insurance coverage.

To determine whether EEC established internal controls to verify the accuracy of the monthly unduplicated income-eligible childcare waitlist (KinderWait), we performed analytical testing of the KinderWait database. We analyzed the database to determine whether any children appeared on the list more than once and to identify inactive records that should have been removed from the database (archived) in accordance with EEC policies and procedures. We then interviewed

³ A monitor is an adult riding on the vehicle who is responsible for the supervision of children being transported.

responsible EEC officials regarding variances noted between the EEC waitlist data and our KinderWait data analysis.

DETAILED AUDIT RESULTS AND FINDINGS WITH AUDITEE'S RESPONSE**1. The Department of Early Education and Care's waitlist was significantly overstated, resulting in inaccurate information being provided to the Legislature.**

The Department of Early Education and Care (EEC) maintains a waitlist of children (KinderWait) who have applied for EEC-supported childcare. From our analysis of the database, we determined that the waitlist was overstated. As a result, information provided to the Massachusetts Legislature, which is based on the KinderWait data, is inaccurate. Inaccurate data may adversely affect the Legislature's ability to assess the need for childcare services and establish appropriate funding.

In addition, EEC may not have mailed confirmation letters, intended to verify the accuracy of waitlist information, to as many as 15.3% of the families from a test population of 59,193 families. This calls into question the reliability of EEC's waitlist information.

a. EEC's waitlist was not updated appropriately or maintained in an unduplicated format.

Contrary to state law and its own policies and procedures, EEC did not ensure that its childcare waitlist was maintained in an unduplicated format and appropriately updated. As a result, EEC has continually provided the Legislature with inaccurate monthly reports of children who were waiting to receive EEC-supported childcare services. EEC reported to the Legislature that there were 59,190 children on its KinderWait waitlist as of June 30, 2013. However, our analysis of the KinderWait database showed that on this date, the waitlist was overstated by as many as 21,561 children (36%).

KinderWait has an auto-archive function that is programmed to automatically remove children's records from the database when they have not been updated in more than 12 months. In addition, KinderWait can be used to search for duplicate records. During our audit, we performed a data analysis on the KinderWait database information for all 59,190 children who were on this list as of June 30, 2013 in order to identify children with either of the following:

- inactive case files for more than 12 months
- duplicate first and last names as well as dates of birth

Our analysis determined that 20,893 childcare records had not been updated in 12 months or more, and we also identified 668 duplicate records, for a total of 21,561 children that should possibly have been removed from the KinderWait database.

Authoritative Guidance

Chapter 15D, Section 2, of the Massachusetts General Laws requires EEC to “develop and maintain a current consolidated waiting list for all subsidized early education and care programs, and services in the commonwealth.”

In addition, Chapter 139, Section 2, of the Acts of 2012 states,

*[EEC] shall report on the first business day of each month to the joint committee on education, the joint committee on children, families and persons with disabilities, the house and senate committees on ways and means and the secretary of administration and finance on the **unduplicated** number of children on waiting lists for state-subsidized early education and care programs and services, including supportive child care services. . . . [emphasis added]*

Additionally, EEC has a comprehensive policy guide for subsidized childcare services (*Financial Assistance Policy Guide for Families, Caregivers, and Service Providers 2013*). Section 1.3 of this guide describes procedures regarding the communication that EEC is required to have with families on the waitlist, stating,

To ensure accuracy of the data on the waiting list and the continued need for child care services, you will receive several written communications from the EEC once you have been placed on the waiting list. . . .

Renewal letters are sent to families on the waiting list whose application has not been updated in the previous 12 months.

Further, Section 1.4 of the same guide states,

It is essential that waiting list administrators remove families from the EEC centralized waiting list and archive the families' or children's records to ensure accurate data.

In addition, EEC programmed its own software in KinderWait to archive inactive records after 12 months. Together with EEC's policy of requesting updates to applications after 12 months, this indicates that EEC's intention is for records to be archived if they are not updated in this length of time.

Reasons for Database Issues

According to EEC officials, the data conversion from the Electronic Child Care Management System (eCCIMS) to KinderWait in August 15, 2011 resulted in EEC losing the date on which a child had spent a full year on the waitlist. As a result, EEC determined that no family would be removed from the waitlist before August 2012 and did not activate the KinderWait auto-archive feature. This decision was made to ensure that each child spent at least one full year on the waitlist. However, as a result of our audit, the auto-archive feature was reactivated on July 18, 2013, at which time EEC identified 20,287 children's entries that should have been archived. EEC subsequently removed these entries from KinderWait.

Regarding duplicate records, although EEC's staff can perform duplicate record searches, EEC management was not providing adequate supervision to ensure that the staff was doing so.

b. EEC did not mail confirmation letters intended to verify waitlist information.

KinderWait confirmation letters, intended to verify the accuracy of waitlist information, may not have been mailed to as many as 15.3% of the families from a test population of 59,193⁴ families for fiscal year 2013. All families entered on the EEC centralized waitlist must declare that they meet EEC income-eligibility requirements. Initial eligibility determinations for placement on the EEC income-eligible (IE) childcare waitlist are based on verbal information provided by the family applying for assistance. EEC sends each new family a confirmation letter seven days from the date of its initial application, instructing the family to review the information provided to EEC, verify its accuracy, and contact a waitlist administrator to declare any changes. Not adhering to this process calls into question the reliability of EEC's waitlist information.

We selected a statistical sample of 60 children out of a population of 59,193 children in the KinderWait database as of June 30, 2013. We examined each child's record to determine whether, after initial entry in KinderWait, the required confirmation letter⁵ was mailed within the seven-day parameter established by EEC policy. Confirmation letters were not mailed for 4 of the 60 (6.7%) children within our test sample. Using a generally accepted statistical analysis, we project with a 95% confidence level that the four confirmation letters not mailed to the families

⁴ The KinderWait database as of June 28, 2013 included 3 additional children who were not included in the June 30, 2013 total (59,190) presented to the Legislature.

⁵ EEC sends confirmation letters for printing via a weekly batch process.

of our sample of 60 children could indicate that as many as 15.3%⁶ of the required confirmation letters intended for the families from a test population of 59,193 were not mailed. (Some of the 15.3% could include already archived or duplicate records.)

Authoritative Guidance

According to EEC's policy "EEC Waiting List(s) for Child Care Programs and Eligibility Rules," dated July 18, 2012, families must meet the following requirements:

- *Be residents of Massachusetts (defined by household zip code)*
- *Must have one child less than 13 years; If special needs child, less than 16*
- *Meet Income Eligibility requirements:*
 - *Total household income less than or equal to 50% of the State Median Income (SMI)*
 - *If special needs/disability of parent or child, total household income less than or equal to 85% of the SMI*
- *Meet the Service Need Requirement – must be satisfied by each parent in household:*
 - *Part-time service need requires between 20 and 29 hours of approved activities per week*
 - *Full time service need requires 30+ hours of an approved activity per week*
- *Approved service need activities include:*
 - *Paid employment*
 - *Participating in education or training program*
 - *Job search, if not working*
 - *Special need/disability of parent(s)*
 - *Special need/disability of child(ren)*

Section 1.3A of EEC's *Financial Assistance Policy Guide for Families, Caregivers, and Service Providers 2013* states,

⁶ We used a Poisson statistical sampling approach to estimate the maximum number of missing items from the population. The sample of 60 items, with 4 that could not be located, resulted in an error rate as high as 6.7% using the number of missing items from the sample.

Confirmation Letters. EEC issues confirmation letters to all new families on the waiting list. These letters instruct families to review the information and verify its accuracy, and to contact a waiting list administrator to declare any changes.

Reasons for Confirmation Letters Not Being Mailed

Families who want to request childcare services must submit an application to EEC. The date that EEC receives the application is referred to as the application date. Once an application is received, an EEC employee enters the application information in the KinderWait system; the date this information is actually entered in the system is documented in the system as the record-creation date. KinderWait automatically produces confirmation letters for families based on the application dates; the system does not generate a confirmation letter when an application date precedes the record-creation date by more than 15 days. This scenario occurred with 4 of 60 children (6.7%) in our test sample. Examples of scenarios where application dates were outside the range for system-generated confirmation letters follow:

- A family was archived for nonrenewal, but called within six months to be reinstated on the waitlist and was reinstated with the original application date. Therefore, the (original) application date was more than 15 days before the (new) record-creation date, and the system did not generate a confirmation letter.
- A family was added to the waitlist January 15, 2012; this was the record-creation date and the application date. On March 14, 2013, a parent called a waitlist agent and added another child to the family's waitlist. In accordance with EEC's waitlist practice, the child was given the family's existing application date. The system did not generate a confirmation letter.
- A family's waitlist application was dated May 1, 2013. The application was not entered in KinderWait until May 30, 2013, so the record-creation date was 29 days after the application date. The system did not generate a confirmation letter.

EEC has not established adequate internal controls over this process to properly monitor issuance of confirmation letters and ensure that the automatic letter generation function within the KinderWait system is functioning properly. It also does not have internal controls to ensure that if KinderWait does not generate a letter, EEC personnel generate a letter manually.

Recommendations

In order to ensure that the information in EEC's KinderWait system is accurate and unduplicated, we recommend the following:

- EEC should continue to use KinderWait's auto-archive feature.

- EEC should ensure that its personnel routinely search KinderWait for multiple applications submitted for the same child and remove all duplicates from its waitlist.
- EEC should develop policies, procedures, and internal controls to ensure that KinderWait confirmation letters are sent to applicants at the appropriate times, including sending letters manually in cases where KinderWait has not generated them automatically.

Post-Audit Action

EEC reactivated the auto-archive feature of its waitlist software on July 18, 2013, at which time EEC identified 20,287 children's entries that should have been archived. EEC subsequently removed these entries from KinderWait.

Auditee's Response

As noted in the audit report, due to data conversion issues when KinderWait was first introduced in August 2011, EEC determined that no family would be removed from the waitlist prior to August 2012. This decision was made to ensure that no family that was potentially eligible for subsidized care was erroneously dropped from the waitlist. Once the KinderWait system was fully functioning and the auto archiving feature was enabled in July 2013, over 20,000 children who were either no longer eligible for subsidized care or who had "aged out" of the system were appropriately removed from the waitlist. With the advent of enabling our KinderWait application's auto-archiving feature and the additional initiative to perform a Waitlist Cleanup project with the Child Care Resource and Referral agencies (CCRRs), EEC has made strong improvements relative to strengthening the waitlist. In addition, CCRRs have been reminded to use the Duplicate Application Search feature as noted in their Agent Training materials to proactively stop the addition of duplicate records.

Both during and after the audit period, EEC has communicated regularly with our Legislative partners regarding our ongoing efforts to improve the integrity of our waitlist. This communication includes briefings with legislators and monthly caseload reports as required by [the state's General Appropriations Act]. Per the new EEC Waitlist Policy effective May 9, 2014 . . . families are terminated from the waitlist after three funding offers are refused or no response is entered in the Refused/Denied section of their Waitlist Application. This further enhances the integrity of the waitlist. The agency has also quadrupled the frequency of review of waitlist data from monthly to weekly.

