



STATE OF WISCONSIN

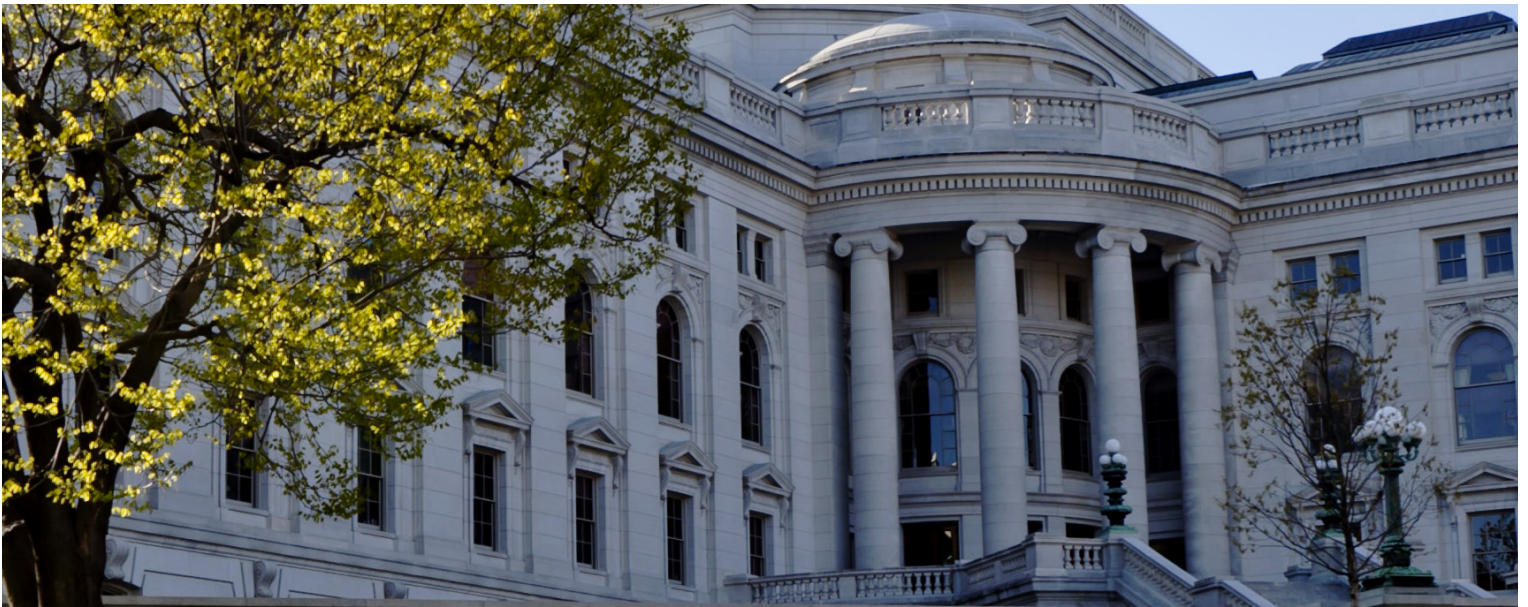
# Legislative Audit Bureau

NONPARTISAN • INDEPENDENT • ACCURATE

Report 21-4  
March 2021

## Child Care Counts Program

*Department of Children and Families*





# Child Care Counts Program

*Department of Children and Families*



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Legislative Audit Bureau

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Program Funds Awarded to Child Care Providers, by Location
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## **Response**

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From the Secretary of the Department of Children and Families
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STATE OF WISCONSIN

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# Legislative Audit Bureau

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State Auditor

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March 12, 2021

Senator Robert Cowles and  
Representative Samantha Kerkman, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

Under provisions of 2019 Wisconsin Act 185, we have completed a review of the Department of Children and Families' (DCF's) administration of \$51.6 million provided through the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. DCF awarded these funds through its Child Care Counts program. DCF subsequently awarded an additional \$80.0 million through two supplemental rounds of funding, but these funds were not included in our review.

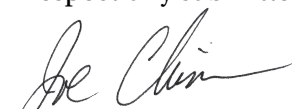
DCF awarded \$51.0 million to 2,720 child care providers, which used the funds to cover certain costs related to the public health emergency that were incurred from March 12, 2020, through May 26, 2020. The average award totaled \$19,000. DCF's program administration costs totaled \$500,000, which was 1.0 percent of the \$51.6 million. DCF administered the program according to the procedures it established.

