

COUNTY AUDIT DEPARTMENT

REPORT # 357

An Audit of:

CHILD CARE LICENSING

DECEMBER 21, 2018



Pat Frank INTEGRITY. TRANSPARENCY. ACCOUNTABILITY.

CLERK OF COURT & COMPTROLLER • HILLSBOROUGH COUNTY, FLORIDA



December 21, 2018

The Honorable Lesley “Les” Miller, Jr., Chairman
The Honorable Ken Hagan
The Honorable Pat Kemp
The Honorable Sandra L. Murman
The Honorable Kimberly Overman
The Honorable Mariella Smith
The Honorable Stacy R. White

Dear Chairman Miller and Commissioners:

The Audit Team performed an audit of Child Care Licensing (Audit Report #357, dated December 21, 2018). Responses to the Audit Team’s recommendations were received from the Children's Services’ Child Care Licensing and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Director and personnel of Children's Services during this audit.

Sincerely,

Heidi Pinner, CIA, CISA, CFE, CRMA
Director of County Audit

CC: Mike Merrill, County Administrator
Carl Harness, Chief Human Services Administrator
JoAnn Rollins, Director, Children’s Services
Angela Chowning, Manager, Child Care Licensing
Kevin Brickey, Management & Budget Office
Dan Klein, Chief of Staff, Clerk of Court and Comptroller
Rick VanArsdall, Chief Deputy, Clerk to the Board

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

Child care licensing was established in 1977 in accordance with Chapter 402.301-319 of the Florida Statutes (F.S.) “*to establish statewide minimum standards for the care and protection of children in child care facilities, to ensure maintenance of these standards, and to approve county administration and enforcement to regulate conditions in such facilities through a program of licensing.*”

Chapter 402.306 F.S. allows for a county to designate a local licensing agency to license child care facilities in the county. Hillsborough County opted to designate its own child care licensing agency, Child Care Licensing Services, rather than to contract with the State’s Department of Children and Families (DCF). The most recent child care facilities ordinances were enacted on December 17, 2014 by the Board of County Commissioners as evidenced by Ordinance No. 14-39 (Child Care Facilities) and Ordinance No. 14 -40 (Family Child Care Homes).

Child Care Licensing Services (CCL) is responsible for regulating, licensing and monitoring child care facilities (centers) and Family Child Care Homes (homes) in Hillsborough County. CCL conducts periodic inspections, investigates complaints filed against facilities, and takes enforcement action deemed necessary. CCL also provides information and training to local residents on becoming a licensed child care provider.

OBJECTIVE

The objective of the audit was to determine whether or not Childcare Licensing Services has adequate controls in place for the licensing and inspection of childcare centers and homes throughout Hillsborough County.

SCOPE

The audit was conducted in conformance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The Audit Team reviewed the current County ordinances for child care centers and homes, and the related controls to ensure compliance with these ordinances regarding licensing and inspections. The audit scope period was the activities and conditions as of June 1, 2018.

OVERALL EVALUATION

The employees of CCL were responsive to the Audit Team's inquiries and provided the information requested in a timely and polite manner. The Audit Team encountered knowledgeable and dedicated employees during the course of the audit.

The following table summarizes the audit comments and corresponding cross references to the page number where the audit comment details can be found in this Report.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	There is an opportunity to improve controls within the child care licensing process.	3
2	There is an opportunity to improve controls over inspections.	9

OPINION

The overall control environment relative to child care licensing is at the formal (defined) maturity level. This means that control awareness exists and policies are defined and in place. Monitoring is informal, placing great reliance on the diligence of people and independent audits. Addressing the opportunities identified in this Report will enhance the overall control structure and provide increased consistency and assurance.

The exit conference was held on November 15, 2018.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Heidi Pinner, CIA, CISA, CFE, CRMA, Director of County Audit
 Margaret Brown, CIA, Audit Manager
 Greg McCullough, CPA, CIA, CFE, Senior Internal Auditor
 Lovonia Scott, CGAP, Internal Auditor II
 Terrell Alston, Internal Auditor II

AUDIT COMMENTS & RECOMMENDATIONS

AUDIT COMMENT 1

There is an opportunity to improve controls within the child care licensing process.

