



## **State Survey Analysis Report**

*Prepared for:*

Administration for Children and Families  
Child Care Bureau  
1250 Maryland Ave. SW, 8th Floor  
Washington, DC 20024  
Attn: Moniquin Huggins, Task Order Officer  
Wenda Singer, Improper Payments Team Leader

Under Contract Number 233-02-0093  
Task Order Number 08

*Prepared by:*

Walter R. McDonald & Associates, Inc.  
12300 Twinbrook Parkway, Suite 310  
Rockville, MD 20852

February 7, 2007



# TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b> .....	1
<b>II. BACKGROUND</b> .....	4
<b>III. METHODOLOGY</b> .....	5
<b>IV. REPORT FORMAT</b> .....	5
<b>V. GENERAL OVERVIEW – POLICIES AND INFRASTRUCTURE</b> .....	7
Definition of Improper Payments .....	7
State Organizational Structure that Handles Improper Payments in the Child Care Program .....	7
Topics or Activities for which State has Policies or Regulations .....	8
<b>VI. IDENTIFICATION AND ASSESSMENT OF IMPROPER PAYMENTS</b> .....	10
Assessment or Analysis of Uses of Program Funds .....	10
Process for Identifying and Handling Improper Payments .....	11
Methods Used to Identify a Total Amount of Improper Payments .....	11
Elements Maintained by State Agencies to Describe Improper Payments .....	13
Calculation of an Improper Payments Rate .....	14
<b>VII. DESCRIBING IMPROPER PAYMENTS: SOURCES, TYPES, CAUSES</b> .....	15
Tracking Information on Improper Payments .....	15
Sources of Improper Payments .....	15
Regulated vs. Unregulated Providers .....	16
Exhibit 10(b-3). Proportion of Improper Payments from and Funds to Regulated and Unregulated Providers .....	19
Proportion of Overpayments and Underpayments .....	20
Contributing Factors to Improper Payments .....	21
<b>VIII. PREVENTION OF IMPROPER PAYMENTS</b> .....	23
Priorities for Preventing and Reducing Improper Payments .....	23
Activities to Verify Accuracy of Information .....	25
Sources Used and Considered Most Effective to Ensure Accurate Payments .....	26
<b>IX. RECOVERY OF IMPROPER PAYMENTS</b> .....	29
Amount of Improper Payments Recovered .....	29
Penalties Due to Error .....	30
<b>X. FRAUD: INTENTIONAL OVERPAYMENTS</b> .....	31
Definition of Fraud .....	31
Maintaining Data on Fraudulent Payments .....	31
Measures Taken to Prevent Collusion .....	32
Penalties Due to Fraud .....	32
Reporting to Any Other Higher-Level Agency .....	34
<b>XI. OTHER</b> .....	34
Relevant Information .....	34
Sections of Manuals, Guidance, and Web Addresses .....	34
<b>XII. CONCLUSIONS</b> .....	36

## **EXHIBIT<sup>1</sup>**

Exhibit 2. State Organizational Structure that Handles Improper Payments in the Child Care Program .....	8
Exhibit 3. Topics or Activities for which State has Policies or Regulations .....	9
Exhibit 4. Assessment or Analysis of Uses of Program Funds .....	10
Exhibit 6. Methods Used to Identify the Total Amount of Improper Payments .....	12
Exhibit 7. Elements Maintained by State agencies to Describe Improper Payments.....	13
Exhibit 8. Calculation of an Improper Payments Rate.....	14
Exhibit 9. Tracking Information on Improper Payments .....	15
Exhibit 10(a). Sources of Improper Payments .....	16
Exhibit 10(b-1). Proportion of Improper Payments from Regulated versus Unregulated Providers .....	17
Exhibit 10(b-2). Proportion of Funding to Regulated vs. Unregulated Providers .....	18
Exhibit 10(b-4). Proportion of Improper Payments from and Funds to Regulated and Unregulated Providers .....	20
Exhibit 11. Proportion of Overpayments and Underpayments .....	21
Exhibit 12. Factors Contributing to Improper Payments .....	23
Exhibit 13. Four Priority Areas Appearing Most Often In the States' Top Three .....	24
Exhibit 14. Activities Performed and Considered Most Effective to Verify Accuracy of Information .....	26
Exhibit 15. Data Sources Used and Considered Most Effective to Ensure Accurate Payments .....	28
Exhibit 16. Amount of Improper Payments Recovered .....	29
Exhibit 17. Penalties Due to Error .....	30
Exhibit 19. Maintaining Data on Fraudulent Payments .....	32
Exhibit 21. Penalties Due to Fraud.....	33
Exhibit 22. Reporting to Any Other Higher-level Agency .....	34
Exhibit 24. Sections of Manuals, Guidance, and Web Addresses .....	35

---

<sup>1</sup> Exhibit numbers correspond to the survey question numbers. Exhibit numbers are not entirely sequential since some questions (such as Q1, Q5, Q18) are not illustrated by an exhibit.

## APPENDIX<sup>2</sup>

Appendix 1. Definition of Improper Payments .....	39
Appendix 2. State Organizational Structure that Handles Improper Payments in the Child Care Program .....	44
Appendix 3. Topics or Activities for which State has Policies or Regulations .....	47
Appendix 4. Assessment or Analysis of Uses of Program Funds .....	48
Appendix 5. Process for Identifying and Handling Improper Payments .....	50
Appendix 6. Methods Used to Identify the Total Amount of Improper Payments ....	65
Appendix 7. Elements Maintained by States to Describe Improper Payments.....	67
Appendix 10(a). Sources of Improper Payments .....	68
Appendix 12. Contributing Factors to Improper Payments .....	69
Appendix 13. Priorities for Preventing and Reducing Improper Payments .....	70
Appendix 14. Activities Performed and Considered Most Effective to Verify Accuracy of Information .....	77
Appendix 15. States Data Sources Used and Considered Most Effective to Ensure Accurate Payments .....	87
Appendix 17. Penalties Due to Error .....	104
Appendix 18. Definition of Fraud .....	113
Appendix 19. Maintaining Data on Fraudulent Payments .....	118
Appendix 20. Measures Taken to Prevent Collusion.....	123
Appendix 21. Penalties Due to Fraud.....	127
Appendix 22. Reporting to Any Other Higher-Level Agency .....	134
Appendix 23. Relevant Information.....	135
Appendix 24. Sections of Manuals, Guidance, and Web Addresses .....	138
Appendix 25. State Contact Information and E-mail Address.....	140
Appendix 26. Conducting Child Care Improper Payments Cost Benefit Analysis .	143

---

<sup>2</sup> The Appendix is organized by survey question and contains narrative responses too lengthy to be included in the main body of the report. Appendix numbers are not entirely sequential since some questions (such as Q8, Q9, Q11, Q16) did not require an appendix.

## EXECUTIVE SUMMARY

In response to the Improper Payments Information Act (IPIA) of 2002 and guidance from the Office of Management and Budget (OMB), the Child Care Bureau (CCB) launched the Measuring Improper Payments in the Child Care Program Project. The purpose of this project is to identify and describe methods that could help States identify, measure, and prevent errors in the administration of the Child Care and Development Fund (CCDF).

As a part of an overall strategy to provide information to help States improve payment accuracy, the CCB developed a national survey to collect information about State policies and practices regarding improper payments. Following receipt of Office of Management and Budget (OMB) approval in October 2005<sup>3</sup>, the CCB sent the *Improper Payments Information Survey for the CCDF Program* to all States.

This report contains tabulations, rankings, and summaries of State responses to 24 questions about policies and procedures used to identify, measure, and prevent errors in the administration of the CCDF. Twenty-four out of 52 States, including the District of Columbia and Puerto Rico, completed the *Improper Payments Information Survey for the CCDF Program*, representing a 46% response rate.

The 25 State agency responses to this survey indicate a growing trend towards establishing formalized standards, policies and procedures to reduce improper payments. Some of the promising practices highlighted in this report include:

### **Building the organizational infrastructure necessary to reduce improper payments:**

As child care costs and expenditures have increased since the enactment of the Family Support Act of 1988, State agencies have responded by building the infrastructure and technology needed to administer the CCDF. Building an adequate infrastructure to detect and recover improper payments requires State agencies to foster collaborative working relationships both within and outside their own agencies. The narrative descriptions and organization charts provided by 20 State agencies point to the establishment of State level administrative units responsible for the oversight and monitoring of improper payments.

**Establishing State laws, administrative rules, policies and procedures that formalize the processes necessary to avoid, detect and recover improper payments:** All States agencies indicate a trend towards establishing more formalized standards, processes and procedures. With the growth in size of the child care program and the need to collaborate across agency division lines, States have invested considerable resources in coordinating the improper payments activities of the agency. All State agencies report having established policies and regulations for the following areas: steps involved in identifying improper payments, steps involved in verifying an improper payment, establishing claims for improper payments and collecting improper payments. Examples of standards or procedures States find most effective at detecting improper payments include:

---

<sup>3</sup> In accordance with the Paperwork Reduction Act of 1995, collection of this information has been approved by the Office of Management and Budget (OMB) under OMB Control Number 0970-0290, expiration date 10-31-2008.

establishing standardized eligibility practices for verifying client information, quality control audits or supervisory reviews, computer data matching, ad hoc reporting or third party verification of error-prone circumstances and changes discovered at redetermination.

**Developing tools for assessment, monitoring and tracking improper payments:**

The role of information and technology is critical in reducing improper payments. Collecting information or data on improper payments is an important prevention strategy used by State agencies. Over three-quarters of State agencies report tracking information on sources, types, or causes of improper payments. Tracking the sources, types and causes of improper payments is a key strategy used by States to detect and prevent improper payments. For example, 20 State agencies rate client nonreporting and underreporting of income and provider claiming for services not rendered, as contributing a great or moderate extent to improper payments.

Armed with knowledge of key factors that contribute to payment accuracy, States develop a variety of tools to help identify error-prone circumstances. The top three methods State agencies use to detect improper payments include: training/meetings for providers on rules and responsibilities, training for agency staff on correct implementation of rules and responsibilities, use of information technology and record monitoring reviews.