In order to create as accurate a waitlist as possible, in May 2014, EEC contracted with the CCRRs to complete an outreach to all 30,589 families on the waitlist as of May 9, 2014. The CCRRs reviewed the waitlist for accuracy, assessed continued family interest, determined potential eligibility, and communicated fees and other EEC policies to families on the waitlist. The CCRRs attempted to call each family twice, with at least one call during non-business hours. If the family did not respond to the phone calls, or if they did not have a valid phone number listed, they were sent a final notice. Families had two weeks to respond to the final notice or they were terminated from the waitlist. Terminated families can be reinstated with their original application date if the parents contact a waitlist agent within 30 days of termination. If the parents contact outside of the 30 days, the application date becomes the date that the family is reinstated.

Contacted families had all information updated, including if the child was still eligible for or still needed care. The result of this outreach removed approximately 40% of families from the waitlist

through either the parent's choice, children no longer needing care, or a lack of response to the outreach. The review of the waitlist was completed in early August 2014. The waitlist, which totaled 41,028 children at the end of April 2014 when the clean-up initiative began, stood at 29,094 when the CCRR effort was completed. As of this week the waitlist stands at 26,719, down from 59,190 in June 2013 when the audit period began.

We have updated the Internal Control Plan to include procedures related to waitlist communication letters and training protocols. . . .

The [Office of the State Auditor, or OSA] draft report indicates 668 duplicate records were on KinderWait. EOE IT reviewed the [OSA] list and performed two separate cross checks. One check was against the waitlist as of June 2013 (with 59,190 records in an Excel sheet) and one check used KinderWait to determine which records were actual duplicates and which ones were on the list legitimately. The [OSA] finding concludes that only 1.1% of over 59,000 records were waitlist duplicates (from the June 2013 Excel list). By cross referencing the Kinderwait application at the time the audit was conducted, we found that there were only 0.3% duplicate active family records within the KinderWait application. (This is partially due to the archiving function implementation in July 2013 and foster care scenarios.) There are legitimate reasons for a child to appear in two family records. For instance, a foster child may have a separate family record for each parent with whom they have been associated. As long as there is only one family record with active status for each child, under our Financial Assistance Policy Guide and Kinderwait standards, this is permissible and not a duplicate. Twins were another observed scenario in the [OSA] duplicate list as well as children who may have more than one record due to differences in spelling. In all of these cases, as long as there is only one family record with active status for each child, this is permissible and not considered a duplicate. CCRRs have been reminded to use the Duplicate Application Search feature as noted in their Agent Training materials to proactively stop the addition of duplicate records.

As of this correspondence, EEC has conducted four of its five planned regional Subsidy Management Training conferences for child care providers including all Waitlist agents. To date, 275 people have received this training. The focus of the Subsidy Management Training is on policy and process for each of the following areas.

- Waitlist*
- Funding Availability*
- Intake Eligibility, Placement and Denial, Reduction and Termination*
- Reassessment*
- Voucher Management*
- Attendance*
- Billing & Timelines*
- Audit Compliance & Resolution*
- Introduction to CCFA Application*

The use of KinderWait and its many functions is a strong and important part of the Subsidy Management Training.

While EEC presents above why there may be some duplicates on the waitlist, we also acknowledge that any incorrect or ineligible duplicate represents an error in count. EEC will remain vigilant for errors, monthly conducting cross checks of KinderWait to determine if there are any duplicates stated in error. . . .

A release went into effect in KinderWait in July 2014 that improves efficiencies of confirmation letter generation. The Confirmation Letter process is covered during Subsidy Management training. EEC has been retraining Waitlist Agents on the process and on their responsibility to manually print confirmation letters for the infrequent scenarios when an automated letter is not generated. We are developing system functionality to create alerts when a letter is not generated.

Of the 4 confirmation letters noted in the [OSA] report, 2 children have been appropriately archived and the remaining 2 have received confirmation letters.

EEC performs monthly checks to ensure confirmation letters have been sent to families on the waitlist.

Auditor's Reply

Based on its response, EEC is taking measures to address our concerns on this matter.

2. EEC paid \$395,302 to CCRRs and contracted childcare providers for service days with potential unallowable absences.

During the period January 18, 2013 through June 30, 2013,⁷ CCRRs and contracted childcare providers billed, and received from EEC, a total of \$395,302 in reimbursements for 14,240 childcare service days when children may have had absences in excess of EEC's allowed number of days (30 days within a six-month period). Because these reimbursements were for unauthorized childcare service costs, they represent improper payments that EEC should recover.

In accordance with policies established by EEC, CCRRs and contracted childcare providers are allowed to bill for each child for each actual service day that they are open and the child is present; up to 14 approved days per year when they are closed, such as holidays; and 30 days in a six-month period when the child is absent. CCRRs and contracted childcare providers then submit invoices to EEC for payment. A childcare provider must complete and submit a Service Delivery Report and Payment Voucher (monthly) in eCCIMS to the EEC Accounting Unit for reimbursement. A CCRR must complete a Request for Reimbursement form and mail it to the provider for verification. The

⁷ Our analysis was of data from January 18, 2013 through June 30, 2013 because the applicable legislation changed on January 18, 2013.

CCRR then submits a payment voucher to the Accounting Unit each month, along with other required forms. EEC reimburses the CCRR, which then reimburses each provider as appropriate.

EEC's Audit Compliance and Resolution Unit (Audit Unit) uses an ad hoc attendance report that is generated from information in eCCIMS to monitor and assess compliance with its policy regarding excessive absences over a six-month period. The report queries the history of all childcare providers' attendance records for any children with more than 30 days absent in a six-month period. The Audit Unit is responsible for reviewing this report before performing its on-site fiscal and compliance reviews with selected childcare providers. During these reviews, EEC discusses any children who are out of compliance with the attendance policy with childcare providers to ensure that unauthorized costs/payments made in error are identified and reimbursed by the childcare providers to EEC. In addition, although not required to do so by EEC, contracted childcare providers can access this report through EEC's website in order to monitor any children approaching this 30-day mark.

We reviewed attendance reports in eCCIMS for all seven CCRRs and 190 contract childcare providers and found that during the period January 18, 2013 through June 30, 2013, EEC made improper payments for absence days in excess of the maximum allowable 30 days in a six-month period. Our audit testing showed that contracted childcare providers and CCRRs were paid a total of \$395,302 for 14,240 potential unallowable childcare service days,⁸ at an estimated average cost of \$27.76 per day. Specifically, we determined that EEC improperly paid the following:

- 131 of 190 contracted childcare providers (69%) for 9,931 potential unallowable childcare service days.
- All seven CCRRs for 4,309 potential unallowable childcare service days.

Below is a chart showing all seven CCRRs with their associated excessive absences, the number of children affected, and the total improper amounts paid by EEC to providers:

⁸ Absences are said to be *potentially* excessive because some absences beyond the allowable 30 days within a six-month period may be allowable under certain circumstances; however, the report used to identify excessive absences does not identify allowable and unallowable absences beyond the 30-day limit. Therefore, for the purposes of our audit, we considered these absences potential unallowable childcare costs.

January 18, 2013 through June 30, 2013

Childcare Resource and Referral Agency	Excessive Absences	Number of Children	Improper Payment Amount
New England Farm Workers Council—Springfield	1,811	173	\$ 50,273.36
P.A.C.E. Child Care Works—New Bedford	992	88	27,537.92
Child Care Circuit—Lawrence	561	76	15,573.36
Child Care Resources (CCR) Program at Seven Hills—Worcester	371	41	10,298.96
Community Care for Kids—Quincy	259	33	7,189.84
Child Care Choices of Boston—Boston	170	16	4,719.20
Child Care Network of Cape Cod & Islands—Hyannis Region	145	17	4,025.20
Total	<u>4,309</u>	<u>444</u>	<u>\$ 119,617.84</u>

Of the excessive absences identified for contracted providers, 70% occurred at 1 of 27 contracted childcare providers that each had more than 100 excessive absences, as follows:

January 18, 2013 through June 30, 2013

Childcare Provider	Excessive Absences	Number of Children	Improper Payment Amount
Guild of St. Agnes	763	63	\$ 21,180.88
Old Colony YMCA	710	57	19,709.60
Associated Early Care and Education Inc.	452	50	12,547.52
Square One / Springfield Day Nursery	420	35	11,659.20
YMCA of Greater Boston	339	48	9,410.64
Rainbow Child Development Center	322	31	8,938.72
Early Childhood Centers of Greater Springfield Inc.	319	30	8,855.44
Malden YMCA	278	24	7,717.28
Catholic Charitable Bureau of the Archdiocese of Boston	270	32	7,495.20
Community Action of the Franklin, Hampshire and North Quabbin Regions Inc.	267	19	7,411.92
Community Teamwork Inc.	252	44	6,995.52
Montachusett Opportunity Council Inc.	234	16	6,495.84
Child Development and Education Inc.	206	30	5,718.56
Children's Aid & Family Service (Seven Hills Foundation)	206	20	5,718.56
Family Service Association of Greater Fall River Inc.	196	19	5,440.96
College Bound Dorchester	191	17	5,302.16
YMCA of Greater Springfield	186	25	5,163.36

Childcare Provider	Excessive Absences	Number of Children	Improper Payment Amount
Ellis Memorial and Eldredge House Inc.	173	10	4,802.48
Martin Luther King Jr. Family Services	157	11	4,358.32
Cape Cod Child Development Program Inc.	148	21	4,108.48
Enable Inc.	146	15	4,052.96
YMCA Southcoast New Bedford	134	19	3,719.34
Community Action Inc.	129	14	3,581.04
CARE / Community Adolescent Resource and Education Center	125	10	3,470.00
Valley Opportunity Council Inc.	123	29	3,414.48
Webster Square Day Care Center Inc.	106	8	2,942.56
Gregg Neighborhood House Association Inc.	104	21	2,887.04
Total	<u>6,956</u>	<u>718</u>	<u>\$193,098.06</u>

The other 104 contracted childcare providers accounted for the remaining 2,975 absences among childcare providers, which totaled \$82,586.

Authoritative Guidance

Before January 18, 2013, EEC's Subsidized Child Care regulation, 606 Code of Massachusetts Regulations (CMR) 10, defined excessive absence as "more than three consecutive unexplained absences or 11 or more explained absences within a 30 day period" (Section 10.02). Effective January 18, 2013, the regulation was changed to define excessive absence as "more than three consecutive days of unexplained absences or more than 30 explained absences within a six month period."

The amended 606 CMR 10.03(1)(i) specifically states, in part,

Educators/Providers shall not be paid for more than 30 child absence days in a six month period or for more than three consecutive unexplained absences without written approval from EEC.

