



## Office of Inspector General oversight of early childhood programs



Licensing

# Overview: DHS Licensing Division

- The DHS Licensing Division, in partnership with counties and private agencies, licenses or certifies service providers and monitors and investigates compliance with Minnesota laws and rules.
- License types include:
  - Adult day care
  - Child care
  - Foster care
  - Home and community-based services
  - Children's residential facilities
  - Outpatient mental health clinics
  - Residential adult mental health programs
  - Substance use disorder treatment
  - And more!

# Licensing regulatory system

- Licensure ensures that programs meet minimum health and safety standards that protect the well-being of children in care.
- Licensors monitor categories of requirements, including:
  - Health and safety
  - Supervision, capacity, ratios
  - Physical space
  - Trainings
  - Infant safe sleep
  - Background studies

# Who needs a child care license?

- An individual who intends to care for children from more than one unrelated family must obtain a license.
- Both child care centers and family child care programs must be licensed according to Minnesota Statutes.
- In general, child care centers are in an out-of-home location, caring for larger numbers of children.
- Family child care is generally provided in the caregiver's home with no more than 14 children cared for at any one time.

# Who qualifies for a child care certification?

- Certified license-exempt child care centers:
  - meet specific criteria to be exempt from licensure but must be certified in order to receive child care assistance payments
  - meet minimum health and safety requirements
  - approximately 620 in Minnesota
- Examples: school-age YWCA, school-age JCC, public school programs for children 33 months+

# Delegated licensing system

- Counties have the primary responsibility for monitoring family child care, child foster care, adult foster care, and family adult day services.
- Counties also inspect the physical plant of community residential settings.
- There are 22 private agencies that also monitor child foster care licensing.

# Licensed child care regulation – A partially delegated system

**Child Care Centers (CCC)** are directly licensed by DHS.

- Licenses are issued directly by DHS
- DHS licensors conduct inspections and visits
- DHS issues licensing actions
- There were 1,791 licensed centers as of February 2025

**Family Child Care (FCC)** is licensed through a delegated system with counties.

- DHS licenses FCC providers based on counties' recommendations
- County licensors conduct inspections and visits
- Counties recommend licensing actions to be issued by DHS
- There were 5,756 licensed FCC providers as of February 2025



# Highlights from Office of Legislative Auditor (OLA) report

- Findings:
  - County licensors generally agreed that DHS has provided effective support.
  - Licensors reported favorable opinions of DHS' communication of licensing requirements.
  - DHS made consistent efforts to inform and engage county licensors as it implemented changes to programs.
- Recommendations:
  - DHS should provide written guidance that is easily accessible to all county licensors.
  - DHS should (1) establish timeframes for processing licensing actions that are uniform across programs with county-delegated licensing, and (2) ensure that it addresses all recommendations for licensing actions within those timeframes.

# Trends in child care

- Nationally, the number of child care centers has remained steady in the last few years, while there's been a notable decrease in the number of family child care homes.
- DHS worked with Wilder Research to explore alternative child care licensing models.
  - Some other states offer a small center or group child care license for medium-sized programs.
  - DHS is interested in exploring other child care models to address the state's need for child care.

# Department of Children, Youth, and Families (DCYF) transition

- In June, some licensing functions will transfer from DHS to DCYF.
  - Family child care licensing
  - Child care center licensing
  - Child care center certification
  - Child foster care licensing
  - Private child-placing agency licensing
- There is no change to which programs are directly licensed by the State of Minnesota and which programs are licensed by the counties.



Licensing inspections &  
enforcement mechanisms

# Federal requirements

- The federal Child Care and Development Fund (CCDF) sets requirements for licensed and license-exempt child care. This includes requirements related to:
  - Background studies
  - Health and safety
  - Annual inspections
  - Consumer and provider education
- Minnesota must establish standards that comply with CCDF requirements to receive federal funding.

# Licensing inspections

- Licensors conduct annual, unannounced inspections of licensed child care programs, as required by the federal CCDF.
  - Inspections may occur at any time during the calendar year.
- Licensors review the licensed space, and providers' policies, procedures, and records for compliance.

