

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**SOME MINNESOTA CHILDCARE  
CENTERS DID NOT ALWAYS  
COMPLY WITH STATE HEALTH  
AND SAFETY LICENSING  
REQUIREMENTS**

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A-05-14-00022

# *Office of Inspector General*

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## EXECUTIVE SUMMARY

*The three licensed childcare centers that we reviewed in Minnesota 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 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 reviewed three licensed childcare centers (providers) that received CCDF funding in Minnesota. We conducted this audit of the Minnesota Department of Human Services (State agency) in conjunction with our review of 20 family childcare homes (report number A-05-14-00021).

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

### BACKGROUND

Authorized by the Child Care and Development Block Grant Act and section 418 of the Social Security Act, the CCDF assists low-income families, families receiving temporary public assistance, and families transitioning from public assistance to obtain child care 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. As the lead agency, the State agency must monitor licensed providers. According to the *Child Care and Development Fund Plan for Minnesota*, the State agency must ensure the health and safety of children through licensing and health and safety standards and certify that these standards ensure that childcare providers comply with applicable health and safety requirements. Routine unannounced visits are made once every 2 years.

### WHAT WE FOUND

The State agency conducted the required inspections at all three of the providers that we reviewed; however, 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 always comply with one or more State licensing requirements to ensure the health and safety of children. Specifically, we

found that all three providers did not always comply with one or more requirements related to the physical conditions of the childcare centers and with required background studies. On the basis of our discussion with State officials and our review of the State licensing regulations, we determined that noncompliance with State requirements and limited oversight occurred because the inspectors were responsible for too many providers, resulting in high caseloads and limiting the amount of time spent on each inspection.

## **WHAT WE RECOMMEND**

We recommend that the State agency:

- ensure through more frequent onsite monitoring that providers comply with health and safety regulations,
- ensure that providers' employees (current and prospective) who provide direct services to children have completed background studies, and
- ensure adequate oversight by reducing licensing inspectors' caseloads.

## **STATE AGENCY COMMENTS**

In written comments on our draft report, the State agency concurred with our first and second recommendations. The State agency partially concurred with our third recommendation, indicating that increasing staff levels to achieve a reduced caseload would require additional resources and funding that could significantly increase licensing fees. However, the State agency stated that it is committed to reducing caseloads to a level that will comply with the Child Care and Development Block Grant Act of 2014.

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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 report summarizing the results of 24 audits of Head Start grantees,<sup>1</sup> 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 reviewed three licensed childcare centers<sup>2</sup> (providers) that received CCDF funding in Minnesota. We conducted this audit of the Minnesota Department of Human Services (State agency) in conjunction with our review of 20 family childcare homes (report number A-05-14-00021).

### OBJECTIVE

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

### BACKGROUND

Authorized by the Child Care and Development Block Grant (CCDBG) Act (42 U.S.C. 9859 et. seq.) and section 418 of the Social Security Act (42 U.S.C. 618), the CCDF assists low-income families, families receiving temporary public assistance, and families transitioning from public assistance to obtain child care 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.

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<sup>1</sup> *Review of 24 Head Start Grantees' Compliance With Health and Safety Requirements* (A-01-11-02503, issued December 12, 2011).

<sup>2</sup> According to the *Child Care and Development Fund Plan for Minnesota*, "childcare centers" are defined as providers licensed or otherwise authorized to provide childcare services for fewer than 24 hours per day per child in a nonresidential setting, unless care in excess of 24 hours is due to the nature of the parent(s)' work.

Federal regulations (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.

### **Minnesota Childcare Services**

The State agency is the lead agency designated to administer the CCDF program. The State agency must ensure the health and safety of children in child care through the State's licensing system and establishing health and safety standards for children receiving CCDF services.

According to the *Child Care and Development Fund Plan for Minnesota*, the State agency is responsible for monitoring programs and services, ensuring compliance with program rules, and promulgating rules and regulations to govern the overall administration of the plan. Minnesota's licensing requirements serve as the CCDF health and safety requirements for licensed providers. Routine unannounced visits are made once every 2 years. Additional announced visits are made as needed to inspect physical premise changes requested by centers.

