

NO. 99-4067-3

INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
DEPARTMENT OF EDUCATION'S
COMMUNITY PARTNERSHIPS
FOR CHILDREN PROGRAM

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INTRODUCTION

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The Massachusetts Community Partnerships for Children (CPC) program grew out of the Chapter 188 early childhood program initiated by the School Improvement Act of 1985. Programs developed under Chapter 188 were primarily public school preschool programs that integrated young children with special needs and enhanced kindergartens. Under the CPC program, the Massachusetts Department of Education (DOE) awards grants and contracts to communities to serve three- and four-year-old children in preschool programs. Communities that receive CPC funds are expected to develop a plan that meets the objectives of the CPC program. Legislation requires that participating communities form a CPC Council, which is a mechanism for developing collaborative relationships and partnerships that improve early childhood care and education in the community.

The Legislature, recognizing the importance of early care and education for pre school-aged children, has steadily increased public funding for the CPC program. Specifically, from fiscal year 1996 through fiscal year 1999, state appropriations rose from \$22.6 million to \$78.6 million--a 247% funding increase. (Appendix I of this report details the public funding that 146 lead agencies, which administered 162 CPCs, received over the past three years.)

The Office of the State Auditor has completed a statewide review of the CPC program. Our review, which covered the period July 1, 1996 to June 30, 1999, included audit work at DOE and 13 CPCs. In selecting CPCs for review, we attempted to obtain a representative sample (i.e., CPCs located in different parts of the state and receiving various levels of program funding) of the CPC community. In addition, at each of the 13 CPCs we sampled client files and visited service provider locations, including public and private daycare centers, Head Start agencies, and family daycare providers. We also conducted performance audits at 13 CPCs to assess their business practices and their compliance with the terms of their grants and/or contracts and all applicable laws, rules, regulations, and guidelines. We used these audits to assess the effectiveness of DOE's fiscal and programmatic monitoring activities, as well as the effectiveness of DOE's guidelines in this area.

Our audit found that overall, the CPC program is providing quality program services to its target population. Also, at the 13 CPCs we visited, program staff were qualified and committed to serving the children in the program.

However, we found deficiencies in seven areas involving approximately \$10 million in state funds. These deficiencies, which were primarily the result of inadequate internal controls within DOE's system of administrative and accounting controls over the CPC program, warrant immediate attention and action by DOE and the CPCs. Had DOE developed better controls over the CPC program these monies could have been available to fund needed program services.

DOE officials told us that the Department has implemented many new fiscal and programmatic management systems that address the deficiencies cited in our report. These new systems are detailed in Appendix IV.

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At the Worcester CPC program, public funds totaling \$240,000 were provided to four private nonprofit daycare providers, which they used to improve and expand their daycare facilities. The capital expenditures primarily benefited non-CPC children. Therefore, the expenditures represent an unallowable program expense to the Commonwealth.

4. Subcontractors Improperly Billed for CPC Services, Which Resulted in Unnecessary Charges to the Commonwealth Totaling \$234,916: Our audit indicated that some subcontractors improperly billed for CPC services, which resulted in unnecessary charges to the Commonwealth totaling \$234,916. Specifically, we found that six subcontractors retained parent fees totaling \$171,066 that were required offsets against the Commonwealth's program liability; 14 subcontractors failed to return unexpended CPC funds totaling \$46,661 to lead agencies; five subcontractors received duplicate payments totaling \$8,092; and four subcontractors overcharged \$9,097 for classroom attendance. Each instance represents noncompliance with DOE's program guidelines and/or the Commonwealth Terms and Conditions for Contracts. 31
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INTRODUCTION

Background

The Massachusetts Community Partnerships for Children (CPC) program grew out of the Chapter 188 early childhood program initiated by the School Improvement Act of 1985. Programs developed under Chapter 188 were primarily public school preschool programs that integrated young children with special needs and enhanced kindergartens.

For fiscal year 1993, the program was revised and renamed Community Partnerships for Children. The program's priorities were changed to focus exclusively on preschool children who were at risk and/or from low-income families, more collaboration was required on local CPC councils and in providing services, and participating programs were asked to become accredited.

In fiscal year 1996, amendments to Chapter 15, Section 54, of the General Laws were made that changed the eligibility criteria. Children served with any new funds were to be preschool-aged children of working families earning under 100% of state median income, and use of a sliding fee scale was required. The program became the preschool component in the implementation of the Education Reform Act of 1993. The different phases of the CPC program are described as follows:

Phase I: These programs were funded prior to fiscal year 1993 under Chapter 188. The program was meant to serve low-income and at-risk preschool age children and young children with disabilities and to enhance or extend kindergarten programs.

Phase II: These programs received new or expansion funds¹ in fiscal year 1993. This was the first year that the program became Community Partnerships for Children. Eligible children were at-risk and/or from low-income families. In fiscal year 1994, Chapter 188 programs were merged with Community Partnerships programs.

¹ Expansion funds are considered additional funds in the fiscal year that they are awarded.

Phase III: These programs received new or expansion funds from fiscal years 1996 through 2000. The eligibility for services became focused on children of working families.

The Legislature, recognizing the importance of early care and education for preschool children, has steadily increased public funding for the CPC program. Specifically, from fiscal year 1996 through fiscal year 1999, state appropriations rose from \$22.6 million to \$78.6 million. Thus, the CPC program has received a 247% funding increase over the three-year period ended June 30, 1999. Appendix I of this report details the public funding that 146 lead agencies, which administered 162 CPCs, received from fiscal year 1977 through fiscal year 1999.

The state Legislature authorized funding in its fiscal year 2000 Appropriation Act (Chapter 127 of the Acts of 1999), to include children who were on waiting lists for day care services with the state's Office for Child Care Services (OCCS) in the CPC program by stating, in part:

. . . notwithstanding the provisions set forth herein or any general or special law to the contrary, \$10,000,000 shall be allocated for services which shall be provided to three and four year old children on the wait list maintained by the office for child care services; provided further, that the department of education shall ensure that community partnership lead agencies collaborate with the department of education and the office for child care services to provide services for said children; provided further, that said children shall retain priority status for future services available through said office upon attaining the age of five, notwithstanding the receipt of services funded through this item . . .

In its fiscal 2001 Appropriation Act (Chapter 159 of the Acts of 2000), the state Legislature continued to appropriate funds for children on OCCS's wait list by stating, in part:

. . . notwithstanding the provisions set forth herein or any general or special law to the contrary, funds may be allocated for services which shall be provided to three and four year old children formerly on the wait list maintained by the office for child care services; provided further, that the department of education shall ensure that community partnership lead agencies collaborate with the department of education and the office for child care services to provide services for said children; provided further, that said children shall retain priority status for future services available through said office upon attaining the age of five, notwithstanding the receipt of services funded through this item . . .

Under the CPC program, the Massachusetts Department of Education (DOE) awards grants and contracts to communities to serve three- and four-year old children in preschool programs. Communities that receive CPC funds are expected to develop a plan that meets the following five program objectives:

- Increase the affordability and accessibility of programs for three- and four-year-old children of families of diverse abilities; special needs; and cultural, linguistic, and economic backgrounds through the use of a sliding fee scale.
- Enhance collaboration among community programs and services for three- and four-year-old children and their families.
- Provide comprehensive early childhood programs and services for three- and four-year-old children of working families.
- Provide high-quality early childhood programs and services.
- Conduct community outreach to ensure that families who may be hard to reach by traditional methods are offered opportunities to be enrolled in a program that meets their needs.

Legislation requires that participating communities form a CPC Council, which is a mechanism for developing collaborative relationships and partnerships that improve early childhood care and education in a community. A Community Partnerships Council gives families and community members an opportunity to be involved in decision making and provides a means for assessing and responding to the needs of young children and their families through information sharing and program planning and development.

Chapter 15, Section 54, of the General Laws identifies nine required Council members who are designated to serve one constituency: a principal, three individuals who provide early care and education to young children, two parents of young children, a member of the local resource and referral agency, a representative of the local Head Start agency, and a representative of private child care providers. DOE-suggested responsibilities for CPC Councils include the following:

- Planning, implementing, and conducting ongoing evaluations based on community resources;
- Developing, reviewing, and approving proposals, budgets, amendments, and other relevant information pertaining to the CPC program;
- Providing direction and advice on early care and education programs as needed;

- Establishing bylaws that govern voting members and the roles, responsibilities, and procedures of the Community Partnerships Council;
- Setting meetings - number, time, and place;
- Reviewing and evaluating the Community Partnerships Council mission and goals regularly;
- Conducting public meetings that have been posted and following the Open Meeting laws;
- Recording attendance and minutes at meetings;
- Sending minutes of meetings/agendas of future meetings to council members;
- Making decisions and policies relevant to the program and, when needed, fee and eligibility decisions; and
- Overseeing program quality.

CPC Councils are responsible for selecting a lead agency to manage day-to-day program operations.

A public school, a Head Start agency, or a licensed daycare agency may serve as a lead agency. Lead agencies may provide services directly and/or subcontract with other public and private agencies for early care and education services. Other responsibilities of lead agencies are to:

- Distribute copies of approved grant proposals, subcontracts, and amended budgets to all members of the Community Partnerships Council;
- Ensure accurate accounting of funds provided through the grant and respond to any fiscal queries from the Department of Education;
- Provide representation on the Community Partnerships Council through shared participation in decision making and policy-setting;
- Submit yearly data, program, and budget updates as required;
- Submit budget amendments that have been approved by the Community Partnerships Council;
- Manage subcontracts; and
- Collaborate with all participating agencies and work with the Community Partnerships Council on all decisions regarding use of CPC funds, employment of CPC staff, and programming.

Audit Scope, Objectives, and Methodology

The Office of the State Auditor has completed a statewide review of DOE's Community Partnerships for Children program. The review, which covered the period July 1, 1996 to June 30, 1999, included audit work at DOE and 13 CPCs. In selecting CPCs for review, we attempted to obtain a representative sample (i.e., CPCs located in different parts of the state and receiving various levels of program funding)

of the CPC community. In addition, at each of the 13 CPCs we sampled client files and visited service provider locations, including public and private daycare centers, Head Start agencies, and family day care providers. At the service providers visited, we sampled a total of 479 client files for review. Our audit was conducted in accordance with generally accepted government auditing standards for performance audits and accordingly, included such tests as we considered necessary in the circumstances.

The objective of our review was to assess the system of administrative and accounting controls DOE had established relative to the operation of the CPC program and, where necessary, to make recommendations on how to improve these controls. Our specific objectives were to:

- a. Obtain an understanding of the CPC program, including the responsibilities and activities of DOE and the system of administrative and accounting controls that DOE has established over the program.
- b. Review DOE's guidelines, procedures, and other relevant information to determine whether they represent adequate guidance to CPCs relative to program activities.
- c. Assess the effectiveness of the system of administrative and accounting controls established by DOE by conducting audits at a sample of 13 CPCs to assess their business practices and determine the extent to which these CPCs were complying with all applicable laws, rules, and regulations, as well as the terms and conditions of their grants and contracts. We also assessed the extent to which DOE's guidance and other administrative controls were ensuring that state funds were being properly safeguarded and expended in the most economical and efficient manner and for their intended purposes.

To achieve our audit objectives, we reviewed all applicable laws, regulations, policies, and procedures relative to the CPC program, held discussions with DOE officials, and conducted reviews of DOE activities. The purpose of these discussions and reviews was to obtain an understanding of how DOE administers the CPC program and to determine whether DOE had established administrative and accounting controls to ensure that CPCs expends public funds in an allowable, reasonable, and allocable manner.

We also conducted performance reviews at 13 CPCs to assess their business practices and their compliance with the terms of their grants and/or contracts and all applicable laws, rules, regulations, and guidelines. We used these audits to assess the effectiveness of DOE's fiscal and programmatic monitoring activities, as well as the effectiveness of DOE's guidelines in this area.

We met with DOE's Administrator of Early Learning Services and the Department's Associate Commissioner for Education Programs and reviewed with them in complete detail the results of our audit. The comments made by these DOE officials during this meeting relative to the audit results were considered in drafting our final report.

In addition, the Commissioner of Education was provided a draft of this report. The Commissioner made the following general comments:

We very much appreciate being able to review the report in advance of its release and for the professional and detailed manner in which the audit was conducted. You raise important issues and I assure you that the Department of Education takes your findings and recommendations very seriously.

In the past five years, the importance of high quality early care and education programs and their link to school readiness, school success and productive adulthood has been acknowledged throughout the Commonwealth. It is within that context that we recognize the need to continuously improve our program administration.

I am pleased to inform you that we are implementing many new fiscal and programmatic management systems that address many of your recommendations, as noted in the text of your report. . . .

As noted in your report, funding for the Community Partnerships for Children (CPC) program increased by 247 percent over a four-year period, from \$22.6 million in Fiscal Year 1996 to \$78.6 million in Fiscal Year 1999. Implementing various fiscal controls has assisted in the management of a rapidly growing, innovative, community-based program. While managing the rapid growth has been challenging, we have created a program that is being studied by diverse organizations such as the National Governors Association, the Schott Foundation, and the U.S. Office of Educational Research and Improvement within the U.S. Department of Education, the Center for Law and Social Policy, and the Institute for Child and Family Policy at Columbia University.

Finally, please be assured the Department will look carefully at the findings and recommendations made by your office, and are committed to working with you on improving the fiscal controls of CPC programs. We look forward to reporting to you on our progress.

The Commissioner also provided us the measures DOE has implemented to create stronger fiscal and programmatic controls over the CPC program. These measures are detailed in Appendix IV of this report.

AUDIT RESULTS

1. Poor Internal Controls over the CPC Program Have Resulted in Inadequate Assurance That Annual CPC Funding, Which Totaled \$93.4 Million for Fiscal Year 2000, Is Properly Safeguarded against Misuse and Accurately Reported upon by Lead Agencies, and That Unexpended Funds Are Promptly Returned by Lead Agencies to the Commonwealth at Year End

Our audit indicated that the Massachusetts Department of Education (DOE) had not established adequate internal controls to effectively implement, evaluate, monitor, and report the activities of the Massachusetts Community Partnerships for Children (CPC) program, which received over \$93 million in state funding for fiscal year 2000. Rather than establishing regulations relative to program operations, DOE has established program guidelines, which we found in many cases to be inadequate.

DOE has established guidelines that CPCs must follow in order to receive CPC program funds. However, DOE has not established any further guidance for CPCs to use when operating CPC programs (i.e., regulations, policies, and procedures). Moreover, our review of DOE's guidelines identified several areas in which we believe additional guidance is required from DOE to ensure that CPC programs are administered effectively and public funds are expended appropriately. This lack of guidance, which was expressed by many local CPC officials, has created inconsistencies and inadequacies in the delivery of CPC program services. Specific examples of deficiencies we found in DOE's guidelines follow:

- DOE guidelines do not address the need for CPCs to reassess program eligibility on a regular (e.g., annual) basis. For instance, one CPC service provider did not reassess program eligibility for families remaining in the Greenfield CPC program for more than one year, whereas the local child care resources and referral agency, Child Care Resources, reassesses program eligibility on a biannual basis for families participating in the Worcester CPC program.
- DOE guidelines do not provide specific instructions for CPCs to follow regarding the development, maintenance, and utilization of waiting lists. Rather, DOE shifts this responsibility to the individual CPCs across the Commonwealth. Specifically, DOE guidelines state, in part:

Policies in addition to financial criteria may need to be determined for program admission. Eligibility criteria, and other issues, such as maintenance of a waiting list, should be developed by the Community Partnerships Council.

As a result, we found that none of the CPCs audited had developed specific policies and procedures for developing, maintaining, and utilizing waiting lists. Moreover, the majority of the subcontractors we visited did not maintain a waiting list for CPC services, and those subcontractors that did so generally gathered incomplete information about families interested in CPC services.