**Using information technology to detect and avoid improper payments:** Promising practices in the use of information technology States consider most effective in reducing improper payments include:

- **Accessing online databases**, such as Wage and Unemployment Insurance (UI) databases, Public Assistance, Income Eligibility Verification System (IEVS) Motor Vehicles, Child Support, Social Security Administration records (SSA), Supplemental Security Income (SSI) information and Licensing records;
- **Matching automated computer files**, such as matching child care applicant income information with unemployment insurance wage information;
- **Developing ad hoc or red flag reports that identify error-prone circumstances**, such as out-of-state providers, capacity and extended hours of care; and
- **Developing EBT systems for provider payments**, eliminating the potential for most providers to charge for hours of child care that were not provided.

**Conducting record monitoring reviews to improve payment accuracy and initiation of fraud investigations if warranted:** State agencies report using a variety of methods to identify the total amount of improper payments, including case record reviews, reviews of service providers or contractors, findings from State and local fraud units, the State's single audit or from State and local auditors. Three quarters of State agencies report conducting program integrity/quality control reviews to improve payment accuracy. All State agencies report initiating a fraud investigation as a key strategy critical to verify the accuracy of payment information.

Thirteen State agencies provide sections of manuals or other State-issued guidance that may be instructive for other States. Where possible and appropriate, sections of manuals and administrative rules are included in the Appendices to this report. One State agency provides an example of a cost benefit analysis of error prevention and recovery activities which is included in Appendix 26. This cost benefit analysis illustrates how information, as highlighted in the data elements of this survey, can be used to estimate if costs of error detection and recovery are offset by amounts recovered. Other guidance that could not be attached to this report, due to length includes: Benefit Errors Procedures, Payment Processing Procedures and Sample Data Integrity Reports and a Training and Monitoring Resource Guide. Copies of these attachments can be obtained by contacting the State representative listed in Appendix 25. Nine State agencies provide Web site addresses to access State manuals or guidance also listed in Appendix 24.



## I. INTRODUCTION

In response to the Improper Payments Information Act (IPIA) of 2002 and guidance from the Office of Management and Budget (OMB), the Child Care Bureau (CCB) launched the project: Measuring Improper Payments in the Child Care Program. The purpose of this project is to: (1) identify and describe methods that could help States identify, measure, and prevent errors in the administration of the Child Care and Development Fund (CCDF); (2) develop and pilot a methodology to estimate an annual rate of improper payments; (3) develop and pilot an instrument to conduct a self-assessment of internal controls; and (4) provide recommendations for documented “best practices” and other technical assistance (TA) materials, data and reporting protocols for improved monitoring and administration of the CCDF.

The CCDF is a block grant that made available over 5 billion dollars to States, Territories and Tribes to support child care subsidies for low-income working families during Fiscal Year (FY) 2006.<sup>4</sup> The CCDF block grant allows maximum flexibility for States to set critical policies such as establish eligibility criteria, define administrative structures that allow maximum choice for parents, and establish fiscal management approaches. Because of the discretion given to States, eligibility criteria, rates, regulation of child care providers, and payment mechanisms vary widely among jurisdictions. This flexibility makes it difficult to develop common approaches for identifying and measuring improper payments.

This report highlights practices, legal authority, organizational arrangements, and other attributes that States use to identify, measure, and prevent improper payments. In this report, States provide examples of best practices and techniques that may prove to be instructive for other States. After review and discussion, the final *State Survey Analysis Report* will be posted on the CCB Web site and made available for all States to assist in effectively managing improper payments.

## II. BACKGROUND

In 2004, the Government Accountability Office (GAO) issued a report describing the strategies implemented by 16 States to address improper payments in the CCDF and Temporary Assistance to Needy Families (TANF) block grant programs. The GAO studied what States were doing to manage improper payments and how the U.S. Department of Health and Human Services (HHS), which oversees the TANF and CCDF programs, helps States identify and address improper payments in these programs. The GAO concluded that “HHS lacks adequate information to assess risk and assist States in managing improper payments.”<sup>5</sup>

---

<sup>4</sup> Child Care Development Fund Fact Sheet (October 2006) available on the Child Care Bureau website: <http://www.acf.hhs.gov/programs/ccb/ccdf/factsheet.htm>.

<sup>5</sup> Government Accountability Office. (June 2004.) *TANF and child care programs: HHS lacks adequate information to assess risk and assist States in managing improper payments*. (GAO Publication No. GAO-04-723). Washington, DC: U.S. Government Printing Office.

Improper payments in the CCDF and TANF programs are often related to the eligibility of clients or providers, as well as clerical errors and fraud. The GAO found that each of the 16 study States had made some effort to assess these improper payments, including case reviews and fraud investigations. However, the GAO also found that these results were not comprehensive. The GAO recommended that HHS take two steps to address improper payments in these programs—first, gather more information on the State systems and secondly, work with States to identify and rectify improper payments.

### **III. METHODOLOGY**

In response to the GAO report of 2004, the CCB developed a national survey to collect information about State policies and practices regarding improper payments. Following receipt of Office of Management and Budget (OMB) approval in October 2005<sup>6</sup>, the CCB sent the *Improper Payments Information Survey for the CCDF Program* to all States. States were invited to submit any information that might be useful to other States and were told that partial responses would be acceptable.

This report presents the data collected from the *Improper Payments Information Survey for the CCDF Program* and contains tabulations, rankings, and summaries of State responses to 24 questions about policies and procedures used to identify, measure, and prevent errors in the administration of the CCDF.

Twenty-four out of 52 States, including the District of Columbia and Puerto Rico, completed the *Improper Payments Information Survey for the CCDF Program*, representing a 46% response rate. However, this report presents responses submitted by 25 State agencies, because California submitted two surveys from the two different State agencies responsible for the administration of the child care program: the California Department of Education, which is identified herein as CA(DE), and the California Department of Social Services – Fraud Bureau, identified herein as CA(DSS). To clearly distinguish the two separate State agencies representing California, this report will summarize all responses in terms of 25 State agencies.

### **IV. REPORT FORMAT**

This report is organized into the seven sections which comprised the *Improper Payments Information Survey for the CCDF Programs*:

- General Overview: Policies and Infrastructure
- Identification and Assessment of Improper Payments
- Describing Improper Payments: Sources, Types, Causes
- Prevention of Improper Payments

---

<sup>6</sup> In accordance with the Paperwork Reduction Act of 1995, collection of this information has been approved by the Office of Management and Budget (OMB) under OMB Control Number 0970-0290, expiration date 10-31-2008.

- Recovery of Improper Payments
- Fraud: Intentional Overpayments
- Other

Each section summarizes the question(s) pertinent to each topic area, followed by Exhibits and brief descriptions of cumulative and individual State agencies’ responses, as appropriate. Exhibit numbers correspond to survey question numbers. The number of exhibits is not entirely sequential since some questions are not illustrated by an exhibit. The Appendix contains narrative responses too lengthy to be included in the main body of the report; The Appendix is organized by survey question; the numbering of the Appendix is not entirely sequential since some questions do not include an appendix.

It should be noted that States were invited to submit any information that they thought was useful and that partial responses were acceptable. Responses to many questions contain missing or incomplete data because States did not respond to all questions or submitted partial answers. In the report, missing data or partial responses to questions are duly noted in all tables where appropriate.

This report refers to the 24 “State” respondents as 25 “State agency” respondents and uses the following abbreviations to identify States, the two California State agencies, and Territories.

<b>State Agency</b>	<b>Abbreviation</b>
Alabama	AL
Arizona	AZ
California Department of Education	CA(DE)
California Department of Social Services	CA(DSS)
Connecticut	CT
District of Columbia	DC
Georgia	GA
Kansas	KS
Kentucky	KY
Maryland	MD
Massachusetts	MA
Minnesota	MN
Mississippi	MS
Missouri	MO
Montana	MT
Nebraska	NE
New Hampshire	NH
North Carolina	NC
Ohio	OH
Oklahoma	OK
Puerto Rico	PR
Utah	UT
Washington	WA
West Virginia	WV
Wisconsin	WI

## V. GENERAL OVERVIEW – POLICIES AND INFRASTRUCTURE

### Definition of Improper Payments

#### 1. *How does the CCDF Lead Agency define improper payments?*

As a point of reference, under the Improper Payments Information Act of 2002, the term, “Improper Payment”

(a) means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements: and

(b) includes any payment to an ineligible recipient, any payment for an ineligible service, any duplicate payment, payments for services not received, and any payment that does not account for applicable discounts.

All States designate a Lead Agency to oversee administration of the Child Care and Development Fund (CCDF). Twenty-four States agencies, with the exception of Puerto Rico, provide a definition of improper payments set by the CCDF Lead Agency. Fifteen State agencies use all or part of the Federal definition of improper payments, including terms such as overpayment, underpayment, ineligible, eligible, or payments made in an incorrect amount according to statutory, contractual, administrative or other legally applicable requirement (AZ, CA(DSS), CT, DC, GA, KS, KY, MA, NE, NC, OH, UT, WA, WV, WI).

Eight State agencies include a definition of fraud (AL, CT, KY, MN, MO, NH, OH, WI). Seven State agencies include a definition of intentional or unintentional error (AL, AZ, CA(DE), CT, GA, MO, WI). Ten State agencies reference provider, agency, or client caused error (AL, AZ, CA(DSS), CT, GA, MN, MO, NC, OH, WI). (See Appendix 1 for each State’s descriptive response.)

### State Organizational Structure that Handles Improper Payments in the Child Care Program

#### 2. *Provide a description (electronic copy, if available) of the organizational structure of the agency in your State that handles improper payments in the child care program. If available, please provide the web site address where it can be found.*

As can be seen in Exhibit 2, 13 State agencies provide a narrative description of the their organizational structure (CA(DE), CA(DSS), GA, KS, KY, MD, MA, MN, MT, NH, NC, OH, UT). Twelve State agencies include an organizational chart, diagram or Web site address to describe their organizational structure (AZ, CA(DE), CA(DSS), CT, KS, KY, MA, MO, MT, NE, WA, WI). (See Appendix 2.)

The narrative descriptions and organization charts provided by 20 State agencies point to the establishment of State-level administrative units responsible for the oversight and monitoring of improper payments. Descriptions of these administrative units include: offices of program assessment and integrity; quality assurance and

management evaluation; auditing and fiscal services, with responsibilities for accuracy reviews; monitoring and establishment of standards and processes regarding improper payments. County administered States report wider variation in handling or management of improper payment processing at the local level, with State agencies providing oversight.

