

State of Nevada  
Department of Administration  
Division of Internal Audits

**Audit Report**

**Department of Health and Human Services  
Division of Welfare and Supportive Services  
Child Care Subsidy Program**

Report No. 11-02  
June 2011

**EXECUTIVE SUMMARY**  
**Division of Welfare and Supportive Services**

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**Objective: Can the Division Improve Its  
Child Care Subsidy Program?**

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**Require Informal Providers to Pass Criminal History Checks** .....page 6

Requiring informal providers to pass criminal history checks would enhance the children’s safety at providers. Review of current policy and discussions with Division management disclosed background checks are not required for informal providers. An estimated 850 children receive informal care in Nevada. We surveyed 9 other states and noted all require criminal history checks; some also require fingerprinting of informal providers.

**Report Licensed Providers Supervising More Children than Allowed per License** .....page 7

Requiring contractors to monitor and report providers to the Division of Child and Family Services (DCFS) when the number of children exceeds its license would ensure children are properly supervised. DCFS regulates licensed providers, such as family care homes. Family care homes consist of at least 1 supervisor and no more than 6 children. We noted providers billed for more children than they were licensed for in 60 percent of family care homes we sampled. These providers may not have enough supervisors for the number of children. According to Division management, they need to develop policies requiring contractors to monitor the number of children supervised and report when they exceed the DCFS license.

**Consider Only Paying for Actual Attendance at Recreational Providers**.....page 7

The Division could reduce costs or serve additional children if it only paid for the days children attend at recreational providers. Division policies allow it to pay recreational providers such as Boys and Girls Clubs, Head Start, and YMCA for a whole month’s worth of service even if the child only attends as infrequently as once a month. However, for informal and licensed providers, the Division only pays for the child’s actual attendance. Most states we surveyed represent they only pay recreational providers for actual attendance. If the Division paid recreational providers for actual attendance we estimate it could save about \$790,000 a year. Alternatively, the Division could free up funds to serve some of the 2,000 children on its waiting list.

**Consider Eliminating Paying Child Care Registration Fees for Licensed and Recreational Providers .....page 8**

The Division could reduce costs or serve additional children if it discontinued paying registration fees to licensed and recreational providers. Division policy allows providers to charge initial and annual registration fees for each child supervised. We surveyed 9 states and found 6 do not pay registration fees. We estimate the Division could save an estimated \$250,000 a year or serve some of the more than 2,000 children on its child care subsidy waiting list if it did not pay registration fees.

**Ensure Contractors Verify Family Eligibility At Recreational Providers.....page 9**

Ensuring contractors verify parents' child support when determining eligibility for subsidies at recreational providers could reduce the cost of child care subsidies. Parents can apply for child care subsidies at recreational providers. Recreational providers are not required to nor do they have the ability to verify whether the parents receive or applied for child support. When parents do not report or pursue child care support, the State could be paying unnecessary subsidies. To verify parents' child support at recreational providers, the Division could require the providers to forward the applications to the contractors for verification. Contractors have access to the Division's database so they may verify the parent received or applied for child support.

**Ensure Recreational Providers Obtain Information for Incarcerated Parents .....page 10**

The Division should ensure recreational providers attempt to obtain the location and approximate release dates for all incarcerated non-custodial parents. Not obtaining this information could result in possible understated household income or a missed opportunity to collect child support upon release from incarceration. Based on our review of 3 households with incarcerated parents, we noted 2 (67 percent) where the recreational provider did not obtain the location and release date. Obtaining from the custodial parent the location and expected release date of an incarcerated parent would help Division's Child Support Enforcement staff locate and enforce child support.

**Establish Guidelines for When to Refer Cases for Investigation .....page 10**

The Division should establish written guidelines for contractors to use for determining when to refer a case to its Investigations and Recoveries group (I&R) to ensure households qualify for subsidies. I&R investigates suspicious activities, including households concealing income, persons living in the household, and child support. I&R can recover funds and/or prosecute violators. Contractors do not have written guidelines for when staff should refer cases to I&R. This would include specifically what kinds of activities are suspicious and warrant a referral, such as comparing household child care costs to income. 5 out of 84 (6 percent) of children sampled lived in households using 40 percent or more of their income for child care costs. The Division states child care should be no more than 10-15 percent of total income.

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# INTRODUCTION

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At the direction of the Executive Branch Audit Committee, we conducted an audit of the Division of Welfare and Supportive Services (Division). Our audit addressed the following four questions:

- ✓ What is the Division's role?
- ✓ What services must the Division provide?
- ✓ Is the State the proper level of government to provide these services?
- ✓ If State government is the appropriate level of government, is the Division carrying out its duties efficiently and effectively?

Our audit focused on whether the Division can improve contractor and provider monitoring, reduce costs, and establish additional policies and procedures in its Child Care Subsidy program.

## Division's Role and Public Purpose

The Division, within the Department of Health and Human Services, operates temporary programs to assist Nevada households, the elderly, and the disabled. Among the programs are:

- Temporary Assistance for Needy Families: cash assistance, employment, and training for qualifying households.
- Energy Assistance: pays utility bills for eligible households.
- Child Support Enforcement: locates absent parents, establishes, enforces, collects, and distributes child support.
- Child Care Assistance and Development: assists low-income households in paying for their child care needs.

Child Care Assistance and Development (program) assists eligible households to afford child care. Eligible households are low income as defined by the US Department of Health and Human Services and/or receiving temporary public assistance.

The program's purpose is to help parents afford child care while working or attending school. A child participating in the program must reside within a household with an adult who has custody; be a citizen or a non-citizen lawfully admitted to the United States; and be less than 13 years old.<sup>1</sup>

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<sup>1</sup> Exception: special needs children up through age 18.