- DOE guidelines do not instruct CPCs on reimbursement policies for children absences (e.g., sick days, part-time slots, vacations, and holidays). As a result, we found significant billing variances among the CPCs and subcontractors we audited. For example, the Salem CPC reimbursed a local Head Start program for all its absent days, which totaled 885 days during fiscal year 1998. Other CPCs set more specific guidelines on the number of absent days they would reimburse. Still others adhered to billing policies published within the Office for Child Care Services, Child Care Contractor's Manual.
- DOE guidelines do not adequately define a process for CPCs to follow when calculating and documenting family income. As a result, we found significant variances in how CPCs performed this activity. For example, at one CPC located in Bourne, the CPC included AFDC payments as income for one family, while excluding the payment from another family's income calculation. At another CPC located in Pittsfield, the CPC accepted copies of income tax returns as proof of family income. However, the CPC could not discern from the return whether both parents were working, which is a requirement for participating in the CPC program. Lastly, we found many CPCs that required applicants to submit four weekly pay stubs as proof of their employment status and income. Yet other CPCs were accepting two or even one pay stub as proof of employment and family income. The majority of CPC officials we spoke to regarding this matter stated that DOE needed to provide additional guidance to ensure appropriate and consistent treatment of families.
- DOE guidelines do not require that service providers actively participate on CPC councils in order to receive CPC funding. As a result, we found numerous instances in which service providers received substantial funding for materials and supplies while their participation in their council was minimal or nonexistent. For example, five family day care providers that received \$1,175 each from the Falmouth CPC for materials and supplies during fiscal year 1998 never attended a single CPC council meeting.
- DOE guidelines do not require CPCs to develop and implement cost allocation plans for expenses that benefit CPC and non-CPC children (i.e., shared costs). As a result, we found that, contrary to state law, the Worcester and Attleboro CPCs incurred shared costs totaling \$71,382, which they funded solely with CPC funds. For example, Worcester Head Start, a subcontractor for the Worcester CPC, scheduled 36 hands-on workshops at the New England Science Center. Although both CPC and non-CPC children participated in the activity, the cost of the workshops, \$4,320, was charged solely to the CPC program. Had the CPC been required to develop and implement a cost allocation plan, a portion of the shared costs could have been allocated to non-CPC funding sources based upon the number of non-CPC children served.

In addition to these weaknesses in DOE's program guidelines, our audit also found that DOE has not established policies and procedures to effectively monitor, evaluate, and report the activities of the CPC program. DOE's guidelines require CPCs to "ensure accurate accounting of funds provided through the grant and respond to any fiscal queries from the Department of Education." To ensure that CPCs meet their fiscal responsibilities, DOE requires each CPC to submit an annual Final Financial Report (FFR), which report must be submitted to DOE within 30 days following the end of each grant period (fiscal year.) DOE, in turn, uses the financial information to report to the state's Board of Education, which

provides this information to the Legislature as required by the following provision of the Massachusetts General Laws Chapter 15, Section 54(K):

The board shall report on the progress of the early care and education program and make recommendations to the general court by filing the same with the clerks of the house of representatives and of the senate on or before June thirtieth of each year.

However, although DOE inputs each CPC's financial data into its management information system, it does not analyze the information to ensure its completeness and accuracy. Moreover, DOE does not perform any field audits of CPCs to validate the information that CPCs provide.² As a result, our audit found significant discrepancies between information reported by the 13 CPCs we visited and their actual activities as detailed in their records. Specifically, 11 of the 13 CPCs that we visited reported to DOE that they had not purchased any furnishings or equipment during fiscal year 1998. However, during our audit of these CPCs we found that they had purchased computer systems, office equipment, classroom furnishings, and outdoor equipment with CPC funds totaling \$207,902. The table below details the equipment and furnishings that the 11 CPCs had purchased during fiscal year 1998.

<u>CPC</u>	<u>Computers and Office Equipment</u>	<u>Outdoor Equipment</u>	<u>Classroom Furnishings</u>
Attleboro	\$ 20,310	\$ 23,963	\$ 13,392
Berkshire Hills	852	-	-
Bourne	1,995	-	-
Chicopee	5,356	14,418	16,552
Falmouth	-	13,239	-
Frontier	2,569	8,434	-
Infant Toddler Children's Center	765	-	-
Peabody	10,140	-	-
Pittsfield	23,720	-	-
Salem	14,964	-	-
Worcester	33,238	3,995	-
	<u>\$ 113,909</u>	<u>\$ 64,049</u>	<u>\$ 29,944</u>

² During fiscal year 1999, DOE awarded a contract to a private accounting firm to conduct audits at eight CPCs. While we believe that this was a prudent action, DOE should still take further action.

In addition we found that, during fiscal year 1998, the Attleboro and Worcester CPCs misreported supply purchases totaling \$37,848 and \$32,983, respectively, as contractual services on their annual report to DOE. In addition, we found that the Greenfield CPC had a similar \$10,000 reporting error on its fiscal year 1997 annual report.

Beyond these reporting problems, we also determined that DOE does not require CPCs to submit sufficient information in their annual reports to allow DOE to conduct an adequate assessment of CPC activities. Specifically, DOE requires CPCs to report budgeted and expended CPC funds in one of the following 10 categories.

- | | |
|--|-----------------------------|
| (1) Administrators | (6) Travel |
| (2) Instructional/Direct Service Staff | (7) Supplies |
| (3) Non-Instructional/Support Staff | (8) Materials and Equipment |
| (4) Fringe Benefits | (9) Other |
| (5) Contractual Services | (10) Indirect Costs |

However, our audit identified that CPCs group a variety of program costs, including direct program services, consultant services, training, accreditation, and field trips, into one cost category, contractual services, because of the inherent reporting limitations imposed by DOE's FFR report. Consequently, DOE cannot determine the extent to which each CPC is expending public funds on direct program services, which is a key indicator of the level of services being provided by each CPC and the need for any additional funding. For example, during fiscal year 1998, the Attleboro CPC requested an additional \$132,000 in direct program service funding to serve 50 additional CPC program participants. However, as detailed in Audit Result No. 2, the Attleboro CPC did not expend any of this additional \$132,000 on providing direct program services to children. Because CPCs are not required to report separately their yearly direct program service expenses, it was not possible for DOE or anyone else reviewing the Attleboro CPC's fiscal year 1998 annual report to determine this fact.

Moreover, because DOE uses the information contained in the CPC's annual reports to inform the Legislature on CPC services and expenditures, there is inadequate assurance that the Legislature is being provided with complete and accurate information on which to base their funding decisions for the CPC program.

As previously noted, CPCs are required to submit their annual FFR report to DOE within 30 days following the end of each grant period (fiscal year). During our audit, we spoke with DOE officials and reviewed the system of controls DOE had established to ensure timely filings of FFR reports by CPCs. Although DOE does make attempts to ensure that it receives FFR reports from all CPCs by sending up to three letters to each CPC notifying them that their FFRs are due, DOE has not established penalties for CPCs that do not comply with its FFR filing requirements. Therefore, there is no incentive for CPCs to file these reports in a timely manner. In fact, we found many instances in which CPCs either did not file their FFRs or did not file them within the deadline prescribed by DOE. The table below details the 18 CPCs that did not submit FFR reports for fiscal years 1997, 1998, and 1999, during which time these CPCs received public funds totaling \$6,005,967.

<u>CPC</u>	<u>Fiscal Year Funding</u>			
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>Total*</u>
Barnstable	-	\$ 524,990	-	\$ 524,990
Boston Regional Medical Center	-	-	\$ 378,281	378,281
Cambridge	\$273,910	-	-	273,910
East Longmeadow	9,226	-	-	9,226
Erving	-	59,823	-	59,823
Fitchburg	-	-	1,023,056	1,023,056
Holland	-	16,923	-	16,923
Leverett	73,448	83,448	-	156,896
Marblehead	-	34,877	-	34,877
Medford	-	-	715,408	715,408
Nantucket	-	55,650	-	55,650
Nashoba	-	-	77,995	77,995
New Salem	40,769	50,769	-	91,538
Pentucket	-	-	45,000	45,000
Saugus Family YMCA	-	73,800	-	73,800
Self Help	-	2,247,306	-	2,247,306
Shutesbury	42,323	67,323	-	109,646
Winchester	111,642	-	-	111,642
	<u>\$551,318</u>	<u>\$3,214,909</u>	<u>\$2,239,740</u>	<u>\$ 6,005,967</u>

*As of April 2000 per DOE records.

Finally, local CPC officials are required to return any unexpended CPC funds to the Commonwealth following the close of each fiscal year. Specifically, Part I, Section (B), of DOE's FFR states the following:

A check made payable to the "Commonwealth of Massachusetts" must be returned for any unexpended funds....

However, DOE has not developed procedures to effectively recover any outstanding amounts. Consequently, we found 23 CPCs that, as of April 2000, had not returned fiscal years 1997, 1998, and 1999 funds totaling \$205,529, as detailed in the table below.

<u>CPC</u>	<u>Fiscal Year</u>			<u>Total</u>
	<u>1997</u>	<u>1998</u>	<u>1999</u>	
Ashburnham-Westminster	-	-	\$ 6,847	\$ 6,847
Berkshire Hills	-	\$ 17	-	17
Boston	\$ 90	-	-	90
Center for Family Development	-	1,197	-	1,197
Clinton	551	1,102	-	1,653
Communities United Inc.	-	-	7,054	7,054
Concord Children Center	-	-	93	93
Hampshire Education Collaborative	-	-	5,666	5,666
Haverhill	100	-	-	100
Hudson	-	-	63,342	63,342
Ipswich	-	-	6,108	6,108
Lee Youth Association	-	12,648	-	12,648
Ludlow	4,225	-	-	4,225
Mashpee	-	-	2,449	2,449
Mohawk	1	-	-	1
Shrewsbury Children's Center	-	1,000	-	1,000
Southern Berkshire	-	1,251	-	1,251
Sturbridge	-	-	66,546	66,546
Triton	-	4	-	4
Triumph, Inc.	-	10,572	-	10,572
Weymouth	174	-	-	174
Winchendon	-	1,216	3,414	4,630
Winthrop	-	-	9,862	9,862
Total	\$ 5,141	\$ 29,007	\$171,381	\$205,529

DOE's Chief Financial Officer indicated that the internal control deficiencies noted were, in part, due to inadequate administrative funding received by DOE. He stated that, from fiscal year 1989 to 1998, DOE's program budget increased 62% from \$1.8 billion to \$2.9 billion, yet administrative funding during the same period decreased 58% from \$15.9 million to \$8.9 million. He further stated that, without adequate staff, DOE cannot ensure adequate accounting controls over CPC funds.

Recommendation: DOE should take the following measures:

- Consider promulgating CPC program regulations to set forth the requirements to be met; the standards to be applied; and the procedures to be followed in awarding, expending, and reporting CPC funds.

- If regulations are not promulgated, update the CPC program guidelines to address the issues raised in this report to further safeguard all public funds provided by the Legislature for the CPC program.
- Require CPCs to provide more detailed information in their annual reports to DOE. At a minimum, direct program services, both budgeted and actual, should be disclosed separately.
- Establish penalties for CPCs that do not file their FFRs or remit any outstanding balances within the timeframe specified by DOE guidelines.
- Establish uniform policies and procedures for conducting regular site reviews at various CPCs.
- Take measures to ensure that CPCs submit to DOE all required reports and remit any unexpended funds as identified in the CPC annual reports.

2. Unnecessary, Unallowable, and Untimely Purchases of Supplies, Equipment, and Services Totaling Approximately \$1.1 Million

Since fiscal year 1996, the CPC program has focused on serving preschool-aged children of working families. The Legislature, recognizing the importance of early care and education for preschool-aged children, has steadily increased its appropriations for the CPC program. Specifically, from fiscal years 1996 through 1999, state appropriations rose from \$22.6 million to \$78.6 million over this three-year period ended June 30, 1999. (Appendix I details the public funding that 146 lead agencies which administered 162 CPCs received during these three years.)

Our audit revealed that the additional funding DOE provided to the 13 CPC programs we reviewed for direct care services was in many instances not used for this purpose. For instance, the 13 CPC programs that we audited received funding increases totaling \$3,599,350 for fiscal year 1998. Of this amount, CPC officials budgeted \$2,087,661, or 58% for direct program services (i.e., direct teacher and para professional salaries, and tuition subsidies). Yet, the CPC programs expended only \$981,584, or 27%. Rather than returning to the General Fund the balance totaling \$1,106,077, program officials expended this amount on unnecessary, and at times unallowable, supplies, equipment, and services. Moreover, the spending frequently occurred near the close of fiscal year 1998, which resulted in supplies, equipment, and services being received during fiscal year 1999. Such year-end spending conflicts with guidelines established by the Comptroller of the Commonwealth.

The table below details the increased funding received by the 13 CPC programs we audited, as well as the amounts that they budgeted and expended for direct program services.

<u>CPC Program</u>	<u>Fiscal Year 1998 Funding Increase</u>	<u>Direct Program Services</u>		<u>Funds Reallocated</u>
		<u>Budget</u>	<u>Expended</u>	
Worcester	\$ 1,291,519	\$ 781,300	\$ 311,603	\$ 469,697
Pittsfield	345,890	182,790	79,400	103,390
Fitchburg	342,452	216,796	83,191	133,605
Chicopee	338,898	185,949	142,508	43,441
Attleboro	251,115	132,000	-	132,000
Salem	201,095	114,349	57,375	56,974
Peabody	167,079	107,082	31,640	75,442
Falmouth	147,157	95,000	15,635	79,365
Greenfield *	133,272	77,373	77,612	(239)
Bourne	127,820	47,003	42,427	4,576
Acton/ Boxborough/Littleton	108,486	68,146	67,617	529
Berkshire Hills	72,591	55,783	52,246	3,537
Frontier	71,976	24,090	20,330	3,760
Total	<u>\$ 3,599,350</u>	<u>\$ 2,087,661</u>	<u>\$ 981,584</u>	<u>\$ 1,106,077</u>

*Our audit work at Greenfield focused solely on fiscal year 1997 CPC funds.

Most CPC officials whom we contacted, with few exceptions, did not have wait lists of families who were eligible and waiting to participate in the CPC program. However, the absence of wait lists does not necessarily reflect a lack of demand for program services. In order to ensure that all eligible children within a geographic area are served, CPCs must conduct effective outreach activities. We did note that some CPCs did make an effort to enroll children into CPC programs. DOE's program guidelines require local CPC programs to conduct community outreach to ensure that families who may be hard to reach by traditional methods are offered opportunities to be enrolled in a program that meets their needs. Each CPC program that we visited engaged in some community outreach, and to some extent, utilized DOE's community outreach strategies, which are provided below.

- Working with the area child care resource and referral agency to coordinate and expand outreach;
- Developing connections with religious groups, ethnic organizations, community employers, the medical community, recreation groups, and community service organizations;

- Informing different linguistic and cultural groups in native languages and through trusted channels (religious organizations, spreading the word through key people in that cultural community, etc); and
- Using a variety of media (television; radio stations; newspapers, brochures in various languages).

For example, the Worcester CPC Outreach Coordinator routinely met with service providers periodically to identify vacant daycare slots. She also utilized DOE's outreach strategies in an effort to fill any identified vacancies with CPC eligible children. However, despite her efforts, the funding increases provided to the Worcester CPC program for direct services were not fully utilized, and thus, a significant portion (40%) was expended for program supplies.

a. Unnecessary Supply Purchases Totaling \$872,158: Most CPC programs that we visited did not fully utilize the fiscal year 1998 funding increase they received for direct program services. However, rather than return their unused funds to the Commonwealth, the CPC programs we audited requested DOE's approval to reallocate the funds to other budget expense categories. In many instances, CPC officials identified a need for additional supplies as justification for their request.

The budget changes requested by the 13 CPC programs we visited were approved by DOE without exception. Moreover, CPC officials with whom we spoke emphasized that DOE encouraged them to spend all of their funds. Consequently, CPC officials adopted a "spend it or lose it" attitude that resulted in unnecessary spending on program supplies totaling \$872,158.

For example, the Attleboro CPC program's fiscal year 1998 expansion grant application proposed serving 50 additional preschool-aged children. In this regard, Attleboro CPC officials developed a program budget that included \$132,000 for direct services and \$30,000 for program materials and supplies. DOE approved Attleboro's grant application and provided funding to the extent requested. However, during the fiscal year, the Attleboro CPC program did not utilize any portion of its expansion grant for direct services. Yet, Attleboro CPC officials increased spending for supplies during the period from \$30,000 to \$143,183.

We believe a direct correlation should exist between CPC enrollment levels and the amount of money spent by CPC officials for classroom supplies. Thus, as enrollment levels decrease, spending on materials and supplies should also decrease, and vice versa. For fiscal year 1998, the 13 CPC programs that we visited budgeted \$258,433 for classroom supplies in anticipation of serving greater numbers of preschool-aged children. Although the CPC programs experienced only a slight increase in enrollment during the fiscal year, their spending on supplies skyrocketed to \$1,130,591. The difference, \$872,158 represents a 337% spending increase. Moreover, the cost of supplies, on average, represented 32% of the 13 CPCs' total expansion grant expenditures, whereas their direct service costs totaled \$981,584 or 27%. The following table details the increased spending identified at 11 of the 13 CPC programs visited.

