SOME MICHIGAN CHILD CARE CENTERS DID NOT ALWAYS COMPLY WITH STATE HEALTH AND SAFETY LICENSING REQUIREMENTS

Inquiries about this report may be addressed to the Office of Public Affairs at Public.Affairs@oig.hhs.gov.

Gloria L. Jarmon
Deputy Inspector General
for Audit Services

August 2014
A-05-13-00053
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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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EXECUTIVE SUMMARY

The three providers that we reviewed did not always comply with applicable State licensing requirements to ensure the health and safety of children.

WHY WE DID THIS REVIEW

The Administration for Children and Families provides Federal grants through several programs, including Head Start and the Child Care and Development Fund (CCDF). In a recent report summarizing the results of 24 audits of Head Start grantees, we described multiple health and safety issues that put children at risk. To determine whether similar health and safety risks exist at childcare providers that received CCDF funding, we audited three licensed child day care centers (providers) that received CCDF funding in Michigan. We conducted this review in conjunction with our review of 20 family and group day care homes (report number A-05-13-00031).

The objective of this review was to determine whether the Michigan Department of Education’s (State agency) monitoring ensured that providers that received CCDF funds complied with State licensing requirements related to the health and safety of children.

BACKGROUND

The CCDF, authorized by the Child Care and Development Block Grant Act and the Social Security Act, § 418, assists low-income families, families receiving temporary public assistance, and families transitioning from public assistance to obtain childcare so that they may work or obtain training or education. Combined funding for the CCDF program for fiscal year 2012, including the block grant’s discretionary fund and the CCDF mandatory and matching funds, was approximately $5.2 billion.

The State agency is the lead agency designated to administer the CCDF program. The Michigan Department of Human Services’ Bureau of Children and Adult Licensing (State licensing agency) is responsible for licensing and periodically monitoring providers.

As the lead agency, the State agency must monitor licensed providers. According to the Child Care and Development Fund Plan for Michigan, the State licensing agency is responsible for childcare licensing and enforcement personnel, who conduct inspections to ensure that providers meet basic health and safety standards. State regulations mandate that the State licensing agency conduct an onsite evaluation of providers at least once a year.
WHAT WE FOUND

Although the State licensing agency conducted the required inspections at all three of the providers that we reviewed, this onsite monitoring did not ensure that providers that received CCDF funds complied with State licensing requirements related to the health and safety of children. We determined that the three providers that we reviewed did not comply with one or more State licensing requirements to ensure the health and safety of children. Specifically, we found that two providers did not always comply with one or more requirements related to the physical conditions of the child care centers, and all three did not comply with required criminal records or protective services checks.

WHAT WE RECOMMEND

We recommend that the State agency work with the State licensing agency to:

- ensure through more frequent onsite monitoring that providers comply with health and safety regulations and ensure adequate oversight by reducing licensing inspectors’ caseloads and

- ensure that providers’ employees (current and prospective) who provide direct services to children have had criminal record checks and protective services checks.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency partially concurred with our first recommendation, acknowledging the benefits of a reduced caseload. However, according to the State agency, nearly tripling the number of licensing inspectors to reduce the caseload is unlikely because it would require additional resources and funding. To address the concerns, the State agency discussed some alternative approaches, including conducting a thorough analysis of the current inspection process to identify potential efficiencies to ensure the optimal utilization of existing licensing inspection staff. The State agency concurred with our second recommendation.
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INTRODUCTION

WHY WE DID THIS REVIEW

The Administration for Children and Families (ACF) provides Federal grants through several programs, including Head Start and the Child Care and Development Fund (CCDF). In a recent report summarizing the results of 24 audits of Head Start grantees, we described multiple health and safety issues that put children at risk. To determine whether similar health and safety risks exist at childcare providers that received CCDF funding, we audited three licensed child care centers (providers) that received CCDF funding in Michigan. We conducted this review in conjunction with our review of 20 family and group child care homes (report number A-05-13-00031).

OBJECTIVE

The objective of this review was to determine whether the Michigan Department of Education’s (State agency) monitoring ensured that providers that received CCDF funds complied with State licensing requirements related to the health and safety of children.

