Oregon Secretary of State

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Executive Director Chatterjee:

In response to a complaint received through the Government Accountability Hotline, the Secretary of State Audits Division has completed an investigation of the Preschool Promise program (PSP) administered by the Department of Early Learning and Care (DELC). Before DELC was created in July 2023, PSP was administered by the Early Learning Division within the Oregon Department of Education (ODE); our review considered the program's administration at both agencies.

The hotline informant alleged waste and fraud because they believed the state did not hold PSP grantees accountable for low enrollment. The informant also alleged grantees submitted suspect expense reports and didn't follow the required processes. Our investigation confirmed some of the claims related to waste and issues with expense report submissions. We did not confirm any fraud, but we noted several risk areas where fraud could occur.

The Government Accountability Office defines waste as the act of using or expending resources carelessly, extravagantly, or to no purpose. Waste can include activities that don't involve abuse or a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.[1] Furthermore, it is the policy of the State of Oregon that state government services be delivered with the highest level of desired effectiveness at the lowest possible cost.[2]

We found approximately $1.4 million in payments and awards we believe to be wasteful while the program was administered by the Early Learning Division. This includes $679,836 tied to low enrollment, $154,700 tied to unopened sites, and $586,950 tied to grant expansions in 2022-23. Although this represents a small portion (about 1%) of all PSP payments during fiscal years 2021-24, this is a significant amount of public money. These funds could have provided child care for 100 additional children instead of the approximately 13 children actually served.[3]

[1] Generally Accepted Government Auditing Standards, 6.21. We used professional judgement when applying this definition to reach conclusions that specific spending decisions were wasteful.
[2] Oregon Revised Statute 297.065(1).
[3] These calculations assume a cost of $13,500 per child served by PSP. About fifty children per year could have been served if funds were re-allocated over two years.

In addition, we found over $1.5 million in improper payments because of inadequate oversight from DELC and the Early Learning Division to one grantee who repeatedly submitted expense reports that didn't meet the terms of the grant agreement.[4] Since this grantee was providing services, these payments don't constitute waste.

The success of PSP is critical. Oregon families routinely cite child care as one of their biggest challenges. PSP is an important program that makes affordable, high-quality child care more accessible to more people across the state. This investigation highlights opportunities for the agency to serve more Oregonians.

We also found management has strengthened controls in PSP since its transition from the Early Learning Division to DELC. Important changes in policy and program requirements have been made by DELC. Our findings highlight additional opportunities to strengthen controls to better mitigate risks of waste and fraud as the agency continues to mature.

PSP was established to provide high-quality preschool for Oregon families

PSP was established in 2015 by House Bill 3380 (ORS 329.172) within the Early Learning Division. Per statute, the program's purpose is to expand high-quality preschool options across the state. PSP strengthens stability, quality, and infrastructure in Oregon's child care system partly by investing in an under-resourced provider workforce. Statute requires providers meet quality standards, including employing highly trained teachers. The Early Learning Council has set salary targets for teachers above prevailing wages. Statutes require participating programs to be new or expanding, provide at least the annual number of hours as a full day of kindergarten, and account for families needing full-time child care.

The program serves non-school aged children from three to five years old. Most families have income at or below 200% of the Federal Poverty Level, although there are exceptions for families with high housing costs and living in certain rural communities.

A variety of providers are eligible for PSP funding, such as private, home-based child care providers, privately owned child-care centers, nonprofit organizations, and public and private schools. DELC administers 234 grants that reserve preschool slots for up to 5,344 eligible children.

PSP grew rapidly from a pilot project in 2016 to a statewide program in 2020, but staff faced obstacles in administering the program from the beginning. Prior to 2020, PSP grants to providers were administered through the Early Learning Hubs. According to DELC, the program grants were changed to increase access for small, women- and minority-owned businesses. Limited staff were available to clean data, enforce required reports, and provide technical assistance to providers. The program expanded significantly during the COVID-19 pandemic with the passage of the Student Success Act in 2019.

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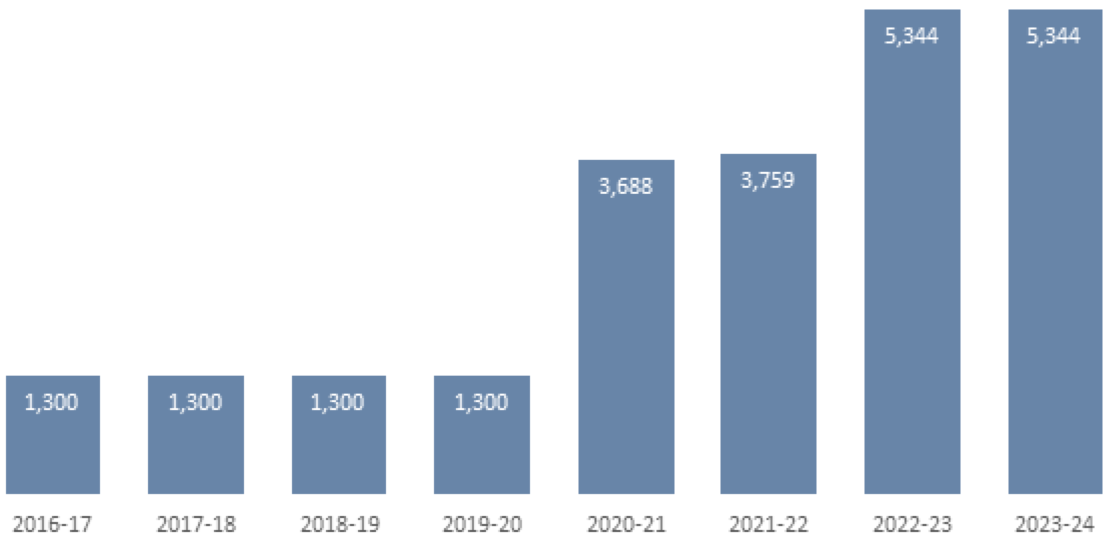
[4] Improper payments include items such as overpayments, underpayments, payments to ineligible recipients, payments that were not properly documented, or did not follow proper processes. While fraud and waste are also considered improper payments, not all improper payments constitute waste. We used professional judgement when applying this definition to specific payments. What Exactly Are "Improper Payments"? | U.S. GAO

Figure 1: The number of children that PSP can serve has grown



Source: Auditor created based on DELC data

When DELC was established in July 2023, all programs previously administered by the Early Learning Division transferred from ODE to DELC — including PSP. Another program, Employment Related Day Care (ERDC), transitioned to DELC from the Oregon Department of Human Services (ODHS).

Prior reviews recommended PSP improve internal controls, but those recommendations were not always followed

In 2020, the Secretary of State Audits Division reviewed PSP, Oregon Prenatal to Kindergarten, and Early Childhood Equity grant programs at the Early Learning Division. At the time, we noted: "Of all aspects of grant administration included in our review, grant monitoring may be the most time-consuming and the most important over the life of the grant. Monitoring procedures can be used to measure the success of the programs and provide assurance that state resources are used appropriately."

