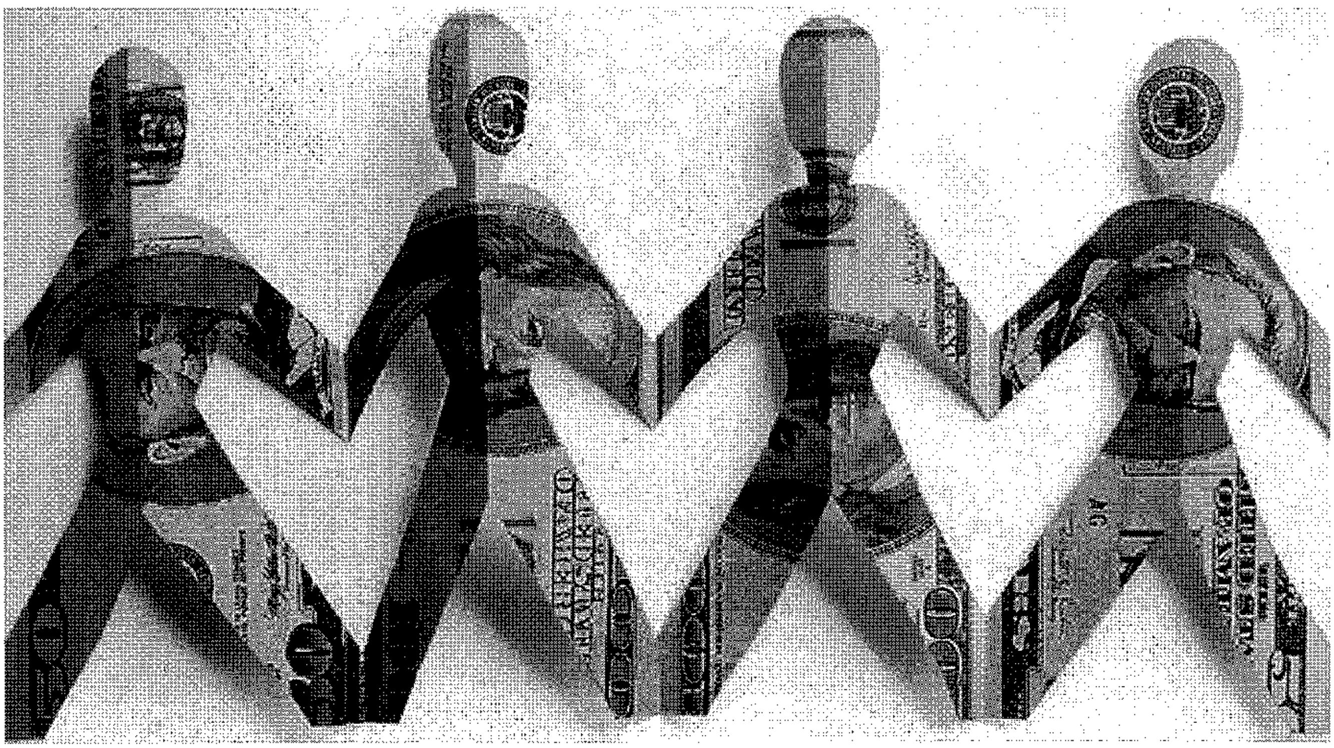
Cashing in on Kids | A Watchdog Report

Child-care scams rake in thousands



Phantom caretaking, fake jobs used to defraud taxpayer-funded system

By Raquel Rutledge of the Journal Sentinel

Posted: Jan. 25, 2009

First of two parts

On paper Angela Hale is a child-care provider.

She reported taking care of the same five kids seven days a week while their mom supposedly worked at a lawn-care service, even in the winter months.

The government paid Hale more than $30,000 last year for her child-care business.

It appears the government got duped. Hale didn't care for the kids at times she said she did, nor did the mom legitimately work, the Journal Sentinel found.

The newspaper spent four months investigating the $340 million taxpayer-financed child-care system known as Wisconsin Shares and uncovered a trail of phony companies, fake reports and shoddy oversight.

The program was designed to give low-wage working parents assistance with child care, encouraging them to get and keep jobs, rather than stay on welfare. While the need in many of the 34,000 cases is genuine, the system allows child-care providers and parents to easily con the system, capitalizing on children for public cash.

The Journal Sentinel focused on the five Wisconsin counties with the highest number of subsidized child-care recipients - Milwaukee, Dane, Racine, Kenosha and Brown counties.

Among the findings:

• Counties accept almost anything as proof of employment for parents seeking child-care assistance. Notes from employers, phone conversations, checks stubs - all of which are easily fabricated - serve as sufficient proof. As a result payments are sometimes approved based on bogus jobs.

• Caseworkers sign off on child-care arrangements that defy the imagination. In one instance, child-care funding was approved for 85 hours a week even when children were in school all day. If the statements were to be believed, the children would almost never be home. In another case, a woman was granted child-care assistance to work 236 of 238 days, including the day she gave birth to her seventh child.