Chapter 11, Section 4.2, of EEC's *Financial Assistance Policy Guide for Families, Caregivers, and Service Providers* was revised in 2013 to define excessive absence as follows:

- *30 or more absences due to illness or emergency within a 6-month period, or more than 10 service days of vacation per year; OR*
- *3 consecutive unexplained absences.*

Chapter 13, Section 13.1, of the same guide defines an improper payment as follows:

a payment made for early education and care services that is incorrect and/or is not authorized under applicable laws, regulations, contract terms, policies, and/ or procedures. This includes payments to providers for families who are ineligible for subsidized services, payments for care that was not provided, or payments made in error by the purchasing agency to a child care provider, Family Child Care System, or [CCRR].

Reasons for Improper Payments for Unallowable Absences

Many childcare providers told us in interviews that they had not implemented and enforced EEC's revised excessive-absence policy, or removed children from care when they exceeded the allowable 30-day limit within a six-month period, because they were unaware of the revised policy. EEC did not establish effective procedures or internal controls to ensure that childcare providers did not bill for childcare services in excess of the allowable-absence limit. As a result, these providers continued to bill for children who exceeded the allowable number of absences.

In addition, EEC management did not monitor providers sufficiently to ensure that payments were not authorized for children with excessive absences.

Recommendations

- EEC should recoup improper payments made for excessive absences retroactive to January 18, 2013. All state funds recovered for prior fiscal years' expenditures must be processed in the current fiscal year as miscellaneous revenue. Also, where applicable, federal funds reclaimed within the applicable obligation period should be credited back to EEC's federal awards and re-obligated. Any federal funds recovered after the end of the applicable obligation period must be returned to the United States Department of Health and Human Services' Administration for Children and Families.
- EEC should take a proactive approach to reduce improper payments related to excessive absences by emphasizing prevention versus "pay and chase." One possible solution is to require contracted childcare providers and CCRRs to use the ad hoc attendance report themselves to monitor any children whose absences are approaching the 30-day mark. In addition, EEC should establish internal controls to ensure that providers of childcare services do not bill for children with absences in excess of what EEC's regulations, policies, and procedures allow.
- EEC should establish policies and procedures to review provider bills for unallowable absences before they are paid.

Post-Audit Action

The director of EEC's Audit Unit stated that beginning in July 2013, EEC incorporated a monitoring check for excessive absences into its reviews of childcare providers and CCRRs and

ultimately recouped a total of \$7,364.45. However, these reviews have only been conducted at a limited number of EEC providers, and EEC does not have any policies and procedures to review provider bills for unallowable absences before they are paid. EEC management told OSA that a longer-term corrective action would be addressed in the Child Care Financial Assistance system that would replace the current voucher billing system (the Child Care Information Management System) as well as the contract provider billing system (eCCIMS).

Auditee's Response

EEC is soon to roll out (projected date: January 2015) its Child Care Financial Assistance application (CCFA), a web based application currently under development to handle all financial assistance cases for EEC. CCFA is being built to proactively manage the existing EEC absence policies when it comes to subsidized care. CCFA will have the following features, all of which are being implemented in response to the [OSA] findings:

- CCFA requires attendance to be completed in order to submit invoices. CCFA captures daily attendance, a feature that will greatly enhance the Audit team's ability to monitor for fraud/abuse. (Note that this currently not available in our Child Care Information Management System [CCIMS].)*
- CCFA will capture information on the specific user that enters and submits attendance for billing.*
- CCFA will prevent a provider from billing for absences that exceed the 30 absences in a 6 month period per policy.*
- CCFA will apply the "3 consecutive absence rule" per EEC's Financial Assistance Policy Guide and prevent payment for absences that exceed three unexcused consecutive absences. Remediation will also be required at this point.*

While CCFA will greatly improve and address billing for improper absences, in the interim, EEC has initiated a number of activities and policies to address the [OSA] absence findings. Following the release of the revised absence policy in January 2013, EEC conducted a first round of statewide trainings in early CY2013. A second round of trainings was offered in the fall of CY2013. As of this date, 215 people have attended this training. EEC released an EEC Management Bulletin on March 11, 2014 to all contracted providers to provide them with guidance on how to monitor excessive absences.

EEC Audit Unit Fiscal Monitors have continued to review CY13 potential excessive absences during all FY14 scheduled monitoring visits (94 providers) as well as those scheduled in FY15. Excessive absence findings were and are included in final Monitoring Visit reports; recoupment amounts were and are indicated on each report. Agencies are required to submit a Corrective Action Plan detailing how excessive absences will be continually monitored. The current recoupment total for the review of excessive absence for the onsite monitoring visits is \$113,799.04.

The Audit Unit also conducted an excessive absence desk review of the providers not scheduled for an onsite review in FY2014 (93 providers). Notification of this review and its results was sent to providers between May 2 and May 12, 2014 with a response due to EEC within 14 calendar

days. Based upon this desk review, the Audit Unit has thus far identified \$41,646.66 in excessive absences. Providers have confirmed and agreed to the recoupment amount and are required to submit payment to EEC. The projected completion date of this review is October 31, 2014.

Upon notification from the Accounting Unit, the Budget Office incorporates into each draw the total amount collected and deposited in the Billing Accounts Receivable System (BARS) in the current month. The receipt of returned improper payments is identified and tracked. The allocation is applied to each [federal Child Care and Development Fund] funding source for direct service costs for families and children. A pooling factor is calculated using budgeted dollars by funding source for the state appropriation accounts dedicated to direct child care services.

Each draw cycle includes the receipts of improper payments as provided by the Accounting Unit. The backup to the allocations by funding source and the recorded receipts as provided by the Accounting Unit are included in each draw cycle workbook.

Each fiscal year EEC budgets a portion of the budgeted expenditures not claimed or matched (and CCDF eligible) to offset any future receipts of returned improper payments during that state fiscal year. Historical receipts of improper payments determine the budgeted allocation. EEC monitors the current year receipts against the budgeted allocation for improper payments and revises the budget accordingly. Finally, as noted earlier in this document, Subsidy Management trainings are being held at EEC's five regional offices to which contract providers and CCRRs are invited to attend and receive in depth training on topics such as waitlist, eligibility, and attendance. The training is being conducted by EEC's IT, Legal, Audit, and Caseload personnel. The excessive absence policy is addressed at these trainings.

Auditor's Reply

Based on its response, EEC is taking measures to address our concerns on this matter.

3. EEC did not provide adequate oversight for drivers, monitors, and vehicles used to transport children.

EEC did not ensure that the companies hired by childcare contractors to transport children to and from childcare facilities met all of the legal and regulatory requirements for the provision of these services. Specifically, EEC did not ensure that (1) childcare providers conducted background record checks (BRCs), which include Criminal Offender Record Information (CORI) checks and a review of Department of Children and Families (DCF) records, on the employees (drivers and monitors) of their contracted transportation companies; (2) drivers and monitors met training requirements; (3) valid school transport vehicle and school bus certifications were documented in driver records; (4) transportation logs were maintained at childcare providers' offices; (5) vehicle inspection records and required minimum levels of insurance were in place; and (6) IE childcare providers submitted adequate transportation oversight plans as required by their contracts with EEC.

As a result, there is a heightened risk that contractors that provide transportation services for children receiving EEC-supported childcare do not meet all the requirements necessary to properly ensure children's safety.

Background

Approximately 14,000 children who receive state-subsidized childcare also receive transportation assistance. EEC does not have any contractual relationships with transportation providers. Family childcare systems and center-based providers may provide these services directly via their own fleet of vehicles, drivers, and monitors; via subcontracted vehicles, drivers, and monitors; or via any combination of these two approaches. Parents with children in supportive childcare⁹ are automatically eligible to receive transportation to and from childcare. Families with children receiving subsidized IE vouchers or placed in contract childcare slots must demonstrate a need for transportation in order to receive it. Funding for transportation totaled more than \$50 million each year for fiscal years 2012 and 2013.

a. BRCs were not consistently documented for all transportation drivers and monitors.

Many drivers and monitors for the 15 EEC childcare providers we visited did not have valid records of CORI checks or of BRCs performed by DCF, both of which are required by EEC regulations. As a result, EEC cannot be certain that people with disqualifying criminal records do not have access to children in EEC-supported care.

To determine whether childcare providers maintained the required BRC information, we examined driver and monitor records at 15 childcare providers. We selected these 15 childcare providers using a risk-based approach involving a variety of risk factors, including, but not limited to, the number of children receiving transportation services, the amount paid to the transportation provider, and the region where transportation services are provided. We made sure that at least 1 childcare provider from each of EEC's five regional offices was included in our sample. At the childcare-provider locations, we judgmentally selected and reviewed the personnel files for 221 drivers and 23 monitors who were providing transportation services to children. We then gave EEC our list of drivers and monitors who were missing evidence that a

⁹ Children in supportive childcare receive childcare, case management, and other support services, which can include the cost of transportation. Eligibility for supportive childcare is determined by DCF.

BRC had been properly performed. EEC reviewed the list against its proprietary criminal background check database and identified some drivers that appeared on our list as missing BRC documentation but who, according to EEC's records, had both a valid CORI and DCF BRC on file. EEC also determined that some of the other drivers and monitors on our list had late¹⁰ or expired¹¹ DCF BRCs and CORI checks. After working with EEC and verifying the results of our testing, we determined the following:

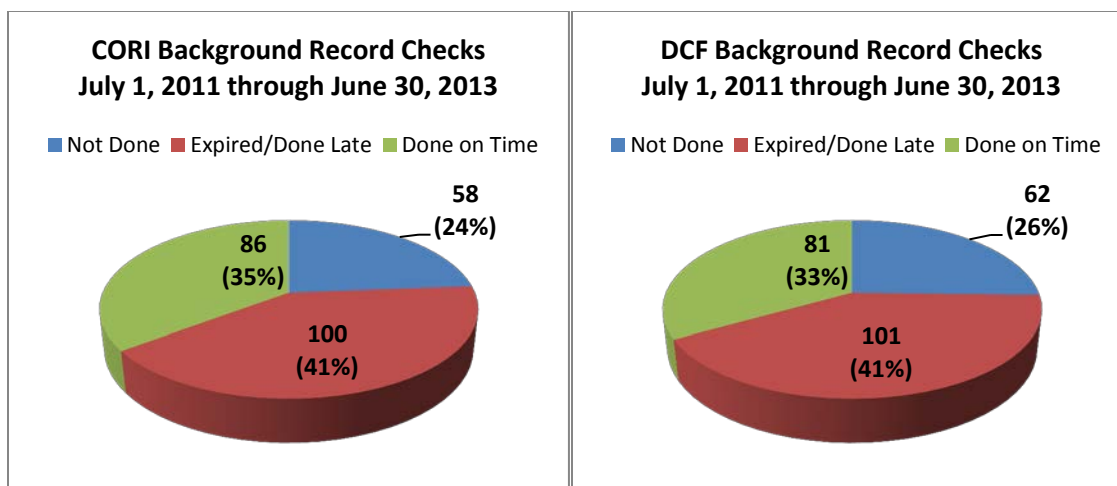
- Fifty-three of 221 drivers (24%) and 5 of 23 monitors (22%) had no record of a CORI check ever having been conducted, and an additional 89 drivers (40%) and 11 monitors (48%) had a CORI check that had expired or had been performed late.
- Fifty-six of 221 drivers (25%) and 6 of 23 monitors (26%) had no record of a DCF BRC ever having been conducted, and an additional 90 drivers (41%) and 11 monitors (48%) had a DCF BRC that had expired or had been performed late.