<u>CPC Programs</u>	<u>Total Expansion Grant</u>		<u>Supplies</u>		<u>Percentage Increase</u>	<u>Percent of Total Expense</u>
	<u>Expenses</u>	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>		
Fitchburg	\$ 332,190	\$ 16,044	\$ 178,991	\$ 162,947	1016%	54%
Peabody	167,079	6,850	70,992	64,142	936	42
Frontier	71,976	3,500	23,623	20,123	575	33
Pittsfield	294,296	22,500	126,704	104,204	463	43
Falmouth	147,157	14,324	76,390	62,066	433	52
Attleboro	242,398	30,000	143,183	113,183	377	59
Worcester	1,274,046	81,030	380,073	299,043	369	30
Salem	201,095	5,740	20,740	15,000	261	10
Chicopee	333,972	24,500	55,993	31,493	129	17
Berkshire Hills	72,591	4,792	7,445	2,653	55	10
Acton/Boxborough/Littleton	106,409	9,160	10,851	1,691	18	10
Greenfield	133,272	1,200	1,167	(33)	(3)	1
Bourne	116,226	38,793	34,439	(4,354)	(11)	30
Total	<u>\$ 3,492,707</u>	<u>\$ 258,433</u>	<u>\$ 1,130,591</u>	<u>\$ 872,158</u>	<u>337%</u>	<u>32%</u>

b. Unallowable Program Expenses Totaling \$356,472: Eleven of the 13 CPC programs that we visited used CPC funds totaling \$356,472 for unallowable expenses. In a few instances, program officials unknowingly allocated unrelated expenses to the CPC program. However, in the majority of cases, the CPC programs were simply spending down surplus CPC funds to avoid returning any funds to the Commonwealth.

Chapter 15, Section 54, of the General Laws defines the scope of services allowable under the CPC program. Specifically, the law states, in part:

The board may contract with school districts, head start agencies, and other child care providers to provide early care and education opportunities to three-year-old and four-year-old children of working parents.

However, we identified 11 CPC programs that utilized \$336,397 for supplies, equipment, salaries, and professional services that did not benefit the CPC target population. Specifically, officials of these programs used program funds to assist daycare facilities that served no CPC children, but did serve infant and toddler programs, elementary and high school students, public and private daycare administrators, Head Start adult programs, and other non-CPC affiliated organizations. Additionally, two of the nine CPC programs utilized fiscal year 1998 CPC funds totaling \$20,075 to prepay fiscal year 1999 professional services.

Provided below are examples of unallowable expenses charged to the CPC program, and following the examples is a table that lists all the unallowable costs that we found during the audit.

- The Salem, Chicopee, and Fitchburg CPC programs used \$60,000, \$46,175, and \$30,050, respectively, to fund classrooms that exclusively served non-CPC children. The Salem CPC budgeted its fiscal year 1998 CPC expansion funds for services to children of working parents. However, during the year, the enrollment for CPC services was less than Salem officials had budgeted. Rather than return any unused funds to DOE, the Salem CPC submitted an amendment request form to DOE dated June 3, 1998. As part of the request, the Salem CPC proposed transferring \$60,000 to cover the cost of teachers and paraprofessionals at the Salem Public Schools Early Childhood Center. The Salem Public Schools Director of Early Childhood Education stated that the Early Childhood Center added an integrated classroom during fiscal year 1998 and funds were needed to help cover the center's operating cost. However, we learned that the classroom did not service CPC eligible children. Instead, the classroom was composed of children who were socially and/or economically vulnerable, i.e., "at risk." Consequently, contrary to DOE's program guidelines, parents of these children were not questioned about their employment status and were not required to pay a program fee.

Similarly, the Chicopee CPC program helped fund several integrated daycare classrooms within the Chicopee Public Schools system, which exclusively served non-CPC children. Specifically, CPC funds totaling \$46,175 were used to purchase materials and supplies for 168 special education children, 131 at-risk children, and 61 peer children within the school system's integrated classrooms. The Chicopee CPC Program Coordinator indicated that parents of the special education and "at-risk" children were not required to meet DOE's program eligibility requirements and were allowed to enroll their children into the CPC program without paying a fee. In addition, the coordinator explained that peer children are children whose parents have monthly income that exceeds the allowable limits set by DOE for the CPC program. Since the

families served by the Chicopee Public Schools did not meet DOE's program requirements, the \$46,175 provided for the school system's integrated daycare classrooms represents an unallowable charge to the Commonwealth.

Finally, the Fitchburg CPC program provided \$30,050 to Montachusets Opportunity Council, Inc., (MOC), a local service provider, to help fund its Hispanic Resource Program. The Hispanic Resource Program provides daycare services for "at risk" children whose primary language is Spanish. The program allows Hispanic children to participate in an inclusive bilingual program, while providing them with added periods of enriched language stimulation and cognitive development in their primary language.

However, our audit identified that the Hispanic Resources Program does not attempt to serve the CPC program target population, i.e., children of working parents. Instead, the Hispanic Resources Program targets children who are socially and/or economically vulnerable ("at risk"). Because of this, MOC officials did not evaluate the employment status or monthly income of families participating in its program. In addition, participating families were not required to pay a fee based upon the Commonwealth's sliding fee scale. Since MOC officials made no attempt to serve CPC children under its Hispanic Resources Program, funding for the program represents an unallowable cost to the Commonwealth.

It should be noted that DOE provides early childhood education funding for "at-risk" programs. During fiscal year 1998, the Salem, Fitchburg, and Chicopee CPC programs received "at-risk" funds totaling \$186,470, \$269,956, and \$209,583, respectively. By utilizing new CPC funds for "at risk" programs, the Salem, Chicopee, and Fitchburg CPC programs violated Chapter 15, Section 54, of the General Laws, and DOE's program guidelines.

- On June 2, 1998, the Falmouth CPC provided \$10,000 to Cape Cod Child Development Program, Inc., (CCCD) to help CCCD establish a new Head Start wrap-around site in Falmouth. The funds were provided for materials and equipment of a mobile nature, so that they could be relocated and utilized at any Falmouth location. CCCD expended the funds on kitchen equipment including a refrigerator, dishwasher, pot-sink, work tables, and a fire protection system. However, as of June 1999, CCCD had not opened a new program site in Falmouth. Moreover, the kitchen equipment has been installed at an existing CCCD program site located in Woods Hole that served no CPC children during fiscal year 1998.
- On June 12, 1998, the Peabody CPC program provided CPC funds totaling \$15,000 to three daycare centers that served no CPC children during fiscal year 1998. The centers utilized the funds for program supplies that benefited non-CPC children. In addition, one of the daycare centers, Temple Ner Tamid, joined the Peabody CPC Council during May 1998, just prior to receiving its \$5,000 award. As of January 31, 1999, Temple Ner Tamid had not attended another Peabody CPC Council meeting. (This issue is further discussed in Audit Result No. 6, which details that the CPC program is not consistently functioning as a collaborative service.)
- On April 3, 1998, the Attleboro CPC program received a \$5,000 mini-grant proposal from the Markman Children's Program, Inc. The daycare provider's proposal states:

We would like to purchase 2 indoor gross motor structures, one for a classroom of 12 infants and young toddlers, and one for a room of 9 (sometimes 13) older toddlers. More gross motor equipment for these age groups was a need that surfaced in our NAEYC self study.

Although Markman Children's Program, Inc.'s proposal offered no benefit to CPC children, the Attleboro CPC program accepted and funded the proposal in its entirety.

- During fiscal year 1998, the Pittsfield CPC program spent CPC funds totaling \$23,720 to purchase 15 computers and computer-related supplies. Nine of the computers were placed within the Pittsfield Public School system. However, these computers benefited non-CPC daycare students, elementary school aged children, and administrative staff. The remaining six computers were placed with private daycare providers. Four of these computers directly benefited CPC children, but two others were used solely for administrative purposes. In total, \$17,482 of the \$23,720 represents an unallowable program cost, since the expense did not directly benefit the CPC program's target population.
- During fiscal year 1998, the Worcester CPC program contracted with Quinsigamond Community College to provide General Education Development (GED) classes for Head Start parents and staff. The contract provided for an 18-week program at a total cost of \$8,910. Since GED classes do not directly benefit three- and four-year-old children of working parents, the expense represents an unallowable program cost to the Commonwealth.
- On June 30, 1998, the Attleboro CPC program awarded bonuses totaling \$32,000 to instructors at six private daycare centers and seven family daycare providers. In total, 32 instructors received \$1,000 apiece. The Attleboro CPC Coordinator stated that DOE suggested utilizing surplus CPC funds for bonuses because daycare instructors are "typically underpaid." The \$32,000 expenditure represents an unallowable program cost to the Commonwealth. During the fiscal year, the Attleboro CPC program awarded subcontracts to the 13 service providers. The subcontracts specified the terms and conditions under which CPC funds would be disbursed, thus limiting the Commonwealth's program liability. By awarding bonuses, the Attleboro Public Schools unduly increased the Commonwealth's financial obligation. It should be noted that six of the seven family daycare providers served no CPC children during fiscal year 1998. Additionally, two daycare center instructors served only infants and toddlers, while another was a kindergarten teacher.
- On June 30, 1998, the Attleboro CPC program used fiscal year 1998 CPC funds to prepay fiscal year 1999 professional services. Specifically, the Attleboro CPC program forwarded \$10,000 to the National Association for the Education of Young Children (NAEYC) for self-study and validation fees. The CPC Coordinator explained that the payment was made in anticipation of future NAEYC accreditation services.
- On May 6, 1998, the Attleboro CPC program provided CPC funds totaling \$5,000 to the Attleboro Housing Authority. The Authority applied for the funds on April 1, 1998, at which time it provided the following project narrative.

Activity - Provide a developmentally appropriate and supportive atmosphere for children ages birth to five.

Population - Ninety-one low income families, the majority being single parent.

Objective - Offer on-site drop in center allowing parents to attend classes, workshops, and job hunt.

The \$5,000, which was provided to a non-CPC affiliated agency, represents an unallowable program cost to the Commonwealth in that the funds did not serve CPC children, i.e., three- and four-year-old children of working parents. Moreover, the drop-in center did not facilitate high-quality early care and education. Rather, it provided a child sitting service for non-working parents.

An Attleboro Housing Authority official stated that originally a Peace Corps volunteer staffed the drop-in center, which provided a safe place for children while their parents were away. Presently, she stated that the center is no longer staffed, and parents utilizing the center must provide their own sitter. She added that the center never provided formal classroom activities and that children ages six to 12 years most frequently use the center.

The table below details the unallowable costs totaling \$356,472 that we identified at 11 of the 13 CPC programs visited.

<u>CPC Program</u>	<u>Non-CPC Pre-School Children</u>	<u>Elementary and High School Programs</u>		<u>Adult Head Start Programs</u>	<u>Public Schools and Private Center Administrators</u>		<u>Prepaid Fiscal Year 1999 Expenses</u>		<u>Total</u>
					<u>Affiliated Agencies</u>		<u>Other</u>		
Salem	\$ 60,000	-	-	-	-	-	-	-	\$ 60,000
Fitchburg	30,050	-	-	-	-	-	-	-	30,050
Attleboro	33,534	-	-	\$ 17,089	\$ 2,799	\$ 18,125	\$ 32,000		103,547
Bourne	3,422	-	-	-	-	-	-		3,422
Chicopee	51,175	-	-	-	2,334	-	-		53,509
Falmouth	25,635	\$ 360	-	-	-	1,950	-		27,945
Greenfield	-	-	-	-	2,076	-	-		2,076
Acton/Boxborough/ Littleton	1,500	-	-	-	-	-	-		1,500
Peabody	15,000	-	-	-	6,640	-	-		21,640
Pittsfield	5,996	2,998	-	-	5,491	-	5,780		20,265
Worcester	-	21,848 *	\$ 10,670	-	-	-	-		32,518
	<u>\$ 226,312</u>	<u>\$ 25,206</u>	<u>\$ 10,670</u>	<u>\$ 17,089</u>	<u>\$ 19,340</u>	<u>\$ 20,075</u>	<u>\$ 37,780</u>		<u>\$ 356,472</u>

*Unallowable costs totaling \$20,550 were also included under section (a) as excessive supply expense.

c. Untimely Purchases of Program Supplies: The majority of CPC programs that we audited purchased their classroom supplies near the close of fiscal year 1998. Specifically, the programs spent \$1,130,582 during fiscal year 1998, of which items totaling \$761,923, or 67%, were purchased during the month of June. Moreover, this year-end spending, at times, resulted in CPC programs receiving and paying for items after the close of the fiscal year.

For example, the Fitchburg CPC program purchased classroom supplies totaling \$178,991 during fiscal year 1998. Of this amount, \$154,926, or 87%, were ordered during June 1998. Moreover, most of these items, \$147,211, were ordered during the final three working days of the month. Thus, the vast majority of classroom supplies purchased by the Fitchburg CPC program were received and paid for

during fiscal year 1999. The table below details the year-end spending that we identified at 11 of the 13 CPC programs we visited.

<u>CPC Program</u>	<u>Total</u>		
	<u>Fiscal Year 1998</u>	<u>June 1998</u>	<u>June 1998</u>
	<u>Materials/Supplies</u>	<u>Materials/Supplies</u>	<u>Percentage</u>
Fitchburg	\$ 178,991	\$ 154,926	87%
Bourne	34,439	30,082	87
Peabody	70,992	57,950	82
Pittsfield	126,704	101,040	80
Frontier R.S.D.	23,623	18,787	80
Falmouth	76,390	59,553	78
Acton/Boxborough/Littleton	10,851	8,318	77
Salem	20,740	15,000	72
Worcester	380,073	257,522	68
Chicopee	55,993	34,576	62
Attleboro	143,183	24,169	17
Berkshire Hills	7,445	-	0
Greenfield	1,167	-	0
Total	<u>\$ 1,130,591</u>	<u>\$ 761,923</u>	<u>67%</u>

For fiscal year 1998, DOE's program guidelines did not specifically address year-end spending of CPC funds. However, under DOE's Form AM1 (Amendment Request Form), CPC programs were allowed to reallocate program funds through May 31, 1998. Specifically, Form AM1 states, in part:

All sections of this report must be completed, and the request submitted, at least 30 days prior to the proposed change and no later than 30 days prior to the termination date of the project.

Amendment requests must be approved in writing by an authorized representative of the Department of Education prior to implementation.

The CPC programs we visited submitted 10 budget amendment requests totaling \$755,115 to DOE during the final two months of fiscal year 1998. The majority of these requests, which primarily reallocated funds from contracted services to supplies, satisfied the filing deadlines established by DOE. However, we found that the Attleboro, Salem, and Pittsfield CPC programs submitted their requests, which totaled \$221,269, after the May 31, 1998 deadline. Despite the late filing, DOE approved their requests. In doing so, DOE demonstrated its support of a "spend it or lose it" attitude that permeated the

CPC program at that time. The table below details the 10 budget amendment requests that DOE approved during May and June of fiscal year 1998.

<u>CPC Program</u>	<u>Amendment Request Date</u>	<u>Amendment Approval Date</u>	<u>Supply Increase</u>	<u>Other Increase</u>	<u>Total Amendment Amount</u>
Acton/Boxborough/Littleton	May 29, 1998	June 2, 1998	\$ 1,406	\$ 10,656	\$ 12,062
Attleboro	June 10, 1998	June 11, 1998	24,169	500	24,669
Berkshire Hills	May 21, 1998	June 10, 1998	3,000	-	3,000
Bourne	May 26, 1998	May 28, 1998	4,000	-	4,000
Fitchburg	May 27, 1998	May 29, 1998	146,694	26,388	173,082
Frontier	May 29, 1998	June 2, 1998	18,997	5,123	24,120
Peabody	May 15, 1998	May 20, 1998	60,060	-	60,060
Pittsfield	June 1, 1998	June 5, 1998	113,400	8,200	121,600
Salem	June 3, 1998	June 4, 1998	15,000	60,000	75,000
Worcester	May 14, 1998	May 27, 1998	<u>257,522</u>	<u>-</u>	<u>257,522</u>
Total			<u>\$ 644,248</u>	<u>\$ 110,867</u>	<u>\$ 755,115</u>

It should be noted that, for fiscal year 1999, DOE amended its program guidelines, *A Guide To Community Partnerships for Children*, to help control year-end spending of CPC grant funds. Specifically, the guide states, in part:

The responsibilities of CPC programs are . . . preparing budget updates and amendments for approval by the Community Partnership Council (final budget amendment requests should be submitted directly to a community's Early Learning Services liaison by April 30 for approval so funds can be expended for goods and services received by June 30).

Therefore, DOE's fiscal year 1999 program guidelines reflect the fiscal year closing/opening instructions issued by the Office of the State Comptroller. These instructions, which are applicable to all branches of state government, state, in part:

For payables, goods and/or services must be received in the respective Department locations no later than June 30th to be charged to fiscal year closing.

The majority of officials from the 13 CPCs included in our review stated that state funding has met or exceeded the demand for early care and education services for preschool-aged children of working parents in their service areas indicating that there may be a misallocation of CPC funds. However, they

further stated that state funding is lacking for infant and toddler, "at risk," and full day kindergarten programs and that state funding has not kept pace with the increasing demand for these services.

