

DHS - Child Care/Early Childhood Education

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
Arkansas Department of Human Services
FOR THE YEAR ENDED JUNE 30, 2015

Findings

Recommendations

Audit findings are reported under the DHS Director's Office/Office of Chief Counsel.

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2015

State Contracts over \$50,000 awarded to Minority Owned Businesses are reported under the DHS Director's Office/Office of Chief Counsel.

Department Appropriation Summary

| Appropriation | Historical Data | | | | | | Agency Request and Recommendations | | | | | |
|--|--------------------|------------|--------------------|------------|--------------------|------------|------------------------------------|------------|--------------------|------------|--------------------------|------------|
| | 2014-2015 | | 2015-2016 | | 2015-2016 | | 2016-2017 | | | | | |
| | Actual | Pos | Budget | Pos | Authorized | Pos | Legislative Recommendation | Pos | Agency Request | Pos | Executive Recommendation | Pos |
| 320 Child Care Development-Discretionary | 25,782,140 | 0 | 28,469,372 | 0 | 28,469,372 | 0 | 28,469,372 | 0 | 28,469,372 | 0 | 28,469,372 | 0 |
| 890 Food Program | 71,471,607 | 0 | 94,291,250 | 0 | 94,291,250 | 0 | 94,291,250 | 0 | 94,291,250 | 0 | 94,291,250 | 0 |
| 896 Division of Child Care/Early Childhood | 18,110,149 | 201 | 19,979,300 | 182 | 23,841,398 | 203 | 23,850,642 | 203 | 23,850,642 | 203 | 23,850,642 | 203 |
| 898 Child Care Grant/Aids | 24,612,533 | 0 | 48,862,692 | 0 | 33,130,656 | 0 | 33,130,656 | 0 | 33,130,656 | 0 | 33,130,656 | 0 |
| 929 Child Care-Treasury Paying | 0 | 0 | 33,003 | 0 | 120,863 | 0 | 120,863 | 0 | 120,863 | 0 | 120,863 | 0 |
| Total | 139,976,429 | 201 | 191,635,617 | 182 | 179,853,539 | 203 | 179,862,783 | 203 | 179,862,783 | 203 | 179,862,783 | 203 |

| Funding Sources | | % | | % | | % | | % | | % | |
|--------------------------------|---------|--------------------|--------------|--------------------|--------------|--------------------|--------------|--------------------|--------------|--------------------|--------------|
| General Revenue | 4000010 | 7,393,893 | 5.3 | 7,429,455 | 3.9 | 7,446,106 | 4.1 | 7,446,106 | 4.1 | 7,446,106 | 4.1 |
| Federal Revenue | 4000020 | 129,556,770 | 92.6 | 181,220,504 | 94.6 | 169,338,423 | 94.1 | 169,338,423 | 94.1 | 169,338,423 | 94.1 |
| Special Revenue | 4000030 | 514,258 | 0.4 | 516,473 | 0.3 | 514,258 | 0.3 | 514,258 | 0.3 | 514,258 | 0.3 |
| Cash Fund | 4000045 | 0 | 0.0 | 33,003 | 0.0 | 120,863 | 0.1 | 120,863 | 0.1 | 120,863 | 0.1 |
| Merit Adjustment Fund | 4000055 | 0 | 0.0 | 3,774 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Transfer to Medicaid Match | 4000660 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Various Program Support | 4000730 | 2,511,508 | 1.8 | 2,432,408 | 1.3 | 2,443,133 | 1.4 | 2,443,133 | 1.4 | 2,443,133 | 1.4 |
| Total Funds | | 139,976,429 | 100.0 | 191,635,617 | 100.0 | 179,862,783 | 100.0 | 179,862,783 | 100.0 | 179,862,783 | 100.0 |
| Excess Appropriation/(Funding) | | 0 | | 0 | | 0 | | 0 | | 0 | |
| Grand Total | | 139,976,429 | | 191,635,617 | | 179,862,783 | | 179,862,783 | | 179,862,783 | |

Budget exceeds Authorized Appropriation in FC898 Child Care Grant/Aids due to a transfer from the Miscellaneous Federal Grant Holding Account.