"A key component of grant monitoring is verifying that state funds are only used for allowable purposes by the grantee. [The program's] procedures rely upon the categorization of expenditures reported by the grantee, but generally do not include a review of the actual invoices."

We recommended Early Learning Division enhance on-site inspections to ensure state funds were used only for appropriate purposes, such as validating a sample of paid invoices. Our investigation found this recommendation was not adopted. Site visits were temporarily suspended due to restrictions during the pandemic, but could have resumed when those restrictions were lifted.

In 2024, we also reviewed operational controls and processes as DELC was being established as a new agency. That review found "…DELC leadership, with the help of partner agencies and a contractor, established many key operational controls and processes. The agency prioritized projects and policies to ensure it was operational on day one."

The scope of this investigation differed, as we focused on risks related to fraud, waste, and inefficiency (improper payments) as required by ORS 177.180.

Waste resulted from insufficient controls to reduce improper payments

Our review covered the time period from 2021 to 2024 when PSP was administered first by the Early Learning Division and then by DELC. We found evidence of approximately $1.4 million in wasteful payments made by the Early Learning Division due to inadequate controls. This includes $679,836 tied to low enrollment, $154,700 tied to unopened sites, and $586,950 tied to grant expansions.

DELC's grant agreements establish 100% enrollment as a target for all PSP sites, but the agency currently uses an 80% threshold to hold providers accountable for low enrollment. The 80% threshold takes into account local barriers to recruitment, including factors outside the grantees' control and changes in population. DELC noted that frontier and rural communities tend to have very small populations and greater variability in the number of preschool age children from year to year.

When providers fall below expected enrollment thresholds, the grant agreement allows DELC to terminate the grant or amend the terms. DELC applied stricter thresholds at the end of 2023 after three years of more lenient enrollment thresholds. In late 2023, 58 of 324 sites (18%) had low enrollment.

We found $679,836 in payments that should not have gone to providers because they had chronic low enrollment for extended periods — not temporary periods of low enrollment. The grant is intended to expand capacity by covering a provider's fixed costs, not to pay for each individual child served. The program's design allowed new providers time to scale up their enrollment levels, because it's natural for child care providers to experience fluctuations in enrollment.

We found the Early Learning Division awarded $154,700 for three sites during times those sites weren't open. The division adjusted the grant agreement to reflect some of the months these sites weren't open, but not all. In one instance, a site was unopened for over seven months, but the division only reduced their payment by five months.

Another 78 sites also experienced some delays in opening, although we didn't review those in detail. Some sites remained unopened for a single month, with others experiencing longer delays. ODE's procurement delays in sending out and executing grants prevented many preschool sites from opening on time and providing access for eligible children.

The Early Learning Division previously acknowledged and took responsibility for issues related to low enrollment and unopened sites.[5] To prevent a repeat of this issue, DELC made sure to execute grants by

[5] Early Learning Division PSP Accountability Report, published March 31st, 2023.

September 2023 for the 2023-25 program year, and revised the policy to require sites be fully operational before their start date.

We found the Early Learning Division mismanaged $586,950 in awards for three grant expansions for program year 2022-23. To determine whether a grant should be expanded, the division considered the same thresholds used to identify under-enrolled grantees in 2021-22 (detailed in Figure 2); additionally, the agency only reviewed enrollment in a single month, not the average over the program year.

While that criteria may have been appropriate for determining corrective action plans, we believe it wasn't prudent for grant expansions. For example, one grantee had their slots increased from 9 to 32 despite averaging 47% enrollment the prior year. That provider operated two sites the following year, each with 16 slots: one averaged 54% enrollment, the other only 2% enrollment. Had the grant not been expanded, the provider could have achieved satisfactory enrollment performance with their original allotment. Increasing the amount awarded didn't result in more children being served the following year.

DELC has since increased the selectivity of the slot expansion process to prevent increasing slots for grantees with a history of low enrollment. DELC currently uses the 80% enrollment threshold to determine expansion eligibility.

Figure 2: PSP enrollment thresholds for 2022-23 varied by size of provider

PSP Slots	Minimum % Enrollment
4 - 40	50%
41 - 60	66%
61 - 80	75%
81 - 100	80%
101 - 140	85%

Source: Auditor created based on information provided by DELC

DELC should further document guidelines for addressing low enrollment, especially when management overrides a decision

Since 2022, multiple committees have made recommendations to the Early Learning Division or DELC management to improve grant administration for sites with low enrollment. This process has led to corrective action plans, reducing grant awards, and discontinuing grants.

However, for program years 2022-23 and 2023-24, the Early Learning Division lacked formal decision-making guidelines. We found management frequently deviated from committee recommendations without fully documenting their rationale. This resulted in the inefficient use of staff time, a lack of transparency in how these decisions are made, and some wasteful payments to grantees.

For the 2022-23 program year, an Early Learning Division committee recommended discontinuing the grants of four Portland programs with significant, chronic under-enrollment. Instead, management allowed the grantees to continue in the program for another year on corrective action plans. Some had reduced slot amounts, but grant payments continued and performance did not improve for two of the four providers.

Management told us they considered factors not reviewed by the committee, such as the number of PSP children in need of another year of preschool at the location and whether the Early Learning Hubs did everything possible to recruit families for the provider.

We did not question payments during the 2020-21 program year for several reasons. One reason was the extenuating circumstances that existed during the first year of the COVID-19 pandemic. Most child care facilities in the state were closed due to the public health emergency. Early Learning Division leadership made an intentional decision to continue grant awards to these providers so they wouldn't go out of business and could be ready to resume care when those restrictions were lifted. Under the circumstances, enrollment in the 2020-21 program year was not considered when reviewing programs for grant continuation into the following year.

Figure 3: We found Preschool Promise issued $679,836 in wasteful payments to four providers with chronic low enrollment between 2021 and 2023

Program Year	Slots	Average # of children enrolled	Enrollment Percentage	Amount Paid	Grant Award	Questioned Costs
	Provider 1					
2020-21	36	0	0%	$278,943	$539,500	
2021-22	36	1	3%	$459,642	$459,648	$165,984
2022-23	10	2	20%	$145,500	$145,500	$145,500
					Subtotal	**$311,484**
	Provider 2					
2020-21	33	2	5%	$464,000	$464,000	
2021-22	20	4	20%	$232,994	$247,200	$61,800
2022-23	10	3	30%	$136,500	$136,500	$136,500
					Subtotal	**$198,300**
	Provider 3					
2020-21	18	0	0%	$296,350	$296,350	
2021-22	18	1	6%	$229,824	$229,824	$51,072
2022-23	10	6	60%	$145,500	$145,500	
					Subtotal	**$51,072**
	Provider 4					
2020-21	6	1	17%	$89,000	$89,000	
2021-22	6	1	17%	$74,160	$74,160	$37,080
2022-23	6	2	33%	$81,900	$81,900	$81,900
					Subtotal	**$118,980**
					Total	**$679,836**

Source: Auditor created based on DELC enrollment and expenditure data. DELC reported it has not entered into further agreements with these providers since becoming a state agency.