The objective was to determine whether or not CCL has adequate controls in place for licensing child care centers and homes.

The Audit Team reviewed the process that CCL uses for license issuance and renewals. Data was obtained detailing the population of licensed child care providers in Hillsborough County. As of June 1, 2018 there were 453 child care centers and 559 family child care homes licensed. A random sample of 25 centers and 25 homes was selected for testing. The Audit Team reviewed the hard copy of CCL's permanent provider file and tested the controls for: License Issuance, License Fee Collections, Background Screening, and License Fee Calculation.

License Issuance Controls

The Audit Team reviewed the license renewal documentation for the 50 provider files and determined whether or not:

1. A hardcopy of the completed license application form was in the provider file.
2. The license renewal application was received timely.
3. Any applicable late fees were assessed appropriately.
4. The application included the provider's signed and notarized attestation/affidavit of background screening.
5. The license application worksheet contained evidence of review and approvals by CCL's facility inspector, supervisor and manager.
6. The license renewal inspection was completed prior to approval of the license renewal.

Results of Testing

For the 50 providers tested, the Audit Team determined that:

1. All of the provider files (100%) contained the completed license application.
2. Ninety percent (90%) of the providers (45 of 50) submitted their application timely.
3. Only three of the five providers who submitted late applications were assessed a late fee. Management stated that the late fee was waived for the other two providers. However, no waiver or approval was documented in the provider files. CCL does not have a defined process in place to handle fee waivers.
4. Ninety percent (90%) of the license applications (45 out of 50) were accompanied by a completed, signed, and notarized background screening affidavit. The other five files (10%) contained incomplete affidavits.

5. All 50 provider files tested had evidence of supervisory approval prior to the issuance of a license. However, a control weakness was identified for the license approval process. When there is a need for delegate or substitute approvals of a license application, CCL should ensure that a dual control is in place. A single individual should not sign for multiple levels of approval or approve his/her own work.
6. All 50 providers had the renewal inspection completed prior to the manager's approval of the license renewal.

License Fee Collections

To test the fee collection and deposit controls, the Audit Team gathered license fee payment information from the provider applications and traced the check/money order number, payment amount, and the payer/provider name to the related Deposit Collection Report (DR).

Results of Testing

CCL received license fees for all 50 providers tested and all payments were successfully traced to a deposit report or recording journal entry.

The Audit Team did identify two additional opportunities to improve controls over the fee collection process:

- Currently, one employee prepares the deposit slip, prepares the DR, and takes the collection(s) to the bank. A "back-up" employee has been assigned but has not performed the deposit tasks since the County implemented Oracle. CCL should consider training the back-up employee on the deposit and DR preparation tasks and rotate the deposit and DR report preparation duties between them.
- There are three employees who log checks received by mail. The task of opening the mail and logging the checks rotates weekly between the three employees. One of these employees is the same employee who is tasked with preparing the deposit and DR. The employee tasked with the opening of mail and the logging of checks should not be the same employee who is tasked with deposit and DR preparations. These duties should be separated between two or more employees.

Background Screening

To ensure the security of confidential information, CCL maintains two types of provider files. The public files contain all the non-confidential information about the provider and the child care facility. Confidential or sensitive information, such as the provider's background screening or registry history, is maintained in a separate, secure file not intended for public disclosure.

For the 50 providers tested, the Audit Team reviewed the confidential and public provider files for documentation of controls related to the performance of background screening. Per management, the following 4 screening elements should be documented and maintained in the provider files:

- State’s Department of Children and Families (DCF) Clearinghouse screening
- Affidavit of Good Moral Character
- Child Abuse Registry screening,
- A Predator Registry search.

The Audit Team confirmed the presence of these screening elements for required personnel based on the type of child care facility. Required personnel for child care centers included the Owner, Applicant, and Director. For child care homes, it included the Owner, Applicant, all residents, employees and Substitutes.

Results of Testing

Sixteen percent of the files tested (8 out of 50) had all the completed screening documents for required personnel. The other 42 files (84%) had exceptions where at least one or more documents or evidence of screening were missing or incomplete. The results for each of the screening elements is listed below.