In this regard, Chapter 15, Section 54, of the General Laws requires the Early Childhood Advisory Council of the Massachusetts Board of Education to report biannually on future trends in early education and care. Within its most recent report, *Setting a Course for Early Education and Care in Massachusetts, Future Trends - Volume V: 1999*, the Advisory Council recommended reviewing the need for additional preschool services. Specifically, the report states, in part:

Review the need for additional preschool services: The best-served age group is preschoolers. Some CPC programs report that they are serving all eligible preschoolers except children whose families do not fit all CPC criteria - children 'at risk' with at least one parent who does not have a job or who is in training. Other communities, usually the larger cities, continue to express need for additional subsidies for 3 and 4 year old children. If all 3 and 4 year old children of working families are being served communities should be allowed the option of using their Community Partnership funds to extend services to preschool children 'at risk' infants and toddlers, and school aged children.

The information gathered during our review indicates that there may be a misallocation of CPC funds statewide. During fiscal year 1999, DOE provided expansion funds totaling \$2,172,096 to the 13 CPC programs we audited, which represents, on average, a 31% funding increase. For example, the Attleboro CPC, which did not utilize any portion of its fiscal year 1998 expansion funds for tuition subsidies or teacher salaries, received an additional \$145,450. The table below details the fiscal year 1999 funding increases received by the 13 CPC programs visited. (Appendix II of this report details the fiscal year 1999 increase for the entire CPC program.)

<u>CPC Program</u>	Total Fiscal Year 1998 CPC Funding	Fiscal Year 1999 Expansion Fund	Total Fiscal Year 1999 Funding	Percentage Increase
Acton/Boxborough/Littleton	\$108,486	\$55,488	\$163,974	51%
Attleboro	689,092	145,450	834,542	21
Berkshire Hills	98,720	56,554	155,274	57
Bourne	127,820	74,938	202,758	59
Chicopee	749,561	198,748	948,309	27
Falmouth	233,282	86,098	319,380	37
Fitchburg	820,578	202,478	1,023,056	25
Frontier R.S.D.	175,618	62,952	238,570	36
Greenfield	342,256	70,888	413,144	21
Peabody	212,079	100,000	312,079	47
Pittsfield	665,595	204,150	869,745	31
Salem	501,730	149,108	650,838	30
Worcester	<u>2,240,063</u>	<u>765,244</u>	<u>3,005,307</u>	<u>34</u>
Total	<u>\$6,964,880</u>	<u>\$2,172,096</u>	<u>\$9,136,976</u>	<u>31%</u>

Recommendation: In order to ensure that CPC programs are receiving appropriate and adequate levels of funding, DOE should establish effective monitoring and internal control procedures over CPC activities. Once implemented, DOE should determine the extent to which children of working parents are directly served with CPC funds. DOE should also evaluate and quantify the expected future need for CPC services and the amount of public funds needed to adequately serve such need. Furthermore, DOE should provide this information to the Legislature in report form at least annually to assist in the budgetary process.

3. The Chicopee and Worcester CPC Programs Used Public Funds Totaling \$563,096 for Questionable Capital Expenditures

During the audit, we identified that the Chicopee and Worcester CPC programs used public funds totaling \$563,096 for questionable capital expenditures. Specifically, the Chicopee program used \$323,096 to purchase three modular classrooms for its Szetela Early Childhood Center. However, the program used one classroom exclusively for non-CPC children, contrary to Chapter 15, Section 54, of the General Laws. Additionally, the Chicopee CPC program allowed Valley Opportunity Council, Inc.,

(VOC), a private, nonprofit day care provider, to use the remaining two classrooms free of charge. VOC's relationship with the Chicopee CPC program included other financial benefits that, when combined with the free classroom space, provided VOC a significant financial benefit at the expense of the Commonwealth.

Moreover, at the Worcester CPC program, public funds totaling \$240,000 were provided to four private, nonprofit, daycare providers, which the service providers used to improve and expand their daycare facilities. In addition, the capital expenditures primarily benefited non-CPC children and thus represent an unallowable program expense to the Commonwealth.

a. Chicopee CPC Program Incurred Questionable Capital Expenditures Totaling \$323,096: During fiscal year 1998, the Chicopee CPC program initiated a capital expenditure project in order to expand preschool and daycare services at its Szetela Early Childhood Center. The center had been serving 350 preschool children daily and needed additional classroom space to meet a growing demand for services in the area.

Overall, the Chicopee CPC program obligated CPC funds totaling \$323,096 to complete its capital expansion project. The cost, which was spread over the three fiscal years ending June 30, 2000, provided for the purchase of three modular classrooms costing \$298,863, furniture and fixtures totaling \$11,749, architectural fees totaling \$9,184, and an optional \$3,300 gas-fired heating system.

The Chicopee CPC Coordinator explained that initially the Chicopee CPC Council tried to locate rental space that would meet Office of Child Care Services (OCCS) licensing standards, but it was unsuccessful. Additionally, she stated that private day care providers who participated in the Chicopee CPC program could not help alleviate the problem because their licensed daycare slots were totally filled at the time. Consequently, she said, the Chicopee CPC Council decided to rent portable classrooms in order to meet their programmatic needs.

To this end, the Chicopee CPC program, within its fiscal year 1998 CPC grant application, proposed spending \$112,000 for the set-up and rental of three portable classrooms. The Chicopee CPC program,

which submitted its application to DOE on September 9, 1997, followed up its application with a letter to DOE dated December 2, 1997 that stated, in part:

Concerning the implementation issue of the portable classrooms, the Council has worked long and hard to find existing rental space acceptable to OCCS with no success. Present collaborating programs have no more slots available. Although the Szetela Early Childhood Center has the physical space to expand, grant funds cannot be presently used for construction or what would amount to substantial renovations, as we understand the parameters of the grant. To be able to serve more children, of which there are many in need of services in Chicopee, the Council determined that the rental of portable classrooms would be the most feasible way to meet our needs at this time.

DOE approved the Chicopee CPC program's grant proposal on January 23, 1998. At that time, DOE awarded the school system a \$338,898 CPC grant that included \$112,000 for the rental of modular classrooms. The project progressed as planned until April 21, 1998, at which time the Chicopee CPC submitted Form AM1 (Amendment Request Form) to DOE. As part of its amendment request, the Chicopee CPC notified DOE that a significant change had been made to its capital expansion project, i.e., the project had gone from a rental to a lease to own project. Specifically, DOE was advised of the following:

On the advice of the Chicopee Grants Manager, the money for the modulators has been moved to equipment as we now are leasing them to own, as opposed to the original plan to rent.

Through the grant application and grant amendment process, the Chicopee CPC kept DOE apprised on the status of its capital expansion project. However, our review of records maintained at the Chicopee CPC indicated that DOE did not actively oversee the project to ensure sound investment of public dollars. For example, DOE did not require the Chicopee CPC to prepare documents typically associated with capital expansion projects (i.e., formal needs assessments, detailed project proposals, potential project alternatives, construction plans, bid documents, funding alternatives, cost sharing plans, and change order requests). Also, the project files did not contain any letters, memorandum, or directives from DOE that directly addressed any phase of the project. Finally, DOE's staff did not visit the project site during the construction phase or observe classroom services once the project was complete. Consequently, public

funds totaling \$323,096 were expended by the Chicopee CPC without DOE's fully understanding the scope, cost, and benefit of the project.

Moreover, we found that the Chicopee CPC capital expansion project benefited non-CPC children, as well as a private, nonprofit, service provider. As previously noted, Chapter 15, Section 54, of the General Laws requires that CPC funds benefit preschool-aged children of working parents. However, during fiscal years 1998 and 1999, the Chicopee CPC did not serve any CPC children within one of its three modular classrooms. The Chicopee CPC Coordinator stated that the classroom was instead used to serve special needs, "at risk," and other non-CPC children.

The Chicopee CPC allowed Valley Opportunity Council, Inc., (VOC) a private, non-profit day care provider to use the remaining two modular classrooms to serve 30 CPC children. In this regard, during fiscal year 1998, VOC received three subcontracts totaling \$168,900 from the Chicopee CPC for direct program services. Likewise, for fiscal year 1999, the Chicopee CPC budgeted \$239,382 for VOC's services. However, our audit indicated that the service relationship between the Chicopee CPC and VOC resulted in a significant financial benefit for the service provider. First, VOC was allowed to use free of charge the two modular classrooms, including utilities, furnishings, and fixtures having an approximate value of \$7,800. Second, the Chicopee CPC provided meals and snacks totaling \$2,513 for the children served by VOC. Third, the Chicopee CPC provided VOC \$30 per day for each child served, which was the highest rate provided to CPC service providers in the area. Specifically, the three other service providers that subcontracted with the Chicopee CPC during the audit period--Side by Side Preschool, Inc., Chicopee Child Development Center, and Holyoke-Chicopee-Springfield Head Start--received \$22.50, \$26.00, and \$29.75/child per day, respectively. Yet these service providers, unlike VOC, had to pay for their own classroom space, utilities, furnishings, and meals. Clearly, VOC's service relationship with the Chicopee CPC was financially attractive and an unnecessary cost to the Commonwealth.

b. Worcester CPC Program Awarded CPC Funds Totaling \$240,000 for Questionable Capital Expansion Projects: During fiscal year 1998, the Worcester CPC awarded public funds totaling \$240,000

for capital expenditures. Specifically, the Worcester CPC provided \$60,000 "challenge grants" to four non-profit organizations, which used the proceeds to expand their day care operations in the Worcester area. A brief description of the capital project completed by each grant recipient is provided below.

- During May 1998, the YMCA of Greater Worcester (YMCA) moved its daycare program to the Worcester Common Fashion Outlet Mall. As part of the move, the YMCA utilized its challenge grant to help create a second preschool classroom. The YMCA serves 24 additional children as a result of its expansion project.
- During May 1998, Elm Park Center for Early Childhood Education, Inc. (Elm Park) purchased a building to expand childcare services in the Worcester community. Elm Park used its grant proceeds to refurbish the building, purchase furnishings and supplies for two classrooms, and erect playground equipment. Once completed, the expansion project enabled Elm Park to serve 24 additional preschool-aged children.
- During May 1998, the Guild of St. Agnes Day Care (The Guild) applied for a challenge grant to renovate, furnish, and equip a new daycare facility. The Guild's capital expansion project was expected to create 40 new CPC slots.
- During May 1998, the YWCA of Central Massachusetts, Inc., (YWCA) applied for a challenge grant to renovate existing space within its childcare center. The YWCA planned to construct two classrooms, which would accommodate 20 additional preschool slots.

Our audit identified that the capital expenditures represent questionable program costs to the Commonwealth. First, the Worcester CPC did not receive authorization from DOE to spend CPC funds for capital expansion projects. In this regard, the Worcester CPC's fiscal year 1998 CPC grant application requested funding from DOE for general operating expenses, such as payroll costs, training, travel, materials and supplies, and tuition subsidies. The Worcester CPC did not use the grant application process as a means to propose capital expansion projects in the Worcester area.

Furthermore, on May 14, 1998, the Worcester CPC requested DOE's approval to utilize \$257,522, which it had budgeted for equipment and contractual services, for program supplies. Yet, within its budget amendment request, the Worcester CPC once again did not mention the capital projects it was undertaking with CPC funds.

We also found that the projects primarily benefited non-CPC children, contrary to Chapter 15, Section 54, of the General Laws, which requires that CPC funds benefit preschool-aged children of working parents. Specifically, although the four projects resulted in approximately 104 additional

childcare slots, eligible CPC children filled only 26 of these slots, or 25%. The remaining 78 slots, or 75%, were used to serve non-CPC children. The table below details the extent that CPC and non-CPC children benefited from the four capital expansion projects completed in the Worcester area.

<u>Challenge Grant Recipient</u>	<u>Childcare Slots Created</u>	<u>Children Served</u>		<u>Percent of Children Served</u>	
		<u>CPC</u>	<u>Non-CPC</u>	<u>CPC</u>	<u>Non-CPC</u>
YMCA Worcester	24	4	20	17%	83%
Elm Park	20	6	14	30%	70%
The Guild	40	5	35	13%	87%
YWCA Central Massachusetts	<u>20</u>	<u>11</u>	<u>9</u>	<u>55%</u>	<u>45%</u>
Totals	<u>104</u>	<u>26</u>	<u>78</u>	<u>25%</u>	<u>75%</u>

The problems at the Chicopee and Worcester CPC programs could have been prevented had DOE adequately regulated and monitored the use of public funds for capital improvement projects. Specifically, DOE's fiscal year 1998 program guidelines did not address the use of CPC funds for capital expenditures. In addition, we found that DOE's project oversight at the Chicopee and Worcester locations were informal and, at times, totaling lacking. Consequently, from the outset, the Chicopee and Worcester CPC programs were susceptible to fiscal and programmatic problems with their expansion projects at the expense of the Commonwealth. It should be noted that DOE's fiscal year 1999 program guidelines address the use of CPC funds for capital expenditures. We believe these guidelines will lessen the likelihood that CPC programs will engage in questionable capital improvement projects in the future.

Recommendation: During fiscal year 1999, DOE established a process that CPCs must follow when using CPC programs funds for capital expenditures. While we believe that this was a prudent and necessary action, DOE should also take measures to ensure that it properly monitors capital project expenditures to ensure that CPC children derive the benefit of these expenditures, as required by Chapter 15, Section 54, of the General Laws.

4. Subcontractors Improperly Billed for CPC Services, Which Resulted in Unnecessary Charges to the Commonwealth Totaling \$234,916

During the audit we identified that subcontractors improperly billed for CPC services, which resulted in unnecessary charges to the Commonwealth totaling \$234,916. Specifically, six subcontractors we audited retained parent fees totaling \$171,066 that were required offsets against the Commonwealth's program liability; 14 subcontractors did not return unexpended CPC funds totaling \$46,661 to lead agencies; five subcontractors received duplicate payments totaling \$8,092; and four subcontractors overbilled the Commonwealth a total of \$9,097 for service days in which children were not enrolled. Each of these instances represents noncompliance with DOE's program guidelines and the Commonwealth's Terms and Conditions for Contracts.

Under the CPC program, lead agencies negotiate subcontracts with private day care centers, family child care providers, Head Start agencies, and public preschools for early care and education services. In this regard, lead agencies develop and manage CPC subcontracts and ensure accurate accounting of all CPC funds. Subcontractors, among other things, are responsible for carrying out the agreed-upon services and maintaining books, records, and other data to substantiate claims for payment.

Typically, lead agencies have awarded unit rate or lump sum subcontracts for CPC services. Under either approach, costs of CPC services, for the most part, are shared between families participating in the program and the Commonwealth. DOE's program guidelines state, in part:

In order to determine the overall program budget, the amount of money expected to be generated from sliding fee revenue will need to be calculated. This amount, together with the CPC award, will be the program budget.

As part of DOE's cost sharing process, families participating in the CPC program pay a weekly fee for service based upon their gross monthly income and family size. The Commonwealth, which is the payer of last resort, funds the cost of service that exceed the parent fees collected.

During the audit, we reviewed a sample of billing invoices submitted by service providers during fiscal years 1998 and 1999. As part of the review, we checked to ensure that each invoice was mathematically accurate, supported by attendance records, reflected parent fees paid, and resulted in

appropriate charges to the Commonwealth. Following is a detailed description of the four billing issues we identified at subcontractor locations across the Commonwealth.

a. Service Providers Improperly Retained Parent Fees Totaling \$171,066: During Fiscal Years 1998 and 1999, the Chicopee CPC awarded subcontracts to five private daycare providers for early care and education services. Under these subcontracts, the service providers received a unit rate for service ranging from \$22.50 to \$30 per day, per child served. From July 1, 1997 through April 30, 1999, the private centers provided CPC services totaling \$352,727. For these services, the providers assessed parent fees totaling \$157,650.

However, contrary to DOE's program guidelines, the Chicopee CPC did not require the five service providers to utilize the parent fees as offsets against program costs. Specifically, the service providers were instructed by the Chicopee CPC to bill the Commonwealth for the total cost of CPC services they provided during the period, \$352,727, and to also retain the parent fees that they had collected, \$157,650. Thus, the billing instructions developed by the Chicopee CPC resulted in an unnecessary charge to the Commonwealth totaling \$157,650. The table below details the amount of parent fees improperly retained by the five service providers during fiscal years 1998 and 1999.

Parent Fees Improperly Retained

<u>Subcontractor</u>	<u>Fiscal Year</u>		<u>Total</u>
	<u>1998</u>	<u>1999</u>	
Valley Opportunity Council* Holyoke-Chicopee-Springfield	\$41,248	\$ 50,960	\$ 92,208
Head Start	17,572	13,480	31,052
Side-by-Side	9,040	8,967	18,007
Chicopee Child Development	7,426	8,151	15,577
Little Bright Eyes	-	806	806
Total	<u>\$ 75,286</u>	<u>\$ 82,364</u>	<u>\$ 157,650</u>

*Valley Opportunity Council, on a monthly basis, remitted the parent fees it had retained to the Chicopee CPC. However, the CPC did not utilize the fees to offset program costs to the Commonwealth. Instead, the CPC retained the funds for future program costs.