The program helps households by subsidizing a portion or all their child care. The household's income determines how much subsidy they will receive for child care. (Appendix A)

The program uses both federal and State funds. In State fiscal year 2011, the program has a budget for federal funds of about \$45.2 million (85 percent) and State funds of about \$7.7 million (15 percent). The federal funds are from the Child Care and Development Block Grant. The program subsidizes child care for over 7,300 children.

The State is the proper level of government to contract and monitor the child care subsidy program. The Division is Nevada's designated lead agency to administer federal child care funds. The federal Child Care and Development Block Grant requires states to function as lead agencies responsible for administering federal subsidies, developing a plan for spending the subsidies, and monitoring subsidized child care services.

## **Scope and Objective**

We began audit work in July 2010. In the course of our audit, we reviewed federal fund plans, budgets, eligibility records and provider billings. Additionally, we reviewed applicable state laws, regulations, and the Child Care Policy Manual. We concluded field work and testing in November 2010.

Our audit focused on the following objective:

- ✓ Can the Division improve its child care subsidy program?

The Division of Internal Audits expresses appreciation to the Division's management and staff for their cooperation and assistance throughout the audit.

Contributor to this report:

Mike Colburn, CPA  
Executive Branch Auditor

## **Division of Welfare and Supportive Services Response and Implementation Plan**

We provided draft copies of this report to Division officials for their review and comments. The Division's comments have been considered in the preparation of this report and are included in Appendix F. In its response, the Division accepted each of the recommendations we made. Appendix G includes the Division's timetable to implement our recommendations.

NRS 353A.090 specifies within six months after the Executive Branch Audit Committee releases the final audit report, the Chief of the Division of Internal Audits shall evaluate the steps the Division has taken to implement the recommendations and shall determine whether the steps are achieving the desired results. The Chief shall report the six month follow-up results to the Committee and Division officials.

The following report contains our findings, conclusions, and recommendations.

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## Can the Division Improve Its Child Care Subsidy Program?

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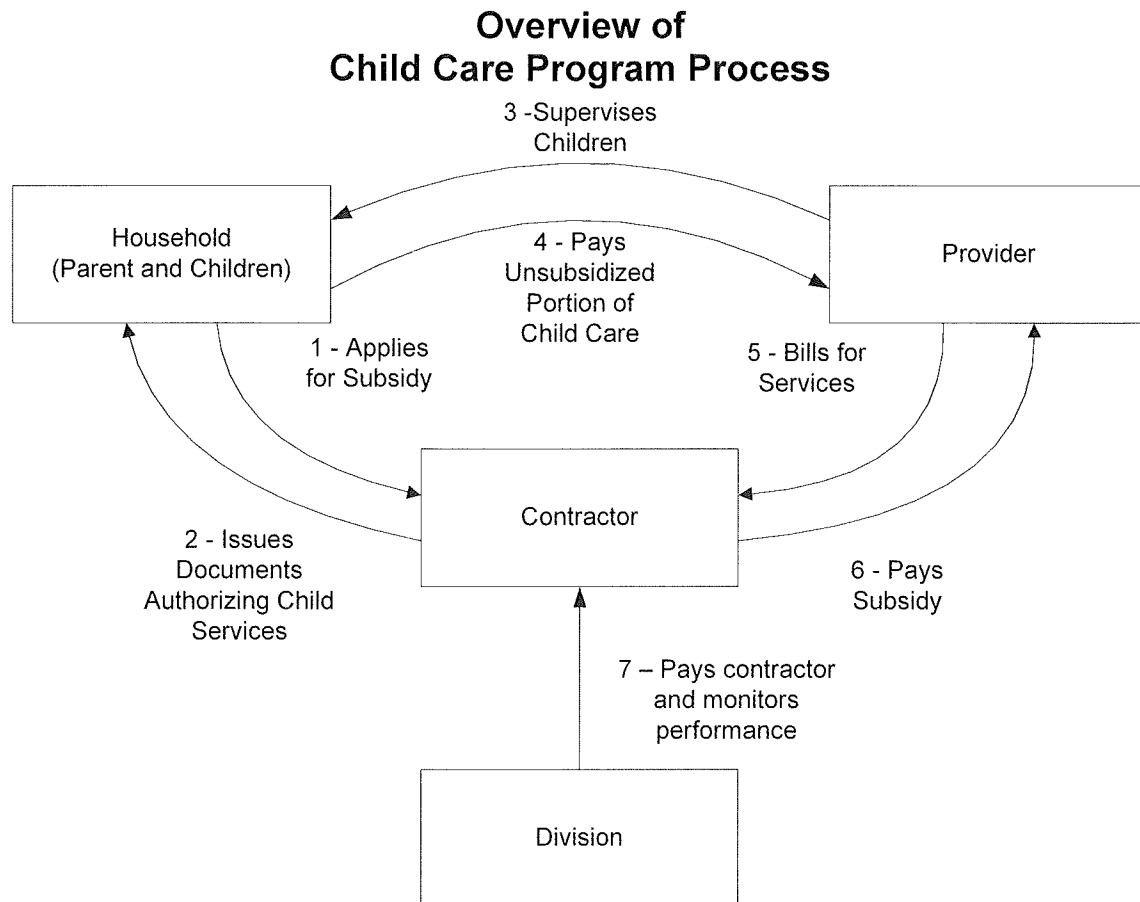
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The Division can improve its child care subsidy program by improving provider monitoring, cost management, and procedures. We estimate the Division could reduce child care subsidies by over \$1 million annually, or serve some of the 2,000 children on its waiting list.

### Child Care Subsidy Program

The child care subsidy program involves children, households, contractors, providers, and Division staff. The following exhibit is a general overview of the process using the child care program:

#### Exhibit I



A more detailed description of child care subsidy process appears in Appendix C.