Six State agencies did not provide a narrative description, organizational chart, or a Web site address (AL, DC, MS, OK, PR, WV).

**Exhibit 2. State Organizational Structure that Handles Improper Payments in the Child Care Program**

State	Description	Chart	Website
Arizona		✓	
California (DE)	✓	✓	
California (DSS)	✓	✓	
Connecticut		✓	
Georgia	✓		
Kansas	✓	✓	
Kentucky	✓	✓	
Maryland	✓		
Massachusetts	✓	✓	
Minnesota	✓		
Missouri			✓
Montana	✓		✓
Nebraska		✓	
New Hampshire	✓		
North Carolina	✓		
Ohio	✓		
Utah	✓		
Washington		✓	
Wisconsin		✓	

**Total:** 13 10 2

**Those that did not provide an answer:**

- Alabama
- District of Columbia
- Mississippi
- Oklahoma
- Puerto Rico
- West Virginia

**Topics or Activities for which State has Policies or Regulations**

3. Please check all of the topics or activities listed below for which your State has policies or regulations in place for the program: steps involved in identifying improper payments, steps involved in verifying an improper payment, establishing claims for improper payments, collecting improper payments, distribution of recovered improper payments and sources of funding for addressing improper payments.

As can be seen in Exhibit 3 below, all State agencies report having policies or regulations in place in most of the following four areas: identifying, verifying, establishing claims, and/or collecting improper payments (AL, AZ, CA(DE), CA(DSS), CT, DC, GA, KS, KY, MD, MA, MN, MS, MO, MT, NE, NH, NC, OH, OK, PR, UT, WA, WI, WV).

**Exhibit 3. Topics or Activities for which State has Policies or Regulations**

State	Improper Payments						
	Identifying	Verifying	Establishing Claims	Collecting	Recovery	Funding Source	Other
Alabama	✓	✓	✓	✓			
Arizona	✓	✓	✓	✓	✓	✓	✓
California (DE)	✓	✓	✓	✓	✓	✓	
California (DSS)	✓	✓	✓	✓	✓	✓	
Connecticut	✓	✓	✓	✓	✓		✓
District of Columbia	✓	✓					
Georgia	✓	✓	✓	✓	✓	✓	
Kansas	✓	✓	✓	✓	✓	✓	✓
Kentucky	✓	✓	✓	✓		✓	
Maryland	✓	✓	✓	✓	✓	✓	
Massachusetts	✓	✓	✓	✓	✓		
Minnesota	✓	✓	✓	✓	✓	✓	
Mississippi	✓	✓		✓		✓	
Missouri	✓	✓	✓	✓	✓		
Montana	✓	✓	✓	✓			✓
Nebraska	✓	✓	✓	✓			
New Hampshire	✓	✓	✓	✓	✓		
North Carolina	✓	✓	✓	✓	✓		✓
Ohio			✓	✓	✓	✓	✓
Oklahoma		✓	✓	✓	✓	✓	✓
Puerto Rico	✓	✓	✓	✓			
Utah	✓	✓	✓	✓	✓	✓	
Washington	✓	✓	✓	✓	✓	✓	
West Virginia				✓			
Wisconsin	✓		✓	✓			
<b>Total:</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>24</b>	<b>16</b>	<b>13</b>	<b>7</b>

Sixteen State agencies report having policies or regulations in place regarding the distribution of recovered improper payments (AZ, CA(DE), CA(DSS), CT, GA, KS, MD, MA, MN, MO, NH, NC, OH, OK, UT, WA).

Thirteen State agencies report having policies or regulations relating to sources of funding for addressing improper payments (AZ, CA(DE), CA(DSS), GA, KS, KY, MD, MN, MS, OH, OK, UT, WA).

Seven State agencies report having other policies or regulations in place (AZ, CT, KS, MT, NC, OH, OK<sup>7</sup>), including: penalties for parents or providers who commit intentional program violations (MT), program fraud (CT, NC), ineligibility penalties

<sup>7</sup> Oklahoma reports “other” in response to this question, but did not identify any specific policies or regulations.

for un-repaid fraudulent overpayments (OH), changes in the child care computer system to automatically recoup improper payments (KS), and administrative rules relating to overpayments and the collection of overpayments (AZ). (See Appendix 3.)

## VI. IDENTIFICATION AND ASSESSMENT OF IMPROPER PAYMENTS

### Assessment or Analysis of Uses of Program Funds

4. For which of the following uses of program funds has your State performed an assessment or analysis to determine whether the program is at risk of improper payments: Agency error or fraud, provider error or fraud, client/parent error or fraud, payments to service providers, payments to clients and other (please specify)?

Exhibit 4 illustrates that slightly more than half of the State agencies perform assessment or analyses of all of the following uses of program funds to determine the risk of improper payments: agency, provider, or client/parent error or fraud, payments to service providers, clients, and other.

**Exhibit 4. Assessment or Analysis of Uses of Program Funds**

State	Error or Fraud			Payments to		
	Agency	Provider	Client/Parent	Service Providers	Clients	Other
Alabama*						
Arizona	✓	✓	✓	✓	✓	
California (DE)	✓	✓	✓	✓		
California (DSS)	✓	✓	✓	✓		
Connecticut	✓	✓	✓	✓	✓	✓
District of Columbia				✓		
Georgia	✓	✓	✓	✓	✓	
Kansas	✓	✓	✓	✓	✓	
Kentucky	✓	✓	✓	✓	✓	
Maryland						✓
Massachusetts	✓	✓	✓	✓	✓	
Minnesota	✓	✓	✓	✓	✓	✓
Mississippi						✓
Montana	✓	✓	✓	✓	✓	
Nebraska	✓	✓	✓	✓	✓	
New Hampshire	✓	✓				
North Carolina	✓	✓	✓	✓	✓	✓
Ohio*						
Oklahoma*						
Puerto Rico		✓	✓			
Utah			✓		✓	
Washington	✓	✓	✓	✓	✓	
West Virginia*						
Wisconsin						✓
<b>Total:</b>	<b>14</b>	<b>15</b>	<b>15</b>	<b>14</b>	<b>12</b>	<b>6</b>

**Those that did not provide an answer:**

Missouri

\*State did not collect data

Fifteen State agencies report performing assessments/analysis of client/parent error or fraud to determine the risk of improper payments (AZ, CA(DE), CA(DSS), CT, GA, KS, KY, MA, MN, MT, NE, NC, PR, UT, WA).

Fifteen State agencies report assessment/analysis of provider error or fraud to determine the risk of improper payments (AZ, CA(DE), CA(DSS), CT, GA, KS, KY, MA, MN, MT, NE, NH, NC, PR, WA).

Fourteen State agencies report the assessment/analysis of agency error or fraud to determine the risk of improper payments (AZ, CA(DE), CA(DSS), CT, GA, KS, KY, MA, MN, MT, NE, NH, NC, WA).

Fourteen State agencies report performing assessment/analysis of payments to service providers to determine the risk of improper payments (AZ, CA(DE), CA(DSS), CT, DC, GA, KS, KY, MA, MN, MT, NE, NC, WA).

Twelve State agencies report performing assessment/analysis for payments to clients to determine the risk of improper payments (AZ, CT, GA, KS, KY, MA, MN, MT, NE, NC, UT, WA).

Six State agencies report “Other” assessment/analysis activities to determine the risk of improper payments (CT, MD, MN, MS, NC, WI). This includes references to employee fraud (CT), funding level (NC), and practices and procedures (MD, MN, MS, WI). (See Appendix 4.)

### **Process for Identifying and Handling Improper Payments**

5. *Please describe your process for identifying and handling improper payments and include all aspects of the process through resolution.*

All 25 State agencies provide descriptions of processes used for identifying and handling improper payments. Most State agencies list several methods used to identify improper payments, including establishing standardized eligibility practices for verifying client information, quality control audits or monitoring reviews, computer data matching, third party referral, or ad-hoc reports that identify error-prone circumstances. State agencies include detailed descriptions of procedures for handling improper payments, including descriptions of rules and regulations, and citing policy and procedures from program manuals. Descriptions varied in length from a short paragraph to several pages. (See Appendix 5.)

### **Methods Used to Identify a Total Amount of Improper Payments**

6. *Which methods, if any, did your State use to identify a total amount of improper payments for the program?*

As shown in Exhibit 6, over half of the State agencies report using case record reviews to identify the total amount of improper payments.



**Exhibit 6. Methods Used to Identify the Total Amount of Improper Payments**

State	Findings from				Reviews of		Statistically representative sample of payments	Other
	State's Single Audit	Other audits	State or local auditors	State or local fraud units	Service providers and/or contractors	Sampled cases		
Arizona				✓	✓	✓		✓
California (DE)		✓				✓		
California (DSS)						✓		
Connecticut								✓
District of Columbia					✓			✓
Georgia	✓	✓		✓		✓		
Kansas								✓
Kentucky								✓
Maryland			✓					
Massachusetts	✓	✓			✓	✓		
Minnesota				✓				
Mississippi*								
Montana					✓	✓	✓	✓
Nebraska	✓			✓	✓			
New Hampshire				✓	✓	✓		
North Carolina			✓	✓	✓	✓		
Ohio								✓
Oklahoma		✓		✓				✓
Puerto Rico	✓				✓	✓	✓	
Utah						✓		✓
Washington	✓		✓		✓	✓		
West Virginia*								
Wisconsin				✓		✓	✓	

**Total:** 5 4 3 8 9 12 3 9

**Those that did not provide an answer:**

Alabama  
Missouri

\*State did not collect data

In order of frequency, State agencies report using the following methods:

- Twelve State agencies use reviews of sampled cases (AZ, CA(DE), CA(DSS), GA, MA, MT, NH, NC, PR, UT, WA, WI).
- Nine State agencies use reviews of service providers and/or contractors (AZ, DC, MA, MT, NE, NH, NC, PR, WA).
- Nine State agencies describe other methods (AZ, CT, DC, KS, KY, MT, OH, OK, UT). (See Appendix 6 for narrative descriptions.)
- Eight State agencies use findings from State or local fraud units (AZ, GA, MN, NE, NH, NC, OK, WI). (See Appendix 6 for narrative descriptions.)
- Five State agencies use findings from the State's single audit (GA, MA, NE, PR, WA).
- Four State agencies use findings from other audits (CA(DE), GA, MA, OK).
- Three State agencies use findings from State or local auditors (MD, NC, WA). (See Appendix 6 for narrative descriptions.)