### **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 exempt many types of providers from licensing but 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.<sup>3</sup> 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 may assume that a State license is a seal of approval. CCAA also suggested 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. CCAA recommended

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<sup>3</sup> CCAA works with more than 600 State and local childcare resource and referral agencies nationwide. CCAA leads projects that increase the quality and availability of child care, offers comprehensive training to childcare professionals, undertakes research, and advocates childcare policies that positively impact the lives of children and families.

that States reduce the caseload for licensing inspectors to a ratio of 1:50 (1 inspector for 50 cases).

### **Child Care and Development Block Grant Act of 2014**

On November 19, 2014, the Child Care and Development Block Grant Act of 2014<sup>4</sup> reauthorized the CCDF program and revised childcare health, safety, and quality requirements. The law includes a requirement that States' lead agencies perform an initial onsite monitoring visit and at least one annual unannounced onsite visit of providers that have received CCDF subsidies. It also requires training and professional development of the childcare workforce to meet the needs of the children and improve the quality and stability of the workforce. Specifically, it requires lead agencies to establish ongoing provider training.

### **HOW WE CONDUCTED THIS REVIEW**

Of the 887 providers in Minnesota that received CCDF funding for the quarter ended September 30, 2013, we selected 3 providers for our review. We based this selection on the availability of State licensors and their unannounced inspection dates. We accompanied the licensors on unannounced visits to the providers that were due for inspection. We conducted fieldwork in Minneapolis, Mounds View, and Wyoming, Minnesota. We conducted site visits from January 29 to February 4, 2014.

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 relevant Federal regulations and State licensing requirements that pertain to providers, and Appendix C contains photographic examples of noncompliance with physical conditions requirements.

### **FINDINGS**

The State agency conducted the required inspections at all three of the providers that we reviewed; however, 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 always comply with one or more State licensing requirements to ensure the health and safety of children. Specifically, we found that all three providers did not always comply with one or more requirements related to the physical conditions of the childcare centers and with required background studies. On the basis of our discussion with State officials and our review of the State licensing regulations, we determined that noncompliance with State requirements and limited oversight occurred because

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<sup>4</sup> P.L. No. 113-186 (Nov. 19, 2014).

the inspectors were responsible for too many providers, resulting in high caseloads and limiting the amount of time spent on each inspection.

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**

To begin the initial licensing process, the applicant must submit a completed license application form. After the State agency receives a completed application, a childcare licensor will conduct an onsite inspection. The application process includes an acknowledgment that the applicant agrees to comply with the requirements contained in Minnesota Statutes, chapter 245A, and all applicable laws and rules, at all times during the term of the license. State licensing regulations include the following requirements related to the physical conditions of childcare centers:

- Sharp objects, medicines, plastic bags, and poisonous plants and chemicals, including household supplies, must be stored out of reach of children (9503.0140 Subpart 17).
- Medicines, insect repellents, sunscreen lotions, and diaper rash control products must be inaccessible to children (9503.0140 Subpart 7E).
- Kitchens, stairs, and other hazardous areas must be inaccessible to children except during periods of supervised use (9503.0155 Subpart 15).
- Electrical outlets must be tamper proof or shielded when not in use (9503.0155 Subpart 11).
- Equipment and furniture must be free of sharp edges, dangerous protrusions, points where a child's extremities could be pinched or crushed, and openings or angles that could trap part of a child's body (9503.0140 Subpart 19).
- The indoor and outdoor space and equipment of the center must be clean (9503.0140 Subpart 9).
- Areas used by children must be free from debris; loose flaking, peeling, or chipped paint; loose wallpaper; or crumbling plaster, litter, and holes in the walls, floors, and ceilings (9503.0140 Subpart 20).
- Radiators, fireplaces, hot pipes, and other hot surfaces in areas used by children must be shielded or insulated to prevent burns (9503.0155 Subpart 10).