The other reason we excluded 2020-21 was that Early Learning Division's grant manual lacked sufficient accountability mechanisms for poor performance. The 2020-21 grant manual did not authorize the division to take corrective action during the grant year; the manual only specified funding could be reduced for poor performance in the next grant cycle. Limitations in the agreements have since been addressed: beginning with the 2023-25 grant cycle, DELC included more detailed and enforceable terms in the agreements. Starting in 2021-22, the Early Learning Division had the opportunity to increase monitoring during these program years and could have held providers accountable for poor performance in a more timely manner.

We found several instances of wasteful payments issued for PSP due to the Early Learning Division continuing grants with poor performance. Early Learning Division staff recommended terminating or reducing grants for poor performing providers. Grantees appear to have followed the program rule established by management, but those rules didn't provide enough oversight and accountability which resulted in wasted tax dollars. The program previously faced scrutiny from the media and the Legislature over low enrollment, including specific mentions of some of the providers highlighted above.

The Early Learning Division could have performed a midyear amendment to the grant at provider 1 in 2021-22, reducing their slots from 36 to 10. This would have saved the program $165,981 without affecting the total number of children served. For 2022-23, the grant could have been terminated, as recommended by the internal committee. That would have saved an additional $145,500. This would have removed access for three children, but program documents show vacancies existed at other PSP providers within a five-mile radius. Additionally, the Early Learning Division could have held regional Hubs accountable for not doing enough to place eligible children at these sites.

At provider 2, the Early Learning Division could have saved $198,300 by performing a midyear adjustment and then terminating the grant for low enrollment. Although terminating the grant would have removed access for three children, much like provider 1, program documents show vacancies existed nearby. The same can be said of provider 3 and provider 4, where a midyear adjustment could have saved $118,980 and $51,072, respectively. However, provider 3 did increase enrollment the following program year, unlike the others, so we did not question the payments made in 2022-23 to this provider.

For the 2023-24 program year, the Early Learning Division convened a second committee to evaluate an initial committee's recommendations, because management decided the first had not taken all necessary considerations into account. Ultimately, division management deviated from the first committee's recommendations 25 out of 29 times when considering grantees with low enrollment and from the second committee's recommendations 15 times. Management declined to terminate 21 grants or reduce slots for four others as advised by the first committee.

Division management said these decisions were because of their own delays in awarding grants; however, it's only because of ODE's procurement delays that these grants were being reviewed by the committee in the first place. The agency cited other factors that were outside of the grantee's control, but the agency did not retain sufficient documentation. The documentation we received showed the recommendation and final decisions, but not the rationale for each of those decisions.

DELC made commendable strides in 2024-25 to increase efficiency and transparency in its approach for addressing under-enrollment by:

- Establishing stricter standards for under-enrollment;
- Documenting guidelines and decision-making rubrics in coordination with leadership for determining necessary actions for addressing a grantee's under-enrollment;
- Applying the new guidelines consistently to both committee and management decisions; and,
- Maintaining notifications communicated to grantees in conformance with the process.

The agency plans to maintain a record of committee meetings where grantees with low enrollment are reviewed, which could help build trust in the process.

DELC's guidelines for low enrollment were partly designed to prevent a grantee with low enrollment from continuing at the same award level beyond a year like in the cases above. The agency is working to finalize these guidelines for the next grant cycle and should ensure they have those in place for future cycles.

However, DELC has not documented a policy for making final determinations for sites placed on close monitoring because of low enrollment. The agency doesn't yet have a policy outlining the circumstances under which management can override the process or requiring documentation of the rationale for doing so. Management overrides increase the risk of fraud and waste and should be reserved for exceptional cases.

We recommend DELC:

1. Document a policy for enhanced monitoring of any sites experiencing low enrollment, including those in rural areas. Detail conditions that would lead to terminating or adjusting those grants.
2. Establish clear guidelines for management overrides of committee recommendations and document the justification of those decisions.

DELC should strengthen oversight and monitoring of Coordinated Enrollment Activities of Early Learning Hubs

Coordinated Enrollment is an enrollment strategy introduced with the 2020 PSP launch. DELC's grant with Early Learning Hubs defines coordinated enrollment as: "The process of Early Learning Hubs collaborating with partners to coordinate efforts within three buckets of work related to enrollment into publicly-funded Early Care and Education Services: 1) marketing, outreach, and recruitment; 2) eligibility determination and programming; and 3) selection and placement."

DELC holds grants with each of the 16 Early Learning Hubs to fund PSP enrollment and eligibility activities as well as coordinated enrollment efforts. Early Learning Hubs determine a family's eligibility and are responsible for ensuring eligible children are connected with PSP providers in the region.[6]

Hub performance has been a factor in decisions regarding grants with low enrollment. The Hub is critical to a provider's success in enrolling children. We heard from program staff that Hubs vary in how well they

[6] It's important to note that Early Learning Hubs provide a number of other services beyond the scope of coordinated enrollment. For example, hubs convene community partners and lead cross-sector initiatives and planning efforts that strengthen the early-learning ecosystem. https://www.oregon.gov/delc/programs/pages/hubs.aspx

support providers with their enrollment, pointing to significant challenges with the Hub in Multnomah County.

In our review of two program years, we found there was wide variation in the percentage of enrollment reports submitted by Hubs. We saw improvement in 2023-24, with the average percent reported increasing to about 87% in 2023-24 from about 56% in 2022-23. Seven of 16 Hubs submitted all of their reports in 2023-24. It is important for DELC to provide appropriate oversight of Hubs as they play a critical role in the overall child care delivery system.

We recommend DELC:

3. Strengthen processes to increase oversight of Hubs when they fail to submit required reports or when providers in their region are facing low enrollment.

DELC should codify any changes to eligibility criteria in administrative rule

Statutes require PSP to serve children who meet eligibility requirement criteria set in Oregon Administrative Rule. These rules have not been updated to reflect the agency's introduction of a housing adjustment to address families facing high housing costs. The change expands eligibility for families beyond 200% of the Federal Poverty Level in areas like Multnomah County. The new policy has been communicated to Hubs, but not codified in rule as required by ORS 329.172(5)(B)(ii) "Otherwise meet criteria established by the Early Learning Council by rule."

We recommend DELC:

4. Update Oregon Administrative Rule 414-470-0010 to change eligibility criteria for families experiencing high housing costs.

DELC should strengthen expense report controls to reduce improper payment risk and enforce grant requirements

DELC requires PSP grantees to submit payroll, tax, and other expense data for reimbursement via draw reports. DELC staff have started performing more detailed reviews of expense reports that can result in the agency requiring a grantee to submit further supporting documentation prior to payment and potential denials. However, the agency does not have a process in place to perform random audits of expense reports to verify that the state funds are only used for allowable purposes.