The Chicopee CPC Program Coordinator explained that the Chicopee CPC Council decided to allow service providers to retain parent fees. She added that, as part of the council's decision, service providers were instructed to utilize parent fees to purchase material and supplies that would enhance their daycare programs. Moreover, the Program Coordinator stated that she believed the CPC Council's decision to be within the spirit of the Community Partnerships for Children program.

We acknowledge that, under the CPC program, DOE provides CPC Councils with some flexibility regarding local program decisions. Such flexibility encourages communities to collaborate and offer high-quality early care and education services. However, by allowing service providers to retain parent fees, the Chicopee CPC Council overstepped its authority on local matters. Such decisions are reserved for DOE and the state Legislature, since decisions of this nature have a direct impact on public funds.

We identified a similar problem with parent fees at the Worcester CPC program. Specifically, during fiscal year 1998, the Worcester CPC relied upon Worcester Head Start³ to provide early care and education services for approximately 125 CPC children. For these services, Head Start was reimbursed \$238,526 to cover its program related expenses. Additionally, the Worcester Head Start assessed parent fees totaling \$13,416 during the period.

Based upon DOE's program guidelines, the Worcester CPC should have ensured that the parent fees collected by Head Start were used as offsets against the Commonwealth's program liability. However, the Worcester CPC did not require Head Start to reduce its billing invoices to reflect the parent fees it had collected. Rather, Head Start was instructed to bill the Worcester CPC for its program related costs, and to remit the parent fees it had collected to the CPC. Upon receiving the fees, the Worcester CPC, as suggested by DOE's program guidelines, deposited the \$13,416 into a separate CPC revolving account. Moreover, Worcester CPC officials explained that Head Start's parent fees would be used to help cover future program costs.

³ As detailed in Audit Result No. 7, the Worcester CPC did not execute a formal written contract with Worcester Head Start.

We acknowledge that the Worcester CPC adequately accounted for the parent fees remitted by Head Start. However, the CPC did not comply with DOE's program guidelines because it did not utilize parent fees to minimize program costs to the Commonwealth. As previously reported, DOE's program guidelines specify:

In order to determine the overall program budget, the amount of money expected to be generated from sliding fee revenues (parent fees) will need to be calculated. This amount, together with the CPC award will be the program budget.

Thus, DOE's program guidelines require that families participating in the CPC program and the Commonwealth share the cost of the CPC program. In this instance, the policies and procedures established by the Worcester CPC did not result in such cost sharing. Rather, by retaining parent fees collected by Head Start, the Worcester CPC, at the expense of the Commonwealth, created a \$13,416 discretionary fund for its use.

b. Subcontractors Failed to Return to Lead Agencies Unexpended Funds Totaling \$46,661: DOE's program guidelines specify that all subcontracts funded by the CPC program must be in writing and be functionally identical to, consistent with, and subject to the provisions that are required by the Commonwealth Terms and Conditions for contracts. Under the Commonwealth Terms and Conditions for contracts, service providers must return unspent funds to lead agencies no later than seven days after the termination date of their subcontract. Specifically, Item (5), Payments, states, in part:

A payment schedule must be included in the subcontract and regular payments will be delivered on schedule. The recipient shall return any unspent funds to the lead agency no later than 7 days after the termination date of the subcontract.

Moreover, DOE's program guidelines specify that lead agencies are responsible for managing subcontracts and ensuring accurate accounting of CPC funds. Therefore, lead agencies must establish accounting controls, which ensure the recovery of unexpended CPC funds from service providers.

However, we identified 12 service providers that did not return unexpended CPC funds totaling \$46,661 after the termination date of their annual subcontracts. Of this amount, these providers spent \$38,593 during the following subcontract period for direct classroom services, student transportation,

computer equipment, and program materials and supplies. Moreover, as of the spring of 1999, three service providers still retained the remaining \$8,067 of fiscal year 1998 CPC funds.

For example, Berkshire Hills CPC prepaid Children's Health Program (CHP) \$15,430 for CPC services during fiscal year 1998. Throughout the year, CHP provided services totaling \$7,025 to eligible families. Consequently, the provider had an unexpended balance of \$8,405 as of June 30, 1998. Our audit identified that as of April 2, 1999, CHP utilized \$1,190 of these funds for fiscal year 1999 services and retained the remaining \$7,215.

The table below identifies the 12 service providers that did not return unexpended CPC funds totaling \$46,661 to the Commonwealth.

CPC Sub-Contractor	Total CPC Funds Not Returned	Funds Not Spent As of 4/99	Funds Spent by Service Providers				
			Direct Services	Training	Supplies/ Equipment	Payroll	Other
<u>Berkshire Hills</u>							
Children's Health Program	\$ 8,405	\$ 7,215	\$ 1,190	-	-	-	-
Bear Care	6,128	-	5,544	-	-	-	\$ 584
Child Care of the Berkshires	5,895	-	2,295	-	-	-	3,600
Berkshire Hills RSD	4,118	-	-	\$ 333	-	\$ 3,785	-
Sunshine Nursery School	430	320	-	-	-	-	110
Berkshire Head Start	207	-	207	-	-	-	-
<u>Chicopee</u>							
Chicopee Public Schools	4,279	-	-	-	\$ 2,029	-	2,250
Valley Opportunity Council	1,263	-	-	-	1,263	-	-
<u>Salem</u>							
Center for Family Development Head Start	5,966	-	5,966	-	-	-	-
<u>Greenfield</u>							
Franklin Community Action Corporation	4,719 *	-	-	-	4,719	-	-
Greenfield Public Schools	4,719 *	-	-	-	4,719	-	-
<u>Frontier R.S.D.</u>							
Child Care Focus	532	532	-	-	-	-	-
	<u>\$ 46,661</u>	<u>\$ 8,067</u>	<u>\$ 15,202</u>	<u>\$ 333</u>	<u>\$ 12,730</u>	<u>\$ 3,785</u>	<u>\$ 6,544</u>

*Fiscal Year 1997 Funds Expended in Fiscal Year 1998

c. Service Providers Received Duplicate Payments for CPC Services Totaling \$8,092: During our audit, we identified five service providers that received duplicate payments totaling \$8,092 for CPC services they provided during fiscal year 1998. Based upon DOE's program guidelines, local lead agencies are responsible for managing the subcontracts that they award to service providers. In addition, DOE's guidelines require lead agencies to ensure accurate accounting of CPC funds. However, the local lead agencies involved with this matter did not establish adequate internal controls to prevent providers from receiving duplicate payments for their services. Consequently, the Commonwealth was overcharged \$8,092 for CPC services.

For example, during fiscal year 1998, the Salem CPC awarded Center for Family Development (CFD) a \$72,606 lump sum agreement to serve 15 CPC children and provided separate payments totaling \$27,705 for services CFD rendered during May and June 1998 to 30 additional children. The latter payment was made on a unit rate basis of \$32.50 per day per child served. However, services for three children that CFD reported serving under its lump sum agreement were billed to the CPC program by CFD on a unit rate basis during May and June 1998. This double billing by CFD resulted in unnecessary program costs to the Commonwealth totaling \$2,164.

In addition, throughout fiscal year 1998, CFD did not provide the level of service (15 children) required under its lump sum agreement. At a minimum, CFD had four vacant slots throughout the year. The deficiency should have been eliminated during the spring of 1998, at which time CFD identified 30 additional families that qualified for program services. With the influx of eligible families, CFD should have maximized services under its lump sum agreement (i.e., fill all 15 contracted slots). However, CFD billed the 30 new children to the Salem CPC on a unit rate basis. Had CFD properly billed for the 30 students (i.e., 26 unit rate slots and four contracted slots), the Commonwealth would have saved \$4,003.

We believe a significant internal control deficiency at the Salem CPC led to the duplicate billings submitted by CFD. DOE's program guidelines and the Commonwealth Terms and Conditions for contracts require service providers to prepare monthly billing invoices based upon actual services

rendered. Lead agencies, on the other hand, are responsible for reviewing service providers' billing invoices and for correcting any errors identified prior to making payment. This process helps ensure that the Commonwealth's funds are used for appropriate program expenses.

However, the Salem CPC program coordinator created a billing system that conflicts with DOE's guidelines. Specifically, the program coordinator routinely prepared CFD's monthly CPC billing invoices based upon the assumption that all contracted and unit rate slots were filled to capacity. Finally, she gave CFD the responsibility for reviewing the invoices she prepared, adjusting them if necessary, and signing and resubmitting them to the Salem Public Schools for payment. The program coordinator preferred the ease of this system because it eliminated difficulties she had deciphering and reviewing handwritten billing invoices. However, ease of application is not the appropriate criteria to utilize when developing a billing system. The primary concern must be establishing internal controls that safeguard the Commonwealth's assets.

Another example of a duplicate payment occurred at the Community YMCA of Greenfield (YMCA). During April 1997, the YMCA provided CPC services for nine preschool-aged children of working parents. The YMCA billed the Greenfield Public Schools \$516 on April 30, 1997 for its services and received full payment on May 9, 1997. Thereafter, on May 12, 1997, the YMCA rebilled the Greenfield Public Schools for the same services. The YMCA's second billing resulted in a duplicate payment and an unnecessary charge to the Commonwealth totaling \$516.

The Greenfield CPC Coordinator indicated that the double billing was due to an oversight by the school system's accounting office. She added that DOE, when contacted about the matter, recommended that the Greenfield Public Schools adjust future YMCA charges to recover the Commonwealth's funds.

We believe that the billing problems at the Community YMCA of Greenfield reflect a one-time billing error. Therefore, similar problems can be avoided in the future if the service provider carefully prepares billing invoices and the Greenfield Public Schools thoroughly review all CPC charges prior to disbursing public funds.

The table below identifies the duplicate payments that we identified during our audit.

<u>CPC</u> <u>Lead Agency</u>	<u>Service Provider</u>	<u>Amount</u>	<u>Invoice</u> <u>Date</u>	<u>Payment</u> <u>Date</u>
Salem	Center for Family Development	\$ 6,167	-	-
Berkshire Hills	Child Care of the Berkshires	660	01/00/00	01/00/00
	Barrington Bear Care Center	240	04/01/98	04/14/98
Frontier	Small World Pre-School	509	05/29/98	06/18/98
Greenfield	Community YMCA of Greenfield	516	05/12/97	06/06/97
Total		<u>\$ 8,092</u>		

d. Four Service Providers Billed the Commonwealth \$9,097 for Nonenrolled CPC Service Days:

Our audit identified four service providers that billed the Commonwealth \$9,097 for 309 nonenrolled CPC service days. In doing so, the service providers violated the Commonwealth Terms and Conditions for contracts, which state, in part:

A payment schedule must be included in the subcontract and regular payments will be delivered on schedule...Include a mechanism for the subcontractor to request payments on schedule for the services rendered and for the payments to be processed in a timely manner by the lead agency.

The subcontractor must maintain books, records, and other data, in such detail as shall properly substantiate claims for payment under any funding award.

At the Chicopee CPC, we identified three service providers--Valley Opportunity Council, Holyoke-Chicopee-Springfield Head Start, and Chicopee Child Development--that billed \$7,646 for 259 non-enrolled service days. For example, Valley Opportunity Council received subcontracts from the Chicopee CPC with a combined maximum obligation of \$168,900. Under the terms of its subcontracts, Valley Opportunity Council agreed to provide day care for 30 children during fiscal year 1998. During the year, Valley Opportunity Council billed the Chicopee CPC for 5,374 service days at \$30 per day, or \$161,220. However, our review of classroom attendance records revealed that Valley Opportunity Council provided only 5,174 service days during that fiscal year. The difference, 200 service days, represents days that children were not enrolled, which resulted in unnecessary charges to the Commonwealth totaling \$6,000.

Valley Opportunity Council's Site Director agreed that bills submitted to the Chicopee CPC were not based upon actual attendance records. Instead, she said Valley Opportunity Council consistently billed for the maximum number of day care slots (30) allowed under its subcontracts. She further explained that Valley Opportunity Council attempted to maintain full enrollment by accepting both full and part-time students. However, she stated that it was not always possible to match available service days with the needs of working parents.

Similarly, at the Salem CPC, we identified that the Center for Family Development (CFD) received payments for 50 nonenrolled CPC service days. Specifically, CFD's May 1998 billing invoice, which totaled \$9,273, indicates that 30 children attended early care and education services for 321 days. However, our review of CFD's classroom attendance records revealed that only 24 children were enrolled in the program for a total of 271 days. The difference, 50 days, resulted in unnecessary payments by the Commonwealth totaling \$1,451. As previously noted, the Salem CPC Program Coordinator developed a subcontractor billing system that did not adequately safeguard the Commonwealth's assets. These same deficiencies led to CFD's billing problems with nonenrolled days.

The table below details the extent that four service providers received CPC payments from the Commonwealth for nonenrolled service days.

<u>Lead Agency</u>	<u>Subcontractor</u>	<u>Nonenrolled Days</u>	<u>Unnecessary Payments</u>
Chicopee Public Schools	Valley Opportunity Council	200	\$6,000
Chicopee Public Schools	Holyoke-Chicopee-Springfield Head Start	40	1,190
Chicopee Public Schools	Chicopee Child Development	19	456
Salem Public Schools	Center For Family Development	<u>50</u>	<u>1,451</u>
Total		<u>309</u>	<u>\$9,097</u>

Recommendation: DOE should:

- a. Develop specific regulations or guidelines on how CPCs and their subcontractors should consider the collection of parent fees in their program budgets and billings for CPC program services. One

way to accomplish this would be to reduce CPC funding by the amount of anticipated parent fees that the CPC anticipates its subcontractor will collect from parents participating in the program.

- b. Require each CPC to establish specific procedures for the identification and collection of any unexpended funds from the CPC subcontractor and remit these funds to DOE in accordance with its guidelines. Further, DOE should establish specific regulations/guidelines on what nonenrolled days, if any, would be billable.
 - c. Take whatever action it deems necessary to recover from the CPC and the subcontractors identified in our report the \$234,915 in improperly billed and unnecessary charges we identified.
5. CPCs Did Not Adequately Assess Program Eligibility or Correctly Implement the Commonwealth's Sliding Fee Scale, Which Resulted in Unnecessary and Improper Charges to the Commonwealth Totaling \$28,496

Families participating in the CPC program must pay fees in accordance with the Commonwealth of Massachusetts Subsidized Child Care Sliding Fee Scale. By implementing a sliding fee scale, DOE has attempted to create an equitable early care and education system whereby all families pay an equitable rate that is consistent with their income and family size.

In order to determine program eligibility and to assess parent fees, CPCs must verify family employment and income, family size, and the age of children participating in the CPC program. DOE's program guidelines require that each parent (or, in the case of a single parent family, the one parent) works either full or part-time. Also, families must earn less than 100% of the state median income. Lastly, children served by the program must be preschool-aged. This includes children from two years, nine months to five year olds who are not kindergarten-eligible in the community in which they reside.

At the 13 CPC programs we visited, a sample of 479 client files was taken to determine whether families were eligible to receive services and to verify that parents paid fees in accordance with the Commonwealth's sliding fee scale. The families in our sample received services at 111 locations across the Commonwealth, including public schools, Head Start agencies, private daycare centers, and family child care providers.

At seven of the 13 CPCs we visited, our audit identified various problems with program eligibility and parent fee assessments. Specifically, two CPCs did not ensure that service providers assessed parent fees based upon the Commonwealth's sliding fee scale, which resulted in unnecessary charges to the

Commonwealth totaling \$17,697. We also found isolated problems with parent fee discounts, income verification, under and overage children, and nonworking parents that led to improper charges to the Commonwealth totaling \$10,799.

a. Two CPCs Did Not Ensure That Parent Fees Were Assessed Based on the Commonwealth's Sliding Fee Scale, Which Resulted in Unnecessary Payments by the Commonwealth Totaling at Least \$17,697: DOE program guidelines mandate that all working families receiving services under the CPC program pay a fee in accordance with the Commonwealth of Massachusetts Subsidized Child Care Sliding Fee Scale. Fees generated from the sliding fee scale help support individual early care and education programs, and effectively reduce the amount of financial assistance required from the Commonwealth.

Although we found that the majority of CPCs visited required service providers to utilize the Commonwealth's sliding fee scale, we found that the Greenfield and Berkshire Hills CPCs did not ensure that service providers assessed parent fees in a manner consistent with the Commonwealth sliding fee scale. Consequently, at a minimum, the Commonwealth provided unnecessary financial assistance to three service providers totaling \$17,697.