- A minimum temperature of 68 degrees Fahrenheit must be maintained in indoor areas used by children (9503.0155 Subpart 13).
- Fire extinguishers must be serviced annually by a qualified inspector (9503.0155 Subpart 16).
- Fire procedures must mandate monthly fire drills and a log of drill times and dates (9503.0110 Subpart 3D).
- The temperature of hot water in the hand sinks used by children must not exceed 120 degrees Fahrenheit (9503.0155 Subpart 18D).
- Annually, from the date printed on the license, all license holders must check all their cribs' brand names and model numbers against the United States Consumer Product Safety Commission Web site listing of unsafe cribs (245A.146 Subdivision 3).

Appendix B contains all relevant State licensing requirements.

### **Providers Did Not Comply With Physical Conditions Requirements**

We determined that all three providers we reviewed had one or more instances of noncompliance with requirements to protect children from potentially hazardous conditions. Specifically, we found 23 instances of noncompliance with State licensing requirements related to physical conditions, which included:

- potentially hazardous substances (liquid air freshener, laundry detergent) were within the reach of children (Appendix C, photographs 1–2);
- sharp hazardous objects (scissors) were within the reach of children (Appendix C, photographs 3–4);
- potentially hazardous items (sunscreen, staff personal belongings) were within the reach of children;
- the cord for a television was draped through play areas, creating a tripping hazard;
- potentially hazardous areas (laundry and mechanical rooms) were accessible to children (Appendix C, photographs 5–7);
- an electrical outlet in a classroom was not properly shielded (Appendix C, photograph 8);
- furniture with sharp, broken edges was within the reach of children (Appendix C, photograph 9);

- furniture with openings and angles that could trap part of a child’s body (a metal folding chair) was stored within the reach of children;
- an unsanitary item (plunger) was stored within the reach of children;
- chipped and flaking paint were on classroom walls;
- bottle warmers were not secured to the countertop;
- the minimum room temperature was not maintained (Appendix C, photograph 10);
- fire extinguishers in the facility were last serviced more than a year ago;
- maximum water temperature of children’s hand washing sinks was not maintained;
- monthly fire drill logs were not maintained; and
- cribs’ brand names and model numbers were not checked against the United States Consumer Product Safety Commission Web site listing of unsafe cribs.

**PROVIDERS DID NOT ALWAYS COMPLY WITH  
REQUIRED BACKGROUND STUDIES**

**State Requirements**

State regulations require a background study on applicants and current and prospective employees who will have direct contact with children (245C.03(1,3)).

**Providers Did Not Comply With Required Background Studies**

We determined that six employees at the three providers lacked background studies. Specifically:

- two employees did not have a background study before having direct contact with the children and
- four employees did not have a background study completed.

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

**CAUSE OF NONCOMPLIANCE WITH HEALTH AND SAFETY REQUIREMENTS**

On the basis of our discussion with State officials and our review of the State licensing regulations, we determined that noncompliance with State requirements and limited oversight

occurred because the inspectors were responsible for too many providers, resulting in high caseloads and limiting the amount of time spent on each inspection. The State agency is required to make unannounced visits of providers at least once every 2 years, with announced visits as necessary owing to physical changes made by the centers, and the average ratio of licensors to programs is 1:170. 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. Reducing the inspectors' caseload would enable the State agency to ensure more frequent and thorough onsite monitoring of childcare providers.

## **RECOMMENDATIONS**

We recommend that the State agency:

- ensure through more frequent onsite monitoring that providers comply with health and safety regulations,
- ensure that providers' employees (current and prospective) who provide direct services to children have completed background studies, and
- ensure adequate oversight by reducing licensing inspectors' caseloads.

## **STATE AGENCY COMMENTS**

In written comments on our draft report, the State agency concurred with our first and second recommendations. The State agency partially concurred with our third recommendation, indicating that increasing staff levels to achieve a caseload ratio of 1:50 recommended by Child Care Aware of America would require additional resources and funding that could significantly increase licensing fees. However, the State agency stated that it is committed to reducing caseloads to a level that will comply with the Child Care and Development Block Grant Act of 2014.