We reviewed expense reports received over the last four years and found there is no standardized timeframe for report submission: some providers submit monthly, some quarterly, some only once a year. This makes it hard to compare grantee reports that could show possible fraud, waste, or abuse.

Additionally, DELC needs to improve existing controls. DELC has some limited controls in place, such as manual data cleaning, but there are no input controls, meaning grantees can enter numeric and text information in the same cell. This makes it difficult to analyze trends and identify risk areas. Providers also may not understand the distinction between categories, which leads to misreporting.

We analyzed expense report data from DELC to assess the risk of waste. While the quality of data submissions has improved since 2021, our analysis found more work needs to be done to strengthen oversight. We reviewed data for the 2023-24 program year and developed a list of risk indicators. These risk indicators do not prove fraud is occurring; rather, they alert the agency to potential issues that need attention. Risk indicators allow DELC to focus their limited staffing resources on the most important risks.

DELC has an existing control in place to flag some reports, but as our analysis shows, opportunities exist to enhance the current monitoring process. We found most grantees with expense reports showing one or more potential risk indicators. This included grantees that:

- provided rounded, not exact, dollar amounts for expenses (**41%**);
- requested their exact award amount for the year (**18%**);
- made a notably higher reimbursement request during the last period of the grant year to achieve their full award amount (**10%**); and,
- submitted at least one expense report with a category above the average for all grantees and outside of reasonable expectations.[7]

Grantees are entitled to reimbursement of expenses necessary to operate PSP. The risk of misreporting is that a grantee could claim expenses above and beyond the necessary costs. For example, a grantee could bill the state for expenses that were never incurred or were funded by another state program. DELC's current process requires significant manual effort and has limited automated checks. Data analytics could more efficiently and comprehensively identify noncompliant or high-risk providers.

The grant agreement requires providers to have cost allocation procedures to ensure the expenses billed are only those tied to PSP, but DELC doesn't require providers to submit detailed cost allocation plans, which could be verified. Providers with multiple PSP sites submit aggregated expenses and are not subject to the same level of scrutiny as providers operating a single site.

The risk indicators we identified suggest some grantees may have submitted reports that wouldn't qualify as reasonable expenses. One grantee reported payroll taxes of $26,272 on $39,366 in salary — an effective tax rate of 67% when payroll taxes are typically about 15% of salary.

Other expense reports had levels of salary claimed that appeared to exceed reasonable salaries needed to operate a PSP classroom. As noted in our 2020 review, grant monitoring activities are one of the most important controls. The risk indicators we identified highlight the need for DELC to implement further monitoring controls.

Additionally, 30 grantees — mainly school districts — violated the intent of the grant agreement by submitting their expense reports less than quarterly or monthly as required. This prevents DELC from reviewing their data for these risk indicators or providing adequate and timely oversight by verifying expenses were allowable.

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[7] Our analysis used a simple threshold to flag providers with an above average expense report. DELC identified opportunities to improve our methodology by establishing different thresholds for different types of providers and to account for other factors.

We found the state paid an Early Learning Hub, a Hub that also functions as a PSP grantee, a lump sum of **$671,457.70 for 40 slots** for the 2023-24 program year without submitting any expense reports until October 2024 — after the program year ended. This did not constitute waste, but we did categorize this as an improper payment given it did not follow our reading of the contractual agreement. Without timely reports, DELC cannot provide adequate oversight of these grant funds. The original grant agreement was poorly worded because it lacked sufficient detail, making it more difficult for the agency to fulfil their responsibilities. These agreements have subsequently been drastically improved.

The Hub also failed to submit timely reports the two prior years. They submitted all expense reports totaling $568,000 in September 2023 for program year 2022-23 and expenses totaling $222,480 in August 2022 for program year 2021-22. The 2023-25 grant agreement states: "Grantee must request disbursement of Grant Funds on a monthly or quarterly basis." This provider violated the intent of reporting and payment requirements multiple times, and the agency did not report taking any corrective action.

We recommend DELC:

5. Enforce a standardized reporting frequency, with explicit due dates, and implement data input controls to ensure consistent and timely data for efficient monitoring and analysis.
6. Develop training so providers understand reporting requirements.
7. Implement additional monitoring controls to identify providers out of compliance or at higher risk of violating program rules, including by performing data analytics to flag improper payment risks.

DELC should reconcile financial data to ensure the reliability of financial reporting and mitigate the risk of erroneous payments

We found PSP expense report data does not always match vendor expenditure data in the state accounting system. We tried reconciling the data multiple ways, but found issues each time we attempted to reconcile the accounting records with program data. DELC told us they perform a manual reconciliation process, but it does not appear to catch all issues.

We did not confirm over- or under-payments to providers, but there is a risk of erroneous payment given the reconciliation issue. The Oregon Accounting Manual requires state agencies to ensure internal controls provide reasonable assurance for the reliability of financial reporting.

We recommend DELC:

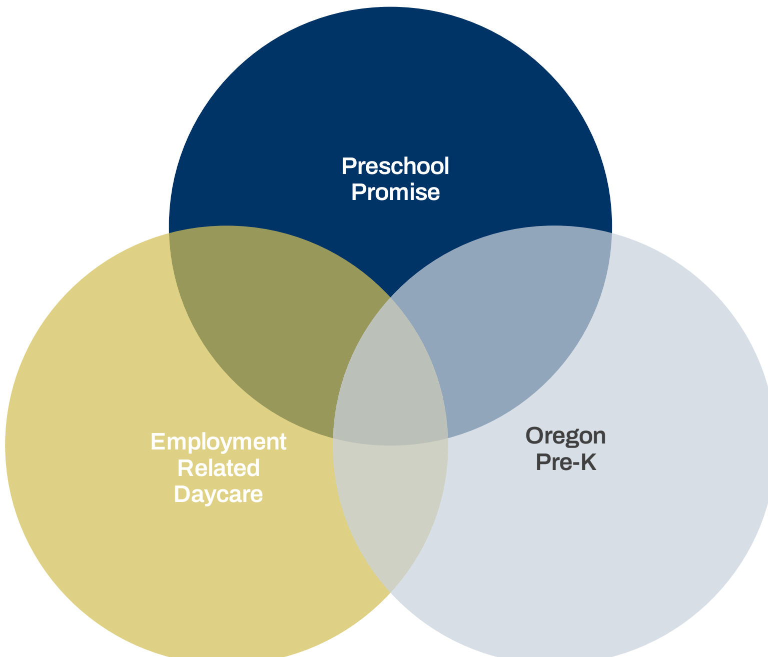
8. Enhance ongoing reconciliations between draw data and state accounting records.

DELC faces an increased risk of duplicative payments

While braiding funds is a national best practice for early childhood programs, payments should be appropriately monitored. Providers are allowed to receive funding from multiple programs in many circumstances, but similar programs have an inherent increased risk of duplicative payments. No programs should pay for the same services for the same child at the same time.