- Three State agencies use a statistically representative sample of payments (MT, PR, WI).

**Elements Maintained by State Agencies to Describe Improper Payments**

7. Which of the following elements, if any, has your State maintained?

All 25 State agencies maintain one or more of the following elements to describe improper payments. At least half of the State agencies report collecting information on clients or case characteristics or conducting reviews to describe improper payments. As shown in Exhibit 7, State agencies report using:

- Twelve State agencies collect information on other client and case characteristics (AZ, CT, GA, MN, MS, MO, MT, NE, NH, NC, WV, WI).
- Eleven State agencies regularly select and review a statistically valid sample of cases or payments (CA(DE), CA(DSS), CT, GA, KY, MD, NC, PR, UT, WV, WI).
- Seven State agencies calculate an improper payment rate (CA(DE), CA(DSS), CT, GA, KY, MD, MA).
- Seven State agencies report using other elements (CA(DE), CA(DSS), DC, MO, NC, OK, WA). (See Appendix 7.)
- Three 3 State agencies report “none” in response to this question (AL, KS, OH).

**Exhibit 7. Elements Maintained by State agencies to Describe Improper Payments**

State	A statistically valid sample of cases or payments is regularly selected and reviewed	Improper payment rate is calculated	Information on other client and case characteristics are collected	Other	None
Alabama					✓
Arizona			✓		
California (DE)	✓	✓		✓	
California (DSS)	✓	✓		✓	
Connecticut	✓	✓	✓		
District of Columbia				✓	
Georgia	✓	✓	✓		
Kansas					✓
Kentucky	✓	✓			
Maryland	✓	✓			
Massachusetts		✓			
Minnesota			✓		
Mississippi			✓		
Missouri			✓	✓	
Montana			✓		
Nebraska			✓		
New Hampshire			✓		
North Carolina	✓		✓	✓	
Ohio					✓
Oklahoma				✓	
Puerto Rico	✓				
Utah	✓				
Washington				✓	
West Virginia	✓		✓		
Wisconsin	✓		✓		
<b>Total:</b>	11	7	12	7	3

**Calculation of an Improper Payments Rate**

8. *Does your State calculate an improper payments (including fraudulent payments) rate, that is, a measure of the percentage of total payments that are determined to be improper?*

Exhibit 8 shows that only three State agencies report calculating an improper payment rate (CT, KY, MA). The majority State agencies (21) do not calculate an improper payment rate (AL, AZ, CA(DE), CA(DSS), DC, GA, KS, MD, MS, MO, MT, NE, NH, NC, OH, OK, PR, UT, WA, WV, WI). One State (MN) reports this information is not available.

**Exhibit 8. Calculation of an Improper Payments Rate**

State	Yes	No	Information not available
Alabama		✓	
Arizona		✓	
California (DE)		✓	
California (DSS)		✓	
Connecticut	✓		
District of Columbia		✓	
Georgia		✓	
Kansas		✓	
Kentucky	✓		
Maryland		✓	
Massachusetts	✓		
Minnesota			✓
Mississippi		✓	
Missouri		✓	
Montana		✓	
Nebraska		✓	
New Hampshire		✓	
North Carolina		✓	
Ohio		✓	
Oklahoma		✓	
Puerto Rico		✓	
Utah		✓	
Washington		✓	
West Virginia		✓	
Wisconsin		✓	
<b>Total:</b>	<b>3</b>	<b>21</b>	<b>1</b>

## VII. DESCRIBING IMPROPER PAYMENTS: SOURCES, TYPES, CAUSES

### Tracking Information on Improper Payments

9. *Does your State track information on the sources, types, or causes of improper payments in the program?*

Exhibit 9 shows that over three-quarters of State agencies report tracking information on sources, types, or causes of improper payments (AZ, CA(DE), CA(DSS), CT, GA, KS, KY, MD, MS, MO, NE, NH, NC, OH, OK, PR, UT, WI). Seven State agencies do not track this information (AL, DC, MA, MN, MT, WA, WV).

**Exhibit 9. Tracking Information on Improper Payments**

State	Yes	No
Alabama		✓
Arizona	✓	
California (DE)	✓	
California (DSS)	✓	
Connecticut	✓	
District of Columbia		✓
Georgia	✓	
Kansas	✓	
Kentucky	✓	
Maryland	✓	
Massachusetts		✓
Minnesota		✓
Mississippi	✓	
Missouri	✓	
Montana		✓
Nebraska	✓	
New Hampshire	✓	
North Carolina	✓	
Ohio	✓	
Oklahoma	✓	
Puerto Rico	✓	
Utah	✓	
Washington		✓
West Virginia		✓
Wisconsin	✓	
<b>Total:</b>	<b>18</b>	<b>7</b>

### Sources of Improper Payments

10. (a) *Please rank the following sources of improper payments (1 to 7) for the program in your State over the past two fiscal years, beginning with one (1) indicating the primary source of improper payments. Error is defined as an inadvertent mistake*

whereas fraud is defined as a willful misrepresentation. (Please rank each source below)

Exhibit 10(a) presents cumulative totals showing 24 State agencies' ranking of four sources of improper payments: Client, provider, State agency, and local agency, both for improper payments due to error or fraud. One State (OK) did not answer this question. Individual State agencies responses are detailed in Appendix 10(a).

Regarding sources of improper payments due to error, fifteen State agencies rank providers as the "first" or "second" source of error, and eleven State agencies rank clients as the "first" or "second" source of error. Six State agencies rank local agency as the "first" or "second" source of error.

For sources of improper payments due to fraud, seven State agencies rank clients as the "first" or "second" source. Five State agencies rank providers as the "first" or "second" source of improper payments due to fraud.

**Exhibit 10(a). Sources of Improper Payments**

Rank	Sources of Improper Payments								Number of State Agencies	
	Error				Fraud					
	Client	Provider	State Agency	Local Agency	Client	Provider	State Agency	Local Agency		Other
1	8	6	0	4	2	2	0	0	0	22
2	3	9	0	2	5	3	0	0	0	22
3	6	2	4	3	5	2	0	0	1	22
4	0	3	4	1	3	5	0	1	0	17
5	3	0	1	6	2	3	1	0	0	16
6	0	0	6	1	2	1	1	1	0	12
7	0	0	0	0	0	0	3	4	0	7

**Those that did not provide an answer:**  
Oklahoma

**Regulated vs. Unregulated Providers**

10. (b) Of all improper payments, what proportion would you estimate results from regulated providers versus from unregulated providers? What proportion of funds is provided to regulated providers versus unregulated providers?

Exhibit 10(b-1) illustrates the State's estimates of the proportion of improper payments resulting from regulated versus unregulated providers. Of those State agencies that collect these data, 13 State agencies estimate that a larger proportion of improper payments results from regulated versus unregulated providers (AZ, DC, GA, KS, MA, MO, MS, MT, NE, OH, OK, UT, WI). One State (MD) reports a 50/50 split as the proportion of improper payments resulting from regulated and unregulated providers. Only three State agencies estimate that a larger proportion of improper payments result from unregulated providers versus regulated providers (CT, KY, PR). Eight State agencies either do not collect these data or did not answer this question (AL, CA(DE), CA(DSS), MN, NC, NH, WA, WV).

**Exhibit 10(b-1). Proportion of Improper Payments from Regulated versus Unregulated Providers**

State	Improper Payments from	
	Regulated	Unregulated
Alabama*		
Arizona	91%	9%
California (DE)*		
California (DSS)*		
Connecticut	10%	90%
District of Columbia	90%	10%
Georgia	96%	4%
Kansas	67%	33%
Kentucky	32%	68%
Maryland	50%	50%
Massachusetts	90%	10%
Minnesota*		
Mississippi	65%	35%
Missouri	80%	20%
Montana	100%	0%
Nebraska	51%	39%
New Hampshire*		
North Carolina*		
Ohio	100%	0%
Oklahoma	100%	0%
Puerto Rico	20%	80%
Utah	60%	40%
Washington*		
West Virginia*		
Wisconsin	100%	0%
<b>Total:</b>	17	17
<b>Average:</b>	<b>70.7%</b>	<b>28.7%</b>

\*State did not collect data

Exhibit 10(b-2) displays the proportion of State funds provided to regulated versus unregulated providers. Fourteen State agencies provide a larger proportion of funds to regulated providers versus unregulated providers (AZ, CT, DC, GA, KS, MA, MD, MO, NE, NH, PR, UT, WV, WI). Three State agencies provide no funding to unregulated providers (MT, OH, OK). Only two State agencies provide a larger proportion of funds to unregulated versus regulated providers (KY, MS).