The child care subsidy program (program) involves:

- **Contractors** – determine each household’s eligibility for child care subsidies. Eligibility is determined by verifying the household’s income, children’s age and citizenship status; and whether the parent is working or going to school, etc. Contractors are also responsible for paying the providers for services rendered.
- **Households** – consist of primarily low income with children under the age of 13. Generally, households receive 80 percent or more in subsidies for child care. This amount can range from \$15 to \$31 daily. The parents in the households also select the child care providers.
- **Providers** – supervise children while parents are working or going to school.
- **Division staff** – pay the contractors and monitor their performance.

The program consists of three types of providers:

- **Informal** – consist of family members, friends and neighbors. Care is provided in an informal setting such as a residence. Informal providers must register with a contractor in order to be paid. The registration process includes a review of program requirements, state laws, and the maximum of four children that can be supervised without a license.
- **Licensed** – consist of child care centers, nursery schools, preschools, group homes (consisting of 7 to 12 children), and family care homes (consisting of up to 6 children). Care is provided in a structured setting and regulated by the Division of Child and Family Services (DCFS). Licensed providers must complete a detailed registration form. The registration form requires the provider to report the location of their services, their rates for supervising children, and hours of operation.
- **Recreational** – include Boys and Girls Clubs and the YMCA. Care is provided for children before and after school. Recreational providers enter into a memorandum of understanding with the Division which allows them to determine household eligibility similar to a contractor. Recreational providers are not generally licensed by the DCFS, nor are they registered.

The Division represents that the child care subsidy program serves over 7,300 children. We randomly selected about a one percent sample of the children served in May 2010. While the Division and its contractors generally complied with policies and procedures, our sample revealed areas where the child care subsidy program has opportunities for improvement.

## **Improve Provider Monitoring and Cost Management**

The Division could enhance child safety by:

- Requiring informal providers pass criminal history checks, and
- Reporting licensed providers supervising more children than allowed per license.

The Division could reduce costs by:

- Considering only paying for actual attendance at recreational providers, and
- Considering eliminating paying child care registration fees for licensed and recreational providers.

### **Require Informal Providers to Pass Criminal History Checks**

The Division should require informal providers pass criminal history checks. This would enhance the children's safety at providers.

Nevada law (NRS 432A.175) requires licensed providers pass a criminal history check. Recreational providers voluntarily conduct background checks on their employees. However, according to current policy and discussions with Division management, background checks are not required for informal providers.<sup>2</sup> Criminal history checks involve obtaining law enforcement agency information regarding a provider's criminal convictions. Frequently, criminal history checks also involve law enforcement agencies obtaining a sample of the providers' fingerprints. Division management represents criminal history checks are done to enhance safety by verifying the suitability of those supervising children. An estimated 850 children receive informal care in Nevada.

We surveyed nine other states<sup>3</sup> and noted all require criminal history checks; some also require fingerprinting of informal providers.

Division management is exploring methods to review the background of informal providers.

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<sup>2</sup> Current policy makes it the parent's choice whether an informal provider undergoes a criminal history investigation.

<sup>3</sup> Arizona, Hawaii, Michigan, Nebraska, New Mexico, Oklahoma, Pennsylvania, South Carolina, and South Dakota.

## **Recommendations**

1. Obtain informal provider criminal histories.
2. Review criminal histories for suitability to supervise children.

## **Report Licensed Providers Supervising More Children than Allowed per License**

The Division should require contractors to monitor and report to the Division of Child and Family Services (DCFS) when the number of children in family care homes exceeds its license. This would ensure children are properly supervised.

DCFS regulates licensed providers, such as family care homes. The family care homes consist of at least 1 supervisor and no more than 6 children. When contractors pay providers for services, the contractor should verify the number of children do not exceed the license.

Based on our sample, we noted providers billed for more children than they were licensed for in 60 percent of family care homes we sampled. The number of children ranged up to 10 children. According to Division management, they need to develop policies requiring contractors to monitor the number of children supervised and report when they exceed the DCFS license.

These providers may not have enough supervisors for the number of children.

## **Recommendations**

3. Implement a policy requiring contractors to monitor billings for when providers appear to fail to meet child care licensing requirements.
4. Refer alleged provider failure to meet child care licensing requirements to the Division of Child and Family Services.

## **Consider Only Paying for Actual Attendance at Recreational Providers**

The Division could reduce costs or serve additional children if it only paid for the days children attend at recreational providers.

Division policies allow it to pay recreational providers such as Boys and Girls Clubs, Head Start, and YMCA for a whole month's worth of services even if the

child only attends as infrequently as once a month. Division management represents it pays recreational providers for enrollment as opposed to actual attendance to make sure a space is available. However, for informal and licensed providers, the Division only pays for the child's actual attendance.

Most states we surveyed represent they only pay recreational providers for the child's attendance. Based on our survey of eight states, four states<sup>4</sup> only pay for the actual attendance at recreational providers. One of these states, Arizona, reported it recently changed to paying for attendance instead of enrollment to reduce costs. Two of the other states<sup>5</sup> require children to attend more often than Nevada does.

If the Division paid recreational providers for actual attendance we estimate it could save about \$790,000 a year.<sup>6</sup> Alternatively, the Division could free up funds to serve some of the 2,000 children on its waiting list for child care subsidies.

## **Recommendation**

5. Consider only paying recreational providers for a child's actual attendance.

## **Consider Eliminating Paying Child Care Registration Fees for Licensed and Recreational Providers**

The Division could reduce costs or serve additional children if it discontinued paying registration fees to licensed and recreational providers. Division policy allows providers to charge initial and annual registration fees for each child supervised. These fees are generally limited to \$40 a year. We surveyed 9 states and found 6 do not pay registration fees.<sup>7</sup> New Mexico stated it is the parent's choice where the child receives child care. We estimate the Division could save an estimated \$250,000 a year<sup>8</sup> or serve some of the more than 2,000 children on its child care subsidy waiting list if it did not pay registration fees.