SCREENING ELEMENT	Included	Missing or Incomplete	Exception Rate
DCF Clearinghouse screening	24 files	26 files	52%
Affidavit of Good Moral Character	30 files	20 files	40%
Child Abuse Registry screenings	35 files	15 files	30%
Predator Registry	24 files	26 files	52%

The above exceptions are a result of sufficient documentation not being available to confirm that the screenings occurred. However, management is confident, based on staff completion of checklist steps, that the screenings were conducted prior to license issuance.

Other Observations

The Audit Team observed the use of white-out strips on forms within the public access files to serve as redaction of confidential information (protected class exemptions and bank account information). This method of redaction could be easily circumvented and therefore does not provide assurance that confidential information is not disclosed.

License Fee Calculation

Childcare License fees are charged based on the type of childcare facility (home or center) as well as the capacity of the facility. These fees increased by \$25.00 as of October 1, 2017. For the 50 child care providers tested, the Audit Team reviewed the provider file for documentation related to the licensing fee calculation. The Audit Team then recalculated the license fee for the most recently issued child care license.

Results of Testing

All 50 of the providers tested were assessed the appropriate fee.

One child care center submitted a payment that was \$30 over the amount assessed. The Audit Team inquired of CCL staff for an explanation and was informed that the provider instructed CCL to keep the overage so that a replacement check would not have to be issued. CCL staff stated that overpayments are occasionally applied to a future license fee. There were no notations in the provider file to document the communication with the provider or the disposition of the \$30 overpayment.

RECOMMENDATIONS

In an effort to strengthen controls over child care licensing, CCL management should consider the following:

1. Documenting the late fee waivers, including the reason for the waiver and management's approval, in the provider file for future reference. The use of waivers should also be tracked in a manner that allows for multiyear comparison and other analysis.
2. Reviewing the *Affidavit of Background Screening* on the license application for completeness upon receipt and returning it to the provider if not complete. Missing information should be obtained prior to processing the license renewal, and whenever feasible, should not be completed by licensing staff.
3. Developing and implementing written policies and/or procedures addressing the review and supervisory approval for completeness of background screening documents for both initial and renewal license applications.
4. Update the County child care ordinances to reflect the current background screening process requirements for licensed child care facilities and licensed family child care homes.
5. Ensuring that at least two individual (dual) signatures are obtained on the *License Application Worksheet*. A single individual should not sign for multiple levels of approval or approve his/her own work.
6. Train additional employees as a back-up for the deposit tasks, including preparation of the department collection report and rotate these duties between the employees on a regular basis.
7. Separating the tasks of opening the mail, logging checks received, and preparing the deposit and DR between two or more employees.

8. Developing and implementing a more reliable method than white-out tape for any redacting of confidential information in the provider files.
9. Recording the disposition of any overpayment in the provider's file to ensure that a record of each transaction is maintained.
10. Implementing an automated work flow and records management system to mitigate the risks of loss of documents and improve the effectiveness of the system of internal control.

CLIENT RESPONSE:

- 1- 9. *Concur*
10. *Management accepts risk*

CORRECTIVE ACTION PLAN:

1. *Child Care Licensing will implement a documenting mechanism on the renewal application for use by the Manager when applicable. The number of waivers issued will be added to the organization's statistics for tracking and analysis.*
2. *Currently, Child Care Licensing reviews applications when they arrive to ensure they are complete. However, there is no formal policy that pinpoints whose responsibility it is to do so. Child Care Licensing will create a new policy and the Manager will follow up to ensure compliance.*
3. *Child Care Licensing firmly asserts that all staff members working in child care programs are screened. Child Care Licensing staff confirm this through repeated inspections for those that are licensed. For those individuals seeking initial licensure, Child Care Licensing will not issue a license to unscreened personnel. We do, however, acknowledge that copies of those screening documents may not be on file at the licensing office. Child Care Licensing will be revising their current policy; however, we are in contact with the County Attorney's office for clarity in what documents are required for file retention.*
4. *The County Attorney's office has drafted the revised language for the background screening process for both ordinances. It is anticipated to go before the BOCC in the coming months.*
5. *Child Care Licensing will adopt a new policy indicating that if one of the reviewers is not available to approve the license, the approving supervisor will not sign in both the absent supervisor's signature line and their own signature line.*
6. *Child Care Licensing will create and implement a policy that will train additional administrative staff to prepare the department collection report and the duties will*

rotate regularly.

