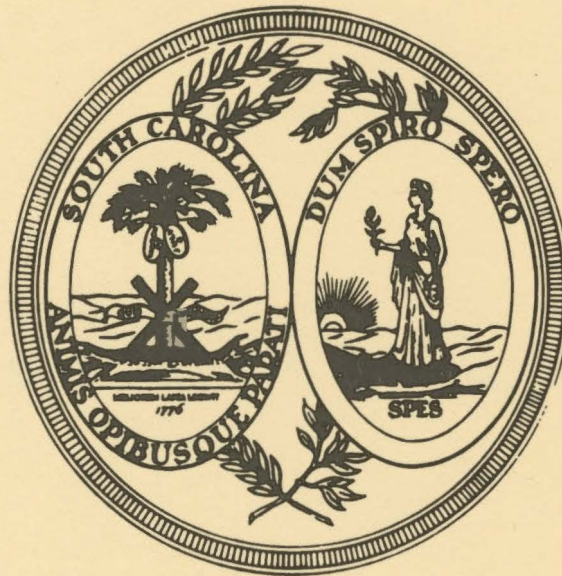


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South Carolina General Assembly
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A Management and Performance
Review of the Division of Child
Development within the
Department of Social Services
May 28, 1981

STATE OF SOUTH CAROLINA

GENERAL ASSEMBLY

LEGISLATIVE AUDIT COUNCIL

A MANAGEMENT AND PERFORMANCE REVIEW

OF THE

DIVISION OF CHILD DEVELOPMENT

WITHIN THE

DEPARTMENT OF SOCIAL SERVICES

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REPORT SUMMARY

In accordance with a legislative request, the Legislative Audit Council conducted a programmatic and management audit of the Division of Child Development within the Department of Social Services (DSS). The Council examined major facets of the Child Development Program, including management, internal administration, finance, complaints and safety, and evaluation. Of major concern were the costs of operating child development centers directly by DSS, and costs of contracting with private centers for services. In addition, the Council closely examined the financial operation of the Child Development Program within the State Department of Education, as a basis of comparison.

The Council conducted numerous interviews with DSS staff. Files, records, reports, memos, contracts, policies and procedures were studied. Relevant financial data were analyzed, as were the capabilities of the management information systems.

Since 1973, the Division of Child Development has been housed within the Department of Social Services, and has been responsible for regulating all South Carolina day-care facilities. The Division also provides child care services to approximately 4,834 children from low-income families in 121 centers, which are either operated directly by DSS or are public or private centers under contract. Administration of the child care program is accomplished by 42 full-time staff and 31 "full-time equivalent" staff in county offices throughout the State.

The Audit Council found the Division and DSS staff to be cooperative and dedicated to delivering quality child development services. However, the Council also found several areas where problems existed

and where more effective use of resources should lead to cost savings, better public protection and greater efficiency.

MAJOR FINDING

Cost Comparison of DSS-Operated Facilities to Other Service Delivery Methods

The direct operation of child care facilities by DSS is costly when compared to other methods of service delivery. The Council found that during FY 79-80 DSS-operated facilities cost an estimated \$767 per child more than contracted child care operations. Had contracted operations been used rather than direct operations, savings of an estimated \$1,277,600 could have been realized or redirected to serve more children. In addition, the use of public school child care facilities appear to be an economical means of providing child care. These facilities cost an estimated \$1,088 per child less than direct operation care, however, they generally do not offer expanded hours or the range of services that most contracted or direct operations offer.

Contrary to their stated purpose of "...providing child care services where contracted providers are not available," direct operations are highly concentrated in urban areas where a number of prospective providers reside. An analysis of Charleston, Columbia, and Spartanburg direct operations, the three major urban programs indicated that 56% of the facilities were located within city limits.

Most other states have found direct operation of child care facilities to be costly. These states contract with public and private providers for child development services and have found this to be an efficient means of service delivery. Nationally, only ten states have direct

operations and most have only two or three centers; DSS maintains 35 centers.

The phasing out of direct operation facilities in favor of contracted centers will save the State substantial sums of money, remove DSS from the direct service provider role and increase program efficiency. Recently, DSS has taken positive steps toward replacing its directly-operated facilities with contracted providers.

PROGRAM FINDINGS

Examination of Child Development Program Evaluation

The Child Development Program has not been adequately evaluated, although a contract for evaluation with the Health and Human Services Division of the Governor's Office has been maintained since 1975. The cost management study performed under this evaluation contract (at a cost of approximately \$105,000) does not provide an evaluation of the quality or effectiveness of child development services. The usefulness of the cost data has been shown to be questionable. None of the report recommendations (released in 1978) have been implemented as a result of this study.

A 1980 administrative review performed by Federal officials reached similar conclusions regarding all evaluations completed under this contractual arrangement. Despite the availability and expenditure of resources, the Governor, the General Assembly and DSS lack the information with which to improve or assess child development services.

Program Goals and Objectives

The Child Development Program's goals and objectives as stated in DSS's Annual Budget and Five-Year Plan are vague, poorly defined and

not measurable. The present goals speak only of "providing opportunities" to clients rather than specifying measurable outcomes used to gauge overall program effectiveness. These goals do not attempt to reflect specific client data DSS does collect which could show the success or failure of major program components. Due, in part, to the lack of measurable goals for overall program performance, there has been little review of DSS's overall progress in the child development area.

Child Development Management Information System

Much of the information produced by the Division of Child Development's management information system is not usable due to its many errors. Although, according to DSS staff, the system at one time produced accurate, usable data; this is no longer the case. This has resulted in the inefficient use of a valuable management tool, and of the personnel resources used to operate the system. From its inception, this system has cost \$152,482 in Federal and State funds.

Until recently, there has been no management review of the system to determine accuracy or usefulness of data. The system apparently has not been adequately managed or supervised, and has not served its purpose in providing information for management decisions.

Assessment of Child Development Client Information

The Council found that major planning and budgetary documents generated by DSS contained erroneous and confusing information concerning the number of clients served by the Child Development Program. These inconsistencies point to serious problems by DSS management in presenting basic client information to decision-makers. The promulgation

of inaccurate data not only misinforms recipients such as the Governor, the General Assembly, and the public, but also causes a general mistrust of agency-generated information.

REGULATORY FINDINGS

State System of Fire Inspection and Enforcement

Fire inspections of the 2,019 day-care facilities in the State performed by State and local inspection authorities are of inconsistent quality and do not provide a reasonable guarantee that these centers are safe from fire and other hazards.

The Council found that there is a lack of coordination between State and local fire authorities. Most local inspectors receive little or no inspection training and are not required to be trained. There is no standard method of making inspections and different fire safety regulations are used by different authorities in the State.

Because inspection by State and local fire safety officials is inconsistent, enforcement is also less than adequate. This increases the possibility of a fire-related tragedy occurring within the State.

Complaint and Report Filing System

The Council reviewed the Child Development Division's system of filing reports and complaints, and identified the following deficiencies. Although DSS's Child Protective Services Unit keeps a listing of all child abuse/neglect reports involving day-care facilities, the Division maintains no separate log of reports or complaints and performs no formal comparative analysis of complaint data. Also, though there are procedures in use which delineate responsibility in this area, a survey

of report files showed that it was unclear which Division was in charge of an investigation or the status of each case. The current system makes it difficult for all complaints to be handled promptly and by the proper authorities and for the Division of Child Development to keep track of all complaints. This is especially important in view of the fact that 70% of the reports/complaints contained in the Division's legal and confidential files allege child abuse or neglect in day-care centers.

Conclusion

Currently, the country is witnessing the start of a period of reduced funding for social programs. The proposed cut in Federal Title XX support to states is 25% (Title XX provides most of the State's child development funds). In view of this fiscal reality, it is more incumbent than ever on DSS officials to manage resources well. This immediate concern to the Child Development Program has also been recognized by the General Assembly. One of the specific provisos of FY 81-82 proposed Appropriation Act as reported by the House Ways and Means Committee states:

...it is the intent of the General Assembly that the Department of Social Services move from the direct operation of child development and day care services to the provision of such services on a contractual basis so as to realize greater efficiencies in the child care program. [Emphasis Added]

Although the cut in Federal funds will likely provide less support for child development, the recommended conversion to contracted care would lessen the impact of such cuts. Contracting has been shown to be a most efficient delivery system.

Sound accounting procedures depend upon a viable management information system and the careful derivation of accurate client counts.

These procedures are in need of improvement. A good fiscal program, however, lacks vision and impact without planning and evaluation. The contracted services provided for planning and evaluation have not contributed to the betterment of the program in a recognizable manner.

Findings of this report not only address specific weaknesses in the Child Development Program but also are indicative of agency-wide problems concerning information collection, program evaluation and management. Efforts should be made to correct these deficiencies. Likewise, the recommendations concerning regulation of day-care facilities should significantly upgrade the quality of regulatory oversight.

The following report is divided into four categories: Chapter I provides detailed background information; Chapter II presents the major finding of the report; Chapter III contains other program findings; and Chapter IV discusses deficiencies in the regulatory area.

CHAPTER I

BACKGROUND AND HISTORY

Overview

South Carolina's Child Development Program began in 1971 as a pilot project of the Appalachian Regional Commission (ARC). The ARC was established to promote economic development in the Appalachian regions of 13 states and provides Federal funds to encourage innovative projects. Initially, South Carolina received ARC funds to implement five Child Development programs in the State's six Appalachian counties (Anderson, Cherokee, Greenville, Oconee, Pickens and Spartanburg). ARC also provided funds to establish both State-level and regional technical assistance staff.

In 1972 the Governor created the Office of Child Development within the Division of Administration in the Governor's Office. The Office of Child Development was transferred in 1973 from the Governor's Office to the Department of Social Services (DSS), with responsibilities for regulation of all day-care facilities. As the program spread throughout the State, emphasis was placed on finding alternative funding sources for the increasing number of day-care centers. Title XX has become the child development program's largest funding source.

Within DSS, the Division of Child Development has responsibility for providing child care services through both contractual arrangement with service providers and direct operation of child care facilities. The Division is headed by a director with a staff of 42. It is composed of four sections: (1) Program Management; (2) Outstation Program Management (located in Greenville); (3) Regulatory Administration; and

(4) Program Development and Coordination. The Division oversees 35 DSS-operated facilities and 86 contract-operated facilities throughout the State.

Child Care Facilities in South Carolina

DSS funds State-operated facilities as well as public and private child day-care facilities. Facilities operated directly by DSS and staffed by State employees, are called direct operations. Contractual operations are facilities owned and operated by public, private-for-profit or private-nonprofit organizations that, for a negotiated amount, provide day-care services to eligible clients.

According to the program description contained in the FY 80-81 DSS budget document, the direct operation day-care program provides child development services "where contracted providers are not available." The contract services program "expands the child development services available to DSS clients by contracting with public and private agencies and organizations" for child care slots for eligible children. Title XX provides approximately 75% of the funds for the direct operation facilities and for the child care slots in contractual facilities.

As mentioned previously, direct operation centers originated from the infusion of Federal Grant monies in the early 1970's, for various child development demonstration projects. These projects were conducted under the auspices of the Governor's Office and, later, DSS. As the projects grew, DSS maintained direct control over many of them and as additional ones were needed, DSS contracted with other entities for service. Until recently, DSS has not solicited public or private providers to take over its direct operation services, but has chosen simply to maintain them.

According to Division records, there are currently 111 Title XX-funded day-care centers, 9 Title XX-funded family day-care homes and one Title XX-funded group day-care home. Forty-three of these are public facilities, 35 are private-nonprofit facilities, 8 are private-for-profit facilities and 35 are direct operation facilities. Title XX day-care facilities employ 971 full-time and 17 part-time staff, the majority of whom are black and female.

The Division of Child Development has responsibility for regulating all child care facilities in the State, both public and private. Day-care facilities, depending upon their size, must meet various regulations ranging from simple registration for smaller facilities, to annual inspection for larger centers.

As of December 1980 the Division regulated a total of 2,019 child day-care facilities. Approximately 60,556 children are served in these facilities.