During fiscal year 1997, the Greenfield Public Schools provided CPC services to 28 children of working parents. Based upon a fee schedule developed and implemented by the Greenfield Public Schools, parents of these children were assessed fees totaling \$12,350. However, had the Greenfield Public Schools utilized the Commonwealth's sliding fee scale, the parents would have been required to contribute \$26,564. Thus, by failing to utilize the Commonwealth's sliding fee scale, the Greenfield Public Schools needlessly increased program costs to the Commonwealth by \$14,214.

The Greenfield Public Schools Early Childhood Coordinator stated that she was unaware of the Commonwealth's sliding fee scale until July 1997, at which time DOE published the fee scale within its program guidelines. Thereafter, she stated, the Greenfield Public Schools opted to continue using its own sliding fee scale because implementing the Commonwealth's sliding fee scale would have had an adverse

financial effect upon families already participating in the program. Finally, the Early Childhood Coordinator stated that, beginning in fiscal year 1999, the Greenfield Public Schools would comply with DOE's program guideline and implement the Commonwealth's sliding fee scale.

Our audit also identified that, during the fiscal year 1998 school year, the Greenfield YMCA provided CPC services to 10 children of working families. However, contrary to DOE's program guidelines, the YMCA assessed parent fees based upon children's age and whether families maintained a YMCA membership. Specifically, for a three-year-old child, the YMCA assessed members \$77.50 per month, whereas non-members paid \$95. For children four years of age, members paid \$87.50 per month and non-members paid \$105. Based upon the YMCA's parent fee schedule, the 10 families receiving CPC services were assessed fees totaling \$3,648. However, had the YMCA utilized the Commonwealth's sliding fee scale, these families would have been assessed \$7,131. The difference, \$3,483, represents an unnecessary program charge to the Commonwealth.

The YMCA's Youth and Family Services Director stated that, although the Greenfield CPC officials did not advise her to utilize the Commonwealth's sliding fee scale, the YMCA would assess fees in accordance with DOE's program guidelines in the future.

Finally, we identified that the Great Barrington Cooperative Nursery School subcontracted with the Berkshire Hills CPC to provide early care and education services. However, contrary to DOE's program guidelines, the Great Barrington Cooperative simply required families participating in its CPC program to share equally with the Commonwealth the cost of program services. In this regard, during fiscal year 1998, the Great Barrington Cooperative Nursery School assessed seven families and the Commonwealth a total of \$7,344 or \$3,672 each for its CPC services.

During the audit, we tried to determine the financial effect of the Great Barrington Cooperative Nursery School's fee policy. However, the Cooperative would not provide us with attendance records for its CPC classroom. Therefore, the appropriateness of the \$3,672 charged to the Commonwealth by the Cooperative could not be assessed.

b. Six CPCs Inadequately Assessed Program Eligibility and Incorrectly Implemented the Commonwealth's Sliding Fee Scale, Resulting in Unnecessary Charges to the Commonwealth Totaling \$10,799:

Our audit identified six CPCs that inadequately assessed program eligibility and incorrectly implemented the Commonwealth's sliding fee scale. Specifically, we found problems in 47 of the 479 client files reviewed, or a 10% error rate. Some of the problems resulted in families being overassessed parent fees, while other problems resulted in the Commonwealth being overcharged for program services. The net financial effect was a \$10,799 overcharge to the Commonwealth.

- Parent Fee Discounts Were Not Provided to Eligible Families: DOE's program guidelines require that parent fee discounts be provided to families who have more than one child enrolled in the CPC program. Also, families who enroll children part-time in a CPC programs are also eligible for parent fee discounts. Specifically, DOE's program guidelines, state, in part:

First child - fee payment in full based on sliding fee scale; second child in the family - 1/2 fee payment; third child - 1/4 fee payment.

Fees should be assessed in full weekly increments based upon a daily fee. Full time is 30 hours or more per week; partial-day is either up to three hours a day (1/4 the daily fee) or three hours up to six hours a day (1/2 the daily fee).

However, we found that the Acton/Boxborough/Littleton CPC did not provide parent fee discounts to eligible families. Specifically, five families who enrolled two or more of their children in CPC programs were assessed a full daily fee for each child they enrolled. Consequently, these families were overassessed parent fees totaling \$717 during fiscal year 1998. In addition, four families enrolled their children part-time in early care and education programs, but they were assessed parent fees based upon their children attending CPC classes full-time. These four families were overassessed parent fees totaling \$2,277 during fiscal year 1998.

- Income Verification Deficiencies Result in Unnecessary Charges to the Commonwealth: DOE's program guidelines require verification of family income to help ensure that families pay an equitable fee for program services. Specifically DOE's program guidelines state, in part:

Verification of a family's income is necessary to determine the sliding fee scale payment. For example, pay stubs from employer(s) for a period of four weeks may be used to determine the fee parents are responsible for paying.

Although most CPC programs we audited utilized due diligence to verify family income and calculate parent fees, we identified five CPCs that miscalculated family income or applied family income incorrectly to the Commonwealth's sliding fee scale. In total, we identified errors that affected 30 families and resulted in unnecessary charges to the Commonwealth totaling \$8,984.

For example, the Acton/Boxborough/Littleton CPC provided services for one child whose family earned \$3,449 per month. Based upon the Commonwealth's sliding fee scale, the family should have paid fees totaling \$114 per week, but it was assessed only at \$91.20. The weekly difference, \$22.80, resulted in a \$889.20 overcharge to the Commonwealth over a 39-week service period.

- Underage and Overage Children Served with CPC Funds: In Chapter 15, Section 54, of the General Laws, the Legislature has mandated that the CPC program provide high-quality early care and education opportunities to three- and four-year-old children of working parents. DOE's program guidelines further define the age restriction as follows:

The term preschool-aged or 3 and 4 year old children includes children from age 2 years, 9 months (the Office For Children definition for the preschool age group) and children who are 5 years old, but are not kindergarten-eligible according to the kindergarten entry age of the community in which they reside. Preschool should be considered to be the two years prior to the kindergarten year and eligibility ages should be calculated accordingly. The third or fifth birthdays should not be used as literal cutoff points for participation in this program. This program cannot support children once they are kindergarten eligible.

However, we found that the Berkshire Hills CPC provided program funds to Children's Health Programs, Inc., (CHP), which utilized the funds to serve overage and underage children. Specifically, CHP served four children whose ages ranged from one year, nine months to two years, five months and two children who were nine years old during fiscal year 1998. As a result, the Commonwealth was inappropriately charged \$1,321 for unallowable program costs.

CHP officials explained that the CPC funds were used to provide custodial care for the six children because the children's parents were undergoing family crises and required respite services. Although we believe the actions of CHP were well-intended, the Legislature did not authorize the use of CPC funds for respite care, and CHP's cost of serving the six children represents an unallowable charge to the Commonwealth.

- CPC Services Provided to Children of Non-Working Parents: Chapter 15, Section 54, of the General Laws clearly states that CPC funds are to be used to provide early care and education to children of working parents. Specifically, Subsection (f) states:

Children of working parents shall include any child of a two parent family in which both parents work either full-time or part-time, and any child of a single parent family in which the parent works either full-time or part-time.

Although the majority of CPC programs we audited established procedures to ensure compliance with this law, we identified two CPCs that provided services totaling \$3,488 to children of non-working parents. Specifically, Barrington Bear Care (BBC), a subcontractor for Berkshire Hills CPC, allowed a family to enroll three children within its CPC program even though their mother was unemployed and pursuing a General Education Development (GED) classes. BBC's error resulted in unallowable program costs being charged to the Commonwealth totaling \$1,538.

Second, Peace of Mind, a subcontractor for Acton/Boxborough/Littleton CPC, provided services for a child whose single parent mother identified child support payments and Supplemental Security Income totaling \$926 per month as her only source of income. Since the mother was not employed, the CPC services provided for her child totaling \$1,950 represent unallowable program costs to the Commonwealth.

The table below details the 47 isolated problems our audit identified at six of the 13 CPCs we visited regarding parent fee discounts, income verification, underage and overage children, and non-working parents.

<u>CPC</u>	<u>Total Sample Size</u>	<u>Parent Fee Discounts Not Provided</u>	<u>Income Verification Deficiencies</u>	<u>Children Not Age Appropriate</u>	<u>Non-Working Parents</u>	<u>Net Cost to the Commonwealth</u>
Acton/Boxborough/Littleton	38	9	2	-	1	\$ (32)
Berkshire Hills	55	-	7	6	1	3,434
Chicopee	129	-	9	-	-	2,260
Salem	17	-	1	-	-	88
Pittsfield	25	-	7	-	-	4,500
Frontier	<u>27</u>	-	<u>4</u>	-	-	<u>549</u>
Total	<u>291</u>	<u>9</u>	<u>30</u>	<u>6</u>	<u>2</u>	<u>\$10,799</u>

Recommendation: DOE should establish procedures to effectively monitor CPC activities and ensure that CPC program participants are eligible for services, parents are properly charged, and the Commonwealth does not incur inappropriate expenses.

6. Because the CPC Program Is Not Consistently Functioning as a Collaborative Service, Its Delivery of Program Services Is Not Being Optimized

The CPC program is designed to be a collaborative effort to ensure that eligible children receive appropriate early care and educational services. In order to ensure effective collaboration, state law requires local CPCs to establish Community Partnership Councils (Council) composed of representatives from various groups to coordinate the delivery of CPC program services. We found, however, many instances in which CPCs were not working in a collaborative manner to provide such services. Specifically, five of the 13 CPCs we visited had not established adequate bylaws that detailed the roles and responsibilities of the Council, five of the CPCs visited did not maintain adequate Council meeting minutes that demonstrated that program services were properly authorized and coordinated, and three of the CPCs did not have representatives from the various required groups on the Council. We also found that the average attendance at CPC Council meetings was as low as 23%, and that several required members rarely or never attended Council meetings. Finally, we found an instance where a non-Council member made significant CPC contracting and budgeting decisions and other instances in which individuals and organizations received funding but rarely attended Council meetings. As a result of this

lack of collaboration, there is inadequate assurance that CPC program services are being delivered in the most optimal manner.

The CPC program is designed to build a collaborative system of early childhood programs and comprehensive services within a community. In this regard, DOE guidelines state, in part:

The name of this program, *Community Partnerships for Children* implies that responsibility for the care and education of young children extends beyond the immediate family and beyond any one agency. The providers of early childhood programs and related comprehensive and family support services and other resources differ from one community to another, depending on the size and location of the community. The program name conveys an expectation that coalition of the programs, services agencies, businesses and families will work collaboratively to develop a coherent system of early care and education for all children and families in the community.

In order to ensure that a collaborative effort is utilized in delivering CPC services, Chapter 15, Section 54 (c), of the General Laws requires CPCs to establish a Council made up of representatives of various backgrounds to plan, implement, and evaluate CPC program services by stating, in part:

- (c) There shall be not more than one proposal submitted for each town. The proposal shall be developed by a community partnerships council comprised of a principal, three individuals who provide early care and education to young children, two parents of young children, a member of the local resource and referral agency, a representative of the local head start agency, a representative of private providers of child care, and others with experience in the care and education of young children. The council shall select a lead agency, which may be a school district, a head start agency, or a licensed child care agency. Council members shall be broadly representative of the racial and ethnic diversity of the community. The council shall develop a proposal, which the lead agency shall submit to the department. Each member of the council may include comments in the final proposal submitted to the department.

This statute further states:

Community partnerships councils are encouraged to develop collaborative programs that coordinate services from various providers whenever such coordination can facilitate the efficient provision of early care and education services. Community partnerships councils are further encouraged to develop proposals that include linkages to other human services agencies and which seek to combine a number of funding sources. Other agencies and programs may include, but not be limited to, state and federal nutrition programs and public health programs...

Finally, DOE in its guidelines identifies the following as the roles and responsibilities of the Council:

- Plan, implement, and conduct ongoing evaluation based on community resources;
- Develop, review, and approve proposals, budgets, amendments, and other relevant information pertaining to the CPC program;

- Provide direction and advice on early care and education programs as needed (e.g., plan joint staff development and training; reviewing/discussing personnel issues; assisting evaluation of participating programs; planning interagency agreements and/or policies transition procedures for young children and their families);
- Establish by-laws that govern voting members and the roles, responsibilities, and procedures of the Community Partnerships Council, which may include some of the following sections:
 - Purpose of the organization
 - Membership - representation, terms, conditions
 - Officers - titles, roles and responsibilities, terms of office
 - Executive committee and subcommittees - membership and scope of responsibilities
 - Election procedures
 - Procedures for amending by-laws
- Set meetings - number, time, place
- Review and evaluate Community Partnerships Council mission and goals regularly;
- Conduct public meetings that have been posted and follow the Open Meeting laws; record attendance and minutes at meetings;
- Send minutes of meetings/agendas of future meetings to Council members
- Make decisions and policies relevant to the program and, when needed, make fee and eligibility decisions; and
- Oversee program quality

During our audit, we reviewed various documentation at 13 CPCs, including Council bylaws, the minutes of Council meetings, and Council composition and attendance records. We also reviewed all program proposals, budgets, and budget amendments to determine the level of participation by Council members in the preparation, review, and approval of these documents. Our review revealed numerous instances in which CPCs did not take measures to ensure that there was proper control over the delivery and coordination of program services, as follows:

- Corporate Bylaws Not Established: Three of the 13 CPCs we visited (Frontier, Berkshire Hills, and Chicopee) had not established Council bylaws as required by DOE guidelines. In addition, two other CPCs, Falmouth and Pittsfield, had developed bylaws that were inadequate. For example, the Pittsfield CPC's bylaws did not address such issues as roles and responsibilities of Council officers, election of officers, setting of meetings, and procedures for amending the bylaws.
- Minutes of Council and Committee Meetings Not Properly Maintained: Five of the 13 CPCs we visited did not maintain adequate minutes of the meetings of the Council and its committees. For example, the Acton/Boxborough/Littleton CPC had minutes for only three out of 11 meetings that it held during fiscal year 1998, contrary to the requirements of DOE guidelines.

- Proper Composition of Council Members Not Maintained: Three of the 13 CPCs we visited did not have the composition of Council members mandated by state law. For example, Berkshire Hills CPC, did not have a school principal or any parents as members on the Council.
- Poor Attendance at Council Meetings: Based upon CPC Council meeting minutes we were able to obtain and review, 9 of the 13 Councils we visited had an average member attendance at Council meetings that was 50% or lower during fiscal year 1998. For example, at the Chicopee CPC, the average attendance of Council members was only 23% during this fiscal year. Moreover, we found several instances in which Council members having poor attendance received funding from the CPC to provide services and/or purchase supplies. For example, one member of the Peabody Council joined the Council in May 1998, received \$5,000 in funding from the CPC in June 1998, and never attended another meeting. In addition, we found that required members of the Frontier and Greenfield CPC Councils did not actively participate in their council activities. Specifically, the Resource and Referral and Head Start representatives for the Frontier CPC did not attend a single Council meeting during fiscal year 1998. Similarly, at the Greenfield CPC, the Resource and Referral representative did not attend any Council meetings, and the Head Start representative only attended one meeting during the 12-month period we reviewed.
- Non-Council Member Made Contracting and Budgeting Decisions on CPC Funds: At the Berkshire Hills CPC we found that, contrary to DOE guidelines, a non-Council member made significant budgeting and contracting decisions relative to CPC funds. Specifically, the Berkshire Hills Regional School District's Director of Special Education, who is not a CPC Council member, authorized service contracts and, according to documentation that we reviewed and the individual's own testimony, directly influenced how CPC funding was spent.

The following table summarizes our audit work in these areas.

<u>CPC</u>	<u>Established Adequate Bylaws</u>	<u>Maintained Council and Executive Committee Minutes</u>	<u>Maintained Required Board Membership</u>	<u>Average Board Members Attendance</u>	<u>Only Council Members Impact CPC Budget and Contract Decisions</u>
Acton/Boxborough/Littleton	Yes	No	No	40%	Yes
Attleboro	Yes	Yes	Yes	40%	Yes
Berkshire Hills	No	Yes	No	68%	No
Bourne	Yes	No	Yes	50%	Yes
Chicopee	No	No	No	23%	Yes
Falmouth	No	No	Yes	50%	Yes
Fitchburg	Yes	Yes	Yes	32%	Yes
Frontier	No	Yes	Yes *	58%	Yes
Greenfield	Yes	Yes	Yes *	40%	Yes
Peabody	Yes	Yes	Yes	34%	Yes
Pittsfield	No	No	Yes	35%	Yes
Salem	Yes	Yes	Yes	68%	Yes
Worcester	Yes	Yes	Yes	100%	Yes

*Although the CPC Council was comprised of the required membership, the Resource and Referral and Head Start representatives played virutally no role in Council meetings, activities, and planning.

Although CPC officials did not provide us comments on all of the deficiencies noted above, some did state that they were in the process of drafting bylaws and were taking measures to ensure that the minutes of all Council meetings were properly recorded. Regarding the attendance at Council meetings, most of the CPC officials with whom we spoke stated that it was difficult to get parents to participate on the Council and attend meetings.