BACKGROUND

The CCDF, authorized by the Child Care and Development Block Grant Act (CCDBG) and the Social Security Act, § 418, assists low-income families, families receiving temporary public assistance, and families transitioning from public assistance to obtain childcare so that they may work or obtain training or education. Combined funding for the CCDF program for fiscal year 2012, including the block grant’s discretionary fund and the CCDF mandatory and matching funds, was approximately $5.2 billion.

The CCDBG Act and implementing Federal regulations require the State to maintain a plan that certifies that the State has requirements in State or local law to protect the health and safety of children, and the plan must certify that procedures are in effect to ensure that childcare providers comply with these requirements (42 U.S.C. 9858c(c)(2)(F)-(G) and 45 CFR 98.15(b)(5)-(6)).

Federal regulations (45 CFR 98.10) require States to designate a lead agency to administer the CCDF program.


2 “Child care center” or “day care center” means a facility, other than a private residence, receiving one or more preschool or school-age children for care for periods of less than 24 hours a day, where the parents or guardians are not immediately available to the child.
Federal regulations at 45 CFR §§ 98.11 (b)(4) and (6) state that in retaining overall responsibility for the administration of the program, the lead agency must ensure that the program complies with the approved plan and all Federal requirements and monitors programs and services.

**Michigan Childcare Services**

The State agency is the lead agency designated to administer the CCDF program. The Michigan Department of Human Services’ Bureau of Children and Adult Licensing (State licensing agency) is responsible for licensing and periodically monitoring providers. The State agency shall certify that there are health and safety requirements that apply to all providers caring for children receiving CCDF services that also may be covered by licensing requirements.

According to the *Child Care and Development Fund Plan for Michigan*, the State licensing agency is responsible for childcare licensing and enforcement personnel, who conduct inspections to ensure that providers meet basic health and safety standards. State regulations mandate that the State licensing agency conduct an onsite evaluation of providers at least once a year (Michigan Compiled Laws 722.118a).

**Related Office of Inspector General Work**

The Office of Inspector General, Office of Evaluation and Inspections (OEI), issued an Early Alert Memorandum Report on July 11, 2013, to ACF entitled *License-Exempt Child Care Providers in the Child Care and Development Fund Program* (OEI-07-10-00231). OEI concluded that States may and do exempt many types of providers from licensing and that these providers are still required to adhere to Federal health and safety requirements to be eligible for CCDF payments.

**Child Care Aware of America**

Child Care Aware of America (CCAA) (formerly the National Association of Child Care Resource & Referral Agencies) published a 2013 update, *We Can Do Better*, that reviewed and ranked State childcare center regulations and oversight. CCAA stated that effective monitoring policies are important for child safety and provider accountability for compliance with State licensing requirements. CCAA added that making inspection reports public is an important form of consumer education because parents cannot make informed selections among childcare settings unless they have access to compliance information. Otherwise, they assume that a State license is a seal of approval. CCAA also suggests that with the important role effective monitoring plays in promoting child safety and program compliance with licensing, the number of programs that each licensing inspector monitors needs to be reduced, not increased. CCAA recommended that States reduce the caseload for licensing inspectors to a ratio of 1:50

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3 CCAA works with more than 600 State and local referral agencies nationwide. CCAA leads projects that increase the quality and availability of childcare professionals, undertakes research, and advocates childcare policies that positively impact the lives of children and families.
Administration for Children and Families Proposed Regulations

ACF recently proposed amending current CCDF regulations to improve childcare health, safety, and quality. The proposed changes include a requirement that State lead agencies perform an initial onsite monitoring visit and at least one annual unannounced onsite visit of providers that have received CCDF subsidies. The proposal also requires providers responsible for the health and safety of children to receive specific and basic training commensurate with their professional responsibilities. In addition, ACF stated that it strongly encourages lead agencies to establish requirements for ongoing provider training.