The table and charts below illustrate these results:

	Not Completed	Expired / Performed Late	Valid for Test Period	Total Tested	Compliance Rate
CORI					
Drivers	53	89	79	221	36%
Monitors	5	11	7	23	30%
Total	<u>58</u>	<u>100</u>	<u>86</u>	<u>244</u>	<u>35%</u>
DCF					
Drivers	56	90	75	221	34%
Monitors	6	11	6	23	26%
Total	<u>62</u>	<u>101</u>	<u>81</u>	<u>244</u>	<u>33%</u>

¹⁰ Drivers and monitors working before a CORI and or DCF BRC was performed.

¹¹ Drivers and monitors working after their three-year CORI and or DCF BRC check had expired.



It should be noted that the state's Registry of Motor Vehicles (RMV) is required to conduct CORI checks on applicants for school pupil transport vehicle (7D vehicle) certificates and the Department of Public Utilities (DPU) is required to conduct CORI checks on applicants for school bus driver certificates, so it is possible that BRC records that were missing at the providers we visited could have been on file at these other agencies. However, this does not eliminate EEC's responsibility for ensuring that CORI checks are conducted on all required individuals. Further, these other agencies do not conduct a check of the DCF Central Registry and the Registry of Alleged Perpetrators,¹² which is an important aspect of EEC's BRC process. EEC has no established policies requiring childcare providers to notify EEC when hiring or contracting drivers or monitors, so it does not have the opportunity to ensure that the DCF checks are performed at that time.

Authoritative Guidance

EEC's document *Guidance for Developing the Transportation Oversight Plan* requires childcare providers to maintain files for their contracted transportation drivers and monitors that contain various records, such as copies of the employee's driver's license, BRC information, school bus and/or van certification, required training certifications, and daily transportation logs. EEC regulation 606 CMR 14.02 states,

¹² A list, maintained by DCF, of individuals accused of child abuse or neglect when "the allegation of child abuse or neglect has been supported and referred to the District Attorney" and "there is substantial evidence indicating that the alleged perpetrator was responsible for the abuse or neglect" (110 CMR 4.37).

In order to ensure that employees or other persons regularly providing child care or support services with potential for unsupervised contact with children in any program or facility licensed and/or funded by EEC are appropriate for serving in their positions, a Criminal Offender Record Information (CORI) check and a DSS [DCF] Background Record Check shall be performed on all candidates for positions in such programs or facilities, as provided in 606 CMR 14.00. Further, a Criminal Offender Record Information (CORI) check and a DSS [DCF] Background Record Check shall be performed periodically, but no less often than every three years, on all persons in such positions.

EEC's enabling legislation states that EEC is responsible for ongoing monitoring and evaluation of all early education and care programs and services; therefore, EEC should ensure that providers perform the required checks.

In 606 CMR 14.05, a DCF BRC is defined as follows:

A check of the Department of Children and Families' Central Registry and Registry of Alleged Perpetrators to determine if a candidate has been named in either Registry as the person responsible for abuse or neglect of a child in a supported M.G.L. c.119, § 51B Report.

According to 606 CMR 14.09(1), if the CORI and DCF BRC investigations reveal a finding of "no record," the provider may proceed with a decision to hire the candidate and document the completion of the BRC in his or her personnel file. The finding of "no record" must be maintained in a locked file that is separated from the candidate's personnel file and is not part of that file.

Section 7 of the Commonwealth Terms and Conditions for Health and Human Services form, which applies to all state contracted service providers, states, in part,

The Contractor shall maintain records, books, files and other data as required by 808 CMR 1.00 and as specified in a Contract and in such detail as shall properly substantiate claims for payment under a Contract, for a minimum retention period of seven (7) years beginning on the first day after the final payment under a Contract, or such longer period as is necessary for the resolution of any litigation, claim, negotiation, audit or other inquiry involving a Contract.

Reasons for CORI and DCF Checks Not Being Consistently Documented

Although 14 of the 15 childcare providers we visited indicated that they were familiar with the BRC requirements, a number of providers told us that they did not conduct CORI or DCF BRCs on the drivers or monitors employed by their subcontractors for various reasons, including that they assumed subcontractors were performing this task, that it would be redundant because the RMV and DPU already perform CORI checks annually as part of the

driver certification or renewal process, or (in the 15th provider's case) that they were unaware of the BRC requirements. Further, EEC has not established monitoring controls to ensure that all its childcare providers verify that their contracted transportation companies fulfill these requirements. EEC relies on childcare providers to monitor the DCF BRCs and CORI checks for their own subcontracted transportation providers.

Recommendations

- EEC should establish effective monitoring and evaluation procedures to ensure that the required BRCs are performed before and during individuals' employment, including that of all drivers and monitors who might have unsupervised contact with children.
- EEC should establish policies requiring childcare providers to notify EEC when hiring or contracting drivers or monitors so that EEC can ensure that DCF BRCs are performed for all drivers and monitors involved in the transportation of children to and from EEC-supported childcare facilities. These checks are not conducted otherwise.
- EEC should review childcare providers and systems to ensure that certain driver, monitor, and vehicle records are maintained in their transportation files and should retrain the providers' and systems' personnel as appropriate to ensure compliance with documentation requirements.

Auditee's Response to Finding 3a

EEC promulgated revised Background Record Check (BRC) regulations at 606 CMR 14.00 on March 28, 2014 to address its requirements to ensure Sex Offender Registry Information (SORI) checks and fingerprint-based checks of the national and state criminal history databases for all present or prospective employees or other persons providing child care or support services with the potential for unsupervised contact with children in any program or facility licensed, approved or funded by EEC. The revisions included a specific provision for conducting background checks of Transportation Service Personnel. See 606 CMR 14.08. Within this regulation, EEC requires transportation service personnel who are employees of an EEC-licensed or funded program to undergo BRCs if they have the potential for unsupervised contact with children. Additionally, EEC-licensed or funded programs that contract for the provision of transportation services must include in their contract provisions that all transportation drivers and monitors receive a Criminal Offender Record Information (CORI) check and a Department of Children and Families (DCF) background check and confirm that Sex Offender Registry Information (SORI) and fingerprint based checks for these individuals have been approved by EEC.

To better track transportation service personnel and ensure regulatory compliance, EEC made changes to its BRC System to allow Family Child Care Systems (FCC Systems) the ability to input the drivers and monitors of subcontracted agencies into the database to process BRC checks for these individuals. FCC Systems provide resources and administrative supports to family child care providers that affiliate with a particular System, including training, technical assistance and consultation, monitoring of family child care homes, placement of subsidized children and referrals to health and social

services for children in their care. FCC Systems typically offer transportation to eligible subsidized families and either have their own transportation companies or subcontract such services.

In addition, EEC has conducted BRC Trainings for Contract providers who are considered FCC Systems. EEC has provided guidance to all licensed group and school age programs to enter all transportation providers, including subcontractors, for full background record checks, as they would for regular employees, volunteers, and interns. Through this process, all transportation providers who are entered undergo a CORI, DCF, SORI and fingerprint check. A transportation Monitoring Visit by EEC now includes a review and confirmation that all BRCs for drivers and monitors have been conducted.

Any drivers or monitors found not to have completed a BRC in accordance with EEC's regulations are told immediately to stop transporting children.

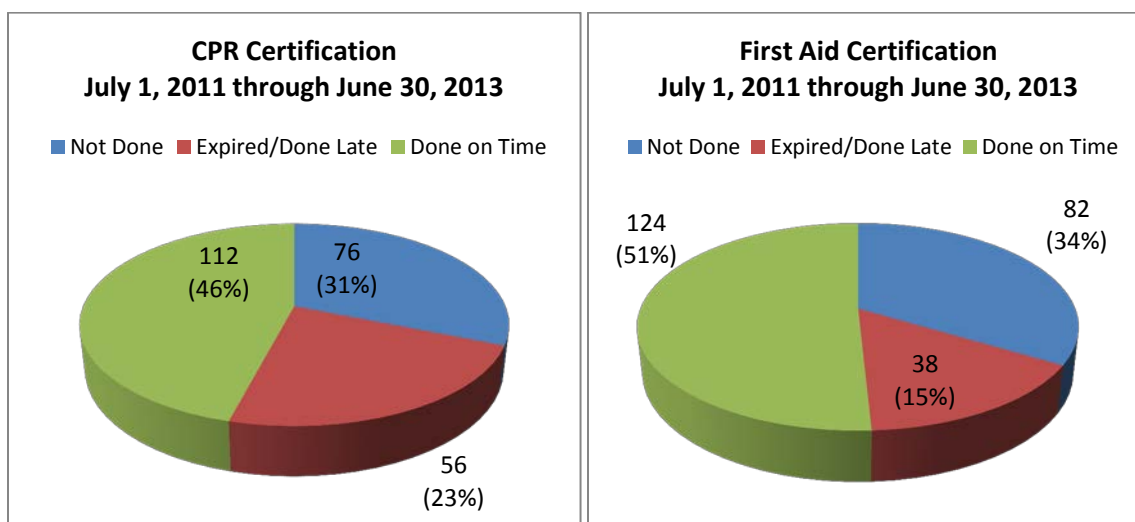
Auditor's Reply

Based on its response, EEC is taking measures to address our concerns on this matter.

b. Some drivers and monitors did not possess required CPR or first-aid certifications.

EEC is not ensuring that each vehicle used to transport children to or from EEC-supported childcare facilities contains at least one adult who is trained in CPR or first aid. Without a properly trained adult present, children who need these types of medical help may not have anyone available to assist them.

Using our sample of 221 drivers' and 23 monitors' files, we identified 114 drivers and 18 monitors (132 individuals) without a valid CPR certificate on file and 104 drivers and 16 monitors (120 individuals) without a valid first-aid certificate on file during the period July 1, 2011 through June 30, 2013, as shown below.



Authoritative Guidance

Chapter 90, Section 8A, of the General Laws requires all school bus drivers in Massachusetts to complete a pre-service school bus driver training program that includes “a basic course in first aid which shall include training relative to the administration of an epinephrine auto injector, as approved by the registrar.”

In addition, 606 CMR 7.13(4) states, “Whenever transportation is provided or contracted by the licensee the licensee must ensure that . . . at least one person on each vehicle is currently certified in first aid and CPR.”