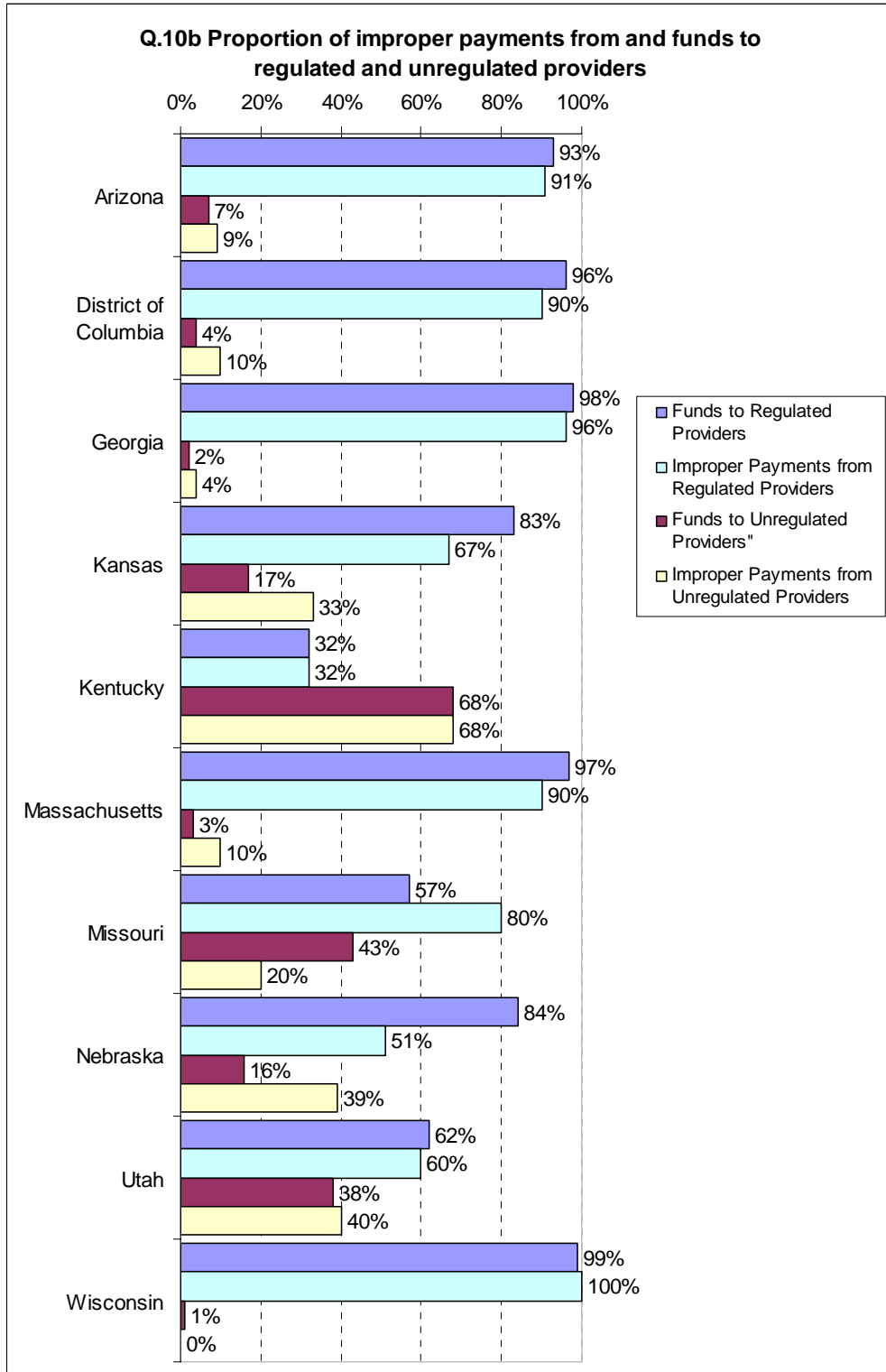
**Exhibit 10(b-2). Proportion of Funding to Regulated vs. Unregulated Providers**

State	Funds to	
	Regulated	Unregulated
Alabama*		
Arizona	93%	7%
California (DE)*		
California (DSS)*		
Connecticut	68%	32%
District of Columbia	96%	4%
Georgia	98%	2%
Kansas	83%	17%
Kentucky	32%	68%
Maryland	87%	13%
Massachusetts	97%	3%
Minnesota*		
Mississippi	27%	73%
Missouri	57%	43%
Montana	100%	0%
Nebraska	84%	16%
New Hampshire	66%	33%
North Carolina*		
Ohio	100%	0%
Oklahoma	100%	0%
Puerto Rico	70%	30%
Utah	62%	38%
Washington*		
West Virginia	91%	9%
Wisconsin	99%	1%
<b>Total:</b>	19	19
<b>Average:</b>	<b>79.5%</b>	<b>20.5%</b>

\*State did not collect data

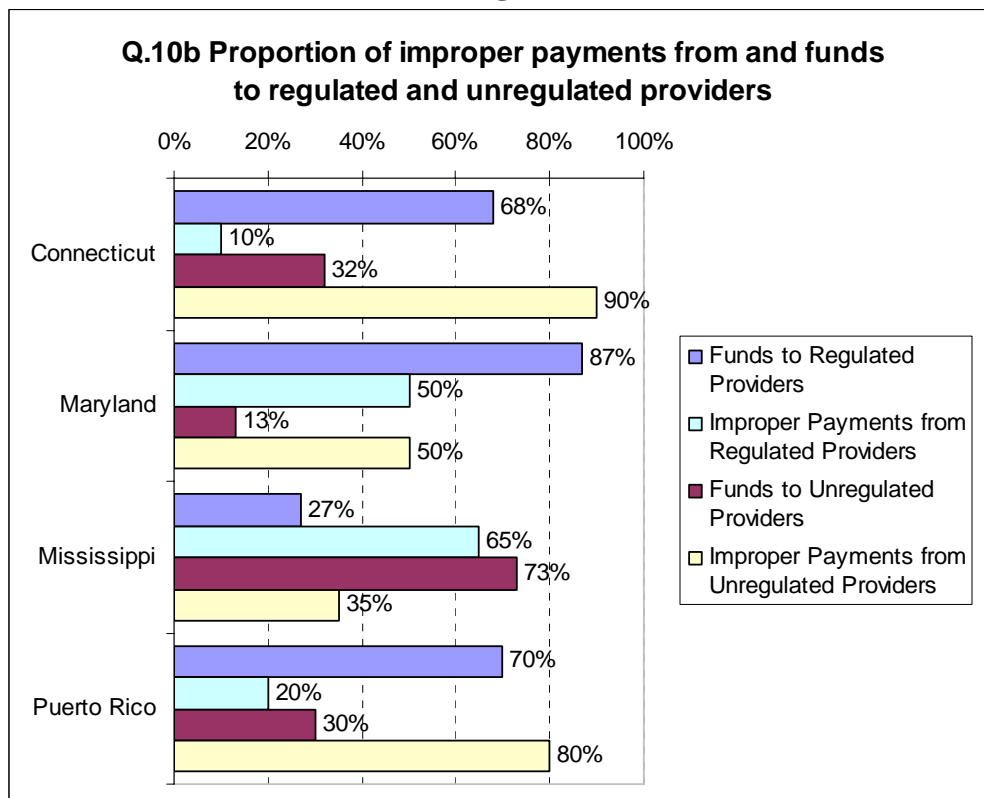
Further analysis indicates that a higher proportion of improper payments attributed to regulated versus unregulated providers is related to the proportion of funding provided to each. Exhibit 10(b-3) shows that 10 out of the 14 State agencies who provide the highest proportion of funding to regulated providers report a higher proportion of improper payments attributed to regulated providers (AZ, DC, GA, KS, KY, MA, MO, NE, OH, WI). In addition, Kentucky (KY) who provides the highest proportion of funding to unregulated providers reports a higher proportion of improper payments attributed to unregulated providers.

**Exhibit 10(b-3). Proportion of Improper Payments from and Funds to Regulated and Unregulated Providers**





**Exhibit 10(b-4). Proportion of Improper Payments from and Funds to Regulated and Unregulated Providers**



In contrast, Exhibit 10(b-4) shows three State agencies that provide a higher proportion of funding to regulated providers report a higher or equal proportion of improper payments attributed to unregulated providers (CT, MD, PR). Mississippi (MS) provides a higher proportion of funding to unregulated providers and reports a higher proportion of improper payments attributed to regulated providers.

**Proportion of Overpayments and Underpayments**

11. *Of all improper payments in your State, what proportion of those payments would you estimate are overpayments and what proportion would you estimate are underpayments?*

Exhibit 11 illustrates 16 State estimates of the proportion of overpayments and underpayments of all improper payments.

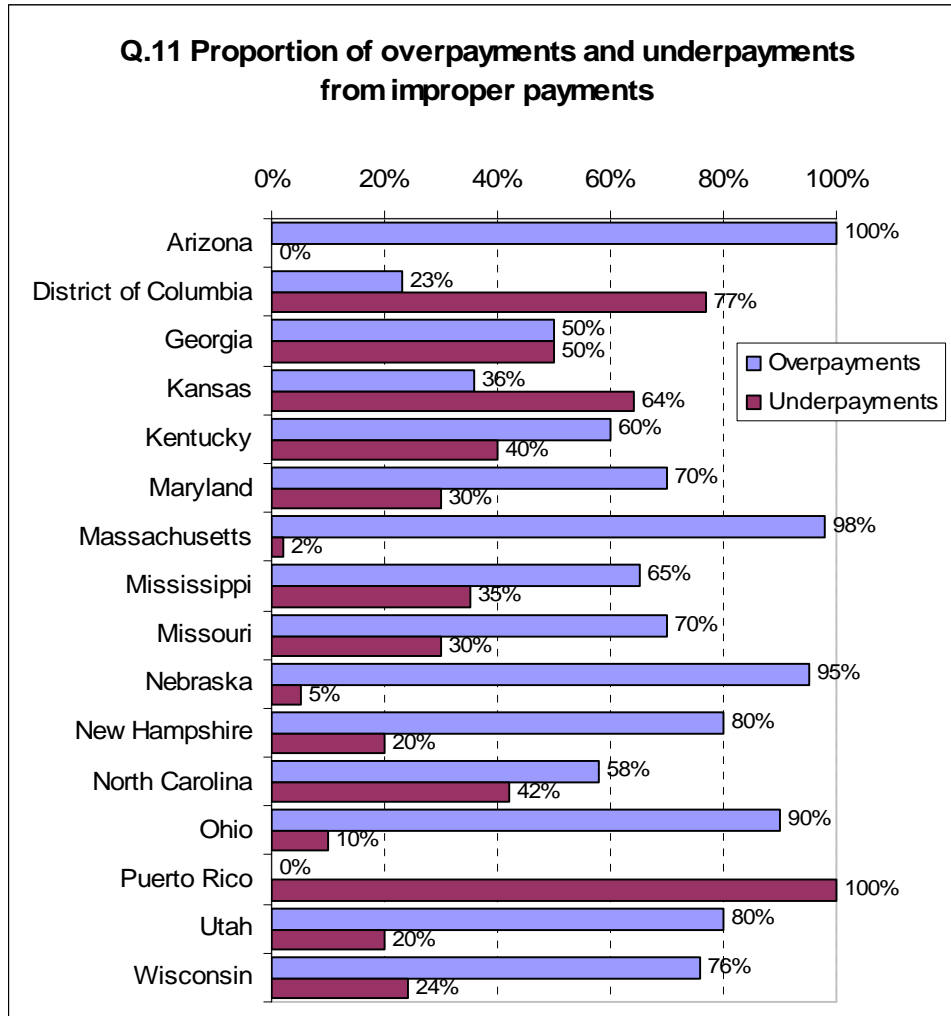
Twelve State agencies estimate a higher proportion of overpayments than underpayments of all improper payments in their State (AZ, KY, MD, MA, MS, MO, NE, NH, NC, OH, UT, WI). Of these, AZ estimates 100% of their improper payments are overpayments.