• Regulators seldom revoke licenses for fraud and are slow to act even when they have strong evidence. In at least two cases, government officials suspected that providers were falsifying documents for three years before finally moving to shut down the child-care operations. Prosecutors have filed only one child-care fraud case in the past five years.

"When you consider the nature of the scheme, it's just so easy to do," said David Feiss, a Milwaukee County assistant district attorney. "Frankly if you kept it to a small scale and were satisfied to keep it to a grand a week, I don't know how you would ever get caught."

State and local officials admit that when providers are caught billing for hours children are not actually in their care, it's typically treated as an error rather than as a crime.

And no parent has ever been criminally charged for fraudulently enrolling a child, prosecutors in the five counties said.

It's impossible to know the scope of the swindling. The state hasn't completed a full audit of the program since 2001.

In addition, the state and local governments declined to release much of the information needed to reveal the inner workings of the scams - removing any possibility for the public to hold the government accountable.

To be able to tell this story, the Journal Sentinel reviewed about 2,500 pages of public records, conducted spot checks and obtained from sources thousands of additional pages of state and county documents that regulators refused to release.

Even with access to only a limited number of cases, the Journal Sentinel was able to identify nearly $750,000 in suspicious child-care disbursements.

In some ways, the scam is simple. All it takes is three players: an employer, a child-care provider and a parent.

Nobody has to lift a finger to get the money, other than to fill out fraudulent papers.

Easy money?

Katria Wright is a 33-year-old mother of seven from Racine who first began receiving child-care assistance in 1997, a few years after she gave birth to her first child.

In August 2006, Wright told Racine County workers she got a job with Strictly Cuts, a small lawn-care service in Kenosha - a move that kept her qualified for publicly funded child care.

The lawn-care service is owned by Frank Alfano. His longtime live-in friend, Angela Hale, is a certified child-care provider.

Alfano, 47, and Hale, 38, live on a quiet cul-de-sac in northern Kenosha County.

It was a perfect setup, it seemed. Alfano could say he employed Wright, and Hale could say she took care of Wright's kids. It would be easy money.

Alfano claimed Wright worked for him "about 40 hours a week or more," second shift Monday through Friday as well as all day Saturday and Sunday, according to documents and an interview with Alfano.

Working second shift and on the weekend allowed her to be eligible for more public funds for child care because none of her children would be in school those hours.

Alfano said Wright made $6.25 per hour - 25 cents below the legal minimum wage, according to documents. The wage rate itself should have disqualified him as an eligible employer, according to state policy. It should have at least raised a red flag.

But it didn't.

The county approved 47 hours a week for each of Wright's five children who qualified at the time to attend child care. Wright's oldest child was nearly 13 and would soon be too old for taxpayer-financed child care.

The state began paying Hale more than $1,600 every two weeks.

Hale filed paperwork stating she cared for the children while Wright worked seven days a week. That work schedule included New Year's Eve, New Year's Day and the day Wright gave birth to her seventh child. She also reportedly worked for the lawn-care service every day for more than a full week after the birth of her daughter, according to documents Hale filed with the county.

Wright took just two days off during a nearly eight-month period, according to records.

Alfano said Wright did "odds and ends," helped take care of his elderly mother and put Strictly Cuts brochures on people's doors late in the evenings in hopes of drumming up business. He said she worked second shift because his lawn-care crew did the job earlier in the day.

Alfano wrote checks to Wright, and she used the check stubs to provide the county with proof of her employment.

Alfano drives a white pickup truck displaying a "Strictly Cuts" logo with lawn-care equipment in the bed. He said he services more than 120 properties a week and also does some snowplowing in the winter. Alfano said he has another job doing construction in Illinois during the week.

Yet, the Wisconsin Department of Revenue has no record of taxes filed for Strictly Cuts, and Alfano's 2007 filing showed he paid nothing in net taxes. In addition, he never reported Wright's income to the state - all facts that should have led workers to question whether Strictly Cuts is legitimate and whether Wright really worked there.

In addition, Alfano does not carry worker's compensation, according to the Department of Workforce Development, which should disqualify him as an eligible employer of a Wisconsin Shares client.

Racine County workers approved the expenditures anyway.

Ownership denied

The Journal Sentinel watched Hale come and go from her house on four days on which she would later report to the county that she was caring for Wright's children.

During that week, Wright's children never got dropped off at Hale's house at the times the mother was supposed to begin working. On the final day, Journal Sentinel reporters confronted Hale.

"She's apparently running late," Hale said of Wright.

Hale, who filed Chapter 7 bankruptcy in April, then hurried away from her house saying she was going to get her own children some snacks. When she returned, Hale said there was a death in her family and that she couldn't talk any more.

Wright, who was convicted in 2005 of selling cocaine, did not answer her door - although children were seen in the house. When reached by phone, she refused to comment other than to ask "How do you know this? How do you know where my children are?"

A couple weeks after the Journal Sentinel questioned the trio, Wright told Racine County caseworkers she no longer works for Alfano. In a follow-up interview, Alfano denied even owning Strictly Cuts. He also said the IRS was on his case and that he was splitting town.

By then, the state had already paid out nearly $85,000.