## **Recommendation**

6. Consider eliminating paying child care registration fees.

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<sup>4</sup> Arizona, Michigan, Nebraska, and South Dakota.

<sup>5</sup> Oklahoma and South Carolina.

<sup>6</sup> See Appendix D for calculation details.

<sup>7</sup> Arizona, Michigan, New Mexico, Oklahoma, Pennsylvania, and South Dakota.

<sup>8</sup> See Appendix E for calculation details.

## **Enhance Procedures**

The Division could reduce child care subsidy costs, ensure families are eligible, and increase child support collections by:

- Ensuring contractors verify eligibility for families applying for child care subsidies at recreational providers.
- Ensuring recreational providers attempt to obtain the location and approximate release dates for all incarcerated parents.
- Establishing written guidelines for contractors to use for determining when to refer cases to the Division's Investigations and Recovery group.

### **Ensure Contractors Verify Family Eligibility at Recreational Providers**

The Division should ensure contractors verify parents' child support when determining the eligibility for subsidies at recreational providers. This could reduce the cost of child care subsidies.

For informal and licensed providers, the family applies for child care with the contractors. The contractors verify household eligibility by ensuring parents either receive or apply for child support when it is appropriate. Contractors have access to the Division's database<sup>9</sup> so they may verify the parent received or applied for child support.

Alternatively, for recreational providers, parents apply for child care subsidies at the provider. The recreational providers are not required to nor do they have the ability to verify the receipt or application of child support.

One of the eligibility criteria for subsidies depends on the household's income. Therefore, when parents do not report or pursue child support, the State could be paying unnecessary subsidies. As of May 2010, about 1,260 children receive subsidies to attend recreational providers.

To verify parents' child support at recreational providers, the Division could require the providers to forward the applications to the contractors for verification.

### **Recommendation**

7. Ensure contractors verify child support for clients using recreational providers.

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<sup>9</sup> The Division's databases contain information regarding whether and how much the household is receiving in temporary public assistance, child support, food stamps, etc.

## **Ensure Recreational Providers Obtain Information for Incarcerated Parents**

The Division should ensure recreational providers attempt to obtain the location and approximate release dates for all incarcerated parents. Not obtaining this information could result in possible understated household income or a missed opportunity to collect child support upon release from incarceration.

Based on our review of 3 households with incarcerated parents, we noted 2 (67 percent) where the recreational provider did not obtain the location and release date.

When parents apply for subsidies, the recreational providers should consistently ask where the incarcerated parent is held and when they are expected to be released. According to the Division's Child Support Enforcement staff, if the recreational provider obtained from the custodial parent the location and expected release date of the incarcerated parent, it would help them locate and enforce child support.

## **Recommendations**

8. Ensure recreational providers attempt to obtain the location and approximate release date for incarcerated non-custodial parents.
9. Refer parental statements regarding incarcerated parents to the Division's Child Support Enforcement section.

## **Establish Guidelines for When to Refer Cases for Investigation**

The Division should establish written guidelines for contractors to use for determining when to refer a case to its Investigations and Recoveries group (I&R). This should ensure households qualify for subsidies.

When contractors or the Division encounter suspicious activities by households, they can refer the case to I&R. The goals of I&R include detecting and preventing program fraud. Suspicious activities I&R investigate include households concealing income, persons living in the household, and child support. Depending on the results of the investigations, I&R can proceed with recovering funds and/or prosecution of violators.

Contractors do not have written guidelines for when staff should refer cases to I&R. This would include what kinds of activities are suspicious and warrant a referral. I&R management felt it would be helpful to develop these guidelines.

When drafting written guidelines for contractors to make referrals for suspicious activities, the Division should consider including comparing household child care costs to income. We found 5 out of 84 (6 percent) children sampled lived in households using 40 percent or more of their income for child care costs. The Division states child care should be no more than 10-15 percent of total income.

## **Recommendations**

10. Establish investigation referral guidelines for contractors and refer cases for investigation.
11. Consider requiring the contractor to review the ratio of household child care costs to income.