DELC operates multiple child care programs, including: ERDC, PSP, and Oregon Prenatal to Kindergarten. Ages and qualifying income thresholds overlap between some programs. For example, a provider can receive funding for the same child for both PSP and ERDC, but the hours of care for the two programs must be different. Additionally, programs administered by other agencies can also overlap. Siloed programs serving similar demographics have a higher inherent risk of duplicative payments.

Figure 4: DELC operates multiple child care programs that overlap



Note: Graphic is not to scale; see Figure 6 for detailed information.

Grantees must ensure funds are used to supplement, not replace, public monies received from any other source. We could not determine potential fraud, waste, and abuse given the agency does not collect sufficient data to enable these data analytics procedures.

Figure 5: The largest grantee received millions in both PSP and Oregon Prenatal to Kindergarten funding

Fiscal Year	PSP Payments	Oregon Prenatal to Kindergarten Payments
2021	$1,844,019	$6,929,485
2022	$2,076,398	$7,650,172
2023	$2,742,496	$8,828,758
2024	$3,681,822	$17,779,524

Source: Auditor created based on DELC expenditure data.

From fiscal years 2021 through 2024, the largest grantee had between 188 and 280 PSP slots, divided among nine sites across six different Hub regions. Receiving funding from multiple programs does not imply the provider is doing anything wrong; however, the increased risk of duplicative payments means DELC should have controls in place to make sure the provider is not paid twice for the same service to the same child.

Figure 6: Between 2021 and 2024, approximately 72% of primary child care funds went to providers receiving multiple funding sources

	Funding Source		
	Preschool Promise	Employment Related Day Care	Oregon Prenatal to Kindergarten
Lower Risk Providers (Single Funding Source)			
Only Preschool Promise	$129,941,565	Not applicable	Not applicable
Only Employment Related Day Care	Not applicable	$13,702,090	Not applicable
Only Oregon Prenatal to Kindergarten	Not applicable	Not applicable	$0
Higher Risk Providers (Multiple Funding Sources)			
Oregon Prenatal to Kindergarten + Employment Related Day Care	Not applicable	$0	$0
Preschool Promise + Oregon Prenatal to Kindergarten	$33,981,758	Not applicable	$178,061,502
Preschool Promise + Employment Related Day Care	$68,881,131	$26,021,236	Not applicable
Preschool Promise + Oregon Prenatal to Kindergarten + Employment Related Day Care	$3,356,707	$1,868,668	$59,071,276
Total	$236,161,161	$41,591,995	$237,132,778

Source: Auditor created based on SFMA expenditure data

Since DELC does not have child-level data for some programs, the agency can't verify whether providers are billing multiple programs for concurrent programming for the same child. The PSP grant agreement says "grantee may use other funds in addition to the Grant Funds to complete the Project; provided, however, the Grantee may not credit or pay any Grant Funds for Project costs that are paid for with other funds and would result in duplicate funding." In other words, DELC requires providers to not double bill programs for the same service, but DELC does not have controls in place needed to proactively mitigate this risk.

In Figure 6, we detail payments from various funding sources to different types of providers. We categorized providers who operate multiple programs to be at higher risk of duplicative payments. Three out of every four dollars DELC issues goes to a provider who participates in multiple programs. Participating in multiple programs is allowed in many circumstances, but DELC is responsible for ensuring reasonable controls are in place to prevent, detect, and correct duplicative payments.

Lastly, there is potential duplication with Multnomah County's Preschool for All program. We requested data from Multnomah County to identify providers who might be receiving duplicate payments from both state and county programs. We found 20 PSP providers who also received Preschool for All funding in 2023-24. We did not identify any high-risk providers in our limited review, but DELC should work with Multnomah County to implement controls to mitigate the risk of either government issuing duplicative payments for care of the same child. Our review did not evaluate the risk of duplicate payments between Preschool for All and ERDC and Oregon Prenatal to Kindergarten.

We recommend DELC:

9. Implement controls to prevent, detect, and correct duplicative payments.

Paycheck Protection Program fraud risk referred to law enforcement

As we were determining which providers were receiving payments from which programs, we identified 53 providers who received American Rescue Plan Act funding and Paycheck Protection Program (PPP) loans administered by the U.S. Small Business Administration. These programs provided economic assistance to small businesses during the COVID-19 pandemic. PSP providers often received their full grant awards to ensure those facilities could reopen after the public health emergency. DELC is not responsible for any aspect of the PPP program.

We did not do a detailed review to identify if providers requested more funding than their actual expenses; however, there is a risk that providers could have received duplicative payments that covered the same expenses during the same time period. For some providers, PSP covers all of their fixed costs and the risk of fraud related to payments from PPP is higher. For other grantees, PSP is a small portion of their total funding and the risk is lower.

Statute requires us to report potential criminal activity.[8] Accordingly, we have shared the names of these providers and the amount of government funding they have received with the Office of Inspector General at

[8] ORS 177.180(3)(b) If the secretary determines during the investigation that fraud or other criminal activity may be occurring or may have occurred, the secretary shall notify the appropriate law enforcement agency of the potential fraud or other criminal activity.

the U.S. Small Business Administration, which oversees the PPP. The decision on any further investigation or action to take lies with them.

DELC should continue to improve the sufficiency of data used for decision making

According to best practices, governments should develop "processes to ensure that quality, supportable information is utilized in grant decision-making."[9] Accurate PSP enrollment numbers are a vital component to ensure grant funds are spent according to the terms of the agreement. Accurate data is also important to measure program performance and to ensure slots are allocated to serve the most children statewide.

DELC currently relies on self-reported enrollment and expense data from providers and does not collect any child-level data for PSP. The agency has few controls in place to validate the accuracy of the self-reported enrollment and expense figures. Providers have a financial incentive to report higher levels of enrollment. If a grantee intentionally misreported information to maintain an award, it could constitute fraud, threatening program integrity, and weakening public trust in government.

DELC staff rely on the monthly enrollment reports collected from grantees that indicate the number of slots filled at each site. DELC has a "no report, no payment" policy to ensure grantees submit enrollment reports timely and staff use a documented process for improving data integrity.

Although child-level data is collected and maintained by Hubs, DELC doesn't collect this information. Hubs share responsibility with grantees for full enrollment, so they have an inherent conflict of interest in notifying DELC of low enrollment. This is because Hubs could face increased scrutiny for their performance if they report providers with low enrollment. Furthermore, 12% of sites don't use Hubs for enrollment due to their concurrent participation in Oregon Prenatal to Kindergarten.

Without implementing effective procedures for preventing and detecting fraudulent enrollment numbers, DELC does not have effective tools to ensure all grant funds are spent in accordance with grant requirements. The agency cannot assert with confidence the exact number of slots filled, which serves as the primary performance metric for this program. This is an important measure because it shows if the program is reaching the children it intends to serve.