HOW WE CONDUCTED THIS REVIEW

Of the 1,709 providers that received CCDF funding for the quarter ended March 31, 2013, we selected 3 providers for our review. We based this selection on the availability of State licensing consultants and their unannounced inspection dates. We accompanied the consultants on unannounced visits to the centers that were due for inspection.

We conducted fieldwork in East Lansing, Muskegon, and Rochester Hills, Michigan. We conducted unannounced site visits from June 13 to July 1, 2013.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A contains details of our audit scope and methodology, Appendix B contains details on the Federal regulations and State licensing health and safety requirements that pertain to providers, and Appendix C contains photographic examples of noncompliance with physical conditions requirements.

FINDINGS

Although the State licensing agency conducted the required inspections at all three of the providers that we reviewed, this onsite monitoring did not ensure that providers that received CCDF funds complied with State licensing requirements related to the health and safety of children. We determined that the three providers did not comply with one or more State licensing requirements to ensure the health and safety of children. Specifically, we found that two providers did not always comply with one or more requirements related to the physical conditions requirements.

conditions of the child care centers, and all three did not comply with required criminal records or protective services checks.

Appendix D displays a table that contains the instances of noncompliance at each provider we reviewed.

**PROVIDERS DID NOT ALWAYS COMPLY WITH PHYSICAL CONDITIONS REQUIREMENTS**

**State Requirements**

A prospective provider applies for a child care center license by completing and submitting to the State licensing agency an application to obtain a child care center license (Michigan Compiled Laws 722.115). The application process includes an acknowledgment from the applicant that the applicant has read the Child Care Organizations Act (1973 PA 116) and the Licensing Rules for Child Care Centers and agrees to abide by them and that a licensing consultant will make an onsite inspection during the licensing process. State licensing regulations include the following requirements related to the physical conditions of child care centers:

- means of egress shall be maintained in an unobstructed, easily traveled condition at all times that the center is in operation (R 400.5820(6));

- all electrical outlets in child use areas for children who are not yet school-age shall be made inaccessible to children (R 400.5850(5));

- containers of poisonous or toxic materials shall be stored out of reach of children (R 400.5903);

- the premises shall be maintained in a clean and safe condition (R 400.5940(1));

- an infant shall rest or sleep alone in an approved crib or porta-crib (R 400.5204(5));

- protective surfaces such as wood mulch, double shredded bark mulch, uniform wood chips … shall be provided in areas where … a child might fall (R 400.5117(8)(a)); and

- the center shall provide appropriate care and supervision of children at all times. The ratio of caregivers to children present at all times shall be based upon all of the following provisions: (a) for children 3 years of age, there shall be 1 caregiver for 10 children or each fraction of 10, including children who are related to the staff and licensee … (c) if there are children of mixed ages in the same room or in a well-defined space, then the ratio shall be determined by the age of the youngest child… (R 400.5105(1) through (3)).

Appendix B contains all relevant State licensing regulations.
Providers Did Not Comply With Physical Conditions Requirements

We determined that two of the three providers we reviewed had one or more instances of noncompliance with requirements to protect children from potentially hazardous conditions. Specifically, we found 17 instances of noncompliance with State licensing requirements related to physical conditions. Examples of noncompliance included:

- a fire exit blocked by a garbage can (Appendix C, photograph 1),
- no protective covering on an electric outlet (Appendix C, photograph 2),
- a potentially hazardous substance (furniture polish) within the reach of children (Appendix C, photograph 3),
- brooms and rakes in doorway to a children’s bathroom (Appendix C, photograph 4),
- a safety recall on a crib that was being used (Appendix C, photograph 5),
- no protective material provided under a swing area (Appendix C, photograph 6),
- two toddlers wandering down the hall and in an unused classroom with no caregiver in sight, and
- 1 caregiver to 11 children in a mixed group including 3-year-olds.

PROVIDERS DID NOT ALWAYS COMPLY WITH REQUIRED CRIMINAL RECORDS AND CENTRAL REGISTRY CLEARANCE CHECKS

State Requirements

In Michigan, regulations require both Federal and State criminal records checks for a child care center licensee (R 400.5102(1)). Providers must perform a criminal history check using the Michigan Department of State Police’s Internet Criminal History Access Tool (ICHAT) before making an offer of employment to a person (R 400.5102(2)). In addition, the regulations require that the staff member provide the provider a Central Registry Clearance document from the State licensing agency that the staff member does not have a history of substantiated abuse or child neglect before having contact with a child in care (R 400.5104(3)).

