Department of Health and Human Services

Division of Child Development and Early Education
Child Care Centers Oversight

Raleigh, NC

Performance Audit Report

July 2026

State Auditor
Dave Boliek

A Constitutional Office of the State of North Carolina

North Carolina Office of the State Auditor
Dave Boliek, State Auditor

Auditor's Transmittal

The Honorable Josh Stein, Governor
Honorable Members of the North Carolina General Assembly
Dr. Devdutta Sangvai, Secretary of NC Department of Health and Human Services
Candace Witherspoon, Division of Child Development and Early Education Director

Ladies and Gentlemen:

In North Carolina, more than 213,000 children receive child care services each year. It is considered a necessity for families with young children who are not yet old enough to enroll in K-12 schools. The high demand is reflected in the associated costs. Total annual child care costs surpass $2 billion in North Carolina, with hundreds of millions of dollars covered by taxpayers. In fiscal year 2025, federal and State subsidies accounted for approximately $506.8 million and $216.9 million, respectively. Families paid an estimated $1.3 billion or more on their own.

In addition to subsidizing costs, state government monitors child care services to ensure compliance with laws and regulations. As part of its duties, the North Carolina Department of Health and Human Services, Division of Child Development and Early Education (Division) is required to make at least one unannounced annual compliance visit to every licensed child care center to verify compliance with health and safety requirements.

The North Carolina Office of the State Auditor (OSA) conducted a performance audit to evaluate the Division's oversight and monitoring of licensed child care centers in North Carolina. Auditors found that the Division documented that all required annual compliance visits were conducted, and that the Division verified that corrective actions were implemented for noncompliance identified during annual compliance visits, but there are areas for improvement the Division can, and should, take.

Many compliance visits followed repeat scheduling patterns that were inconsistent with the intent of Division policy. When visits from the Division are predictable, it is less likely that typical operating conditions will be observed, weakening the oversight value of monitoring activities. Auditors recommend the Division clarify and enforce its scheduling policy, implement monitoring of scheduling patterns, monitor repeat scheduling patterns, and assign management accountability.

The audit also identified separate matters for consideration that are considered weaknesses in the Division's practices. Several child care centers have maintained quality ratings based on evaluations conducted five to seven years ago, which may no longer reflect current staffing, operations, or quality. Additionally, auditors found there to be delays in notifying parents about serious violations and health hazards.

The Department of Health and Human Services disagreed with the finding that repeat scheduling patterns reduced the unpredictability of annual compliance visits. While the Division points to adhering to the intent and application of current policy, auditors maintain that scheduling a visit on the same day of the same week each year is, in fact, a predictable pattern.

The importance of making an unannounced visit – a matter of verifying child care centers are safe and meet health standards – should not be disregarded for technical policy compliance.

Respectfully submitted,

Dave Boliek
State Auditor

North Carolina families and taxpayers spend more than $2 billion a year combined on child care for over 213,000 children, including over $700 million in Federal and State funding. To keep children safe, state law requires that the Department of Health and Human Services (Department), Division of Child Development and Early Education (Division) make at least one unannounced annual compliance visit to every licensed child care center to verify compliance with health and safety requirements.

The Office of the State Auditor conducted this performance audit to evaluate the Division's oversight and monitoring of licensed child care centers. Specifically, the audit assessed whether, during Fiscal Year (FY) 2025, the Division: (1) conducted required annual compliance visits at licensed child care centers in accordance with State law and Division policy, and (2) ensured that all corrective actions for noncompliance identified during the annual compliance visits were implemented.

Audit Findings

Based on review of Division data, auditors found that Division documentation showed that the required annual compliance visits for 4,112 child care centers during FY 25 were conducted. Based on testing of a sample of 68 of the 303 administrative actions issued during FY 25, auditors found that the Division verified that corrective actions were implemented for noncompliance identified during annual compliance visits.

However, auditors also found that many compliance visits followed repeat scheduling patterns that were inconsistent with the intent of Division policy. The Division's Consultant Procedures Manual[1] establishes the scheduling framework for annual compliance visits and directs that "intentional planning is necessary to ensure visits are not made the same time each year." Varying the timing of the annual compliance visits can increase the likelihood that those completing the visit observe typical operating conditions.

When comparing the Division's FY 25 to FY 24 annual compliance visit dates for each child care center, auditors found:

- 197 visits (4.6%) occurred on the same day of the same week as the prior year's visit.
- 667 visits (16.2%) occurred during the same calendar week as the prior year's visit.
- 21 counties had at least 25% of their annual compliance visits follow a predictable pattern, and in five counties, more than two-thirds of visits followed similar patterns.

These repeat scheduling patterns made annual compliance visits more predictable from year to year, which is inconsistent with the intent of Division policy and reduces the effectiveness of unannounced monitoring. Unannounced visits are intended to capture typical operating conditions. When the timing of visits is predictable, it reduces the likelihood that those completing the visit will observe those conditions and weakens the oversight value of the

[1] Division of Child Development and Early Education Regulatory Services Section, Consultant Procedures Manual, Chapter 4 'Compliance Monitoring,' Revised August 2025.

Division's monitoring activities. This is particularly relevant for cited violations, including food storage and handling, storage of medications and hazardous products, sanitation, and smoke-free facility requirements.

Recommendations

To strengthen oversight and reduce risks to children's health and safety, the audit recommends that Division management:

- **Clarify and enforce scheduling policy.** Clarify the current policy to make annual compliance visits less predictable, including those occurring in the same week or on the same day of the week as the prior year. Since Division policy provides a 60-day window within which visits must be conducted, the Division should use that 60-day window to disrupt, not perpetuate, repeat scheduling patterns (as allowed by policy).
- **Implement monitoring of scheduling patterns.** Establish a documented monitoring process to identify repeat timing patterns in annual compliance visits before the schedules of those who complete the compliance visits are finalized to ensure scheduling practices align with the intent of Division policy.
- **Monitor repeat scheduling patterns at the caseload and county level.** Track repeat-timing metrics across multiple years at the caseload and county levels and incorporate these metrics into routine management reporting.
- **Assign management accountability.** Designate explicit responsibility within Division management for reviewing scheduling trends and ensuring alignment with the policy's intent.

Matters for Further Consideration

Parents rely on the State's child care oversight systems to make informed decisions about their children's safety and care; however, weaknesses in these systems may limit their effectiveness. During this audit, auditors identified two such weaknesses that merited mention in this report.

First, star ratings, which are intended to reflect a center's quality beyond minimum standards and inform subsidy payments, were mostly paused from 2020 through mid-2025 due to disruptions caused by COVID-19 and legislative changes. As a result, some child care centers have maintained ratings based on evaluations conducted five to seven years ago, which may no longer reflect current staffing, operations, or quality.

Second, delays in notifying parents about serious violations and health hazards further limit transparency. At times, the Division issued administrative actions months after incidents occurred, delaying required posting and potentially reducing parents' awareness of critical safety concerns. Similarly, parents were not always promptly notified when lead hazards were identified, extending potential exposure risks to children.

Together, outdated quality information and delayed notifications reduce parents' ability to make timely, informed decisions to protect their children's health and safety.

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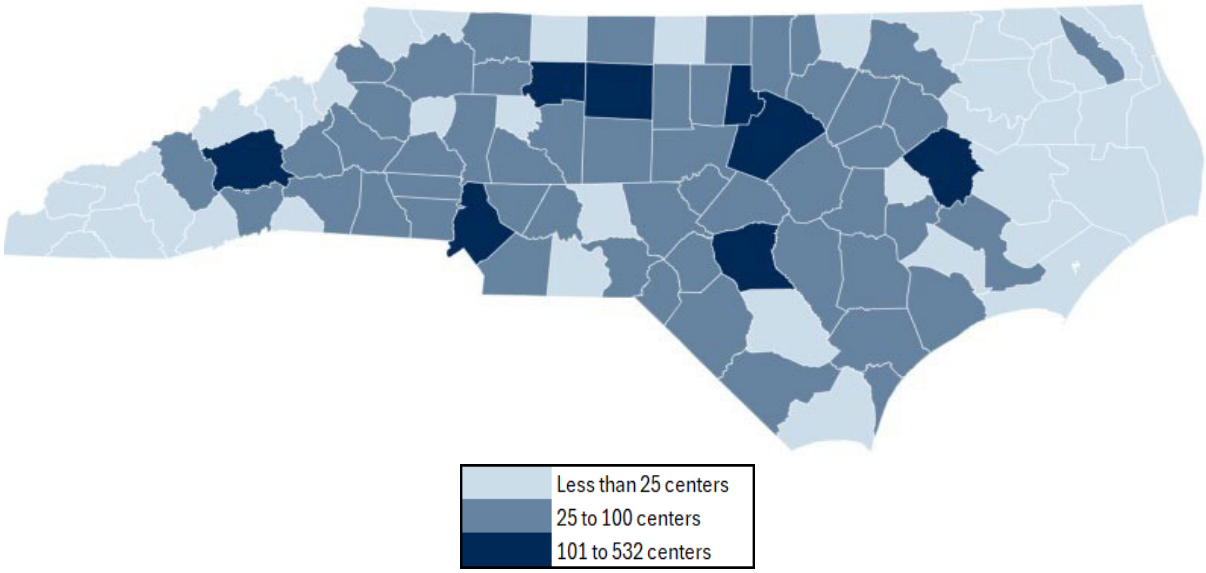
Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.

