Overview

The American Rescue Plan (ARP) Act of 2021 was signed on March 11, 2021, and included $23.975 billion in child care stabilization funding. Within the law, the federal government allocated funds to states, territories, and Tribes to award subgrants to eligible qualified child care providers to support the child care sector during and after the COVID-19 public health emergency.

This brief and the Child Care Stabilization Grantee Accountability Self-Assessment Instrument were developed to guide Lead Agencies as they evaluate their accountability policies and processes for their child care stabilization grant. The combined resources provide accountability strategies and considerations for documentation, reporting, auditing, and compliance related to the stabilization grant and subsequent subgrants. Using proactive activities such as internal reviews and evaluation of the current accountability processes and policies can create a foundation as Lead Agencies focus efforts on maintaining accountability in an agency’s stabilization grant program.

Accountability

Accountability for stabilization grants and subgrants should be ensured in three areas: fiscal, process, and program. Fiscal accountability ensures appropriate spending of stabilization grants and subgrants. Process accountability addresses the methods and policies employed by the Lead Agency to carry out the stabilization grant program. Program accountability is the establishment of stabilization grant and subgrant policies and procedures to meet the goals and objectives of the agency. Program accountability activities include making changes to policies and processes as the need for program improvement is identified.

While stabilization grants have different requirements than regular Child Care and Development Fund (CCDF) federal funds, they are still part of the CCDF program and subject to the same rules and regulations. Lead Agencies must still ensure compliance, program integrity, and accountability as outlined in the CCDF regulations. For instance, 45 CFR 98.11(b)(5) requires Lead Agencies to oversee the expenditure of funds by subrecipients and contractors under 75 CFR parts 351-353 and this requirement also extends to stabilization funding.

Lead Agencies’ administrative and operational activities must comply with their approved CCDF Plan and all federal requirements. In addition, 45 CFR 98.16(cc) requires Lead Agencies to describe internal controls to ensure integrity and accountability and that processes are in place to investigate and recover fraudulent payments and to impose sanctions on providers in response to fraud.

WHO IS ACCOUNTABLE?

- Lead Agency is responsible for the administration of their stabilization grant program and must ensure that the program complies with the ARP Act.
- While the Lead Agency is ultimately responsible for ensuring accountability, other entities may contribute to the successful implementation, administration, and operation of the stabilization grant program.
- Lead Agency’s accountability activities should not result in an undue administrative burden for providers.
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Documentation and Reporting Considerations

Timely and accurate reporting is critical to monitoring financial, operational, and programmatic activities of the stabilization grant program. Reporting also assists in understanding the operational and financial condition of the stabilization grant and subgrants. Program managers can use information obtained from stabilization grant and subgrant reports and supporting documentation to assure that the Lead Agency and providers expend ARP Act child care stabilization funds according to the act’s intended purposes and in a manner consistent with state and federal law and program objectives.

Documentation

45 CFR 98.90(e) Length of Retention Period

Records shall be retained for three years from the day the Lead Agency or subgrantee submits required financial reports. If any litigation, claim, negotiation, audit, disallowance action, or other action involving the records has been started before the expiration of the three-year retention period, the records shall be retained until completion of the action and resolution of all issues that arise from it, or until the end of the regular three-year period, whichever is later.

Type of Documentation

Lead Agencies are responsible for ensuring they have acquired proper documentation to support the disbursement of the child care stabilization grant and subgrants. Examples of stabilization grant and subgrant documentation include and are not limited to:

- Financial records related to ARP Act allowable expenditures
- Provider license, certification, or regulatory documentation
- Provider health and safety records
- Provider ARP Act certifications
- Provider signed application
- Provider demographics (e.g., race, ethnicity, address, zip code, gender)

Lead Agencies are encouraged to contact their regional office for technical assistance in assuring the agency obtains appropriate documentation.