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5 We did not review the Federal Bureau of Investigation background check records as part of the scope of this audit.
Providers Did Not Comply With Required Criminal Records and Central Registry Clearance Checks

We determined that 48 employees at the 3 centers lacked 1 or more of the required criminal records and/or Central Registry Clearance checks. Specifically:

- 38 employees did not have a State criminal history check before being offered employment and
- 10 employees did not have a Central Registry Clearance check.

Appendix D contains the number of instances and categories of noncompliance at each provider.

CAUSE OF NONCOMPLIANCE

On the basis of our discussion with State officials and our review of the State licensing regulations, we determined that noncompliance with State requirements occurred because the inspections were too infrequent and the inspectors were responsible for too many providers, limiting the amount of time spent on each inspection. The State licensing agency is required to make unannounced visits of providers at least once a year, and the average ratio of licensing inspectors to programs is 1:172. Special investigations, initiated by complaints, delay regular, unannounced visits. CCAA recommended that States increase inspections of providers to at least once per year and that States reduce the caseload for licensing inspectors to a ratio of 1:50.

RECOMMENDATIONS

We recommend that the State agency work with the State licensing agency to:

- ensure through more frequent onsite monitoring that providers comply with health and safety regulations and ensure adequate oversight by reducing licensing inspectors’ caseloads and
- ensure that providers’ employees (current and prospective) who provide direct services to children have had criminal record checks and protective services checks.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency partially concurred with our first recommendation, acknowledging the benefits of a reduced caseload. However, according to the State agency, nearly tripling the number of licensing inspectors to reduce the caseload is unlikely because it would require additional resources and funding. To address the concerns, the State agency discussed some alternative approaches, including conducting a thorough analysis of the current inspection process to identify potential efficiencies to ensure the optimal utilization of
existing licensing inspection staff. The State agency concurred with our second recommendation.

The State agency’s comments are included in their entirety as Appendix E.
APPENDIX A: SCOPE AND METHODOLOGY

SCOPE

Of the 1,709 providers that received CCDF funding for the quarter ended March 31, 2013, we selected 3 providers for our review. We based this selection on the availability of State licensing consultants who were conducting unannounced interim or renewal inspection of the centers. We accompanied State licensing consultants on unannounced visits to homes due for inspection.

We conducted a review of the providers’ records and facilities as of August 2013. To gain an understanding of the State agency’s operations, as they relate to child care providers, we limited our review to the State agency’s internal controls as they related to our objective.

We conducted fieldwork in East Lansing, Muskegon, and Rochester Hills, Michigan. We conducted these unannounced site visits from June 13 to July 1, 2013.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, State statutes, and regulations for licensing providers and applicable Michigan CCDF State plan approved by ACF;
- interviewed the CCDF program staff to determine how Michigan monitored its providers;
- developed a health and safety checklist as a guide for conducting site visits;
- conducted unannounced site visits (inspections) at the three providers we selected for review;
- interviewed providers to obtain a listing of center employees whose salaries were funded by CCDF (and who had direct access to children) to determine whether all required criminal history records checks were conducted; and
- discussed the results of our review with State licensing officials and State agency officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
APPENDIX B: FEDERAL REGULATIONS AND STATE LICENSING REGULATIONS

FEDERAL REGULATIONS

One of the goals of CCDF is to assist States in implementing the health, safety, licensing, and registration standards established in State regulations (45 CFR 98.1(a)(5)).

The lead agency must certify that there are in effect within the State (or other area served by the lead agency) under State or local (or tribal) law, requirements designed to protect the health and safety of children that are applicable to childcare providers that provide services for which assistance is made available under the CCDF (45 CFR 98.15(b)(5)).