Without child-level data, the agency also does not know how much overlap exists between programs. For instance, DELC leverages ERDC to cover child care hours outside of PSP, which typically only provides 24 hours of care per week for 10 months out of the year. Yet DELC does not know how many PSP children also receive services from ERDC. Unlike PSP, ERDC collects child level data in the ONE system.[10]

More robust controls around child level data may require leveraging an IT system, which could potentially require millions of dollars of state resources and significant time to implement. However, the agency could also implement a variety of low cost controls to validate child level enrollment data. For example, DELC

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[9] Government Finance Officers Association: https://www.gfoa.org/materials/internal-control-for-grants
[10] The Oregon Eligibility System (ONE) is a complex system used by ODHS to determine eligibility and benefits across a wide range of aid programs such as Medicaid and Employment Related Day Care. See our 2024 report for more details: Oregon Department of Human Services and Oregon Health Authority The Oregon Eligibility System Appropriately Determines Eligibility, but Input Errors Continue to Occur

could perform onsite inspections of providers and call Early Learning Hubs to validate enrollment against their records. This control would require the cost of staff performing these inspections, but it would not require a new, expensive system to be developed. This method would minimize data privacy and data security risks, but it would not provide other valuable information such as long-term outcomes of children receiving services or overlap between programs.

DELC has told the Legislature overlap exists between programs, but they cannot provide the level of detail needed to fully inform the budgeting process. Policymakers might believe PSP meets all child care needs for a family, but the evidence suggests DELC needs both PSP and ERDC to meet the needs of hundreds of eligible families. The lack of reliable information undercuts transparency and accountability in the program's effectiveness.

We attempted to identify instances of misreporting by reviewing a judgmental sample of grantee-reported enrollment, but we lacked the necessary child-level information to confirm if providers inflated their enrollment figures. Attendance counts in licensing reports proved insufficient to address this risk.

Without child-level data to compare to on-site records, DELC cannot determine if grantees are reporting accurate numbers of enrolled children. Our prior review in 2024 found DELC lacked the staff capacity to provide in-person provider oversight or site visits, preventing the agency from assessing compliance with program quality requirements. Site visits could potentially be leveraged alongside child-level data to prevent and detect improper payments. Agency requests for additional positions to provide quality assurance capacity were not funded during the 2023 session.

We recommend DELC:

10. Implement additional controls to ensure grantee data is reliable and services are delivered as intended, such as by collecting and monitoring child-level data across programs.
11. Leverage data analytics to improve grant monitoring and to inform granting decisions.

DELC should strengthen its goal-oriented framework to guide operations and demonstrate how the agency meets the program's purpose and requirements

The goals and requirements of PSP and DELC's efforts for achieving them are not clearly communicated through a strategic management process that holds the agency accountable for results. Enrollment is an important data point, but it doesn't reflect all the agency intends or is required to do with the program. A comprehensive set of program-specific goals would strengthen the agency's strategic management framework by supporting transparency, effective spending, and risk management efforts. Communicating both achievements and difficulties could strengthen public trust in the program and help people understand how it operates.

Per statute, PSP's purpose is to expand high-quality preschool options across the state. The program strengthens stability, quality, and infrastructure in Oregon's child care system partly by investing in an under-resourced provider workforce. Statute requires providers meet quality standards, including employing highly trained teachers. The Early Learning Council has set salary targets for teachers above prevailing wages. Participating programs must be new or expanding, provide at least the annual number of hours as a full day of kindergarten, and account for families needing full-time child care. The goals DELC develops should address these program requirements and capture elements of SMART goals.[11]

DELC has adopted an agency-wide strategic plan, but the plan isn't tied to a set of goals linked to measures for PSP specifically to ensure the program achieves its purpose and fulfills the key elements required by statute and grant provisions.

Without clear goals, data collection requirements remain uncertain. It's evident that some critical information is missing. As we've noted already, data gaps include verifiable enrollment numbers and ways to assess the overlap between grant programs. Another data issue is that the state tracks licensed capacity, but not the actual capacity a provider is prepared to serve, which may be significantly lower. Tracking actual capacity is necessary to determine whether PSP actually expands programs, rather than replacing slots funded by other means. Collecting better data would improve the program's effectiveness and accountability in meeting its goals and in ensuring the proper use of state funds.

We recommend DELC:

12. Develop a set of specific, measurable, achievable, relevant, and timebound goals for the program supported by necessary data to evaluate the agency's progress towards achieving them and inform decision-making. These goals should align with the agency's strategic plan and program requirements, guide daily operations, and drive risk assessments to address threats such as improper payments or grantee performance issues.

DELC needs a strategic risk assessment to better mitigate improper payment risks

Given the persistent risks identified in our investigation, DELC must take a more strategic approach to managing risks as it administers grants. The Government Financial Officers Association recommends governments follow a "comprehensive framework of internal control for grants" including all components, such as a risk assessment of the entity's grants management processes, which includes considering the possibility and likelihood of fraud. As a new agency, DELC has an opportunity to develop an integrated control framework that addresses risks across all programs.

We recommend DELC:

13. Perform a comprehensive risk assessment for early childhood programs including an evaluation of improper payment risks, analyze identified risks on an ongoing basis, and use that analysis to design mitigating controls.

Scope and Methodology

We analyzed data from PSP, Oregon Prenatal to Kindergarten, and ERDC. This included grantee enrollment and expense reports, agency claims data, state financial information, and payments from the

[11] SMART (Specific, Measurable, Achievable, Relevant, and Timebound) goals are a recognized leading practice in strategic planning.

Early Childhood Development Fund primarily for fiscal year 2021 to fiscal year 2024. We reviewed the program's authorizing statute, program documentation, and child care licensing reports. We interviewed DELC, ODE, and ODHS employees. We obtained data from Multnomah County on the Preschool For All program. We also used the U.S. Government Accountability Office's Standards for Internal Control in the Federal Government, the Government Finance Officer's Association's Best Practices for Internal Controls for Grants, the Oregon Accounting Manual, and leading practices in strategic planning.

This letter has undergone the same rigorous quality assurance process as does each audit from the Secretary of State Audits Division, with auditors not involved in the project checking evidence for each of our findings and assertions. We would like to thank DELC, ODE, ODHS, and Multnomah County for their cooperation during this investigation.

Scope limitations:

Our investigation focused on risks of improper payments relating to under-enrollment, grantee expense reports, and duplicative payments between programs. Other areas of risk were outside of our scope, such as program quality requirements.

We did not review all the steps of the grant process, such as grant solicitations, funding proposals, and applicant eligibility or the eligibility of service recipients as determined by Hubs. Due to the extenuating circumstances of the COVID-19 pandemic, we did not conduct an in-depth review of the 2020-21 program year. Furthermore, we did not review payments to Tribal nations given the limited scope of the investigation and the fact that use of funds would be subject to different requirements than traditional providers.

Should you have any questions, please contact Ian Green, Audit Manager, at ian.m.green@sos.oregon.gov.

Sincerely,

Steve Bergmann, CPA, CIA
Audits Director, Oregon Secretary of State Audits Division

Cc: Governor's Office, Legislative Fiscal Office, Early Learning Council

July 21, 2025

Steve Bergmann, Director
Secretary of State, Audits Division
255 Capitol St. NE, Suite 180
Salem, OR 97310

Dear Director Bergmann,

This letter responds to the Audits Division's final draft management letter regarding the Government Accountability Hotline Investigation of the Preschool Promise program.