Reporting

Lead Agencies’ ARP Act Child Care Stabilization Reporting

Financial and performance reporting assure accountability and transparency when implemented appropriately. The Office of Child Care requires Lead Agencies to track spending of ARP Act funds separately to ensure compliance and be prepared to report on obligations and liquidations through the ACF-696 or ACF-696T. Additionally, agencies should be prepared to complete the ACF-901 and other reporting requirements imposed on the Lead Agency through their state, territory, or Tribal government. Lead Agencies should retain appropriate documentation from child care providers and contractors for the agency to meet local, state, federal, territorial, and Tribal reporting requirements. Below are suggested strategies documenting use of the stabilization grant:
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- Communicate to child care providers or contractors any applicable stabilization grant and subgrant financial records that need to be retained.
- Establish written stabilization grant and subgrant agreements that inform the recipients that the agency may request access to records and financial statements as necessary to meet the local, state, federal, territory, or Tribal requirements.
- Ensure written agreements clearly outline the appropriate terms and conditions concerning the stabilization grant and subgrant program’s period, roles, and responsibilities.
- Track the operating status of providers to support certification requirements in stabilization grants as outlined in the ARP Act.
- Adopt policies that allow the Lead Agency to acquire documentation from child care providers on how funds were used.
- Oversee contracts for intermediaries used to assist the Lead Agency in administering the stabilization grant program.

Provider Reporting Examples*

<table>
<thead>
<tr>
<th>Considerations</th>
<th>Examples</th>
<th>Lead Agency Strategies to Assure Accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expense reporting</td>
<td>Categorized or itemized spending</td>
<td>- Clearly communicate required expenditure reporting</td>
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<tr>
<td></td>
<td></td>
<td>- Provide technical assistance to all child care providers</td>
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<tr>
<td></td>
<td></td>
<td>- Create expense forms for child care providers to use for reporting to the Lead Agency</td>
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<tr>
<td>Reporting period</td>
<td>Provider subgrant reporting dates after funds are disbursed to a provider</td>
<td>- Clearly define reporting periods online, at town halls, and during provider visits</td>
</tr>
<tr>
<td>Provider opening/reopening documentation</td>
<td>Children’s attendance/enrollment records for reopening during subgrant period</td>
<td>- Provide an electronic time and attendance method for reporting during the stabilization grant period</td>
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<tr>
<td>for subgrant period</td>
<td></td>
<td>- Schedule licensing or program visits throughout the subgrant period to review attendance and enrollment records</td>
</tr>
<tr>
<td>Subgrant funds documentation</td>
<td>Payroll, mental health supports, personal expenses, etc.</td>
<td>- Implement online portal, dedicated fax number, and/or mailing address for child care providers to submit specific documentation related to stabilization subgrant</td>
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<tr>
<td></td>
<td></td>
<td>- Verify payroll of child care staff, using existing verification systems</td>
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<td></td>
<td></td>
<td>- Ensure that mental health support documentation meets confidentiality requirements of the Health Insurance Portability and Accountability Act of 1996 (HIPAA)</td>
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*The examples above are not required in the ARP Act. Lead Agencies are encouraged to contact their regional office for technical assistance in assuring the agency obtains appropriate documentation.
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Stabilization Grants and Subgrants Monitoring and Auditing Considerations

Auditing and monitoring activities assess the processes for carrying out stabilization grant program activities and hold staff accountable for maintaining integrity of the stabilization grant program.

These activities are an integral part of the grantee’s stabilization grant program integrity environment and control structure. They provide effective mechanisms for assessing program integrity functions carried out by the grantee, subrecipients, and contractors at all levels.

Monitoring

Program monitoring includes a wide range of activities, including remote and onsite assessments of eligibility and payment processes, reviews of financial management and accountability controls, information management, quality improvement, and other related CCDF activities and services.

Lead Agencies should consider using existing monitoring practices as part of their stabilization grant accountability practice. A Lead Agency’s compliance team can be used to verify adherence to policies and practices for the child care stabilization grant program.