Analysis of Budget Request

Appropriation: 320 - Child Care Development-Discretionary

Funding Sources: FWF - DHS Federal

The Child Care and Development Block Grant (CCDF) consolidates childcare assistance programs and requires states to develop an integrated service delivery system to meet the needs of low income families. This appropriation is for the Discretionary category of funds. Specifically, these funds are targeted for low income working families and those transitioning from the Temporary Assistance for Needy Families program (TANF) Program to obtain child care; thereby allowing parents to work or obtain the training necessary to obtain employment or attend educational programs that will lead to employment.

Funding for this appropriation includes 100% federal revenue consisting of Discretionary Child Care Development Block Grant funding.

The Agency Request reflects the FY17 requests from the 2014 Fall Budget Hearings Summary Manuals. The Legislative Recommendation and Executive Recommendation reflect the FY17 ALC/JBC recommendation from the 2014 Fall Budget Hearings Summary Manuals, any Governor's Letters adopted and member amendments.

Appropriation Summary

Appropriation: 320 - Child Care Development-Discretionary

Funding Sources: FWF - DHS Federal

| Appropriation | 2014-2015 | 2015-2016 | 2015-2016 | 2016-2017 | | |
|--------------------------------|------------|------------|------------|----------------------------|----------------|--------------------------|
| | Actual | Budget | Authorized | Legislative Recommendation | Agency Request | Executive Recommendation |
| Grants and Aid 5100004 | 25,782,140 | 28,469,372 | 28,469,372 | 28,469,372 | 28,469,372 | 28,469,372 |
| Total | 25,782,140 | 28,469,372 | 28,469,372 | 28,469,372 | 28,469,372 | 28,469,372 |
| Funding Sources | | | | | | |
| Federal Revenue 4000020 | 25,782,140 | 28,469,372 | | 28,469,372 | 28,469,372 | 28,469,372 |
| Total Funding | 25,782,140 | 28,469,372 | | 28,469,372 | 28,469,372 | 28,469,372 |
| Excess Appropriation/(Funding) | 0 | 0 | | 0 | 0 | 0 |
| Grand Total | 25,782,140 | 28,469,372 | | 28,469,372 | 28,469,372 | 28,469,372 |

Analysis of Budget Request

Appropriation: 890 - Food Program

Funding Sources: FWF - DHS Federal

The Child and Adult Care Food Program (CACFP) provides nutritious meals in public and non-profit licensed child care centers, adult day care centers, day care homes and outside school hours centers. Private for profit organizations may qualify if they receive payments under Title XX of the Social Security Act for at least 25% of their clients. Residential programs are not eligible for participation in this food program. The CACFP assists with initiating, maintaining, and expanding nonprofit food service programs for children or adult participants in nonresidential institutions which provide care. The program is intended to enable such institutions to integrate a nutritious food service with organized care services for enrolled participants. The National School Lunch Program provides reimbursement to schools, licensed child care institutions, juvenile detention centers and hospitals serving lunches to eligible children. Participating schools and other institutions will serve lunches that are nutritionally adequate and ensure that participating children gain a full understanding of the relationship between proper eating and good health. The Special Milk Program provides reimbursement to schools and non-profit child care institutions for serving milk to eligible children. The Summer Food Service Program reimburses organizations for providing nutritious meals and snacks to children during the summer months. The program generally operates during the months of May through September at site locations where regularly scheduled food services are provided for children. Sites may also participate in the program from September through May if the school is closed because of an emergency situation. Service institutions operating food programs for children on school vacation under a continuous year-round calendar may apply for participation in other months.

Funding for this appropriation includes 100% federal revenue consisting of federal reimbursements from the U.S. Department of Agriculture.

The Agency Request reflects the FY17 requests from the 2014 Fall Budget Hearings Summary Manuals. The Legislative Recommendation and Executive Recommendation reflect the FY17 ALC/JBC recommendation from the 2014 Fall Budget Hearings Summary Manuals, any Governor's Letters adopted and member amendments.

