



# EXECUTIVE SUMMARY

OPA Report No. 02-05  
November 2002

---

**Department of Public Health & Social Services**  
**Performance Audit of the Child Care Development Fund**  
**October 1, 2000 through February 28, 2001**

[View Full Report](#)

In February 2001, the Department of Public Health & Social Services (DPHSS) suspended the child care assistance services of the Child Care Development Fund (CCDF), a 100% federally funded program, because the program ran out of money. P.L. 26-001 mandated the Office of the Public Auditor to perform an audit of this program; created the Guam Child Care Fund for the sole purpose of providing locally funded child care services while the federal program was suspended; and appropriated \$4.3 million to the local child care fund. However, none of the \$4.3 million appropriation was ever transferred to DPHSS and the local child care services were not provided until the federally funded program was resumed in October 2001.

The scope of our audit was limited to the five-month period ending February 28, 2001, and covered only the Child Care Development Fund. Our audit disclosed instances of non-compliance with eligibility requirements and grant conditions. However, the instances appeared to be isolated and not indicative of systemic errors that could have contributed significantly to the funding depletion. We found that in the months preceding the funding exhaustion, DPHSS had not been provided with timely and accurate reporting information from the Department of Administration (DOA). During our audit we did not find any evidence that DPHSS management was monitoring grant expenditures when DOA did not provide DPHSS with updated financial reports.

We have concluded that the lack of appropriate management oversight and expenditure control of the child care program contributed significantly to the premature depletion of the federally funded Child Care Development Fund in February 2001.

During fiscal years 1996 to 1998 child care expenditures were \$2,779,457 compared to grant awards received of \$5,967,654, resulting in un-obligated sums of \$3,188,197. For fiscal year 1999, expenditures jumped to \$3,935,704 exceeding the combined four-year period by 25% and exceeding the grant award of \$2,162,983 by \$1,772,771. The 1999 expenditures were absorbed by the carryover of un-obligated funds leaving \$1,415,476 to carryover into 2000; however, \$142,309 from grant year 1996 lapsed at the end of FY 1999 leaving a net carryover of \$1,273,167 for fiscal year 2000.

In FY 2000, expenditures increased another 20% over 1999 to \$4,731,349 exceeding the grant award of \$2,588,708 by \$2,142,641. These expenditures exhausted the carryover amounts and borrowed against future grant funds to the tune of \$899,474. In addition, another \$295,398 from grant year 1997 lapsed bringing the negative carryover or advance borrowings to \$1,194,872.

In 2001, with a negative carryover of \$1,194,872 and expenditures of \$3,025,389, the grant award of \$3,810,250 was insufficient to cover current year expenditures, so the program was then suspended in February 2001.

We believe that had an adequate system of monitoring and expenditure control been in place, DPHSS would have recognized the impending problem created by ever increasing annual expenditures exceeding grant awards as early as October 1998. However, DPHSS did not react to the imminent depletion of federal funds and did not take corrective action during the next 15 months until the program was suspended in February 2001.

Prior to 1999, CCDF program administrators utilized the poverty guidelines of the 48 contiguous states, the approved scale with the lowest income levels. Effective October 1998, DPHSS adopted the poverty guidelines for the state of Hawaii, among the highest in the country, thus allowing more families to become eligible to participate in the program. The Director of DPHSS stated that this action of increasing the eligibility pool was taken to avoid the return of unspent funds back to the federal government. In total \$648,164 of federal grants was returned.

The Department of Administration (DOA) is responsible for processing and reporting CCDF expenditures and reports and other federal programs. In late 1999, DOA abandoned their AS400 based financial management system and implemented the Oracle-based financial management system. The Oracle system was implemented without running parallel data with the AS400. From that time forward CCDF program staff stated that they were unable to receive timely and accurate expenditure reports and other financial information. This lack of financial information created a hardship for nearly all government agencies including DPHSS. CCDF staff began manually tracking expenditure levels for purposes of reconciling with DOA financial reports when the DOA reports became available. However, DPHSS management did not avail themselves of the manual internally generated expenditure reports to monitor overall grant spending.

In October 2001, Public Health re-opened the program. For the five months ending February 2002, CCDF had served a total of 919 families or 1,739 children compared to 3,453 families or 6,038 children for the five months ending in February 2001.

We have made a variety of recommendations pertaining to the findings of our review. However, the principal recommendation is that DPHSS management must be proactive in monitoring monthly, quarterly, semi annual and annual grant expenditure levels to ensure that the program does not run out of funds prematurely and that funds not utilized are not returned to the federal government.

In a letter dated November 7, 2002, the Director of DPHSS generally concurred with our findings and recommendations with the exception of the questioned costs, with which DPHSS disagreed.



Doris Flores Brooks, CPA  
Public Auditor