# Appendix A

## Subsidies - Income and Household Size

### Sliding Fee Scale

STATE OF NEVADA CHILD CARE & DEVELOPMENT/SUBSIDY PROGRAM HOUSEHOLD SIZE & MONTHLY INCOME CHART Effective October 1, 2009									
ONE			TWO			THREE			Subsidy %
\$ -	-	\$ 903 (P)	\$ -	-	\$ 1,214 (P)	\$ -	-	\$ 1,526 (P)	95-100% **
\$ 904	-	\$ 1,070	\$ 1,215	-	\$ 1,428	\$ 1,527	-	\$ 1,787	90%
\$ 1,071	<b>1,173</b>	\$ 1,237	\$ 1,429	<b>1,578</b>	\$ 1,642	\$ 1,788	<b>1,984</b>	\$ 2,047	80%
\$ 1,238	-	\$ 1,404	\$ 1,643	-	\$ 1,856	\$ 2,048	-	\$ 2,308	70%
\$ 1,405	-	\$ 1,571	\$ 1,857	-	\$ 2,070	\$ 2,309	-	\$ 2,569	60%
\$ 1,572	-	\$ 1,738	\$ 2,071	-	\$ 2,284	\$ 2,570	-	\$ 2,830	50%
\$ 1,739	-	\$ 1,905	\$ 2,285	-	\$ 2,498	\$ 2,831	-	\$ 3,090	40%
\$ 1,906	-	\$ 2,072	\$ 2,499	-	\$ 2,712	\$ 3,091	-	\$ 3,351	30%
\$ 2,073	-	\$ 2,231 *	\$ 2,713	-	\$ 2,917 *	\$ 3,352	-	\$ 3,604 *	20%
\$ 2,232	+		\$ 2,918	+		\$ 3,605	+		0%
FOUR			FIVE			SIX			Subsidy %
\$ -	-	\$ 1,838 (P)	\$ -	-	\$ 2,149 (P)	\$ -	-	\$ 2,461 (P)	95-100% **
\$ 1,839	-	\$ 2,146	\$ 2,150	-	\$ 2,503	\$ 2,462	-	\$ 2,862	90%
\$ 2,147	<b>2,389</b>	\$ 2,453	\$ 2,504	<b>2,794</b>	\$ 2,858	\$ 2,863	<b>3,199</b>	\$ 3,264	80%
\$ 2,454	-	\$ 2,761	\$ 2,859	-	\$ 3,212	\$ 3,265	-	\$ 3,665	70%
\$ 2,762	-	\$ 3,068	\$ 3,213	-	\$ 3,567	\$ 3,666	-	\$ 4,066	60%
\$ 3,069	-	\$ 3,376	\$ 3,568	-	\$ 3,921	\$ 4,067	-	\$ 4,467	50%
\$ 3,377	-	\$ 3,683	\$ 3,922	-	\$ 4,276	\$ 4,468	-	\$ 4,869	40%
\$ 3,684	-	\$ 3,991	\$ 4,277	-	\$ 4,630	\$ 4,870	-	\$ 5,270	30%
\$ 3,992	-	\$ 4,290 *	\$ 4,631	-	\$ 4,977 *	\$ 5,271	-	\$ 5,663 *	20%
\$ 4,291	+		\$ 4,978	+		\$ 5,664	+		0%
SEVEN			EIGHT			NINE			Subsidy %
\$ -	-	\$ 2,773 (P)	\$ -	-	\$ 3,084 (P)	\$ -	-	\$ 3,396 (P)	95-100% **
\$ 2,774	-	\$ 3,151	\$ 3,085	-	\$ 3,440	\$ 3,397	-	\$ 3,729	90%
\$ 3,152	-	\$ 3,530	\$ 3,441	-	\$ 3,795	\$ 3,730	-	\$ 4,061	80%
\$ 3,531	<b>3,604</b>	\$ 3,908	\$ 3,796	<b>4,009</b>	\$ 4,151	\$ 4,062	-	\$ 4,394	70%
\$ 3,909	-	\$ 4,287	\$ 4,152	-	\$ 4,506	\$ 4,395	<b>4,414</b>	\$ 4,727	60%
\$ 4,288	-	\$ 4,665	\$ 4,507	-	\$ 4,862	\$ 4,728	-	\$ 5,059	50%
\$ 4,666	-	\$ 5,043	\$ 4,863	-	\$ 5,218	\$ 5,060	-	\$ 5,392	40%
\$ 5,044	-	\$ 5,422	\$ 5,219	-	\$ 5,573	\$ 5,393	-	\$ 5,725	30%
\$ 5,423	-	\$ 5,792 *	\$ 5,574	-	\$ 5,921 *	\$ 5,726	-	\$ 6,049 *	20%
\$ 5,793	+		\$ 5,922	+		\$ 6,050	+		0%
TEN			ELEVEN			TWELVE			Subsidy %
\$ -	-	\$ 3,708 (P)	\$ -	-	\$ 4,020 (P)	\$ -	-	\$ 4,332 (P)	95-100% **
\$ 3,709	-	\$ 4,018	\$ 4,021	-	\$ 4,307	\$ 4,333	-	\$ 4,596	90%
\$ 4,019	-	\$ 4,328	\$ 4,308	-	\$ 4,594	\$ 4,597	-	\$ 4,860	80%
\$ 4,329	-	\$ 4,637	\$ 4,595	-	\$ 4,881	\$ 4,861	-	\$ 5,124	70%
\$ 4,638	<b>4,819</b>	\$ 4,947	\$ 4,882	-	\$ 5,167	\$ 5,125	-	\$ 5,388	60%
\$ 4,948	-	\$ 5,257	\$ 5,168	<b>5,224</b>	\$ 5,454	\$ 5,389	<b>5,629</b>	\$ 5,652	50%
\$ 5,258	-	\$ 5,567	\$ 5,455	-	\$ 5,741	\$ 5,653	-	\$ 5,916	40%
\$ 5,568	-	\$ 5,876	\$ 5,742	-	\$ 6,028	\$ 5,917	-	\$ 6,180	30%
\$ 5,877	-	\$ 6,178 *	\$ 6,029	-	\$ 6,307 *	\$ 6,181	-	\$ 6,436 *	20%
\$ 6,179	+		\$ 6,308	+		\$ 6,437	+		0%

(P) Indicates poverty level.  
 \* Indicates that the figure to the left is 75% of Nevada's median income.  
 \*\* 100% subsidies are reserved for NEON activity participants and certain CPS/Foster parent households. All other households are required to participate in the cost of the child care and may qualify for a maximum of 95% subsidy.  
**Bold figures in center indicate 130% of poverty level.**