One State agency (GA) estimates a 50/50 split between overpayments and underpayments.

Only 3 State agencies estimate a higher proportion of underpayments of all improper payments (DC, KS, PR). Of these, PR estimates 100% of their improper payments are underpayments.

Six State agencies indicate that they do not collect this type of data (AL, CA(DE), CA(DSS), MN, WA, WV). Three State agencies indicate the question is not applicable (CT, MT, OK).

**Exhibit 11. Proportion of Overpayments and Underpayments**



**Contributing Factors to Improper Payments**

12. To what extent, if any, have the following factors contributed to improper payments in your State over the past two fiscal years?

Twenty-two State agencies rate the extent to which eight client or provider related factors contribute to improper payments<sup>8</sup> (AL, AZ, CT, DC, GA, KS, KY, MD, MA,

<sup>8</sup> The States used a 5-point scale to rate the extent to which eight factors contribute to improper payments (anchor points of: a great extent, a moderate extent, little extent, no extent, and don't know).

MN, MO, MS, MT, NE, NH, NC, OH, OK, PR, UT, WI, WV). Six factors (a – g)<sup>9</sup> relate to clients; 3 factors (h – j) relate to providers. Individual State rankings of these factors are displayed in Appendix 12.

A majority of State agencies most frequently rate the following four factors as contributing a great or moderate extent to improper payments over the past two fiscal years:

- Twenty State agencies rate factor (a) client nonreporting/underreporting of income, as contributing a great or moderate extent to improper payments (AL, AZ, CT, DC, GA, KS, KY, MD, MA, MN, MO, MT, NE, NC, OH, OK, PR, UT, WI, WV).
- Twelve State agencies rate factor (d) client incorrect reporting of household size, as contributing a great or moderate extent to improper payments (AL, AZ, CT, KY, MD, MA, NE, NC, OH, PR, WI, WV).
- Sixteen State agencies rank factor (f) incorrect information on client’s compliance with program requirements, as contributing a great or moderate extent to improper payments (AL, AZ, CT, DC, GA, MA, MN, MO, MS, MT, NE, NC, OH, UT, WI, WV).
- Sixteen State agencies rate factor (i) provider claiming for services not rendered, as contributing a great or moderate extent to improper payments (AL, AZ, CT, GA, MN, MS, MO, MT, NE, NH, NC, OH, OK, UT, WI, WV).

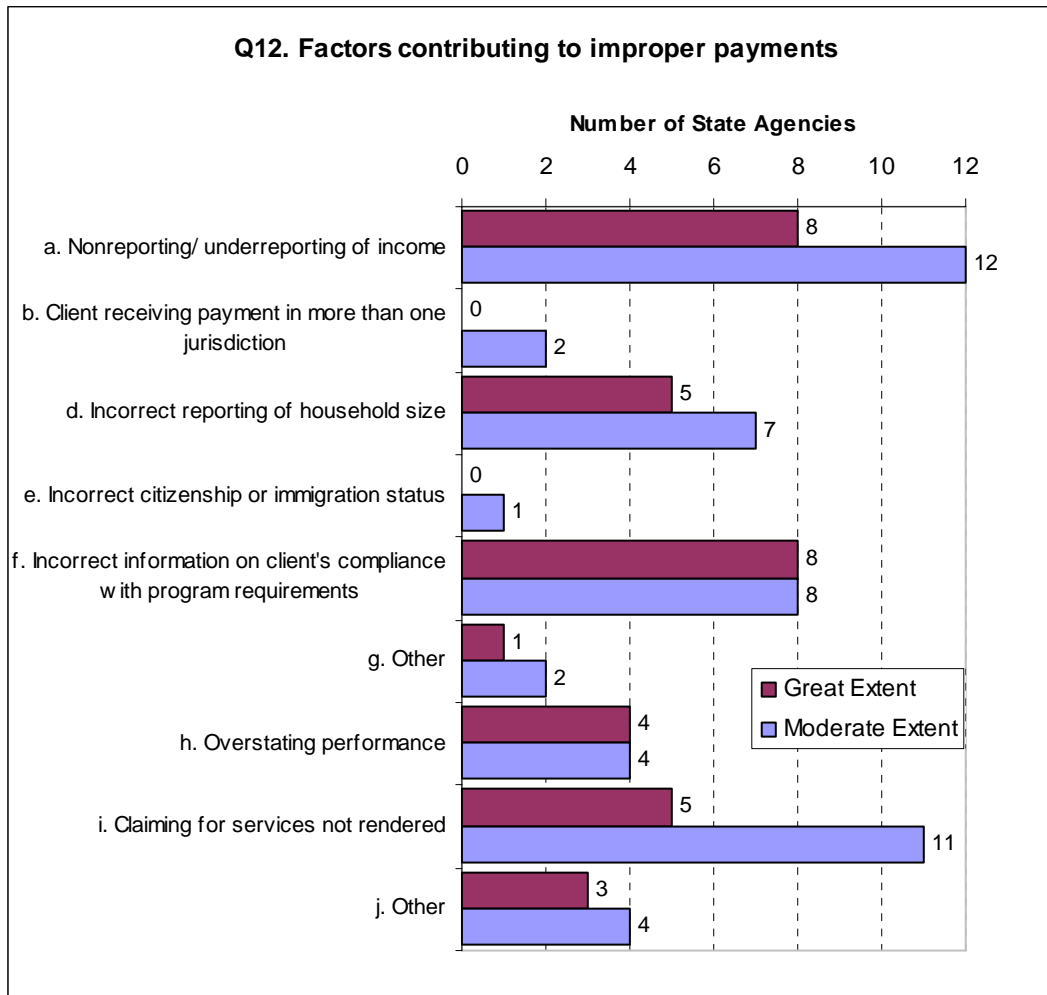
Only 2 or fewer State agencies rate the remaining client factors as contributing a great or moderate extent to improper payments: (b) client receiving payment in more than one jurisdiction, (e) incorrect citizenship or immigration status and (g) other client contributing factors. Four or fewer State agencies rate the remaining provider factors as contributing a great or moderate extent to improper payments: (h) provider overstating performance, and (j) other provider contributing factors.

Exhibit 12 presents cumulative responses of the 22 State agencies that rank these factors.

---

<sup>9</sup> Note: there is no item “c” in the response options.

## Exhibit 12. Factors Contributing to Improper Payments



(Note: item “c” was not included in the survey)

## VIII. PREVENTION OF IMPROPER PAYMENTS

### Priorities for Preventing and Reducing Improper Payments

13. Please describe your top 3 priorities for preventing and reducing improper payments (e.g., training/meetings for providers on rules and responsibilities, training for agency staff on correct implementation of rules and responsibilities; clear communication with parents on rules and responsibilities; use of information technology.)

All 25 State agencies provide narrative responses of their top three priorities for preventing and reducing improper payments. State agencies most frequently cite the following four priority areas:

- Seventeen State agencies cite training of providers and agency staff (AL, CT, GA, KS, KY, MA, MN, MO, NE, NC, OH, OK, PR, UT, WA, WV, WI).

- Sixteen State agencies report using information technology (AZ, CT, GA, KS, KY, MD, MN, MO, MT, NE, NH, NC, OK, WA, WV, WI).
- Ten State agencies report using clarifying procedures (AL, AZ, CA(DE), KY, MA, MN, NE, NH, WV, WI).
- Nine State agencies cite conducting audits or reviews of case records (AZ, CA(DE), KS, MO, MT, NC, OK, PR, WV).

Descriptive responses of 25 State agencies' top three priorities for preventing and reducing improper payments are included in Appendix 13.

**Exhibit 13. Four Priority Areas Appearing Most Often In the States' Top Three**

State	Most Frequent Top Three Priorities			
	Training of Providers or Agency Staff	Using Information Technology	Using Clarifying Procedures	Conducting Audits or Reviews of Case Records
Alabama	✓		✓	
Arizona		✓	✓	✓
California (DE)			✓	✓
California (DSS)				
Connecticut	✓	✓		
District of Columbia				
Georgia	✓	✓		
Kansas	✓	✓		✓
Kentucky	✓	✓	✓	
Maryland		✓		
Massachusetts	✓		✓	
Minnesota	✓	✓	✓	
Mississippi				
Missouri	✓	✓		✓
Montana		✓		✓
Nebraska	✓	✓	✓	
New Hampshire		✓	✓	
North Carolina	✓	✓		✓
Ohio	✓			
Oklahoma	✓	✓		✓
Puerto Rico	✓			✓
Utah	✓			
Washington	✓	✓		
West Virginia	✓	✓	✓	✓
Wisconsin	✓	✓	✓	
<b>Total:</b>	17	16	10	9

## **Activities to Verify Accuracy of Information**

14. *For each activity listed below, indicate whether or not your State performs it to verify the accuracy of information needed to determine eligibility for and/or proper amount of a program payment. If yes, indicate, when in the process the step or activity is performed, and how often it is performed. (State agencies were also asked to indicate the 3 steps or activities considered the most effective; however some agencies identified less than 3 steps or activities as most effective.)*

Exhibit 14 shows 25 State agencies most frequently require documentation from the client to verify the accuracy of eligibility information. Over three-quarters of State agencies (21) rate this activity as most effective (AL, CA(DE), CA(DSS), CT, DC, GA, KS, KY, MD, MA, MN, MS, MO, MT, NE, NC, OK, UT, WA, WV, WI).

All 25 State agencies report initiating a fraud investigation, if warranted to verify the accuracy of eligibility information. However, only six State agencies rate this activity as most effective (KY, MN, MS, OH, OK, UT).

Nineteen State agencies conduct program integrity/quality control reviews (AL, CA(DE), CA(DSS), CT, DC, GA, KS, KY, MD, MA, MN, MS, MT, NE, NC, UT, WA, WV, WI) and 11 State agencies rate this activity as most effective (CA(DE), GA, KY, MD, MA, MN, MS, MT, NC, WA, WV).

Eighteen State agencies conduct telephone, fax, or e-mail contact (AL, AZ, CA(DSS), CT, DC, GA, KY, MD, MA, MN, MS, MO, NE, NC, UT, WA, WV, WI). Only five State agencies rate this activity most effective (AZ, DC, MS, NE, WV).