The State agency's comments are included in their entirety as Appendix E.

## **APPENDIX A: SCOPE AND METHODOLOGY**

### **SCOPE**

Of the 887 providers that received CCDF funding for the quarter ended September 30, 2013, we selected 3 providers for our review. We based this selection on the availability of State licensors who were conducting unannounced interim or renewal inspection of the centers. We accompanied State licensors on unannounced visits to childcare providers due for inspection.

We conducted a review of the providers' records and facilities as of January 2014. To gain an understanding of the State agency's operations as they related to childcare providers, we limited our review to the State agency's internal controls as they related to our objective.

We conducted fieldwork in Minneapolis, Mounds View, and Wyoming, Minnesota. We conducted these site visits from January 29 to February 4, 2014.

### **METHODOLOGY**

To accomplish our objective, we:

- reviewed applicable Federal laws, State statutes, and regulations for licensing providers and the applicable Minnesota CCDF State plan approved by ACF;
- interviewed CCDF program staff to determine how Minnesota monitored its providers;
- developed a health and safety checklist as a guide for conducting site visits;
- conducted unannounced site visits 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 background studies were conducted; and
- discussed the results of our review with 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)).

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 (45 CFR §§ 98.11(b)(4) and (6)).

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)).

### **STATE STATUTES AND REGULATIONS**

According to the CCDF Plan for Minnesota, the State agency is required to ensure that childcare providers caring for children receiving CCDF services comply with the applicable health and safety requirements and effectively enforce them.

#### **Minnesota General Statutes**

Minnesota regulations for childcare center licensing are within Minnesota Administrative Rules, chapter 9503.

##### *Minnesota Administrative Rules Chapter 9503.0170–Licensing Process*

A person, corporation, partnership, voluntary association, or other organization may not operate a childcare program in a center unless licensed.

##### *Minnesota Administrative Rules Chapter 245A.04–Application Procedures*

The application must be made on the forms and in the manner prescribed by the commissioner. The applicant must be able to demonstrate competent knowledge of licensing statutes and rules applicable to the program or services for which the applicant is seeking to be licensed. Before issuing an initial license, the commissioner must conduct an inspection of the program.

#### **Background Studies**

##### *Minnesota Statutes Chapter 245C.03 Subdivision 1*

The State agency must conduct a background study on the person or persons applying for a license and current or prospective employees or contractors of the applicant who will have direct contact with persons served by the facility, agency, or program.

## **Physical Environment**

The State agency 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.

### *Minnesota Statutes Chapter 9503, Child Care Center Licensing*

#### *9503.0140 Subpart 17–Hazardous objects*

Sharp objects, medicines, plastic bags, and poisonous plants and chemicals, including household supplies, must be stored out of reach of children.

#### *9503.0140 Subpart 7E–Administration of medicine*

Medicines, insect repellents, sunscreen lotions, and diaper rash control products must be stored according to directions on the original container and so that they are inaccessible to children.

#### *9503.0140 Subpart 20–Maintenance of areas used by children*

The areas used by children must be free from debris, loose flaking, peeling, or chipped paint, loose wallpaper, or crumbling plaster, litter, and holes in the walls, floors, and ceilings.

#### *9503.0155 Subpart 15–Hazardous Areas*

Kitchens, stairs, and other hazardous areas must be inaccessible to children except during periods of supervised use.

#### *9503.0140 Subpart 9–Cleanliness*

The indoor and outdoor space and equipment of the center must be clean.

#### *9503.0155 Subpart 11–Electrical outlets*

Except in a center that serves only school-age children, electrical outlets must be tamper proof or shielded when not in use.

#### *9503.0140 Subpart 19–Condition of equipment and furniture*

Equipment and furniture must be durable, in good repair, structurally sound and stable following assembly and installation. Equipment must be free of sharp edges, dangerous protrusions, points where a child's extremities could be pinched or crushed, and openings or angles that could trap part of a child's body.