Revised 06/23/09



## Appendix B

### Child Care Subsidy Rates

#### Daily Rates

Market Area	Provider Type	Infants (0 to 1 yr)	Toddlers (1 yr to 3 yrs)	Preschool (3 yrs to 6 yrs)	School Age (6 yrs and older)
<b>CLARK COUNTY:</b>					
	Provider 1	31.00	28.00	23.00	19.00
	Provider 2	28.00	24.00	21.00	21.00
	Provider 3	30.00	27.00	26.00	23.00
	Provider 4	23.00	20.00	19.00	18.00
	Provider 5	N/A	N/A	15.00	15.00
<b>WASHOE COUNTY:</b>					
	Provider 1	35.00	30.00	26.00	26.00
	Provider 2	28.00	24.00	21.00	23.00
	Provider 3	31.00	27.00	24.00	23.00
	Provider 4	23.00	20.00	18.00	17.00
	Provider 5	N/A	N/A	15.00	15.00
<b>CARSON/DOUGLAS COUNTIES:</b>					
	Provider 1	29.00	24.00	24.00	21.00
	Provider 2	24.00	23.00	21.00	21.00
	Provider 3	27.00	24.00	22.00	22.00
	Provider 4	20.00	18.00	17.00	15.00
	Provider 5	N/A	N/A	15.00	15.00
<b>RURAL COUNTIES:</b> <i>(Churchill, Elko, Esmeralda, Eureka, Humboldt, Lander, Lincoln, Lyon, Mineral, Nye, Pershing, Storey, White Pine)</i>					
	Provider 1	27.00	24.00	22.00	19.00
	Provider 2	24.00	23.00	21.00	21.00
	Provider 3	24.00	22.00	21.00	21.00
	Provider 4	18.00	17.00	16.00	16.00
	Provider 5	N/A	N/A	15.00	15.00
<b>PROVIDER TYPE CODES</b>					
	1	= Licensed Child Care Center, Nursery School, Preschool. (Over 13 Children)			
	2	= Licensed Group Care Home. (7-12 Children)			
	3	= Licensed Family Care Home. (1-6 Children)			
	4	= Informal Care			
	5	= Before & After School Unlicensed Care Center			

## Appendix C

### Child Care Program - Process

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The Child Care Subsidy Program involves children, parents, contractors, providers, and Division staff.

#### Approval Process for Household Subsidies

Parents start the process by applying for child care subsidies with a State-contracted non-profit organization. The contractor reviews the application to determine household eligibility for subsidies. The contractor obtains information such as:

- Household composition, such as the number of children, adults and their relation to the children,
- Place of residence,
- Place and date of birth for each child,
- Income such as wages,
- Child support and, if any, the amount received,
- Other sources of income such as unemployment and Social Security, and
- Child care provider the household wants to use.

To be eligible for child care subsidies, households have to demonstrate they meet certain criteria. These include:

- Members of the household are in fact living together,
- Children must be less than 13 years old, with the exception of special needs children up to 19,
- Children are citizens of the United States or lawfully admitted into this country,
- Parent's should have an approved reason for the subsidy, such as the parent needing to work or attend school, and
- Household income meets poverty levels determined by the federal government.

Households provide documents to support information contained in the application, such as:

- Lease agreements showing household members,
- Children's birth certificates,
- Immigration and Naturalization records,
- Social Security cards,
- Pay stubs or official class schedules, and
- Court and payment documents involving child support.

Contractor staff review the applications and supporting documents to verify eligibility. Staff also verify applicant statements by contacting employers and obtaining wage information. Staff access and review Division databases to compare the information to applicant statements. Division databases contain information regarding whether and how much the household is receiving in temporary public assistance, child support, food stamps, etc.

Once the contractors determine households are eligible for child care subsidies, they verify whether there is funding available and, if so, how much the subsidy will be. Funding is limited. Generally, households which are eligible for a subsidy of 80 percent or greater receive subsidies. The rest go on a waiting list. The amount of subsidy a household receives is based on a scale, which accounts for household income and size. (Appendix A)

Once the household is approved for subsidies, the contractor issues documentation to the parent and the provider. The documentation stipulates: the household is eligible for child care subsidies; which children are eligible; how much the State will subsidize for child care on a daily basis; and days and duration of child care that will be paid based on the parent's work, training, or school schedule. Generally, the documentation allows households to use subsidies for up to 180 days. Households can reapply to continue receiving subsidies and go through a modified verification process.

#### Provider Responsibilities

Providers must meet program requirements to supervise subsidized children, which include:

- Registering with the Division or possess a license from the DCFS,
- Signing service agreements with the Division, and
- Passing health and safety inspections.<sup>10</sup>

The parents take their children to the provider. Providers supervise children and bill the contractors for services. Parents sign documents with the provider showing their children's attendance. Providers submit attendance records and bill contractors monthly for subsidized services. Households pay providers the unsubsidized portion of their services.

#### Contractor Responsibilities

Contractors examine provider submitted records and pay the provider the billed subsidies. Contractors review the attendance records and compare billings to documentation it issued to the provider limiting the amount of subsidies. Contractors pay providers monthly. If the provider does not provide adequate

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<sup>10</sup> Inspections vary depending on the type and size of the provider. If the provider supervises the child in the child's home or is a close relative of the child, no inspection is required. Other providers receive inspections either from the contractors or the Division of Child and Family Services.

supporting documentation or errors in its billing, the contractor will adjust the payment.

#### Division Responsibilities

The Division pays contractors and monitors performance. The Division advances funding to the contractors twice monthly. The advance covers anticipated subsidy payments. It also covers anticipated costs for administering the program on behalf of the Division.

The Division samples child care subsidies for compliance with policies. The samples examine areas such as:

- Household eligibility requirements,
- Eligibility verification by contractors, and
- Provider attendance records.

The Division pursues collection from households, providers, and contractors for non-compliance with policies. It can also pursue administrative penalties, disqualification, and criminal sanctions for serious offenses.