Appropriation Summary

Appropriation: 890 - Food Program

Funding Sources: FWF - DHS Federal

| Appropriation | 2014-2015 | 2015-2016 | 2015-2016 | 2016-2017 | | |
|--------------------------------|-------------------|-------------------|-------------------|----------------------------|-------------------|--------------------------|
| | Actual | Budget | Authorized | Legislative Recommendation | Agency Request | Executive Recommendation |
| Grants and Aid 5100004 | 71,471,607 | 94,291,250 | 94,291,250 | 94,291,250 | 94,291,250 | 94,291,250 |
| Total | 71,471,607 | 94,291,250 | 94,291,250 | 94,291,250 | 94,291,250 | 94,291,250 |
| Funding Sources | | | | | | |
| Federal Revenue 4000020 | 71,471,607 | 94,291,250 | | 94,291,250 | 94,291,250 | 94,291,250 |
| Total Funding | 71,471,607 | 94,291,250 | | 94,291,250 | 94,291,250 | 94,291,250 |
| Excess Appropriation/(Funding) | 0 | 0 | | 0 | 0 | 0 |
| Grand Total | 71,471,607 | 94,291,250 | | 94,291,250 | 94,291,250 | 94,291,250 |

Analysis of Budget Request

Appropriation: 896 - DHS–Admin Paying Account

Funding Sources: PWP - Administration Paying

This appropriation provides administrative support for the Division of Child Care and Early Childhood Education (DCCECE). The purpose of DCCECE is to enhance the coordination of child care and early childhood education programs within Arkansas. The Division was created to accommodate the transfer of the Early Childhood Commission and the administrative component of the Arkansas Better Chance (ABC) Program from the Department of Education.

Funding for this appropriation consists of general revenue (DCC - Childcare and Early Childhood Education Fund Account), federal revenue, special revenue and other revenues. Federal revenue primarily includes funding from the Department of Health and Human Services Child Care Development Block Grant, Title IV-E Foster Care, and USDA Child Nutrition. Special revenue is comprised of Child Care Provider License Fees. Other revenue which is indicated as various program support is funding from the Arkansas Better Chance Program.

The Agency Request reflects the FY17 requests from the 2014 Fall Budget Hearings Summary Manuals. The Legislative Recommendation and Executive Recommendation reflect the FY17 ALC/JBC recommendation from the 2014 Fall Budget Hearings Summary Manuals, any Governor's Letters adopted and member amendments.