We requested that 100 child care providers submit documentation of how they spent the \$7.0 million that they were awarded. In response to our request, 80 providers submitted at least some documentation that indicated they spent 40.3 percent of the \$5.6 million they were awarded to help cover payroll costs. A total of 24 providers did not submit complete documentation, including 20 providers that submitted no documentation. We recommend that DCF require these 24 providers to submit complete documentation of how they spent program funds.

To help ensure program funds were spent appropriately, DCF conducted three reviews of the \$51.0 million it awarded. We found that DCF's reviews did not take into account all information that providers had submitted when applying for program funds. We recommend that DCF take into account all information submitted by providers when it conducts additional reviews of amounts awarded to providers.

We appreciate the courtesy and cooperation extended to us by DCF. A response from the secretary of DCF follows our report.

Respectfully submitted,



Joe Chrisman  
State Auditor

JC/DS/ss



## Child Care Counts Program

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***In March 2020, the federal CARES Act provided Wisconsin with \$51.6 million to support child care providers.***

In March 2020, the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act provided Wisconsin with \$51.6 million to support child care providers. The Department of Children and Families (DCF) licenses and regulates providers, which faced financial and other challenges because of the public health emergency. 2019 Wisconsin Act 185, which was enacted in April 2020, authorized DCF to propose a plan for distributing the CARES Act funds to providers. In May 2020, the Joint Committee on Finance authorized DCF to implement its plan to create the Child Care Counts program. Under this program, all licensed or certified providers were allowed to apply for funds to cover certain costs related to the public health emergency that were incurred from March 12, 2020, through May 26, 2020.

DCF required child care providers to separately apply for funds to cover costs incurred during three time periods: March 12, 2020, through April 11, 2020; April 12, 2020, through May 11, 2020; and May 12, 2020, through May 26, 2020. During each time period, providers could apply for funds from one or more of the program's three components:

- Component one offered funds to providers that were open for business and providing child care services to the families of individuals deemed to be essential during the public health emergency, such as healthcare employees, emergency responders, and sanitation employees.
- Component two offered funds to providers that were open for business. Providers could use the funds to cover the costs of incentive pay to retain employees.

- Component three offered funds to providers that were closed for business but that agreed to reopen within 30 days of receiving the funds.

Child care providers could use the funds awarded under component one and component three to cover business-related costs such as payroll, mortgage and rent, utilities, and cleaning and sanitation supplies, as well as reimbursing parents for the cost of child care. Providers could use the funds awarded under component two for only the costs of incentive pay. DCF disbursed the program funds for each of the three time periods in separate lump sum payments to child care providers. Providers agreed to retain records of how they spent the funds. DCF allowed providers to spend the funds on costs incurred after a given time period ended.

DCF subsequently awarded a total of \$80.0 million to child care providers through two supplemental rounds of funding. DCF accepted funding applications from providers from September 9, 2020, through September 18, 2020, for the first round, and from October 26, 2020, through November 6, 2020, for the second round. Providers could apply for funds to recruit and retain staff and to operate their facilities. DCF targeted these funds to providers that cared for children under six years old. We did not include the \$80.0 million in our review.

Act 185 requires the Legislative Audit Bureau to use risk-based criteria to review selected programs affected by Act 185 and selected expenditures made with funds authorized by Act 185. We completed a review of how DCF managed the \$51.6 million it received in March 2020. To do so, we reviewed DCF's program policies and procedures, assessed how DCF disbursed funds to child care providers, and assessed the extent to which DCF used the funds to cover its administrative costs. We also selected a sample of 100 providers, including all 58 providers that received more than \$75,000 and 42 providers that received the largest amounts in randomly selected counties where the 58 providers were not located. We requested that these 100 providers provide us with documentation of how they spent program funds.

## **Program Administration**

DCF allocated the program funding among the three components. It did so based on the estimated cost of providing child care to the children of essential workers for two months, providing incentive pay for each child care employee in the state for one month, and supporting for one month the cost of the operations of providers that were closed for business.