Racine County officials declined to comment on specific cases raised by the Journal Sentinel. They touted the benefits of the taxpayer-financed program while acknowledging the system has shortcomings.

"It's a good system," said Dawn Ramsey, child-care coordinator and a supervisor of the financial and employment planners who process applications. "It's helped a lot of people. But like any other system there is fraud involved."

Launched with W-2

Wisconsin Shares was launched in 1997 in tandem with the state's overhauled welfare-to-work program, known as W-2 or Wisconsin Works, which was lauded by some at the time as a national model for moving people off welfare rolls into productive jobs.

One of the big obstacles to welfare recipients entering the work force had been the cost of child care. Low-wage jobs wouldn't even cover the cost of care in some cases.

"These are families who would be unable to work if they didn't have the assistance," said Charity Eleson, executive director of the Wisconsin Council on Children & Families, a nonprofit advocacy organization that has been studying W-2 and the Wisconsin Shares programs since their inception.

Without child-care assistance, parents have been forced to leave their children in locked cars or in other unsafe situations, Eleson said.

"This particular program is so essential for working poor families," she said.

Under the Wisconsin Shares program, the state pays the cost of child care for lower-income families by making payments directly to the child-care provider chosen by the parent. To be eligible, a family of four can earn no more than $3,268 a month in gross income, roughly what a licensed practical nurse or an administrative secretary might make.

The program now covers child-care costs for more than 60,000 kids, up from about 47,000 in 2003 - a 28% jump.

Nearly two-thirds of the funding comes from federal Temporary Assistance for Needy Families and other federal block grants. The state pays the rest.

In 2007, the Wisconsin Shares program ran an $18 million deficit, forcing state legislators to tap into the general fund to cover the costs. In August alone, the state paid $43.7 million to providers - $6 million more than in any other month in the program's history.

Despite a deepening recession and the state's jobless rate recently hitting a 22-year high, state officials say more people are entering the work force, driving up demand for child care. However, state and county officials don't track the types of jobs parents are getting.

And in reality, they can't even say if the jobs are authentic.

"Anybody can buy a set of checks and have them printed up," said former Milwaukee police Detective Djordje Rankovic, who spent nearly a year investigating a child-care provider recently charged with bilking the system out of more than $360,000. "It's easy to do."

State officials say county workers aren't trained tax experts and do the best they can to verify the information.

"We don't want to be onerous," said Jim Bates, a program analyst for Wisconsin Shares. "But we want to see valid receipts, not just take their word."

Yet questionable receipts and other dubious documents slip through, the Journal Sentinel found.

Consider the case of Perry Adult Daycare. In February 2008, a mother of five submitted a note signed by the owner of the company claiming she would work for the day care business.

The note was not on any official letterhead and contained more than a half-dozen spelling, grammar and punctuation errors. It stated that the mom would work third shift and be paid in cash. It listed a phone number that was out of service. The state had no record of such a company, and no listing was found in searches of other public documents.

Caseworkers approved child-care funding.

It's unclear exactly how long payments based on the alleged employment continued, but the approval cost taxpayers at least $733 per week, according to documents.

Suspected of fraud

The money keeps flowing even when the validity of some of the cases is clearly in question.

Caseworkers believed Talisha Burkhart, a 26-year-old mother of six, was likely lying about her job and where she lived.

In fact, Racine County caseworkers suspected Burkhart of fraud for three consecutive years - in 2006, 2007 and again in 2008. But payments continued for her six children to attend child care.

Her employment form "is very suspicious," a caseworker wrote in June 2006. In addition, the worker noted it appeared that Burkhart was living in the same house as her child-care provider, records show.

That alone should have automatically disqualified her for aid, according to state rules. When the caseworker called the provider and Burkhart, she "got conflicting stories" and reported her findings to a supervisor.

Yet soon after, the county approved 45 hours per week of child care for each of Burkhart's children, a move that cost taxpayers nearly $48,000 a year in payments to Burkhart's providers.

Burkhart claimed to work for a company called FSG Financial Services Group on Sunset Blvd. in Waukegan, Ill.

The landlord at the location, however, said there is no such company in his building and never has been. Illinois state regulators have no record of the company. The phone number Burkhart listed - a cell phone number - played a recording stating, "The person you are trying to reach is not accepting calls at this time."

In April 2007, Burkhart claimed she would be working second and third shift at the same phantom company. She had her child-care hours increased to 85 hours a week for each child - costing taxpayers $1,713 per week, or nearly $90,000 annually.

It's unclear what Burkhart would have done for the company. Cenkeshia Gray, a relative of Burkhart and her new child-care provider, said she works in telemarketing somewhere in Racine.

"If she's not working and I've been taking care of her kids, I'm going to kick her ass," Gray said.

Gray said she started taking care of the children in September, but documents contradict her story, showing she was paid for allegedly caring for the children seven months earlier.

Gray said the children - ages 5 to 11 - come to her house at about 10:30 p.m. She said four of them sleep in one queen-sized bed and two on the couch. She said county workers approved the sleeping arrangements, although county officials said they had no records on the matter.

County workers also repeatedly complained that Burkhart wasn't providing proper proof of residency and that mail sent to her would be returned. They had a difficult time reaching her by phone. Burkhart listed at least 10 different phone numbers in the past two years.

In July 2007 and again in August 2008, a caseworker referred her case for a fraud investigation, but payments to the providers continued.

Asked by the Journal Sentinel about her job, Burkhart angrily replied: "I work. I work. It's 50,000 child-care providers around here. Now why am I the only person that you're coming over here to talk to? My auntie's a child-care provider, my uncle's a child-care provider, cousins are child-care providers, everybody's a child-care provider around me, but this is the only person that I know ya'll have talked to."

She then slammed the door.

Burkhart is linked with two Social Security numbers, and the Department of Revenue cannot locate tax records for her for 2006 or 2007.

She was convicted of a felony in 2007 for forging checks.

Days after the Journal Sentinel questioned Burkhart, she told caseworkers she no longer works at FSG.

The Journal Sentinel came across two other women who received child-care funding based on spurious jobs beginning in May when they claimed to work third shift for a Wauwatosa-based cleaning company called Global Cleaning Services - owned by Bridget West.

In December when the Journal Sentinel contacted West, she denied owning the company.

"I don't even have a cleaning business," West said. "I don't know what you're talking about."

It's unclear what, if any, involvement West had in the arrangement. However, it appears she knew the women claiming to be her employees.

The day after the Journal Sentinel contacted West, the two women called their caseworkers and said the company had closed, according to case documents.

Total taxpayer dollars spent: $22,000.

Watching possible cheaters

Once fraudulent cases slip through front-line workers, it's difficult for counties to catch them.

Proving that parents and providers are cheating the system sometimes requires watching them, becoming familiar with the children, charting their whereabouts and comparing it to what they later report on attendance and sign-in sheets. It's a costly and time-consuming undertaking.

"I don't know that law enforcement will ever have the resources necessary," said Feiss, the Milwaukee County assistant district attorney.

Wisconsin Shares clients aiming to scam the system often claim to work second or third shifts, according to front-line workers. That would generally mean a 2 p.m. or 11 p.m. start. That makes it difficult for county workers to check on them.

The number of people flocking to the program doesn't make oversight any easier.

In Dane County, the number of cases of economic support, which includes Wisconsin Shares, soared to more than 23,000 last year - up 77% from five years earlier. The number of workers processing the cases has stayed about the same, said Sara Shackleton, who was associate division manager for economic support before retiring in December. The county recently had gone six months with no fraud investigator, she said.

Kenosha, Racine and Brown counties have seen their number of cases jump as well.

"Worker caseloads are ridiculous," said Mark Quam, director of Brown County Human Services. "There's constant pressure of pushing stuff through as fast as you can. They're always under the gun."

In Milwaukee County, five workers were tasked in 2007 with scouring mounds of forms, receipts and other documents. Their mission: to troll for fraud within more than 109,000 cases of medical and food stamp assistance, as well as within Wisconsin Shares.

The county added five more members to the team in 2008 to focus strictly on child-care fraud. The unit investigated more than 300 cases of potential child-care subsidy fraud last year. Eight licenses in Milwaukee County were revoked by the state as a result, but no criminal charges were filed, county officials said.

While state and county regulators have authority to revoke licenses and certifications, they seldom do. From 2003 to 2007, state regulators revoked fewer than 10 licenses for suspected fraud. Counties, meanwhile, shut down two providers based on fraudulent billing to Wisconsin Shares.

In one case, inspectors showed up multiple times at A Step Above the Rest Child Care Academy in Milwaukee in March and April. They found nobody there.

The owner later reported full attendance of children on forms submitted to the county on those same days. Milwaukee County suspended the center's participation in Wisconsin Shares for six months, but caseworkers later concluded they didn't have enough evidence to shut down the child-care center. The center was paid more than $46,000 in subsidies from 2006 through 2007.

In a Madison case, regulators in 2004 and again in 2006 found that the owner of Small Wonders Preschool was falsely claiming children were in attendance. The center was allowed to continue operating until September 2007, raking in more than $23,000 in improper payments.

And a provider in Marinette County filed phony attendance reports 47 times - beginning in 2004 - before having her license to run Early Years suspended. She was allowed to voluntarily close in 2007.

Most often, discrepancies in paperwork and other suspected deceit are treated as mistakes, according to state and local officials. In those cases, the counties seek repayment of the funds. In 2007, the state determined it had overpaid providers about $1.4 million. "Provider error" made up 916 of the 1,031 overpayment cases.

"Fraud is a much higher threshold," said Dan Harris, administrator for the Division of Early Care and Education with the state Department of Children and Families.

Pursuit of fraud charges requires coordination by state and local authorities, including police detectives or sheriff's deputies, county workers and district attorneys.

The goal of the state is not to shut down providers, Harris said.

"The philosophy we try and take through the licensure of child-care providers is . . .&enspto help providers come into compliance with the rules," he said.

Not much incentive

Some officials familiar with Wisconsin Shares say there's not much incentive to police the program. Much of the funding comes from federal block grants.

The federal government spends more than $5 billion on child-care development grants every year. That doesn't include other assistance that goes toward child-care subsidies.

An annual audit is mandated by the federal government but requires only a listing of how money was spent. It does not examine program integrity.

The state hasn't completed a full-program audit since 2001. And as for Milwaukee County's oversight: "We typically wouldn't go in and audit what's essentially a state program," said Doug Jenkins of the county Department of Audit.

In 2007, state representative Robin Vos (R-Racine) co-sponsored legislation giving counties incentives to crack down on fraud. Neither the state nor officials with Milwaukee County could say how the incentive program has worked.

"I think they're being incredibly generous when they say someone filled out a time sheet for 20 kids and they were never there," Vos said. "Is that error or is that fraud?"

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JOURNAL INTERACTIVE

Child care loopholes lead to easy money

Kristyna Wentz-Graff

Torneshia Simmons sits with three of her children in her Racine home on Dec. 18. Simmons first became an approved provider and received Wisconsin Shares money in 2002. Her sister Shanta McKinney first received child-care subsidies in 2003.

Sisters get $540,000 from state mostly for watching each other's kids, and it's perfectly legal

By Raquel Rutledge of the Journal Sentinel

Posted: Jan. 25, 2009

Second of two parts

The two-story house on 17th St. looks typical of the working-class homes on Racine's west side. Three bedrooms, one bath. Assessed by the city at $122,000.

Yet inside, a young woman has tapped into a home-based money-making operation that netted her and her three sisters more than half a million in taxpayer dollars since 2006.

And they did it with the blessing of the state.

All four had been in-home child-care providers. Collectively they have 17 children. For years, the government has paid them to stay home and care for each other's children.

Nothing illegal about it under the rules of Wisconsin Shares, the decade-old child-care assistance program designed alongside Wisconsin's welfare-to-work program.

"It's a loophole," said Laurice Lincoln, administrative coordinator for child care with the Milwaukee County Department of Health and Human Services. "Do we have concerns about it? Yes, it can be a problem. But if it's allowed, it's allowed. We really can't dispute it."

The Journal Sentinel spent four months investigating the $340 million taxpayer-supported program and uncovered an array of costly problems - including fraud. But the investigation also revealed a system rife with lax regulations that have paved the way for abuse by parents and providers.

Consider:

• Sisters or other relatives can stay home, swap kids and receive taxpayer dollars. The four Racine sisters took in as much as $540,000 in taxpayer dollars in less than three years, mostly to watch each other's kids.

• Rules allow parents to be employed by child-care providers and enroll their children at the same place. At some centers, children of employees make up the majority of kids in day care. In one Milwaukee location, an employer and parents are accused of teaming up to bilk the system out of more than $360,000.

• Child-care subsidy recipients have been allowed to work for almost any type of business. Payments were made when moms claimed to work ironing a man's shirts, drying fruit and selling artwork they made during art class.

• The government pays for child care while parents sleep. Counties have no way to monitor whether parents are actually sleeping while their kids are in day care.

"We're not being good stewards of taxpayer dollars," said state Rep. Robin Vos (R-Racine) who introduced legislation in 2007 to try to crack down on child-care related fraud. "We have a system where there's a whole lot of finger-pointing going on and in between, a whole lot of fraud happens."

The state published new rules in November - a month after the Journal Sentinel began asking questions - yet three of the five counties with the majority of Wisconsin Shares cases were unaware of the new requirements until contacted by the newspaper.

Caring for family

Torneshia Simmons, a 28-year-old single mother of five, sat at her dining room table at her 17th St. house in December surrounded by her children - all under the age of 9. The younger ones climbed on her and tried to snatch the hat off her head as she explained how she and her three sisters have been caring for each other's kids for years.

"I've been doing child care for my family since I was like 14," she said. "I've been watching their kids before I had kids, after I had kids . . .&enspI've been watching all my friends and family's kids."

Simmons first became an approved provider and received Wisconsin Shares money in 2002. Her sister Shanta McKinney first received child-care subsidies in 2003. Other sisters Tumina Ransom and Temeshe Brown got into the business in 2006 and 2007, according to state regulators.

For a while, Simmons took care of Ransom's and Brown's kids, she said. Then last summer her 2-year-old son was found wandering around outside unsupervised. The county shut down her child-care operation.

She said she now has another job that keeps her qualified for government-supported child care.

But when asked for details about her work, the answers got fuzzy.

First she said she worked at a clothing store called Get Fitted, Family Owned on Washington Ave. She said she worked second and third shift. A few minutes later she said she worked part time and the store was simply called Family Owned.

It's unclear what she would be doing working third shift at a retail clothing store.

And when the Journal Sentinel contacted the co-owner of Get Fitted, Carey Collins, he said Torneshia Simmons doesn't work there and never has. He didn't recognize Simmons' name. And his store closes at 8 p.m.

The Journal Sentinel could find no record of a clothing store called Family Owned. The Racine Area Manufacturers and Commerce and the state Department of Financial Institutions couldn't either. Simmons didn't list an address or phone number on documents filed with Racine County. Nor did the documents contain a federal tax identification number - all facts that should have raised the suspicion of Racine county workers.

Yet workers approved funding for Simmons' kids to be in her sisters' care 75 hours per week, costing taxpayers a weekly total of $1,283.

Simmons, who filed Chapter 7 bankruptcy in 2007, claims her children now go from McKinney's Racine house to Brown's house in Kenosha at about 11 p.m. McKinney, who has three young children of her own, and Brown, who has five, drop off or pick up the kids, she said.

But rules prevent providers from caring for more than six children at a time - depending on their ages - so for Brown to care for Simmons' five children, she would have to take her own kids elsewhere at 11 p.m.

Documents show Ransom is authorized to take care of Brown's kids.

Ransom, McKinney and Brown declined to comment or didn't respond to attempts to contact them.

Simmons said she's not concerned that the arrangement could interfere with her children's sleep. They go to bed whenever they want anyway - usually around 11:30 p.m. or midnight, she said.

State officials say such a situation is out of their control.

"Even though it might not appear to be in the best interest of the children, we don't have any authority to regulate that," said Jim Bates, a program analyst for Wisconsin Shares.

The government spends $66,716 a year on child care for Simmons' kids. That's 75% more than the average Wisconsin worker earned in 2007.

The full extent of the caregiving relationships is unclear in records, but it appears the sisters frequently change the arrangements.

Racine County officials declined to comment on the four sisters.

Nobody knows how often any of the roughly 34,000 Wisconsin families who receive child-care assistance take advantage of regulations allowing siblings to care for each other's kids. Neither the state nor the counties track that data.

But the Journal Sentinel discovered it's not the only rule that's especially prone to abuse.

Often-necessary perk

Providers and parents are also exploiting the rule that allows parents to become employees of the child-care center where they enroll their children, documents show.

The provision is common in the child-care industry. It provides an often-necessary perk for a typically low-wage job, professionals in the business say. However, if not properly monitored, providers and parents can team up to easily defraud the system.

In October, the Milwaukee County DA's office filed charges against the owner of Tender Moments Day Care Center on W. Capitol Drive.

The complaint alleges the owner, Shartavia Adams, and her mother, Bernice Watson, bilked the system out of more than $360,000 from September 2006 through October 2007. It was the first time in the last five years that prosecutors in southeastern Wisconsin have brought charges of suspected child-care fraud. And it is the largest such case in Milwaukee County history.

"There's no reason to believe that was an isolated case," said David Feiss, a Milwaukee County assistant district attorney who is prosecuting the case.

Watson and Adams allegedly recruited women to work at the day care center. The women would then enroll their children in the center - bringing in roughly $150 to $220 per week per child. The children seldom attended and their mothers rarely worked, according to the complaint. But Adams billed the state more than $2 million in 2006-'07.

As one state worker put it in a memo to colleagues, Bernice Watson is "known in the child-care community as the 'day-care pimp.' "

Watson and Adams have pleaded not guilty. Both declined to talk to the Journal Sentinel.

The Wisconsin Department of Revenue could not locate tax records for Adams in 2006 or 2007.

It's difficult to say how often this type of situation occurs, because full-blown investigations are rare. It is, however, typical for some of the bigger child-care centers to employ the parents of the children enrolled, legitimately or otherwise.

Kuddle Kare on W. Lisbon Ave. was authorized to care for 35 children in any given shift. Last summer, 28 children at the center belonged to 11 mothers who were listed as Kuddle Kare employees. The center shut down in July when a baby died after being left in the owner's car all day. The mom was a former employee of the center, who wasn't at the center when the tragedy occurred.At two of Bessie's Kiddie Kollege's four Milwaukee locations, nearly half of the kids authorized for care are children of employees. Bessie's took in $2.4 million from the state in 2006-'07.

And at Dreamland Child Care on N. Teutonia Ave., at least 50 of the 170 children enrolled belong to employees of the center. The state has paid $3.4 million to the center in the last two years, records show.

Dreamland owner Cassandra Holley said there's nothing fishy about it. She doesn't require her employees to enroll their children at her center. In fact, she used to have a policy forbidding employees to enroll their kids because it was too distracting to workers and upsetting to the children. But then some of her longtime staffers started having babies and urged her to change the policy.

"They work in different departments . . .&enspand the center is big enough to accommodate - without them working with their children," said Holley, who has owned her child-care business for 21 years.

Nothing in the regulations prohibits parents from working at a child-care center and enrolling their children there.

In fact, it makes good sense in some cases, said Paula Lucey, former director of Health and Human Services for Milwaukee County.

"Many women entering the work force off of W-2 have limited skills, so a child-care provider could be an ideal place to work," Lucey said.

Still, it should raise red flags when the ratio of workers to children is disproportionately high, said Djordje Rankovic, a former Milwaukee police detective who spent a year investigating the Tender Moments case.

"There's something wrong," Rankovic said, speaking generally. "You don't need that many people employed."

Milwaukee County investigators expect to take action soon in a case where all the children at a day care center belong to mothers who work at the center. The whole arrangement is fraudulent, regulators said.

Rankovic is convinced a good chunk of the state's 5,600 child-care providers that receive taxpayer subsidies are stealing from the system.

"I think it's just rampant through the whole state, if not the country," he said. "It's so easy to do, and there's nobody really monitoring it."

Paid to sleep

State and county regulators admit nobody is monitoring another provision that allows parents to get paid to sleep. The provision was designed to allow parents with young children to work third-shift jobs and sleep in the daytime.

Front-line county workers say more and more people are taking advantage of the rule - despite a drop in manufacturing jobs that offer third-shift opportunities.

Regulators can't confirm or dispute the assertion because neither the state nor counties systematically track how many people using the program work third shift or how many hours they authorize for children to be in day care while their parents sleep.

Even if they knew how many hours were authorized, regulators admit there's no way to ensure parents use the hours properly.

"It's a hard thing to monitor," said Bates, the state analyst. "It could certainly lend itself to abuse."

System's other pitfalls

Other pitfalls in the program stem from regulations that have allowed parents to work for just about any type of business and qualify for publicly supported child care.

Payments to child-care providers have been made based on women claiming to work ironing a man's shirts a few hours a week, selling amateur artwork and dehydrating fruit - all jobs that are difficult for county workers to verify, according to front-line workers.

"Let's say you set up a hair-braiding business and you do it one hour a week, you are good," said Vos, the state lawmaker from Racine.

In November - more than a month after the Journal Sentinel first began asking the state about oversight of Wisconsin Shares - the Department of Children and Families published a new child-care policy manual spelling out how counties should verify employment.

It detailed requirements that employers must have federal tax identification numbers and carry worker's compensation, along with other provisions.

Yet in December, Brown, Kenosha and Dane counties said they were unaware of the new regulations and had not been following them.

"I don't have a clue about that," said Sara Shackleton, associate division manager for economic support with Dane County, when asked about two of the new requirements. Shackleton retired in December.

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JOURNAL INTERACTIVE

Millions down the drain

State unable to collect overpayments to providers in child-care subsidy program

By Raquel Rutledge of the Journal Sentinel

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The state has overpaid day care providers at least $13.7 million in recent years - including millions of dollars spent on bogus child care that was never delivered, according to the state's own records.

When regulators have tried to collect the misspent taxpayer-funded money, parents and providers have stiffed the state to the tune of $6.4 million, the Journal Sentinel has found.

A four-month Journal Sentinel investigation published last month detailed a lack of regulatory controls within the $340&enspmillion Wisconsin Shares child-care subsidy program - a system prone to abuse and fraud that can go undetected.

Even with lax oversight, state regulators have identified millions of dollars that should not have been paid to providers.

Collecting the money has been another matter.

State officials say that in many cases their hands are tied, making it difficult to go after providers and parents who owe money. The state has no system to collect from providers that go out of business.

"They are essentially dead to us," said Henry Wilde, deputy secretary of the state Department of Children and Families. "There has to be some statutory changes. And that's our next step."

The state shut down 20 providers suspected of fraud in the last five years who owed $1.3 million. More than $1.2 million of that amount has gone uncollected.

Consider the case of Sarah Wiley-Jorgensen and her two day care centers in Eau Claire County called Great Beginnings.

Wiley-Jorgensen was licensed by the state in 2001 to care for eight children in her home. In 2003, the state began warning her to keep better attendance records. The warnings continued for five years - even through 2007, as she opened a second center and received a license to care for 24 more kids.

In January 2008, the state went back and began reviewing months of Wiley-Jorgensen's records, comparing the hours she billed the state with the attendance records she was required to keep at the centers.

What they found amounted to one of the largest cases of overpayments in state history, records show.

In one eight-month period, Wiley-Jorgensen appeared to have overbilled the state by $103,575, regulators calculated. The state didn't believe she was actually caring for the number of kids she claimed in her reports.

"On a number of occasions . . . you submitted false claims for children under the Wisconsin Shares child-care subsidy program," regulators wrote in a letter to Wiley-Jorgensen.

In March, regulators revoked her two licenses. Now the Eau Claire County district attorney is investigating.

Wiley-Jorgensen said she was simply guilty of poor record-keeping.

"I messed it up," Wiley-Jorgensen said. "I regret that to the utmost. I should have had a sign-in and sign-out sheet. . . . I wasn't the best businesswoman. But I am not a bad person or fraud."

She added that she was in no position to pay back the money.

"I don't know how you're going to get blood out of a turnip," she said.

Consider discrepancies

Overpayments to child-care providers occur for various reasons. Providers bill for hours they didn't actually take care of children, for example, or they bill for more children than their license or certification allows. Sometimes providers don't keep accurate attendance logs.

Parents also can trigger improper payments when they take children to day care but don't go to work. Sometimes they don't report their income accurately or disclose who is living in their home - both factors in qualifying for publicly funded child care. Regulators blame parents for more than 75% of uncollected overpayments on the books.

The amount of money misspent by the state is probably much higher because spurious cases slip through the system undetected. With only limited access to records, the Journal Sentinel identified about $750,000 in suspicious payments to child-care providers as part of the newspaper's initial two-part "Cashing in on Kids" series.

But states and counties seldom consider discrepancies in paperwork by parents or providers to be fraudulent. Instead, they are most often treated as mistakes and called overpayments.

When overpayments are discovered, state regulators have several ways to collect from parents who have abused the system. Regulators can intercept tax refunds, including earned income credits and homestead credits.

Beginning in 2007, regulators started to go after personal income, including wages. And just this month, they added the ability to file tax liens on property.

Still, parents collectively owe more than $4.8 million that can't be collected using any of these methods, records show. That's because most of these parents don't own property or aren't earning income.

"We keep them on the books for 20 years and . . . if someone comes up for air and gets a tax refund or starts getting wages legally, we're going to find them," said Wilde, of the Department of Children and Families. "I don't know what the odds are, but we're still seeking those payments."

Providers shut down

To get money repaid by providers that are still in business, the state withholds a percentage of Wisconsin Shares money until the debt is repaid.

That's rare, however. It happens about a third of the time and accounts for less than $250,000 of the money owed.

More often, providers get shut down or go out of business, leaving the state out of luck. More than 300 of the 521 providers who owe money fall into that category.

State regulators are working to link each child-care business to an individual owner so they can go after the owner's personal income should the business close. They hope to have the system ready by the end of the year.

"What we have in place is insufficient," said Reggie Bicha, secretary of the Department of Children and Families.

The state sends three notices reminding providers of their debt. If the providers fail to respond, the collection process typically ends, officials said.

Tender Moments Child Care center on W. Capitol Drive got three notices - and ignored them all. State officials say the center owes $850,000 that it received in overpayments.

Under the rules, the state has no way to recover the money. The owner of Tender Moments, Shartavia Adams, and her mother, Bernice Watson, face criminal charges accusing them of recruiting women to work at the center and enroll their children.

The women didn't work and the kids didn't attend, officials allege. But Adams billed the state roughly $200 per child, every week for about a year. The Milwaukee County district attorney filed fraud charges against the pair last fall. Watson and Adams are due back in court next month.

In another Milwaukee County case, regulators have been unable to collect nearly $73,000 from Nicole Cares Family Child Care Center on N. 34th St.

Nicole Mills, owner of Nicole Cares, was granted a license in January 2008 to care for eight children. In June, county caseworkers reviewed her paperwork. They found Mills had been billing the state for children who were not in her care.

Like the Tender Moments case, Mills also employed women specifically to help qualify them for the child-care subsidy. The women didn't actually work, the kids didn't actually attend, but Mills billed the state, records show.

State regulators revoked her license in September. Mills has yet to repay a penny. She could not be reached for comment.

Federal mandate

Federal regulators were warned about a lack of oversight within the child-care subsidy program almost five years ago.

The U.S. General Accounting Office cautioned regulators in 2004 that the system was vulnerable to abuse.

About two-thirds of the money spent on Wisconsin Shares comes from the federal Child Care and Development Fund and Temporary Assistance for Needy Families.

The federal Administration for Children and Families "has no oversight activity concerning the issues of improper payments or management of the roughly $8.5 billion in (federal) funds spent on child care," staffers in the Child Care Bureau wrote in 2004.

Federal regulators in 2007 mandated that states report how often they overpay child-care providers.

Wisconsin's report isn't due until June.

"The whole thing is ridiculous," said Cindy Jaeger, a former Milwaukee County worker.

Jaeger spent the last decade working for the county's program integrity unit, building cases against people suspected of bilking the system.

Jaeger said more collection tools will certainly help. But she said the problems can't be solved until county workers and leaders place a higher priority on stopping fraud.

"Nobody cares," said Jaeger, who left the Department of Human Services in December to have hip-replacement surgery and decided not to return.

Learning from Oklahoma

If the state is looking for ways to recoup more of its money, it can learn from Oklahoma.

Regulators in that state recover about 90% of overpayments, said Lisa Henley, director of Oklahoma's electronic payment systems. The state slaps huge fines on providers intentionally overbilling the system. It also does a better job collecting from owners of child-care businesses that draw overpayments.

"You have to be serious about it," Henley said. "I look at it like, 'This was not your money. It belongs to the taxpayers and we're going to go after it.' "

Taxpayers in Wisconsin will likely never see the nearly $46,000 in overpayments to 4 Family Child & Development Center on N. 21st St.

State regulators found "serious violations of attendance records" in 2005-'06 by the owner of the day care center, Tamarah Geter. In addition, Geter failed to report the income of her employees to the state.

"The behavior and actions of Tamarah Geter in submitting billing for low-income child-care assistance without documentation of services provided is indicative of unsound business practices and raises serious concerns about Ms. Geter's ability to operate a licensed child care center," regulators wrote in a notice of revocation in 2006.

Geter said her sign-in /&enspsign-out sheets were accidentally thrown out.

"I had just taken the initiative to clean out my closet and drawers to organize my paperwork from the previous year and get some well needed paint work done," she wrote in a letter to state regulators.

"I had no idea that sign-in and sign-out sheets had to be kept present in the center for a certain period of time, so when my employees threw some of them away as they were cleaning, I really did not know that the consequences would be so severe."

Geter could not be reached for comment.