

Report in Brief

Date: October 2019

Report No. A-02-17-02010



Why OIG Did This Review

The Child Care and Development Fund (CCDF) program, administered by the Administration for Children and Families, subsidizes childcare expenditures of low-income families and families receiving temporary public assistance.

While researching New York State's childcare subsidy program, we identified two vulnerabilities that placed CCDF subsidies at risk for overpayment. Specifically, we determined that New York State may have claimed Federal reimbursement for childcare subsidy payments made to New York City that did not comply with requirements related to (1) the number of allowable program closure days (e.g., holidays and snow days) and (2) applying families' contributions toward childcare.

Our objective was to determine whether New York State complied with Federal and State requirements when claiming Federal reimbursement for childcare subsidy program payments made to New York City.

How OIG Did This Review

Our review covered childcare subsidy claims for children who resided in New York City for the period October 2014 through September 2017. We identified 140,000 beneficiary-years (all claims for a beneficiary for a 1-year period) totaling \$977 million that we considered at risk for overpayment. We selected a stratified random sample of 210 of these beneficiary-years for review.

New York State Claimed Federal Reimbursement for Unallowable Childcare Subsidies Paid to New York City

What OIG Found

New York State claimed Federal reimbursement for childcare subsidy payments made to New York City that did not comply with Federal and State requirements. Specifically, for 209 of our 210 sampled beneficiary-years, New York State paid New York City for partially unallowable childcare subsidies related to (1) excessive program closure days or (2) the incorrect application of families' calculated contributions toward childcare. On the basis of our sample results, we estimated that New York State claimed Federal reimbursement of \$24.7 million related to these unallowable payments.

During our audit period, New York City did not have controls in place to prevent these unallowable payments. New York City officials stated that they implemented controls to prevent these errors from occurring after our audit period. The officials also stated that, for the final year of our 3-year audit period, they manually corrected claims by applying families' calculated contributions toward childcare subsidies.

New York State, which is responsible for overseeing its CCDF program, did not detect these claiming issues because its childcare subsidy reviews focused on program eligibility, not on New York City's claims for subsidy payments.

What OIG Recommends and New York State's Comments

We recommended that New York State refund \$24.7 million in unallowable childcare subsidies claimed for Federal reimbursement and ensure that New York City's recently implemented CCDF program controls are properly functioning.

In written comments on our draft report, New York State concurred with our recommendations and indicated that it would "continue to evolve" its oversight efforts and that it is building capacity to periodically test and verify the effectiveness of system controls that New York City put in place.