Client Eligibility

In accordance with Title XX Regulations, child development services are available to three groups: (1) persons who are current recipients of the Aid to Families with Dependent Children Program (AFDC), Supplemental Security Income (SSI), or Medicaid; (2) persons eligible for AFDC, SSI or Medicaid; and (3) persons who are income eligible. Additionally, abused or neglected children may be placed in centers regardless of their family income. As of December 1980, the Division of Child Development provided child development services to approximately 4,834 children.

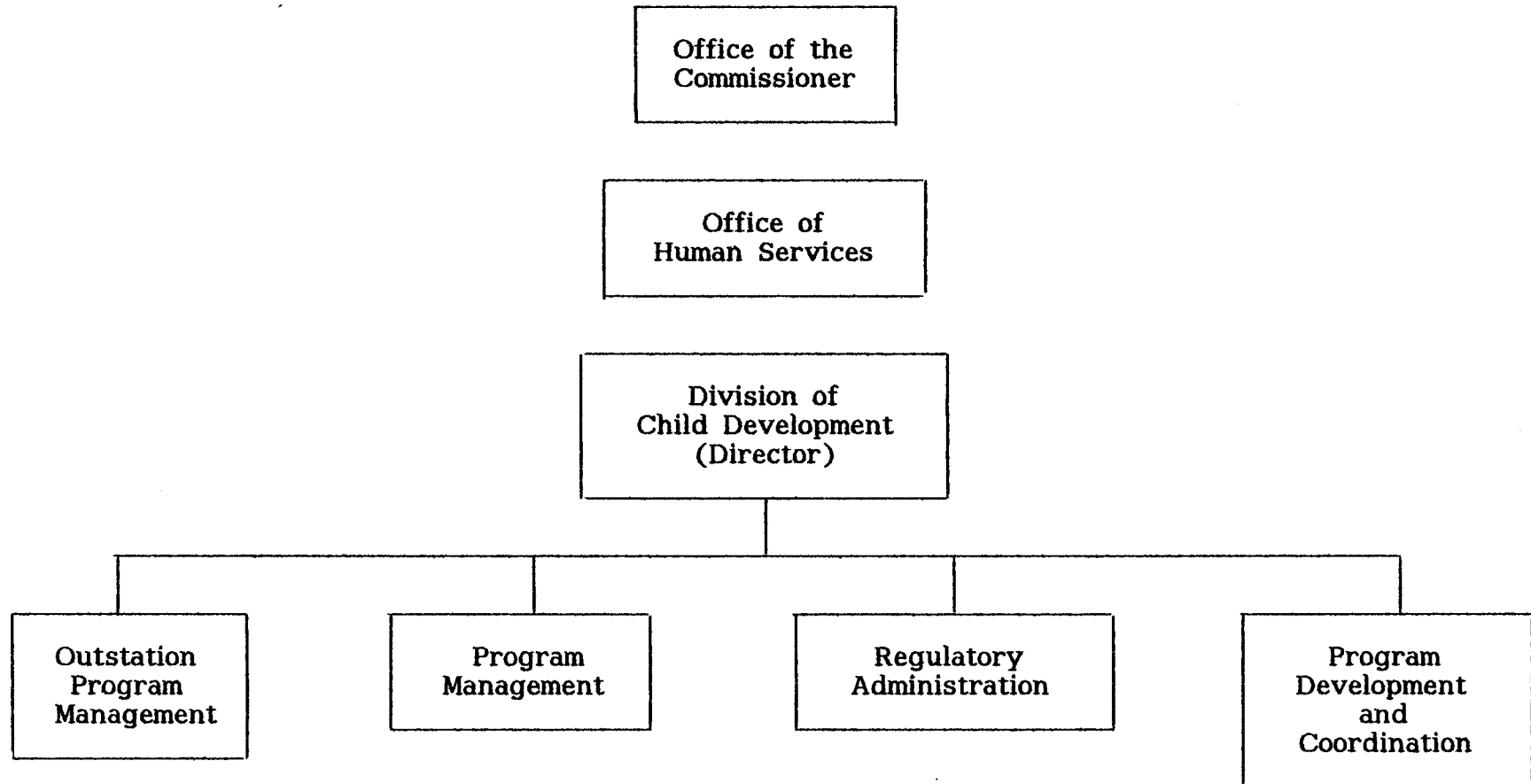
Organization of the Division of Child Development

The Division has 42 full-time staff positions including secretarial and clerical personnel. The majority of these positions are child development specialists or case managers. In addition, 9 full-time and 22 full-time equivalent personnel are situated in county offices throughout the State and perform various management and monitoring tasks. The Division is supervised by a Director and is divided into the following functional units: Program Management; Regulatory Administration; Program Development and Coordination; and Out-Station Program Management (see Table 1).

The Program Management Section is responsible for making an annual review of DSS funded child development programs, giving technical assistance and training to all providers, and developing and administering child development policies, procedures and standards. The Program Development and Coordination Section handles administrative support, program management, budgetary and interagency liaison functions. The Outstation Program Management Unit, located in Greenville County, has overall responsibility for child care and child development programs in 16 upper-state counties. The unit was established in 1969 as a result of the Appalachian Development Act. The Division has a number of regulatory duties which are discussed in Chapter IV.

TABLE 1

ORGANIZATION OF THE DIVISION OF CHILD DEVELOPMENT



Funding Description

Child development services in South Carolina are funded through a variety of sources, most of which are channeled through or expended by DSS. The primary source of funds for child development programs is Title XX. The majority of these funds are matched with the Federal Government providing 75% of funds and the State providing 25%. A small amount of Title XX funds are 100% Federal with no State match required. Generally, child development funds comprise 20 to 25% of all Title XX funds.

In addition to Title XX, Federal support is obtained through ARC grants and the Comprehensive Employment Training Act (CETA). Counties, school districts and other entities often donate buildings, utilities, staff and other goods or services to the program. In some cases these "donations" can be counted as State match money and can be used to obtain a 75% Federal match.

Expenditures of funds are in several areas, the largest of which are those of direct services to clients. These are contracted care, direct operations and case management. Contracted and direct operations provide child care services while case management provides client eligibility services and counseling. In FY 79-80 these services totaled \$10,665,330.

Case management expenditures for specific program areas are not maintained by DSS. The figures provided are estimated and were determined by assigning a portion of total Title XX case management costs to child development.

DSS administration and the Division of Child Development itself account for the next largest block of funds. DSS administration includes child development expenditures by DSS State office staff including

financial, planning, audit and other administrative personnel. Because records on administrative costs are kept only for Title XX expenditures in total (not for individual programs such as child development) administrative costs have been estimated by taking the total Title XX administrative costs and determining which percentage of costs could be attributable to child development. The percentage for each year is computed by use of the random time study.

Table 2 shows the sources of funds for child development for four fiscal years. Analysis of these funds shows that State appropriations account for an average of 16% of total funds over a three-year period. Table 3 shows expenditures during the same period with 14% used for DSS administration and the Division of Child Development and 86% for client services.

Estimated expenditures and sources for FY 81-82 are tentative at this writing because the State Appropriations Act has not been completed. Expenditures in specific categories will remain uncertain should a House Ways and Means Committee proviso, which mandates up to 30% of direct operation funds be transferred and used for contracted care during FY 81-82, become law. The amount of such transfers are unknown because they are contingent upon the number of eligible client slots in contracted operations which can be found during the year.

Also, in January 1981, the DSS Board decided that the entire child development program should operate with a reduced client population during the summer months. Child development services will be provided for all children nine months a year. Services for children of working mothers and/or children of Protective Service cases will continue all year long. It is projected by DSS that 2,906 children will be served

during the summer of 1981. The majority are children of working mothers. Some working mothers opt against receiving services all year long, usually preferring to leave the child with a relative for a break.

The funds listed in Tables 2 and 3 represent only those funds used by or channeled through DSS for child development. In addition, the State Department of Education (SDE) receives over \$1 million in State funds per year (the FY 80-81 appropriations totaled \$1.3 million) to provide child development services in 23 school districts. Seven of these districts also receive Title XX funds from DSS. These programs provide services for nine months out of the year to two to five-year olds. The Title XX centers have the option of remaining open during the summer at a reduced capacity. The school district Title XX funds are included in the purchase of service totals in Tables 2 and 3.

During FY 79-80 approximately 1,850 children in 17 SDE centers were served. Total cost included \$1.2 million in State funds, and \$1.4 million in Title XX funds, in kind goods and services provided by the districts, and SDE administrative costs. These Title XX funds went to seven school districts whose programs are regulated and monitored by the SDE and DSS. An additional \$483,028 in Title XX funds went to three school districts whose programs were not affiliated with SDE in FY 79-80. These funds are located in the contracted care totals for DSS.

TABLE 2
SOUTH CAROLINA DEPARTMENT OF SOCIAL SERVICES
STATEMENT OF SOURCES OF FUNDS FOR CHILD DEVELOPMENT
FOR FOUR FISCAL YEARS

<u>Sources</u>	<u>FY 78-79</u>	<u>FY 79-80</u>	<u>FY 80-81</u> (Budgeted)	<u>FY 81-82</u> (Estimated)
<u>Purchase of Service</u> <u>(Contracted Care)</u>				
Federal	\$ 4,600,284	\$ 4,263,945	\$ 4,419,140	\$ 4,271,013
State	68,814	933,210	924,078	963,000
Donations	44,669	70,585	75,850	60,671
Certified Public Expenditures	316,771	408,460	473,111	400,000
Appalachian Regional Commission	8,117	9,060	-	-
Total	\$ 5,038,655	\$ 5,685,260	\$ 5,892,179	\$ 5,694,684
<u>Direct Operations</u>				
Federal	\$ 2,819,135	\$ 3,359,162	\$ 3,627,178	(1)
State	529,862	695,347	782,678	-
Donations	378,992	255,856	320,964	-
Certified Public Expenditures	72,105	168,518	125,353	-
Total	\$ 3,800,094	\$ 4,478,883	\$ 4,856,173	\$ 4,893,000
<u>Summer Placement</u> <u>Program</u>				
Federal	-	-	-	\$ 198,141
State	-	-	-	66,047
Total	-	-	-	\$ 264,188
<u>Division of Child</u> <u>Development</u>				
Federal	\$ 534,321	\$ 504,224	\$ 618,679	\$ 626,664
State	183,467	181,833	223,176	132,000
Total	\$ 717,788	\$ 686,057	\$ 841,855	\$ 758,664
<u>County Case</u> <u>Management</u>				
Federal	\$ 262,685	\$ 375,890	\$ 427,433	\$ 337,390
State	87,562	125,297	142,478	112,463
Total	\$ 350,247	\$ 501,187	\$ 569,911	\$ 449,853

TABLE 2 (CONTINUED)

<u>Sources</u>	<u>FY 78-79</u>	<u>FY 79-80</u>	<u>FY 80-81</u> (Budgeted)	<u>FY 81-82</u> (Estimated)
<u>DSS Direct Administration</u> ⁽²⁾				
Federal	\$ 347,143	\$ 377,527	\$ 430,705	\$ 313,324
State	<u>115,714</u>	<u>125,842</u>	<u>143,569</u>	<u>104,441</u>
Total	\$ 462,857	\$ 503,369	\$ 574,274	\$ 417,765
<u>DSS Indirect Costs</u> ⁽³⁾				
Federal	\$ 265,268	\$ 286,476	\$ 320,734	\$ 260,004
State	<u>88,423</u>	<u>95,492</u>	<u>106,911</u>	<u>86,668</u>
Total	\$ 353,691	\$ 381,968	\$ 427,645	\$ 346,672
<u>Supplemental Appropriation (State)</u>	-	-	\$ 800,000	-
<u>CETA (100% Federal)</u>	\$ 299,061	\$ 411,637	\$ 546,407	\$ 830,472
<u>USDA (100% Federal)</u>	\$ 85,871	\$ 218,688	\$ 317,943	(1)
<u>TOTAL FUNDS</u>	<u>\$11,108,264</u>	<u>\$12,867,049</u>	<u>\$14,826,387</u>	<u>\$13,655,298</u>
<u>Total Sources</u>				
Federal	\$ 9,213,768	\$ 9,797,549	\$10,708,219	(1)
State	1,073,842	2,157,021	3,122,890	(1)
Donations	423,661	326,441	396,814	(1)
Certified Public Expenditures	388,876	576,978	598,464	(1)
Appalachian Regional Commission	8,117	9,060	-	-
<u>TOTAL</u>	<u>\$11,108,264</u>	<u>\$12,867,049</u>	<u>\$14,826,387</u>	<u>\$13,655,298</u>

(1) Detail unavailable at this time due to recent budget revisions.