Because the aforementioned problems exist with the CPC provider network, there is inadequate assurance that CPC services are being coordinated and delivered in a collaborative manner. For example, in one instance during fiscal year 1998, the Bourne and Sandwich CPCs provided approximately \$50,000 to the Bourne Head Start to serve 17 CPC children. However, during this fiscal year, the Bourne Head Start, on average, served only five CPC children. During this same fiscal year, the local resource and referral agency in Bourne had a waiting list of children who might have been eligible to participate in CPC-funded programs. Although both the Bourne Head Start and the resource and referral agency were members of the Bourne CPC Council, the resource and referral agency representatives never attended any Council meetings during this fiscal year. As a result, although there were approximately an average of 12 CPC slots available at the Bourne Head Start, the resource and referral agency was not aware of this fact and therefore did not offer services to children who might have been eligible for these services.

Recommendation: DOE should:

- Require CPCs, as a condition of receiving funding, to sign a statement attesting that the CPC is in compliance with all applicable statutes and departmental guidelines relative to Council activities. Moreover, DOE should take measures to ensure that any CPC found to be in violation of these guidelines be subject to a specified sanction (e.g., reduced funding).
- Require CPCs to establish minimum attendance standards at Council meetings and remove from the Council any individuals who do not meet these standards.

7. CPC Services Totaling \$1,297,516 Were Provided by Subcontractors without Properly Executed Written Contracts

According to DOE guidelines, CPCs are required to enter into written contracts for the services they procure from their contracted service providers. Specifically, Section VII of DOE guidelines states, in part:

Developing subcontracts: After selection processes are completed, subcontracts with individuals or providers will be developed. All subcontracts funded by the grant must be in writing and be functionally identical to, consistent with and subject to the provisions that are required by the Commonwealth Terms and Conditions for contracts.

However, during our audit, we found significant problems with the subcontracting activities of CPCs. First, seven of the 13 CPCs we visited did not enter into formal written contracts with all of their service providers. Specifically, during the period covered by our audit, these seven CPCs expended \$910,351 in funds for subcontracted services for which there was no contract. For example, during fiscal year 1998 the Salem CPC provided over \$72,000 in annual funding to the Center for Family Development (CFD) to serve 15 CPC-eligible children without benefit of a formal written contract, which led to confusion between the parties over CFD's service obligations.

In addition, at five of the 13 CPCs we audited, we found that subcontracts totaling \$387,165 were not properly executed (i.e., signed and dated by both parties and specifying maximum contract obligation and unit rate of reimbursement). As a result of these deficiencies, there is inadequate assurance that all parties are aware of their obligations and responsibilities when providing these services. The table below details the subcontracting deficiencies we identified at the 13 CPCs we visited.

CPC	Subcontracts Not Prepared for Program Services		Improperly Executed Contracts			
	Instances	Amount	Missing Signatures	Not Dated	No Unit Rate and/ or Max. Obligation	Amount
Attleboro	2	\$ 8,000	7	7	9	\$ 157,752
Acton/Boxborough/Littleton	5	9,145	-	-	6	7,595
Berkshire Hills	-	-	9	9	-	49,131
Falmouth*	16	69,207	-	-	-	-
Peabody	-	-	1	1	7	40,082
Salem	1	72,000	-	-	-	-
Frontier	4	77,717	-	-	-	-
Fitchburg*	12	263,010	-	-	-	-
Pittsfield	-	-	7	7	10	132,605
Worcester*	23	411,272	-	-	-	-
Total	63	\$ 910,351	24	24	32	\$ 387,165

*Although the CPC entered into a contract with a resource and referral agency to administer CPC funds used for direct services, neither the CPC nor the resource and referral agency prepared a subcontract for the private daycare centers and family child care providers involved.

Because not all CPCs are entering into formal written contracts as required by DOE guidelines for CPC program services, there is inadequate assurance that all involved parties are aware of their obligations, responsibilities, and liabilities in the provision of these services. Additionally, without a formal written contract, CPCs do not have a mechanism by which to monitor and evaluate subcontractor performance.

Recommendation: DOE should ensure that CPCs take measures to enter into formal written agreements with all subcontracted service providers.

APPENDIX I

CPC Program Funding
Fiscal Year 1997, 1998, and 1999

<u>Lead Agency</u>	<u>Fiscal Year</u>		
	<u>1997</u> <u>Funds</u>	<u>1998</u> <u>Funds</u>	<u>1999</u> <u>Funds</u>
ABCD Head Start	\$ 849,600	\$ 849,600	\$ 849,600
Acushnet Public Schools	41,940	85,424	85,424
Agawam Public Schools	116,154	116,154	175,878
Amesbury Public Schools	26,300	26,300	86,274
Amherst Public Schools	182,628	182,628	248,254
Ashburnham-Westminster Regional School District	-	40,263	70,263
Ashland Public Schools	-	36,977	58,957
Athol-Royalston Regional School District	71,580	-	-
Attleboro Public Schools*	437,977	689,092	834,542
Ayer Public Schools	47,349	100,270	131,412
Barnstable Public Schools	284,718	524,990	665,070
Bellingham Public Schools	52,000	52,000	94,000
Berkshire Hills Regional School District*	26,129	98,720	155,274
Boston Public Schools	2,832,000	7,840,130	10,847,250
Bourne Public Schools*	-	127,820	202,758
Brimfield Public Schools	-	15,000	20,000
Brockton Public Schools	827,755	1,685,497	2,196,589
Brookfield Public Schools	19,652	43,657	48,657
Brookline Public Schools	293,660	293,660	379,051
Cambridge Public Schools	538,400	1,012,583	1,294,303
Cape Cod Children's Place	138,345	297,709	416,991
Center for Family Development	235,368	389,802	483,588
Central Berkshire Regional School District	87,075	198,015	313,015
Chelsea Public Schools	356,307	762,230	1,009,030
Chicopee Public Schools*	410,663	749,561	948,309
Child Development Programs	163,104	163,104	257,624
Child Works Child Care Center	-	-	82,800
Citizens for Citizens, Inc.	160,841	160,841	208,391
Clinton Public Schools	112,565	213,652	272,488
Communities United, Inc.	961,041	1,422,654	1,917,812
Community Action, Inc.	-	-	26,994
Community Day Care, Inc.	-	117,823	185,440
Community Teamwork, Inc.	322,137	773,296	798,296
Concord's Children's Center, Inc.	76,860	119,634	149,634
Dennis-Yarmouth Regional School District	294,936	507,163	630,815

APPENDIX I (Continued)

CPC Program Funding
Fiscal Year 1997, 1998, and 1999

<u>Lead Agency</u>	<u>Fiscal Year</u>		
	<u>1997</u> <u>Funds</u>	<u>1998</u> <u>Funds</u>	<u>1999</u> <u>Funds</u>
Discovery Schoolhouse, Inc.	\$ 117,126	\$ 185,738	\$ 225,364
Dudley-Charlton Regional School District	59,433	59,433	59,433
Duxbury Public Schools	-	37,113	58,359
East Longmeadow Public Schools	9,226	87,196	140,672
Erving Public Schools	59,823	59,823	74,823
Everett Public Schools	298,555	548,264	696,088
Fairhaven Public Schools	68,220	68,220	114,088
Fall River Public Schools	687,250	1,481,282	1,953,720
Falmouth Public Schools*	86,125	233,282	319,380
Farmington River Regional School District	54,403	81,793	111,793
Fitchburg Public Schools*	478,126	820,578	1,023,056
Framingham Public Schools	421,058	760,815	913,015
Frontier Regional School District/Union 38*	103,642	175,618	238,570
Gateway Regional School District	131,289	227,322	242,322
Georgetown Public Schools	23,100	38,804	53,804
Gill-Montague RSD	128,053	191,631	235,875
Granby Public Schools	21,750	36,750	41,750
Greater Lawrence CAC	1,006,141	2,517,676	3,423,328
Greenfield Public Schools*	222,160	342,256	413,144
Hadley Public Schools	51,893	51,893	66,893
Hamilton-Wenham Regional School District	-	36,429	66,429
Hampshire Community Action Commission	67,320	140,360	140,360
Hampshire Educational Collaborative	285,571	536,138	706,042
Hampshire Regional School District	97,229	169,296	169,296
Harwich Public Schools	107,354	162,262	194,506
Haverhill Public Schools	460,071	868,788	1,107,538
Holland Public Schools	-	16,923	31,923
Holliston Public Schools	29,253	63,810	83,184
Holyoke-Chicopee-Springfield Head Start	520,215	1,065,331	1,390,921
Hudson Public Schools	57,687	117,306	153,078
Hull Public Schools	127,704	127,704	175,516
Infant Toddler Children's Center, Inc.**	108,486	108,486	163,974
Ipswich Public Schools	-	38,757	38,757
Lee Youth Association	-	51,471	88,435

APPENDIX I (Continued)

CPC Program Funding
Fiscal Year 1997, 1998, and 1999

<u>Lead Agency</u>	<u>Fiscal Year</u>		
	<u>1997</u>	<u>1998</u>	<u>1999</u>
	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
Leominster Public Schools	\$214,130	\$ 214,130	\$ 352,488
Leverett Public Schools	83,448	83,448	98,448
Lowell Public Schools	921,134	1,846,460	2,158,288
Ludlow Public Schools	254,970	315,411	351,899
Lynn Public Schools	708,616	1,517,987	2,001,431
Malden Public Schools	163,903	478,873	567,073
Marblehead Public Schools	-	34,877	55,205
Marshfield Public Schools	52,566	137,201	187,909
Martha's Vineyard Regional School District	148,730	240,227	330,227
Mashpee Public Schools	22,500	78,847	111,929
Maynard Public Schools	48,375	48,375	71,863
Medfield Public Schools	106,050	106,050	136,050
Medford Public Schools	389,287	596,476	715,408
Melrose Public Schools	378,281	378,281	378,281
Milford Public Schools	124,902	272,965	358,343
Mohawk Trail Regional School District	92,845	190,808	325,808
Montachusett Opportunity Council	212,276	515,866	744,754
Nantucket Public Schools	26,388	55,650	73,432
Narragansett Regional School District	54,259	92,894	122,894
Nashoba Regional School District	11,000	62,995	77,995
Natick Public Schools	123,444	204,199	251,597
New Bedford Public Schools	860,094	1,853,003	2,447,017
New Salem/Wendell Regional School District	50,769	50,769	60,769
Northampton Public Schools	165,655	263,346	320,058
North Adams Public Schools	358,119	694,059	942,923
Norwood Public Schools	120,310	206,132	257,732
Old Rochester Regional School District	111,497	172,705	217,705
Orange Public Schools	100,003	165,556	204,376
Oxford Public Schools	32,760	100,910	140,114
People Acting in Community Endeavors	102,005	191,936	246,476
Peabody Public Schools*	45,000	212,079	312,079
Pentucket RSD	-	-	45,000
Pioneer Valley RSD	134,954	134,954	184,408
Pittsfield Public Schools*	319,705	665,595	869,745
Plymouth Public Schools	207,619	499,907	668,235
Quaboag Regional School District	47,271	47,271	57,271

APPENDIX I (Continued)

CPC Program Funding
Fiscal Year 1997, 1998, and 1999

<u>Lead Agency</u>	<u>Fiscal Year</u>		
	<u>1997</u> <u>Funds</u>	<u>1998</u> <u>Funds</u>	<u>1999</u> <u>Funds</u>
Quincy Community Action Programs	\$ 730,477	\$ 1,244,828	\$ 1,546,006
Revere Public Schools	307,494	581,745	744,127
Rockport Public Schools	-	-	5,000
Roudenbush Community Center	-	44,920	44,920
Salem Public Schools*	300,635	501,730	650,838
Sandwich Public Schools	87,197	151,837	190,669
Saugus Family YMCA	73,800	73,800	73,800
Self-Help, Inc.	1,247,844	2,423,586	3,144,504
Shirley Public Schools	26,539	63,446	84,702
Shrewsbury Children's Center, Inc.	119,340	187,472	229,824
Shutesbury Public Schools-Union 28	52,323	67,323	82,323
SMOC Head Start	85,860	85,860	127,010
Somerville Public Schools	340,582	757,673	1,007,253
South Shore Community Action	226,665	563,927	777,579
Southbridge Public Schools	216,658	216,658	325,714
Southern Berkshire Regional School District	23,142	112,561	112,561
Spencer Child Care Center	-	87,053	144,345
Springfield Public Schools	1,110,510	1,260,510	2,226,396
Sturbridge Public Schools	-	41,450	66,546
Sudbury Public Schools	-	37,342	37,342
Triton Regional School District	85,991	168,002	168,002
Triumph, Inc.	572,222	1,016,833	1,016,833
Uxbridge Public Schools	23,865	23,865	50,507
Wales Public Schools	24,300	24,300	39,300
Walpole Public Schools	143,860	194,212	223,118
Wareham Public Schools	112,320	112,320	220,572
Watertown Public Schools	113,607	233,053	301,893
West Boylston Public Schools	-	20,177	35,177
West Springfield Public Schools	308,229	482,108	583,686
Westfield Head Start	60,000	114,780	161,896
Westfield Public Schools	384,631	608,552	737,856
Westwood Public Schools	69,895	100,024	115,024
Weymouth Public Schools	387,942	621,166	754,958
Whitman-Hanson RSD	121,331	233,104	243,104
Winchendon Public Schools	80,265	145,015	182,725
Winchester Public Schools	111,642	111,642	111,642

APPENDIX I (Continued)

CPC Program Funding
Fiscal Year 1997, 1998, and 1999

<u>Lead Agency</u>	<u>Fiscal Year</u>		
	<u>1997</u> <u>Funds</u>	<u>1998</u> <u>Funds</u>	<u>1999</u> <u>Funds</u>
Winthrop Public Schools	\$ 74,688	\$ 74,688	\$ 111,070
Worcester Community Action Council	58,050	58,050	58,050
Worcester Public Schools*	948,544	2,240,063	3,005,307
YMCA of Greater Worcester	436,880	934,886	1,306,768
YWCA of Central Massachusetts, Inc.	-	32,685	51,637
Total	<u>\$ 31,715,540</u>	<u>\$ 59,988,285</u>	<u>\$ 78,606,033</u>

*CPC Program Funding for the 13 CPC's representing 20 communities included in our review

	<u>\$ 3,487,192</u>	<u>\$ 6,964,880</u>	<u>\$ 9,136,976</u>
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**Acton/Boxborough/Littleton is the CPC for this Lead Agency

APPENDIX II

Fiscal Year 1999
Lead Agency Funding Increase

<u>Lead Agency</u>	Fiscal Year 1998 <u>Funds</u>	Fiscal Year 1999 Expansion <u>Funds</u>	Total Fiscal Year 1999 <u>Funds</u>	Percentage <u>Increase</u>
ABCD Head Start	\$ 849,600	-	\$ 849,600	0%
Acushnet Public Schools	85,424	-	85,424	0
Agawam Public Schools	116,154	59,724	175,878	51
Amesbury Public Schools	26,300	59,974	86,274	228
Amherst Public Schools	182,628	65,626	248,254	36
Ashburnham-Westminster Regional School District	40,263	30,000	70,263	75
Ashland Public Schools	36,977	21,980	58,957	59
Attleboro Public Schools	689,092	145,450	834,542	21
Ayer Public Schools	100,270	31,142	131,412	31
Barnstable Public Schools	524,990	140,080	665,070	27
Bellingham Public Schools	52,000	42,000	94,000	81
Berkshire Hills Regional School District	98,720	56,554	155,274	57
Boston Public Schools	7,840,130	3,007,120	10,847,250	38
Bourne Public Schools	127,820	74,938	202,758	59
Brimfield Public Schools	15,000	5,000	20,000	33
Brockton Public Schools	1,685,497	511,092	2,196,589	30
Brookfield Public Schools	43,657	5,000	48,657	11
Brookline Public Schools	293,660	85,391	379,051	29
Cambridge Public Schools	1,012,583	281,720	1,294,303	28
Cape Cod Children's Place	297,709	119,282	416,991	40
Center for Family Development	389,802	93,786	483,588	24
Central Berkshire Regional School District	198,015	115,000	313,015	58
Chelsea Public Schools	762,230	246,800	1,009,030	32
Chicopee Public Schools	749,561	198,748	948,309	27
Child Development Programs	163,104	94,520	257,624	58
Child Works Child Care Center	-	82,800	82,800	-
Citizens for Citizens, Inc.	160,841	47,550	208,391	30
Clinton Public Schools	213,652	58,836	272,488	28
Communities United, Inc.	1,422,654	495,158	1,917,812	35
Community Action, Inc.	-	26,994	26,994	-
Community Day Care, Inc.	117,823	67,617	185,440	57
Community Teamwork, Inc.	773,296	25,000	798,296	3
Concord's Children's Center, Inc.	119,634	30,000	149,634	25
Dennis-Yarmouth Regional School District	507,163	123,652	630,815	24