Background

Why Child Care Oversight Matters

In FY 25, North Carolina had more than 5,100 licensed child care facilities serving over 213,000 children with total annual costs of more than $2 billion. Based on statewide enrollment data and current market rates, North Carolina families and governments spend an average of $11,720 for infant care and $7,744 for preschool-age child care services annually.[2] In FY 25, Federal and State child care subsidies accounted for approximately $506.8 million and $216.9 million, respectively, while families paid an estimated $1.3 billion or more out-of-pocket.[3]

Figure 1 – Number of Child Care Sites



Source: North Carolina Early Care and Learning Dashboard Data Provided by Division on April 15, 2026.

Division of Child Development and Early Education

The Division is responsible for oversight of all child care facilities in North Carolina.[4] The Division regulates child care facilities by licensing providers[5] and monitoring through compliance visits.[6] The Division also supports child care programs by providing technical assistance and conducting comprehensive criminal background checks for individuals working in licensed child care facilities.[7]

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[2] North Carolina Department of Health and Human Services' presentation to Joint Legislative Oversight Committee On Health and Human Services, March 10, 2026.

[3] Approximately 213,000 children enrolled at a weighted average cost of $9,732 per year (approximately $2.1 billion total). After accounting for approximately $506.8 million in Federal subsidies and $216.9 million in State subsidies, families paid an estimated $1.3 billion.

[4] *See generally* N.C.G.S. § 110-90.

[5] *See* N.C.G.S. § 110-90(1).

[6] *See generally* 10A N.C.A.C. 9.0201.

[7] N.C.G.S. § 110-90.2(b).

The Division works with the North Carolina Child Care Commission to adopt and maintain rules that implement State child care law.[8] These efforts help protect children's health and safety and promote quality child care.

Compliance Visits of Child Care Centers

Child care centers are one type of licensed child care facility regulated by the Division. North Carolina General Statutes define child care centers as "an arrangement where, at any one time, there are three or more preschool-age children or nine or more school-age children receiving child care."[9]

To operate in North Carolina, child care centers must complete a pre-licensing and application process to receive a temporary six-month license or a Notice of Compliance.[10] By the end of this temporary period, centers must qualify for a license under either the Star Rated system[11] or qualify as a "religious sponsored child care facility" under N.C.G.S. § 110-106, which applies to facilities operated by a church, synagogue, or school of religious charter that meet the one-star standards at a minimum.

State law requires the Division to conduct at least one unannounced annual compliance visit at all licensed child care centers to assess compliance with licensure statutes (N.C.G.S. 110, Article 7 and 10A N.C.A.C. 09).[12]

During FY 25, the Division conducted 4,112 annual compliance visits to child care centers.[13]

Compliance visits include, but are not limited to, the review of:[14]

- Program operations,
- Staff qualifications,
- Children's records, and
- Facility conditions.

Child Care Consultants (Consultants) conduct annual compliance visits. In addition to annual compliance visits, Consultants also perform follow-up visits, routine unannounced visits, rated license assessments, and administrative action[15] visits, as needed.

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[8] *See generally* N.C.G.S. § 110-88.

[9] N.C.G.S. § 110-86(3)a.

[10] *See generally* 10A N.C.A.C. 9.0301, 10A N.C.A.C. 9.0302, 10A N.C.A.C. 9.0403(a), (c).

[11] *See generally* N.C.G.S. § 110-91, 10A N.C.A.C. 9.3201. Licensed child care centers participating in the Star Rated system receive a One- to Five-star rating based on compliance with required regulations and voluntary quality standards, including staff education and program quality.

[12] 10A N.C.A.C. 09.0201(1).

[13] Of the more than 5,100 child care facilities, 4,112 were child care centers. Although the Division conducted compliance visits at other types of child care facilities, for purposes of this audit, OSA focused on child care centers.

[14] Mandatory standards for a One-star license outlined in N.C.G.S. § 110-91.

[15] The Division may issue an administrative action "[u]pon a finding that a child care facility operator has violated any" applicable rule or law. Administrative actions include but are not limited to written reprimands, written warnings, suspension of license, or revocation of license and may include a corrective action plan. 10A N.C.A.C. 9.2201(a).

Division policy requires annual compliance visits to be completed within 364 days of the prior visit and may occur up to 60 days earlier.[16]

When violations are identified during an annual compliance visit, operators[17] may correct them immediately while Consultants are onsite to confirm compliance. If violations are not corrected during the visit, compliance may later be verified through written confirmation or through a follow-up visit.[18] In some cases, unresolved or serious noncompliance may result in administrative action.

Responsible parties discussed in this report include:

North Carolina Department of Health and Human Services[19] – The Department of Health and Human Services' mission is to improve the health, safety, and well-being of all North Carolinians. The Department delivers targeted services to vulnerable or economically disadvantaged populations.

Division of Child Development and Early Education – The Division of Child Development and Early Education ensures the health and safety of children in child care programs, promotes quality through evidence-based standards, and expands access to high-quality child care for families across North Carolina.

[16] Division of Child Development and Early Education Regulatory Services Section, Consultant Procedures Manual, Chapter 4 'Compliance Monitoring,' Revised August 2025.
[17] Child care operators include the "owner, director, or other person having primary authority for operation of a child care facility." N.C.G.S. § 110-86(7).
[18] Division of Child Development and Early Education Regulatory Services Section, Consultant Procedures Manual, Chapter 4 'Compliance Monitoring,' Revised August 2025.
[19] www.ncdhhs.gov.

Findings and Recommendations

Repeat Scheduling Patterns Reduced the Unpredictability of Annual Compliance Visits

The Division data showed that the required annual compliance visits at licensed child care centers were conducted during FY 25.

However, auditors identified repeat scheduling patterns that reduced the unpredictability of those annual compliance visits.

What the Division Was Required to Do

State law requires the Division to conduct at least one unannounced compliance visit at every licensed child care center each year.[20] Division policy also requires scheduling practices intended to prevent visits from occurring at the same time each year. Specifically, the Division's Consultant Procedures Manual states that "intentional planning is necessary to ensure visits are not made the same time each year."

What Auditors Found

Auditors reviewed the Division's annual compliance visit data for all 4,112 licensed child care centers[21] for FY 24 and FY 25 and noted that the Division documented that the required annual compliance visits were generally conducted within 364 days during FY 25.

Auditors also tested a sample of 68 of the 303 administrative actions issued during FY 25. Auditors found that the Division verified implementation of corrective actions for noncompliance identified during annual compliance visits.

However, auditors identified recurring scheduling patterns when comparing FY 25 to the previous year's visit dates for the annual compliance visits. These scheduling patterns did not align with Division policy, which is intended to prevent visits from occurring at similar times each year.

Specifically, auditors identified that:

- 197 visits (4.6%) occurred on the same weekday within the same calendar week as the prior year's visit.
- 667 visits (16.2%) occurred within the same calendar week as the prior year's visit.
- 68 of the State's 100 counties showed some degree of repeat pattern. In 21 of those counties, 25% or more of visits followed repeat scheduling patterns.

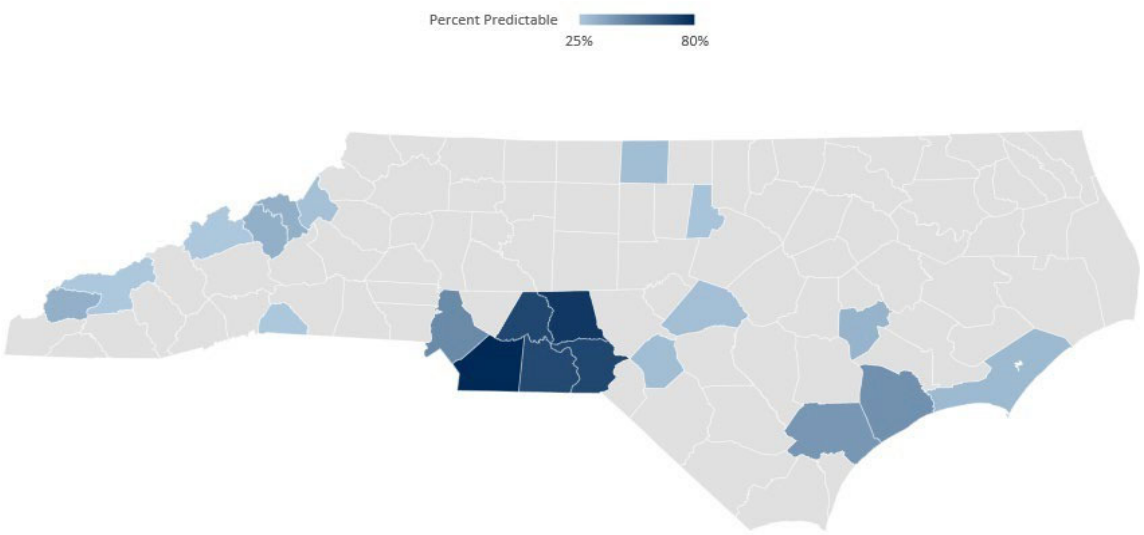
[20] 10A N.C.A.C. 9.0201(1).

[21] Of the more than 5,100 child care facilities, 4,112 were child care centers. Although the Division conducted compliance visits at other types of child care facilities, for purposes of this audit, OSA focused on child care centers.

The high levels of repeat scheduling patterns were concentrated in a small number of counties. Specifically, the percentage of annual compliance visits that occurred during the same calendar week in both FY 25 and 24 were:

- Union County: 80%,
- Montgomery County: 75%,
- Richmond County: 70%,
- Stanly County: 70%, and
- Anson County: 69%.

Figure 2 – Counties Where 25% or More of Visits Followed Repeat Scheduling Patterns



Source: Auditor Analysis of Division Compliance Visit Data.

See Appendix A for the list of 68 counties with repeat scheduling patterns in annual compliance visits.

Why It Matters

Repeat scheduling patterns reduce the likelihood that Consultants will observe typical operating conditions during annual compliance visits. This is especially important for cited violations related to:

- Food storage, preparation, and handling practices;
- Storage of medications and hazardous products;
- Sanitation of diapering surfaces between uses; and
- Tobacco- and smoke-free facilities.

Why It Happened

Division management told auditors that they considered some scheduling provisions in the Consultant Procedures Manual to be guidelines rather than enforceable requirements and did not monitor for adherence to those guidelines. As a result, Consultants interpreted the "same day" prohibition narrowly to only exclude scheduling on the same calendar date as the prior year's visit, as opposed to also excluding scheduling on the same day of the week as the prior year's visit. Without consistent monitoring of scheduling patterns across years, repeat timing has persisted.

The policy text itself contributes to the ambiguity: combining a firm prohibition on the same calendar date, a preference against the same calendar week, and a 60-day scheduling window, it leaves room for interpretations that do not consistently disrupt year-over-year patterns.

Division Policy Requires Intentional Planning of Annual Compliance Visits

State regulations require the Division to conduct at least one unannounced visit annually to each licensed child care center to ensure compliance with N.C.G.S. Chapter 110, Article 7 and 10A N.C.A.C. 09.[22]

The Division's Consultant Procedures Manual establishes the scheduling framework for annual compliance visits. The manual states that visits must be completed within 364 days of the previous visit and may occur up to 60 days earlier. It further states that visits cannot be conducted on the "same day" as the prior year's visit and preferably should not occur within the same calendar week. The manual also directs that "intentional planning is necessary to ensure visits are not made the same time each year."

Management's interpretation of "same day" to mean only the same calendar date does not fully align with that directive.

Recommendations

To strengthen oversight of annual compliance visit scheduling and reduce risks to children's health and safety, the Office of the State Auditor makes the following recommendations to Division management.

- **Clarify and enforce scheduling policy.** Clarify the current policy to make annual compliance visits less predictable, including those occurring in the same week or on the same day of the week as the prior year. Since Division policy provides a 60-day window within which visits must be conducted, use that 60-day window to disrupt, not perpetuate, repeat scheduling patterns (as allowed by policy).

[22] 10A N.C.A.C. 9.0201(1).

- **Implement monitoring of scheduling patterns.** Establish a documented monitoring process to identify repeat timing patterns in annual compliance visits before Consultant schedules are finalized to ensure scheduling practices align with the intent of Division policy.
- **Monitor repeat scheduling patterns at the caseload and county level.** Track repeat-timing metrics across multiple years at the caseload and county levels and incorporate these metrics into routine management reporting.
- **Assign management accountability.** Designate explicit responsibility within Division management for reviewing scheduling trends and ensuring alignment with the policy's intent.

Matters For Further Consideration

Parents rely on the State's child care oversight systems to make informed decisions about their children's health, safety, and care arrangements. During this audit, auditors identified two weaknesses in this oversight system that, although not part of the audit objective, merited mention in this report and additional consideration by management and other stakeholders.

Star Rated License System

Star ratings are intended to signal whether a child care center continues to meet enhanced quality standards beyond minimum health and safety requirements. When assessments are paused, parents may rely on information from outdated ratings that no longer reflect a center's current staffing levels, program quality, or operating conditions. Star ratings also play a role in determining eligibility and reimbursement levels under the Subsidized Child Care Assistance program; therefore, outdated ratings may have implications beyond parental decision-making, including the appropriate use of public funds.

Parental Notification of Violations

Similarly, timely parental notification of potential health or safety concerns is critical. Auditors identified circumstances in which delays in administrative actions following serious violations, as well as delays in notification when lead hazards were identified, may have limited parents' ability to receive prompt information. Delayed notification reduces parents' awareness of potential risks and limits their ability to take timely protective actions.

Matter 1 – Star Rated License Assessments Have Not Been Routinely Conducted for Years

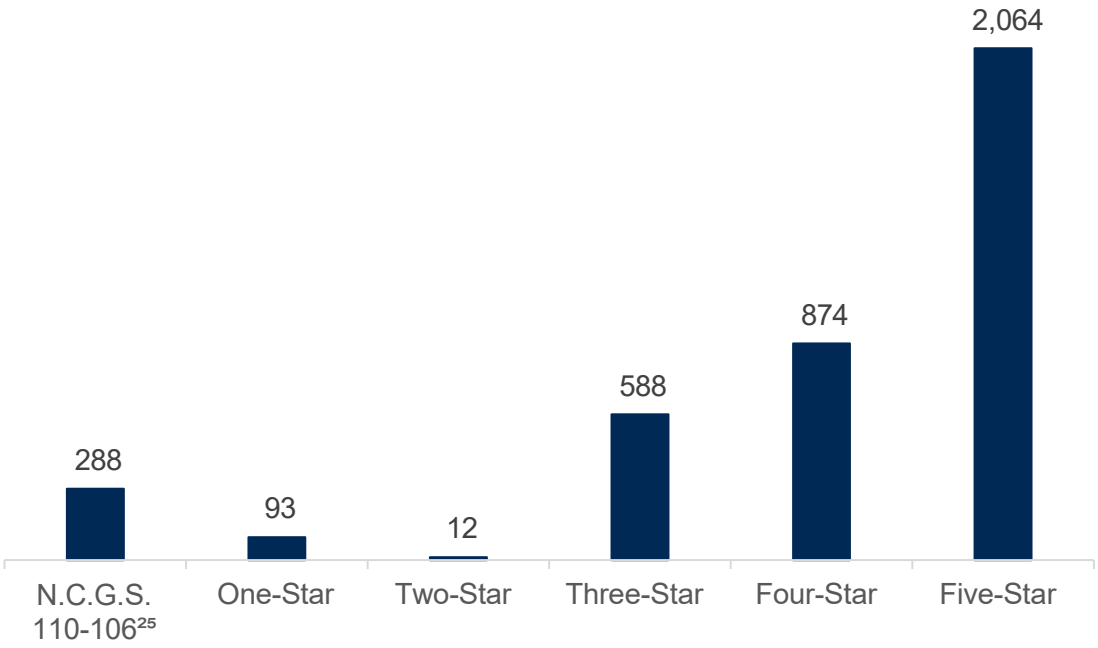
North Carolina's Star Rated License system is intended to help parents identify higher quality child care by showing when a center exceeds minimum health and safety standards. Under State law, the Division must reassess each child care center's star rating at least once every three years to determine whether it continues to meet enhanced standards, such as lower staff-to-child ratios and higher staff qualifications.[23]

Most child care centers in North Carolina choose to participate in the Star Rated License System and have at least a Two-star rating[24], as shown in Figure 3.

[23] 10A N.C.A.C. 9.3222(d).

[24] A One-star rated license means the child care program meets the minimum health, safety, and licensing standards.

Figure 3 – Number of Child Care Centers by License Type



Source: Auditor Analysis of Child Care Center License Data.[26]

However, in March 2020, the Division paused routinely conducting Star Rated License Assessments due to the COVID-19 State of Emergency Declaration.[27] In 2021, State law[28] extended the pause for certain child care facilities suffering staff shortages that could affect their star rating. This pause lasted until June 30, 2024.[29] State law again paused most reassessments in 2024[30] for revisions to the rating system. This pause remained in effect until July 1, 2025.[31]

Due to several factors, the Division has not routinely conducted Star Rated License Assessments for existing child care centers since 2020. Between March 2020 and July 2025, Star Rated License Assessments were generally conducted only for new child care centers or upon request of an existing center. Because Star Rated License Assessments were only required every three years, there are centers that have not been re-assessed since at least 2017.

[25] An N.C.G.S. 110-106 license indicates that the center is religious-sponsored and meets the same standards as a One-Star license.

[26] This figure totals all active child care centers, excluding those with probationary and provisional licenses and those undergoing ownership changes, from July 1, 2023, to June 30, 2025.

[27] *See* Executive Order No. 116 (March 10, 2020).

[28] S.L. 2021-127, § 1.

[29] S.L. 2023-40, § 3.

[30] S.L. 2024-34, § 8(d) prohibited the Division from requiring child care centers to undergo reassessments until it implemented new rules for the star rating system. Child care centers could, however, elect to undergo a Star-Rating Assessment prior to the implementation of new rules if the center chose to do so.

[31] NC Child Care Commission adopted new rules effective July 1, 2025, to modernize the Quality Rating and Improvement System (QRIS). The Division is currently working with child care programs that are behind in obtaining a new star-rated license under the updated system.

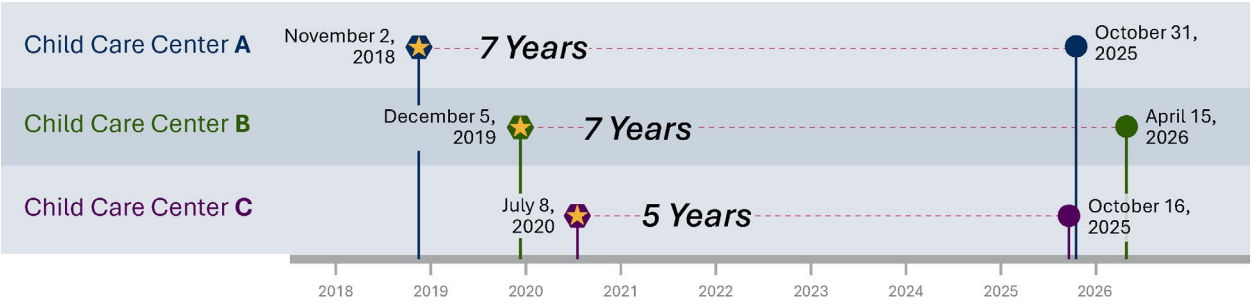
Outdated Assessments

Although the Division continued to conduct annual compliance visits, it has not continued to consistently conduct full Star Rated License Reassessments. As a result, many child care centers continue to display star ratings that are based on assessments conducted several years ago and may not reflect current program quality or enhanced standards.

Auditors identified centers that retained star ratings despite not having been evaluated against enhanced standards for five to seven years.

For example:

- Child Care Center **A**, located in Wake County, held a Five-star rating. The center's most recent annual compliance visit occurred on October 31, 2025; however, its last Star Rated License Assessment was on November 2, 2018.
- Child Care Center **B**, located in Mecklenburg County, held a Five-star rating. The center's most recent annual compliance visit occurred on April 15, 2026; however, its last Star Rated License Assessment was on December 5, 2019.
- Child Care Center **C**, located in Buncombe County, held a Three-star rating. The center's most recent annual compliance visit occurred on October 16, 2025; however, its last Star Rated License Assessment was on July 8, 2020.



(Star Rated Assessments should be held every three years)

Beginning in 2021, the General Assembly enacted temporary hold-harmless provisions in response to COVID-19 staffing shortages and other disruptions caused by the pandemic.[32] These provisions allowed child care programs to retain existing star ratings when the Division resumed assessments, even if staffing shortages might otherwise have resulted in a lower rating. While these provisions expired in mid-2024, ratings preserved under this framework continued to be relied upon in subsequent licensing actions.

[32] S.L. 2021-127, § 1; S.L. 2023-40, § 3.

As a result, child care centers could hold licenses with newly issued or updated effective dates without undergoing a new Star Rated License Assessment.

For example, Child Care Center **D**, located in Cabarrus County, received a Five-star rating on January 21, 2025, without a new Rated License Assessment. This rating was based on a December 20, 2017, Rated License Assessment.

This occurred because a provisional license was issued on July 12, 2024, due to a lead hazard violation. After the child care center completed its lead remediation plan, it was permitted to either receive a new Star Rated License Assessment or continue with the previous Rated License Assessment from December 2017.

The center chose to continue with the December 2017 rating, and that rating date was changed to January 21, 2025.

Star ratings help inform parents about child care quality and are also used to determine eligibility and subsidy reimbursement rates for providers participating in the Subsidized Child Care Assistance program. Outdated ratings may result in inappropriate subsidy payments.

Table A shows how the average subsidy rates can vary based on Star Rated License assessments within North Carolina.[33] (See Appendix B for subsidy rates by county.)

Table A – Subsidized Child Care Average Market Rates for Child Care Centers

Centers	One-Star	Two-Star	Three-Star	Four-Star	Five-Star
Infant	$428	$445	$850	$925	$1,054
2 Year Olds	$382	$399	$805	$875	$983
3-5 Year Olds	$360	$376	$758	$823	$928
School Age	$337	$352	$607	$640	$694

Source: Auditor Analysis of Child Care Center Subsidy Rates.

How to Check the Most Recent Rating

To check the date of the Division's most recent star rating visit, parents can:

1. Navigate to the Division's Child Care Center Search site.[34]
2. Search for the child care center by entering license number, name, city, or county.
3. Open the child care center profile.
4. Scroll to the License Information section.

[33] Subsidized Child Care Market Rates for Child Care Centers, effective October 1, 2023. Accessed on October 9, 2025.

[34] www.ncchildcare.ncdhhs.gov/childcaresearch.

Matter 2 – Delayed Parental Notification of Violations

Auditors identified two instances in which parents may not have received timely notice of conditions that could affect children's health or safety at licensed child care centers:

- Delays in parental notification resulting from the timing of administrative actions following serious violations; and
- Delays in parental notification when lead hazards are identified.

In both circumstances, process delays limit parents' ability to receive timely information. Delays in addressing lead hazards extend exposure to substances associated with irreversible developmental and neurological harm in children. More broadly, delayed parental notification may limit parents' ability to make informed decisions regarding their children's health, safety, and care arrangements.

Although these situations arise under different regulatory processes, both limit parents' awareness of potential risks and reduce their ability to take timely protective actions.

Administrative Actions

When a violation results in an administrative action, the child care center must post the notice of administrative action, cover letter, and corrective action plan received from the Division. The documents must be posted:

> [I]n a location visible to parents and visitors near the entrance of the child care facility during the pendency of an appeal and throughout the effective time period of an administrative action.[35]

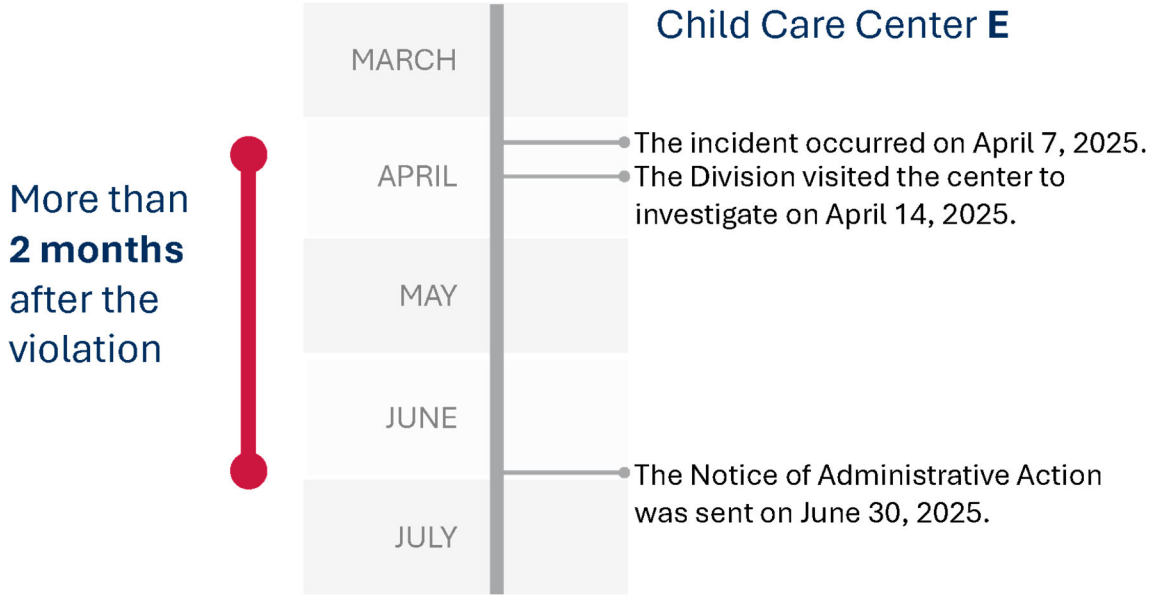
For most violations, this is the only notification readily available to parents regarding the issue.

Auditors identified several instances when an administrative action was not issued by the Division until several months after the violation occurred or was identified. As a result, the notice was not timely posted, and parents may not have been made aware of issues that may have put their child at risk.

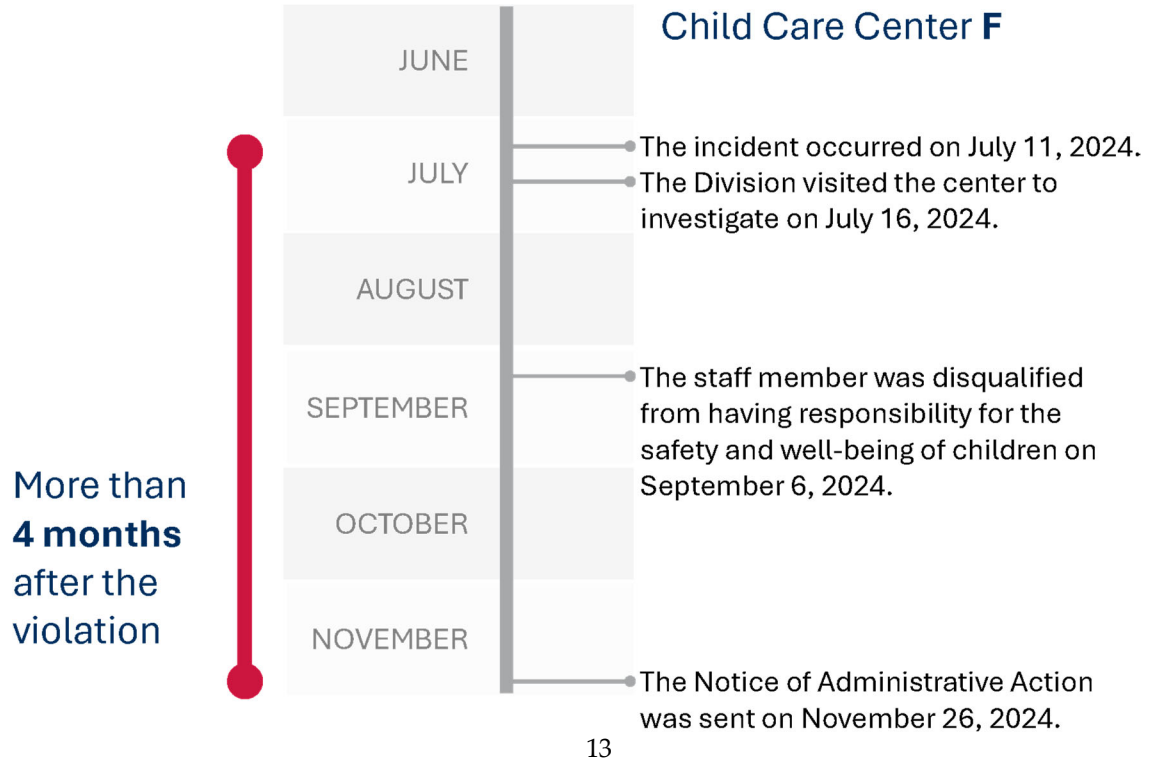
35 10A N.C.A.C. 09 .2201(i).