## Appendix D

### Benefit Estimate for Paying Actual Attendance at Recreational Providers

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#### **Estimated current recreational provider payments**

Children using recreational providers	1,260
Estimated week days in a year	261
Weighted average daily subsidy, based on sample	<u>\$14.52</u>
Annual estimated recreational provider payments (1,260*261*\$14.52)	<u>\$4,775,047</u>

#### **Estimated provider payments if State only paid for actual attendance**

Children using recreational providers	1,260
Estimated week days in a year	261
Actual utilization based on sample results for licensed and informal providers	83.46%
Weighted average daily subsidy, based on sample	<u>\$14.52</u>
(1,260*261*.8346*\$14.52)	<u>\$3,985,254</u>

Estimated difference between current payments and paying for actual attendance	<u><u>\$789,793</u></u>
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## Appendix E

### Benefit Estimate for Eliminating Child Care Registration Fees

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#### Licensed Care

Number of children served in licensed care, May 2010	5,206
Registration fees charged based on sample	\$40
	<hr/>
	\$208,240

#### Recreational Providers

Number of children served by recreational providers, May 2010	1,260
Weighted average registration fees based on sample	\$35
	<hr/>
	\$44,100

Total estimated benefit for eliminating registration fees	<hr/>
	\$252,340
	<hr/>

## Appendix F

### Division of Welfare and Supportive Services Response and Implementation Plan

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Brian Sandoval  
*Governor*

STATE OF NEVADA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES  
DIVISION OF WELFARE AND SUPPORTIVE SERVICES  
1470 College Parkway  
Carson City, Nevada 89706-7924  
(775) 684-0500 • Fax (775) 684-0680

MICHAEL J. WILLEN  
*Director*

ROMAINE GILLILAND  
*Administrator*

April 22, 2011

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APR 26 2011

DIVISION OF INTERNAL AUDITS

William Chisel, C.P.A., Chief  
Division of Internal Audits  
3427 Goni Rd., Suite 103  
Carson City, NV 89706

Dear Mr. Chisel:

The Division of Welfare and Supportive Services (DWSS) would like to express its appreciation for this opportunity to review and respond to the recent audit of the Child Care Program. DWSS concurs with the audit recommendations and in some cases, has already initiated committees to research cost effectiveness and implementation of these program improvements.

Staff reviewed the audit findings document, addressing both the content and recommendations. In the text that follows you will find DWSS responses to statements and/or recommendations set forth in the audit.

**Recommendation 1:**

Obtain informal provider criminal histories.

**DWSS Action Plan:**

DWSS accepts this recommendation, but staff will need to explore criteria, methods and associated costs before proceeding with this recommendation.

**DWSS Implementation Plan:**

DWSS anticipates it can determine the feasibility of this recommendation and potential implementation of this recommendation by June 30, 2012.

**Recommendation 2:**

Review criminal histories for suitability to supervise children.

**DWSS Action Plan:**

The Division accepts this recommendation in conjunction with the previous recommendation.

**DWSS Implementation Plan:**

Currently, there is Federal legislation in committee that would amend and require states receiving funds under the Child Care and Development Block Grant Act of 1990 to conduct criminal background checks for staff members of child care providers and provide background checks to child care providers upon request. This bill defines a child care provider as a center-based child care provider, a group home provider, a family child care provider or other

provider of child care services for compensation and on a regular basis that is not related to all children for whom child care services are provided and is licensed, regulated, or registered under State law or receives funds under this subchapter. If passed, this bill would provide not only additional regulations to be incorporated in the Division's business practices but guidance and opportunity to expand on policy. DWSS will begin to probe the associated costs and current regulations in order to establish new protocol before federal mandates are passed. The Division believes it can establish policy by July 29, 2012, although pending legislation may affect the actual implementation date.

**Recommendation 3:**

Implement a policy requiring contractors to monitor billings for when providers appear to fail to meet child care licensing requirements.

**DWSS Action Plan:**

DWSS accepts this recommendation and has been in contact with both of our contractors regarding this recommendation. The Division recognizes a provider may appear to give care for more children than is noted on their license in any one day but those children may not be there at the same time. For example, four children may be cared for in the morning and three children cared for in the afternoon reflecting a total of seven on that day. Although the license may be for six children, more than six children are not cared for at the same time, therefore the provider is still in compliance per their license. A closer comparison of the billings, attendance sheets and license must be done to ensure there are no violations.

**DWSS Implementation Plan:**

The Division plans to meet with both providers to reinforce the review process and develop policy to make certain a provider does not care for more children than their license states ensuring proper supervision of children in their care. It is anticipated this will be accomplished by September 30, 2011.

**Recommendation 4:**

Refer alleged provider failure to meet child care licensing requirements to the Division of Child and Family Services.

**DWSS Action Plan:**

The Division accepts this recommendation and has been in contact with both our contractors regarding their procedures. As of July 1, 2010, both our contractors utilize a form for reporting any license discrepancies they discover upon reviewing billings from providers to the Division of Child and Family Services.

**DWSS Implementation Plan:**

The Division will meet with both contractors to develop policy clarifying proper referral procedures. This is anticipated to be accomplished by October 31, 2011.

**Recommendation 5:**

Consider only paying recreational providers for a child's actual attendance.

**DWSS Action Plan:**

The Division accepts this recommendation. Prior to receiving this report, a budget strategy committee was

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William Chisel, C.P.A., Chief  
April 22, 2011  
Page 3 of 5

Established. The committee will research costs associated with the Child Care Program and recommend potential cost saving measures that can be implemented. The committee will be meeting throughout the next several months and will submit a formal report to DWSS.

**DWSS Implementation Plan:**

The committee is reviewing and will prepare a formal report regarding all aspects of the program that may realize a cost savings to the program while serving the greatest number of children possible. It is anticipated that this will be accomplished by September 30, 2011.

**Recommendation 6:**

Consider eliminating paying child care registration fees.