Federal Regulation at 45 CFR §§ 98.11 (b)(4) and (6) state that in retaining overall responsibility for the administration of the program, the lead agency must ensure that the program complies with the approved Plan and all Federal requirements; and monitors programs and services.

STATE STATUTES AND REGULATIONS

According to the CCDF plan for Michigan, the State licensing agency is responsible for conducting inspections to ensure that providers meet basic health and safety requirements (Michigan Compiled Laws 722.115).

Michigan General Statutes

Michigan Compiled Laws 722.111(1)(g) – Child Care Center

A child care center is a facility, other than a private residence, receiving one or more preschool or school-age children for care for periods of less than 24 hours a day.

Michigan Regulations for Licensing Rules for Child Care Centers are within sections R 400.5101 through R 400.5940. 6

Michigan Compiled Laws 722.115(1) – Licensing

A person, partnership, firm, corporation, association, or nongovernmental organization shall not establish or maintain a child care organization unless licensed or registered by the department. Application for a license or certificate of registration shall be made on forms provided, and in the manner prescribed, by the department. Before issuing or renewing a license, the department shall investigate the applicant’s activities and proposed standards of care and shall make an on-site visit of the proposed or established organization.

6 On August 1, 2013, Michigan moved and amended these rules to R 400.8101 through R 400.8840. These changes were made effective on January 2, 2014.
Qualifications of Applicant or Provider

*R 400.5102(1)(b), (2)(b), and (7)(a) – Licensee*

The licensee shall do the following:
1. Comply with 1973 PA 116, MCL 722.115c requirements for a Michigan Department of State Police criminal history record check, a criminal records check through the Federal Bureau of Investigation, and a Michigan Department of Human Services (DHS) check for a history of substantiated abuse and neglect;
2. perform a criminal history check using the Michigan State Police ICHAT before making an offer of employment to a person; and
3. provide access to all records, materials, and staff.

*R 400.5104(3) – Staff*

A staff member shall provide the child care center with documentation from the DHS that he or she has not been named in a Central Registry Case as the perpetrator of child abuse or child neglect before having contact with a child in care.

Physical Environment

*Michigan Compiled Laws 722.112 – Rules*

DHS is responsible for development of rules in the areas of safety, cleanliness, and general adequacy of the premises, including maintenance of adequate fire prevention and health standards to provide for the physical comfort, care, and well-being of the children.

*R 400.5820(6) – Exits*

Means of egress shall be maintained in an unobstructed, easily traveled condition at all times that the center is in operation.

*R 400.5850(5) – Electrical Service*

All electrical outlets in child use areas for children who are not yet school-age shall be made inaccessible to children.

*R 400.5113(a)(6) – Emergency Procedures*

A written log indicating the date and time of fire and tornado drills shall be on file at the center.

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7 School-age is defined as kindergarten or higher grade but less than 13 years of age (R 400.5101(6)(iv)).
R 400.5903 and R 400.5940(1) – Environmental Health

Containers of poisonous or toxic materials shall be stored out of reach of children.

The premises shall be maintained in a clean and safe condition.

R 400.5108(1) and R 400.5117(8)(a) – Equipment

The center shall provide an adequate and varied supply of play equipment, materials, and furniture that is safe, clean, and in good repair.

Protective surfaces such as wood mulch, double shredded bark mulch, uniform wood chips, fine or coarse sand, pea gravel, rubber or rubber-over-foam mats or tiles, poured-in-place urethane, and rubber compositions shall be provided in areas where climbing, sliding, swinging, or other equipment from which a child might fall is located.

R 400.5204(5) – Equipment

An infant shall rest or sleep alone in an approved crib or porta-crib.

R 400.5105(1) through (3) – Supervision and ratio requirements

(1) The center shall provide appropriate care and supervision of children at all times.
(2) A minimum of two staff members, one of whom is a caregiver, shall be present at all times when seven or more children over 3 years of age are present.
(3) The ratio of caregivers to children present at all times shall be based upon all of the following provisions:
   (a) For children 3 years of age, there shall be 1 caregiver for 10 children or each fraction of 10, including children who are related to the staff and the licensee.
   (b) For children 4 years of age, there shall be 1 caregiver for 12 children or each fraction of 12, including children who are related to the staff and the licensee.
   (c) If there are children of mixed ages in the same room or in a well-defined space, then the ratio shall be determined by the age of the youngest child, unless each group of children is clearly separated and the appropriate child/staff ratios for each age group are maintained.
APPENDIX C: PHOTOGRAPHIC EXAMPLES OF NONCOMPLIANCE WITH PHYSICAL CONDITIONS REQUIREMENTS

Photograph 1: A fire exit blocked by a garbage can.