Reasons for Lack of Required CPR and First-Aid Certifications

EEC lacked policies, procedures, and related internal controls necessary to ensure that its regulations regarding transportation services were properly enforced by contract childcare providers/systems and CCRRs. EEC did not adequately monitor childcare transportation providers that offered direct or subcontracted transportation services to ensure that drivers and monitors had the required CPR and first-aid certifications. Three childcare providers told us that they did not feel obligated to check subcontracted drivers’ credentials because they believed the transportation company providing the services was required to do so. However, as stated in the aforesaid regulation, “licensees” (childcare providers) are responsible for the oversight of drivers and monitors that they employ or subcontract.

EEC’s Audit Unit does not proactively monitor school bus and van driver and monitor personnel files to ensure that these certifications are acquired and maintained. EEC relies on its childcare providers to ensure that the certifications are obtained and remain current. However, in our audit, we did not see evidence that childcare providers were ensuring that drivers and monitors had the required credentials.

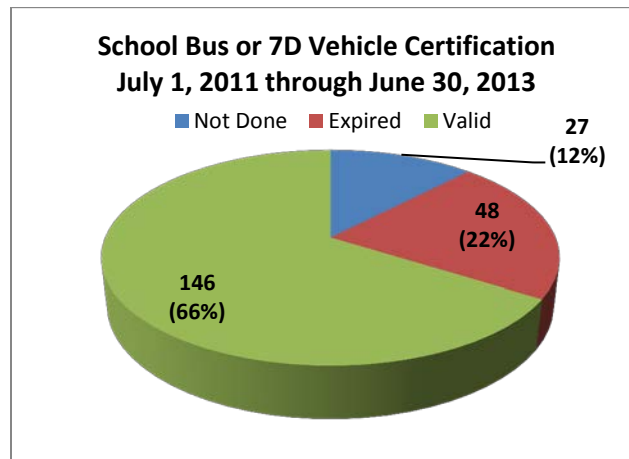
Recommendations

EEC should establish the necessary procedures and related internal controls for monitoring childcare providers’ oversight of drivers’ and monitors’ compliance with CPR and first-aid certification requirements.

c. Some drivers had no record of valid 7D vehicle or school bus driver certification.

EEC did not ensure that all drivers had valid 7D vehicle or school bus driver certifications. Drivers without the appropriate vehicle certifications may not meet the physical, criminal background, safety, or driving requirements for operators and could therefore pose increased risk to the safety of children being transported.

Our judgmental sample of 221 drivers showed that 27 drivers (12%) did not have school bus or 7D vehicle certifications in the providers' files and an additional 48 drivers (22%) had expired school bus or 7D vehicle certifications. Below is a summary chart of the 221 drivers' school bus or 7D vehicle certification status:



Authoritative Guidance

According to Chapter 90, Section 8A1/2, of the General Laws, a driver must have a 7D certificate in order to operate a school pupil transport vehicle for the transportation of up to eight students (Appendix B). This certificate is granted by the RMV to applicants who meet qualifications regarding physical exams, written exams, CORI and SORI checks, and other criteria.

In order to operate a school bus that transports more than eight students, a driver must have a school bus operator certificate. DPU licenses individuals as required by Chapter 159A, Section 11A, of the General Laws. To qualify for a school bus driver certificate for a full-sized or

restricted school bus,¹³ drivers must meet requirements that include a physical exam, a clean driving record, CORI and SORI checks, and other qualifications. A school bus driver certificate from DPU is valid for one year.

EEC regulation 606 CMR 7.13(4) states, "Whenever transportation is provided or contracted by the licensee the licensee must ensure that . . . the operator of any vehicle transporting children is licensed in accordance with the laws of the state."

Reasons for Missing Certifications

Four of the 15 licensed providers did not feel obligated to check driver credentials because they believed the subcontracted transportation company was obligated to do so. Some licensed providers had poor recordkeeping practices and either did not maintain the required supporting documentation or could not locate it. At 2 providers, transportation coordinator turnover was cited as another reason for the lack of certification. Further, EEC has not established monitoring controls to ensure that its childcare providers are verifying that their contracted transportation companies fulfill these requirements.

Recommendations

EEC should establish the necessary procedures and related internal controls for monitoring licensed childcare providers to ensure that providers (1) verify that their employees and subcontracted employees acting as school bus and 7D vehicle drivers are properly licensed and certified and (2) maintain copies of these licenses and certifications on site.

d. Childcare providers did not consistently maintain transportation logs.

Our review of 15 childcare providers' transportation services revealed that transportation logs, used as a tracking mechanism for each child being transported, were not always filled out properly: some were missing post-trip signoffs intended to verify that the bus or van is empty, and some were missing other information. In addition, many transportation logs were not available for our review because they were not consistently maintained by contracted transportation providers. Without completed, signed transportation logs, providers cannot substantiate that they are safeguarding against children being left in a bus or van by accident.

¹³ A restricted bus is a yellow school bus with a maximum seating capacity of 14 passengers.

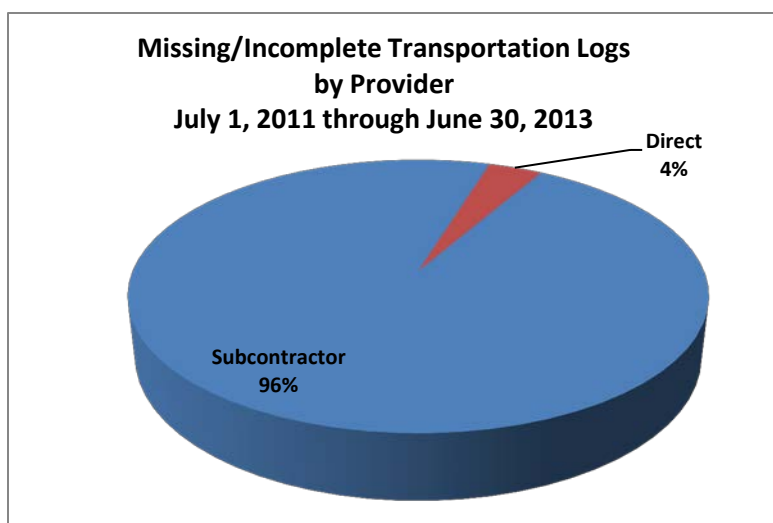
Our judgmental sample of 15 childcare providers showed that out of the 221 drivers and 23 monitors examined, 102 drivers (46%) and 9 monitors (39%) had missing and/or incomplete transportation logs. For example, incomplete transportation logs were commonly missing the following:

- driver names and, when applicable, monitor names
- end-of-day driver and/or monitor signoff intended to verify that the bus or van is empty

Below is a summary of the 221 drivers' and 23 monitors' compliance with the requirement of a transportation log:

	No Logs Maintained	Logs Maintained for Partial Audit Period	Logs Available for Audit Period	Total Tested	Noncompliance Rate
Drivers	92	10	119	221	42%
Monitors	9	0	14	23	39%
Total	<u>101</u>	<u>10</u>	<u>133</u>	<u>244</u>	<u>41%</u>

Of the 15 childcare providers we inspected, 10 used 51 separate subcontractors to provide transportation services, and the other 5 offered transportation services directly. A closer look at our results shows that 96% of the noncompliance was attributable to the 51 subcontracted transportation service providers. The chart below illustrates the need for EEC to establish oversight procedures and monitoring controls to ensure that transportation logs are properly maintained, particularly for transportation subcontractors.



Authoritative Guidance

EEC contracts for contract childcare providers and systems and CCRRs require that all of “their employees, agents, staff, and affiliated providers abide by all laws, regulations and policies that relate to the provision of services under this contract,” including 606 CMR 713(4).

According to 606 CMR 7.13(4), “Whenever transportation is provided or contracted by the licensee the licensee must ensure that . . . the driver of the vehicle takes attendance before and after each trip and conducts a complete vehicle inspection after every trip to ensure that children are not left alone in a vehicle at any time.”

To ensure compliance with this regulation, EEC requires providers to use a transportation log in its policy “Procedures for the Drop-Off and Pick-Up of Children by Transportation Providers and Parent/Program Notification 6.06 CMR 7.13,” effective December 12, 2011. The policy requires the log to be signed by the vehicle’s driver and one other person to certify that they have both walked through the vehicle to verify that no children are still on board after the last stop is made.

As additional guidance, EEC provides a sample transportation log available on its website (Appendix C).

Reasons for Inconsistent Maintenance of Transportation Logs

Although EEC established and communicated the need and procedure for completing post-trip inspections to confirm that no child is left on a vehicle, it did not establish and implement the necessary oversight procedures and follow-up controls to ensure that transportation providers properly carried out EEC regulations and contractual obligations. Specifically, EEC did not clearly communicate with childcare transportation providers how long the completed transportation logs had to be retained and did not ensure compliance with retention requirements. In addition, some transportation coordinators indicated they had trouble getting subcontracted drivers to fill out the logs because of the added time required to perform this task.

Recommendations

EEC should take the following actions:

- Establish the necessary policies, procedures, and related internal controls to ensure that transportation providers properly complete and maintain transportation logs as prescribed by regulations.
- Ensure that childcare providers maintain transportation logs with the required signatures.
- Clearly communicate the period of time that completed transportation logs must be retained by childcare providers and ensure compliance.

e. Transportation providers' vehicle inspections and required minimum level of insurance were not documented.

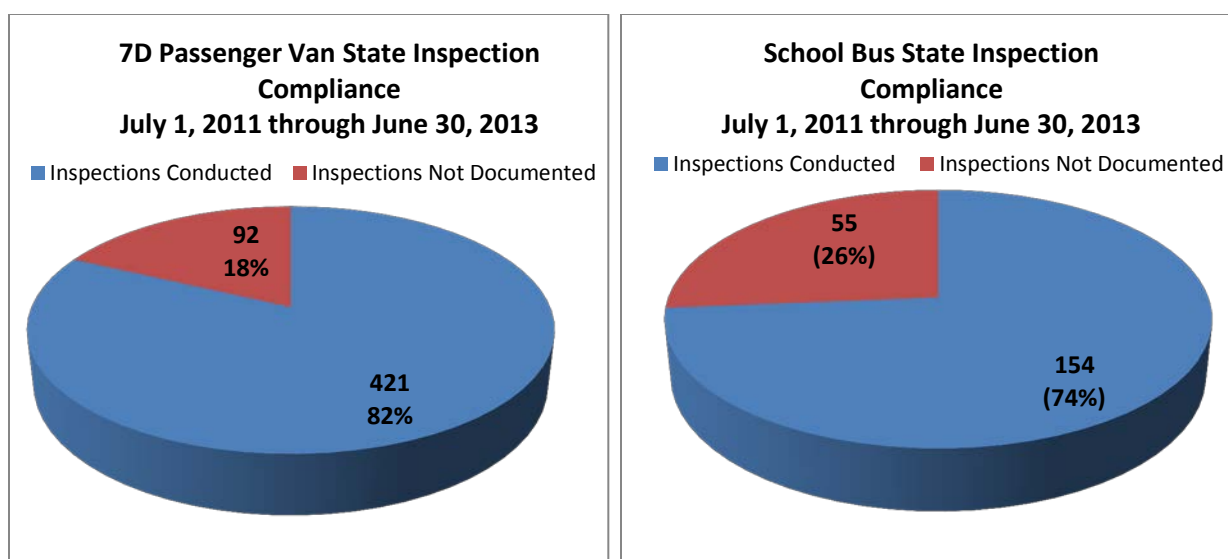
Our review of the files at our 15 selected childcare providers identified numerous issues with the documentation being maintained by these providers to show that vehicles operated by their contracted transportation providers had undergone inspections, and had insurance coverage, that were required by state laws and regulations. Because records for these requirements were not consistently maintained, EEC cannot assure the Commonwealth and OSA that vehicles used to transport children passed all required state inspections and have adequate insurance to cover accidents.

i. Not all school bus and 7D vehicles were documented as having passed all required state vehicle inspections.