**DWSS Action Plan:**

The Division accepts this recommendation. The committee referred to above is also in the process of considering the elimination/reduction of child care registration fees. Further review and analysis has been planned to evaluate not only the costs savings for the program, but ultimately the financial burden to the TANF NEON and TANF At Risk clients we are serving. Once a final determination has been made, any changes will be noted in policy.

**DWSS Implementation Plan:**

The committee is reviewing and will prepare a formal report regarding all aspects of the program that may realize a cost savings to the program while serving the greatest number of children possible. It is anticipated that this will be accomplished by September 30, 2011.

**Recommendation 7:**

Ensure contractors verify child support (as part of the income eligibility process) for clients using recreational providers.

**DWSS Action Plan:**

The Division accepts this recommendation and believes this was a training issue. Since July 1, 2011, our delegate agencies have received subsequent training on application submission and the requirements in properly filling out applications. DWSS also realizes the need to update policy to support program requirements.

**DWSS Implementation Plan:**

The Division has contacted both contractors to ensure delegate agencies have received proper training when filling out and reviewing client applications. DWSS staff will work with the contractors in developing policy. It is anticipated this will be accomplished by December 31, 2011.

**Recommendation 8:**

Ensure recreational providers attempt to obtain the location and approximate release date for incarcerated non-custodial parents.

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**DWSS Action Plan:**

The Division accepts this recommendation and believes the recreation providers may need training to assist them in obtaining additional information that will assist the Child Support Program to locate and enforce support regulations. DWSS will meet with our contractors to ensure training is developed for these providers.

**DWSS Implementation Plan:**

The Division anticipates this will be accomplished by September 30, 2011, but the final implementation date is undetermined as the training will be provided by our contractors.

**Recommendation 9:**

Refer parental statements regarding incarcerated parents to the Division's Child Support Enforcement section.

**DWSS Action Plan:**

The Division accepts this decision and believes it is associated with the two prior recommendations. DWSS will meet with our contractors to ensure training is provided and staffs are following written policy.

**DWSS Implementation Plan:**

The Division anticipates this will be accomplished by October 31, 2011.

**Recommendation 10:**

Establish investigation guidelines for contractors and refer cases for investigation.

**DWSS Action Plan:**

The Division accepts this recommendation. In discussions with our contractors, training is given on how to process a referral, but guidance is needed on when to refer a case. DWSS staff will update policy emphasizing the potential conditions, activities, etc. that should be questioned and may necessitate an investigation.

**DWSS Implementation Plan:**

The Division anticipates this will be accomplished by October 31, 2011.

**Recommendation 11:**

Consider requiring the contractor to review the ratio of household child care costs to income.

**DWSS Action Plan:**

The Division accepts this recommendation. As related to Recommendation 10 and Investigation Guidelines, DWSS staff needs to not only evaluate the effectiveness of this recommendation but additionally the case management process which should initially note any "red flags" regarding income to child care ratio costs. DWSS will meet with our contractors and program staff to determine the best course of action.

**DWSS Implementation Plan:**

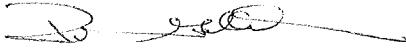
The Division anticipates this will be accomplished by October 31, 2011 but the final implementation date is undetermined due to the number of staff involved.

*Working for the Welfare of ALL Nevadans*

William Chisel, C.P.A., Chief  
April 22, 2011  
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Again, thank you for allowing me the opportunity to respond to your Internal Audit findings.

Sincerely,



Romaine Gilliland  
Administrator

cc: Michael J. Willden, Director, Department of Health and Human Services  
Deborah Braun, Deputy Administrator, Program and Field Operations  
Sue Smith, Deputy Administrator, Administrative Services  
Sherry Allsip, Acting Chief, Child Care Program  
Jeanne Gregg, DWSS Internal Auditor

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## Appendix G

### Timetable for Implementing Audit Recommendations

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In consultation with the Division, the Division of Internal Audits categorized the eleven recommendations contained within this report into two separate implementation time frames (i.e., *Category 1* – less than six months; *Category 2* – more than six months). The Division should begin taking steps to implement all recommendations as soon as possible. The Division's target completion dates are incorporated from Appendix F.

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#### **Category 1: Recommendations with an anticipated implementation period of less than six months.**

<u>Recommendations</u>	<u>Time Frame</u>
3. Implement a policy requiring contractors to monitor billings for when providers appear to fail to meet child care licensing requirements. (page 7)	Sep 2011
4. Refer alleged provider failure to meet child care licensing requirements to the Division of Child and Family Services. (page 7)	Oct 2011
5. Consider only paying recreational providers for a child's actual attendance. (page 8)	Sep 2011
6. Consider eliminating paying child care registration fees. (page 9)	Sep 2011
8. Ensure recreational providers attempt to obtain the location and approximate release date for incarcerated non-custodial parents. (page 10)	Sep 2011
9. Refer parental statements regarding incarcerated parents to the Division's Child Support Enforcement section. (page 10)	Oct 2011

- |  |          |
|--|----------|
| 10. Establish investigation referral guidelines for contractors and refer cases for investigation. (page 11) | Oct 2011 |
| 11. Consider requiring the contractor to review the ratio of household child care costs to income. (page 11) | Oct 2011 |



**Category 2: Recommendations with an anticipated implementation period exceeding six months.**

<u>Recommendations</u>	<u>Time Frame</u>
1. Obtain informal provider criminal histories. (page 7)	Jun 2012
2. Review criminal histories for suitability to supervise children. (page 7)	Jul 2012
7. Ensure contractors verify child support for clients using recreational providers. (page 10)	Dec 2011



The Division of Internal Audits shall evaluate the action taken by the Division of Welfare and Supportive Services concerning report recommendations within six months from the issuance of this report. The Division of Internal Audits must report the results of its evaluation to the Committee and the Division.