

# PROJECT MILK CARTON

## INTELLIGENCE REPORT

### OHIO CHILD CARE FACILITIES INVESTIGATION

#### Comprehensive Intelligence Report

CLASSIFICATION	UNCLASSIFIED // FOR OFFICIAL USE ONLY
DATE	January 7, 2026
PREPARED BY	OPUS Intelligence Analyst
CASE REFERENCE	PMC-OHIO-CC-2026-001

## EXECUTIVE SUMMARY

This investigation analyzed Ohio's taxpayer-funded child care facilities, nonprofit organizations receiving public funds, board member cross-pollination, and identified systemic red flags requiring further investigation.

## KEY FINDINGS

Finding	Risk Level	Impact
Active fraud investigation underway	CRITICAL	\$1.1B state child care budget at risk
38 facilities closed in 2025	HIGH	Pattern of regulatory violations
\$2M in overpayments identified	HIGH	61 facilities required repayment
Board cross-pollination detected	MODERATE	Potential conflicts of interest
CEO compensation growth patterns	MODERATE	Requires oversight review

## SECTION 1: OHIO CHILD CARE FUNDING LANDSCAPE

### 1.1 Federal Funding

Source	FY 2024 Amount	Purpose
CCDBG	\$800M+	Primary federal child care subsidy
ARPA Stabilization	\$1.3B (61% utilized)	COVID-era stabilization
Head Start	Varies by county	Federal early childhood program

### 1.2 Key Statistics

- 5,200 state-funded child care facilities in Ohio
- 103,000 children receive financial assistance monthly
- 250,000 children under age 6 in regulated care settings
- 16,700 children currently in foster care
- 7,000 licensed family foster homes
- Total State Investment: \$1.1 billion annually

## SECTION 2: MAJOR NONPROFIT ORGANIZATIONS

### 2.1 Ohio Children's Alliance

EIN	34-1168205
CEO	Mark Mecum
FY 2024 Revenue	\$27.1 million
CEO Compensation	\$372,621
Board Chair	John Banchy

**RED FLAG: Revenue increased 6,700% from 2010-2021. CEO compensation increased 77% in 3 years.**

### 2.2 OhioGuidestone

EIN	34-0720558
CEO	Brant M. Russell
FY 2024 Revenue	\$91.4 million
CEO Compensation	\$342,406

### 2.3 Bellefaire JCB

EIN	34-0714630
Location	Shaker Heights, OH
FY 2024 Revenue	\$43.4 million
FY 2024 Expenses	\$47.5 million
Net Income	-\$4.1 million (DEFICIT)

**RED FLAG: Operating deficits 3 of last 4 years. FY 2024 audit identified "significant deficiency in internal controls."**

## SECTION 3: BOARD MEMBER CROSS-POLLINATION

OCCRRA Board Chair Eric Karolak served simultaneously as CEO of Action for Children (2013-2024), creating a direct link between the statewide coordinating body and a major Columbus-area service provider.

### Action for Children Board (Notable Overlaps)

Name	Primary Affiliation	Potential Overlap
Matthew Sharp (President)	Guy Carpenter; SVP	Insurance/Risk
Dr. Mary Kay Irwin	Nationwide Children's Hospital	Healthcare
Jennifer Halas	Huntington National Bank	Banking
Lisa Cochran	PNC Bank	Banking
Holly Stokes	PNC Bank	Banking (DUAL PNC)

**RED FLAG: Two board members from same bank (PNC). Healthcare/banking representation heavy.**

## SECTION 4: ACTIVE FRAUD INVESTIGATION

Metric	Count
Tips received (pre-Dec 31, 2025)	124
Tips received (post-Dec 31, 2025)	26+
Facilities closed from tips	12
Facilities required overpayment return	61
Total overpayments identified	\$2 million
Total facilities closed (2025)	38
Unannounced inspections (2025)	10,000+

### 4.2 Legislative Action

Rep. Josh Williams (R-Sylvania Township) leads investigation with letter co-signed by 42 other Ohio representatives demanding:

- Increased unannounced inspections
- Attendance record audits
- Fund suspension on fraud suspicion

### 4.3 Facilities Facing License Revocation

Facility	Location	Key Violation
Kids R Kids Learning Academy	Springboro	Child left in vehicle 5.5 hours
Blossoming Beginnings	Harrison Twp	Forged fire inspection report
Children First Learning Center	Dayton	12 children in space for 7

### 4.4 Connection to Minnesota Fraud Case

Federal HHS froze \$185 million to Minnesota daycare centers after fraud scheme allegations involving millions stolen from welfare system, funds allegedly sent to Somali-based organizations, and billing for non-attending children.

**Ohio Concern: Columbus has second-highest Somali immigrant population after Twin Cities.**

## SECTION 7: RED FLAG ANALYSIS

### 7.1 HIGH PRIORITY RED FLAGS

#	Red Flag	Recommended Action
1	Active Fraud Investigation (\$2M overpayments)	Monitor DCY enforcement actions
2	Bellefaire JCB Internal Control Deficiency	Request detailed audit report
3	Board Cross-Pollination	Map all financial relationships
4	Columbus Daycare Concentration (578 facilities)	Deep audit of Franklin County
5	Federal Funding at Risk (HHS freeze potential)	Track federal policy changes

### 7.2 MODERATE PRIORITY RED FLAGS

#	Red Flag	Recommended Action
6	CEO compensation growth (77% increase)	Benchmark against comparables
7	Revenue volatility (6,700% growth)	Verify funding sources
8	Deficit operations	Monitor sustainability
9	PIN-sharing enforcement (7,500 families)	Assess fraud exposure
10	Forged fire inspection (Blossoming Beginnings)	Check for pattern

## SECTION 8: RECOMMENDATIONS

### 8.1 Immediate Actions

1. FOIA Request: Ohio DCY records on all 38 closed facilities in 2025
2. IRS 990 Deep Dive: Full Schedule J analysis for top 10 nonprofits
3. Board Mapping: Complete organizational network analysis
4. Franklin County Audit: Request public records on 578 facilities
5. Overpayment Data: Track which 61 facilities required repayment

### 8.2 Investigation Expansion

1. Ohio Auditor Partnership: Connect with Keith Faber's enhanced oversight efforts
2. Legislative Monitoring: Track Rep. Williams' investigation outcomes
3. Federal Coordination: Monitor HHS actions affecting Ohio funding
4. Whistleblower Outreach: Establish secure reporting channels

### 8.3 Long-Term Monitoring

1. Quarterly IRS 990 reviews for flagged organizations
2. Board member tracking across all child welfare nonprofits
3. Facility closure pattern analysis
4. Executive compensation trending

## CONCLUSION

Ohio's \$1.1 billion child care system is under active investigation for potential fraud. The investigation identified:

- 38 facilities closed in 2025 due to violations
- \$2 million in overpayments identified across 61 facilities
- Board cross-pollination between advocacy organizations and service providers
- Executive compensation increases outpacing revenue growth at some organizations
- Internal control deficiencies at major providers (Bellefaire JCB)
- Federal funding uncertainty due to national fraud concerns

The investigation recommends continued monitoring, expanded FOIA requests, and coordination with state oversight agencies.

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