*9503.0155 Subpart 10–Shielding of hot surfaces*

Radiators, fireplaces, hot pipes, and other hot surfaces in areas used by children must be shielded or insulated to prevent burns.

*9503.0155 Subpart 13–Room temperature*

A minimum temperature of 68 degrees Fahrenheit must be maintained in indoor areas used by children.

*9503.0155 Subpart 16–Fire extinguisher inspection*

Fire extinguishers must be serviced annually by a qualified inspector. The name of the inspector and date of the inspection must be written on a tag attached to the extinguisher.

*9503.0155 Subpart 18–Toilets and hand sinks*

The temperature of hot water in the hand sinks used by children must not exceed 120 degrees Fahrenheit.

*9503.0110 Subpart 3–Fire policy content*

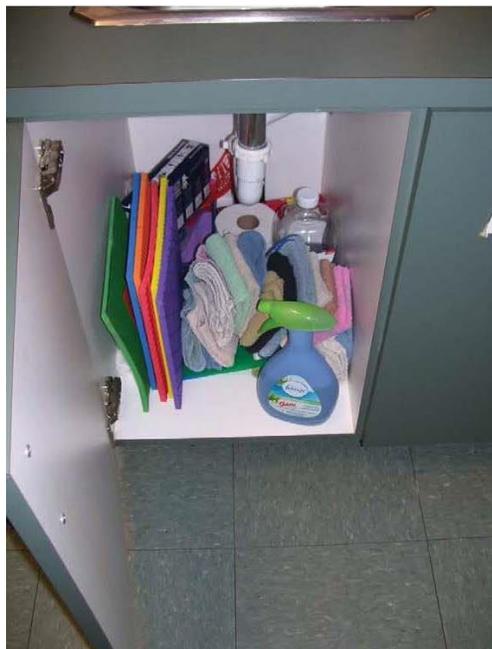
Fire procedures must mandate monthly fire drills and a log of drill times and dates.

*Minnesota Statutes Chapter 245A Human Services Licensing*

*245A.146 Subdivision 3–License holder documentation of cribs*

Annually, from the date printed on the license, all license holders must check all their cribs' brand names and model numbers against the United States Consumer Product Safety Commission Web site listing of unsafe cribs. The license holder must maintain written documentation to be reviewed on site for each crib showing that the review has been completed.

**APPENDIX C: PHOTOGRAPHIC EXAMPLES OF NONCOMPLIANCE WITH  
PHYSICAL CONDITIONS REQUIREMENTS**



**Photograph 1: Chemicals within reach of children in a classroom.**



**Photograph 2: Chemicals within reach of children in a classroom.**



**Photograph 3: Sharp and hazardous objects in an unlocked drawer accessible to children.**



**Photograph 4: Sharp and hazardous objects in an unlocked drawer accessible to children.**



**Photograph 5: Hazards accessible to children in an unlocked storage room.**



**Photograph 6: Chemicals accessible to children in an unlocked storage room.**



**Photograph 7: Hazards accessible to children in an unlocked storage room.**



**Photograph 8: No protective covering on an electrical outlet.**



**Photograph 9: Sharp, broken edges accessible to infants.**



**Photograph 10: Room temperature was below 68 degrees Fahrenheit.**

**APPENDIX D: INSTANCES OF NONCOMPLIANCE AT EACH  
CHILDCARE CENTER**

<b>Provider #</b>	<b>Potentially Hazardous Physical Condition</b>	<b>Background Studies</b>	<b>Total</b>
1	9	1	10
2	8	4	12
3	6	1	7
<b>Total</b>	<b>23</b>	<b>6</b>	<b>29</b>

**Notice:** We provided to the State agency under a separate cover the specific names of the providers audited.

## APPENDIX E: STATE AGENCY COMMENTS



Minnesota Department of **Human Services**

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January 9, 2015

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-05-14-00022

Dear Ms. Fulcher:

Thank you for giving us the opportunity to respond to your Dec. 12, 2014, draft audit report, "Some Minnesota Childcare Center Providers Did Not Always Comply with Health and Safety Licensing Requirements." I wish to thank you and your staff for the time you spent here in Minnesota meeting with our staff as part of your audit. It is our understanding that our response will be published in the Office of Inspector General's final audit report. Here are our comments regarding the recommendations contained in the report.

