

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**A REVIEW OF THE STATE DEPARTMENT
OF EDUCATION'S ADMINISTRATION
OF CHILD DEVELOPMENT PROGRAMS**

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OFFICE OF THE AUDITOR GENERAL

P-568

A REVIEW OF THE STATE DEPARTMENT OF EDUCATION'S
ADMINISTRATION OF CHILD DEVELOPMENT PROGRAMS

JUNE 1986



Telephone:
(916) 445-0255

STATE OF CALIFORNIA
Office of the Auditor General
660 J STREET, SUITE 300
SACRAMENTO, CA 95814

Thomas W. Hayes
Auditor General

June 6, 1986

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Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning the State's subsidized child care and development programs. The report indicates that the department generally ensures that child care contractors comply with the funding terms and conditions of their contracts. However, the department has indicated that its ability to monitor program quality is limited by its current level of staff. The report also shows that state-subsidized child care is not immediately available for children who are at risk of being abused, neglected, or exploited.

Respectfully submitted,

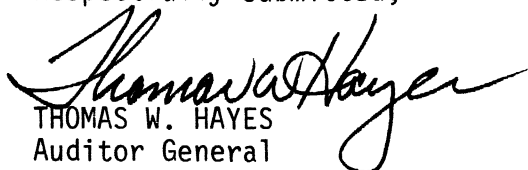

THOMAS W. HAYES
Auditor General

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SUMMARY

RESULTS IN BRIEF

The State Department of Education (department) generally ensures that contractors comply with the State's standards for the use of child development funds. However, the department does not always ensure that contractors comply with state standards for program quality. The director of the department's Child Development Division (CDD) attributed this problem to the CDD's limited staff. Section 6 of Chapter 1364, Statutes of 1985, requires the department, the Department of Finance, and the Legislative Analyst to develop workload standards to be used as a basis for the CDD's budget beginning in fiscal year 1986-87. The department's budget for fiscal year 1986-87 has not yet been approved.

In addition, state-subsidized child care is not always immediately available to children who are at risk of abuse, neglect, or exploitation because the programs for these children are full.

BACKGROUND

The department administers and monitors 14 different child care and development programs in California. These programs are operated by contracting agencies that provide child care for the full-time equivalent of 72,000 children per day. The State will provide \$309 million for these services during fiscal year 1985-86. To qualify for state-subsidized child care, families must either meet specific criteria related to income or have a child who is at risk of being abused, neglected, or exploited.

PRINCIPAL FINDINGS

Child Development Contractors' Compliance With State Standards

Contractors who run child development programs generally comply with the State's standards for the use of child development funds. The department ensures that contractors receive only those funds they earn and that appropriate action is taken to recover state funds when overpayments are made. However, contractors do not always comply with the State's standards for program quality, and while the CDD conducts program quality reviews to identify such problems, the CDD does not always ensure that these deficiencies are corrected. The director of the CDD has stated that a lack of staff limits the department's ability to monitor program quality but that some additional resources will be available for monitoring during the 1986-87 fiscal year. Section 6 of Chapter 1364, Statutes of 1985, requires the department, the Department of Finance, and the Legislative Analyst to develop workload standards to be used as a basis for the CDD's budget beginning in fiscal year 1986-87. The department's budget for fiscal year 1986-87 has not yet been approved.

State-Subsidized Child Care Is Not Immediately Available for Some Children Who Are at Risk of Abuse, Neglect, or Exploitation

Because most programs are full, subsidized child care is not immediately available to some children who are at risk of being abused, neglected, or exploited. According to the director of the CDD, overall demand for subsidized child development programs exceeds their availability. Officials at children's protective services agencies have stated that children at risk often must wait two months or more before they are enrolled in a subsidized child care program.

AGENCY COMMENTS

The State Department of Education agrees with the Auditor General's conclusions concerning child development programs. The department will explore its options to improve its monitoring of program quality. The department also agrees that there is a lack of available child care for children at risk of abuse, neglect, or exploitation but that additional funding will be needed to solve this problem.

INTRODUCTION

The State Department of Education (department) administers and monitors 14 different child care and development programs in California. (See the Appendix for a description of these programs.) The department does not directly provide child care and development services but is responsible for managing nearly 1,200 contracts with school districts, county offices of education, private nonprofit organizations, and public agencies. These organizations and agencies provide child development services for the equivalent of 72,000 children per day. The total amount of funding the State will provide for subsidizing these services during fiscal year 1985-86 will be approximately \$309 million.

While the Department of Social Services is responsible for licensing child care facilities, the department's Child Development Division (CDD) establishes both the program and the fiscal standards by which child care contractors must operate. The CDD's staff monitor the activities of these contractors by reviewing any written documentation that contractors are required to submit to the CDD and by conducting field visits. The CDD receives assistance in overseeing these programs from other organizational units within the department, including the Local Assistance Bureau, which apportions funds to contractors; the Audit Bureau, which reviews audits submitted by contractors; the Contracts Office, which ensures that child care contracts comply with

state laws; the Accounting Office, which records transactions related to contract activity; and the Legal Office, which provides advice on legal matters.

To qualify for state-subsidized child care, families must meet the eligibility criteria stated in the California Education Code. With few exceptions, families must be receiving public assistance payments, have a per capita income at or below 84 percent of the state median, or have a child who has been or is at risk of being abused, neglected, or exploited. Funding for subsidized child care is allocated to 53 of California's 58 counties.

SCOPE AND METHODOLOGY

This audit focused on the department's administration and supervision of the State's subsidized child development programs. We reviewed the laws and regulations pertaining to these programs. We also reviewed the department's policies and procedures and interviewed staff members to determine the department's methods for implementing its administrative responsibilities.

We examined all 141 of the program quality reviews the department conducted during 1984 and 1985 and accompanied department staff during one of these reviews. We visited nine of the programs the department identified as being deficient to determine if these programs

are now complying with state standards. The department's consultants accompanied us on these visits to provide expert advice on program quality.

We also examined a sample of case files for 60 contracts representing six different child development programs. To determine whether the department ensures that contractors comply with state standards for fiscal activities, we visited five of the agencies involved with these contracts to conduct independent tests of their fiscal practices. In addition, we reviewed the department's records for these 60 contracts to determine whether the amount of funds the contractors received and the terms of the contracts were appropriate.

Finally, we conducted a telephone survey of ten county agencies that provide protective services for children and seven respite care agencies to determine whether subsidized child care is available to children who have been or are at risk of being abused, neglected, or exploited.

AUDIT RESULTS

I

CHILD DEVELOPMENT CONTRACTORS' COMPLIANCE WITH STATE STANDARDS

Contractors who run child development programs generally comply with the State's standards for the use of child development funds. The State Department of Education (department) ensures that contractors receive only those funds they earn and that appropriate action is taken to recover state funds when overpayments are made. However, contractors do not always comply with the State's standards for program quality, and the Child Development Division (CDD) does not always conduct adequate follow-up reviews to ensure that deficiencies noted in earlier reviews have been corrected. The director of the CDD stated that a lack of staff limits the department's ability to monitor program quality but that some additional resources will be available for monitoring during the 1986-87 fiscal year. Section 6 of Chapter 1364, Statutes of 1985, requires the department, the Department of Finance, and the Legislative Analyst to develop workload standards to be used as a basis for the CDD's budget beginning in fiscal year 1986-87. The department's budget for fiscal year 1986-87 has not yet been approved.

Compliance With Funding Requirements

According to Section 8200 et seq. of the California Education Code, the department is allowed to establish contract terms and conditions for the use of child development funds. These terms and conditions govern all of the fiscal activities involved in operating subsidized child care programs. CDD analysts conduct on-site contract monitoring reviews to ensure that contractors comply with these standards.

To review the fiscal activities of child development contractors, we reviewed a sample of 60 contracts, representing \$100 million in subsidized child care, and independently conducted follow-up reviews of four contractors the department had previously identified as being out of compliance. Three contractors had only minor deficiencies, and the fourth had no deficiencies. In addition, we conducted an independent initial review of the department's single largest contract and found that the contractor was complying with state standards for the use of child development funds.

We also used our sample of 60 contracts to determine whether the department ensures that contractors receive only those funds that they earn and that the department takes appropriate actions to recover state funds when overpayments occur. We found that the department generally fulfills both of these responsibilities.

Finally, we used our sample of 60 contracts to determine whether the department establishes contract terms that reflect the contractors' demonstrated ability to provide child care. We found that 3 of these 60 contractors have provided at least 19 percent more than the minimum number of child days of enrollment their contracts required during each of the past two fiscal years. These enrollment levels reflect disparity between contract requirements and the demonstrated ability of the contractor to provide child care services. If the department's contracts do not accurately reflect the contractors' ability to provide services, the department cannot ensure that it is getting the maximum service for its money. The director of the CDD has stated that if these contractors continue enrollment levels that are significantly above contract requirements, these contracts will be adjusted during next year's review process.

Compliance With Program Requirements

In accordance with Section 8203 of the California Education Code, the department has issued standards for the implementation of "quality child development programs." These standards govern many different aspects of child development programs, including environment, activities, administration, staff qualifications, and family involvement. The CDD's consultants conduct on-site program quality reviews to ensure that contractors comply with these standards. At present, the program quality review process, which began in 1983, applies only to programs that are serving preschool-age children and

that are operating in children's centers, alternative payment programs, and resource and referral programs. The director of the CDD has stated that this process will be expanded to include all 14 programs administered by the department within the next five years; however, present staff resources would allow consultants to visit each contract site only once every nine and one-half years, about one third of the CDD's original goal of once every three years.

The CDD's consultants sometimes detect serious deficiencies during program quality reviews. We accompanied CDD staff on an initial review of a child development contractor; during this review, department staff learned for the first time that the contractor was not providing a nutrition program as its contract requires. The department has since placed this contractor's contract on conditional status for one year and is requiring the contractor to develop a nutrition program.

In addition, we examined summaries of 141 program quality reviews that the CDD consultants conducted during 1984 and 1985 and noted that the consultants had identified 78 contractors that did not comply with standards for addressing the needs of children and communicating with parents. To determine whether the CDD conducts sufficient follow-up activities to ensure that the contractors that were violating state standards were now complying with these standards, we visited nine of these agencies with CDD consultants. During these follow-up reviews, conducted at least nine months after the CDD's

initial review, we found that three of the nine agencies still did not comply with state standards. As a result, some families do not receive the high quality child care they and the State are paying for.

For example, two years after the CDD's review, one agency still had not established lesson plans for developing children's skills. A second agency still had not established regular parent-teacher conferences in the nine months following the CDD's initial review, and a third agency, for more than sixteen months after the CDD's initial review, still had not complied with state standards for linking activities to the needs of individual children.

The director of the CDD has stated that a lack of staff limits the department's ability to conduct both initial program quality reviews and related follow-up reviews. According to the director, present staff resources do not adequately safeguard public funds used for child development programs and allow consultants to review the quality of the contractors' programs only once every nine and one-half years. However, the director has indicated that the department's decision to perform some contract review activities every two years instead of every year will provide some additional staff to monitor the quality of contractors' programs during the 1986-87 fiscal year.

Section 6 of Chapter 1364, Statutes of 1985, requires the department, the Department of Finance, and the Office of the Legislative Analyst to develop workload standards for "the audit,

accounting, and legal analysis of contracts" in the CDD. Beginning in fiscal year 1986-87, Section 6 of Chapter 1364, Statutes of 1985, also requires the Legislature to use these workload standards as the basis for determining the CDD budget. The department's budget for fiscal year 1986-87 has not yet been approved.

CONCLUSION

Contractors who run state-subsidized child development programs generally comply with state standards for the use of child development funds. Furthermore, the State Department of Education ensures that contractors receive only those funds that they earn, that appropriate actions are taken to recover overpayments, and that contract terms generally reflect contractors' ability to provide child care.

The department does not always ensure that child care contractors comply with standards for program quality. Some contractors were not complying with these standards at least nine months after the department reviewed their programs. While the director of the Child Development Division has indicated that present staff resources limit the department's ability to monitor program quality, some additional staff time will be available for program monitoring because of a reduction in some of the department's other mandated activities. In addition, as state law requires, the

department, the Department of Finance, and the Legislative Analyst have issued reports on workload standards to determine the CDD's budget for fiscal year 1986-87. The amount of funding the department receives will determine the frequency of the CDD's program quality reviews and related follow-up activities.

II

STATE-SUBSIDIZED CHILD CARE IS NOT IMMEDIATELY AVAILABLE FOR SOME CHILDREN WHO ARE AT RISK OF ABUSE, NEGLECT, OR EXPLOITATION

Because most programs are full, subsidized child care is not immediately available to some children who have been or are at risk of being abused, neglected, or exploited. According to the director of the CDD, overall demand for subsidized child development programs exceeds their availability. Officials at children's protective services agencies and respite care agencies have corroborated these statements.

Section 8263 of the California Education Code requires child development programs to give first priority for enrollment to children who have been or are at risk of being abused or neglected. To determine whether these children have immediate access to subsidized child care, we conducted a telephone survey of the children's protective services agencies (CPS) in ten counties and of seven of the department's respite care contractors. While the responses of these agencies varied, some children at risk do not have immediate access to subsidized child care.

Two of the ten CPS agencies we contacted indicated that children at risk often must wait two months or more before they are enrolled in a subsidized child care program. Another three CPS

agencies indicated that children at risk sometimes wait two weeks or more for such care. One CPS official stated that a lack of subsidized day care sometimes makes it impossible to keep these children with their families, thereby making out-of-home placement necessary.

Of the seven respite care contractors we contacted, two indicated that children at risk must wait an average of one month while another two indicated these children must wait an average of one year for subsidized child care. The three remaining contractors indicated that they did not receive sufficient funds to provide respite care referrals all year.

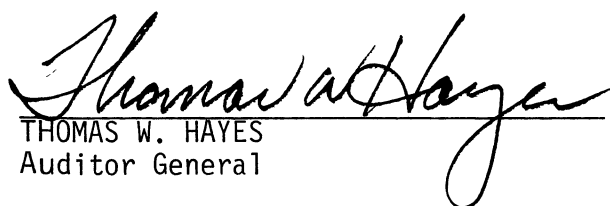
According to the director of the CDD, the demand for subsidized child care in California exceeds the availability of these services. He further stated that, while children at risk are given first priority for enrollment, subsidized child care is not immediately available to some of these children because most programs are full.

CONCLUSION

Subsidized child care is not immediately available to some children who have been or are at risk of being abused, neglected, or exploited because most programs are full and the demand for subsidized child care in California exceeds its current availability.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,


THOMAS W. HAYES
Auditor General

Date: June 2, 1986

Staff: William S. Aldrich, Audit Manager
Peter Allyn Goldstein
Cynthia A. Brown
Daniel W. Gonzales

DESCRIPTION OF CHILD CARE AND
DEVELOPMENT PROGRAMS ADMINISTERED
BY THE STATE DEPARTMENT OF EDUCATION

1. General Child Care

General child care and development programs are operated by a variety of providers--including public agencies, private agencies, and county welfare programs--that use child development centers and, occasionally, family day care homes. These agencies provide basic supervision, age-appropriate development, nutrition, parent education, staff development, and social services.

2. State Migrant Child Development

The Migrant Child Care and Development program cares for children while their parents are employed in fishing, agriculture, or related work. Migrant child care centers are open for varying lengths of time during the year depending upon the growing/harvest season in each area.

3. Federal Base Migrant Child Development

This program is the same as the State Migrant Child Development program except that it is federally funded and has slightly different eligibility standards.

4. State Preschool

State Preschool programs provide a part-day comprehensive development program for three- to five-year-old children from low income families. The program includes educational development, health services, social services, nutrition services, parent education and participation, evaluation, and staff development. State Preschool programs are administered by private agencies as well as school districts and county offices of education.

5. Alternative Payment

Alternative Payment programs offer a variety of child care and child development arrangements that include in-home care, family child care homes, and center care. The alternative payment agency makes a monthly payment to a child care provider selected by the family.

6. Resource and Referral

Resource and Referral programs provide information to parents about the availability of child care and coordinate community resources for the benefit of parents and local child care providers.

7. Family Day Care Homes

Family Day Care Homes provide care for children in a family setting. Typically, there are fewer than six children being cared for in the care provider's home.

8. Special Programs for the Severely Handicapped

Special Programs for the Severely Handicapped provide supervision, care, therapy, guidance, and parental counseling to the families of eligible children whom the contracting agency serves.

9. School Age Parenting and Infant Development (SAPID)

SAPID programs serve high school-age parents by providing parent education and career development. Located on or near school campuses, these programs also provide child care for children while the parents complete their education. These programs are currently operated by public high schools and county offices of education.

10. Campus Child Development

This program is primarily for the children of students enrolled in college. These programs may also serve as a "hands on" classroom experience for students enrolled in child development classes. The centers are operated by either student associations or the college administration.

11. Protective Services (Respite)

This program is for the placement and support of children in need of protective services who could not be accommodated using other designated funds. This program is operated through Resource and Referral programs.

12. Pregnant Minors

The Pregnant Minors program provides funding to school districts for the counseling and guidance of pregnant students.

13. Job Training Partnership Act (JTPA)

The Job Training Partnership Act replaces the Comprehensive Employment and Training Act (CETA) program. The Child Development Division provides some funding to encourage and assist employers in instituting child care services in their communities to serve parents receiving this training.

14. Extended Day Care ("Latchkey")

Extended day care programs offer a safe environment with the appropriate activities for the development of school-age children during the hours immediately before and immediately after the normal school day.



May 27, 1986

Thomas W. Hayes
Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes:

We have reviewed your agency's draft report entitled "A Review of the State Department of Education's Administration of Child Development Programs." The Department is pleased with your conclusion that there are no major problems that the Child Development Division (CDD) is not handling within its resources.

The report includes a finding that there is not always timely corrective action by a few agencies reviewed for program quality. This is due to lack of responsiveness by some agencies and lack of sufficient CDD staff for program monitoring follow up. The current cycle is now every 9.5 years which we do not feel is prudent. Within our existing resources, CDD is exploring options to maximize resources to resolve this problem. As stated at the exit conference, the Department concurs with the finding.

The report also concluded that there is a lack of available child care for at-risk-children. The Department concurs with this finding. The solution to the problem is additional funds for respite and general child care programs. The Department would support legislation for expansion.

Finally, the Department wishes to commend the study staff. They were most professional and highly responsive to the Division's operational demands and time constraints.

Sincerely,

A handwritten signature in cursive script that reads "Diane I. Kirkham".

Diane I. Kirkham
Assistant Superintendent
Executive Planning & Review Office

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps