New York State Comptroller
THOMAS P. DiNAPOLI

Office of Children and Family Services

Child Care Stabilization Grants (Follow-Up)

July 2026 | Report 2026-F-4

Prepared by the Division of State Government Accountability

Contents

Authority

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Office of Children and Family Services to implement the recommendations contained in our initial audit report, *Child Care Stabilization Grants* (Report 2022-S-44).

Background, Objective, and Scope

The COVID-19 public health emergency put a spotlight on the critical role child care plays in supporting children, families, businesses, and the economy as a whole. It also highlighted the fragility of the child care system. Child care is essential for our communities to thrive, but according to the New York State Child Care Availability Task Force, the system's current structure means many families cannot access or afford high-quality care, and the workforce is largely underpaid for skilled and valuable work. In response to the urgent need in the child care sector, the American Rescue Plan Act (ARPA) included approximately $24 billion for child care stabilization grants.

The Office of Children and Family Services' (OCFS) mission is to serve New York's public by promoting the safety, permanency, and well-being of our children, families, and communities. As part of its mission, OCFS' Division of Child Care Services (Division) administers several child care grant programs, including child care workforce retention and child care stabilization. Between May and June 2021, OCFS received $1.8 billion from ARPA and an additional $469 million from the Coronavirus Response and Relief Supplemental Appropriations Act. OCFS used the money to fund several COVID-19 response programs, including over $1.4 billion to fund child care stabilization grant programs. OCFS awarded these grant programs in two separate rounds. The first round (Stabilization 1.0) focused primarily on stabilizing the child care sector. The second round (Stabilization 2.0) focused on stabilizing the child care workforce. OCFS awarded a total of $1.173 billion, including $893 million in Stabilization 1.0 funds and $280 million in Stabilization 2.0 funds.

The objective of our initial audit, issued in November 2024, was to determine whether OCFS had established and maintained adequate internal controls to enable it to oversee and monitor child care stabilization grantees to ensure proper use of child care stabilization grant funds; and to determine whether the grants met their intended purpose to stabilize child care operations to maintain care. The audit covered the period from January 2020 through November 2023.

The audit found that OCFS didn't sufficiently monitor grantee expenses claimed under the programs to provide assurance that funds were used for allowable expenses. Specifically, OCFS did not, as a practice, request or review receipts (even on a sample basis) to support expenses claimed. Instead, OCFS relied primarily on providers' attestations and expense report claims to support payments. Of the $2.6 million in expenses reviewed from 39 non-special education providers, $373,182 (14%) reported to OCFS by 20 providers was either inadequately supported or not supported at all. Additionally, while federal guidelines gave OCFS latitude in developing a grant funding methodology, the audit found that obtaining additional information that better reflects providers' operating conditions and enrollment might have been useful in calculating grant amounts. There were stark differences between the licensed capacity information OCFS used to determine grant awards and child care providers' actual enrollment, indicating that grant awards were not necessarily reflective of providers' current or historical operations. This was especially glaring for special education providers. For the 16 special education providers reviewed, award amounts would have been $1.09 million (18%) less had the State Education Department's (SED) capacity information been used. Further, the audit questioned whether providers used all grant funds in line with the program's goals. For example, although Stabilization 2.0 focused on supporting the child care workforce—which, according to the New York State Child Care Availability Task Force, has been historically underpaid—of the expenses reviewed, the audit found four providers used $73,036 in Stabilization 2.0 funds for health care contributions, retirement contributions, and bonuses (totaling over $14,000) for executive staff.

The objective of our follow-up was to assess the extent of implementation, as of June 2026, of the three recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

OCFS officials have made progress in addressing the issues we identified in the initial audit. Of the initial report's three audit recommendations, one was implemented, and two were partially implemented.

Follow-Up Observations

Recommendation 1 – Develop and implement enhanced controls and monitoring practices for child care grants administered by OCFS. This may include, but not be limited to, reviewing supporting documentation for grant expenditures using a risk-based approach.

Status – Implemented

Agency Action – OCFS has implemented enhanced controls and monitoring practices for the child care grants it administered. Since the initial audit, OCFS has implemented a tool within its grant portal to automatically detect whether a provider has fully reported the use of all granted funds by the end of the grant period. If the reported amount is less than the total award, the system issues notification letters to grant awardees, informing them that they must return any unused funds from the grant period. OCFS officials said they can use this new tool for all programs managed through its grant portal. According to officials, the tool was used not only to monitor stabilization grant recipients but also to oversee two other recently concluded grant programs: Invest in New York – Child Care Deserts and Workforce Retention.

In addition, OCFS selected a sample of 750 stabilization grant recipients that were paid about $46.9 million and engaged a contractor to conduct a compliance review of the sampled recipients to ensure that the funds were used in accordance with the grant requirements. OCFS used a risk-based approach to select 78 of the 750 sampled grant recipients based on factors such as recipients' responsiveness to OCFS outreach and high unreported grant amounts. The remaining 672 programs were selected randomly within each of the five program types that participated in the grant. The vendor has completed its review and identified $15.15 million in payments to 293 awardees that were either inadequately supported or not supported at all.

OCFS is also in the process of creating a Quality Assurance Unit within the Division. According to OCFS officials, the new unit will be tasked with ensuring proper internal controls are established to oversee and support ongoing grant management and oversight, monitoring program compliance, and conducting audits and reviews of Division programs, including grants it administers. The manager of the new unit was appointed in March 2026, and OCFS is in the process of hiring three additional staff.

Recommendation 2 – Continue efforts to identify and recover unspent or inappropriately spent grant funds from providers.

Status – Partially Implemented

Agency Action – OCFS identified all recipients that failed to submit required reports on how they used their entire stabilization grant award and began sending recoupment notices to non-compliant recipients in December 2023. As of May 2026, OCFS has recovered about $11.5 million. In August 2025, OCFS also started referring cases to the Office of the New York State Attorney General. By May 2026, OCFS had made a total of 384 referrals and identified 140 additional referrals still to be made.

Additionally, as previously noted in this report, OCFS contracted with a vendor to conduct a compliance review of a sample of 750 providers that were awarded stabilization funds. The vendor has completed its review and identified $15.15 million in payments to 293 awardees that were either inadequately supported or not supported at all. However, OCFS has not yet taken any steps to recover the identified unspent or improperly spent funds.

Recommendation 3 – Align providers' grant awards to best meet the goals of the program, which may include, but not be limited to:

- Obtaining additional information and increasing communication with providers.
- Coordinating and sharing information with SED regarding special education providers.
- Evaluating whether additional factors should be considered when awarding grants.

Status – Partially Implemented

Agency Action – Because the child care stabilization grant program has ended, we assessed the extent to which OCFS has implemented this recommendation in relation to the one new grant program it has launched since the initial audit was released: the Empire State Child Care Share (ESCCS) Pilot Program. The program aims to increase access for families making between 85% and 100% of the state median income to safe, affordable, high-quality child care; increase employee retention in the overall workforce; and improve financial stability for child care providers. Through the ESCCS Pilot Program, the cost of child care is shared equally by the family, the employer, and the State, with ESCCS paying the State's portion of the cost. OCFS is implementing the program regionally by selecting not-for-profit organizations to serve as regional Facilitator Hubs to administer the program. Each Facilitator Hub is responsible for acting as an intermediary among employers, families, and child care providers; issuing the State portion of the child care costs; and being the administrative lead.

We reviewed the Request for Proposals for this program, issued by OCFS in March 2025, and found that OCFS has taken some steps to implement this recommendation. For example, one of the main issues identified in the initial audit that led to this recommendation was that OCFS was determining award amounts based on licensed capacity instead of actual enrollment. Under this grant program, Facilitator Hubs must spend about 85% of the funds they receive on actual child care costs. Specifically, each Facilitator Hub must use approximately $1.36 million of the $1.6 million awarded (85%) to cover child care expenses for about 272 children. Facilitator Hubs may use the remaining $240,000 (15%) for administrative expenses.

However, OCFS could have done more to ensure that grant funds will be used effectively to meet program goals. Unlike the child care stabilization grant, which provided funds directly to child care providers, this program awards grants to Facilitator Hubs that will distribute the funds to those providers. While we saw that OCFS took steps to select Facilitator Hubs with the capacity to administer this program, we did not see any evidence that OCFS established clear requirements for Facilitator Hubs to gather information or effectively engage with employers, employees, and child care providers in a manner that aligns with all the program goals. For instance, one goal of the program is to provide access to high-quality child care. However, aside from the stipulation that child care programs must be licensed and registered with the appropriate governing body and be in “Good Standing,” OCFS is not requiring Facilitator Hubs to assess the quality of child care when selecting child care providers to pay using ESCCS funds. Similarly, another goal of the program is to increase employee retention, but OCFS has not set requirements for Facilitator Hubs to select participating employers and employees who will contribute to that goal. We continue to encourage OCFS to implement this recommendation and ensure future child care grant awards are aligned with program goals.

Reporting Requirements

OCFS officials are requested, but not required, to provide information about any actions planned to address the unresolved issues discussed in this follow-up within 30 days of the report’s issuance. We thank the management and staff of OCFS for the courtesies and cooperation extended to our auditors during this follow-up.

Contact

Office of the New York State Comptroller
110 State Street
Albany, New York 12236

(518) 474-4044

www.osc.ny.gov

Prepared by the Division of State Government Accountability

July 9, 2026

Executive Team

Andrea C. Miller – Executive Deputy Comptroller
Tina Kim – Deputy Comptroller
Stephen C. Lynch – Assistant Comptroller

Contributors

Heather Pratt, CFE – Audit Director
Andrea LaBarge, CFE – Audit Manager
Andre Spar – Audit Supervisor
Sedrik Nellis – Examiner-in-Charge
Amaury Gonzalez – Senior Examiner

NYS FOLLOW US: osc.ny.gov/subscribe