APPENDIX II (Continued)

Fiscal Year 1999
Lead Agency Funding Increase

<u>Lead Agency</u>	Fiscal Year 1998 <u>Funds</u>	Fiscal Year 1999 Expansion <u>Funds</u>	Total Fiscal Year 1999 <u>Funds</u>	Percentage <u>Increase</u>
Discovery Schoolhouse, Inc.	\$ 185,738	\$ 39,626	\$ 225,364	21%
Dudley-Charlton Regional School District	59,433	-	59,433	0
Duxbury Public Schools	37,113	21,246	58,359	57
East Longmeadow Public Schools	87,196	53,476	140,672	61
Erving Public Schools	59,823	15,000	74,823	25
Everett Public Schools	548,264	147,824	696,088	27
Fairhaven Public Schools	68,220	45,868	114,088	67
Fall River Public Schools	1,481,282	472,438	1,953,720	32
Falmouth Public Schools	233,282	86,098	319,380	37
Farmington River Regional School District	81,793	30,000	111,793	37
Fitchburg Public Schools	820,578	202,478	1,023,056	25
Framingham Public Schools	760,815	152,200	913,015	20
Frontier Regional School District/Union 38	175,618	62,952	238,570	36
Gateway Regional School District	227,322	15,000	242,322	7
Georgetown Public Schools	38,804	15,000	53,804	39
Gill-Montague RSD	191,631	44,244	235,875	23
Granby Public Schools	36,750	5,000	41,750	14
Greater Lawrence CAC	2,517,676	905,652	3,423,328	36
Greenfield Public Schools	342,256	70,888	413,144	21
Hadley Public Schools	51,893	15,000	66,893	29
Hamilton-Wenham Regional School District	36,429	30,000	66,429	82
Hampshire Community Action Commission	140,360	-	140,360	0
Hampshire Educational Collaborative	536,138	169,904	706,042	32
Hampshire Regional School District	169,296	-	169,296	0
Harwich Public Schools	162,262	32,244	194,506	2
Haverhill Public Schools	868,788	238,750	1,107,538	27
Holland Public Schools	16,923	15,000	31,923	89
Holliston Public Schools	63,810	19,374	83,184	30
Holyoke-Chicopee-Springfield Head Start	1,065,331	325,590	1,390,921	31
Hudson Public Schools	117,306	35,772	153,078	30
Hull Public Schools	127,704	47,812	175,516	37
Infant Toddler Children's Center, Inc.	108,486	55,488	163,974	51
Ipswich Public Schools	38,757	-	38,757	0
Lee Youth Association	51,471	36,964	88,435	72

APPENDIX II (Continued)

Fiscal Year 1999
Lead Agency Funding Increase

<u>Lead Agency</u>	Fiscal Year 1998 <u>Funds</u>	Fiscal Year 1999 Expansion <u>Funds</u>	Total Fiscal Year 1999 <u>Funds</u>	<u>Percentage Increase</u>
Leominster Public Schools	\$ 214,130	\$ 138,358	\$ 352,488	65%
Leverett Public Schools	83,448	15,000	98,448	18
Lowell Public Schools	1,846,460	311,828	2,158,288	17
Ludlow Public Schools	315,411	36,488	351,899	12
Lynn Public Schools	1,517,987	483,444	2,001,431	32
Malden Public Schools	478,873	88,200	567,073	18
Marblehead Public Schools	34,877	20,328	55,205	58
Marshfield Public Schools	137,201	50,708	187,909	37
Martha's Vineyard Regional School District	240,227	90,000	330,227	37
Mashpee Public Schools	78,847	33,082	111,929	42
Maynard Public Schools	48,375	23,488	71,863	49
Medfield Public Schools	106,050	30,000	136,050	28
Medford Public Schools	596,476	118,932	715,408	20
Melrose Public Schools	378,281	-	378,281	0
Milford Public Schools	272,965	85,378	358,343	31
Mohawk Trail Regional School District	190,808	135,000	325,808	71
Montachusett Opportunity Council	515,866	228,888	744,754	44
Nantucket Public Schools	55,650	17,782	73,432	32
Narragansett Regional School District	92,894	30,000	122,894	32
Nashoba Regional School District	62,995	15,000	77,995	24
Natick Public Schools	204,199	47,398	251,597	23
New Bedford Public Schools	1,853,003	594,014	2,447,017	32
New Salem/Wendell Regional School District	50,769	10,000	60,769	20
Northampton Public Schools	263,346	56,712	320,058	22
North Adams Public Schools	694,059	248,864	942,923	36
Norwood Public Schools	206,132	51,600	257,732	25
Old Rochester Regional School District	172,705	45,000	217,705	26
Orange Public Schools	165,556	38,820	204,376	23
Oxford Public Schools	100,910	39,204	140,114	39
People Acting in Community Endeavors	191,936	54,540	246,476	28
Peabody Public Schools	212,079	100,000	312,079	47
Pentucket RSD	-	45,000	45,000	-
Pioneer Valley RSD	134,954	49,454	184,408	37
Pittsfield Public Schools	665,595	204,150	869,745	31

APPENDIX II (Continued)

Fiscal Year 1999
Lead Agency Funding Increase

<u>Lead Agency</u>	<u>Fiscal Year 1998 Funds</u>	<u>Fiscal Year 1999 Expansion Funds</u>	<u>Total Fiscal Year 1999 Funds</u>	<u>Percentage Increase</u>
Plymouth Public Schools	\$ 499,907	\$ 168,328	\$ 668,235	34%
Quaboag Regional School District	47,271	10,000	57,271	21
Quincy Community Action Programs	1,244,828	301,178	1,546,006	24
Revere Public Schools	581,745	162,382	744,127	28
Rockport Public Schools	-	5,000	5,000	-
Roudenbush Community Center	44,920	-	44,920	0
Salem Public Schools	501,730	149,108	650,838	30
Sandwich Public Schools	151,837	38,832	190,669	26
Saugus Family YMCA	73,800	-	73,800	0
Self Help, Inc.	2,423,586	720,918	3,144,504	30
Shirley Public Schools	63,446	21,256	84,702	34
Shrewsbury Children's Center, Inc.	187,472	42,352	229,824	23
Shutesbury Public Schools-Union 28	67,323	15,000	82,323	22
SMOC Head Start	85,860	41,150	127,010	48
Somerville Public Schools	757,673	249,580	1,007,253	33
South Shore Community Action	563,927	213,652	777,579	38
Southbridge Public Schools	216,658	109,056	325,714	5
Southern Berkshire Regional School District	112,561	-	112,561	0
Spencer Child Care Center	87,053	57,292	144,345	66
Springfield Public Schools	1,260,510	965,886	2,226,396	77
Sturbridge Public Schools	41,450	25,096	66,546	61
Sudbury Public Schools	37,342	-	37,342	0
Triton Regional School District	168,002	-	168,002	0
Triumph, Inc.	1,016,833	-	1,016,833	0
Uxbridge Public Schools	23,865	26,642	50,507	112
Wales Public Schools	24,300	15,000	39,300	62
Walpole Public Schools	194,212	28,906	223,118	15
Wareham Public Schools	112,320	108,252	220,572	96
Watertown Public Schools	233,053	68,840	301,893	30
West Boylston Public Schools	20,177	15,000	35,177	74
West Springfield Public Schools	482,108	101,578	583,686	21

APPENDIX II (Continued)

Fiscal Year 1999
Lead Agency Funding Increase

<u>Lead Agency</u>	<u>Fiscal Year 1998 Funds</u>	<u>Fiscal Year 1999 Expansion Funds</u>	<u>Total Fiscal Year 1999 Funds</u>	<u>Percentage Increase</u>
Westfield Head Start	\$ 114,780	\$ 47,116	\$ 161,896	41%
Westfield Public Schools	608,552	129,304	737,856	21
Westwood Public Schools	100,024	15,000	115,024	15
Weymouth Public Schools	621,166	133,792	754,958	22
Whitman-Hanson RSD	233,104	10,000	243,104	4
Winchendon Public Schools	145,015	37,710	182,725	26
Winchester Public Schools	111,642	-	111,642	0
Winthrop Public Schools	74,688	36,382	111,070	49
Worcester Community Action Council	58,050	-	58,050	0
Worcester Public Schools	2,240,063	765,244	3,005,307	34
YMCA of Greater Worcester	934,886	371,882	1,306,768	40
YWCA of Central Massachusetts, Inc.	32,685	18,952	51,637	58
Total	<u>\$ 59,988,285</u>	<u>\$ 18,617,748</u>	<u>\$ 78,606,033</u>	<u>31%</u>

APPENDIX III

Massachusetts General Laws, Chapter 15, Section 54

The following is the text of the enabling legislation for the Community Partnerships for Children program:

Section 54:

- a. The board may contract with school districts, head start agencies, and other child care providers to provide early care and education opportunities to three-year-old and four-year-old children of working parents. Pursuant to this section, the department shall seek to increase the availability of early care and education services and to encourage all local providers of such services to work together to create an array of options allowing families to select programs that fit with their schedules. Not less than one-third of the total slots funded shall provide full-day, full-year care that meets the needs of parents who work full-time. All slots funded pursuant to this section shall be in addition to existing services and shall be responsive to the needs of working parents.
- b. The board may establish standards for pre-kindergarten programs delivering services pursuant to this section, and said standards shall meet or exceed the existing standards of the office for children for programs which serve three-and four-year old children in whole and half-day programs. The board shall collaborate with the Office for Children, the Massachusetts Association of Day Care Agencies, Parents United for Child Care, the Young Men's Christian Association of Massachusetts, the Massachusetts Independent Child Care Organization, and Head Start to develop, for said programs, a common set of standards and licensing procedures built around the National Academy of Early Childhood Programs accreditation process; provided that said procedures may include regulations regarding physical facilities and equipment that shall be the minimum standards for said programs notwithstanding stricter provisions of the exiting regulations promulgated by the office for children.
- c. There shall be not more than one proposal submitted for each town. The proposal shall be developed by a community partnerships council comprised of a principal, three individuals who provide care and education to young children, two parents of young children, a member of the local resource and referral agency, a representative of the local head start agency, a representative of private providers of child care, and others with experience in the care and education of young children. The council shall select a lead agency, which may be a school district, a head start agency, or a licensed child care agency. Council members shall be broadly representative of the racial and ethnic diversity of the community. The council shall develop a proposal which the lead agency shall submit to the department. Each member of the council may include comments in the final proposal submitted to the department.
- d. The lead agency may subcontract with other public and private agencies to provide services; provided that any teacher employed by a contracting school district in pre-kindergarten and kindergarten is not displaced as a result of such contract.
- e. Proposals shall describe how the services provided will meet the needs of working parents in the local community. Proposals should include a mix of programs: full-day, full-year programs to meet the needs of parents who work full time; part-day programs operating during different parts of the day to serve parents with various work schedules; and other options the local council

determines will allow the system to best serve the needs of parents and children. Community partnership councils are encouraged to develop collaborative programs that coordinate services from various providers whenever such coordination can facilitate the efficient provision of early care and education services. Community partnership councils are further encouraged to develop proposals that include linkages with other human services agencies and which seek to combine a number of funding sources. Other agencies and programs may include, but not be limited to, state and federal nutrition programs and public health programs.

- f. All funds provided pursuant to this section shall provide services to children of working parents. For purposes of this section, "children of working parents" shall include any child of a two-parent family in which both parents work either full-time or part-time, and any child of a single parent family in which the parent works either full-time or part-time; provided, however, that a child of working parents admitted to a program shall be allowed to remain in that program for the remainder of the year regardless of whether said child's parents continue to be working parents.
- g. Funds provided pursuant to this section shall not be used to provide services to those eligible for child-care services provided by the department of transitional assistance; provided, however, that local councils shall seek to coordinate programs funded by this section with services funded or operated by the department of transitional assistance and other sources, including Head Start, Title I of the elementary and secondary education act, the department of social services, special education departments of local schools, and full-fee-paying parents. The department shall work in conjunction with the department of transitional assistance to obtain federal reimbursement pursuant to title IV-A of the Social Security Act for all participants in publicly funded early care and education programs who are eligible for such reimbursement. The department, in cooperation with the executive office of health and human services, shall assure that early care and education services are no less available in the aggregate to the children of disabled parents than they are to the children of non-disabled parents.
- h. Families with incomes below the statewide median income level shall be given priority for all services provided pursuant to this section. Families receiving services pursuant to this section shall make payments in accordance with the sliding scale fee schedules promulgated by the executive office of human services, without regard for the eligibility standards established by said executive office.
- i. Proposals pursuant to this section shall include the following: a statement of need; a description of unmet needs and existing resources; program objectives and implementation plan; evaluation components; contractual agreements with other service providers; and linkages and funding arrangements with other public and private agencies. All programs providing services pursuant to this section shall seek accreditation from the National Academy of Early Childhood Programs. Proposals that include costs for training shall describe the type of training to be provided and an explanation of how that training will improve the services provided.
- j. The board shall establish an early childhood office which shall have the following functions with respect to programs that are operated by school districts, excluding any subcontractors that are not school districts; developing program standards for early childhood programs, and teacher certification standards for those early childhood teachers who are required to receive such certification. The office may also provide technical assistance to other providers to early care and education services under this section and administer the program established by this section.
- k. The board shall appoint a state advisory council on early care and education. Members of the advisory council may include, but are not limited to, teachers, parents, representatives of state

human service agencies, private providers of child care, higher education, business, labor, and government. Council members shall be broadly representative of the racial and ethnic diversity of the commonwealth. The advisory council shall conduct a comprehensive study of future trends in early care and education, including the provision of services for children from birth to age three, and shall examine all early care and education services provided by the state to evaluate which populations have the greatest need for services, to what degree those populations are served by the program created by this section as well as by other existing services, and shall develop strategies for serving all unserved segments of the population. The council shall report its findings to the board . . . not later than January first of each odd-numbered year. In addition, the advisory council shall review early care and education program evaluations, certifications and program standards, and make recommendations to the board on needed program changes. The board shall report on the progress of the early care and education program and make recommendations to the general court by filing the same with the clerks of the house of representatives and of the senate on or before June thirtieth of each year.

APPENDIX IV

CPC Program Controls Implemented by DOE

David P. Driscoll
Commissioner of Education

The Commonwealth of Massachusetts Department of Education

350 Main Street, Malden, Massachusetts 02148-5023

Telephone: (781) 338-3000
TTY: N.E.T. Relay 1-800-439-2370

Community Partnerships for Children Activities for Fiscal and Programmatic Accountability

Internal Audits: In FY 1998 the Department hired an outside auditing firm to develop and pilot a fiscal and programmatic audit protocol with five sites. In FY 1999 we contracted with this audit firm to conduct eight audits of CPC programs. In FY 2000 three firms on the Master Service Agreement conducted audits of 10 CPC programs. In FY 2001 we plan to conduct an additional 10 audits of CPC programs to total 32 audits.

Fiscal Training Seminars: In FY 1998 the Department began to conduct training seminars in five regions of the state on fiscal management/accountability for CPC programs based on weaknesses discovered in the audits. We have conducted these training seminars annually since 1998 with both program and fiscal CPC staff attending. Each year the seminars are based on audit recommendations the previous year. The seminars have focused on developing and monitoring subcontracts, determining eligibility, accounts payable and received, and record keeping. We plan to hold similar seminars each fiscal year for all of our grant programs.

Fiscal Technical Assistance: The Department provides technical assistance to individual programs to assist them in aligning their internal controls with the requirements in the CPC Technical Assistance Guide.

Monitoring: Each staff person within the Department's Early Learning Services unit is responsible for overseeing the grant programs in 10 to 30 communities. Oversight includes site visits, monitoring expenditures, grant amendments, and attending Council meetings.

Monthly Data Reports: Each CPC is required to fill out a monthly data form showing how many children were served and how funds were expended. These reports began at the request of the state Fiscal Affairs Division (FAD) in order to meet federal TANF requirements, and have proven to be quite useful to the Department and individual programs for tracking services and expenditures.

Cost and Quality Project: The Department has contracted Wellesley College and Abt Associates to conduct a three-year study of the cost and quality of early care and education programs.

Capital Projects: Starting in FY 1999 the Department has implemented an extensive application process for allowing CPC funds to be used for capital projects; we are working with the Child Care Capital Investment Fund to ensure that projects are cost effective and appropriate for young children.

Community Profiles Project: This innovative project serves as both a community needs assessment and an implementation evaluation for the communities and the state. Communities collect data on programs (staff qualifications, accreditation, ages of children served, hours of operation) and on what families with young children want for their children (do they want child care, how many hours per day, days per week, etc.) This year the Department will complete its work with 85 % of communities in the state and will be able to project accurately what families need for services and what services are currently available.