

I. CHAPTER OVERVIEW

North Carolina (NC) has a state-supervised, county-administered Subsidized Child Care (SCC) Program. Various state agencies and the county department of social services (DSS) or other local purchasing agencies (LPAs) share responsibility for the program. This chapter describes how these agencies play a role in providing child care services for children in North Carolina.

II. ROLE OF THE NORTH CAROLINA GENERAL ASSEMBLY

The legislative branch of government, composed of the NC Senate and the NC House of Representatives, determines the state laws that govern the SCC Program and licensing of child care facilities. Much of the legislative work of the NC General Assembly is done in committees composed of members of both chambers. There are several committees in each chamber that work on issues relating to children. The [NC General Assembly](#) is responsible for the following actions regarding the SCC Program:

Establishing the standards for child care arrangements interested in participating in the SCC Program.

Appropriating state and federal funds for subsidized child care.

Determining the formula to allocate non-categorical state and federal child care funds to the 100 counties.

Establishing the payment rates for subsidized child care.

Establishing the income eligibility limits and fee schedule for subsidized child care.

Approving the state fiscal year budget for the SCC Program.

III. ROLE OF THE NORTH CAROLINA CHILD CARE COMMISSION

Although not directly involved in administering the SCC Program, the [Child Care Commission](#) is responsible for the child care rules which affect providers participating in the SCC Program. The Child Care Commission is responsible for developing rules to implement the child care laws set forth by the NC General Assembly. Rules are established by the Commission for the operation of child care facilities, including procedures for application, approval, renewal, and the revocation of licenses. Rules for administrative actions taken against child care facilities, such as written warnings or special provisional licenses, are also established by the Child Care Commission. The Commission also develops standards for the Star Rated License.

IV. ROLE OF THE NORTH CAROLINA SOCIAL SERVICES COMMISSION

The Social Services Commission is responsible for adopting rules that pertain to the Subsidized Child Care (SCC) Program. Rules concerning the approval of child care programs that participate in the subsidy program, client eligibility and parental fees, and rates paid to child care providers participating in the SCC Program can also be established by the Social Services Commission unless stipulated in law or the annual appropriations act.

V. ROLE OF THE NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

The Department of Health and Human Services (DHHS) is the parent agency of the Division of Child Development and Early Education (DCDEE). The Secretary of Health and Human Services has the authority to establish, define, and identify all services to be funded with subsidized child care funds. The Secretary may establish priorities for the reallocation of funds as well as adopt rules regarding contracting procedures.

VI. ROLE OF THE DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION

The Division of Child Development and Early Education was formed within the Department of Health and Human Services to regulate early childhood services for all children in North Carolina and to oversee the SCC Program and the North Carolina Pre-Kindergarten (NC Pre-K) Program. DCDEE issues policy for the provision of child care services, prepares required reports related to the expenditure of state and federal funds and monitors for program and fiscal compliance.

DCDEE also develops, implements, and coordinates initiatives that address improving the quality and increasing the availability of child care and enhancing the lives of families in North Carolina. These initiatives include programs that offer child care resource and referral, school-age child care services, and the inclusion of children with special needs. In addition DCDEE staff:

Collaborates with the North Carolina Partnership for Children in the administration and implementation of the Smart Start Program.

Sections in DCDEE that impact the SCC Program are listed below.

A. Subsidy Services Section - (919) 662-4561

The Subsidy Services Section administers the allocation and reallocation of child care subsidy funds through funding authorizations and contracts. Staffs

are responsible for developing, implementing, and interpreting policy for the SCC Program. Policy is made available to county departments of social services and other LPA's through this manual, policy change notices, section letters, administrative letters, and memoranda.

1. Policy Consultants

Policy Consultants are responsible for developing and writing policy. In addition, they implement contract procedures for services related to the SCC Program and for reporting information pertaining to subsidized services statewide to the Department of Health and Human Services and to the NC General Assembly. Policy Consultants also provide policy interpretations and guidance to families, child care providers, and staff from DCDEE, DSS and other agencies.

2. Data Managers

Data Management staff approve licensed and G.S. 110-106 child care providers for participation in the (SCC) Program and provide technical assistance to LPA's and providers about payment rate issues.

3. Subsidy Services Consultants

Subsidy Services Consultants provide technical assistance and training to LPA's, local Smart Start partnerships and licensed child care centers and homes regarding regulations and policies for the SCC Program. They participate in subsidy monitoring visits to LPA's, licensed child care centers and family child care homes.