<table>
<thead>
<tr>
<th>Monitoring Activities</th>
<th>Activity Examples</th>
<th>Activity Examples Considerations</th>
</tr>
</thead>
</table>
| System testing and security | Cyber security, systems edits, and child care provider payment schedules and accounting codes | ▪ Test user roles to ensure stabilization grant roles and responsibilities of users are integrated throughout the child care system  
▪ Create automated system edits that disallow specific stabilization grant transactions with the system  
▪ Test and account for stabilization subgrant payment schedules that fall on holidays and agency closures |
| Information technology and the use of administrative data | Red flag reports and system alerts | ▪ Notify the agency of duplicate payments  
▪ Implement system exception reports regarding payments for unallowable funding |
| Supervisory/quality assurance reviews | Subgrant application and processing review | ▪ Review applications processed to ensure stabilization grant policies and procedures were followed |
| Provider certifications | Onsite and desk review | ▪ Provide a progress report or checklist outlining the certifications providers attested to at application  
▪ Collaborate with licensing to conduct onsite visits using the progress report or checklist as a tool for monitoring and report back to the Lead Agency  
▪ Request provider records to verify certifications (health and safety reports from licensing visits, payroll documentation, etc.) |
| Management Review | Performance Reports | ▪ Review qualified and eligible providers who have not submitted subgrant applications and have not received ARP Act funding |
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Monitoring Third-Party Contractors, Intermediaries, and Vendors

Lead Agencies may contract with a third party to administer and operate the stabilization subgrant program. However, the Lead Agency is still ultimately responsible for the stabilization grant funds and compliance with regulations. CCDF requirements at 45 CFR 98.11 include having a written agreement with intermediaries that administer the subgrants. Written agreements must meet CCDF requirements at 45 CFR 98.11 including that the Lead Agencies retain overall responsibility for the administration of the program, and that administrative and implementation responsibilities undertaken by the intermediary are governed by the written agreements. When contracting, the Lead Agency must outline in a written agreement the role and responsibility of the contractor and, at a minimum, how the contractor will:

- Determine child care providers’ eligibility to receive child care stabilization subgrants.
- Measure their performance against the child care stabilization program objectives.
- Carry out programmatic decision making.
- Ensure that the program complies with the applicable ARP Act child care stabilization grant requirements.
- Use the allotted administrative funds to carry out the stabilization grant program activities as detailed in the ARP Act.

Child Care Provider Stabilization Subgrant Monitoring

Outlining a step-by-step monitoring process that includes risk assessment templates could be useful in providing clear guidance to Lead Agency staff designated to monitor and verify child care provider records. A monitoring process tailored with a risk-based approach allows for an agency to track the progress of child care provider activities according to the requirements of their stabilization grant program. The Lead Agency may consider leveraging their current monitoring protocols for program compliance, health, and safety.

Stabilization Subgrant Child Care Provider Training and Technical Assistance Plan

In cases where a child care provider is experiencing challenges (e.g., technology, bookkeeping, reopening, etc.) in meeting the child care stabilization grant program requirements, the Lead Agencies may consider providing training and technical assistance. This may support providers in meeting the requirements and reduce noncompliance. Common items to include in a technical assistance plan are:

- The name(s) of the contact person(s) responsible for the completion of the action steps.
- The technical assistance action plan details (e.g., needs of the provider, goals, target dates, milestones, deadlines, progress reports, and follow-up meetings).
- The anticipated action steps completion date.

Audits and Auditing

Whether a Lead Agency is preparing to conduct an audit (serve as an auditor) or preparing to be audited (serve as the auditee) the overarching purpose is the same. Audits are conducted to ensure that program activities, procurement, fiscal practices, and fiscal documentation all comply with the terms and conditions of the stabilization grants awards and local, state, federal territory, and Tribal statutes and regulations. The auditee is responsible for ensuring program compliance and procurement transactions are structured
appropriately. The auditor will review records to determine program and fiscal compliance. The figures below represent two simple audit preparation frameworks a Lead Agency could use to prepare if they are auditing or being audited.