During our audit period, EEC did not ensure that all vehicles used to transport children had passed the annual maintenance or periodic safety inspections required by state law and EEC regulations. Using uninspected vehicles to transport children increases safety risks to those children.

For our test of inspections of school buses and 7D vehicles, we asked transportation providers to provide us with their inspection records for the period July 1, 2011 through June 30, 2013. In addition, we obtained 7D vehicle inspection record reprints from the RMV website by entering vehicle registration information (vehicle identification number, license plate, and license plate type) in the database as an additional way to determine whether current valid inspections had taken place on the 7D vehicles selected. (However, the RMV website does not list the safety inspections specifically required of school buses by Chapter

90, Section 7A, of the General Laws.) Our judgmental sample of 192 vehicles (149 7D passenger vans and 43 school buses) and related inspection records at our 15 selected childcare providers showed that for 147 (20%) of the 722 required state safety inspections, there was insufficient documentation to determine whether the inspection had been completed. Below is a summary chart of the required inspections for the 192 vehicles:



In addition, for three childcare providers, inspection records belonging to transportation subcontractors were not made available for our review. Consequently, the status of safety inspections for vehicles that these subcontractors used to transport children is unknown, and they are not included in our test result summary.

Moreover, of the 192 vehicles sampled, 30 (16%) did not have sufficient documentation to show that they had passed the test required by the annual Massachusetts motor vehicle emissions and safety inspection program.

School buses and 7D vehicles without the appropriate inspections may not meet certain maintenance and safety standards that the state inspection laws are intended to ensure.

Authoritative Guidance

Chapter 90, Section 7A, of the General Laws requires inspections that “include, but [are not] limited to, an annual maintenance inspection to determine the proper and safe condition” of

the vehicle. The same section requires that school buses undergo two safety inspections per year in addition to this annual inspection.

EEC regulation 606 CMR 7.13(4) gives childcare providers the responsibility of ensuring that these inspections occur: “Whenever transportation is provided or contracted by the licensee the licensee must ensure that . . . any and all vehicles used for transportation of children are registered and inspected in accordance with the laws of the state.”

Reasons for Missing Documentation

EEC lacked the required policies, procedures, and internal controls necessary to ensure that its regulations regarding transportation services were properly enforced by contract childcare providers/systems. EEC did not monitor transportation vehicle files to ensure that all vehicle inspections were properly conducted and supporting documentation of inspections was retained. Instead, EEC placed the responsibility and reliance on childcare providers to ensure that all vehicle inspections were conducted and inspection records were maintained.

Recommendations

EEC should establish and implement the necessary policies, procedures, and related internal controls to ensure that childcare providers verify that all school buses and 7D vehicles have a valid registration, verify that they pass all required maintenance and safety inspections, maintain records for all required inspections, and have the records available for review.

ii. Not all vehicles used to transport children were documented as having met minimum insurance requirements.

In our test of 192 vehicles, 67 vehicles (35%) did not have documentation that they had maintained the minimum liability insurance requirements of \$100,000 per person and \$300,000 per accident. In addition, 62 vehicles (32%) did not have documentation that they had maintained the minimum \$5,000 property damage insurance.

The use of underinsured vehicles subjects providers and/or transportation subcontractors, children, and families to the risk of insufficient funds to cover expenses associated with property damage or bodily injury due to an accident.

Authoritative Guidance

EEC regulation 606 CMR 7.13(5) states,

Any vehicle used to transport children, whether owned by the program, an educator or by a parent who is transporting children other than his or her own, must have the following minimum amounts of liability insurance:

(a) Injury per person: \$100,000;

(b) Injury per accident: \$300,000; and

(c) Property damage: \$5,000.

Reasons for Missing Documentation

EEC lacked the policies, procedures, and internal controls necessary to ensure that its regulations regarding transportation services were properly enforced by contract childcare providers/systems and CRRs. Specifically, EEC did not have a monitoring system in place to ensure that all transportation providers maintained the minimum required insurance on school buses and 7D vehicles used to transport children to and from childcare.

Recommendations

EEC should develop policies, procedures, and internal controls to ensure that all childcare providers and subcontracted transportation companies maintain at least the minimum required insurance on school buses and 7D vehicles used to transport children.

Auditee's Response to Findings 3b–3e

In December 2013, EEC hired a Transportation Compliance Monitor to provide transportation monitoring, training, and technical assistance for contract providers and Family Child Care Systems whose staff, contractors, and/or subcontractors provide transportation. This position was hired in response to some of the early findings of this audit. We released to our Contract Providers and Family Child Care systems a "Transportation Review" document directing them to ensure that all required documents are on file and to affirm in writing that they are on file in preparation for a site visit from EEC staff.

The written affirmation statements (which detailed the required documents for drivers, monitors, and vehicles) were sent to all 131 providers who serve children under the Income Eligible, Homeless, Teen, and Supportive contracts and provide transportation services. The Transportation Compliance Monitor, as a part of the onsite monitoring review, affirms on each monitoring visit that all driver and monitoring files include the following:

- 1. CPR/First Aid Certification*

2. *BRCs*
3. *7D License or School Bus Certifications*
4. *Active Professional Qualifications Registry (PQR)*
5. *Completed EEC Safety Trainings (Annual)*
6. *Driver/Monitor acknowledgement of receiving Provider's Transportation Plan*

Additionally, a review of the required vehicle documentation is also conducted during the monitoring visits. The following documents are reviewed in accordance with all EEC's Transportation regulations:

1. *Vehicle registration*
2. *Vehicle inspection*
3. *7D inspection*
4. *Vehicle Insurance*

Any missing documentation is addressed immediately during the monitoring visit and in the final monitoring visit report. Providers are required to submit the missing documentation as well as a Corrective Action Plan.

Lastly, a sample of children billed for transportation for a particular billing month is reviewed to verify that the child is eligible to receive transportation through the subsidy and also to ensure that billing records accurately reflect what is documented on providers' attendance records and passenger logs. Passenger logs are reviewed thoroughly to ensure they include the following information:

1. *Full Name of Driver and, if applicable, Monitor*
2. *Bus/Van Number*
3. *Child's Full Name*
4. *Pick-up and Drop-Off Times and check within 45 minute window*
5. *Two post-trip signatures and dates*

Passenger logs that are found to be inadequate and/or missing the information above are addressed during the monitoring visits, at which time providers are required to revise their passenger logs to include the above information, along with a Corrective Action Plan.

On an annual basis, the EEC Fiscal Monitor will analyze the contract condition and licensing regulation of the transportation funded recipients for which EEC funds identify and address conditions warranting a Corrective Action Plan (CAP), and determine the level of risk that each Contract Provider/Grantee poses in meeting EEC compliance requirements. This process will be known as the Transportation Risk Assessment Analysis Review (TRAAR).

In July of 2014, EEC conducted a TRAAR for each of its transportation funded recipients identified in the transportation funded recipients Award Report prepared by the EEC accounting unit. The TRAAR is used to determine the risk transportation funded recipients pose to EEC in adhering to state regulations, EEC Policies and Procedures, and contract agreements. The TRAAR also determines if further monitoring is necessary. All transportation funded recipients will have an On Site Monitoring Review at least once a year and a Desk Review as deemed necessary.

The Transportation Compliance Monitor has completed 48 monitoring visits as of October 10, 2014. Statewide Transportation trainings will be offered in November 2014 for all providers.

Auditor's Reply

Based on its response, EEC is taking measures to address our concerns on this matter.

f. Some childcare providers submitted insufficient transportation oversight plans.

During our audit period, EEC's contracts with its transportation service providers required them to submit transportation oversight plans to ensure that they followed the requirements for transportation providers set forth in 606 CMR 7.13. Our test of transportation oversight plans submitted to EEC as of September 5, 2013 showed that 48 (39%) of the 124 IE childcare providers who were required to submit a transportation oversight plan to EEC by September 30, 2012 had not submitted a plan that met EEC's contract requirements. Moreover, as of March 3, 2014, 10 of these 48 contract providers still had not submitted a plan that met EEC's requirements. Although these providers failed to meet EEC's requirements in this area, EEC did not take any actions such as terminating these providers' contracts.

Contracted childcare providers that lack sufficient transportation oversight policies and procedures, and providers whose subcontractors lack such policies and procedures, increase the risk of problems associated with the transport of children, such as the problems identified in this report.

Authoritative Guidance

The EEC Conditions for Renewal of Contract state, in part,

Center-based child care programs and family child care systems that provide transportation either directly or through a subcontract will:

- *Submit a plan for administrative oversight of their transportation program to EEC no later than September 30, 2012. . . .*

Transportation oversight plans address a provider's ability to ensure that school bus and van drivers have had the required BRCs and that they have CPR and first-aid certifications as well as the appropriate license and other certifications. Plans also address the need for providers to ensure that drivers inspect vehicles, make sure no child is still on board after the last stop, and document that inspection. EEC has created a document titled *Guidance for Developing the Transportation Oversight Plan*, available on its website. This document contains the following nine requirements that must be addressed in order to satisfy EEC's regulations:

- Safety Training for Drivers and Monitors
- Registering Drivers and Monitors in the Professional Qualifications Registry
- Supervision of Drivers and Monitors
- Notice to EEC of Substantial Changes to the Program's Transportation Services
- Policy for Maintaining Current Documentation on Site
- Policy and Procedure for Notifying Parents
- Policy and Procedure for Conducting Post-trip Checks
- Policy and Procedure for Maintaining Passenger Logs
- Transportation Safety Plan: Child Health and Safety Information

Reason for Transportation Oversight Plan Deficiencies

EEC provided insufficient oversight and follow-up to ensure that contracted childcare providers who, directly or through subcontractors, provided transportation services for children submitted adequate transportation oversight plans.