4. Program Compliance Consultants

Program Compliance Consultants provide technical assistance and consultation to LPAs regarding fraud and overpayment cases and respond to audit requests. They notify DCDEE Regulatory staff of any investigations initiated by the LPA for suspected fraud or misuse of funds. Program Compliance Consultants are also responsible for taking the lead on the monitoring visits to LPA's.

B. Regulatory Services Section - (919) 662-4499

The Regulatory Services Section licenses and approves child care facilities in accordance with laws and rules established by the North Carolina General Assembly, the Child Care Commission, and the Social Services Commission.

Other responsibilities of the Regulatory Services Section are to:

1. Provide technical assistance and training to providers.

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2. Investigate complaints in cooperation with the local DSS regarding child care arrangements, including those alleging abuse or neglect.
3. Ensure all local and state fire, building, and sanitation inspections are met before a facility receives a license.
4. Monitor all regulated child care arrangements for compliance with licensing requirements.
5. Monitor any requests for changes in ownership for facilities that are being investigated for suspected fraud or misuse of funds in the SCC Program.

The Regulatory Services Section also administers a website that displays statewide data on all regulated child care arrangements, which is used by parents seeking child care services and providers and professional agencies who need information on the availability and accessibility of child care. Refer to <http://ncchildcaresearch.dhhs.state.nc.us/search.asp> for more information.

C. Administration Section - (919) 662-4535

Staff in the Administration Section work with Subsidy Services Section staff to determine child care allocations and the process for reversions and reallocations. The role of the Administration Section is to:

1. Execute the contracts issued by DCDEE.
2. Prepare and manage the budget for the SCC Program.
3. Track expenditures for state and federal funding.
4. Report data pertaining to subsidized child care as required by federal funding regulations.
5. Disperse child care forms to counties as requested.
6. Manage and maintain the Subsidized Child Care Reimbursement System (SCCRS).

D. Workforce Standards Section – (919) 662-4567

Criminal Records Check Unit – (919) 773-2856

The Child Care Workforce Standards Section supports statutory and administrative procedures requirements for the child care workforce in North Carolina. The role of the Child Care Workforce Standards Section is to:

1. Issue credentials and determine equivalency status for teaching and administrative staff in all regulated child care facilities.
2. Process and report criminal records check information on child care providers. Refer to and Chapter 16: Approval and Enrollment Procedures for Licensed Facilities for more information on criminal records checks.
3. Develop and implement statewide educational strategies for the child care workforce.
4. Implement In-Service Training rules for the child care workforce across the state.
5. Provide funding and technical assistance to child care resource and referral agencies across the state.
6. Coordinate effective communication in response to requests to the Division website (www.ncchildcare.net) and assist with administration of NC Institute for Early Childhood Professional Development website (www.ncchildcare.org) that displays information on professional development for child care teachers and administrators.
7. Develop and implement statewide strategies to promote workforce development that supports the Star Rated License and higher quality of child care.

VII. ROLE OF THE COUNTY DEPARTMENT OF SOCIAL SERVICES

State statute designates the county department of social services (DSS) as the local purchasing agency to administer the SCC Program. DSS may choose to delegate this responsibility to another agency through contractual agreement. The agency that administers the SCC Program at the county level is referred to as the LPA in this manual. If the county DSS administers the subsidy program, the agency is referred to as the LPA. If the county DSS contracts with private nonprofit/for profit agencies such as the local child care resource and referral agency, then that agency is the LPA. In such cases, **the contracting agency assumes the same responsibilities that the DSS has in administering the SCC Program which are described as follows.**

A. Service Provision

Service provision includes:

1. Providing families with information about available child care resources and the five star licensing system. Refer to the DCDEE website for more information (<http://www.ncchildcare.net/>).
2. Helping families understand their child care needs and options.
3. Determining the eligibility of the family.
4. Promoting the selection of child care services based on parental choice.
5. Maintaining contact with the parent and the child care provider to ensure that the family is receiving the appropriate service(s) and to remain aware of family issues that may need to be addressed.
6. Issuing vouchers to eligible parents.
7. Enrolling providers in the subsidy program.
8. Making visits to child care providers receiving subsidy funds.
9. Investigate all instances of fraud.

B. Administrative Accountability

The local DSS receives and manages funds allocated for the delivery of subsidized child care services unless the DSS chooses to contract with another local agency or organization to administer the SCC Program.