(2) Direct administration includes administration which can be traced back to a specific program area. This includes data processing, audits, investigations, quality control and State-level administrative staff, other than Division staff, who are responsible for child development activities.

(3) Indirect costs are those costs which are not specifically program-related and cannot be traced back to a specific program. These include the Commissioner's and County Directors' salaries, accounting, finance, personnel, public information and other support functions.

TABLE 3

SOUTH CAROLINA DEPARTMENT OF SOCIAL SERVICES

STATEMENT OF EXPENDITURE OF FUNDS FOR CHILD DEVELOPMENT

FOR FOUR FISCAL YEARS

<u>Expenditures</u>	<u>FY 78-79</u>	<u>FY 79-80</u>	<u>FY 80-81</u> (Budgeted)	<u>FY 81-82</u> (Estimated)
<u>Purchase of Services</u> (Contracted Care)				
Total	\$ 5,038,655	\$ 5,685,260	\$ 5,892,179	\$ 5,694,684
<u>Direct Operations</u>				
Salaries	\$ 2,898,992	\$ 3,383,399	\$ 3,229,092	(1)
Fringe Benefits	395,349	513,260	569,839	-
Contractual Services	172,514	225,599	253,726	-
Supplies	54,499	67,205	480,351	-
Rents	98,836	111,038	190,282	-
Equipment	18,244	14,816	13,658	-
Travel	103,787	93,211	26,796	-
Contingencies	-	-	72,492	-
Other	191,798	30,982	19,937	-
Ineligible Expenses ⁽²⁾	<u>(-)97,343</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total ⁽⁷⁾	\$ 3,836,678	\$ 4,439,513	\$ 4,856,173	\$ 4,893,000
Difference from Sources ⁽³⁾	\$ 36,582	\$ 39,370	-	-
<u>Summer Placement</u> <u>Program</u>	-	-	-	\$ 264,188
<u>Division of Child</u> <u>Development</u>				
Salaries	\$ 578,577	\$ 567,710	\$ 610,540	\$ 509,850
Fringe Benefits	78,677	81,899	96,978	98,127
Contractual Services	3,403	6,651	70,802	70,617
Supplies	7,431	4,319	5,100	5,900
Rents	5,441	1,214	5,955	1,750
Equipment	3,809	2,120	1,980	2,920
Travel	<u>39,942</u>	<u>22,143</u>	<u>50,500</u>	<u>69,500</u>
Total	\$ 717,280	\$ 686,056	\$ 841,855	\$ 758,664
<u>County Case</u> <u>Management</u> ⁽⁴⁾	\$ 350,247	\$ 501,187	\$ 569,911	\$ 449,853
<u>DSS Direct</u> <u>Administration</u> ⁽⁵⁾	\$ 462,857	\$ 503,369	\$ 574,274	\$ 417,765

TABLE 3 (CONTINUED)

<u>Expenditures</u>	<u>FY 78-79</u>	<u>FY 79-80</u>	<u>FY 80-81</u> <u>(Budgeted)</u>	<u>FY 81-82</u> <u>(Estimated)</u>
<u>DSS Indirect Costs</u> ⁽⁶⁾	\$ 353,691	\$ 381,968	\$ 427,645	\$ 346,672
<u>Supplemental Appropriation</u> (spent in both contract and direct operation area)	-	-	\$ 800,000	-
<u>CETA</u>				
Administration	\$ 37,517	\$ 63,545	-	-
Services	<u>252,544</u>	<u>348,091</u>	<u>-</u>	<u>-</u>
Total	\$ 299,061	\$ 411,636	\$ 546,407	\$ 830,472
<u>USDA</u>	\$ 85,871	\$ 218,688	\$ 317,943	N/A
TOTAL CHILD CARE EXPENDITURES FOR DSS	<u>\$11,144,340</u>	<u>\$12,827,677</u>	<u>\$14,826,387</u>	<u>\$13,655,298</u>

-
- (1) Expenditure estimates unavailable at this time due to budget revisions necessitated by recent decision to phase out direct operations.
- (2) Expenditures for services to ineligible clients in direct operation were totaled with eligible client expenditures during FY 78-79 only. This necessitates subtracting ineligible costs from the total.
- (3) Due to variances in reporting dates for actual sources and expenditures, there are some differences between total sources and total expenditures. Due to late payments, audit exceptions and other technical reasons, final expenditures may not be available for significant lengths of time after the close of a fiscal year.
- (4) Includes county case management costs, monitoring, counseling and client eligibility determination.
- (5) Includes all direct administrative costs such as data processing, audits and direct child care administration.
- (6) Includes all indirect administrative costs such as Commissioner's and County Directors' salaries, finance and personnel.
- (7) Columns may not total exactly due to rounding.

CHAPTER II
MAJOR FINDING

Cost Comparison of DSS-Operated Facilities to Other Service Delivery Methods

DSS-operated child development facilities (direct operations) are costly when compared to other methods of service delivery. In FY 79-80, DSS-operated facilities cost \$767 more per child than contractual facilities and \$1,088 more per child than the SDE school district child care programs. If direct operations had been replaced just by contractual services, savings of an estimated \$1,277,600 could have been realized or redirected to serve more clients. Although SDE costs per child were the lowest, SDE programs generally provide fewer hours of service and have a lower staff-child ratio. These differences place SDE care on a comparable basis to contracted care.

The Audit Council analyzed Child Development Program costs in order to determine the actual cost to the State in providing these services. An extensive cost comparison analysis was made of the 35 direct operation facilities serving an average of 1,664 children, the 86 contracted operations serving an average of 2,205 children, and the 17 public school programs supervised by SDE serving an average of 1,854 children. This analysis identified all State, Federal, and local government funds including in kind (contributed) goods and services used to provide child development services. The use of funds was analyzed according to direct service provision, case management, and administration.

In FY 79-80, child development services provided by direct operations cost approximately \$3,250 per child compared to a cost of approximately \$2,483 per child in contractual facilities and \$2,162 (as projected

on a 12-month basis) per child in the SDE public school programs. In this analysis, case management and administration costs were distributed equally to all clients served on a pro rata basis. Therefore, the excess cost for the direct operation facilities occurred at the service level. Total costs for the Child Development Program in FY 79-80 was \$14.9 million: \$5,409,565 in direct operations, \$5,475,326 in contractual operations, and \$4,007,973 in the school districts (see Table 4).

TABLE 4
COMPARISON OF CHILD DEVELOPMENT COSTS FOR FY 79-80

	<u>A</u>	<u>B</u>	<u>A-B</u>
	<u>Total Funds</u>	<u>Number of Clients</u>	<u>Cost Per Client</u>
Direct Operations	\$ 5,409,565	1,664	\$3,250.93
Contracted Operations	5,475,326	2,205*	2,483.14
School Districts	<u>4,007,973**</u>	<u>1,854*</u>	<u>2,161.79**</u>
TOTAL	\$14,892,864	5,723*	N/A

*Seven hundred twenty-one of the school district clients are funded by DSS through Title XX. They are not included in the client total for contractual operations.

**Annualized figures due to the fact that school district programs operate only during the school year.

Note: See Appendix 1 for the more detailed cost analysis.

There are several factors which, although not easily accounted for, affect service costs. There are variations in the amount of time per day clients are served. Approximately two-thirds of SDE facilities are open six hours a day and one-third provide services nine hours per

day. DSS contracted and direct operation care generally serve clients eight hours per day and sometimes more. Also, during the year examined (FY 79-80) SDE staff-child ratios were somewhat lower than the Title XX Federal requirements followed by DSS. These requirements have recently changed and for FY 81-82 SDE requirements are more stringent than DSS's. Plus, clients in DSS facilities do receive several services which SDE clients may not receive. These factors, although not quantifiable, serve to explain the cost differential between contracted operations and school district care.

Other studies have also found that direct operation care is more expensive than care offered by other providers. Over the past two years DSS has conducted a pilot project in Charleston County aimed at determining the feasibility of using private entrepreneurial care for Title XX clients. Eight private providers have served 50 Title XX clients during this period. In October 1980 an evaluation of the project was prepared by the Division of Child Development. The report shows that contracted operations and private-for-profit operations can provide child development services at a lower cost than direct operations (see Table 5). The report concludes "Since providers do not meet Federal staffing standards (they do not have to do so if their enrollment of Title XX clients does not exceed 20% of actual enrollment or 10 children, whichever is less) they can make a profit while maintaining a unit cost which does not exceed that of contract providers and is less than that of direct operation providers."

TABLE 5

DSS UNIT COST COMPARISON OF DIRECT OPERATIONS,
CONTRACTED OPERATIONS AND PRIVATE-FOR-PROFIT PROVIDERS

PROGRAMS	STATEWIDE UNIT COST				CHARLESTON COUNTY UNIT COST
	Programs Without Transportation	Programs With Transportation			(Do Not Provide Transportation)
	Total Unit Cost	Total Unit Cost	Transpor- tation Unit Cost	Unit Cost Without Transportation	Total Unit Cost
Direct Operations	\$1.32	\$1.40	\$.09	\$1.31	\$1.33
Contracts	.91	.99	.10	.89	N/A
Pilot Project	.91	N/A	N/A	N/A	.91

Source: DSS evaluation report on the Child Care Pilot Project in Charleston County.

According to DSS's FY 80-81 Budgetary Request, "...the purpose of the direct operation day-care program [is to]...provide child care services where contracted providers are not available..." However, an analysis of the current 35 direct operation facilities shows that 73% of the centers serving 1,222 clients are located in Charleston, Richland and Spartanburg Counties. Council analysis of the actual physical location of the direct operation facilities in these three counties shows that 56% of the centers are located within the city limits of Columbia, Charleston and Spartanburg. Many direct operations are located in major urban areas where a number of prospective private and public providers reside.

Apparently there has been a lack of adequate overall planning and evaluation of the direct operation program over the years. Although these programs may have been the only method of providing services five or ten years ago, there has been, until recently, no effective reevaluation of the programs, their costs, or alternatives. Also much of DSS's efforts are devoted to duties associated with direct operations which are not necessary to perform with contractual operations.

There has been little research examining differences in day-care center quality between direct operations and contracted services. An Assistant Secretary for Planning and Evaluation in the Federal Department of Health and Human Services (HHS) indicated to the Audit Council that few research studies have been conducted because most states contract for day-care services. The State of Maryland is the only other state in the Southeast which directly operates a significant number of day-care programs. Abt Associates conducted a study for Maryland which indicated that there were no discernible differences between public and private

sector services. Both were found to provide varied service quality (i.e., each operated high-quality and low-quality programs).

One factor contributing to the higher cost of direct operations is the salary level of direct operation employees. These approximately 382 persons are State employees and are paid at salary levels set by the State merit system rather than the market place. They receive all of the fringe benefits received by other State employees. Their counterparts in the private sector are generally paid less and have fewer fringe benefits.

During FY 78-79 salaries and fringe benefits consumed 85.8% of total direct operation costs. This rose to 87.7% in FY 79-80. In contrast, an analysis of 1977 personnel data gathered for a Governor's Office study of 12 public and private non-profit contracted operations in South Carolina showed personnel costs to be between 65% and 68% of total program costs. Similarly, a national profile of day-care centers performed in 1977 by the Department of Health, Education and Welfare states that nationally, private-for-profit facilities allocate 61% to 63% for personnel costs while an average of 73% of a non-profit center's budget goes for personnel.

