

Arizona Department of Economic Security Child Care Services

CONCLUSION: The Arizona Department of Economic Security (Department) is responsible for establishing and administering child care services, including providing a child care subsidy for eligible families, certifying and monitoring child care home providers who are not regulated by the Arizona Department of Health Services (DHS), and developing and implementing services to increase child care affordability, availability, and quality. We found that the Department did not always conduct two required comprehensive on-site inspections annually of each child care home provider (provider) in calendar years 2012 through 2014. Department inspectors also did not consistently assess provider compliance with child care requirements during inspections. Additionally, we found that although the Department is required to investigate and resolve complaints and provide information on valid complaints to the public, it has not established procedures to effectively receive, investigate, and monitor complaints. Finally, the Department and DHS share responsibility for child care regulation in Arizona, and consolidating this responsibility under one agency could potentially improve the economy and efficiency of child care regulation in the State.

Child care eligibility and settings

The Department provides a child care subsidy for eligible families that helps pay for child care costs and enables parents to participate in employment and specific education and training activities related to employment. Eligible families include those enrolled in the Temporary Assistance for Needy Families (TANF) cash assistance program; transitioning off TANF; or caring for children under the supervision of the Arizona Department of Child Safety or developmentally disabled children under department supervision; and, when funding is available, qualified low-income families with incomes below 165 percent of the federal poverty level, which was \$33,264 for a family of three in 2016. During September 2016, the Department provided subsidized child care for approximately 30,000 children but also had a waiting list of approximately 3,500 families. Eligible families must use one of four types of child care providers that the Department or DHS regulates (see textbox).

- **Child care home providers** care for up to four children for compensation in the provider's home.
- **Child care in-home providers** care for up to four children for compensation in the children's own home.
- **Child care centers** care for more than four children for compensation in a nonresidential facility.
- **Child care group home providers** care for five to ten children for compensation in the provider's home.

Department should strengthen its child care monitoring

Department monitors providers to ensure compliance with health and safety requirements—The Department must certify and monitor child care home providers who care for children of eligible families. Once a provider is certified, the Department conducts a variety of on-site inspections, and in fiscal year 2015, the Department conducted 1,569 inspections. Inspectors use a checklist of more than 130 items to assess compliance with various state health and safety requirements, such as whether toxic chemicals are appropriately stored and toys are appropriate. When noncompliance is identified, the Department may take progressive enforcement actions against the provider.

Department should develop and implement a differential monitoring approach—The Department is required to conduct two inspections annually for each provider—an announced annual and an unannounced monitoring inspection—regardless of the provider's compliance history. However, we analyzed the Department's inspection data for 600 providers who were active and had at least one annual inspection period beginning in calendar years 2012, 2013, and/or 2014 and found that between 15 and 18 percent of those providers did not receive at least one of the annually required inspections. Although the Department did not comply with its two-inspection-per-year requirement, this requirement exceeds the federal requirement of one on-site inspection per year.

According to a 2015 federal report on innovations in monitoring, a blanket monitoring system that treats all providers equally can be inefficient, and a better approach bases monitoring and oversight of providers on their past performance

or on an assessment of risk for noncompliance with standards. The report notes that such differential monitoring approaches are consistent with recommended best practices and are being used by other states.

Department should ensure inspections are consistently performed—It is important that inspectors assess provider compliance in a consistent manner to ensure equitable treatment of providers and the health and safety of children. However, we observed five inspections conducted by three different inspectors during March and April 2016 and identified various inconsistencies with how inspectors ensured providers' compliance with requirements, such as the providers having a working fire extinguisher that they know how to operate. Neither department rule nor policy specifies how to assess compliance with this requirement. We also reviewed one inspection checklist for 12 randomly selected providers to assess inspectors' completion of the checklist and identified problems with 7 of the 12 checklists, such as items being marked as both compliant and noncompliant. Limitations with the Department's training for new inspectors and limited guidance in its rules and policies manual have contributed to the inconsistently performed inspections.

Recommendations

The Department should:

- Implement a differential monitoring approach to more effectively and efficiently monitor its providers;
- Develop and implement a structured training program for new inspectors; and
- Enhance its rules and policies manual to help ensure inspectors perform inspections consistently.

Department should improve its child care provider complaint-handling process

The Department is required to receive, investigate, and resolve complaints against child care home providers, but it has not developed and implemented adequate procedures to guide all the steps in its complaint-handling process. For example, the Department lacks an adequate intake process, which should include providing information to the public about how to file a complaint. The Department also does not have a centralized electronic log for recording key complaint information such as the date, time, and place of an incident and the complainant's contact information. Without such a log, the Department is at risk for some complaints not being documented, investigated, and/or resolved, and it cannot easily track complaints or analyze complaint trends. Additionally, although the Department's complaint-handling policy indicates that inspectors should conduct on-site investigations for specific complaints and may interview pertinent individuals, the policy does not specify what investigative activities are required, such as what type of documentation should be obtained and reviewed. The policy also does not include adequate guidance regarding what disciplinary actions should be taken based on the violations found or how to follow up with providers and complainants.

Recommendations

The Department should:

- Include information about how to file a complaint and the complaint-handling process on its website;
- Modify its data system to capture complaint information; and
- Develop and implement policies and procedures for complaint investigations, enforcement processes, and follow-up activities.

Department should examine costs and benefits of consolidating child care regulation under one agency

The Department and DHS share responsibility for regulating child care providers, although each regulates different types of child care providers. Specifically, the Department regulates providers caring for four children or less in the provider's or children's home, and DHS regulates nonresidential child care centers and group homes. However, they perform many of the same regulatory responsibilities, such as establishing standards and requirements to ensure child health and safety and conducting inspections. In contrast, at least 31 states and the District of Columbia have a single agency that regulates child care centers, group homes, and family homes.

Recommendation

The Department should work with DHS and stakeholders to examine the costs and benefits of consolidating their child care regulatory functions.