Photograph 2: No protective covering on an electrical outlet.
Some Michigan Child Care Centers Did Not Always Comply
With State Health and Safety Licensing Requirements (A-05-13-00053)

Photograph 3: Furniture polish within reach of children in a play area.

Photograph 4: Brooms and rakes in a doorway leading to a children’s bathroom.
Some Michigan Child Care Centers Did Not Always Comply With State Health and Safety Licensing Requirements (A-05-13-00053)

Photograph 5: The Consumer Product Safety Commission had recalled this crib.

Photograph 6: No protective material (mulch or wood chips) under a swing area.
**APPENDIX D: INSTANCES OF NONCOMPLIANCE AT EACH CHILD CARE CENTER**

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**Notice:** We provided to the State licensing agency under a separate cover the specific names of the providers we audited.
APPENDIX E: STATE AGENCY COMMENTS

June 10, 2014

Sheri L. Fulcher
Regional Inspector General for Audit Services
Office of Inspector General
Office of Audit Services, Region V
233 North Michigan, Suite 1360
Chicago, IL 60601

RE: Report Number A-05-13-00053

Dear Ms. Fulcher:

This letter provides the Michigan response to your May 22, 2014 draft report #A-05-13-00053 entitled:
Some Michigan Child Day Care Center Providers Did Not Always Comply with Health and Safety Licensing Requirements.

We have attached our formal response to your recommendations. The Michigan Department of Education, lead agency, and the Department of Human Services, regulatory agency for licensing, collaboratively worked on this response and we concur with your recommendations for how we can improve our efforts to ensure the health and safety of children in Michigan.

If you have any further questions or need additional information, please contact Lisa Brewer Walraven at brewer-walraven@michigan.gov or (517) 373-4116.

Sincerely,

Michael P. Flanagan
State Superintendent
Michigan Department of Education

Maura D. Corrigan
Director
Michigan Department of Human Services

cc: Duane Berger, DHS
Lisa Brewer Walraven, MDE
Susan Broman, MDE
Kyle Guerrat, MDE
Jerry Hendrick, DHS
Julie Horn Alexander, DHS
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OIG RECOMMENDATION #1 - Ensure through more frequent onsite monitoring that providers comply with health and safety regulations and ensure adequate oversight by reducing licensing inspectors’ caseloads.


The State currently employs 68 child care licensing inspectors responsible for 10,397 child care facilities resulting in a 1:153 caseload ratio. To implement the 1:50 ratio recommended by Child Care Aware of America, the State of Michigan would be required to increase licensing inspector staff by 140 positions (+206%). While the State acknowledges the benefits of the 1:50 recommendation, nearly tripling the number of licensing inspectors is unlikely at this time as it would require additional resources and funding.

However, to address the concerns cited in the audit report, the State will conduct a thorough analysis of the current inspection process to 1.) ensure that existing licensing inspector resources are applied to areas that provide the greatest assurance regarding the health and safety of the children served; and, 2.) identify any potential efficiencies in the inspection process to ensure optimal utilization of existing licensing inspection staff.

OIG RECOMMENDATION #2 - Ensure that providers' employees (current and prospective) who provide direct services to children have had criminal record checks and protective services checks.

State of Michigan Response – The State of Michigan concurs with this recommendation. The State has an effective process in place to track and monitor criminal background checks on child day care license holders. Michigan relies on license holders to comply with background check requirements regarding their employees. Ensuring that background checks are performed on license holder employees has been, and will continue to be, a point of emphasis during the inspection process. Penalties for non-compliance, up to and including license revocation, will be enforced.