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Cashing in on Kids | A Watchdog Report

Child-care scams rake in thousands



Phantom caretaking, fake jobs used to defraud taxpayer-funded system

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First of two parts

On paper Angela Hale is a child-care provider.

She reported taking care of the same five kids seven days a week while their mom supposedly worked at a lawn-care service, even in the winter months.

The government paid Hale more than \$30,000 last year for her child-care business.

It appears the government got duped. Hale didn't care for the kids at times she said she did, nor did the mom legitimately work, the Journal Sentinel found.

The newspaper spent four months investigating the \$340 million taxpayer-financed child-care system known as Wisconsin Shares and uncovered a trail of phony companies, fake reports and shoddy oversight.

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The program was designed to give low-wage working parents assistance with child care, encouraging them to get and keep jobs, rather than stay on welfare. While the need in many of the 34,000 cases is genuine, the system allows child-care providers and parents to easily con the system, capitalizing on children for public cash.

The Journal Sentinel focused on the five Wisconsin counties with the highest number of subsidized child-care recipients - Milwaukee, Dane, Racine, Kenosha and Brown counties.

Among the findings:

- Counties accept almost anything as proof of employment for parents seeking child-care assistance. Notes from employers, phone conversations, checks stubs - all of which are easily fabricated - serve as sufficient proof. As a result payments are sometimes approved based on bogus jobs.
- Caseworkers sign off on child-care arrangements that defy the imagination. In one instance, child-care funding was approved for 85 hours a week even when children were in school all day. If the statements were to be believed, the children would almost never be home. In another case, a woman was granted child-care assistance to work 236 of 238 days, including the day she gave birth to her seventh child.
- Regulators seldom revoke licenses for fraud and are slow to act even when they have strong evidence. In at least two cases, government officials suspected that providers were falsifying documents for three years before finally moving to shut down the child-care operations. Prosecutors have filed only one child-care fraud case in the past five years.

"When you consider the nature of the scheme, it's just so easy to do," said David Feiss, a Milwaukee County assistant district attorney. "Frankly if you kept it to a small scale and were satisfied to keep it to a grand a week, I don't know how you would ever get caught."

State and local officials admit that when providers are caught billing for hours children are not actually in their care, it's typically treated as an error rather than as a crime.

And no parent has ever been criminally charged for fraudulently enrolling a child, prosecutors in the five counties said.

It's impossible to know the scope of the swindling. The state hasn't completed a full audit of the program since 2001.

In addition, the state and local governments declined to release much of the information needed to reveal the inner workings of the scams - removing any possibility for the public to hold the government accountable.

To be able to tell this story, the Journal Sentinel reviewed about 2,500 pages of public records, conducted spot checks and obtained from sources thousands of additional pages of state and county documents that regulators refused to release.

Even with access to only a limited number of cases, the Journal Sentinel was able to identify nearly \$750,000 in suspicious child-care disbursements.

In some ways, the scam is simple. All it takes is three players: an employer, a child-care provider and a parent.

Nobody has to lift a finger to get the money, other than to fill out fraudulent papers.

Easy money?

Katria Wright is a 33-year-old mother of seven from Racine who first began receiving child-care assistance in 1997, a few years after she gave birth to her first child.

In August 2006, Wright told Racine County workers she got a job with Strictly Cuts, a small lawn-care service in Kenosha - a move that kept her qualified for publicly funded child care.

The lawn-care service is owned by Frank Alfano. His longtime live-in friend, Angela Hale, is a certified child-care provider.

Alfano, 47, and Hale, 38, live on a quiet cul-de-sac in northern Kenosha County.

It was a perfect setup, it seemed. Alfano could say he employed Wright, and Hale could say she took care of Wright's kids. It would be easy money.

Alfano claimed Wright worked for him "about 40 hours a week or more," second shift Monday through Friday as well as all day Saturday and Sunday, according to documents and an interview with Alfano.

Working second shift and on the weekend allowed her to be eligible for more public funds for child care because none of her children would be in school those hours.

Alfano said Wright made \$6.25 per hour - 25 cents below the legal minimum wage, according to documents. The wage rate itself should have disqualified him as an eligible employer, according to state policy. It should have at least raised a red flag.

But it didn't.

The county approved 47 hours a week for each of Wright's five children who qualified at the time to attend child care. Wright's oldest child was nearly 13 and would soon be too old for taxpayer-financed child care.

The state began paying Hale more than \$1,600 every two weeks.