Appropriation Summary

Appropriation: 896 - DHS--Admin Paying Account

Funding Sources: PWP - Administration Paying

| Appropriation | | 2014-2015 | 2015-2016 | 2015-2016 | 2016-2017 | | |
|--------------------------------|--------------------|-------------------|-------------------|-------------------|----------------------------|-------------------|--------------------------|
| | | Actual | Budget | Authorized | Legislative Recommendation | Agency Request | Executive Recommendation |
| Regular Salaries | 5010000 | 6,711,946 | 6,548,416 | 7,386,334 | 7,393,834 | 7,393,834 | 7,393,834 |
| | #Positions | 201 | 182 | 203 | 203 | 203 | 203 |
| Extra Help | 5010001 | 116,442 | 153,795 | 153,795 | 153,795 | 153,795 | 153,795 |
| | #Extra Help | 9 | 13 | 13 | 13 | 13 | 13 |
| Personal Services Matching | 5010003 | 2,578,085 | 2,434,983 | 2,753,934 | 2,755,678 | 2,755,678 | 2,755,678 |
| Overtime | 5010006 | 18 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Operating Expenses | 5020002 | 3,588,913 | 3,738,027 | 4,567,990 | 4,567,990 | 4,567,990 | 4,567,990 |
| Conference & Travel Expenses | 5050009 | 64,945 | 89,056 | 72,500 | 72,500 | 72,500 | 72,500 |
| Professional Fees | 5060010 | 5,049,800 | 7,010,023 | 8,901,845 | 8,901,845 | 8,901,845 | 8,901,845 |
| Data Processing | 5090012 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital Outlay | 5120011 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | | 18,110,149 | 19,979,300 | 23,841,398 | 23,850,642 | 23,850,642 | 23,850,642 |
| Funding Sources | | | | | | | |
| General Revenue | 4000010 | 1,175,882 | 1,164,457 | | 1,181,108 | 1,181,108 | 1,181,108 |
| Federal Revenue | 4000020 | 14,500,748 | 16,372,677 | | 20,245,417 | 20,245,417 | 20,245,417 |
| Special Revenue | 4000030 | 480,984 | 480,984 | | 480,984 | 480,984 | 480,984 |
| Merit Adjustment Fund | 4000055 | 0 | 3,774 | | 0 | 0 | 0 |
| Transfer to Medicaid Match | 4000660 | 0 | 0 | | 0 | 0 | 0 |
| Various Program Support | 4000730 | 1,952,535 | 1,957,408 | | 1,943,133 | 1,943,133 | 1,943,133 |
| Total Funding | | 18,110,149 | 19,979,300 | | 23,850,642 | 23,850,642 | 23,850,642 |
| Excess Appropriation/(Funding) | | 0 | 0 | | 0 | 0 | 0 |
| Grand Total | | 18,110,149 | 19,979,300 | | 23,850,642 | 23,850,642 | 23,850,642 |

Budget exceeds Authorized Appropriation in Conference & Travel Expenses due to a transfer from the Miscellaneous Federal Grant Holding Account.

Analysis of Budget Request

Appropriation: 898 - DHS-Grants Paying Account

Funding Sources: PWE - Grants Paying

The passage of the Federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996, PL 104-193 established the Child Care Development Fund (CCDF). This fund allows maximum flexibility in developing child care programs and policies that best suit the needs of children and parents within the State of Arkansas; promotes parental choice to empower working parents to make their own decisions on the child care that best suits their family's needs; encourages States to provide consumer education information to help parents make informed choices about child care; assists States to provide child care to parents trying to achieve independence from public assistance; and assist States in implementing the health, safety, licensing and registration standards established in State regulations. A minimum of four percent (4%) of CCDF funds must be used to improve the quality of childcare. Quality activities include training, grants and loans to providers, and health and safety improvements.

In the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, specific funding is designated for Child Care. Funding received under the Child Care Development Fund by states is in three categories:

- **Mandatory:** Base allocations for states
- **Matching:** Additional available funds if states spend base allocations and provide state match above Maintenance of Effort
- **Discretionary:** Funding designated as the Child Care Development Block Grant

Funding for this appropriation consists of general revenue (DGF - Department of Human Services Grants Fund Account), federal revenue, other revenue and special revenue. Federal revenues include Child Care Development Block Grant funding. Other revenue which is indicated as various program support consists of reimbursements. Special revenue was derived from Beer Tax collections due to the State before the sunset of the funding source.

The Agency Request reflects the FY17 requests from the 2014 Fall Budget Hearings Summary Manuals. The Legislative Recommendation and Executive Recommendation reflect the FY17 ALC/JBC recommendation from the 2014 Fall Budget Hearings Summary Manuals, any Governor's Letters adopted and member amendments.