One of the basic requirements of a successful program, regardless of its aim or goals, is to operate efficiently. The pursuit of efficiency and cost effectiveness should begin in the planning stages of a program and continue throughout service delivery, administration, and evaluation. Direct operations deliver the same types of services to the same types of clients as contracted operations. Unless there are special circumstances, such as a lack of contract providers in an area of extreme need, only the most efficient method of service provision should be

used. This is especially true in view of the reduced financial resources available for all programs (especially social service programs) at the State and Federal level.

It appears that other states with child development programs have found contracting for services to be an efficient method of service delivery. The Council's telephone poll of Title XX authorities in 13 Southeastern states revealed that only one, Maryland, currently maintains direct operations.

Maryland officials told the Audit Council that they too recognized that contracted operations were less expensive and of comparable quality to direct operations but that direct operations were simply institutionalized into their system and there were political pressures from areas with direct operations to maintain them.

Officials in several states (North Carolina, Mississippi) noted that although their state at one time provided direct care services, they found it less expensive to contract these services out to providers. Most states surveyed used private non-profit and local government (cities, counties, school districts) entities as primary contractors. Nationally (excluding Alaska and Hawaii) only ten states maintain any type of direct operations and most of these states operate only two or three centers.

The use of direct operation facilities has resulted in more expense than necessary to maintain the current level of child development services. In FY 79-80, if direct operations had been replaced by contractual operations, an estimated \$1,277,600 could have been saved. Practically, actual cost savings would vary depending upon the ability of contractors to deliver a similar level of service to an expanded number of

clients in their location. Also, services may not be as extensive as those available in some direct operations. Savings may also vary due to specific center characteristics. A center which offers infant care will always have a higher program cost due to the necessarily high (and federally mandated) child/staff ratio. However, based on past experience and the increased cost factors related to direct operation, a realignment of service providers would likely result in substantial cost savings or significant increases in the number of children that could be served.

Proponents of direct operations fear that private entities are more difficult to regulate and control than State operations, the quality of the client's educational experience may suffer, and that slots for protective service clients will be more difficult to locate on an emergency basis. It is also feared that minority children will be neglected or left out, in a system which contracts all day-care in the State. HHS officials stated to the Audit Council that they did not believe procurement of services for protective service clients or minority groups has been a problem. Social service agencies contract for a certain percentage of slots as a routine matter, to provide for such clients. Emergency situations are problematic; this issue is not resolved more easily in direct operation situations. The answers to these concerns are a good procurement system and good contract management, according to HHS.

Recently, the topic of costs associated with child development, along with other issues, was the subject of a series of hearings conducted by an ad hoc committee selected by the Governor. The committee consisted of two members of the Budget and Control Board, two members of DSS's governing board, two legislative members of the Social Service Advisory Committee and one public member.

Hearings were held and testimony taken from the State Auditor's Office, Governor's Office and DSS. The committee's primary recommendation to the Budget and Control Board concerning direct operations was that during FY 80-81, direct operations should be funded at 70% of their requested level. DSS should make efforts to transfer the remaining 30% of program funds to contractual services. The recommended budget for DSS as presented by the House Ways and Means Committee makes this same provision.

The primary problem foreseen by DSS and the ad hoc committee was that of not being able to completely phase out direct operations (i.e., there might be some areas where there would never be a provider to replace the direct operation center). It is the Council's position that direct operations can be phased out completely over the next several years by (1) conducting a detailed analysis of existing centers to determine actual service need, (2) increasing emphasis on enlisting private-for-profit providers, especially to meet the needs of urban areas, and (3) increasing coordination with the State Department of Education (SDE) and additional use of qualified, available school districts as providers of services, especially in rural areas.

DSS has made positive moves which reflect their support of this recommendation. Along with the continuation of the Charleston County pilot project, DSS has expanded its contact with private entrepreneurial providers. The DSS Board has recently adopted new staff-child ratios which will make it easier for potential providers to attain acceptable standards for program participation.

During FY 80-81 the State Department of Education, local school districts and DSS are funding 23 school district programs serving 1,946

children at a cost of approximately \$3 million. Approval for participation by the six newly funded districts in this program is based upon the degree of need as demonstrated by the percentage of children judged not ready for school as shown by the first grade readiness test. Two other school districts, whose programs are not conducted under the auspices of the SDE, also receive Title XX child development funds from DSS. The SDE has informed the Audit Council that they are willing to work with DSS and the school districts in this area.

Increased program efficiency (i.e., achieving the highest level of services per dollar expended) is especially desirable due to the State and nation's economic situation. The President's recent budget proposal to Congress recommends cutting Title XX, the primary child care funding source, by 25%. Other Federal sources, such as CETA and ARC, funds are scheduled to be cut completely and USDA funds will also be affected. By using the private marketplace and, especially in rural areas, school districts as providers, services can be maintained and savings can be realized. At the same time DSS can remove itself from the direct service provider role.

RECOMMENDATIONS

DIRECT OPERATION OF CHILD DEVELOPMENT FACILITIES SHOULD BE DISCONTINUED BY THE DEPARTMENT OF SOCIAL SERVICES. ALL CHILD DEVELOPMENT SERVICES SHOULD BE PROVIDED THROUGH CONTRACTUAL ARRANGEMENTS WITH PUBLIC ENTITIES SUCH AS SCHOOL DISTRICTS AND COUNTY GOVERNMENT OR CONTRACTUAL

ARRANGEMENT WITH PRIVATE NON-PROFIT OR
PRIVATE-FOR-PROFIT ORGANIZATIONS.

REPRESENTATIVES OF THE DEPARTMENT OF
SOCIAL SERVICES, THE STATE DEPARTMENT OF
EDUCATION, BUDGET AND CONTROL BOARD,
GOVERNOR'S OFFICE AND APPROPRIATE LEGISLA-
TIVE COMMITTEES SHOULD MEET TO STUDY THE
COORDINATION OF THE STATE'S RESOURCES IN
THIS AREA.

CHAPTER III
PROGRAM FINDINGS

Examination of Child Development Program Evaluation

The State's Child Development Program has not been adequately evaluated although approximately \$105,000 was spent for an evaluation. The result has been that DSS, the Governor and the General Assembly do not have the information to assess and/or improve child care services in the State.

DSS, in compliance with State law (Section 43-1-220 of the the 1976 Code of Laws), contracts with the Health and Human Services Division (DHHS) of the Governor's Office for planning and evaluation of Title XX programs. Since 1975, the Health and Human Services Division has received \$1.4 million under this Title XX contract. Of this amount, DHHS staff estimates that child development studies performed under this contract cost approximately \$105,000.

The DHHS study of the Child Development Program consisted of a three-volume document released in 1978 and 1979 titled "Child Care: An Evaluation of Programmatic/Financial Activities." This study took seven staff members approximately 18 months (although not full-time) to perform.

The report is a cost management study and not an evaluation of child development services. These volumes do not represent an evaluation of the quality or effectiveness of child development services. There are no measures of program benefits, effectiveness or impacts on children. The cost analysis of program components is a cost analysis of program input (i.e., services). There has been no evaluation of whether

this program has succeeded in helping children develop. Variations in cost from center to center have not been related to variations in quality.

Two volumes of the three-volume set present detailed cost information on the operation of 21 child development centers derived from tracking every expenditure on every center, regardless of amount. Ninety-five percent of the program expenditures are fixed costs which could be accounted for at the State level, including personnel, rent, utilities, and maintenance. In order to account for less than 5% of program costs, staff of the Division of Health and Human Services conducted a time-consuming examination of cash register receipts for small supply items. Nationally, other cost management studies in child development have projected such expenditures from estimates. The other volume contains a short philosophical argument against continuation of child development as a component of the welfare system, followed by copies of all 1975 and 1976 Federal child care legislation.

The report concludes with a list of five "Policy Directions." The first recommends appropriating State funds in order to "replace current Federal and matching expenditures," (approximately \$9.2 to 9.8 million a year) thereby removing child care from "the tenets of welfare reform." (Another Federal welfare program is identified as a possible source of funds [Title IV-A: A.F.D.C.] but this program already has been considered by DSS and found to be not feasible.) The appropriation of over \$9 million a year of State money to address a philosophical concern does not appear to be in tune with the State's current budgetary goals.

It appears that the Division of Health and Human Services did not have a clear idea of their role in the evaluation process. The second

volume of the study was largely devoted to this argument against welfare support of child development. Ironically, funding for this volume (as well as the cost study) was provided by the Title XX program, which serves many clients on public assistance. In addition, the DHHS report recommended that "a system should be developed which could be utilized to assess the quality of child care services." This is exactly what was supposed to be accomplished by DHHS per the Title XX contract (i.e., "Evaluation is the selection, analysis, and reporting... for purpose of appraising or judging the quality of services delivery, the impact of the service on the clients and their needs, the relative cost of the service, and the overall effectiveness of the services and the service provider").

In interviews with DSS's Division of Child Development program personnel, the relationship between the policy recommendations and the data presented in the study was described as unclear, as were most of the recommendations themselves. None of the recommendations have been implemented as a result of this study.

Similar conclusions have also been reached by Federal Title XX officials concerning not only child care evaluations but also other Division of Health and Human Services' evaluations. In a Federal Region IV review of the administration of Title XX by DSS, the role of the Governor's Office in evaluating DSS programs is discussed. They write (pp. 6, 7, 4/21/80):

Evaluation of the Title XX program in South Carolina would perhaps be a valid role for the Governor's Office, but to our knowledge there is no record that a systematic, comprehensive evaluation of Title XX has been accomplished in South Carolina for any program year since the inception of Title XX... there have been practically no useful products and support resulting from the contracts and the total

expenditure of \$1,465,185 of Title XX funds...
After reviewing materials and "products" received
by DSS from the Governor's Office, the Regional
Office questions continued use of Title XX funds to
contract with the Governor's Office. [Emphasis
Added]

The Department of Social Services and the Division of Health and Human Services share responsibility for the lack of adequate evaluation of the child development program. DSS is responsible for contracting with the Division and for monitoring and overseeing work products. As DSS internal Auditors stated in a 1977 examination of the evaluations submitted:

We recommend that, in the future, DSS properly monitor this contract to assure that contracted services are being provided within the required time frame and of the quality specified within the contract. If services are not being properly delivered, the contract budget should be adjusted accordingly.

A concerted effort by DSS to communicate evaluation needs directly to the DHHS was apparently not made. Although Division of Child Development staff could identify clearly to the Audit Council the type of evaluation studies which would be useful, these topics were not effectively communicated to the Division of Health and Human Services. Moreover, DSS programmatic staff were aware of serious questions regarding the usefulness of the study while it was being conducted. An internal DSS memorandum reviewing the Proposed Task Activity Plan for the 1978 Governor's Office child development study stated in part:

Neither the present activity (time study) or the proposed activity (cost study) can be considered as evaluative type activity... There are also strong questions of use. Comparisons (across centers) would be inappropriate ... since we do not know which programs are having the most significant effect on the children, their families, and communities ... Until these types of questions are considered - cost information is of little use.
[Emphasis Added]

Another cause for the lack of an adequate evaluation during this five-year contract period may be the lack of expertise. In an interview with DSS Title XX managers, the opinion was expressed that the needed evaluation expertise was lacking at both DSS and the Division of Health and Human Services. Based upon audited performance (i.e., contracted evaluation products), the Region IV Title XX Office indicated that the Division of Health and Human Services had not demonstrated the expertise or capability to develop a rudimentary evaluation program.

None of the DSS managerial or program personnel to whom the Council spoke could justify the methodology of the child development study or suggest uses for the document from an evaluative perspective. Yet, in a separate interview with DSS administration, problems with the Governor's Office contract, with the child development study, with State Law §43-1-220, or with communication between offices were denied. DSS apparently has perceived pressure from DHHS to acquiesce in matters relating to the planning and evaluation contract. DSS administration's interest in a conciliatory relationship with the Division of Health and Human Services seems to have over-ridden internal staff and Region IV Title XX Review assessments of the child development study. A historical basis for the character of this relationship is described in the Region IV review:

The contracts with the Governor's Office have had political overtones from the beginning. During the previous administration, it was frequently alleged by DSS staff and reported in the media that the Governor used his approval authority of the CASP as leverage to insure that his office was able to largely dictate the terms of the contracts.