# Child care centers: “Early and Often” Unit

- Funded by the 2019 Legislature - response to the OLA reports on CCAP fraud
- Provides earlier technical assistance to new programs and ensures earlier program integrity oversight than in the past
- New centers receive four visits from their licensor during their first year of operation, with a joint licensing and Early & Often Investigator visit in the 3rd quarter, including an attendance record review.
- First licensing visit is an **announced** technical assistance visit.
- Subsequent licensing visits are **unannounced**. If there are violations, a correction order can be issued or another action can be taken.

# Non-compliance

- If a provider is out of compliance with licensing standards, DHS and/or county licensors have several options depending upon the nature, severity and chronicity of the violation.
- These options range from simply being ordered to come into compliance, via a fix-it ticket or correction order, to licensing actions that have financial penalties or put the provider's license in jeopardy.
- Programs have the right to seek reconsideration for correction orders or appeal other licensing actions.



# Licensing enforcement mechanisms

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## Fix-it tickets

- Issued for a **set list** of violations that do not imminently endanger the health, safety, or rights of children
- Can be corrected in short order (within 48 hours)
- List is set by the Commissioner

## Correction orders

- Issued for violations that do not imminently endanger the health, safety, or rights of children
- Issued if a program is out of compliance with one or more standards on the date of a review
- **In most cases, correction orders are not paired with fines or more serious licensing actions**

# Licensing enforcement mechanisms continued

<b>Fines</b>	<ul style="list-style-type: none"><li>• The department may assess fines to providers for licensing violations, including child maltreatment.</li><li>• Fines for each finding of maltreatment range from \$1,000 to \$5,000, depending on severity. Fines for other licensing violations range from \$100 to \$200.</li></ul>
<b>Conditional licenses</b>	<ul style="list-style-type: none"><li>• The department may make a provider's license conditional when providers need to take additional and ongoing steps to remedy more serious or chronic violations and comply with all other licensing requirements to keep their license.</li><li>• Licensors monitor and provide technical assistance to help providers with conditional licenses.</li></ul>
<b>Temporary immediate suspensions</b>	<ul style="list-style-type: none"><li>• The department requires providers to stop operating immediately if it determines that there is an imminent risk of harm to children's health, safety, or rights.</li></ul>
<b>Suspensions</b>	<ul style="list-style-type: none"><li>• On occasion, usually following the issuance of a temporary immediate suspension when an investigation is ongoing, the department may suspend a provider's license for a longer period than the 90 days allowed for a temporary immediate suspension.</li><li>• Suspensions prevent providers from caring for children until after the department staff determine that it is safe for a provider to do so.</li></ul>
<b>Revocations</b>	<ul style="list-style-type: none"><li>• The department may take away a license in response to serious or chronic licensing violations.</li><li>• Providers with a revoked license may not provide services for five years.</li></ul>

# Complaint and maltreatment investigations

- Concerns about licensing violations or alleged maltreatment can be reported to multiple sources (e.g. child protection, county licensing, law enforcement, DHS).
- DHS conducts investigations for licensing violations or alleged maltreatment in child care centers.
- Counties conduct investigations for family child care.
- Counties and DHS may take action, depending on the outcome of the investigation.

# Licensing Information Lookup (LIL) website

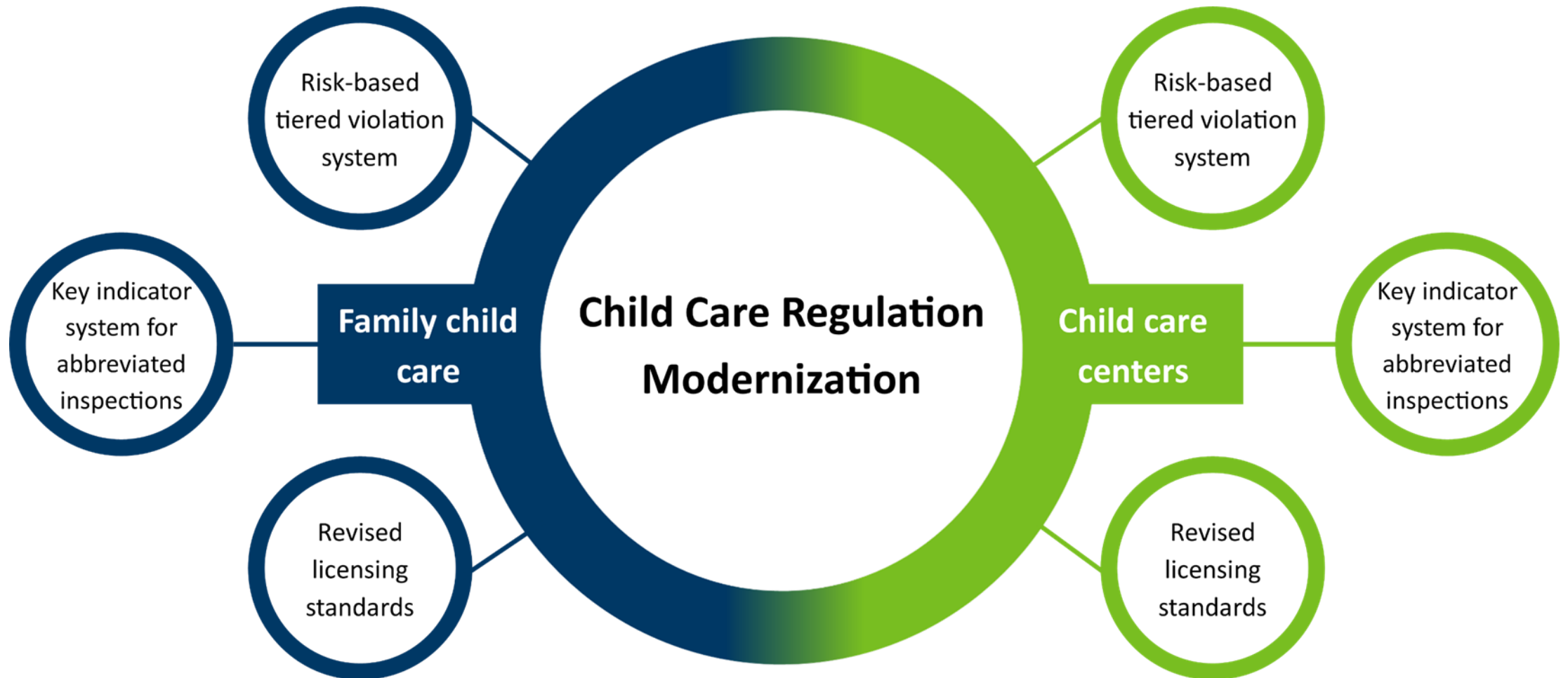
- Under federal CCDF requirements, Minnesota must post child care licensing monitoring results:
  - In plain language
  - In a timely manner
  - For at least 3 years
  - In a manner that is accessible and easy for parents to understand
  - On all items that were reviewed at an inspection (\*New requirement as of April 2024. Minnesota currently has a waiver until August 1, 2026, to come into compliance.)

CHILD

CARE

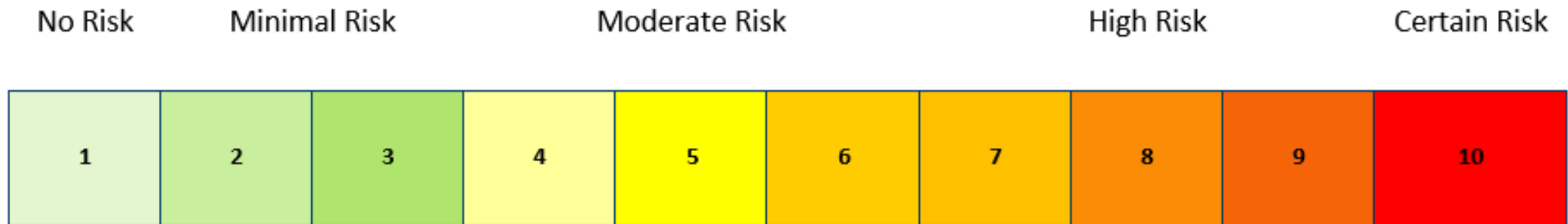
## Child Care Regulation Modernization

# Child care regulation modernization

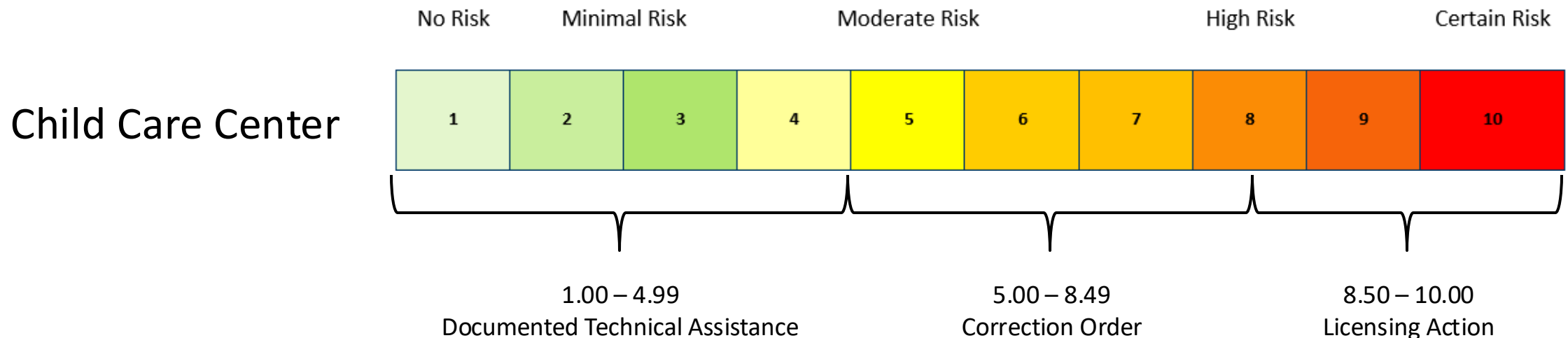
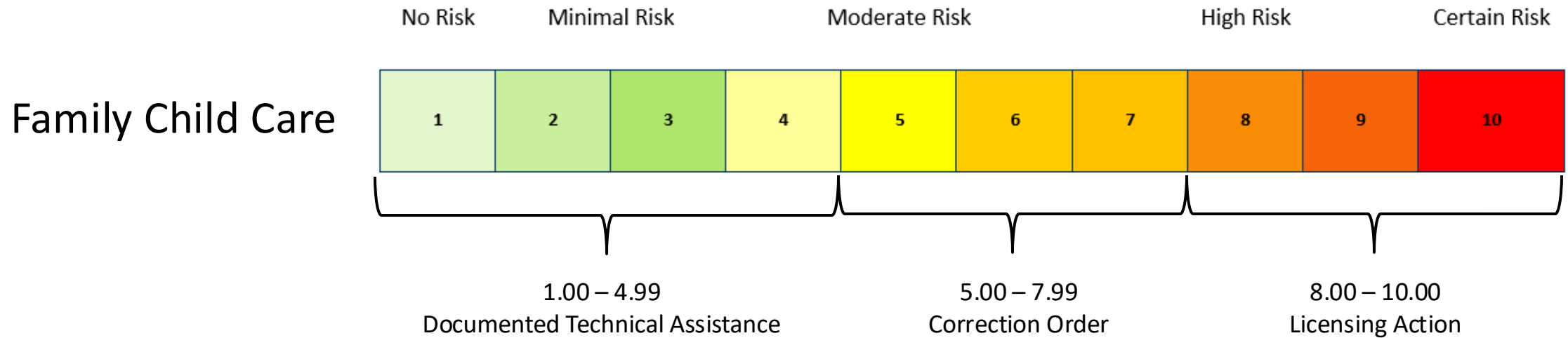


# Weighted risk system

- A tiered enforcement framework (AKA Weighted Risk System) weighted to reflect the level of risk that a violation poses to children



# Weighted risk system – The break down





# Abbreviated Inspection

- An Abbreviated Inspection checklist is made up of special subcategories.
  1. **Key Indicators** – Created through a methodology and statistically predict compliance with the entire set of licensing standards. (our data team worked with NARA to find these)
  2. **High Risk Rules** – Weight of 8.0 or higher for FCC, and 8.5 or higher for CCC. The items in this category are the same items found on the weighted risk system High Risk category. So this is one aspect where WRS and abbreviated inspections overlap.
  3. **Supplemental** (sometimes referred to as supplemental high risk) – Items that Minnesota licensing thought needed to be on the abbreviated inspection checklist, but have a lower weight than 8.0 for FCC or 8.5 for CCC. Also, Federal requirements were put in this category so they also will be measured during every inspection.
  4. **Random** – Any licensing item that does not fall into the first three categories will get put into the random category. Five random licensing items will be added to the checklist.

# Safeguards for abbreviated inspections

- A program first needs to be eligible for an abbreviated inspection. We are calling this "eligibility criteria."
- If a licensor finds noncompliance with one item that is on the abbreviated inspection checklist (meaning it is in one of the 4 subcategories listed on the previous slide), the abbreviated inspection will flip to a Modified inspection (meaning a longer inspection).
- A licensor can always pull items onto the abbreviated inspection checklist if they are found to be noncompliant.
- The random rules are truly random. Even licensors will not know which five random rules will be pulled onto the checklist until they start doing their inspection.

# How abbreviated inspections connect to the weighted risk system

- We know that high risk rules are the same between weighted risk system and abbreviated inspection.
- Another way that abbreviated inspections fit into the weighted risk system is the same way that full and modified inspections fit into the weighted risk system: Through noncompliance.
- If a key indicator item is found to be noncompliant, then the licensor will:
  1. Need to flip to a modified inspection
  2. That licensing item will need to be managed in accordance to where it lands on the weighted risk system (high risk rule, correction order, or documented technical assistance).

# Revised licensing standards

FCC Task Force recommendation: “Modernize and update licensing standards for Family Child Care in Rule 2 and statutes.”

In 2021, the Minnesota Legislature directed DHS to work with the National Association for Regulatory Administration (NARA) to develop revised licensing standards which:

1. “are grounded in national regulatory best practices” and
2. “must protect the health and safety of children and be child centered, family-friendly, and fair to providers.”

# Community engagement on Draft 1

- **April 2024:** Two virtual information sessions were held regarding the first draft of revised licensing standards. One in the afternoon and one in the evening.
- **June 2024:** Six focus groups with county licensors held.
- **June – July 2024:** DHS staff participated in over 23 listening sessions (over 950 participants and over 2,498 individual ideas of feedback collected)
- **June 10, 2024 — July 31, 2024:** Online survey available to anyone to give feedback on the draft standards with over 1,600 unique respondents.
- **June — July 2024:** 329 FCC providers and 220 CCC providers were invited to participate in 1:1 interview with Wilder Research. 7 FCC providers and 13 CCC providers participated.

# Revised Licensing Standards

Public Draft 2 was published February 13, 2025. DHS will gather additional input through June 2025, to inform another draft to be released prior to the 2026 legislative session.

**Community engagement:** The Child Care Regulation Modernization team invites the child care community and all interested parties to learn more about this second draft during informational webinar sessions:

- **Child care center online info sessions:** Tuesday, February 25<sup>th</sup> from 1-2:15 p.m. and Tuesday, February 27<sup>th</sup> from 1:00 - 2:15 p.m.
- **Family care program info sessions:** Monday, February 24<sup>th</sup> from 1-2:15 p.m. and Wednesday, February 26<sup>th</sup> from 6:00 - 7:15 p.m.

Project Team Email: [ccregmodernization.dhs@state.mn.us](mailto:ccregmodernization.dhs@state.mn.us)



## Child Care and Program Integrity

# Child Care Assistance and Program Integrity

- DHS recognized the risk of fraud in the Child Care Assistance Program (CCAP) and created the CCAP Investigations Unit (CCAI) in 2013
  - CCAI is a team of 4 investigators who currently have 62 open cases.
  - Since 2020, our CCAI 4-person team has recovered about \$2.4 million.
  - Since 2021, CCAI have referred an average of 5 cases to law enforcement each year for criminal investigation.
  - Since 2021, DHS has also stopped payments to 79 CCAP providers.



# Child Care Audits and Investigations Numbers

- Calendar Year 2021-2024 annual averages:
  - 43 investigations opened
  - 46 cases closed
  - 5 referrals to law enforcement
  - 17 monetary recoveries
  - 5 stop payments
- Totals from 2021-2024: DHS stopped CCAP payments to 79 providers and made 18 referrals to law enforcement for criminal investigation since 2021.
- Since 2020, DHS has assessed CCAP monetary recoveries totaling about \$2.4 million.
- Most of the time, our investigations result in findings related to administrative and compliance issues. We uncover fraud – intentional, criminal actions – in less than 20% of cases.

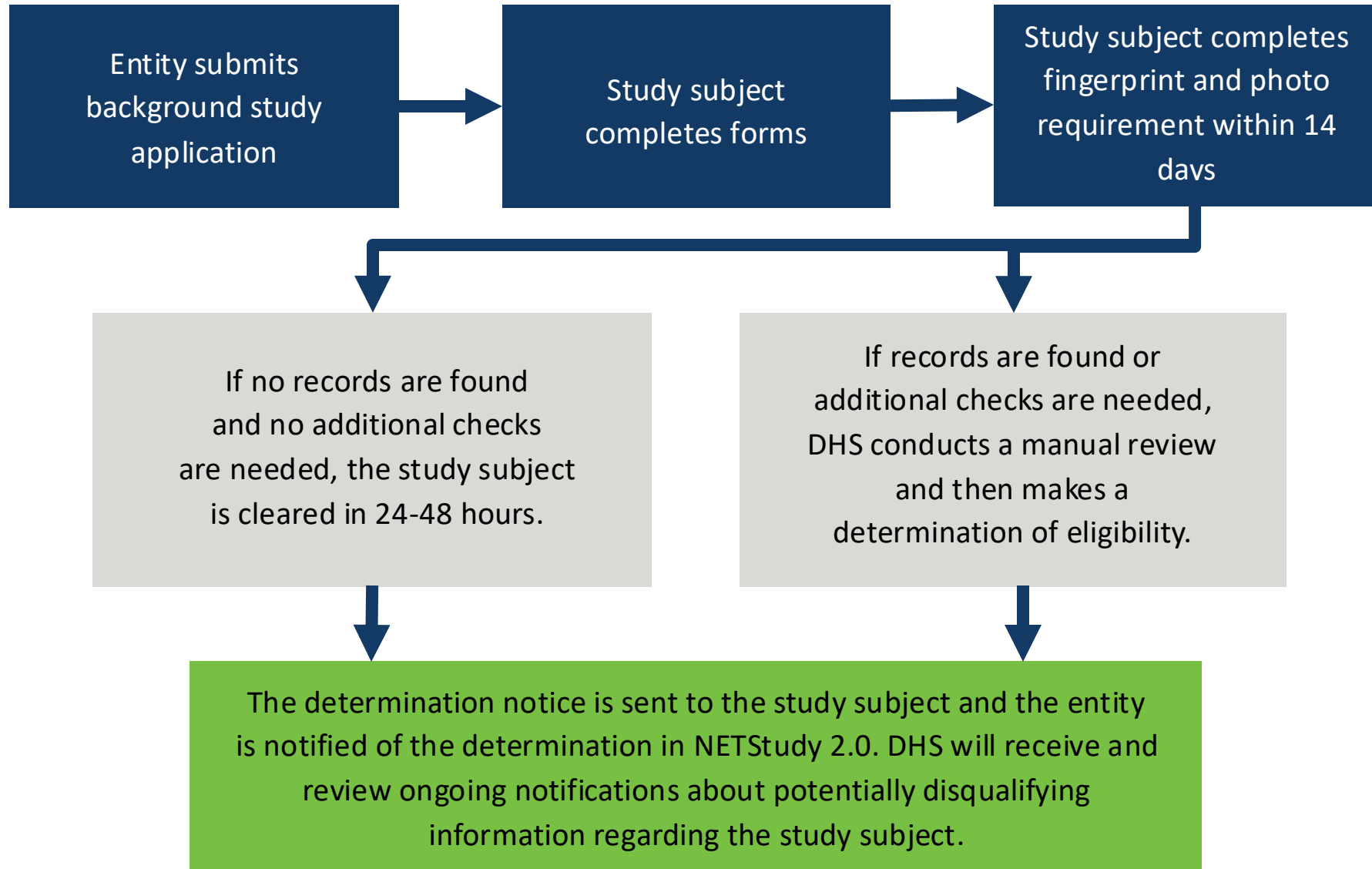
# Licensing Investigations and Program Integrity