Local responsibilities include:

1. Paying the child care providers for services delivered to eligible families.
2. Maintaining and providing records for review upon request by local, state or federal agencies at the time of a monitoring visit or whenever requested until all audits are complete.
3. Maintaining records for at least three (3) state fiscal years (SFY) or until all state and federal audits are completed.
4. Reporting all instances of fraud to DCDEE.
5. Notifying DCDEE Program Compliance Consultant of any local investigations initiated for suspected fraud or misuse of funds.
6. Entering corrections into SCCRS for all improper payments.

NOTE: The LPA must submit a written request to the Section Chief of the Subsidy Services Section and obtain written permission from DCDEE before purging any child care records.

Some county governments operate their own child care facilities. Also, some county governments contract with other agencies that operate their own facilities. The county must separate the management of the SCC Program from the child care facility. Both the county and contracting agencies must develop and implement a board approved conflict of interest policy that assures parents are offered the freedom to choose from a variety of child care options. In addition, a notarized copy of the conflict of interest policy must be sent to the Subsidy Services Section of DCDEE.

NOTE: For a detailed listing of suggested responsibilities of a local child care coordinator refer to Attachment 1: SCC Program Responsibilities at the end of the chapter. For further information regarding contracting procedures, contact the Subsidy Services Section (919-662-4561) or refer to Attachment 2: Contract Requirements for County Department of Social Services Agencies at the end of the chapter.

VIII. ROLE OF THE LOCAL PURCHASING AGENCY

Some county departments of social services contract with other agencies to administer their SCC Program and earmark their state allocation of subsidized child care funds to a specific agency or organization. In counties served by these agencies, the county DSS has two options for coordinating funding resources with the contracting agency or organizations:

- A. Retain all of its allocation and purchase or provide child care services.
- B. Contract all of its allocation to a contractor who will purchase and/or provide child care services for eligible children in the county.

The option chosen by the county department of social services must be included in the contract with the contractor administering the SCC Program. Agencies or organizations selected to administer the SCC Program by the county DSS must submit contract development information to the DSS. Also, the county DSS must include in this contract its expectations of the contractor such as maintaining staff to support the SCC Program and to make payments to providers in a timely manner.

When the agency owns or operates facilities, all contracting subsidy administrators must have a conflict of interest policy that provides parental choice for recipients of subsidized child care and separates management of the SCC Program. In addition, a Child Care Provider Agreement ([DCD-0452](#)) signed by the designated authority must be maintained in each facility file.

Funding amounts for child care services support and/or direct services, if applicable, may vary during the contract period. Contract amendments that reflect changes in funding amounts will be forwarded by DCDEE to the

contracting agency as they occur. Spending levels must be adjusted by the contractor accordingly.

Any agency, such as a contracting subsidy administrator or department of social services that administers the SCC Program must provide records of administration of the program upon request for review by staff of local, state, or federal agencies. These records must be maintained for at least three (3) state fiscal years and may not be destroyed until authorized by DCDEE. Additional information regarding specific requirements for counties who contract with other agencies is provided in this chapter. See [Attachment 1: SCC Roles and Responsibilities](#) and Attachment 2: Contract Requirements for County Department of Social Services Agencies.

Local purchasing agencies that have transitioned to a paperless system are required to produce electronic files and paper copies of the entire child care and provider's record(s) when requested by local, state and federal officials. Both sides of the documents must be scanned and stored so that records are free from contamination and deterioration. The electronic files must contain the same information and signatures that paper files include. Any updates or revisions to child care and provider records must also be scanned, stored properly and produced when requested.

LPAs must implement safeguards for the paperless system to protect the integrity of the scanned files. The Local Records Management Unit in the Department of Cultural Resources can provide information regarding the requirements and guidelines related to imaging (scanning) paper documents. The contact number is 919-807-7365.

Paperless records must be maintained for at least three state fiscal years or until all audits continued beyond the three year period are officially completed by local, state and federal officials. LPAs must request permission from the Subsidy Services Section of the Division to purge paperless and paper records.

IX. ROLE OF THE WOMEN'S AND CHILDREN'S HEALTH SECTION, NUTRITION SERVICES BRANCH - (919) 707-5000

The Women and Children's Health Section of the Division of Public Health administers the [Child and Adult Care Food Program \(CACFP\)](#). Information about the program can be accessed on their website at www.ncpublichealth.com/.

The CACFP was established by Congress in 1968 in response to the need to provide good nutrition for children in low-income areas where there were large numbers of working mothers. It also introduces young children to many different types of foods and helps them learn good eating habits. Child care programs that participate in the Child and Adult Care Food Program receive reimbursement for nutritious meals served to the children.