Standards do exist to provide guidance concerning the aims and expected results of evaluations. As the 1975-76 Contract with the Governor's Office states:

Evaluation is the selection, analysis, and reporting of data pertaining to the Service Plan, specified Title XX services and the implementation thereof for purpose of appraising or judging the quality of services delivery, the impact of the service on the clients and their needs, the relative cost of the service, and the overall effectiveness of the services and the service provider. Evaluative reports are produced in order to develop alternatives and recommendations for improving the Title XX program. [Emphasis Added]

Also, regarding the use of "input" analysis in evaluation, Quade (Analysis for Public Decisions, 1975:107) writes:

The first inadequate (but not always completely absurd) idea is that program costs can be used to measure program effectiveness. It is surprisingly prevalent. For example, an expenditure per pupil is often used explicitly and even more often implicitly as a measure of effectiveness for primary and secondary school education. This confuses inputs with outputs.

No effort was made to assess the effects, benefits and impacts (i.e., output) on clients. Thus, outcomes such as improved readiness for first grade, social skills, cognitive abilities, and health, which are important results of child development programs are not measured. A review of prominent evaluation research which assesses program impacts is presented in Appendix 2. Successful and methodologically sound models for the evaluation of child development programs have been available and have received national attention for at least the past decade. If benefits, effectiveness and quality are comparable, or very similar, for all programs of a certain type, then it is appropriate to consider only costs and/or service inputs in evaluation. However, the quality of child development programs is known to vary widely. Components of day-care quality, such as variation in staff-to-child interaction, activity plans and the center's physical environment must be assessed before cost comparisons are meaningful.

There are several important effects of this situation. Primarily the expenditure of the approximately \$105,000 of Title XX dollars for child care evaluation has been of limited value to DSS staff and to the program in general. Also, although the Council made no detailed examination of evaluations of other Title XX programs performed by DHHS, it appears that Federal administrators question the compliance of the Division with its planning and evaluation duties. To date the Division has received \$1.4 million for these studies and for planning support.

Most important is the fact that the impacts and effects of the child development program have not been adequately gauged. Despite the availability and expenditure of resources, funding and expertise, DSS's Division of Child Development, the Governor, and the General Assembly lack the information with which to improve or assess child care services. Good quality programs have not been distinguished from lower quality programs and information which might improve services is not available.

RECOMMENDATIONS

- (1) DEPARTMENT OF SOCIAL SERVICES CONTRACTS WITH THE GOVERNOR'S OFFICE SHOULD CONTAIN DETAILED SPECIFICATIONS CONCERNING THE EVALUATIONS PERFORMED FOR THE TITLE XX PROGRAM; AND
- (2) SUCH SPECIFICATIONS SHOULD BE THE RESULT OF FORMAL COMMUNICATION BETWEEN THE TWO AGENCIES IN ORDER TO ENSURE THE MOST EFFICIENT USE OF TITLE XX FUNDS;

(3) FUTURE CHILD DEVELOPMENT EVALUATIONS SHOULD ASSESS PROGRAM QUALITY BY INCLUDING MEASUREMENT OF VARIABLES SUCH AS STAFF-TO-CHILD INTERACTION, ACTIVITY PLANS AND THE PHYSICAL ENVIRONMENT. IMPACTS ON CHILDREN SHOULD BE ASSESSED, IN TERMS OF COGNITIVE ABILITIES, HEALTH, SOCIAL SKILLS AND IMPROVED READINESS FOR FIRST GRADE;

OR

(4) STATE LAW 43-1-220 SHOULD BE AMENDED TO ENABLE DSS TO USE A COMPETITIVE FREE-MARKET SYSTEM OF CONTRACTING FOR EVALUATION.

Program Goals and Objectives

The Child Development Program's goals and objectives as stated in the DSS Five-Year Plan and agency budget are vague, poorly defined and not measurable. According to the FY 80-81 budget request, the two major program objectives are: (1) provide cognitive, social, psychomotor, health and nutritional development opportunities for children; (2) encourage self-sufficiency, reduce welfare costs, and strengthen the economic well-being of the family by providing employment/training opportunities through child care for low-income families.

"Providing development opportunities" is a vague and limited objective which ignores the output or results of the program (e.g. improvement of cognitive capability, social behavior and/or health of children served). Although DSS regularly collects data regarding each child and facility's progress in areas such as health, education, nutrition, etc., this information is not compiled to show the success or failure of major program components.

The second objective of "providing employment/training opportunities" to "encourage self-sufficiency, reduce welfare costs..." is also vague and offers no measure of welfare cost reduction or family self-sufficiency as a result of the child care program. It merely "provides an opportunity" for these things to occur. The Audit Council found no evidence that DSS had ever followed up this objective with study or evaluation. DSS does not know if the Child Development Program has reduced welfare costs (including the dollar amount of any reduction) or made families more self-sufficient. In light of the recent reduction of the Child Development Program to a limited summer schedule, it appears this goal is even less likely to be achieved.

Apparently DSS officials have not placed proper emphasis on the definition of measurable quantifiable, useful outputs for use on an overall program basis. Upon examining the program objectives in the FY 80-81 budget request and the current Five-Year Program Plan, the Audit Council found that none of the major program objectives were clearly defined or stated in measurable terms. Even though the Division regularly collects detailed data on clients and programs, the Council could find no studies, surveys or reports generated by the Division which measured these objectives or related specific goals and objectives

to specific results. A number of national studies used valid evaluation methodologies based on measurable and realistic objectives (see Appendix 2 for identification and summary of some of these studies relating to results of child development programs on disadvantaged children).

Long-term goals and related short-term objectives should be measurable, attainable and should forecast specific program outputs. Clear definition of program goals and objectives is a necessary first step in effective program operation and subsequent evaluation. Evaluation of program operation is essential to improvement of client services and is not feasible without clear, output-oriented programmatic goals and objectives.

Due in part to the lack of measurable goals for program performance (as opposed to individual performance), there has been little review of DSS's overall progress in the child development area.

RECOMMENDATION

A SET OF LONG-TERM GOALS AND RELATED,
MEASURABLE OBJECTIVES SHOULD BE IDENTIFIED
* CONCERNING EXPECTED PROGRAM EFFECTS ON
LOW-INCOME FAMILIES AND ON PROGRAM PARTICI-
PANTS. PHRASES SUCH AS "ENCOURAGING
SELF-SUFFICIENCY" AND "STRENGTHENING FAMILY
WELL-BEING" SHOULD BE RETAINED ONLY IF
THEY ARE DEFINED IN MEASURABLE TERMS.

Child Development Management Information System

Much of the information produced by the Division of Child Development's management information system is not usable due to the number

and severity of its errors. This system has been in existence for over five years and has cost \$152,482; yet, the information produced is unreliable and is not used by DSS to make management decisions. According to DSS staff, the system in the past produced usable, accurate data; this is no longer the case.

The Audit Council reviewed a computer printout of client/guardian information as of March 31, 1980, containing individual data on 4,550 children, their parents and/or guardians and found the following deficiencies:

- (1) sixty-two cases of duplication or erroneous listing of children resulting in an overstatement of the number of children served;
- (2) numerous cases where occupational codes (which denote the employment status of the parent) show the same person to be both unemployed and employed at the same time or having two different occupations at the same time;
- (3) a number of erroneous entries of clients' date of birth; (notable examples include one case of two children in the same family having four different birth dates; several cases of children of the same mother having birth dates days or weeks apart);
- (4) errors in the recording of client social security numbers resulting in individuals having as many as two or three different social security numbers;
- (5) hundreds of spelling, recording and typographical errors in client information.

It appears that inadequate quality controls exist to ensure the accuracy of information entered into the system. Inaccuracies occur also because of faulty information furnished by child development center employees. Until recently, there has been no management review of the system to determine the accuracy or the usefulness of its data. Overall, it appears the system has not been adequately managed or supervised, merely operated.

Two major requisites of an effective information system are accuracy and usefulness. Without accurate information it is difficult for managers to make reasoned and informed decisions, evaluate performance and protect against fraud. Although the Divisions' information system is not used in determining financial reimbursements or client eligibility, it was designed to be a useful tool in planning service delivery systems and performing program evaluation. Information collected by the system should serve to provide measurable data on which to base decisions. An information system which provides inaccurate data is of little use. Similarly, a system which may be accurate, but does not meet the informational needs of its users, is of little value. It appears this system is both inaccurate and of limited value to its users.

The present unreliable nature of the information system has resulted in the inefficient use of a potential management tool and of financial and personnel resources used to operate the system. From the inception of the system (1976) to the present this has amounted to \$152,482 in Federal and State funds. This includes the use of three to five full- and/or part-time personnel each year. Despite this expenditure of time, money and personnel, the system has produced little in the way of reliable information.

Conversations with Division staff indicate that the Division is aware of the unreliability of the system and there have been recent moves to correct deficiencies by (1) reducing the data retained on the system and reevaluation of the type of data collected; (2) retraining service providers responsible for submitting data; and (3) instituting a quality control mechanism and monitoring system.

RECOMMENDATIONS

- (1) THE DIVISION SHOULD REVIEW ALL FACILITY REPORTING FORMS AND PROCEDURES TO ENSURE THAT DATA IS COLLECTED EFFICIENTLY.
- (2) THE DIVISION SHOULD REVIEW ALL DATA COLLECTED TO ENSURE THAT IT IS USEFUL, NECESSARY AND READILY OBTAINABLE. INFORMATION WHICH IS OF LITTLE USE OR IS DIFFICULT TO ACCURATELY COLLECT SHOULD NOT BE GATHERED.
- (3) THE DIVISION SHOULD DEVISE AN AUTOMATED METHOD OF AUDITING INFORMATION PLACED ON THE SYSTEM TO REDUCE ERRORS.
- (4) THE DIVISION SHOULD INVESTIGATE COORDINATING THE COLLECTION OF THIS DATA WITH THE DATA NEEDS OF OTHER DSS INFORMATION SYSTEMS TO REDUCE DUPLICATION.

OR

- (5) IF THE INFORMATION SYSTEM IS NOT ABLE TO PROVIDE ACCURATE, UNDUPLICATED AND USEFUL DATA, IT SHOULD BE ELIMINATED.

Assessment of Child Development Client Information

The Council found that major planning and budgetary documents generated by DSS contained erroneous, confusing information concerning the actual number of clients served by the Child Development Program. These inconsistencies point to serious problems by DSS management in presenting basic client information to decision-makers. Examples of this include:

- The number of child development clients portrayed in the FY 80-81 Title XX plan, which is the cornerstone informational and planning document of the Title XX program, is in significant error. The plan is authored by DSS's Title XX Planning staff and projected that 8,400 clients would be served under the current funding level in the Child Development Program. The previous year's plan estimated that 7,200 clients would be served in FY 79-80. According to Division of Child Development staff, no more than 6,000 clients have ever been served by the program at one time in one year. When asked about these errors, DSS planning staff noted that due to miscounts and faulty client estimating procedures, the Title XX plan client estimates are incorrect.
- Client numbers, as listed in the agency budget submitted to the General Assembly by DSS, have been substantially miscalculated. The "Program Effectiveness" section of the FY 80-81 budget, the State's primary financial, planning and informational document, reports that DSS served 9,166 child development clients during FY 78-79. When asked about the source

of this data, Child Development staff stated they obtain program effectiveness measures not from their own data but from DSS planning staff. When the Audit Council asked DSS planning staff about this estimate, they stated that 9,166 was the number of service authorizations performed. Generally, many more clients are authorized to receive services than actually receive services and clients are authorized to receive services a minimum of once every six months and sometimes more. Therefore, this figure does not represent the number of clients served as stated in the budget.

- As noted previously, the Division's own management information system contains spurious client data. The Council examined individual client data on those clients served in Title XX centers as recorded on March 31, 1980, identified 4,550 clients served (at that time). Close examination of this data, however, revealed many typographical errors and duplications which resulted in overcounting of at least 62 clients.