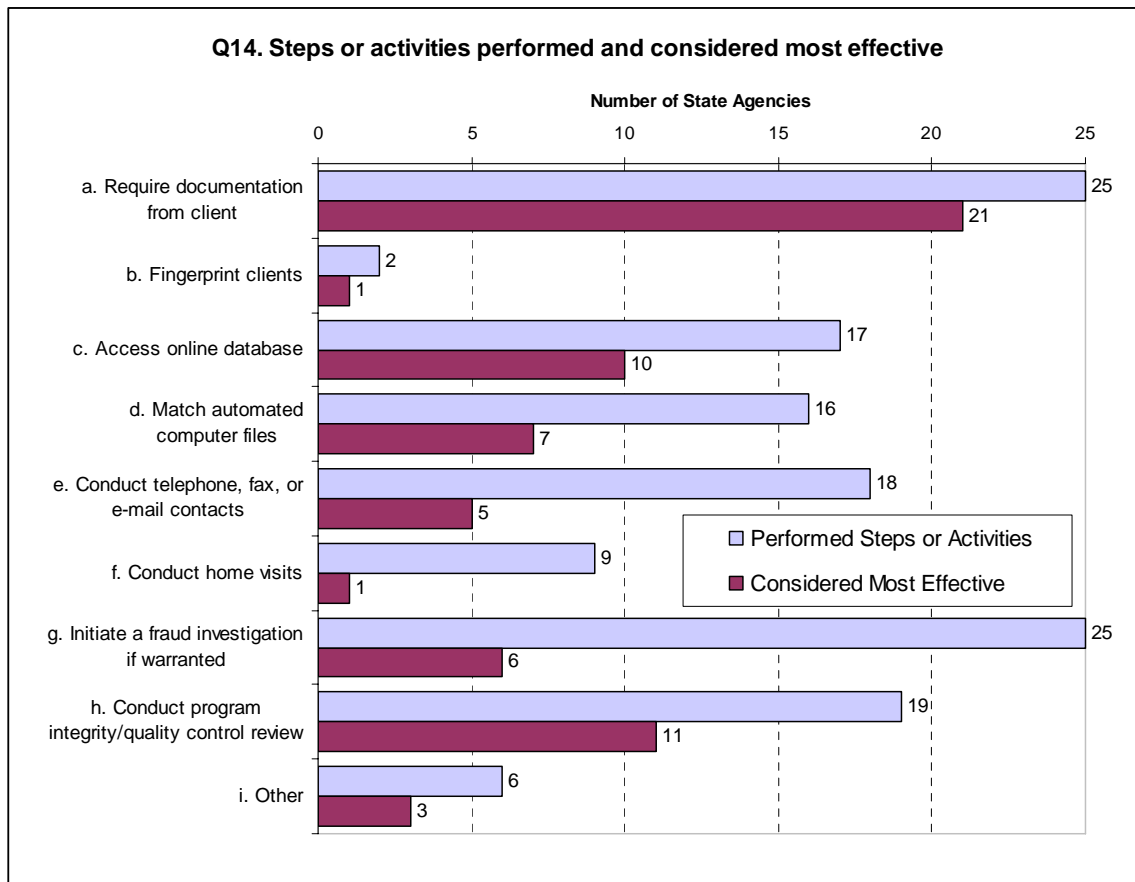
Seventeen State agencies access online data bases (AZ, CA(DSS), CT, GA, KS, MD, MA, MN, MT, MO, OK, PR, NE, NC, UT, WA, WI) and 10 State agencies rate this activity as most effective (AZ, CT, GA, KS, MD, OK, NC, UT, WA, WI).

Sixteen State agencies match automated computer files (AZ, CA(DSS), CT, DC, GA, KS, MN, MS, MO, MT, NE, NC, UT, WA, WV, WI) and seven rate this activity as most effective (AZ, CA(DSS), DC, KS, MO, NE, WI).

Nine State agencies conduct home visits (AZ, CA(DSS), CT, KY, MA, NC, OH, PR, UT) and two State agencies fingerprint clients (MS, CA(DSS)). Only one State agency (CT) rates home visits as most effective and one State agency CA(DSS) rates fingerprinting as most effective.

Six State agencies report performing other activities, including: on site auditing visits to providers, supervisory case reviews, annual audits, provider attendance reports and parent work and school verifications (AZ, CA (DE), DC, MA, MT, NE). Individual State agency responses are detailed in Appendix 14.

**Exhibit 14. Activities Performed and Considered Most Effective to Verify Accuracy of Information**



**Sources Used and Considered Most Effective to Ensure Accurate Payments**

15. *Data sharing: Indicate whether or not your State utilizes this source to better ensure accurate payments under the program. (This question also asked State agencies to indicate when in the process the source is used, and/or how often that source is used, and the 3 items considered the most effective.)*

Regarding data sharing, Exhibit 15 shows what data sources State agencies most frequently report using and consider most effective to ensure accurate payments:

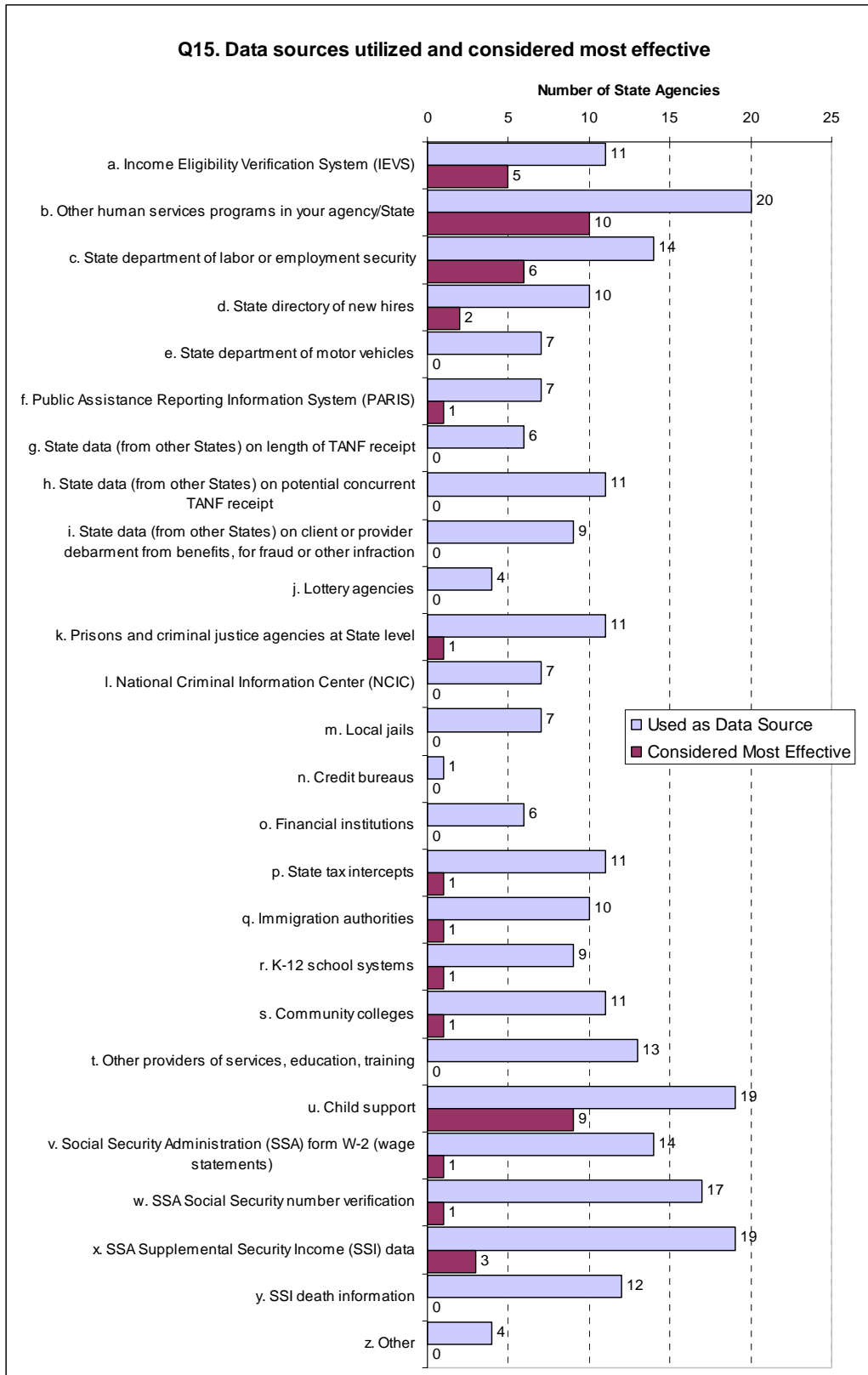
- Twenty State agencies report using other human service programs in your agency/State to better ensure payment accuracy (AL, AZ, CA(DSS), CT, GA, KS, KY, MA, MN, MS, MO, MT, NE, NH, NC, OH, PR, UT, WA, WV). Ten State agencies rate this source as most effective (AZ, CT, GA, KS, MN, MS, MO, NC, UT).
- Nineteen State agencies report using Child Support to better ensure payment accuracy (AL, AZ, CT, KS, MA, MD, MN, MS, MO, MT, NE, NH, NC, OH, OK, UT, WA, WV, WI). Nine State agencies rate this source as most effective (AZ, CT, KS, MD, MN, MO, NC, WA, WV).

- Nineteen State agencies report using SSI – Supplemental Security Income (SSI) data to ensure payment accuracy (AL, AZ, CA(DSS), CT, GA, KS, MD, MS, MO, NE, NH, NC, OH, OK, PR, UT, WA, WV, WI). Three State agencies rate this source as most effective (MD, MS, WV).
- Seventeen State agencies report using SSA – Social Security number verification (AL, AZ, CA(DSS), CT, GA, MN, MS, MO, MT, NE, NH, NC, OH, OK, PR, UT, WI). One State agency GA rates this source as most effective.

Exhibit 15 shows the cumulative responses of 24 State agencies regarding use and ratings of 26 sources to ensure accurate payments. (See Appendix 15 for individual State agencies' responses.)



## Exhibit 15. Data Sources Used and Considered Most Effective to Ensure Accurate Payments



## IX. RECOVERY OF IMPROPER PAYMENTS

### Amount of Improper Payments Recovered

16. For the most recently completed fiscal years, how much in program improper payments has your agency, or another agency within your State, recovered? This question also asked State agencies to indicate if this information was not tracked.