* Lead Agencies can consider collaborating with their state, territory, and Tribal auditing agencies.

Audits should provide objective methods for measuring the effectiveness of internal controls and ensure that managers and leaders are aware of findings, recommendations, and resolutions. Lead Agencies should review 2 CFR F Part 200 for Audit Requirements, Government Auditing Standards 2018, and the 2021 Compliance Supplement Addendum for additional guidance.

<table>
<thead>
<tr>
<th>Audit Activities</th>
<th>Activity Examples</th>
<th>Activity Impact</th>
</tr>
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<tbody>
<tr>
<td>Evaluates financial statements</td>
<td>Establishes standards and procedures throughout for required financial reporting</td>
<td>Enables consistent and accurate reporting to state, federal, and Tribal agencies</td>
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3 2021 Compliance Supplement Addenda 1&2 and Technical Update [https://www.cfo.gov/2021-addendum-1and2](https://www.cfo.gov/2021-addendum-1and2)
Establishes and follows ethical principles

Reinforces and encourages ethical behavioral

- Preserves auditor independence
- Assures auditors are knowledgeable of the stabilization grant program and perform high-quality audits
- Maintains integrity and objectivity

Conducts risk management assessments

Develops internal and external risk management assessments

- Allows the agency to categorize and prioritize risk areas based on resources and agency impact
- Categorizes risk areas from Low to High
- Allows a Lead Agency to use various methods to determine the agency impact (e.g., improper payments, probability of risk occurring)
- Provides agency impact levels which can range from incidental to major

Measures the effectiveness of internal controls

Determines applicable internal control system components and principles relevant to audit objective

- Reports and clarifies the internal control effectiveness
- Provides reasonable assurance of achieving effective and efficient operations
- Offers reliable reporting data for internal and external use
- Assures compliance with provisions of the ARP Act and other state, federal, and Tribal regulations and laws

Child Care Stabilization Grantee Accountability Self-Assessment Instrument

The instrument contains two assessment sections for Lead Agencies to use in assessing how well their stabilization grant policy and procedure meets regulatory requirements. Each section contains a list of program elements and considerations that agencies may use when reviewing their child care stabilization grant program and the degree to which their reporting, auditing, and monitoring processes may be effective.

- **Section I: Documentation, Reporting, and Compliance:** The considerations provided in this section can help program managers identify any critical reporting issues or concerns and determine if there is adequate support for the full disclosure of financial, budgetary, and programmatic information. Lead Agencies should examine internal reporting relationships, responsibilities, and supports and determine if they consistently provide managers with timely and accurate information.

- **Section II: Audits and Monitoring:** This section identifies key audit and monitoring processes that can help managers to identify significant weaknesses that affect the achievement of program goals and objectives. Managers should evaluate the appropriateness of the organization’s monitoring practices and the degree to which they support agency missions and objectives.

The Lead Agency may use the following approach for assessing each element:

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- For each Consideration, discuss and identify the level of implementation (Yes, Mostly, Some, No) and add a brief description explaining the response selected.
- Use the Evaluation Results Findings text box to document any strengths, weaknesses, or areas of concern. Use the Evaluation Results Mitigation and Action Steps text box to identify action steps for addressing any significant findings.
- Assign a Priority Level for completing any mitigation or action steps.
- Select whether Follow Up is needed.

The suggested priority ratings for the assessment are Low, Medium, and High. For example, grantees may rate elements for which the program has significant weaknesses as a High priority. A Medium priority rating suggests that the program meets most of the considerations adequately but there are weaknesses or deficiencies that require corrective action. A Low priority rating indicates the program meets most or all of the considerations. Grantees can use the ratings to prioritize action steps or establish a baseline score.

Summary
Understanding the essential parts of an internal control system can assist agencies in understanding what internal control activities will work best for their specific risk areas. Lead Agencies are encouraged to contact their regional office if technical assistance is needed to support their program integrity efforts.