There are several reasons for these divergent client counts and estimates. There is a lack of communication between the planning and program divisions of DSS. Client counts and other program information are routinely included in planning and budgetary documents. However, according to Division of Child Development staff, the Division itself has only recently been consulted as to the validity of child development statistics and numbers routinely presented in these reports. Apparently DSS management has not placed adequate emphasis on development and coordination of reliable information. Also, as seen above and on page 40,

it appears that some data error can be attributed to inadequate reporting mechanisms, typographical errors and insufficient monitoring and correction. Another major problem seems to be that there is no standard working definition of terms such as "client" or procedures to standardize client counts.

Basic information, such as client counts or financial data, is fundamental to proper program and agency management. Vital numbers and statistics should be accurately portrayed and consistently used. Furthermore, it is important for the various divisions of an agency to coordinate both the generation and presentation of information. Coordination of this type reduces duplication of effort and expenses, and provides factual representation of the program.

The current erroneous representation of basic program information has several implications. Primarily, recipients of this information such as the Governor (Title XX plan), the General Assembly (annual budget) and the public, are misinformed due to the substantial variations in client information. As a result, major policy decisions could be based on incorrect data. This is detrimental to the planning and budgetary process of the agency and the State. It is especially an impairment to legislators, who rely heavily on State agencies for concise, accurate, usable information on which to base their decisions.

The inability of management to coordinate and accurately portray information can reflect negatively on all efforts by an agency. During the conduct of this audit, several agencies expressed concerns that it is difficult to discern accurate from inaccurate information provided by DSS. When this occurs it may lead to all information from an agency being questioned which results in a decrease in agency credibility and effectiveness.

RECOMMENDATIONS

- (1) DSS SHOULD GENERATE DATA IN THE MOST ACCURATE AND COMPREHENSIVE MANNER POSSIBLE.
- (2) DSS SHOULD ESTABLISH STANDARDS CONCERNING THE DEVELOPMENT AND USE OF STATISTICAL INFORMATION. ONE SINGLE DIVISION OR SECTION SHOULD BE ASSIGNED THE RESPONSIBILITY FOR DEVELOPING OR OBTAINING STATISTICAL INFORMATION.
- (3) THE DIVISION OR SECTION RESPONSIBLE FOR DEVELOPING STATISTICAL INFORMATION SHOULD (A) REVIEW DATA FOR ACCURACY, (B) RETAIN RECORDS OF THE SOURCES OF DATA, AND (C) STANDARDIZE DEFINITIONS FOR COMMONLY USED TERMS.

CHAPTER IV
REGULATORY FINDINGS

Introduction

A primary function of the Division is the regulation and licensing of all day-care facilities in the State. According to Act 184 of 1977 the Division is mandated "to establish statewide minimum regulations for the care and protection of children in child day-care facilities, to ensure maintenance of these regulations and to approve administration and enforcement to regulate conditions in such facilities."

There are three types of child day-care facilities: (1) the child day-care center is any facility which regularly receives 13 or more children for day-care; (2) the group day-care home is any facility, generally located in a dwelling unit, which regularly provides services for 7 to 12 children including those children living in the home and children related to the resident caregiver; (3) the family day-care home is an occupied residence in which child day-care is regularly provided for no more than six children, including those children living in the home and children related to the resident caregiver.

The Division monitors fire and sanitation inspections of all day-care facilities; inspects DSS-funded facilities; handles church day-care registration; and provides staff training and consultation to public and private facilities. County staff inspect and monitor private facilities. After inspecting day-care facilities they document findings and report to the Division. The Division considers these reports when issuing licenses.

Day-care facilities are inspected a minimum of once every six months, and more often if there are serious deficiencies or if a complaint is filed against a facility. The Division sends deficiency correction notices to facilities which have not complied with regulations. County staff follow-up the correction of deficiencies and submit reports to the Division.

The Division is responsible for responding to allegations against both public and private child care facilities. There are two major types of facility inadequacies. As defined by State law the term report refers to allegations of child abuse and neglect and a complaint refers to various facility regulatory deficiencies. The majority of reports involving child abuse, neglect, and complaints of lack of supervision come from parents. Complaints concerning sanitation problems, unsafe conditions, and nutrition come from both parents and county DSS licensing staff.

Since 1977, the Division has had significant enforcement power. State and county regulatory staff may take emergency injunctive action to close a facility if a serious problem is indicated. Injunctive action is normally taken rather than license revocation, which allows for an appeal, since the alleged perpetrator could continue to operate or work in a day-care facility during the appellate process. The Division of Child Development has never revoked a license. However, the Division, because of complaints and failure to correct deficiencies, has refused to renew 16 licenses and the State Fire Marshal has closed one facility.

The Council examined closely the regulatory activities of the Division because these actions affect every child in day-care centers across the State. The following findings reflect areas where improvements are needed.

State System of Fire Inspection and Enforcement

Fire inspections of the 2,019 day-care facilities in the State conducted by State and local fire safety officials are of inconsistent quality and do not provide a reasonable guarantee that these centers are safe from fire and other hazards. The Audit Council found several reasons which contribute to this situation:

- (1) There is an inefficient use of inspection manpower in the State coupled with a shortage of inspection personnel. The State has two distinct fire inspection authorities - local inspectors and the Office of the State Fire Marshal. State law clearly says that local inspectors have primary jurisdictional authority except in cases where there is no local inspection authority. However, Council examination of day-care facility inspection records shows several cases where both the State Fire Marshal and local inspector inspected the same center during the same year.
- (2) According to the Office of the State Fire Marshal and Division staff, most local inspectors receive little or no inspection training. South Carolina lacks minimum work performance and education standards for fire inspectors. The South Carolina Fire Academy teaches one course in fire inspection. Fire inspectors are not required to take this course.
- (3) There is no standard method of inspecting facilities. Various checklists are used for inspections. The Division provides its own comprehensive checklist form to inspectors, but many inspectors prefer to use their own forms. The Audit Council analyzed a

random sample of the latest fire inspection reports for facilities in 17 counties and found that 5 different forms were used. The quality of these forms varied greatly from detailed checklists to mere letters of approval which included no indication of what the inspector examined.

- (4) Different fire safety regulations are followed by different inspection authorities. DSS and some local fire inspectors follow DSS-developed fire safety regulations, which are based on the National Fire Protection Association's 1973 Life Safety Code standards for educational occupancy dwellings. The State Fire Marshal and many local inspectors follow the Standard Building Code, which is similar but does not comprehensively address the three types of educational day-care facilities regulated by DSS.

According to Section 43-35-910 of the 1976 South Carolina Code, "the regulations for operating and maintaining child day-care centers and group day-care homes and the suggested standards for family day-care homes shall be designed to promote the health, safety and welfare of the children who are to be served by assuring safe and adequate physical surroundings..." In order to accomplish this, fire inspection standards should be consistent and adequate in order to protect the public and to ensure that each inspection is complete and accurate. The quality and qualification of inspectors should be consistent across the State. Although fire inspections are performed repeatedly across the State and are carried out by a number of State and local officials, they can and should be coordinated.

Fire inspections should be timely, yet there is a backlog due to increased demand and understaffing at DSS and the State Fire Marshal's Office. According to a November 1980 memorandum from Richland County DSS officials to Division staff, a number of facilities have been awaiting inspection by the State Fire Marshal for up to a year and some have requested inspections three or four times. In order to alleviate this backlog, the Division's Fire and Life Safety consultant has been inspecting day-care facilities housed in residential dwellings.

Due to the inconsistent quality of fire inspections across the State, there is no guarantee that inspections are conducted properly or that regulations are complied with. Enforcement is also just as inconsistent as inspection practices in the State. If inspections are inadequate and inconsistent, enforcement of inspection findings cannot help but be the same. Inconsistent inspection and enforcement is definitely detrimental to the health, safety and welfare of the children and staff in day-care facilities.

This is especially apparent in light of the October 1980 fire in an Atlanta, Georgia day-care center which resulted in the deaths of five persons. Preliminary investigations in this case point to inadequate inspection and maintenance practices as major factors.

There are recent developments in South Carolina which could have a positive effect on this situation. Appointment of the new State Fire Commission, the recent hiring of a new State Fire Marshal and current revamping of the Fire Academy may contribute significantly toward improving the quality of fire inspections in the State. Likewise the scheduled updating of fire regulations by the Division may be beneficial.

RECOMMENDATIONS

STATEWIDE RECOMMENDATIONS

- (1) MINIMUM STANDARDS OF TRAINING AND WORK PERFORMANCE SHOULD BE DEVELOPED FOR FIRE INSPECTORS BY THE STATE FIRE MARSHAL.
- (2) THE ROLES OF THE STATE FIRE MARSHAL AND OF LOCAL INSPECTORS IN THE INSPECTION OF DAY-CARE FACILITIES SHOULD BE CLEARLY DEFINED.

CHILD DEVELOPMENT RELATED RECOMMENDATIONS

- (1) STANDARD FIRE SAFETY REGULATIONS AND THE STANDARD CHECKLIST DEVELOPED BY DSS SHOULD BE USED BY ALL AUTHORITIES FOR THE INSPECTION OF DAY-CARE FACILITIES TO ENSURE CONSISTENT AND ADEQUATE PROTECTION ACROSS THE STATE.
- (2) ACTIONS OF THE DIVISION, THE STATE FIRE MARSHAL, AND LOCAL FIRE INSPECTORS SHOULD BE CLOSELY COORDINATED TO ENSURE TIMELY AND CONSISTENT FIRE INSPECTIONS.

Complaint and Report Filing System

The Division of Child Development's present system of filing complaints and reports needs improvement. Council's review of the Division's system identified the following deficiencies:

- (1) Although DSS's Child Protective Services Unit maintains a listing of all child abuse/neglect reports involving day-care facilities, the Division does not keep a central log of these reports or of complaints of regulatory violations. The Division does not keep a formal record of the number and type of reports or complaints received, action taken and disposition, other than the information contained in each complaint or report file.
- (2) There is no formal analysis of deficiency data, such as comparisons of facilities, regions, facility employers, or offenses which would identify problem areas, trends and habitual offenders.
- (3) Although procedures exist which delineate the complaint and report handling responsibility of the Division from DSS's Child Protective Services Unit, actual analysis of the files showed that it was unclear which division was in charge of which investigation. Also the action taken in each case and final disposition of most cases was unclear.
- (4) Complaint and report files are not centralized and are kept in several separate places. This made it difficult for the Council to ascertain the disposition of each case. Complaints of regulatory violations are placed in each facility's regular licensing file. Files citing deficiencies are placed in a deficiency correction file until

after correction when they are placed back in the regular licensing file. Child abuse and neglect reports are kept in a confidential file. If any of the above complaints involves litigation, it is placed in a separate legal file.

There appear to be several reasons for these deficiencies. Only in recent years has the number of reports been at significant levels, thus necessitating a formal system. Also, there were no formal procedures outlining the separation of authority between the Division of Child Development and DSS's Child Protective Services Unit until 1977.

Good management techniques and effective regulatory oversight are essential for expedient complaint disposition and adequate protection of the public. It is incumbent upon the regulator to maintain accurate and detailed complaint and deficiency information which is readily available and easily analyzed. The Audit Council has conducted numerous audits of regulatory and licensing agencies and concluded that proper complaint filing, handling and analysis are essential to optimum regulation. This is especially true in vital areas such as children's services.

The Council reviewed all cases maintained in the Division's confidential and legal file. Because regulatory deficiencies uncovered in routine inspections are located in each facility's regular file, only a random sample of these cases were reviewed. Of the cases in the confidential and legal file 66 of the 94 reports and complaints (70%) alleged child abuse or neglect by day-care facility staff (see Tables 6 and 7). This significant statistic emphasizes the necessity for extensive records and proper records maintenance. Of the reports and complaints examined by the Council, it appears that the Division and DSS are adequately pursuing these cases. However, a number of files (23) are still open

due to a lack of evidence, and other circumstances. Since the files are located in a number of places, there is no assurance that all files were found and examined. After their final disposition reports are kept in the confidential files and complaints are stored in the regular files where they are more difficult to retrieve. No historic record is maintained on these files.