As a new agency, the Department of Early Learning and Care (DELC) is committed to transparency, strong financial controls, and continuous improvement to better serve children, families, and communities. We appreciate the letter's recognition of the improvements already made and the opportunity to highlight work underway to further strengthen our systems and practices. DELC takes seriously our job to steward public funds responsibly, effectively, efficiently, and equitably. All feasible recommendations are either complete or currently being implemented.

Until 2023, early learning programs in Oregon were administered by the former Early Learning Division (ELD) at the Oregon Department of Education. Since becoming an independent agency, DELC has implemented stronger controls, built dedicated procurement capacity, and launched improvements that directly address the issues raised. Our work to strengthen oversight and accountability continues through our strategic plan, *Growing Oregon Together*, and through the targeted efforts outlined in the recommendations section below.

Our response to the letter focuses on the following key points, each of which is discussed in more detail in the following sections.

- **DELC programs are designed to meet the needs of children and families.** The design of Preschool Promise is intentionally focused on supporting family choice and access to care across diverse settings.
- **DELC programs align with federal guidance and national best practices.** "Braiding" multiple funding streams is a federally encouraged strategy to expand access and improve quality of early learning and care, not a sign of mismanagement.
- **Current available resources result in staffing shortfalls.** Staffing for this program has not kept pace with the rapid growth of services, resulting in limited ability to adequately monitor programming.

Below, we offer additional context to help interpret these findings and recommendations.

DELC programs' braided funding model aligns with national best practices

Early care and education across the U.S. is a complex mix of private tuition, federal funds like Head Start and childcare subsidies, and state-funded preschool programs that have been limited to low-income families or children with specific risk factors. In lieu of a universal system, the federal government and policy experts have encouraged states to "braid" funding streams, combining them to increase access, improve quality, and better serve families. A federally commissioned report from 2021 offers a tool to help states braid and blend funds to expand and improve services.[1]

Preschool Promise is one part of this braided funding model, and overlapping programs are intentional. For example, Preschool Promise provides about six hours of care a day, but working families often need more; Employment Related Daycare (ERDC) partially funded with state funds and the federal Child Care and Development Fund (CCDF), helps fill that gap.

DELC's mixed delivery programs are designed to meet the diverse needs of children and families

The design of Preschool Promise is focused on supporting family choice and access to care across the state. Oregon uses a mixed delivery model to give families greater choice in selecting care among public schools, private preschool centers, and home-based preschool providers. This flexibility is intentional – so all families, regardless of income or location, can access early learning settings that meet their needs.

Current available resources result in staffing shortfalls

Although Preschool Promise more than doubled in size under the 2019 Student Success Act, DELC did not receive adequate funding for fiscal analysts, grant monitors, and data quality staff in both the 2021–23 and 2023–25 budget cycles.

In the 2025–27 budget, the Legislature approved additional resources, adding one quality assurance role and partial funding for grants support for Preschool Promise. While this is an important step, one position is not adequate to fully monitor a statewide, mixed-delivery, early learning system with braided funding streams. DELC will continue to identify the resources necessary to build out adequate capacity for oversight, monitoring, and support – and identify ways to utilize the resources we have with highest impact.

Below is our detailed response to each recommendation.

RECOMMENDATION 1
Document a policy for enhanced monitoring of any sites experiencing low enrollment, including those in rural areas. Detail conditions that would lead to terminating or adjusting those grants.

[1] Gonzalez, K., & Caronongan, P. (2021). *Braiding federal funding to expand access to quality early care and education and early childhood supports and services: A toolkit for states and local communities* (ASPE Report). U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Point of contact for implementation
Partially Agree	1. Adoption of grant continuation and enhanced monitoring policies & procedures **12/31/2025** 2. Implementation of enhanced monitoring **6/30/2026**	Dorothy Spence, Early Learning Programs Director, dorothy.spence@delc.oregon.gov

Narrative for Recommendation 1

We agree that it's important to clearly document policies related to enhanced monitoring and work on this recommendation is already underway. In March 2025, DELC reorganized to add staff capacity to strengthen program monitoring. With this new capacity, an enhanced program monitoring protocol is in development and will be finalized by December 2025, with implementation by June 2026. We do not agree that enrollment alone should drive funding decisions.

RECOMMENDATION 2 Establish clear guidelines for management overrides of committee recommendations and document the justification of those decisions.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Point of contact for implementation**
Agree	Adoption of grant continuation, including management overrides, policies & procedures **12/31/2025**	Dorothy Spence, Early Learning Programs Director, dorothy.spence@delc.oregon.gov

Narrative for Recommendation 2

We agree with the need for clear, documented guidelines for management deviations from proposed recommendations. Work is already underway to incorporate a management deviation policy into our broader grant continuation policy by the end of 2025 in addition to the administrative rule changes made in 2023.

RECOMMENDATION 3 Strengthen processes to increase oversight of Hubs when they fail to submit required reports or when providers in their region are facing low enrollment.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Point of contact for implementation**
Agree	Internal process mapping: **12/31/2025** Coordinated Enrollment Redesign **3/31/2026**	Becky Griffin, Director of Community Systems, Becky.griffin@delc.oregon.gov

Narrative for Recommendation 3

We agree with the recommendation and have work underway to review and better define Early Learning Hubs' Coordinated Enrollment deliverables for Preschool Promise. By the end of 2025, we will complete an internal process to map current Coordinated Enrollment-related responsibilities for better compliance. By March 31, 2026, we will implement a more robust and coordinated approach to monitoring that aligns expectations with grant requirements and strengthens accountability across grant requirements.

RECOMMENDATION 4 Update Oregon Administrative Rule 414-470-0010 to change eligibility criteria for families experiencing high housing costs.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Point of contact for implementation**
Agree	Administrative Rule Revisions **3/31/2026**	Dorothy Spence, Early Learning Programs Director, dorothy.spence@delc.oregon.gov

Narrative for Recommendation 4

We agree with the recommendation to update administrative rules to reflect the pilot policy change in alignment with federal Head Start changes. We have already begun planning for this proposed rule change as part of a rule revision process for Preschool Promise starting this fall, guided by DELC's strategic plan, including a comprehensive review of eligibility criteria, in alignment with eligibility definitions used by other state and federal early learning programs.

RECOMMENDATION 5 Enforce a standardized reporting frequency, with explicit due dates, and implement data input controls to ensure consistent and timely data for efficient monitoring and analysis.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Point of contact for implementation**
Partially Agree	Updated grantee guidance: **12/31/2025** Annual review of tools: **6/30/2026**	Teresa Waite, Director, Grants Management Office, Teresa.Waite@delc.oregon.gov

Narrative for Recommendation 5

We agree that timely and accurate financial reporting is essential and are already taking steps to strengthen how we monitor grantees' reported expenses. DELC is reviewing and updating our financial reporting tools, refining data quality controls and updating grantee guidance to combine improved analytical tools with targeted follow-ups for consistently late reporters. Updated guidance will be completed by December 31, 2025, and our next annual review of reporting tools will be completed by June 30, 2026.