Examples include:

- Child Care Center **E**, located in Clay County, with a Four-star rating, was investigated after an incident in which a sleeping infant was left alone and unattended in the center after all staff had left for the day. The child's parent had to call the center's administrator to receive the building access code so the parent could retrieve their child.



- Child Care Center **F**, located in Guilford County, with a Five-star rating, was investigated for an incident during which a staff member hit a one-year-old child on the side of the face, causing the child to fall into a bookshelf.



In each case, the delay between the incident and issuance of the administrative action prolonged the period during which parents may have remained unaware of serious safety concerns. Because centers are required to post notices only after receiving the administrative action from the Division, these delays may have occurred outside the control of the child care center.

Lead Hazards

Auditors identified similar challenges related to parental notification when environmental health hazards, such as lead hazards, were identified at child care centers.

When the Department of Health and Human Services[36] identifies conditions that meet the statutory definition of a "lead poisoning hazard"[37] at child care centers, it is not required to formally notify parents of potential exposure until the investigation[38] is completed and the Department confirms a lead poisoning hazard exists.[39] According to Department staff, child care providers are required to submit names and addresses of parents of children who attended the child care center within the prior six months, within ten days of the notice, so that notifications advising parents of potential exposure and recommending lead testing can be mailed.

Auditors identified examples of child care centers in which lead hazards were detected. In each example, several months passed between the time when a hazard was detected and when parents were formally notified, as shown in Table B.

Table B – Detected Lead Hazard Examples[40]

Child Care Center	Lead Hazard Investigation Date	Parental Notification Date	Lead Hazard Remediation Date
G	10/02/2024	04/28/2025	License terminated by provider on 12/17/2025
H	03/27/2024	06/17/2024	06/17/2025
I	04/23/2024	06/14/2024	01/15/2025
J	06/04/2024	08/07/2024	12/05/2024
K	04/16/2024	06/27/2024	09/23/2024
L	06/08/2023	09/05/2023	12/17/2024

Source: Auditor Analysis of Division's Child Care Center Records.

[36] Lead investigations in North Carolina are primarily conducted by local County Health Departments and the North Carolina Department of Health and Human Services' Environmental Health Section, specifically the Childhood Lead Poisoning Prevention Program.

[37] As defined under N.C.G.S. § 130A-131.7(7).

[38] An investigation is initiated when there is reasonable suspicion of a lead poisoning hazard. N.C.G.S. § 130A-131.9A(b).

[39] N.C.G.S. § 130A-131.9B.

[40] Child Care Center **L**'s Approval of the Remediation Plan took more than 13 months, occurring on July 30, 2024. Additionally, Child Care Center **I** is the same as Child Care Center **D** above.

Some corrective actions implemented by these child care centers consisted of interim exposure-reduction measures while the lead hazards remained unresolved, such as restricting children's access to affected areas and increasing cleaning protocols. Examples of specific actions taken include:

- Pre-K students being required to remain in their classrooms for lunch and time with special teachers to cut down on hallway exposure to lead dust particles.
- Floors were to be mopped daily to rid the area of any lead-related dust particles when children transitioned to the playground and buses.
- Pre-K students were not allowed to go in or around the gym to reduce exposure to lead dust particles.

In the case of Child Care Center **M**, the lead hazard was originally identified in 2022. Parents were notified and the center was required to comply with a maintenance standard form of remediation. During a visual inspection in 2024, lead hazards were identified again due to failure to comply with the maintenance standard. An administrative action was issued requiring the center to come into compliance with the maintenance standard, but there was no requirement to notify parents of potential exposure due to the lapse in maintenance standards and to recommend lead testing; therefore, no new parent notification occurred.

Strengthening oversight of parental notification processes may improve transparency and better protect children's health and safety. The Division and Department may wish to consider the following actions:

- Strengthen policies to require verification of parental notification when lead hazards are identified, such as requiring copies of notification letters or acknowledgment of receipt.
- Establish a policy to informally notify parents when a hazard is suspected in the child care center.
- Improve coordination with the Department of Health and Human Services, Division of Public Health, and Children's Environmental Health Unit to ensure timely identification and remediation of lead hazards.
- Establish clearer expectations and monitoring for remediation timelines following the identification of lead hazards.

Objectives, Scope, and Methodology

The objectives of this performance audit were to evaluate the Division's oversight and monitoring of child care centers for FY 25. Specifically, to determine if the Division:

- Conducted annual compliance visits in accordance with State law and the Division's policies and procedures; and
- Ensured that all corrective actions for noncompliance identified during child care center annual compliance visits were implemented.

Scope

The audit scope included annual compliance visits to child care centers for FY 25 and the review of administrative actions with corrective action plans during the same period. The scope **did not include** compliance visits or inspections of all child care facilities.[41]

Methodology

To achieve the audit objectives, auditors:

- Reviewed State laws and regulations relevant to the oversight and monitoring of child care centers.
- Reviewed Division policies and procedures for monitoring and enforcing compliance with oversight requirements for child care centers.
- Interviewed Division personnel to gain an understanding of the annual compliance visit process.

Annual Compliance Visits

Auditors obtained and reviewed divisional documentation showing the dates of all child care center annual compliance visits conducted during FY 24 and FY 25. Auditors compared FY 24 visit dates to FY 25 visit dates and calculated the number of days between each visit to determine whether the visits were conducted in accordance with Division policies and procedures.

Through these procedures, auditors concluded that the Division conducted annual compliance visits during the audit period.

[41] Child care facility is defined as "child care centers, family child care homes, and any other child care arrangement not excluded by [N.C.]G.S. [§] 110-86(2), that provides child care, regardless of the time of day, wherever operated, and whether or not operated for profit." N.C.G.S. § 110-86(3). State law and regulations, along with Division's policies and procedures referenced herein cover the broader term of child care facilities. However, for purposes of this audit, OSA focused on child care centers. Child care center is defined as "an arrangement where, at any one time, there are three or more preschool-age children or nine or more school-age children receiving child care" in a non-residential setting. N.C.G.S. § 110-86(3)a.

Corrective Actions Implemented

Auditors reviewed to determine if corrective actions for noncompliance identified during child care center compliance visits were implemented. The work included obtaining divisional documentation identifying which child care centers were issued an administrative action in FY 25.

Auditors tested a sample of 68 of 303 issued administrative actions during FY 25 to determine whether the Division verified the correction of violations identified during the child care center inspections in accordance with State law and the Division's policies and procedures.

Through these procedures, auditors concluded that the corrective actions were implemented.

Additional Methodology Considerations

Whenever sampling was used, auditors applied a nonstatistical approach. Therefore, results could not be projected to the population. This approach was determined to support audit conclusions adequately.

Because of the test nature and other inherent limitations of an audit, together with limitations of any system of internal and management controls, this audit would not necessarily disclose all performance weaknesses or lack of compliance.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in internal controls significant to our audit objectives. As a basis for evaluating internal control, auditors applied the internal control guidance contained in professional auditing standards. However, our audit does not provide a basis for rendering an opinion on internal control, and consequently, we have not issued such an opinion.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendices

Appendix A - County-Level Predictability of Child Care Center Annual Compliance Visits in Fiscal Year (FY) 2025

The table below shows, by county, the number and percentage of FY 25 annual compliance visits that occurred within the same calendar week as the FY 24 visit for the same center. Counties are sorted from highest to lowest repeat rate.

Source: Auditor Analysis of Division Compliance Visit Data.

25 percent or greater
Less than 25 percent

Counties	Predictable Centers	Total Population	Percent Predictable
Union	45	56	80%
Montgomery	9	12	75%
Richmond	14	20	70%
Stanly	14	20	70%
Anson	9	13	69%
Mecklenburg	182	393	46%
Onslow	19	43	44%
Pender	8	19	42%
Graham	2	6	33%
Mitchell	2	6	33%
Yancey	2	6	33%
Lenoir	8	25	32%
Carteret	6	20	30%
Hoke	8	28	29%
Caswell	2	7	29%
Harnett	14	50	28%
Avery	3	11	27%
Durham	36	137	26%
Madison	2	8	25%
Swain	2	8	25%
Polk	1	4	25%
Haywood	7	32	22%
Columbus	6	28	21%
Perquimans	1	5	20%
Robeson	15	85	18%
Wayne	9	51	18%
Wake	54	310	17%
Pamlico	1	6	17%
Cleveland	7	44	16%
Granville	5	33	15%

Counties	Predictable Centers	Total Population	Percent Predictable
Alamance	11	74	15%
Orange	9	63	14%
Jackson	2	14	14%
Alleghany	1	7	14%
Moore	6	43	14%
Henderson	6	44	14%
Washington	1	8	13%
Davidson	7	59	12%
Brunswick	2	17	12%
Buncombe	11	95	12%
Cumberland	22	205	11%
Craven	3	28	11%
Macon	2	19	11%
Stokes	1	10	10%
Guilford	23	235	10%
New Hanover	5	53	9%
Caldwell	4	45	9%
Yadkin	2	24	8%
McDowell	2	25	8%
Watauga	2	25	8%
Randolph	3	39	8%
Edgecombe	2	26	8%
Cherokee	1	13	8%
Surry	2	27	7%
Vance	2	31	6%
Duplin	2	32	6%
Forsyth	6	102	6%
Johnston	4	75	5%
Burke	2	38	5%
Pitt	4	77	5%
Franklin	1	22	5%
Wilkes	1	22	5%
Wilson	1	26	4%
Cabarrus	4	113	4%
Iredell	2	72	3%
Nash	1	42	2%
Rockingham	1	44	2%
Chatham	1	52	2%

