

December 30, 2024

*Via Electronic Mail*

Amy Kershaw  
Commissioner  
Department of Early Education and Care  
50 Milk Street, 14th Floor  
Boston, MA 02109  
Amy.Kershaw2@mass.gov

**Re: Department of Early Education and Care  
C3 Program Compliance and Oversight**

Dear Commissioner Kershaw:

Pursuant to its statutory mandate under Chapter 12A of the Massachusetts General Laws to prevent fraud, waste, and abuse of public assets on the state and municipal levels, the Office of the Inspector General's (OIG) Special Funding Oversight Division (SFO) has been reviewing programs funded by the federal American Rescue Plan Act (ARPA).

The OIG's reviews assess strengths, risks, and needed improvements in program administration, especially in areas related to oversight and compliance. The OIG recently completed its review of the Child Care and Development Block Grant program and the Child Care Entitlement to States, both of which support the Department of Early Education and Care's (EEC) Commonwealth Cares for Children Program (C3 Program).

The OIG found that while EEC has written policies for grant application reviews, risk assessments, and on-site monitoring of providers, EEC's internal program guidance does not fully describe the contractual responsibilities of third-party oversight vendors. This letter elaborates on these findings and offers recommendations to strengthen the EEC's management of the C3 Program.

**Background**

Through the C3 Program, the Department of Early Education and Care (EEC) provides grants to child care providers for day-to-day operations and workforce costs with the goal of creating financial stability for the Commonwealth's early education and care sector.

EEC engages third-party vendors to perform a number of tasks related to the C3 Program's oversight. Spruce Technologies, Inc. (Spruce) and KPMG LLP (KPMG) conduct fiscal and programmatic oversight of child care providers based on a registry system developed and maintained by MTX Group, Inc. (MTX).

To facilitate its review, the OIG requested documentation from EEC demonstrating that it has written oversight measures in place to monitor whether ARPA funding goes to eligible purposes and to ensure that program participants meet federal reporting requirements. In response to this request, EEC provided the OIG with several documents related to its administration of the C3 Program, including the C3 Policy and Procedure Guide (C3 Policy Guide), the EEC Audit Compliance and Resolution Unit's (Audit Unit) Fiscal Monitoring Plan, EEC's ARPA Policies and Procedures, and EEC's agreements with outside vendors to provide fiscal and programmatic oversight and manage related IT systems.

## **Findings**

### **1. EEC has a written process for its staff to review applications for potential fraud or misrepresentations.**

The OIG found that EEC has a detailed written process for its staff members to review applications and raise "red flags" if they detect potential fraud or misrepresentations. The documentation outlines steps EEC staff should take in the event they discover anything questionable. In resolving these matters, EEC may ultimately recoup program funds.

### **2. EEC has written policies requiring its staff to conduct provider risk assessments.**

The OIG found that EEC has policies requiring its Audit Unit to conduct provider risk assessments and analysis reports, which include reviews of providers' internal control systems, financial systems, prior EEC provider reviews, and audits. Risk assessments of grantees can inform a grantor agency, in this case EEC, whether it should increase monitoring or add additional controls to a provider agreement. A written process on risk assessments helps ensure that EEC staff understands their responsibilities.

### **3. EEC has written policies pertaining to on-site monitoring of providers.**

The OIG found that EEC has written policies requiring its Audit Unit to develop on-site monitoring schedules, along with detailed instructions for how the Audit Unit should carry out a site visit. Site visits are an essential monitoring tool that ensure that an agency observes firsthand that a provider's reported information is accurate. A written policy with instructions ensures that reviews are consistent and thorough.

The OIG also found that EEC has policies requiring that EEC staff document findings from on-site monitoring reviews in reports and document guidance in corrective action plans. Documentation ensures that there is a written record of issues and plans to address them, helping EEC hold providers accountable.

**4. EEC's internal program guidance does not fully memorialize the contractual responsibilities of third-party oversight vendors.**

The OIG found that EEC's internal guidance for its C3 Program oversight does not include all contractual obligations of third-party vendors.

EEC relies upon external monitoring vendors to conduct a number of tasks. Spruce is required to provide EEC with weekly reports on all payments made to child care vendors, and further provides EEC with application reviews, post-payment reviews, desk support, and training and information videos. Spruce also conducts surveys and trend analyses as needed.

While the C3 Policy Guide reflects some major elements of EEC's agreement with Spruce, such as application and payment reviews, neither the C3 Policy Guide nor other EEC staff guidance describe all the tasks that Spruce is contractually required to perform. The C3 Policy Guide does not address the weekly payment reports, status meetings, trend analysis, or follow-up surveys that EEC may require Spruce to produce. EEC's internal documentation similarly does not account for Spruce's post-grant follow-up responsibilities or the training and informational videos.

MTX's contract requires it to provide EEC with technology that aligns with EEC's business processes. The contract also identifies key project managers with specific responsibilities such as reviewing and approving deliverables and weekly status reports. Although EEC's C3 Policy Guide identifies the EEC administrative review team and their respective titles, it does not identify the key personnel named in the MTX contract.

Another vendor, KPMG, is required to work with EEC to continuously update its project plan, conduct visioning sessions with stakeholders, and assist in related procurements. EEC's internal guidance does not address these contractual obligations.

EEC's internal policies do not address how its staff can verify whether all contracted oversight tasks are being performed. Nor do they address how staff can measure whether performance is meeting expectations.

These omissions create a substantial risk that EEC does not properly manage its vendors to ensure they meet contractual obligations. Furthermore, the omissions create a risk that EEC personnel are missing valuable program information.

In addition to provisions related to monitoring C3 Program providers, EEC's policies should address how its staff is to measure the performance of external monitoring vendors. Those vendors appear to play critical roles in EEC's oversight of the C3 Program. EEC should document all contractual obligations of those vendors to hold them accountable.

**Recommendations**

Based on its findings, the OIG recommends that EEC take several actions with respect to the C3 Program:

1. Ensure that internal policies document all tasks that third-party monitoring vendors are contractually required to perform;
2. Ensure that internal policies include guidance on overseeing and measuring the performance of third-party vendors;
3. Ensure that internal policies identify contractually designated project managers; and
4. Ensure that EEC leaders know contract terms, options, amendments, and end dates since EEC's heavy reliance on vendors would require the department to significantly change its procedures should a vendor no longer be available.

### Conclusion

Thank you for your cooperation during the OIG's review. Implementing the recommendations herein will allow EEC to strengthen management of the C3 Program and better evaluate the quality of its programming. To provide robust vendor oversight across the department, EEC should also apply these recommendations as it manages other state and federally funded programs.

Within 30 days of receiving this letter, please notify this office in writing of your plans to implement these recommendations or of any steps EEC has already taken.

If you have any questions about the OIG's review or recommendations, or if you would like information on available OIG resources and assistance, please contact SFO Director Michael Frieber at [michael.g.frieber@mass.gov](mailto:michael.g.frieber@mass.gov).

Thank you for your attention to this matter.

Sincerely,



Jeffrey S. Shapiro, Esq., CIG  
Inspector General

cc (by email):

Patrick Tutwiler, Secretary, Massachusetts Executive Office of Education  
Amanda Sakaguchi, Chief Financial Officer, EEC  
Alicia Wells, Associate Commissioner of Audit Resolution, EEC  
Susanne M. O'Neil, Deputy Inspector General, OIG  
Michael Frieber, Director of Special Funding Oversight, OIG  
Nataliya Urciuoli, Senior Executive Assistant, OIG