We do not agree with the recommendation to implement a rigid submission calendar that does not include exceptions. DELC includes timelines for regular reporting in agreements, and monitors for timeliness. Preschool Promise intentionally includes a wide range of grantees in order not to limit necessary flexibility and potentially undermine program goals.

RECOMMENDATION 6 Develop training so providers understand reporting requirements.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Point of contact for implementation**
Agree	Additional training and resource recommendations identified **12/31/2025**	Teresa Waite, Director, Grants Management Office, Teresa.Waite@delc.oregon.gov

Narrative for Recommendation 6

We agree that strong grantee training is essential for effective fiscal oversight, and onboarding already includes one-on-one support, live and recorded webinars, written guides, and open office hours, with materials in multiple languages. DELC is developing relevant training and targeted enhancements that deepen fiscal reporting skills for grantees. Additional fiscal training resources will be identified by December 31, 2025.

RECOMMENDATION 7 Implement additional monitoring controls to identify providers out of compliance or at higher risk of violating program rules, including by performing data analytics to flag improper payment risks.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Point of contact for implementation**
Agree	Grantee Operational Risk Assessment Tool in place **6/30/2027**	Teresa Waite, Director, Grants Management Office, Teresa.Waite@delc.oregon.gov

Narrative for Recommendation 7

We agree with the recommendation and have already begun developing additional monitoring controls to identify providers at greater risk of noncompliance or improper payments. By June 30, 2027, DELC will implement an operational risk assessment tool for all DELC agreements. DELC's new Grants Lifecycle Committee will assess the tool's effectiveness and recommend improvements. A two-year timeline aligns with planned system enhancements and supports phased implementation.

RECOMMENDATION 8 Enhance ongoing reconciliations between draw data and state accounting records.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Point of contact for implementation**
Agree	Review risk levels for reconciliation errors and establish appropriate controls **6/30/2026**	Teresa Waite, Director, Grants Management Office, Teresa.Waite@delc.oregon.gov

Narrative for Recommendation 8

We agree that reconciling Preschool Promise draw requests with state accounting records is a relevant and necessary internal control. DELC has several related controls already in place to ensure expenses are allowable, spending matches past patterns, and that each grantee draw report aligns with the associated claims in DELC's awards management system.

RECOMMENDATION 9 Implement controls to prevent, detect, and correct duplicative payments.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Point of contact for implementation**
Partially agree	Review of Fiscal Monitoring **12/31/2025** AMS Updates Phased Implementation **6/30/2027**	Teresa Waite, Director, Grants Management Office, Teresa.Waite@delc.oregon.gov

Narrative for Recommendation 9

We agree with implementing safeguards against double-billing and ensuring dollars are spent for their intended purpose. In 2025, we will strengthen fiscal controls by updating our fiscal monitoring protocols. New Awards Management System enhancements will improve tracking and help verify proper payments for grantees participating in multiple programs, with phased implementation beginning in 2026 and anticipated to be completed by June 30, 2027.

Our agreement is partial because receiving funds from multiple early learning programs is not, by itself, a duplicate payment. Oregon law (HB 3380, 2015) intentionally allows braided funding to cover different portions of a child's day and create mixed-income classrooms.

RECOMMENDATION 10 Implement additional controls to ensure grantee data is reliable and services are delivered as intended, such as by collecting and monitoring child-level data across programs.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Point of contact for implementation**
Partially agree	1. Enhanced Monitoring Policy & Procedure Adoption: **12/31/25** 2. Implementation of Enhanced Monitoring & Comprehensive Risk Assessment: **6/30/26** 3. Design controls to mitigate associated risk: **6/30/27**	Dorothy Spence, Early Learning Programs Director, dorothy.spence@delc.oregon.gov

Narrative for Recommendation 10

We agree that reliable grantee data are essential for effective oversight and tracking outcomes. By December 31, 2025 we will adopt a risk-based monitoring policy for Preschool Promise; by June 30, 2026 we will pair that policy with a cross-program risk assessment; and by June 30, 2027 we will put additional controls the assessment recommends in place.

While it would be ideal to gather and monitor data at the individual child level, it is not feasible to implement this recommendation with the agency's existing budget given the security and operational infrastructure required. Nationally, only 17 of 44 state-funded preschool programs track data at the child level; most rely on aggregate data.[2]

RECOMMENDATION 11 Leverage data analytics to improve grant monitoring and to inform granting decisions.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Point of contact for implementation**
Agree	See recommendations 3, 7, and 10	See recommendations 3, 7, and 10

Narrative for Recommendation 11

We agree that strong analytics help ensure Preschool Promise dollars are spent where they are needed most. DELC will continue to tighten oversight of Coordinated Enrollment data from Hubs, implement a new Awards Management System, and establish a Research Analysis & Data (RAD) office to bring program information into one place.

See efforts outlined in Recommendations 3, 7, and 10 for associated timelines and details.

RECOMMENDATION 12 Develop a set of specific, measurable, achievable, relevant, and timebound goals for the program supported by necessary data to evaluate the agency's progress towards achieving them and inform decision-making. These goals should align with the agency's strategic plan and program requirements, guide daily operations, and drive risk assessments to address threats such as improper payments or grantee performance issues.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Point of contact for implementation**

[2] **Child Trends. (2018).** *2018 Early Childhood Data Systems Survey: 50-state survey report.*

Agree	SMART Goals defined **12/31/2025**	Dorothy Spence, Early Learning Programs Director, dorothy.spence@delc.oregon.gov

Narrative for Recommendation 12

DELC's strategic plan, *Growing Oregon Together,* already sets SMART (Specific, Measurable, Actionable, Realistic, and Timebound) goal objectives for the agency. DELC will formalize the connections between strategic plan objectives and program activities through a workplan. This work will be completed by December 31, 2025.

RECOMMENDATION 13 Perform a comprehensive risk assessment for early childhood programs including an evaluation of improper payment risks, analyze identified risks on an ongoing basis, and use that analysis to design mitigating controls.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Point of contact for implementation**
Agree	Comprehensive Risk Assessment **6/30/2026** Design controls to mitigate associated risk **6/30/2027**	Cooper Brown, Deputy Director of Operations, Cooper.Brown@delc.oregon.gov

Narrative for Recommendation 13

We agree with this recommendation and the need to assess risk across programs. We will complete a comprehensive risk assessment of DELC's early childhood programs by June 30, 2026. We will implement a comprehensive control structure based on risk assessment outcomes, including ongoing risk monitoring and analysis, by June 30, 2027.

Please contact Joel Metlen, Deputy Director of Programs, at joel.metlen@delc.oregon.gov with any questions.

Sincerely,

Alyssa Chatterjee
Early Learning System Director
Department of Early Learning and Care

cc: