



Thomas A. Schweich
Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

Early Childhood Development, Education, and Care Fund

November 2013
Report No. 2013-114



<http://auditor.mo.gov>

Early Childhood Development, Education, and Care Fund Follow-Up Report on Audit Findings Table of Contents

State Auditor's Letter

2

Status of Findings*

1.1 Start Up and Expansion program (Contract Compliance)3

*Includes selected findings



THOMAS A. SCHWEICH

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Brian Kinkade, Acting Director
Department of Social Services
Jefferson City, Missouri

We have conducted follow-up work on an audit report finding contained in Report No. 2013-046, *Early Childhood Development, Education, and Care Fund*, issued in June 2013, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the Department of Social Services (DSS) about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the DSS prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we focused on the status of the recoupment of Start Up and Expansion (SUE) payments addressed in finding 1.1 because the General Assembly did not appropriate funding for the program and the DSS awarded no new SUE contracts during state fiscal years 2014 and 2013. We received and reviewed the department's written response and related supporting documentation. This report is a summary of the results of this follow-up work, which was substantially completed during October 2013.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich
State Auditor

Early Childhood Development, Education, and Care Fund

Follow-Up Report on Prior Audit Findings

Status of Findings

1.1 Start Up and Expansion program The Department of Social Services (DSS) needed to limit the amount of Start Up and Expansion (SUE) funding advanced to child care facilities and develop formal procedures to recoup grant monies from child care facilities participating in the program that did not comply with contract requirements. The purpose of the SUE program was to increase capacity at facilities offering infant and toddler child care for ages birth to 2 or 3 years old, depending on the contract type. The program provided funding for equipment, supplies, initial staff salaries, minor remodeling to meet licensing guidelines, and education and training of staff.

Three of the 18 child care facilities (17 percent) that received new funding awards in state fiscal years 2010 and 2011 stopped participating in the program before the 4 year agreements expired. The DSS did not require these three child care facilities to repay any of the approximately \$171,500 paid before the facility owners voluntarily or the DSS terminated the contracts. The DSS paid one facility \$22,500 to operate a child care facility that no children ever attended; paid another facility \$60,000 to create 16 licensed child care slots at a new center that was not built; and paid a third facility \$89,000 to add 24 slots, but the owner only added 14 slots and then sold the facility 3 months later to a buyer who chose not to participate in the program. At the time of our audit, DSS officials indicated they had not consulted with the Division of Legal Services (DLS), the legal support unit of the DSS, regarding repayment of the contracts. After we questioned the lack of repayment, officials contacted the DLS.

Recommendation

The DSS evaluate the need to advance SUE funding to child care facilities and develop policies and procedures specifying terms and conditions applicable when a contract is voluntarily or involuntarily terminated, including full or partial repayment of grant funds. The DSS should continue to work with the DLS to enforce contract provisions and recoup monies owed to the state.

Status

In Progress

The General Assembly did not appropriate funding for the program and the DSS awarded no new SUE contracts during state fiscal years 2014 and 2013. The DSS referred the three provider contracts to the DLS for evaluation and review. The DSS indicated the DLS concluded one provider substantially complied with all material terms of the contract and filing a breach of contract action is unwarranted. The DLS referred two providers to the Attorney General's office on July 23, 2013 for review and, if appropriate, filing a breach of contract action. The Attorney General's office has not completed its review of the cases. The DSS indicated the DLS will continue to coordinate with the Attorney General's office if it is decided further legal action is merited.