Hale filed paperwork stating she cared for the children while Wright worked seven days a week. That work schedule included New Year's Eve, New Year's Day and the day Wright gave birth to her seventh child. She also reportedly worked for the lawn-care service every day for more than a full week after the birth of her daughter, according to documents Hale filed with the county.

Wright took just two days off during a nearly eight-month period, according to records.

Alfano said Wright did "odds and ends," helped take care of his elderly mother and put Strictly Cuts brochures on people's doors late in the evenings in hopes of drumming up business. He said she worked second shift because his lawn-care crew did the job earlier in the day.

Alfano wrote checks to Wright, and she used the check stubs to provide the county with proof of her employment.

Alfano drives a white pickup truck displaying a "Strictly Cuts" logo with lawn-care equipment in the bed. He said he services more than 120 properties a week and also does some snowplowing in the winter. Alfano said he has another job doing construction in Illinois during the week.

Yet, the Wisconsin Department of Revenue has no record of taxes filed for Strictly Cuts, and Alfano's 2007 filing showed he paid nothing in net taxes. In addition, he never reported Wright's income to the state - all facts that should have led workers to question whether Strictly Cuts is legitimate and whether Wright really worked there.

In addition, Alfano does not carry worker's compensation, according to the Department of Workforce Development, which should disqualify him as an eligible employer of a Wisconsin Shares client.

Racine County workers approved the expenditures anyway.

Ownership denied

The Journal Sentinel watched Hale come and go from her house on four days on which she would later report to the county that she was caring for Wright's children.

During that week, Wright's children never got dropped off at Hale's house at the times the mother was supposed to begin working. On the final day, Journal Sentinel reporters confronted Hale.

"She's apparently running late," Hale said of Wright.

Hale, who filed Chapter 7 bankruptcy in April, then hurried away from her house saying she was going to get her own children some snacks. When she returned, Hale said there was a death in her family and that she couldn't talk any more.

Wright, who was convicted in 2005 of selling cocaine, did not answer her door - although children were seen in the house. When reached by phone, she refused to comment other than to ask "How do you know this? How do you know where my children are?"

A couple weeks after the Journal Sentinel questioned the trio, Wright told Racine County caseworkers she no longer works for Alfano. In a follow-up interview, Alfano denied even owning Strictly Cuts. He also said the IRS was on his case and that he was splitting town.

By then, the state had already paid out nearly \$85,000.

Racine County officials declined to comment on specific cases raised by the Journal Sentinel. They touted the benefits of the taxpayer-financed program while acknowledging the system has shortcomings.

"It's a good system," said Dawn Ramsey, child-care coordinator and a supervisor of the financial and employment planners who process applications. "It's helped a lot of people. But like any other system there is fraud involved."

Launched with W-2

Wisconsin Shares was launched in 1997 in tandem with the state's overhauled welfare-to-work program, known as W-2 or Wisconsin Works, which was lauded by some at the time as a national model for moving people off welfare rolls into productive jobs.

One of the big obstacles to welfare recipients entering the work force had been the cost of child care. Low-wage jobs wouldn't even cover the cost of care in some cases.

"These are families who would be unable to work if they didn't have the assistance," said Charity Eleson, executive director of the Wisconsin Council on Children & Families, a nonprofit advocacy organization that has been studying W-2 and the Wisconsin Shares programs since their inception.

Without child-care assistance, parents have been forced to leave their children in locked cars or in other unsafe situations, Eleson said.

"This particular program is so essential for working poor families," she said.

Under the Wisconsin Shares program, the state pays the cost of child care for lower-income families by making payments directly to the child-care provider chosen by the parent. To be eligible, a family of four can earn no more than \$3,268 a month in gross income, roughly what a licensed practical nurse or an administrative secretary might make.

The program now covers child-care costs for more than 60,000 kids, up from about 47,000 in 2003 - a 28% jump.

Nearly two-thirds of the funding comes from federal Temporary Assistance for Needy Families and other federal block grants. The state pays the rest.

In 2007, the Wisconsin Shares program ran an \$18 million deficit, forcing state legislators to tap into the general fund to cover the costs. In August alone, the state paid \$43.7 million to providers - \$6 million more than in any other month in the program's history.

Despite a deepening recession and the state's jobless rate recently hitting a 22-year high, state officials say more people are entering the work force, driving up demand for child care. However, state and county officials don't track the types of jobs parents are getting.

And in reality, they can't even say if the jobs are authentic.

"Anybody can buy a set of checks and have them printed up," said former Milwaukee police Detective Djordje Rankovic, who spent nearly a year investigating a child-care provider recently charged with bilking the system out of more than \$360,000. "It's easy to do."

State officials say county workers aren't trained tax experts and do the best they can to verify the information.

"We don't want to be onerous," said Jim Bates, a program analyst for Wisconsin Shares. "But we want to see valid receipts, not just take their word."

Yet questionable receipts and other dubious documents slip through, the Journal Sentinel found.

Consider the case of Perry Adult Daycare. In February 2008, a mother of five submitted a note signed by the owner of the company claiming she would work for the day care business.

The note was not on any official letterhead and contained more than a half-dozen spelling, grammar and punctuation errors. It stated that the mom would work third shift and be paid in cash. It listed a phone number that was out of service. The state had no record of such a company, and no listing was found in searches of other public documents.

Caseworkers approved child-care funding.

It's unclear exactly how long payments based on the alleged employment continued, but the approval cost taxpayers at least \$733 per week, according to documents.

Suspected of fraud

The money keeps flowing even when the validity of some of the cases is clearly in question.

Caseworkers believed Talisha Burkhart, a 26-year-old mother of six, was likely lying about her job and where she lived.

In fact, Racine County caseworkers suspected Burkhart of fraud for three consecutive years - in 2006, 2007 and again in 2008. But payments continued for her six children to attend child care.

Her employment form "is very suspicious," a caseworker wrote in June 2006. In addition, the worker noted it appeared that Burkhart was living in the same house as her child-care provider, records show.

That alone should have automatically disqualified her for aid, according to state rules. When the caseworker called the provider and Burkhart, she "got conflicting stories" and reported her findings to a supervisor.

Yet soon after, the county approved 45 hours per week of child care for each of Burkhart's children, a move that cost taxpayers nearly \$48,000 a year in payments to Burkhart's providers.

Burkhart claimed to work for a company called FSG Financial Services Group on Sunset Blvd. in Waukegan, Ill.

The landlord at the location, however, said there is no such company in his building and never has been. Illinois state regulators have no record of the company. The phone number Burkhart listed - a cell phone number - played a recording stating, "The person you are trying to reach is not accepting calls at this time."

In April 2007, Burkhart claimed she would be working second and third shift at the same phantom company. She had

her child-care hours increased to 85 hours a week for each child - costing taxpayers \$1,713 per week, or nearly \$90,000 annually.

It's unclear what Burkhart would have done for the company. Cenkeshia Gray, a relative of Burkhart and her new child-care provider, said she works in telemarketing somewhere in Racine.

"If she's not working and I've been taking care of her kids, I'm going to kick her ass," Gray said.

Gray said she started taking care of the children in September, but documents contradict her story, showing she was paid for allegedly caring for the children seven months earlier.

Gray said the children - ages 5 to 11 - come to her house at about 10:30 p.m. She said four of them sleep in one queen-sized bed and two on the couch. She said county workers approved the sleeping arrangements, although county officials said they had no records on the matter.

County workers also repeatedly complained that Burkhart wasn't providing proper proof of residency and that mail sent to her would be returned. They had a difficult time reaching her by phone. Burkhart listed at least 10 different phone numbers in the past two years.

In July 2007 and again in August 2008, a caseworker referred her case for a fraud investigation, but payments to the providers continued.

Asked by the Journal Sentinel about her job, Burkhart angrily replied: "I work. I work. It's 50,000 child-care providers around here. Now why am I the only person that you're coming over here to talk to? My auntie's a child-care provider, my uncle's a child-care provider, cousins are child-care providers, everybody's a child-care provider around me, but this is the only person that I know ya'll have talked to."

She then slammed the door.

Burkhart is linked with two Social Security numbers, and the Department of Revenue cannot locate tax records for her for 2006 or 2007.

She was convicted of a felony in 2007 for forging checks.

Days after the Journal Sentinel questioned Burkhart, she told caseworkers she no longer works at FSG.

The Journal Sentinel came across two other women who received child-care funding based on spurious jobs beginning in May when they claimed to work third shift for a Wauwatosa-based cleaning company called Global Cleaning Services - owned by Bridget West.

In December when the Journal Sentinel contacted West, she denied owning the company.

"I don't even have a cleaning business," West said. "I don't know what you're talking about."

It's unclear what, if any, involvement West had in the arrangement. However, it appears she knew the women claiming to be her employees.

The day after the Journal Sentinel contacted West, the two women called their caseworkers and said the company had closed, according to case documents.

Total taxpayer dollars spent: \$22,000.

Watching possible cheaters

Once fraudulent cases slip through front-line workers, it's difficult for counties to catch them.

Proving that parents and providers are cheating the system sometimes requires watching them, becoming familiar with the children, charting their whereabouts and comparing it to what they later report on attendance and sign-in sheets. It's a costly and time-consuming undertaking.

"I don't know that law enforcement will ever have the resources necessary," said Feiss, the Milwaukee County assistant district attorney.

Wisconsin Shares clients aiming to scam the system often claim to work second or third shifts, according to front-line workers. That would generally mean a 2 p.m. or 11 p.m. start. That makes it difficult for county workers to check on them.

The number of people flocking to the program doesn't make oversight any easier.

In Dane County, the number of cases of economic support, which includes Wisconsin Shares, soared to more than 23,000 last year - up 77% from five years earlier. The number of workers processing the cases has stayed about the same, said Sara Shackleton, who was associate division manager for economic support before retiring in December. The county recently had gone six months with no fraud investigator, she said.

Kenosha, Racine and Brown counties have seen their number of cases jump as well.

"Worker caseloads are ridiculous," said Mark Quam, director of Brown County Human Services. "There's constant pressure of pushing stuff through as fast as you can. They're always under the gun."

In Milwaukee County, five workers were tasked in 2007 with scouring mounds of forms, receipts and other documents. Their mission: to troll for fraud within more than 109,000 cases of medical and food stamp assistance, as well as within Wisconsin Shares.

The county added five more members to the team in 2008 to focus strictly on child-care fraud. The unit investigated more than 300 cases of potential child-care subsidy fraud last year. Eight licenses in Milwaukee County were revoked by the state as a result, but no criminal charges were filed, county officials said.

While state and county regulators have authority to revoke licenses and certifications, they seldom do. From 2003 to 2007, state regulators revoked fewer than 10 licenses for suspected fraud. Counties, meanwhile, shut down two providers based on fraudulent billing to Wisconsin Shares.

In one case, inspectors showed up multiple times at A Step Above the Rest Child Care Academy in Milwaukee in March and April. They found nobody there.

The owner later reported full attendance of children on forms submitted to the county on those same days. Milwaukee County suspended the center's participation in Wisconsin Shares for six months, but caseworkers later concluded they didn't have enough evidence to shut down the child-care center. The center was paid more than \$46,000 in subsidies from 2006 through 2007.

In a Madison case, regulators in 2004 and again in 2006 found that the owner of Small Wonders Preschool was falsely claiming children were in attendance. The center was allowed to continue operating until September 2007, raking in more than \$23,000 in improper payments.

And a provider in Marinette County filed phony attendance reports 47 times - beginning in 2004 - before having her license to run Early Years suspended. She was allowed to voluntarily close in 2007.

Most often, discrepancies in paperwork and other suspected deceit are treated as mistakes, according to state and local officials. In those cases, the counties seek repayment of the funds. In 2007, the state determined it had overpaid providers about \$1.4 million. "Provider error" made up 916 of the 1,031 overpayment cases.

"Fraud is a much higher threshold," said Dan Harris, administrator for the Division of Early Care and Education with

the state Department of Children and Families.

Pursuit of fraud charges requires coordination by state and local authorities, including police detectives or sheriff's deputies, county workers and district attorneys.

The goal of the state is not to shut down providers, Harris said.

"The philosophy we try and take through the licensure of child-care providers is&ensp.&ensp.&ensp. to help providers come into compliance with the rules," he said.

Not much incentive

Some officials familiar with Wisconsin Shares say there's not much incentive to police the program. Much of the funding comes from federal block grants.

The federal government spends more than \$5 billion on child-care development grants every year. That doesn't include other assistance that goes toward child-care subsidies.

An annual audit is mandated by the federal government but requires only a listing of how money was spent. It does not examine program integrity.

The state hasn't completed a full-program audit since 2001. And as for Milwaukee County's oversight: "We typically wouldn't go in and audit what's essentially a state program," said Doug Jenkins of the county Department of Audit.

In 2007, state representative Robin Vos (R-Racine) co-sponsored legislation giving counties incentives to crack down on fraud. Neither the state nor officials with Milwaukee County could say how the incentive program has worked.

"I think they're being incredibly generous when they say someone filled out a time sheet for 20 kids and they were never there," Vos said. "Is that error or is that fraud?"

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