The current system makes it difficult for reports and complaints to be handled promptly and by the proper authorities, and for the the Division to keep track of all its reports and complaints. This could result in the unsatisfactory protection of the health, safety and welfare of the public, in general, and day-care clients, in particular.

TABLE 6
NUMBER AND TYPE OF REPORTS AND COMPLAINTS
AGAINST CHILD CARE FACILITIES

<u>Type of Report/Complaint*</u>	<u>Calendar Year</u>				<u>Total</u>
	<u>1970-77</u>	<u>1978</u>	<u>1979</u>	<u>1980 (through October)</u>	
Child abuse	7	7	19	18	51
Neglect	0	1	5	9	15
Sanitation	0	1	1	0	2
Lack of Super- vision and Understaffing	1	5	4	2	12
Operating Without a License	1	1	3	2	7
Other	<u>2</u>	<u>0</u>	<u>4</u>	<u>1</u>	<u>7</u>
TOTAL	11	15	36	32	94

*These reports/complaints consist of only those found in the Division's confidential and legal files. By law, reports allege child abuse/neglect and complaints allege facility deficiencies. Any stored in the regular file are not included because they are distributed throughout the regular files of all licensed facilities. The large volume of such files made complete analysis impossible.

TABLE 7
SOURCE OF REPORTS/COMPLAINTS

<u>Source</u>	<u>Type of Report/Complaint*</u>						<u>Total</u>
	<u>Child Abuse</u>	<u>Neglect</u>	<u>Sanitation</u>	<u>Lack of Super- vision and Understaffing</u>	<u>Operating Without a License</u>	<u>Other</u>	
Parent/ guardian	26	7	1	8	0	3	45
County DSS Officials	3	0	0	2	6	2	13
State DSS Officials	2	2	0	0	1	0	5
Other	5	3	1	2	0	2	13
Anonymous	<u>15</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18</u>
TOTAL	51	15	2	12	7	7	94

*These reports/complaints consist of only those found in the confidential and legal files. By law, the definition of a complaint is a "statement...of unsatisfactory conditions in a child day-care facility." A report alleges child abuse or neglect.

RECOMMENDATIONS

- (1) THE DIVISION SHOULD IMPLEMENT A SYSTEM
OF LOGGING REPORT/COMPLAINT INFORMATION.

- (2) THE DIVISION SHOULD DEVELOP A PROCESS
FOR PERIODIC ANALYSIS OF DEFICIENCY
DATA TO IDENTIFY PROBLEM AREAS, TRENDS
AND HABITUAL OFFENDERS.

APPENDICES

APPENDIX 1
METHODOLOGY FOR OBTAINING PROGRAM COSTS
FOR CHILD DEVELOPMENT

A primary task in performing this audit was the cost comparison of various methods of child development service delivery. This comparison shows the relative cost per client per year. This information gives the observer the means for determining program efficiency (i.e., are funds maximized to provide the highest service level possible per dollar expended?). The overall conclusion is that services directly provided by DSS are, by far, the most expensive and, thus, the least efficient.

In obtaining and assigning program costs to the different areas of the Child Development Program the Audit Council has sought to equitably distribute all identifiable costs within the three major program areas: (1) contracted care, (2) care provided by the State Department of Education (as a subset of contracted care), and (3) direct operations.

Raw expenditure data were obtained through DSS financial records and includes contract amounts, direct operation and Division of Child Development expenditures, CETA and USDA Federal funds. County case management and State administrative totals are not routinely kept by DSS in the detail presented. Therefore, DSS and the Audit Council have estimated these costs based upon records of the portion of time spent by county staff on child development activities and administrative cost estimates drawn from the Title XX Plan. Without a detailed time study which would take years and cost thousands of dollars, this is the most reliable method of estimating these costs.

Table 8 shows the total costs of direct and contracted operations. Direct operation costs include the actual costs in FY 79-80, Federal USDA funds for meals to eligible clients, a portion of the cost of operating the Division, county case management and DSS direct and indirect administration. As noted in the table, costs for the last four items are apportioned based upon the total number of direct operation clients served, in this case, 1,664 of the total 4,590 clients. The provision of services and administration to these 1,664 clients cost an estimated \$5,409,565 during FY 79-80, or \$3,250 per client per year.

Table 8 also portrays total costs to clients in contracted operations. These costs include contract amounts, CETA, a portion of the operating cost of the Division, county case management and administration. Included in this total is approximately \$1,942,783 in DSS contracted services and administration which was devoted to the SDE school district child development programs. In the case of regulation of centers, these costs were isolated by estimating the cost of the Division's regulatory section and projecting a cost of regulation per facility (\$76.17). In the estimation of administrative and case management costs, a per-client cost was computed based on total costs and total client numbers. This cost was then applied to the 721 SDE clients receiving services during FY 79-80. These costs, plus the actual identifiable costs of services were then subtracted from the total contracted cost. The 721 SDE clients were also subtracted from the estimated 2,926 contracted operation clients, leaving a total of 2,205 clients receiving services under contracts other than those with school districts. Contracted services cost approximately \$5,475,326 (\$7,418,109 total contracted care

costs minus \$1,942,783 in SDE program costs) or \$2,483.14 per client per year.

Table 9 shows how the total costs of the SDE program were derived. State funds and Title XX contract amounts (to the seven SDE programs receiving Title XX funds) were added to in kind expenditures of the districts. In kind district funds were computed based on an Audit Council survey of five of the 17 districts. Added to this was the cost of regulating 17 centers by the Division of Child Development.

The costs of the other Division services to facilities were computed on a per-client basis. The remaining salaries, equipment, etc. were divided by the mean number of clients served (4,590) to obtain the cost per client (\$103.51). This was then multiplied by the number of SDE clients (721) to obtain a total cost (\$74,630) of Division services. Likewise, the cost of DSS county case management and DSS State administration were derived using a cost per client multiplied by the number of SDE clients. In addition, the SDE estimated the cost of its own administration at the State level for the program (\$8,528). The total of these numbers represents a realistic approximation of the total cost of the SDE program based upon the best information available. This, in turn, is translated into a per-client annual cost of \$1,729.43. However, this cost is for a nine-month program only. Annualized, the program costs rise to \$2,161.79 per client per year.

As stated previously, these cost-per-client figures are realistic estimates for inter-program comparison based upon the best information available. Other methodologies in cost analysis could be devised which might yield somewhat different results. However, it is highly probable

that, although various costs between programs might change slightly, the conclusion that direct operations are considerably more expensive than contracted and school district care is a valid one.

TABLE 8

COSTS ASSOCIATED WITH DSS CHILD DEVELOPMENT FY 79-80

	<u>Total Costs</u>	<u>Contracted Care</u>	<u>Direct Operations</u>
Purchase of Services	\$ 5,685,260	\$5,685,260	-
Direct Operations	4,439,513	-	\$4,439,513
Division of Child Development*	686,056	437,342	248,714
County Case Management*	501,187	319,493	181,693
DSS Direct Administration*	503,369	320,884	182,484
DSS Indirect Costs*	381,968	243,494	138,473
CETA	411,636	411,636	-
USDA	<u>218,688</u>	<u>-</u>	<u>218,688</u>
Total DSS Child Development Costs	\$12,827,677	\$7,418,109	\$5,409,565
Costs Attributed to 17 Contracted SDE Centers**			
(-) Cost of Regulating 17 SDE Centers (17 x \$76.17)	\$ 1,295	\$ 1,295	
(-) Cost of All Other DCD Services to SDE Title XX Clients (\$103.51 x 721 Clients)	74,630	74,630	
(-) Cost of DSS Case Manage- ment to SDE Title XX Clients (\$109.19 x 721 Clients)	78,725	78,725	
(-) Cost of DSS Direct Admin- istration to SDE Title XX Clients (\$109.66 x 721 Clients)	79,064	79,064	
(-) Cost of DSS Indirect Administration to SDE Title XX Clients (\$83.21 x 721 Clients)	59,994	59,994	

TABLE 8 (CONTINUED)

	<u>Total Costs</u>	<u>Contracted Care</u>	<u>Direct Operations</u>
(-) Estimated In Kind	\$ 250,988	\$ 250,988	
(-) SDE Program Title XX Contract Amounts	<u>1,398,087</u>	<u>1,398,087</u>	
Total DSS Costs Minus SDE Expenditures	\$10,884,894	\$5,475,326	
Contracted operation costs (minus SDE costs) divided by 2,205 clients (2,926 total clients minus 721 SDE clients) equals a per-client per-year cost of <u>\$2,483.14</u> .		Direct operation costs divided by 1,664 clients equals a per-client per-year cost of <u>\$3,250.94</u> .	

*Total cost amounts for these four categories are divided on a pro rata basis between direct operations and contracted care. This is determined by assigning a cost per child per year by equally dividing the total amount by the median number of clients for FY 79-80 (4,590). The cost per client is then calculated using the number of clients in direct operations (1,664) and number of contracted operations (2,926).

**DSS expenditures which were used to support the 17 SDE centers and 721 SDE Title XX clients were apportioned to the SDE program on a per-client basis and subtracted from DSS costs.

TABLE 9
COSTS ASSOCIATED WITH THE STATE DEPARTMENT OF EDUCATION
CHILD DEVELOPMENT PROGRAM FY 79-80

<u>Source</u>	<u>Amount</u>
State Funds (General Appropriation)	\$1,099,972
Fringe Benefits	155,096*
In Kind Provided by School Districts	250,988
Title XX Contracts for Seven Districts (through DSS)	<u>1,398,087</u>
Total	\$2,904,143
 <u>Additional Costs Attributed to SDE Program</u>	
(+) Cost of Regulation of 17 SDE Centers by DSS (17 x \$76.17)	\$ 1,295
(+) Cost of All Other Division Services for Title XX Clients (\$103.51 x 721 Clients)	74,630
(+) Cost of DSS Case Management (\$109.18 x 721 Clients)	78,725
(+) Cost of DSS Direct Administration (\$109.66 x 721 Clients)	79,064
(+) Cost of DSS Indirect Administration (\$83.21 x 721 Clients)	59,994
(+) Total SDE Administration	8,528**
Total SDE Program Costs	\$3,206,379

Divided by 1,854 clients equals a per-client per-year cost of \$1,729.43 for a nine-month program. Annualized, the total program cost becomes \$4,007,973 or \$2,161.79 per client per year.

*Estimated by taking the percentage of personnel costs attributed to school district operations (94%) multiplied by the average fringe benefit rate (15%).

**This estimated cost is based upon FY 80-81 information supplied to the Council by SDE stating that administrative costs during this period were approximately \$4.60 per child.

APPENDIX 2
EFFICACY AND COST-BENEFIT OF EARLY CHILD DEVELOPMENT
AND PRESCHOOL PROGRAMS

A prominent area of concern in the examination of any program is the effectiveness of the program. The Audit Council conducted a detailed review of recent studies regarding efficacy, cost-benefits and child development. The conclusion of these studies indicated that child development programs can have many positive effects in areas such as education, health, social and economic development. This section presents a synopsis of these studies and conclusions.

During the late 1950's and early 1960's, this country implemented preschool education and early child development programs on a wide-spread basis. These programs were primarily directed toward children of low income, "environmentally deprived" families. Programs were based on the assumption that by intervening and educating children earlier, and by providing medical and social services to the child and his/her family, the poverty-welfare cycle could be broken. Following implementation of Headstart and other early child development programs, the question of efficacy arose. Do such programs have significant and long-term positive effects?

The first evaluations which came to the attention of educators and the public reported little or no long-lasting effect of preschool on low income children. Most of these studies were conducted on children who had attended preschool and were evaluated in mid-elementary school. The effects of preschool seemed to have disappeared or greatly weakened for most students after several years. The conclusions initially

drawn were that these programs were not cost effective and that they failed to achieve their objectives. These conclusions became widely known, and contributed to commonly held negative perceptions of the value of such programs.

Many of the program's children are now in late adolescence and early adulthood. The long-term effects of program participation can be more reliably assessed by examining actual outcome in subjects' lives. Fourteen independent long-term, or longitudinal, evaluation studies were conducted of low income children who participated in experimental preschool over the past two decades. These 14 research teams became part of a federally-sponsored Consortium, under the supervision of Cornell University Professors Irving Lazar and Richard Darlington. The final report of the Consortium for Longitudinal Studies, entitled Lasting Effects After Preschool, was released by H.E.W. in September 1979.

Based on the 14 studies, the Consortium found evidence to support the conclusion that there are lasting and positive effects in four school-related areas: (1) assignment to special education, (2) retention in grade, (3) achievement test scores, and (4) intelligence test scores. The findings in each of these areas are reviewed briefly below.

Special Education

The Consortium compared the rate of assignment to special education classes for program children and non-program children. It was found that early education significantly reduced the number of low income children assigned to special education classes (based on data

drawn were that these programs were not cost effective and that they failed to achieve their objectives. These conclusions became widely known, and contributed to commonly held negative perceptions of the value of such programs.

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Special Education

The Consortium compared the rate of assignment to special education classes for program children and non-program children. It was found that early education significantly reduced the number of low income children assigned to special education classes (based on data

from six studies which examined this issue). The strength of these findings was impressive, and gave researchers evidence that preschool education helped low income children better meet minimal school requirements, relative to their non-preschool educated counterparts.

Retention In Grade

The results of eight studies which examined retention in grade showed that preschool attendance significantly reduced grade failure and subsequent retention in grade. Thus, significantly more low-income children who did not attend preschool failed in school and had to repeat a grade than did preschool-educated low income children.

Achievement Test Scores

Scores on verbal and mathematical achievement tests taken in either the fourth or fifth grade were assessed. Children who had attended preschool did significantly better in math and slightly better on verbal tests than did similar children who did not go to preschool.

Intelligence Test Scores

Although the major interest of the Consortium was in the effect of preschool on later school performance, and despite the controversy surrounding the meaning of intelligence scores, such test scores were examined. There was a significant increase in intelligence scores at age six shown by children who attended preschool. This increase was not evidenced by children who did not attend preschool, who were otherwise similar in terms of sex, family background, and intelligence prior to preschool.

Headstart Programs

A second group of university researchers, the Social Research Group of George Washington University, also studied the effects of preschool education. They reviewed the literature since 1969 regarding Headstart, a child development program geared to disadvantaged children. Over 760 studies pertaining to Headstart children, services or projects were analyzed. A summary of the research and findings of 59 relevant studies were provided. The summarized findings pertained to (1) cognitive development, (2) social development, (3) health, and (4) the families of participating children. Each of these areas is reviewed briefly below.

Cognitive Development

Participation in full-year Headstart was found to produce gains in intelligence and improvement in reading achievement as measured by performance on standardized tests. Headstart participants were retained in their grades and placed in special education classes less often than their peers without Headstart. Although no one program approach seemed to produce better results than any other, it was noted that short-term program participation (for instance, a summer program) did not produce significant gains.

Social Development

Headstart programs were found to positively contribute to the development of socially mature behavior and socialization. Findings regarding achievement motivation were equivocal, and most studies did not reflect a positive impact on the self-concept of participants.

Child Health

Headstart was found to impact positively on child health. Children who had participated in Headstart programs evidenced better relative health, revealing lower absenteeism, fewer cases of anemia, more immunizations and better nutritional practices.

Participants' Families

Participation in Headstart was shown to impact positively on families of participants. An improvement in parenting abilities, satisfaction with the childrens' educational gains, and an increase in family positive interaction were reported in a majority of the relevant studies.

Conclusion

Results from this analysis of Headstart research by the Social Research Group are very similar to the results reported by the Consortium for Longitudinal Studies. Gains in cognitive development, achievement, social behavior, health, and progress in school have all been found to result from participation in early childhood development programs.

State Department of Education Study of Child Development Programs

A follow-up study of children who participated in child development programs in South Carolina was undertaken during the Spring of 1980, by the State Department of Education. Children who scored "ready" on the first grade readiness tests were compared to children who scored "not ready." It was found that children who attended child development programs for two or three years were found to be more ready than

children who did not attend a program. Of significant interest is the difference child development program attendance appears to have made in children who are eligible for the free lunch program. These children are considered to be economically disadvantaged, and are, therefore, the children who would be expected to be least ready for first grade. (The State average for all children for first grade readiness is 60.2%, versus 42.6% for children eligible for free lunch.) Participation in child development for one year improved readiness for first grade from 42.6% to 53.2%. This percentage improved to 58.4% after two years of participation prior to the first grade and to 60.8% for three years of participation. The State Department of Education concluded that "measurable benefits do occur from early educational involvement of children, especially those from educationally disadvantaged families."

Cost-Benefit of Early Childhood Programs

Not only have early childhood education programs proven to have long-term positive effects on participants but also such programs appear to be justified in terms of cost. One major economic study, begun in 1962 by Dr. David Weikart, followed two randomly-assigned groups of children from age three to adulthood. The experimental group participated in a high-quality preschool program while the control group received no early childhood program. These groups were initially comparable - and were selected on the basis of high academic risk. The benefits of preschool participation were calculated to include mothers' release time, fewer years of special education required for program participants, and increased lifetime earnings projected from educational status. The benefits were found to provide a 248% return on the

original investment. The High/Scope Educational Research Foundation (headed by Dr. Weikart) concluded that preschool programs pay for themselves in later benefits. In other words, these benefits exceeded the costs of the program, on a per-child basis, by 2.5 to 1.

APPENDIX 3



VIRGIL L. CONRAD
COMMISSIONER

South Carolina
Department of Social Services



P. O. BOX 1520
Columbia, South Carolina 29202

April 21, 1981

Mr. John L. Fernandez, Senior Auditor
Legislative Audit Council
620 Bankers Trust Tower
Columbia, South Carolina 29201

Dear Mr. Fernandez:

Enclosed is the corrected page to be included in our response to the Council's report on our Child Development Program.

I would like to thank you again for the opportunities to meet with you and discuss the report before it was issued in final form.

Sincerely,

William C. Hall

William C. Hall, Executive Assistant
Office of Audits

WCH:Sn

Enclosure

South Carolina Department of Social Services'

Response to

The Legislative Audit Council's

Audit of

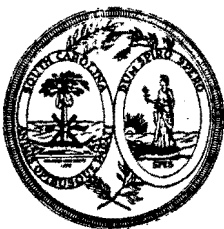
DSS's Child Development Program

In responding to your audit of our Child Development Program, the only finding we are addressing relates to "Program Goals and Objectives" included under the heading Program Findings.

The Audit Council is correct in stating that the FY 80/81 Budget Request and Five Year Program Plan do not contain clearly defined overall program objectives stated in measurable terms. However, the Division of Child Development (DCD) does establish program objectives and measures each individual program against these objectives. The DCD also utilizes mandated semiannual child assessments in relating these objectives to results. Since the Audit Council only briefly mentions these activities in their report, we are including the following information which should assure the Audit Council and readers of this report that these activities are completed for each individual program and individual child.

1. Every Provider of child development services receives Schedules X, Y, or Z ("Standard Operating Procedures and Program Objectives"). The program objectives and operating procedures addressed in these schedules are based on state and federal requirements in force during the contract period, but they are not limited to the components of a child development program as described in Appendix 2. Periodic evaluations of the program ensures the Department that child development services, and not baby sitting, are being provided. The Department of Social Services is aware of the components of a child development program necessary to produce the long range, desired effects on children and incorporates these in the program objectives.
2. The Department of Social Services (DSS) requires individual child assessments twice yearly to determine the individual's progress and the effect of the curriculum designed for each child. If necessary, the designed curriculum is modified.

3. DCD staff utilize the Program Review Performance Document to conduct annual, formal, on site evaluations of each program. The Program Review Performance Document contains measurable criteria and specific activities which the program must provide. When deficiencies are noted, the Provider is notified and scheduled for follow-up training and technical assistance as needed.



State of South Carolina

RICHARD W. RILEY
GOVERNOR

OFFICE OF THE GOVERNOR
POST OFFICE BOX 11450
COLUMBIA 29211

April 14, 1981

Mr. George L. Schroeder, Director
Legislative Audit Council
620 Bankers Trust Tower
Columbia, South Carolina 29201

Dear Mr. Schroeder:

Attached are the comments which we would like to submit with regard to the Legislative Audit Council report on the Child Development program. I would also like to make some general observations on the draft paper.

- The report consistently refers to the Division of Health and Human Services prior to the time of its existence. I believe the Division was titled the Division of Health and Social Development during most of the time in question. All contractual responsibilities were formed during the previous administration and should be so reflected in your report. The responsibility of the current administration was to see that the data which had been collected was presented to the Department of Social Services in compliance with the FY 78-79 contract.

The Division of Health and Human Services was formed in January of 1979 and by July of 1979, the Division had been reorganized. The Title XX unit has now been reduced from its FY 78-79 level of 15 employees under the contract to DSS for \$318,347 to its current level of two employees under contract to DSS for \$74,991. This contract also provides for support services for the 21 member Social Services Advisory Committee required by State Law.

The contract signed by the current administration in FY 79-80 and FY 80-81 have not called for evaluation studies. Instead, they have concentrated on identifying methods by which to deal with allocations during a period of scarce resources.

Mr. George L. Schroeder

April 14, 1981

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- The terms of the contracts for the child care evaluation appear to have been adequately met. I draw your attention to the attached comments.
- The report makes statements based on subjective thinking in many instances and in areas of complexity which are subject to interpretation. Many of these statements do not appear to be relevant to the review.
- Several changes have occurred since the Child Care Study. First, the child/staff ratios are currently being modified by the DSS which will allow for the participation of the private-for-profit sector. This change related to recommendation #1, pages 84-85 of the Child Care Evaluation Report, vol. III. Secondly, additional action by the DSS has shifted program utilization from the direct operations to contracted services. This was significantly supportive of the Child Care Evaluation, because the evaluation determined that the direct operations centers were not a cost-effective method of service delivery.

Please let me know if I can provide further information.

Sincerely,



Sarah C. Shuptrine, Director
Division of Health and Human Services

SCS:lc

Attachment

GOVERNOR'S OFFICE COMMENTS ON LEGISLATIVE AUDIT COUNCIL'S ANALYSIS OF
CHILD CARE EVALUATION

Contract Requirements:

The basis for the Child Development Evaluation Study had its genesis in the 1977-78 Title XX contract between the Governor's Office and the Department of Social Services (DSS). Under the Scope of Services, Article V, Section D, entitled Management Analysis, the contract states:

"The purpose of Management Analysis is to professionally and continually analyze the efficiency of program and provider performance according to certain specified criteria agreed upon by the Governor's Office and DSS. Data necessary for such analysis are to be provided by DSS. Criteria for such analysis shall be specified and constructed by the Governor's Office. Information on providers which will be produced through fiscal and statistical reporting requirements will include clients served, units of service delivered, and actual and/or interim cost associated with services delivery."

According to the 1978-79 Title XX contract, "...the Governor's Office will continue to develop data from and expand the evaluation of child care centers it conducted during FY 1977-78 as mentioned above. Also a new effort will focus on organizations that operate several child centers and/or several different service programs. The evaluation will assess the cost of all individual components of child care provision and administration and identify variations in service programs (emphasis added). Accounting methods will be utilized to produce comprehensive management information and recommendations for improved management procedures."

The following description is from the 1978-79 Task Activity Plan which describes with a greater level of specificity the components of the contract of the same year:

"Multi-center child care operations (non-profit) will be evaluated in order to identify the factors which contribute to child care cost (emphasis added); to provide cost estimates by sub-service (emphasis added); and to quantify the sub-services provided through these centers. In addition, accounting procedures will be utilized to produce comprehensive management information and recommendations for improved management procedures."

1978-79

Task Activity Plan:

As indicated from the contracts of the 77-78/78-79 period and the Task Activity Plan of 78-79, the Child Care Development Program was evaluated on an administrative, financial and programmatic basis. This was in keeping with the contract requirements.

The Legislative Audit Council's draft report reference to "an evaluation of child development services" and "to assess and/or improve child care services in the state" is not an accurate interpretation of the scope of services called for in the contract(s) or Task Activity Plan.