To alert child care providers about the availability of program funds, DCF emailed all providers that had previously signed up to receive such messages and posted announcements on two widely used social media websites. DCF also provided information about the program on its website. Providers applied online for funds and submitted information about their operations, such as the numbers of children

who attended their facilities, the numbers of staff they employed and the total number of hours these staff worked, and the periods of time when they were closed for business. DCF used this information to determine the amounts to award providers.

***DCF administered the program according to the procedures it established when it awarded funds for costs incurred by child care providers from March 12, 2020, through May 26, 2020.***

DCF administered the program according to the procedures it established when it awarded funds for costs incurred by child care providers from March 12, 2020, through May 26, 2020. We reviewed the information that child care providers submitted on their applications and found that DCF accurately calculated the amounts to award each provider, based on this information and its procedures.

***DCF awarded \$51.0 million to 2,720 child care providers, or an average of \$19,000 to each provider.***

As shown in Table 1, DCF awarded \$51.0 million to 2,720 child care providers, some of which were awarded funds under multiple program components in multiple time periods. On average, each provider was awarded a total of \$19,000.

Table 1

**Program Funds Awarded to Child Care Providers, by Program Component<sup>1</sup>**  
March 12, 2020, through May 26, 2020

Program Component	Total Paid (in millions)	Number of Providers	Average Amount Awarded to Each Provider
1	\$36.9	2,187	\$17,000
2	9.8	2,185	4,000
3	4.3	924	5,000
<b>Total</b>	<b>\$51.0</b>	2,720 <sup>2</sup>	19,000

<sup>1</sup> Based on data DCF provided in November 2020.

<sup>2</sup> Does not total because some providers received awards under multiple program components.

As shown in Table 2, 590 child care providers (21.7 percent) were awarded less than \$5,000 in program funds, and 58 providers (2.1 percent) were awarded more than \$75,000. The total amounts awarded to individual providers ranged from \$5 to \$132,200. Providers in 70 counties and in 2 tribal areas were awarded funds, as shown in the Appendix. No providers in Iron or Menominee counties were awarded funds.

Table 2

**Program Funds Awarded to Child Care Providers<sup>1</sup>**  
March 12, 2020, through May 26, 2020

Amount	Number of Providers	Percentage of Total
Less than \$5,000	590	21.7%
\$5,000 to \$9,999	400	14.7
\$10,000 to \$14,999	689	25.3
\$15,000 to \$19,999	249	9.2
\$20,000 to \$39,999	429	15.8
\$40,000 to \$75,000	305	11.2
More than \$75,000	58	2.1
<b>Total</b>	<b>2,720</b>	<b>100.0%</b>

<sup>1</sup> Based on data DCF provided in November 2020.

***DCF spent \$500,000 of the \$51.6 million (1.0 percent) on program administration.***

We found that DCF spent \$500,000 of the \$51.6 million (1.0 percent) on program administration through June 2020, including \$238,800 to develop an online system for accepting applications from child care providers. As of January 2021, DCF had not spent additional amounts on program administration.

As of February 2021, DCF had not spent \$173,000 of the \$51.6 million and was reviewing options for spending it. This unspent amount included funds that DCF had awarded but subsequently recouped from child care providers.

## File Review

***In response to our request, 76 of 100 child care providers submitted complete documentation of how they had spent program funds awarded to them.***

We requested that 100 child care providers submit documentation of how they spent the \$7.0 million in program funds they were awarded. This amount represented 14.0 percent of the \$51.0 million that DCF awarded. In response to our request, 80 providers submitted at least some documentation, including 76 providers that submitted complete documentation about how they spent program funds awarded to them and 4 providers that submitted incomplete documentation. A total of 20 providers submitted no documentation.

As shown in Table 3, the 80 child care providers submitted documentation indicating that they spent 40.3 percent of the \$5.6 million in program funds awarded to them to help cover payroll costs. Four providers did not provide documentation indicating how they spent \$119,900 of the \$245,000 awarded to them.

Table 3

**File Review: Child Care Provider Expenditures, by Type<sup>1</sup>**

Type	Expenditure Amount	Percentage of Total
Payroll	\$2,239,000	40.3%
Incentive Pay	1,273,600	22.9
Mortgage and Rent	765,300	13.8
Parent Reimbursement	604,700	10.9
Utilities	162,800	2.9
Other <sup>2</sup>	116,000	2.1
Facility Repairs <sup>3</sup>	101,600	1.8
Cleaning Supplies and Personal Protective Equipment	77,900	1.4
Educational Supplies	43,600	0.8
Unknown	119,900	2.2
Unspent Program Funds	57,300	1.0
<b>Total</b>	<b>\$5,561,500</b>	<b>100.0%</b>

<sup>1</sup> According to documentation submitted by 80 of the 100 providers we contacted.

<sup>2</sup> Includes insurance, continuing education, food, and other supplies.

<sup>3</sup> Includes repairs and improvements for health and safety reasons.

We provided DCF with the names of the 20 child care providers that submitted no documentation of how they spent the \$1.4 million awarded to them, as well as the names of the 4 providers that submitted incomplete documentation. DCF should require these 24 providers to submit complete documentation of how they spent program funds awarded to them. DCF should then assess this information to ensure that these 24 providers spent all program funds for allowable purposes.

**Recommendation**

*We recommend the Department of Children and Families:*

- *require 24 child care providers to submit complete documentation of how they spent Child Care Counts funds awarded to them;*
- *review the submitted documentation to ensure that these 24 child care providers spent all program funds for allowable purposes; and*
- *report to the Joint Legislative Audit Committee by June 30, 2021, on its efforts to implement these recommendations.*

## Recoupment of Program Funds

*DCF conducted three reviews of the \$51.0 million it had awarded to child care providers.*

To help ensure that program funds were awarded and used appropriately, DCF conducted three reviews of the \$51.0 million it had awarded to child care providers. During these reviews, DCF examined a total of 2,198 payments it had made to providers. As a result of these reviews, DCF determined that providers should repay \$280,000, which was 0.5 percent of the \$51.0 million awarded to all providers. As of January 2021, DCF had recouped \$146,900 and was working to recoup the remaining funds.

DCF indicated that in late December 2020 it used funds that it had recouped to award \$134,000 to 921 child care providers that had previously been awarded funds under component one, which supported the provision of child care to the families of essential workers. Each provider received either \$110 or \$170, depending on the type of child care facility.

*DCF's three reviews did not take into account all information that child care providers had submitted.*

We found that DCF's three reviews did not take into account all information that child care providers had submitted when applying for program funds for different time periods. For example, a provider could have indicated in its application that it was open for business on certain dates but subsequently submitted information while applying for funds for a subsequent time period indicating that it was actually open for business on different dates. Such changes could have affected the amount awarded to a provider.

As noted, DCF awarded a total of \$80.0 million to providers through two supplemental rounds of funding. DCF indicated that it completed a review of the amounts awarded through the first round of funding and planned to conduct a review of the amounts awarded through the second round of funding.

DCF should take into account all information submitted by child care providers when it conducts a review of the amounts awarded through the second supplemental round of funding. Doing so will ensure that funds are awarded appropriately.

### Recommendation

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*We recommend the Department of Children and Families:*

- *take into account all information submitted by child care providers when it conducts a review of the amounts awarded through the second supplemental round of child care funding; and*
- *report to the Joint Legislative Audit Committee by June 30, 2021, on its efforts to implement this recommendation.*



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## Appendix

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## Appendix

### **Program Funds Awarded to Child Care Providers, by Location** March 12, 2020, through May 26, 2020

Location	Number of Providers	Total Amount Awarded	Average Amount Awarded to Each Provider
<b>County</b>			
Adams	4	\$ 24,000	\$ 6,000
Ashland	23	267,000	12,000
Barron	16	260,000	16,000
Bayfield	1	1,000	1,000
Brown	76	2,238,000	29,000
Buffalo	6	67,000	11,000
Burnett	3	111,000	37,000
Calumet	18	281,000	16,000
Chippewa	24	485,000	20,000
Clark	14	290,000	21,000
Columbia	22	438,000	20,000
Crawford	9	130,000	14,000
Dane	364	5,708,000	16,000
Dodge	20	452,000	23,000
Door	2	51,000	25,000
Douglas	14	297,000	21,000
Dunn	7	271,000	39,000
Eau Claire	49	1,351,000	28,000
Florence	1	36,000	36,000
Fond du Lac	20	723,000	36,000
Forest	5	58,000	12,000
Grant	27	399,000	15,000
Green	23	336,000	15,000
Green Lake	6	69,000	12,000
Iowa	7	117,000	17,000
Jackson	10	159,000	16,000
Jefferson	13	334,000	26,000
Juneau	5	142,000	28,000
Kenosha	69	1,428,000	21,000
Kewaunee	12	248,000	21,000
La Crosse	66	1,626,000	25,000

Location	Number of Providers	Total Amount Awarded	Average Amount Awarded to Each Provider
<b>County</b>			
Lafayette	5	\$ 58,000	\$12,000
Langlade	5	96,000	19,000
Lincoln	11	129,000	12,000
Manitowoc	16	331,000	21,000
Marathon	49	889,000	18,000
Marinette	17	248,000	15,000
Marquette	1	38,000	38,000
Milwaukee	880	14,252,000	16,000
Monroe	22	331,000	15,000
Oconto	11	197,000	18,000
Oneida	11	139,000	13,000
Outagamie	63	1,627,000	26,000
Ozaukee	24	696,000	29,000
Pepin	9	89,000	10,000
Pierce	18	250,000	14,000
Polk	18	314,000	17,000
Portage	30	454,000	15,000
Price	10	150,000	15,000
Racine	75	1,451,000	19,000
Richland	1	16,000	16,000
Rock	54	763,000	14,000
Rusk	2	52,000	26,000
Sauk	30	543,000	18,000
Sawyer	8	191,000	24,000
Shawano	6	155,000	26,000
Sheboygan	24	474,000	20,000
St. Croix	36	1,020,000	28,000
Taylor	8	105,000	13,000
Trempealeau	11	170,000	15,000
Vernon	9	142,000	16,000
Vilas	7	123,000	18,000
Walworth	18	301,000	17,000
Washburn	5	137,000	27,000
Washington	46	1,021,000	22,000
Waukesha	138	3,114,000	23,000
Waupaca	15	208,000	14,000
Waushara	8	93,000	12,000

Location	Number of Providers	Total Amount Awarded	Average Amount Awarded to Each Provider
<b>County</b>			
Winnebago	49	\$ 1,311,000	\$27,000
Wood	32	873,000	27,000
<b>Tribal Area</b>			
Bad River Band of Lake Superior Chippewa	1	13,000	13,000
Oneida Nation	1	4,000	4,000
<b>Total</b>	<b>2,720</b>	<b>\$50,966,000</b>	19,000



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## Response

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March 8, 2021

Mr. Joe Chrisman, State Auditor  
Legislative Audit Bureau  
22 East Mifflin Street, Suite 500  
Madison, WI 53703

Dear State Auditor Chrisman:

The Department of Children and Families appreciates the work and time the Legislative Audit Bureau committed to the review of the Child Care Counts program. The Department values LAB's feedback and welcomes the opportunity to strengthen the administration of this important program. Thank you for this opportunity.

Early in the COVID-19 pandemic, the Department supported the growing demand for child care access for essential workforce families by assisting in the launch of three emergency payment programs to support child care providers. These programs supported the costs of funding child care for essential workforce families, provided incentive pay for child care providers and individual educators, and supported temporarily closed child care programs to retain staff and reopen.

Please accept the Department's responses to the recommendations made by LAB:

**File Review Recommendation**

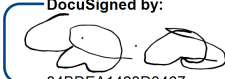
As recommended by LAB, the Department will work to retrieve and review expense documentation for the 24 remaining child care providers who did not provide full documentation at the time of LAB's original request. By June 30, 2021, the Department will report on the efforts made to implement this recommendation to the Joint Legislative Audit Committee. The Department agrees on the importance of ensuring the funds are spent appropriately.

**Recoupment of Program Funds Recommendation**

As recommended by LAB, the Department will make every effort to account for all information submitted by child care providers during the Department's review of supplemental amounts awarded to child care providers. By June 30, 2021, the Department will report on the efforts made to implement this recommendation to the Joint Legislative Audit Committee. The Department agrees on the importance of making appropriate awards of funds based on all available information.

Thank you again for this opportunity to respond, and the Department looks forward to working with LAB in the future.

Sincerely,

DocuSigned by:  
  
84BDEA1423D3467...  
Emilie Amundson  
Secretary