Appropriation Summary

Appropriation: 898 - DHS-Grants Paying Account

Funding Sources: PWE - Grants Paying

| Appropriation | | 2014-2015 | 2015-2016 | 2015-2016 | 2016-2017 | | |
|--------------------------------|---------|------------|------------|------------|----------------------------|----------------|--------------------------|
| | | Actual | Budget | Authorized | Legislative Recommendation | Agency Request | Executive Recommendation |
| DHS-Grants Paying Account | 5100004 | 24,612,533 | 48,862,692 | 33,130,656 | 33,130,656 | 33,130,656 | 33,130,656 |
| Total | | 24,612,533 | 48,862,692 | 33,130,656 | 33,130,656 | 33,130,656 | 33,130,656 |
| Funding Sources | | | | | | | |
| General Revenue | 4000010 | 6,218,011 | 6,264,998 | | 6,264,998 | 6,264,998 | 6,264,998 |
| Federal Revenue | 4000020 | 17,802,275 | 42,087,205 | | 26,332,384 | 26,332,384 | 26,332,384 |
| Special Revenue | 4000030 | 33,274 | 35,489 | | 33,274 | 33,274 | 33,274 |
| Various Program Support | 4000730 | 558,973 | 475,000 | | 500,000 | 500,000 | 500,000 |
| Total Funding | | 24,612,533 | 48,862,692 | | 33,130,656 | 33,130,656 | 33,130,656 |
| Excess Appropriation/(Funding) | | 0 | 0 | | 0 | 0 | 0 |
| Grand Total | | 24,612,533 | 48,862,692 | | 33,130,656 | 33,130,656 | 33,130,656 |

Budget exceeds Authorized Appropriation in Grants and Aid due to a transfer from the Miscellaneous Federal Grant Holding Account.

Analysis of Budget Request

Appropriation: 929 - Child Care-Treasury Paying

Funding Sources: NHS - Cash in Treasury

The Arkansas Child Care Facilities Loan Guarantee Fund was created to provide loan guarantees to assist with the development of new or to expand existing day care facilities with target areas specifically in low income, rural areas of the State that show demonstrated need for child care. Arkansas Code Annotated §20-78-503 created the Arkansas Child Care Facilities Loan Guarantee Trust Fund with initial funds derived from interest income on the investment of state funds. Funds are authorized in \$100,000 annual increments up to a balance of \$350,000. The State Treasurer can replenish the fund when the balance reaches or falls below \$100,000.

The Division of Child Care and Early Childhood Education is authorized to develop and implement necessary rules and regulations to receive, review, and approve applications for loan deficiency guarantee assistance. Revision of a loan guarantee may be approved when it becomes necessary to ensure adequate child care financing is available. Loan guarantees should be given the following considerations: geographic distribution, community need, community income, with priority given to those communities with the lowest median family income, proof of viable administrative and financial management, and intended licensure of the facility. The Division is required to report the status of the Loan Guarantee Fund to the Legislative Council each October.

Arkansas Code Annotated §20-78-503 designates the Arkansas Child Care Facilities Loan Guarantee Fund as a Cash Fund Account. The Agency is authorized to accept moneys for the Fund from any source in addition to the allocations from the State Treasurer. The fund is a continuing fund and not subject to fiscal year limitations. Interest that has accrued during a fiscal year that is not required to cover loan defaults occurring that fiscal year is made available for non-refundable grants to child care facilities for start-up, development, training scholarships, or expansion.

The Agency Request reflects the FY17 requests from the 2014 Fall Budget Hearings Summary Manuals. The Legislative Recommendation and Executive Recommendation reflect the FY17 ALC/JBC recommendation from the 2014 Fall Budget Hearings Summary Manuals, any Governor's Letters adopted and member amendments.

Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 929 - Child Care-Treasury Paying

Funding Sources: NHS - Cash in Treasury

| Appropriation | 2014-2015 | 2015-2016 | 2015-2016 | 2016-2017 | | |
|--------------------------------|-----------|-----------|------------|----------------------------|----------------|--------------------------|
| | Actual | Budget | Authorized | Legislative Recommendation | Agency Request | Executive Recommendation |
| Loan Guarantee/Grants 5900046 | 0 | 33,003 | 120,863 | 120,863 | 120,863 | 120,863 |
| Total | 0 | 33,003 | 120,863 | 120,863 | 120,863 | 120,863 |
| Funding Sources | | | | | | |
| Cash Fund 4000045 | 0 | 33,003 | | 120,863 | 120,863 | 120,863 |
| Total Funding | 0 | 33,003 | | 120,863 | 120,863 | 120,863 |
| Excess Appropriation/(Funding) | 0 | 0 | | 0 | 0 | 0 |
| Grand Total | 0 | 33,003 | | 120,863 | 120,863 | 120,863 |