Appendix B - Market Rates by County Effective October 1, 2023

Source: www.ncchildcare.ncdhhs.gov/Home/DCDEE-Sections/Subsidy-Services/Market-Rates

County	Centers: Infant					Centers: 2 Year Olds					Centers: 3-5 Year Olds					Centers: School Age				
	One Star	Two Star	Three Star	Four Star	Five Star	One Star	Two Star	Three Star	Four Star	Five Star	One Star	Two Star	Three Star	Four Star	Five Star	One Star	Two Star	Three Star	Four Star	Five Star
Alamance	402	422	910	956	1,005	379	390	885	942	1,000	356	368	812	844	884	335	346	693	718	773
Alexander	463	486	653	726	867	402	410	615	682	867	379	386	552	634	867	382	390	543	585	667
Alleghany	424	445	585	693	894	390	410	541	613	808	368	386	515	558	734	346	363	433	452	476
Anson	437	445	846	975	1,145	402	410	841	975	1,142	379	386	816	975	1,191	356	363	601	672	723
Ashe	424	445	750	863	1,013	390	410	690	786	914	368	386	674	767	891	346	363	482	514	568
Avery	424	445	754	839	1,014	390	410	842	866	900	368	386	797	815	860	346	363	594	615	636
Beaufort	437	445	785	787	810	403	418	784	834	885	379	386	698	714	745	356	363	595	610	650
Bertie	433	445	722	827	1,000	390	410	652	769	975	368	386	617	750	975	346	363	519	595	670
Bladen	424	445	758	828	944	390	410	787	840	914	368	386	710	838	966	260	273	636	661	685
Brunswick	437	458	828	931	1,099	402	422	752	867	979	379	398	700	730	759	368	386	590	608	650
Buncombe	379	398	876	960	1,100	356	374	844	998	1,014	335	351	927	958	989	335	351	825	845	847
Burke	424	445	836	888	901	390	410	807	813	820	368	386	564	598	692	346	363	489	504	557
Cabarrus	446	469	1,257	1,335	1,382	392	412	1,192	1,239	1,286	366	384	981	1,122	1,175	356	374	807	852	898
Caldwell	437	445	672	701	780	312	328	715	739	780	312	328	628	660	694	289	304	442	480	544
Camden	424	445	1,025	1,160	1,383	390	410	979	1,097	1,292	368	386	975	1,079	1,215	346	363	697	725	770
Carteret	424	445	780	835	967	303	318	715	766	882	303	318	650	708	806	299	314	650	650	660
Caswell	424	445	824	900	1,025	390	410	800	859	971	368	386	770	823	936	346	363	548	563	595
Catawba	379	398	835	888	1,018	379	390	800	819	850	351	369	785	795	805	325	341	559	574	607
Chatham	490	500	1,368	1,421	1,582	413	434	1,302	1,332	1,430	460	483	990	1,053	1,235	346	363	977	992	1,235
Cherokee	437	445	657	763	994	402	410	628	696	889	379	386	596	665	811	356	363	441	463	526
Chowan	424	445	703	785	918	390	410	642	716	838	368	386	635	698	821	346	363	503	537	586
Clay	424	445	831	991	1,165	390	410	726	833	983	368	386	690	780	893	346	363	617	780	798
Cleveland	424	458	778	788	798	312	328	770	784	798	325	342	675	760	774	312	328	599	650	672
Columbus	424	445	867	923	1,039	289	304	867	892	948	289	304	780	829	878	323	340	542	610	740
Craven	437	445	746	823	896	330	346	668	737	796	312	328	592	654	756	312	328	595	610	635

County	Centers: Infant					Centers: 2 Year Olds					Centers: 3-5 Year Olds					Centers: School Age				
	One Star	Two Star	Three Star	Four Star	Five Star	One Star	Two Star	Three Star	Four Star	Five Star	One Star	Two Star	Three Star	Four Star	Five Star	One Star	Two Star	Three Star	Four Star	Five Star
Cumberland	415	424	907	945	985	366	384	836	867	895	335	351	802	850	884	348	366	650	651	672
Currituck	424	445	697	788	939	390	410	671	744	876	368	386	633	709	835	346	363	524	585	645
Dare	437	445	1,000	1,045	1,136	402	410	997	1,062	1,168	379	386	920	995	1,121	335	341	670	706	742
Davidson	366	384	832	915	1,236	356	374	724	783	897	356	368	676	737	854	312	322	533	543	566
Davie	424	445	867	898	947	390	410	823	894	977	368	386	815	833	865	346	363	695	710	776
Duplin	424	445	618	682	808	289	304	587	657	779	312	328	592	630	721	289	304	555	555	579
Durham	544	571	1,350	1,401	1,564	469	492	1,250	1,259	1,408	446	469	1,105	1,167	1,273	419	440	820	845	953
Edgecombe	424	445	851	872	954	402	422	865	1,040	1,069	368	386	727	775	961	281	295	530	565	624
Forsyth	433	454	975	985	1,036	423	445	932	936	1,005	388	408	845	853	936	339	355	696	705	719
Franklin	437	445	1,073	1,088	1,175	403	412	953	998	1,101	379	386	953	989	1,040	335	341	680	715	734
Gaston	379	398	997	998	1,027	370	388	946	949	952	335	351	789	851	953	348	366	582	596	620
Gates	424	445	667	791	996	390	410	636	723	873	368	386	638	712	841	346	363	500	512	524
Graham	437	445	610	698	896	402	410	585	654	769	379	386	565	630	750	356	363	451	473	497
Granville	437	458	802	831	897	402	422	767	800	884	402	422	758	787	869	356	374	713	738	778
Greene	424	445	639	714	837	390	410	588	639	739	368	386	607	676	796	281	295	520	529	544
Guilford	455	478	1,084	1,128	1,266	437	458	1,088	1,092	1,192	392	412	1,060	1,108	1,187	392	412	722	734	758
Halifax	424	445	680	771	1,019	390	410	606	711	921	368	386	573	646	792	346	363	516	531	545
Harnett	424	445	821	906	1,045	335	351	726	798	916	312	328	812	843	875	312	328	650	652	672
Haywood	437	445	900	908	943	402	410	808	809	893	375	386	633	671	758	353	363	542	546	554
Henderson	437	445	855	900	974	402	410	796	873	1,002	335	351	698	703	803	289	304	583	609	634
Hertford	424	445	629	761	977	390	410	639	762	967	368	386	655	760	866	346	363	482	527	601
Hoke	424	445	764	880	1,079	390	410	727	813	954	368	386	682	767	908	346	363	627	638	661
Hyde	437	459	895	1,019	1,223	437	459	847	950	1,118	437	459	840	940	1,113	437	459	693	745	808
Iredell	437	458	1,129	1,212	1,347	379	398	1,053	1,134	1,269	392	412	1,047	1,096	1,176	339	355	755	769	793
Jackson	437	445	763	854	1,015	402	410	750	769	860	379	386	702	735	820	356	363	477	509	550
Johnston	402	422	973	987	1,018	379	390	880	890	932	356	368	848	857	888	321	333	622	703	862
Jones	424	445	757	809	961	390	410	652	754	923	368	386	611	718	895	346	363	455	478	531
Lee	433	445	849	884	926	402	410	792	844	930	312	328	716	743	788	312	328	630	638	646
Lenoir	424	445	719	733	761	312	328	715	775	894	312	328	650	653	661	289	304	520	549	595

County	Centers: Infant					Centers: 2 Year Olds					Centers: 3-5 Year Olds					Centers: School Age				
	One Star	Two Star	Three Star	Four Star	Five Star	One Star	Two Star	Three Star	Four Star	Five Star	One Star	Two Star	Three Star	Four Star	Five Star	One Star	Two Star	Three Star	Four Star	Five Star
Lincoln	437	455	954	1,087	1,317	402	422	957	1,084	1,300	356	374	855	998	1,244	356	374	856	995	1,235
Macon	424	445	975	1,002	1,072	390	410	880	919	985	368	386	758	792	865	346	363	1,058	1,093	1,150
Madison	424	445	653	781	991	390	410	674	758	897	368	386	614	668	861	346	363	470	607	639
Martin	424	445	800	888	1,032	390	410	713	792	923	368	386	633	710	842	346	363	544	565	592
McDowell	433	445	725	807	941	390	410	685	795	889	368	386	622	681	775	281	295	629	652	689
Mecklenburg	536	562	1,405	1,427	1,473	490	515	1,338	1,345	1,365	477	501	1,276	1,285	1,317	423	445	820	858	874
Mitchell	437	445	739	875	1,097	392	410	694	812	1,006	368	386	676	779	952	346	363	470	487	519
Montgomery	424	445	867	902	966	390	410	867	889	975	368	386	672	727	815	346	363	530	609	688
Moore	437	445	911	998	1,142	402	410	890	971	1,104	356	368	784	814	915	335	346	650	674	698
Nash	339	355	925	947	975	330	346	843	940	1,037	312	328	813	879	975	312	328	635	677	758
New Hanover	428	450	1,014	1,144	1,231	415	436	961	977	1,003	392	412	917	934	961	383	403	747	776	823
Northampton	424	445	995	1,130	1,352	390	410	966	1,071	1,254	368	386	920	1,017	1,186	346	363	715	722	742
Onslow	346	370	867	977	1,126	346	359	845	945	1,078	329	346	758	805	906	312	328	636	693	708
Orange	513	539	1,420	1,437	1,620	423	445	1,154	1,300	1,478	446	469	1,292	1,308	1,350	390	410	829	850	975
Pamlico	424	445	687	738	955	390	410	609	693	889	368	386	594	672	794	346	363	452	498	546
Pasquotank	424	445	771	867	915	390	410	731	758	795	368	386	621	636	655	281	295	570	584	700
Pender	437	445	1,024	1,111	1,256	402	410	991	1,062	1,181	379	386	1,002	1,063	1,165	356	363	780	795	818
Perquimans	424	445	630	713	921	390	410	579	671	822	368	386	586	648	771	346	363	433	454	495
Person	424	445	698	767	925	390	410	686	757	872	379	386	640	683	799	356	363	680	703	782
Pitt	423	432	971	977	1,027	402	410	889	953	960	388	396	854	867	905	379	386	710	711	712
Polk	437	445	697	817	1,016	402	410	651	748	909	379	386	632	703	854	356	363	494	516	556
Randolph	356	374	737	780	867	335	351	702	738	793	335	351	693	697	719	299	314	600	615	638
Richmond	424	445	618	708	857	390	410	659	703	824	289	304	637	707	816	268	281	505	519	543
Robeson	289	304	748	975	1,209	289	304	704	968	1,172	276	289	632	814	935	276	289	592	895	1,339
Rockingham	437	445	638	722	862	312	328	672	732	834	312	328	630	642	702	289	304	486	515	591
Rowan	433	445	838	858	879	335	351	802	848	941	335	351	708	726	744	312	328	619	633	657
Rutherford	424	445	738	867	1,125	312	328	677	867	1,024	312	328	667	867	955	214	225	530	532	542
Sampson	424	445	976	1,066	1,180	312	328	746	816	960	276	289	597	694	867	356	374	489	512	549
Scotland	424	445	685	722	880	390	410	593	629	726	289	304	605	655	828	356	374	533	580	761