**OIG Recommendation #1:** *Ensure through more frequent onsite monitoring that providers comply with health and safety requirements.*

**Response:** Minnesota concurs. We acknowledge and agree that, in general, increased oversight can result in increased compliance. Minnesota law currently provides for bi-annual licensing inspections of child care centers. In recent years, we have developed a monitoring system for more frequent onsite monitoring of providers that experience the most compliance challenges. These providers are identified in several ways, including following up on bi-annual licensing inspections; ongoing monitoring following licensing violations; and, identifying through the use of a supplemental licensing checklist, providers that we have received complaints about, and providers that may otherwise be at increased risk of noncompliance.

In 2013, the Minnesota Legislature adopted Gov. Mark Dayton's request for four additional positions for the Child Care Center Licensing Unit, including two licensors to focus primarily on conducting licensing work in programs that are identified as high risk for program integrity issues. In addition, we are in the early stages of planning for implementing the federal Child Care and Development Block Grant Act of 2014, which requires states to implement annual unannounced inspections of child care centers and family child programs to include compliance with all child care licensing standards. The enhanced inspection schedule will be required within two years from enactment of the law and by then, Minnesota will have identified and secured the necessary resources and changes in state law to meet this new requirement.

**OIG Recommendation #2:** *Ensure that providers' employees (current and prospective) who provide direct services to children have completed background studies.*

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**Response:** Minnesota concurs. It has always been the objective of the department's Licensing Division to ensure that all required individuals have timely background studies. State law requires all individuals having direct contact with or unsupervised access to, children in care must have a background study conducted by Minnesota Department of Human Services. In addition, before an initial license is issued, owners and key managerial officials must have a department background study. We take background study requirements very seriously and, when background study violations occur, providers are fined. In 2014, the department issued fines to 124 providers.

Ensuring that background studies are completed as required by law will continue to be an important focus of our licensing inspections. As a result of changes enacted by the 2014 Legislature, the department is currently implementing fingerprint-based, state-level background checks for department-licensed programs, including child care centers. The new background system includes a feature that is expected to greatly assist providers in maintaining compliance with background study requirements for all of their staff. This new background study system will also position Minnesota to implement a nearly seamless transition to meet the enhanced background study requirements recently enacted under the federal Child Care and Development Block Grant Act of 2014.

*OIG Recommendation #3: Ensure adequate oversight by reducing licensing inspectors' caseloads.*

**Response:** Minnesota partially concurs. The department currently employs 12 child care/adult day center licensors who are responsible for licensing 1,635 child care centers and 167 adult day centers. As mentioned previously under the first response, two of the licensor positions are focused on programs at high risk for program integrity issues. The other 10 licensors have an average caseload ratio of 1:170. The funding of child care center licensing staff is supported largely by licensing fees. Increasing staff sufficient to achieve a caseload ratio of 1:50, as recommended by Child Care Aware of America, would require significant additional resources and funding that could significantly increase licensing fees. However, we are committed to reducing licensor caseloads to a level that will allow us to comply with the recently enacted requirements of the federal Child Care and Development Block Grant Act of 2014.

When this report becomes public, we will send a letter to all licensed child care centers notifying them of the findings and informing them that we consider the findings and recommendations to be important in guiding our work.

The Department of Human Services will continue to evaluate the progress being made to resolve all audit findings until full resolution has occurred. If you have any further questions or need additional information, please contact Gary L. Johnson, Internal Auditor, at (651) 431-3623.

Sincerely,



Lucinda E. Jesson  
Commissioner

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