- 7. Child Care Licensing will create and implement a policy to comply with the above recommendation.*
- 8. Child Care Licensing will create and implement a policy that only black permanent markers are to be used for redacting confidential information in the public record files in lieu of white out tape.*
- 9. Child Care Licensing will create and implement a policy that mandates that the clerical staff make note of overpayment on the license application when it is received. In addition, they will create a tracking system for these overpayments so that the amount will be subtracted from future fees that may be due.*
- 10. Management accepts the risk. Currently Child Care Licensing does not have the budget to implement this endeavor.*

TARGET COMPLETION DATE:

1-2 and 5-8: February 1, 2019

3-4 and 9: April 1, 2019

10. Not applicable

AUDIT COMMENT 2**There is an opportunity to improve controls over inspections.**

The objective was to determine whether or not Child Care Licensing Services has adequate controls in place for inspections of child care facilities.

The Audit Team reviewed the processes that Child Care Licensing Services uses for inspections and for complaints of child care providers. Using the samples from the licensing step, the Audit Team reviewed the provider files for the 25 centers and 25 homes and determined;

- How the number of routine inspections performed compared to the requirements set forth in the County ordinance.
- Whether or not inspection forms were properly completed and approved.
- Whether or not all issues (citations or complaints) identified on an inspection were followed up on and resolved.

Number of Inspections

The County established Ordinance Numbers 14-39 and 14-40 for Child Care Facilities and Family Child Care Homes, respectively. Each ordinance specifies that the provider's facility shall be inspected by the local licensing agency at least twice a year or as often as deemed necessary by the local licensing agency.

For the sample of 50 licensed child care providers selected (25 centers and 25 homes), the Audit Team reviewed the provider file of each provider for documentation of inspections performed, focusing on the number of inspections performed for the most recent completed license year. The Audit Team compared the number of inspections performed to the required minimum number of two inspections. For those providers who received less than two inspections, or more than two inspections, the Audit Team inquired of Child Care Licensing management for further detail.

Results of Testing

All providers tested (100%) received at least two inspections for the most recently completed license year as required by the ordinances. Twenty of these providers (40%) received the minimum of 2 inspections. While thirty providers (60%) received three inspections.

Per CCL management, it is the department's standard operating procedure to perform three routine inspections per inspection year unless the provider qualifies for the minimum of two inspections for the year. Qualifying criteria is documented in the Department's *Standard Operating Procedures Manual* and is based on the type, number, and timing of inspection citations issued in the current and in prior years.

The Audit Team noted that although the manual includes detailed qualifying criteria for child care centers, it does not include criteria for child care homes. In addition, the timing of citations for qualifying for two inspections per year is different in the manual than what is the current department standard practice.

Review of Inspection and Complaint Forms

Department procedure requires all inspection forms to contain the inspectors signature as well as the signature of the responsible party at the child care center or home during the inspection. In addition, all issues noted on an inspection should be resolved and or re-inspected prior to the issuance or renewal of the provider's license. The audit team reviewed the 50 provider files for evidence of compliance with these requirements.

Results of Testing

- All 50 provider files (100%) had the completed inspection form(s) on file and signed by both the inspector and the provider's representative.
- Twenty-two (22) of the 50 child care providers tested (44%), had citations and/or complaints documented in their respective file. All 22 (100%) had sufficient documentation of re-inspection and resolution of issues.

RECOMMENDATION

Management should consider updating their *Standard Operating Procedure Manual* to include the "two inspections per year" criteria for Child Care Homes and to reflect the current standard practice regarding the timing of citations for qualifying for the two inspections per year.

CLIENT RESPONSE

Concur

CORRECTIVE ACTION PLAN:

The current family child care home SOP will be updated to include criteria for the qualifications of two inspections per year. Management will review this policy with staff and follow up to ensure compliance.

TARGET COMPLETION DATE:

February 1, 2019