Recommendations

EEC should establish and implement the necessary policies, procedures, and associated internal controls to ensure that all contracted childcare providers have submitted a transportation oversight plan that adequately documents policies and procedures necessary to comply with EEC requirements. EEC should maintain direct, periodic oversight to ensure ongoing compliance with transportation regulations and applicable EEC policies.

Auditee's Response to Finding 3f

The transportation oversight plans were due September 2012 . . . prior to hiring a Transportation Compliance Monitor. One of the first tasks assigned to the Monitor (hired December 2013) was to review the status of each plan. The Monitor, along with the Director of Audits and Resolution, determined which plans were incomplete and inadequate and communicated this to the appropriate providers. It is part of our policy that provider Transportation plans are reviewed again during every transportation monitoring visit and in response to any transportation issue.

Auditor's Reply

Based on its response, EEC is taking measures to address our concerns on this matter.

Post-Audit Action

On February 3, 2014, EEC hired a full-time transportation compliance monitor. The transportation compliance monitor has been creating policies and procedures to address transportation compliance issues. Draft versions of some of these documents were forwarded to OSA during our field work; they include the following:

- Transportation Compliance Monitoring Plan
- Transportation Risk Assessment Analysis and Review—Annual Risk Assessment Worksheet
- On-Site Monitoring Review—Transportation Compliance Checklist

OTHER MATTERS

1. Some of the Department of Early Education and Care's contracted transportation service providers are using 15-passenger vans, which are less safe than other vehicles, to transport children to and from childcare facilities.

Massachusetts is one of only eight states that allow 15-passenger vans to be used to transport children. The Massachusetts Registry of Motor Vehicles (RMV) has policies that prohibit the initial registration of new nonconforming¹⁴ 15-passenger vans; however, 15-passenger vans that have already been registered can continually be re-registered in the Commonwealth for the purpose of transporting students to and from childcare facilities. Even though there are no laws that prohibit the use of such vans, available safety data strongly suggest that 15-passenger vans should not be used for this purpose.

Research conducted by the National Highway Traffic Safety Administration (NHTSA) has shown that 15-passenger vans have a rollover risk that rises with the number of occupants. In fact, the rollover rate of 15-passenger vans with 10 or more occupants involved in accidents with another vehicle is nearly three times the rate of similar, lightly loaded vehicles. Therefore, the NHTSA has recommended that states prohibit the use of 15-passenger vans to transport students.¹⁵

The NHTSA created the Fatality Analysis Reporting System (FARS) in 1975 to evaluate the effectiveness of motor vehicle safety standards and highway safety programs. According to FARS data, 740 fatal rollovers of 15-passenger vans occurred in the United States from 1982 through 2009, killing 1,183 people and injuring 1,990 more.¹⁶

During our visits to 15 childcare providers, we determined that 7 of the 15 were using a total of 14 15-passenger vans, as detailed in the table below.

¹⁴ Vehicles that were designed by the manufacturer to transport more than 10 people, including the driver, and do not meet federal motor vehicle safety standards.

¹⁵ "School Bus Safety," Toledo News Now, last accessed September 19, 2014, <http://www.toledonewsnw.com/story/969012/school-bus-safety>.

¹⁶ Quality Control Systems Corporation, "Fatal Rollovers of 15-Passenger Vans, 1982–2009," January 19, 2011, http://quality-control.us/van_study_10119.pdf.

Year	Make	Model	Total
1997	Ford	Super Club Wagon	1
2000	Ford	E350	1
2001	Ford	Econoline Wagon	1
2002	Dodge	Ram Van	1
2002	Dodge	B350	1
2003	Ford	Econoline Wagon	1
2004	Ford	Econoline Wagon	3
2005	Chevrolet	Express Van	1
2006	Chevrolet	Express Van	1
2009	Ford	E350	1
2011	Ford	E350	1
2012	Ford	Econoline Wagon	1
Total			<u>14</u>

Although there is no prohibition on the use of 15-passenger vans, the Department of Early Education and Care (EEC) may want to consider whether it wants to continue to allow its transportation contractors and subcontractors to use them to transport children, in light of the significant safety concerns that have been raised regarding these vehicles. If EEC does decide to continue to allow transportation contractors and subcontractors to use these vehicles, it should consider requiring them to adhere to the NHTSA's "best practices" (Appendix D) to aid in safe vehicle operation.

Auditee's Response

EEC is studying the impact of this recommendation on our students, their parents or guardians, and providers and we will be working with the RMV on how to best address this question with all transportation providers regarding the National Highway Traffic Safety Administration best practice guidance on "15 passenger" vans.

Auditor's Reply

Based on its response, EEC is taking measures to address our concerns on this matter.

2. EEC stopped issuing childcare vouchers for income-eligible families for more than two years because of inadequate caseload management.

Beginning on February 4, 2011, EEC decided to stop issuing childcare slots under its income-eligible (IE) childcare voucher program. According to EEC management, this occurred because the agency risked overspending its IE funding in fiscal year 2011 as it had done in previous years. EEC stopped

using the funds that had been appropriated for this program until it could effectively manage them. As a result, EEC accumulated annual operating surpluses totaling more than \$18 million for fiscal years 2011 and 2012, and an estimated 2,780 eligible children were not placed in childcare.

EEC regulation 606 Code of Massachusetts Regulations (CMR) 10.04 states, in part,

Subject to appropriation, an income eligible child care subsidy is available to eligible parents for care by a contracted or voucher educator/provider, or in home or relative child care provider, in accordance with regulations, guidelines and policies established by EEC.

EEC generates monthly reports that show the number of children on its waitlist and projections for monthly caseloads to help manage its voucher-program budget. However, vouchers are awarded by childcare resource and referral agencies (CCRAs) to all eligible families, and EEC did not establish limits on the number of vouchers to be awarded by CCRAs. As a result, for several years, more vouchers were awarded by CCRAs than EEC had funds available for, and projected budget shortfalls and overspending occurred.

In an attempt to prevent exceeding the IE caseload budget for fiscal year 2011, EEC issued a management bulletin, "Income Eligible Financial Assistance Limitations (EMB FY 2011-07)," on January 5, 2011, stating, in part,

EEC will be closing voucher access to new income eligible families on February 4, 2011. New voucher access will also be closed to siblings of children currently receiving EEC financial assistance on February 4, 2011.

As a result, many eligible children who were on the EEC childcare waitlist were not placed. Also, because EEC closed voucher access under this program, it operated with an annual surplus for fiscal years 2012 and 2013, as indicated in the table below.

Income Eligible Childcare (IE Appropriation)

	Fiscal Year 2012	Fiscal Year 2013	Total
Budget	\$ 232,897,840	\$ 225,220,452	\$ 458,118,292
Actual Expenses	225,587,583	214,464,055	440,051,638
Unexpended	\$ 7,310,257	\$ 10,756,397	\$ 18,066,654

Using EEC's estimate of approximately \$6,500 to fund one child for one year of subsidized childcare, there were an estimated 2,780 children who could have been placed during our audit period if EEC had managed its funding more efficiently (1,125 children during fiscal year 2012 and

1,655 children during fiscal year 2013). EEC senior management agreed with our calculations and added that the issue also affects the industry as a whole, as childcare providers are also losing potential income from these unspent funds. Access remained closed through the end of our audit period, June 30, 2013.

The state's fiscal year 2014 final budget, Chapter 38 of the Acts of 2013, appropriated \$214,340,742 for the IE childcare line item as follows:

For income-eligible early education and care programs . . . provided further, that any unexpended funds up to \$8,500,000 appropriated for this item in fiscal year 2013 shall not revert but shall be made available for the purposes of this item until June 30, 2014.

While the program was closed, the Executive Office for Administration and Finance worked with EEC to assist with budgeting and related activities concerning the program. Subsequently, in September 2013, EEC reactivated IE voucher access based on the resulting improvements. These improvements included the implementation of stronger controls regarding the forecasting of caseload accounts built on one- to three-year trends and historical data. EEC is now also assessing actual monthly totals against forecasts each month to assess any unexpected deviations. It is also managing voucher allocations for each of the CCRRs to ensure that spending remains within the appropriation and, in fiscal year 2014, hired a budget caseload manager to manage the caseload accounts. In addition, EEC management explained that they now hold weekly conference calls with CCRRs to better manage the issuance of vouchers.

For the period October 1, 2013 through February 24, 2014, a total of 4,343 new children were awarded vouchers: 1,377 children from the IE appropriation and 2,966 children from a new fiscal year 2014 preschool-initiative appropriation.

EEC should continue to ensure that it properly administers the funding for this program so that the maximum number of daycare slots can be funded.

Auditee's Response

EEC stopped issuing child care vouchers for income eligible families for more than two years (February 4, 2011 until the end of the audit period—June 30, 2013) while reverting related funding.

As seen below, the budgetary amounts reverted by EEC during the audit period in the Income Eligible Account were very small when seen as a percentage of overall spending:

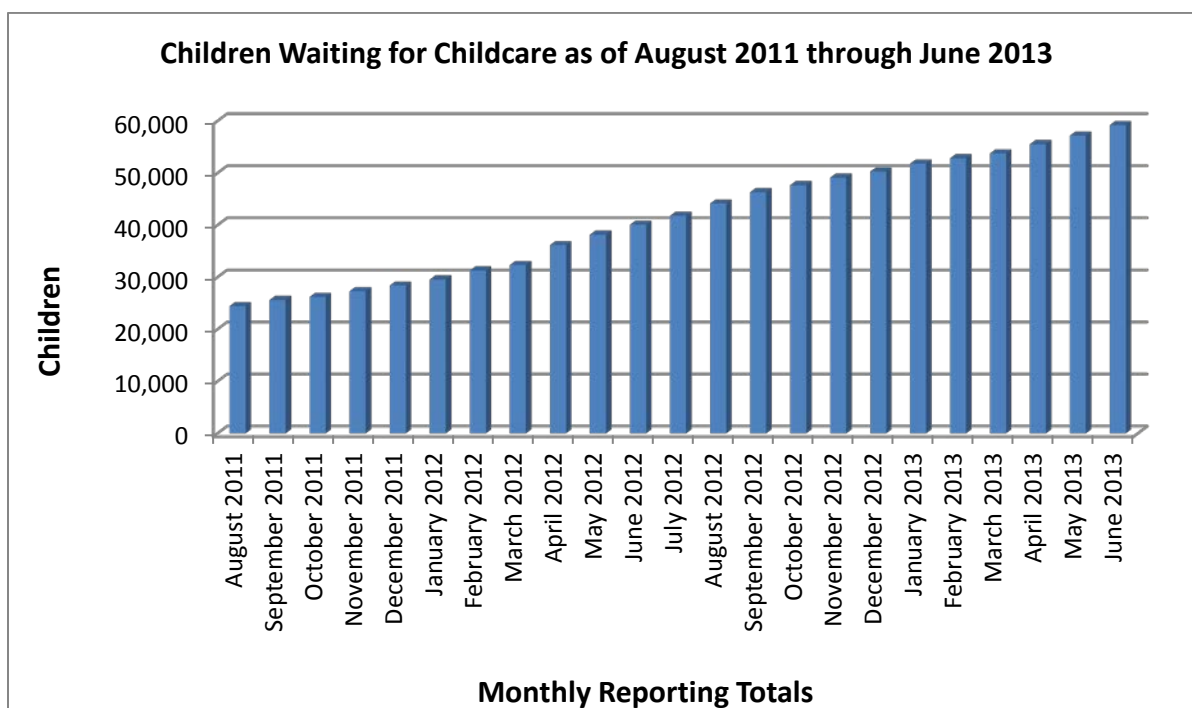
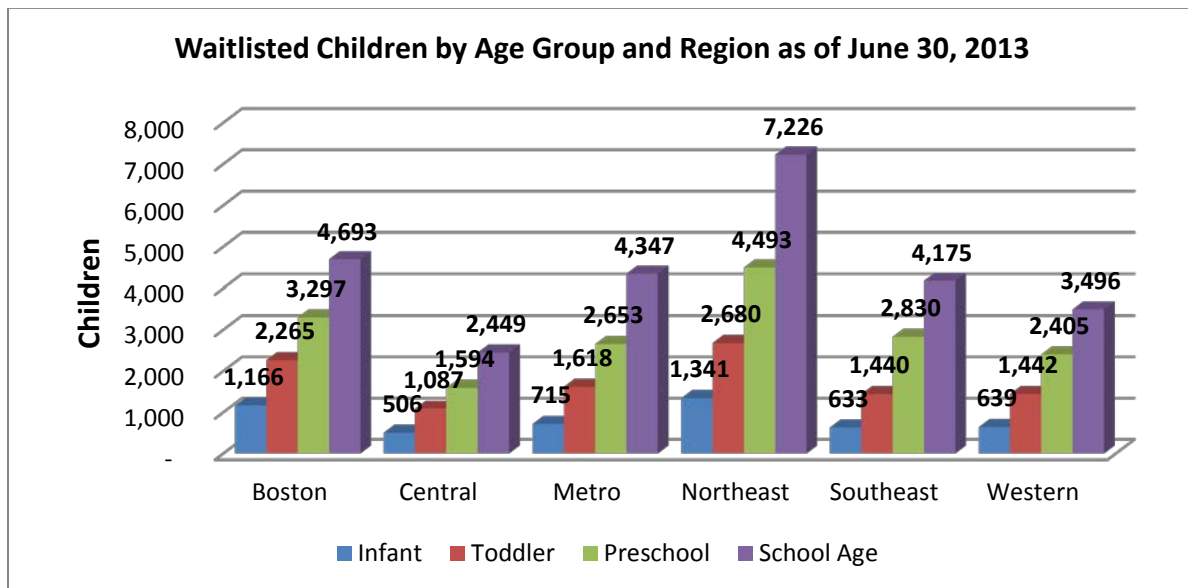
- FY11: \$1,221,838 or .535%
- FY12: \$7,310,357 or 3.139%
- FY13: \$2,256,397 or .973% (which includes [prior appropriations] of \$8.5M)

We note that while voucher access was limited due to budgetary constraints, EEC was able to maintain care for eligible children who were enrolled during this time; no eligible children lost care during this period. Further, EEC continued to provide access through contracts with early education and care providers within our fiscal appropriation.

APPENDIX A

BACKGROUND INFORMATION

For the period ended June 30, 2013, the Department of Early Education and Care (EEC) reported that 59,190 individual children in the Commonwealth were waiting for childcare. The graphs below detail some of the information EEC reported about childcare for the fiscal year ending June 30, 2013.



Since August 2011, the waitlist data reported by EEC to the Legislature has depicted a significant unmet demand for subsidized childcare within the Commonwealth. In our analysis, we determined that the EEC waitlist increased from 24,421 as of August 2011 to 59,190 as of June 2013, an increase of 34,769 (142%) children. However, we determined that the number of waitlisted children reported by EEC might be overstated because of inconsistent management of the KinderWait information.

APPENDIX B

SAMPLES OF 7D AND SCHOOL BUS LICENSES

Sample of a 7D License →

THE COMMONWEALTH OF MASSACHUSETTS
Registry of Motor Vehicles
School Pupil Transport Certificate
www.mass.gov/rmv

THIS CERTIFIES THAT
CHARLES E. SAMPLE
55 SAMPLE AVENUE
SAMPLE, MA 12345-6789

NUMBER 12345678 EXPIRATION DATE 09/08/03

IS AUTHORIZED TO TRANSPORT SCHOOL PUPILS (CHAPTER 90B, § 8A 1/2), IN CONJUNCTION WITH A MASSACHUSETTS CLASS A, C, OR D LICENSE EQUIVALENT LICENSE FROM STATE OF RESIDENCE.

Sample of a School Bus License

THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS & ENERGY
SCHOOL BUS DRIVER'S CERTIFICATE

THIS CERTIFIES THAT THE DRIVER INDICATED BELOW IS CERTIFIED TO DRIVE MOTOR VEHICLES UNDER AUTHORITY OF MGL c. 90§8A SUBJECT TO RESTRICTIONS LISTED HEREON

This certificate is null and void whenever the license issued by the Registry of Motor Vehicles is revoked, suspended, or not renewed and MUST be renewed immediately by the Department of Telecommunications and Energy

LIC#: 123456789 ISSUED: 7/15/02 EXPIRES: 09/08/03

CHARLES E. SAMPLE
Charles E. Sample

NOT VALID UNTIL SIGNED BY LICENSEE AUTHORIZED BY SIGNATURE

APPENDIX C

DEPARTMENT OF EARLY EDUCATION AND CARE TRANSPORTATION LOG SAMPLE FORM

Sample Form

Early Education and Care Transportation Log

Date of Service: _____

Transportation Provider: _____

Driver Name (print): _____

Monitor Name (print): _____
(if applicable)

Transportation Delivery Type: _____ To Program –or– From Program (circle one)

Child Information		Pick-Up Verifications		Drop-Off Verifications	
Last Name	First Name	Time	Verified	Time	Verified

By signing this transportation log, I verify that I have physically walked through the vehicle and inspected all seat surfaces, under all seats and in all compartments or recesses of the vehicle's interior.

Driver Signature

Date

Monitor/Additional Reviewer Signature (if applicable)

Date

Copies of completed Transportation Logs must be sent to the Provider/System.
Original records shall be maintained by the Transportation Provider.

APPENDIX D

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION 15-PASSENGER VAN BEST PRACTICES



U.S. Department of Transportation
Office of Public Affairs
1200 New Jersey Avenue, SE
Washington, DC 20590
www.dot.gov/briefing-room.html

October 14, 2010
Contact: Karen Aldana
Tel: 202-366-9550

Consumer Advisory: NHTSA Reissues 15-Passenger Van Safety Caution

As the fall and winter driving seasons get under way, the National Highway Traffic Safety Administration is urging users of 15-passenger vans to take specific steps to keep occupants safe. Two recent fatal crashes, in New York and Georgia, involving 15-passenger vans that rolled over and resulted in 10 deaths give urgency to this reminder.

The agency warns that tire maintenance is paramount to preventing tragedies, such as these recent rollover crashes, from occurring. Users of 15-passenger vans need to make sure the vehicles have appropriately-sized tires that are properly inflated before every trip. The agency also points out that tires degrade over time. For this reason, NHTSA recommends that spare tires not be used as replacements for worn tires. In fact, many tire manufacturers recommend that tires older than 10 years not be used at all.

NHTSA said that it is directing this advisory to church groups, other non-profit organizations and colleges that may be keeping older 15-passenger vans in service longer than usual because of tight transportation budgets. Pre-primary, primary and secondary schools should not use 15-passenger vans for transporting school children, as they do not provide the same level of safety as school buses. It is also against federal law for schools to buy new 15-passenger vans for school transportation purposes.

Here are some safety tips for anyone planning a trip in 15-passenger vans:

- If you are an owner, make sure the vehicle is properly maintained.
- Owners should make sure drivers are fully trained and experienced in operating a 15-passenger van and are properly licensed.
- 15-passenger vans are very sensitive to loading and should not be overloaded under any circumstances. Agency research shows overloading not only increases rollover risk but makes the vehicle more unstable in any handling maneuvers.
- Owners should make sure that properly sized tires are being used on their vehicles.
- Before every trip, drivers should check the tires for proper inflation, and make sure there are no signs of wear. Correct tire size and inflation pressure information can be found in the owner's manual.
- If you are a passenger, make sure you buckle up for every trip.

Additional information on 15-passenger van safety can be found on www.safercar.gov

Additional Inspection Items Recommended for 15 Passenger Vans

- **Tires:** All tires, including the spare, should be checked to ensure that they are the appropriate size for the vehicle, are inflated to the proper pressure, have sufficient tread depth, and are in good condition.
 - **Appropriate for the vehicle**
 - Typical vans require LT load range E tires
 - Correct size information will be in the owner's manual and on the vehicle placard located on the driver side B-pillar or the glove compartment door
 - **Inflation Pressure**
 - Should be set to the vehicle manufacturer's recommended pressure
 - Correct inflation pressure will be in the owner's manual and on the vehicle placard located on the driver side B-pillar or the glove compartment door
 - **Note:** The front tires and the rear tires have different recommended inflation pressures
 - **Tread Depth**
 - Tread depth should be at least the legal tread depth
 - **Tire Condition**
 - Bulges, exposed tire cords, and cracks are indicators that a tire is beyond its useful life or dry rotten.
 - Valve stems should not have cracks or leak
 - **Old Tires**
 - The build date (week/yr) is molded into the inner sidewall of the tire
 - Some tire manufacturers recommend that tires over 10 years old be replaced
 - Replace the tire if the build date is not legible or visible
- **Suspension System:** Check for broken leaf springs, shocks, and shock absorbers
- **Seat belts and air bag Condition:**
 - All occupant protection systems that were originally provided must be available and fully functional. Belts should latch properly and the red air bag lamp should not illuminate after the vehicle is started

APPENDIX E

ABBREVIATIONS

EEC's Audit Compliance and Resolution Unit	Audit Unit
background record check	BRC
Child Care Information Management System	CCIMS
childcare resource and referral agencies	CCRR
Code of Massachusetts Regulations	CMR
Criminal Offender Record Information	CORI
Department of Children and Families	DCF
Department of Public Utilities	DPU
Department of Transitional Assistance	DTA
Electronic Child Care Information Management System	eCCIMS
Department of Early Education and Care	EEC
Executive Office of Education	EOE
Fatality Analysis Reporting System	FARS
income-eligible	IE
Massachusetts Management Accounting and Reporting System	MMARS
National Highway Traffic Safety Administration	NHTSA
Office of the State Auditor	OSA
Registry of Motor Vehicles	RMV
Sex Offender Registry Information	SORI