County	Centers: Infant					Centers: 2 Year Olds					Centers: 3-5 Year Olds					Centers: School Age				
	One Star	Two Star	Three Star	Four Star	Five Star	One Star	Two Star	Three Star	Four Star	Five Star	One Star	Two Star	Three Star	Four Star	Five Star	One Star	Two Star	Three Star	Four Star	Five Star
Stanly	437	445	780	856	953	356	374	735	802	848	312	328	745	780	814	303	318	583	615	672
Stokes	437	445	941	1,083	1,268	402	410	860	975	1,124	312	328	760	997	1,353	289	304	639	653	732
Surry	424	445	823	934	1,065	312	328	737	787	872	301	316	781	829	908	276	289	628	646	669
Swain	437	445	667	867	1,004	402	410	663	867	949	390	398	711	867	961	390	398	450	478	550
Transylvania	437	445	1,048	1,146	1,284	402	410	946	1,024	1,113	379	386	899	950	1,013	356	363	528	545	573
Tyrrell	424	445	1,056	1,125	1,238	390	410	972	1,046	1,168	368	386	967	1,012	1,087	346	363	664	685	718
Union	437	445	1,229	1,304	1,380	379	390	1,218	1,289	1,408	348	366	1,137	1,198	1,300	356	374	796	810	834
Vance	424	445	820	867	975	390	422	1,115	1,175	1,275	312	328	1,157	1,205	1,284	356	374	628	693	886
Wake	592	622	1,500	1,525	1,573	513	539	1,308	1,343	1,378	484	507	1,235	1,256	1,275	446	467	997	1,011	1,125
Warren	424	445	876	944	1,031	395	410	822	886	949	368	386	826	872	936	346	363	564	570	577
Washington	437	445	696	839	1,073	402	410	652	771	967	379	386	663	1,191	1,874	356	363	476	533	647
Watauga	424	445	758	802	822	390	410	715	787	879	368	386	715	731	770	346	363	631	669	707
Wayne	348	366	817	887	960	339	355	758	774	821	335	346	717	758	834	335	346	618	693	762
Wilkes	424	445	861	939	1,068	390	410	864	914	964	368	386	798	870	943	316	332	655	669	693
Wilson	424	445	709	794	934	348	366	660	732	850	335	346	683	745	846	335	346	543	571	617
Yadkin	424	445	702	769	881	390	410	609	683	805	368	386	693	744	832	346	363	433	448	471
Yancey	424	445	635	736	952	390	410	581	641	772	368	386	566	631	757	346	363	433	452	480
AVERAGE	**428**	**445**	**850**	**925**	**1054**	**382**	**399**	**805**	**875**	**983**	**360**	**376**	**758**	**823**	**928**	**337**	**352**	**607**	**640**	**694**

State Auditor's Response

The Office of the State Auditor (OSA) is required to provide additional explanation when an agency's response could potentially cloud an issue, mislead the reader, or inappropriately minimize the importance of auditor findings.

Generally Accepted Government Auditing Standards[42] state:

> When the audited entity's comments are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, the auditors should evaluate the validity of the audited entity's comments. If the auditors disagree with the comments, they should explain in the report their reasons for disagreement.

The Department of Health and Human Services, Division of Child Development and Early Education's (Division) response included statements that could mislead the reader or minimize the importance of the auditor's report. To ensure the availability of complete and accurate information, OSA offers the following clarifications.

Finding: Repeat Scheduling Patterns Reduced the Unpredictability of Annual Compliance Visits

In its response, the Division stated,

> The Division maintains that its scheduling practices align with both the intent and practical application of the current policy and do not diminish the effectiveness of annual compliance monitoring.
>
> DCDEE has consistently interpreted "same day" to mean the same calendar date (e.g., May 13), not the same day of the week (e.g., Monday).

These statements are misleading.

The Division's interpretation of "same day" to mean the same calendar date is in contradiction with their own intent to encourage "visit times that vary from year to year," as stated in its response.

Further, the Division's scheduling policy already precludes visits on the same calendar date, because a visit on the same calendar date would occur 366 days after the previous year's visit. Therefore, the Division's proposed clarification would not meaningfully reduce the repeat scheduling patterns identified in this audit.

As stated in the report, OSA recommends a policy that would provide intentional variation in visit times over the available 60 days to reduce the risk that child care centers can anticipate inspection timing, thereby reducing the likelihood that inspectors observe normal operating conditions.

[42] *Government Auditing Standards, 2024 Revision,* United State Government Accountability Office, Paragraph 9.52.

Matters for Further Consideration

The Division responded to both Matters for Further Consideration with explanations as to how the Division's actions comply with all legislative requirements. As stated in the report, OSA included information on the paused star rated license assessments and delayed parental notifications of violations because these issues were identified during the audit and, though not part of the audit objectives, merited mention in this report and additional consideration by management and stakeholders, not because OSA found that the Division was not compliant with legislative requirements.

Matter 1 – Star Rated License Assessments Have Not Been Routinely Conducted for Years

In its response to the first Matter for Further Consideration, the Division stated,

> These [annual compliance] visits allowed DCDEE to maintain ongoing monitoring and support for facilities while QRIS modernization work proceeded.

As stated in the report, OSA found that the Division documented that the required annual compliance visits were generally conducted within 364 days during Fiscal Year 25.

However, parents rely on the star rated system to choose the best care option for their family. As such, parents should be made aware that existing star ratings may not reflect current conditions of the child care center.

Matter 2 – Delayed Parental Notifications of Violations

In its response to the second Matter for Further Consideration, the Division stated,

> Under Child Care Rule 10A NCAC 09 .2201(i)(1-4) the responsibility for notifying parents lies with the child care facility operator… Current rules do not require DCDEE to provide direct notification to parents of violations or administrative actions.

While the Division's reference to the child care rule is accurate, OSA included this Matter in the report because parents may not be aware that responsibility for notification rests primarily with the child care facility operator. Information concerning violations may be available through posted administrative actions, corrective action plans, and the Division's Child Care Facility Search Site.

Further, in its response to the report, the Division stated,

> OSA's report suggests issuing preliminary parent notifications before a hazard is confirmed. However, notifying parents with incomplete and potentially inaccurate information without clear identifications of hazards, their severity, and recommended actions could lead to unnecessary medical visits, incomplete decision-making by parents, and premature or inappropriate administrative actions by DCDEE. For these reasons, preliminary notifications would not support effective public health or regulatory decision-making.

OSA acknowledges that lead hazard investigations are complex and necessary to understand the severity of the lead present. However, as Table B of the report shows, several months pass between the time when a hazard was detected and when parents were formally notified. During this time, children remain at risk for potential exposure to lead without the knowledge of the parents.

The Governor, legislators, and the residents of North Carolina should consider these clarifications when evaluating the Division's response to this audit's findings and recommendations.

Response from the Department of Health and Human Services

NC DEPARTMENT OF HEALTH AND HUMAN SERVICES

JOSH STEIN • Governor
DEVDUTTA SANGVAI • Secretary
MICHAEL LEIGHS • Deputy Secretary for Opportunity and Well-Being

June 30, 2026

The Honorable Dave Boliek, State Auditor
Office of the State Auditor
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699

Subject: Response to Performance Audit: DHHS/DCDEE Child Care Centers Oversight

Dear Auditor Boliek,

The North Carolina Department of Health and Human Services, Division of Child Development and Early Education (NCDHHS/DCDEE), has reviewed the performance audit report titled DHHS/DCDEE Child Care Centers Oversight. DCDEE's core mission is to protect the health and safety of children in child care by licensing child care facilities, conducting compliance monitoring, and performing criminal background checks. DCDEE also promotes quality child care through education standards, program evaluation, Quality Rating and Improvement System (QRIS) implementation, and professional development opportunities. In addition, DCDEE expands access to care through the subsidized child care assistance program, NC Pre-Kindergarten, and targeted investments for underserved communities. Together, these efforts ensure that child care services across North Carolina are safe, high-quality, and accessible.