- Licensors are often a first eyes on a program. They may see things that look concerning and make referrals to investigators.
- The *number* of licensing violations doesn't tell the whole story about the quality of care. If licensing staff observe an issue, they document it and make sure it is addressed.
  - However, if these are part of larger pattern of repeated and concerning failures to meet basic licensing standards, DHS would move to revoke a licensing or issue a conditional license.
  - Additionally, DHS may take a licensing action if any of the violations on their own were so serious that they warranted DHS to act to protect the health and safety of children in care.
- Licensing actions such as correction orders or conditional licenses do not always equal fraud.
- Some licensing violations, such as missing or inaccurate attendance records, could be an indication of fraud. When licensing sees violations that indicate fraud, they refer the case to program integrity staff.



# Background Studies

# Background Studies Process Overview



# Federal Authorities

- DHS' Background Studies (BGS) division conducts enhanced background studies for each of the following child care provider types:
  - Licensed child care centers
  - Licensed family child care programs
  - Legal non-licensed providers registered to receive Child Care Assistance Program (CCAP) funding
  - License-exempt child care centers registered to receive CCAP funding
- These requirements also apply to education programs, temporary staffing agencies, or other service providers that have individuals working in one or more child care programs.
- Enhanced studies are governed by state and federal Child Care Development Block Grant Act (CCDBGGA) requirements.
- DHS continues to cover the cost of enhanced study applications and fingerprinting and photo service fees.

**Federal and state laws require enhanced background studies for** new providers, newly affiliated individuals, and household members of child care. In addition, the enhanced studies are required to be conducted on individuals every five (5) years.

Enhanced background studies require three (3) in-state background checks, two (2) national background checks and three (3) interstate background checks which include:

**For Adults:**

- MN fingerprint-based checks for criminal histories
- MN Sex Offender Registry checks
- MN Child Abuse and Neglect Registry (CANR) and database checks
- FBI fingerprint-based checks
- National Crime Information Center (NCIC) - National Sex Offender Registry (NSOR)
- Criminal registry or repository checks in any other state where the individual has resided in the past five (5) years
- Sex Offender registry or repository checks in any other state where the individual has resided in the past five (5) years; and
- Child abuse and neglect registry and database checks in any other state where the individual has resided in the past five (5) years.

**For Minors:**

- Name and date of birth checks of MN criminal history, predatory offender, and maltreatment checks.
- Certain minors are also required to have the same checks that are listed above for adults.

# Disqualification Process

- §245C.15 lists the disqualifying crimes and conduct
  - Some examples of disqualifying offenses for child care are: maltreatment, murder, physical assault, criminal sexual conduct and theft
- Most disqualifications are time-limited (15, 10, 7, 5 years), and some are permanent
- Some disqualifications are required by federal law.

# Background Studies Data

For CY 2024:

- Total distinct background study applications for study types received
  - 538,671
- Total distinct enhanced child care study applications received
  - 73, 566
  - 14% of overall applications received
- 82% of background studies submitted are completed and cleared within 48 hours



Thank you!