The program is limited to public and private nonprofit organizations providing licensed, or approved nonresidential child care services. Private for profit centers and homes may participate if they meet certain criteria for serving low-income children. Refer to Chapter 20: Payment Policies for more information.

X. ROLE OF THE FOOD AND NUTRITION SERVICES PROGRAM

Food and Nutrition Services (FNS) is a federal food assistance program administered through the county departments of social services that helps low-income families to buy the food they need for a nutritionally adequate diet. All households must meet an income test, currently at or below 200% of federal poverty level, to receive benefits.

Families who receive benefits through the Food and Nutrition Services Program automatically are deemed income eligible for subsidized child care services. Child care staff in local departments of social services and other local purchasing agencies access family demographics and income information from the Food Stamp Information System (FSIS).

XI. ROLE OF LOCAL CHILD CARE RESOURCE AND REFERRAL AGENCIES

There are fourteen regional child care resource and referral agencies across the state that serves all 100 counties. The primary goal of resource and referral agencies is to help parents find child care services. Child care resource and referral agencies may:

- A. Broaden community awareness about the child care needs and services in their area.
- B. Offer training for parents and providers.
- C. Work with corporations to help their employees find child care services.
- D. Subcontract with the county DSS to administer the SCC Program and/or the local Smart Start partnership.

NOTE: The contact information for CCR&R agencies in each county is on DCDEE's website at www.ncchildcare.net.

XII. ROLE OF THE NORTH CAROLINA PARTNERSHIP FOR CHILDREN

Smart Start is a public/private initiative that provides state funding for preschool age children in all of the state's 100 counties. Smart Start funds are administered at the local level through local nonprofit organizations called local partnerships. The North Carolina Partnership for Children (NCPC) is the statewide nonprofit organization that provides oversight and technical assistance for local

partnerships. Services at the local level vary depending on local needs and available funding.

XIII. ROLE OF THE EARLY INTERVENTION BRANCH IN THE WOMEN'S AND CHILDREN'S HEALTH SECTION OF THE DIVISION OF PUBLIC HEALTH

The Early Intervention Branch in the Women's and Children's Health Section of the Division of Public Health coordinates services for the care of children with developmental disabilities. This office also provides the needed developmental day services for some of these children by either actually providing the services or purchasing the services from other providers.

XIV. INTERAGENCY COOPERATION

Since there are many different agencies and service providers involved in providing a multitude of services to children receiving child care services, it is critical that these agencies, both at the state and local level, communicate to ensure consistency, maximize use of funds, and prevent duplication of services whenever possible. Agencies in local communities such as the county DSS, Smart Start local partnerships, child care resource and referral agencies, community colleges, local education agencies and faith based organizations are encouraged to develop a method of sharing information about available resources to assist families who need subsidy services.

In instances where it is helpful to share information about individual families in order to assist them in obtaining funding or services, a signed release of information form is needed in order to document the parent's consent. In instances where information is requested by an agency that provides the funding for the services, such as DCDEE provides funding to a county DSS or the local partnership provides funding to the county DSS, a signed consent form is not needed to provide reports or information to ensure fiscal accountability.

XV. PROGRAM MONITORING

Staff from DCDEE are responsible for:

- A. Monitoring all agencies that expend state and federal subsidized child care funds to assure that they are used in accordance with state and federal laws, rules, policies and procedures. Corrections made as a result of fraud are recouped through the reduction of the agency's allocation.
- B. Preparing a report within 60-90 calendar days following the conclusion of the on-site monitoring visit. This report describes specific findings, recommendations, and the corrective actions that must be made to comply with DCDEE policies and procedures.

The report is reviewed by DCDEE's Monitoring Review Panel prior to submission to the LPA. The Monitoring Review Panel reviews all monitoring reports regarding monitoring by DCDEE staff of agencies receiving state or federal funds to assure compliance with applicable requirements and reviews requests to impose sanctions. The Monitoring Review Panel consists of staff from each section of DCDEE. Reports prepared by DCDEE staff are reviewed by the Monitoring Review Panel to ensure consistency in applying regulations related to the program monitored and to address any areas of the report that are unclear.

The LPA is required to respond in writing within 45 calendar days from the date they receive the Monitoring Report. All corrective actions, including all documentation must be completed within 90 calendar days from the date the LPA receives the Monitoring Report. DCDEE's Monitoring Review Panel may review the LPA's response letter if they question the Division's findings. When all corrective actions required by the Monitoring Report have been completed, DCDEE will issue a letter stating that the monitoring is finalized.