The Office of the State Auditor (OSA) conducted this performance audit to evaluate DCDEE's oversight and monitoring of licensed child care centers during Fiscal Year 2025. Specifically, the audit reviewed whether the Division:

1. Conducted required annual compliance visits at licensed child care centers in accordance with State law and Division policy; and
2. Ensured that all corrective actions for noncompliance identified during annual compliance visits were implemented.

OSA confirmed that DCDEE completed required annual compliance visits for 4,112 child care centers during FY 2025. OSA also found, based on a sample of 68 out of the 303 administrative actions issued, that DCDEE verified that corrective actions were completed for all instances of identified noncompliance.

Annual compliance visits play a key role in DCDEE's oversight responsibilities, alongside several other monitoring and support activities. These unannounced visits help verify that child care facilities meet health and safety standards, identify areas of noncompliance, and offer opportunities for ongoing quality improvement through technical assistance. Compliance monitoring also promotes transparency by ensuring that accurate facility information, including visit summary reports, is publicly accessible via the DCDEE Child Care Facility Search Site.

The audit included one finding and four recommendations related to DCDEE's procedures for determining when consultants conduct annual compliance visits. The finding asserted that repeat scheduling patterns reduced the unpredictability of these visits.

Below is DCDEE's response to the finding and recommendations, including planned corrective action.

OSA Finding:

Repeat Scheduling Patterns Reduced the Unpredictability of Annual Compliance Visits

OSA Recommendations:

1. **Clarify and enforce scheduling policy.** Clarify the current policy to make annual compliance visits less predictable, including those occurring in the same week or on the same day of the week as the prior year. Since Division policy provides a 60-day window within which visits must be conducted, use that 60-day window to disrupt, not perpetuate, repeat scheduling patterns (as allowed by policy).
2. **Implement monitoring of scheduling patterns.** Establish a documented monitoring process to identify repeat timing patterns in annual compliance visits before consultant schedules are finalized to ensure scheduling practices align with the intent of Division policy.
3. **Monitor repeat scheduling patterns at the caseload and county level.** Track repeat-timing metrics across multiple years at the caseload and county levels and incorporate these metrics into routine management reporting.
4. **Assign management accountability.** Designate explicit responsibility within Division management for reviewing scheduling trends and ensuring alignment with the policy's intent.

Agency Response:

DCDEE does not agree with the finding that there were repeat scheduling patterns that reduced the unpredictability of annual compliance visits. The Division maintains that its scheduling practices align with both the intent and practical application of the current policy and do not diminish the effectiveness of annual compliance monitoring.

DCDEE agrees that we can further clarify our policies to make interpretation more straightforward, and we will monitor scheduling practices to ensure that the practical application of our policy matches its intent.

According to our manual, the intention of the DCDEE scheduling policy is to give child care consultants a flexible framework for planning annual compliance visits within 364 days of the previous year, while also encouraging that visit times vary from year to year.

DCDEE's scheduling policy includes both required and preferred elements. Required components of the policy manual are stated as:

- "The annual compliance visit must be completed within 364 days of the previous annual compliance visit.

- The annual compliance visit may be completed up to sixty (60) days prior to the last annual compliance visit but cannot be conducted on the same day of the previous year's visit."

Preferred, not required, guidance encourages using the 60-day early window to stagger visits and avoid the same week as the previous year's visit.

DCDEE has consistently interpreted "same day" to mean the same calendar date (e.g., May 13), not the same day of the week (e.g., Monday). This has been reflected in staff training and management oversight.

DCDEE maintains that its scheduling practices appropriately balance consultant caseloads, operational feasibility, and policy intent while preserving the integrity and effectiveness of annual compliance monitoring.

DCDEE agrees that clarifying the policy language to specify that visits cannot occur on the same calendar date as the previous year's visit will support consistent interpretation and implementation. DCDEE will update and refine the policy and provide clarification to all Regulatory Services Section staff.

Implementation Timeline: DCDEE will finalize the policy update by September 1, 2026.

Responsible Parties: The Regulatory Policy and Planning Manager will update the policy and disseminate the updated policy to the appropriate regulatory services section employees.

OSA Matter for Further Consideration #1:

Star Rated License Assessments Have Not Been Routinely Conducted for Years

DCDEE Response:

Star rated license assessments were paused during COVID-19 in alignment with legislative directives to prioritize health and safety. The Legislature extended this pause while a new Quality Rating and Improvement System (QRIS) was developed. Hold Harmless provisions in Session Laws 2021-127, 2023-40, and 2024-34 allowed facilities to retain their existing ratings during this period. New facilities continued to receive initial star ratings under normal processes.

During the pause in star-rated assessments, DCDEE continued its core oversight work. Annual compliance visits remained in place with the exception of a brief pandemic-related suspension from March to May 2020 and their timing and frequency were not otherwise affected. These visits allowed DCDEE to maintain ongoing monitoring and support for facilities while QRIS modernization work proceeded.

New QRIS rules took effect July 1, 2025. Licensing consultants review QRIS transition options during monitoring visits and collaborate with providers to develop individualized transition plans. DCDEE plans to continue working closely with facilities with the goal of transitioning most by the end of the year, while also supporting early educators through statewide meetings, webinars, and community engagement sessions

OSA Matter for Further Consideration #2:

Delayed Parental Notifications of Violations

DCDEE Response:

OSA identified two instances where parents may not have received timely notifications.

Under Child Care Rule 10A NCAC 09 .2201(i)(1-4) the responsibility for notifying parents lies with the child care facility operator, who must post administrative actions, cover letters, and applicable corrective action plans in a visible location near the facility's entrance. Current rules do not require DCDEE to provide direct notification to parents of violations or administrative actions.

DCDEE ensures transparency by posting visit summary reports documenting observations, violations, and corrective action plans on the DCDEE Child Care Facility Search Site within 48 hours. These reports include data from the past three years and is available to the public, not just the parents associated with a specific facility.

Under G.S. § 110-105.3, information related to active child maltreatment investigations is confidential. Once an investigation is closed, relevant visit summaries and administrative actions become public.

Additionally, the timelines referenced in the report do not fully reflect the complexities of investigations, which may require coordination with law enforcement, medical professionals, and other agencies. In certain cases, facility operators may terminate staff before DCDEE issues a criminal background check disqualification, affecting the order of investigative steps. These operational factors can influence the duration of the process and may create the appearance of delays despite advancing through the process appropriately.

Division of Public Health (DPH) Response to parent notifications related to lead hazards:

The draft report does not reflect the full process required to determine whether a child care center has a lead poisoning hazard, as defined by N.C.G.S. § 130A-131.7(7).

The "*lead hazard investigation date*" in Table B (page 15) was used by the auditors to calculate the timeframe of when a parent is notified. However, this date represents when initial testing and environmental sampling occurs and samples are sent to the State Laboratory of Public Health (State Lab) for analysis. It does not consider the turnaround time for the State Lab to test the samples and report results to local health departments (LHDs). Once the sample results are received, the LHD must complete an investigation report describing locations and severity of the lead poisoning hazards and recommending appropriate remediation measures. Only after this process is completed does the "determination" of a lead poisoning hazard occur, which triggers the notification requirements in N.C.G.S. § 130A-131.9B.

In response to the audit, documentation was provided by LHDs that verifies the dates when 1) the child care centers in the report were notified of lead poisoning hazards, and 2) a request for names of the children attending those centers was submitted. A detailed review of the sampled centers in the report shows that all centers and parents were notified according to N.C.G.S. §

130A-131.9B after the investigations were completed, environmental samples analyzed, and an investigation report finalized. The statute requires notification of hazards to all persons attending the child care center and the inclusion of possible methods of remediation. Based on that information, the parent notifications are compliant with State Statute.

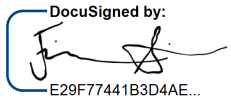
Another factor that affects parent notification is the allowable timeframe for child care centers to submit names for parent notifications to the LHD. Under N.C.G.S.§ 130A-131.9, child care centers have 10 days to provide the required information for all children. Once the information is received by the LHD, the staff coordinates parent notifications, which may include arranging free clinical testing and preparing certified or documented mail receipts.

DPH's review of the centers noted in the report showed that once child care centers submitted the names to the LHD, notification to parents occurred in less than 2 weeks. DCDEE is copied on all correspondence, notifications of lead poisoning hazards, and name requests with a specific hazard notice letter sent to the child care consultant of each center.

OSA's report suggests issuing preliminary parent notifications before a hazard is confirmed. However, notifying parents with incomplete and potentially inaccurate information without clear identification of hazards, their severity, and recommended actions could lead to unnecessary medical visits, incomplete decision-making by parents, and premature or inappropriate administrative action by DCDEE. For these reasons, preliminary notifications would not support effective public health or regulatory decision-making.

Thank you for the opportunity to respond. We appreciate the professionalism and collaboration provided by your staff throughout this audit. We remain committed to our shared priority of meeting the needs of children and families in North Carolina. If additional information is needed, please contact Candace Witherspoon at (919) 814-6301.

Sincerely,



Jill Simmerman for Michael Leighs, Deputy Secretary
Chief of Staff for Opportunity and Well-Being

cc: Devdutta Sangvai, Secretary
Dr. ClarLynda Williams-DeVane, Chief Deputy Secretary
Michael Leighs, Deputy Secretary
Candace Witherspoon, Director, DCDEE
Kelly Kimple, Director, DPH/State Health Officer
Jenna Ramsy, Deputy Director, DCDEE
Tamara Barnes, Assistance Director, DCDEE
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This audit required 2,412 hours of auditor effort at an approximate cost of $373,860.