



STATE OF WISCONSIN

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Janice Mueller
State Auditor

DATE: February 11, 2009

TO: Senator Kathleen Vinehout and
Representative Peter Barca, Co-Chairpersons
Joint Legislative Audit Committee

FROM: Janice Mueller *Janice Mueller*
State Auditor

SUBJECT: Proposed Audit of Wisconsin Shares—Background Information

At your request, we have gathered some background information the Joint Legislative Audit Committee may find useful in considering an audit of Wisconsin Shares, the State's child care subsidy program. 1995 Wisconsin Act 289 created the program to assist Wisconsin Works (W-2) participants and other low-income working families in paying for child care. In fiscal year 2007-08, expenditures for child care subsidies totaled \$354.5 million from all funding sources. In December 2008, 59,880 children were enrolled in the program.

The Department of Children and Families (DCF) administers the program, although prior to July 1, 2008, it was administered by the Department of Workforce Development. Department of Health Services Area Administration staff represent DCF in program management issues at the local level. Under the terms of their W-2 contracts, local W-2 agencies determine program eligibility and refer families to county human services agencies for child care assistance. The county agencies' duties include determining a parent's copayment, and assisting in the identification and selection of appropriate care.

Wisconsin Shares requires child care be provided by a licensed or certified provider, or by a day care program contracted for or provided by a school board. DCF licenses providers caring for four or more children under the age of seven. County human service agencies certify those providers not required to be licensed by DCF or established by a school board.

Media reports have identified both inappropriate child care subsidy payments and inadequacies in child care programs, which in part led to the provisions of 2007 Wisconsin Act 20 that authorized and offered a funding mechanism for county and tribal agencies to establish fraud investigation programs.

Given the range of concerns expressed, the level of public funding involved, and the administrative complexity of the program, we propose a two-phase approach to conducting a comprehensive audit of Wisconsin Shares.

Our initial audit work could include:

- analyzing the trends in program expenditures and participation in the Wisconsin Shares program, identifying the number and types of child care providers that received the payments and the amounts paid;
- reviewing initial participant eligibility determinations and the required eligibility redeterminations for a sample of participants in selected counties;
- reviewing policies and procedures at the state level and in selected counties to ensure subsidies are paid only to licensed or certified providers; and
- analyzing the effectiveness of the investigative work conducted at the state and local levels to assess suspected fraudulent activity.

Upon completion of this work, we propose a second phase of audit work that could include:

- reviewing child care regulation policies and procedures, including licensing and certification requirements;
- analyzing the timeliness and frequency of inspections of both licensed and certified child care providers' facilities;
- evaluating the use of funds allocated to improve the quality and availability of child care services; and
- analyzing the types of child care provider violations identified and the resulting actions taken by state and county regulators.

I hope you find this information helpful. If you have additional questions, please contact me.

JM/KW/bm

cc: Senator Robert Jauch
Senator Mark Miller
Senator Robert Cowles
Senator Mary Lazich

Representative Andy Jorgensen
Representative Mark Pocan
Representative Bill Kramer
Representative Samantha Kerkman

Reggie Bicha, Secretary
Department of Children and Families

Karen Timberlake, Secretary
Department of Health Services

Roberta Gassman, Secretary
Department of Workforce Development