For the most recent fiscal year, 16 State agencies report tracking the amounts of improper payments recovered during this time period (AL, AZ, CT, GA, KS, KY, MD, MA, NE, NH, NC, OH, PR, UT, WA, WI). Amounts range from \$24,816.00 (NC) to \$1,913,149.00 (GA). Puerto Rico did not provide an amount of improper payments recovered. Of these 16 State agencies, 12 State agencies report that the amount includes fraudulent payments (AL, CT, GA, KS, KY, MD, MA, NE, NH, PR, WA, WI).

For the next most recent fiscal year, 10 State agencies report tracking the amounts of improper payments recovered during this period (GA, KS, KY, MA, NE, NH, NC, OH, UT, WI). Amounts range from \$31,563.00 (KS) to \$2,012,088.00 (GA). Of these 10 State agencies, seven State agencies report that the amount includes fraudulent payments (GA, KS, KY, MA, NE, NH, WI).

Six State agencies report they did not track this information during these time periods (CA(DE), CA(DSS), MN, MO, MS, WV).

Three State agencies did not answer this question (DC, MT, OK).

**Exhibit 16. Amount of Improper Payments Recovered**

State	Most recently completed fiscal year			Next most recently completed fiscal year			Not tracked
	Amount of improper payments recovered	Month/ Year	Includes fraudulent improper payments	Amount of improper payments recovered	Month/ Year	Includes fraudulent improper payments	
Alabama	\$162,468.13	09/2005	✓				
Arizona	\$140,090.99	06/2005					
California (DE)							✓
California (DSS)							✓
Connecticut	\$231,488.00	/2005	✓				
Georgia	\$1,913,149.00	06/2005	✓	\$2,012,088.00	06/2004	✓	
Kansas	\$33,990.00	09/2005	✓	\$31,563.00	09/2004	✓	
Kentucky	\$251,259.00	06/2005	✓	\$190,002.00	06/2004	✓	
Maryland	\$93,000.00	03/2005	✓				
Massachusetts	\$400,000.00	/2005	✓	\$1,100,000.00	/2004	✓	
Minnesota							✓
Mississippi							✓
Missouri							✓
Nebraska	\$304,466.72	09/2005	✓	\$181,118.89	09/2004	✓	
New Hampshire	\$68,991.24	06/2005	✓	\$49,126.25	06/2004	✓	
North Carolina	\$24,816.00	06/2005		\$41,638.00	07/2004		
Ohio	\$426,306.75	12/2004		\$263,241.00	12/2003		
Puerto Rico		09/2005	✓				
Utah	\$479,622.00	06/2005		\$455,441.00	06/2004		
Washington	\$721,968.00	06/2004	✓				
West Virginia							✓
Wisconsin	\$375,089.08	06/2005	✓	\$733,364.31	06/2004	✓	
<b>Total:</b>	15		12	10		7	6
<b>Average:</b>	\$375,113.66			\$505,758.25			

**Those that did not provide an answer:**

District of Columbia  
Montana  
Oklahoma

**Penalties Due to Error**

17. *What penalties does your program mandate for clients, agencies, or providers, who commit an error leading to improper payments?*

As shown in Exhibit 17 below, nearly all State agencies report that they mandate or have penalties in place for errors committed by providers and by clients/parents.

Twenty-four State agencies report having penalties for errors by providers (AL, AZ, CA(DE), CA(DSS), CT, DC, GA, KS, KY, MA, MD, MN, MS, MO, MT, NE, NH, NC, OH, OK, PR, UT, WV, WI). Twenty-three State agencies, with the exception of Washington and Wisconsin, report having penalties for errors by clients/parents.

Eleven State agencies report having penalties for errors committed by the State agency (CA(DSS), CT, GA, KS, KY, MD, MA, NE, OH, UT, WV).

Eleven State agencies report errors by the county/local agency (AL, CA(DE), CA(DSS), GA, KS, MA, MS, MO, NH, NC, WV).

One State (WA) reports having no penalties.

State agencies also provided narrative descriptions of these penalties. Penalties for errors by providers and parents include satisfactory repayment/recovery or ultimately termination. Penalties for agencies or county/local agencies include corrective action plans, recoupment or administrative penalties. (See Appendix 17 for detailed individual State agencies’ responses.)

**Exhibit 17. Penalties Due to Error**

State	Agency	Clients/Parents	Providers	County/Local Agency
Alabama		✓	✓	✓
Arizona		✓	✓	
California (DE)		✓	✓	✓
California (DSS)	✓	✓	✓	✓
Connecticut	✓	✓	✓	
District of Columbia		✓	✓	
Georgia	✓	✓	✓	✓
Kansas	✓	✓	✓	✓
Kentucky	✓	✓	✓	
Maryland	✓	✓	✓	
Massachusetts	✓	✓	✓	✓
Minnesota		✓	✓	
Mississippi		✓	✓	✓
Missouri		✓	✓	✓
Montana		✓	✓	
Nebraska	✓	✓	✓	
New Hampshire		✓	✓	✓
North Carolina		✓	✓	✓
Ohio	✓	✓	✓	
Oklahoma		✓	✓	
Puerto Rico		✓	✓	
Utah	✓	✓	✓	
Washington				
West Virginia	✓	✓	✓	✓
Wisconsin			✓	
<b>Total:</b>	<b>11</b>	<b>23</b>	<b>24</b>	<b>11</b>

## **X. FRAUD: INTENTIONAL OVERPAYMENTS**

### **Definition of Fraud**

*18. How does the CCDF Lead Agency define fraud?*

Twenty-one State agencies provide definitions of fraud (AZ, CA(DE), CA(DSS), CT, GA, KS, KY, MA, MD, MN, MS, MO, NE, NH, NC, OH, OK, UT, WA, WV, WI). The majority of definitions include the concepts of “intentional misrepresentation,” “acts designed to defraud or deceive,” and “intentional program violations” to describe agency, provider and client/parent fraud. Four State agencies cite definitions of fraud from State regulations (AZ, CA(DSS), MN, OH). Four State agencies did not provide a definition (AL, DC, MT, PR). (See Appendix 18 for detailed definitions of fraud for 21 State agencies.)

### **Maintaining Data on Fraudulent Payments**

*19. Does your agency maintain data on fraudulent payments in the program as a subset of your improper payments data?*

As shown in Exhibit 19 below, 11 State agencies report that they maintain data on fraudulent payments and provide data for the past two most recent fiscal years (CT, GA, KS, KY, MN, NE, NH, OH, PR, UT, WI). Eight State agencies provide narrative descriptions and indicate the effectiveness of methods used to detect fraudulent payments (CT, KS, KY, MN, NE, NH, OH, UT). Methods considered most effective include: case worker/supervisor reviews, investigations of problematic cases, agency or parent/provider referral, provider audits and computer database matching reports. (See Appendix 19 for detailed State responses.)

Twelve State agencies report that they do not maintain this data (AL, AZ, CA(DE), CA(DSS), DC, MD, MA, MI, MT, NC, WA, WV); however, five of these State agencies identify other entities that maintain information on fraudulent payments (AZ, CA(DSS), MD, MA, MS).

### Exhibit 19. Maintaining Data on Fraudulent Payments

Respondent	Maintains data	Methods used for finding occurrences of fraud and effectiveness	Does not maintain	Other entities in the State that maintain fraudulent payments
Alabama			✓	
Arizona			✓	✓
California (DE)			✓	
California (DSS)			✓	✓
Connecticut	✓	✓		
District of Columbia			✓	
Georgia	✓			
Kansas	✓	✓		
Kentucky	✓	✓		
Maryland			✓	✓
Massachusetts			✓	✓
Minnesota	✓	✓		
Mississippi			✓	✓
Montana			✓	
Nebraska	✓	✓		
New Hampshire	✓	✓		
North Carolina			✓	
Ohio	✓	✓		
Puerto Rico	✓			
Utah	✓	✓		
Washington			✓	
West Virginia			✓	
Wisconsin	✓			

**Total:** 11 8 12 5

**Those that did not provide an answer:**

Missouri  
Oklahoma

### Measures Taken to Prevent Collusion

20. *What measure does your agency take to prevent collusion?*

Twenty-four State agencies provide narrative descriptions of measures used to prevent collusion.

- Thirteen State agencies describe using a combination of assuring agency internal controls, segregation of duties between eligibility, provider contracts and payment authorization and having these functions reflected in security levels in automated systems (AL, AZ, CA(DSS), CT, KY, MA, MT, NH, PR, WA)
- Nine State agencies describe having policies, procedures and penalties (CA(DE), DC,KS, MD, MN, NE,NC, PR)
- Six State agencies describe the use of Electronic Benefit Transfer (EBT) Systems, data matching, red flag reports, training, and provider monitoring audits (AZ, CT, DC,GA, KS, OK). (See Appendix 20 for detailed narrative responses.)

### Penalties Due to Fraud

21. *What penalties does your program mandate for clients, providers, or the agency for those who commit fraud leading to improper payments?*

Exhibit 21 shows that almost all of the State agencies report penalties for improper payments due to fraud by clients/parents and by providers and nearly half report

penalties for improper payments due to fraud by an agency or county/local provider agency.

- Twenty-four State agencies report penalties for improper payments due to fraud by clients/parents (AL, AZ, CA(DE), CA(DSS), CT, GA, KS, KY, MA, MD, MN, MS, MO, MT, NE, NH, NC, OH, OK, PR, UT, WA, WV, WI).
- Twenty-three State agencies report penalties for improper payments due to fraud by providers (AL, AZ, CA(DE), CA(DSS), CT, GA, KS, KY, MA, MD, MN, MS, MO, MT, NE, NH, NC, OH, OK, PR, WA, WV, WI).
- Fifteen State agencies report penalties for improper payments due to fraud by county/local agency (AL, CA(DE), CA(DSS), GA, KS, KY, MA, MS, MO, NE, NH, NC, WA, WV, WI).
- Fourteen State agencies report penalties for improper payments due to fraud by agency (AL, AZ, CA(DSS), CT, GA, KS, KY, MA, NH, OK, UT, WA, WV, WI).

State agencies also provide narrative descriptions of these penalties. Penalties for fraud by providers and parents include: investigation, prosecution, satisfactory repayment/recovery or ultimately termination. Penalties for agencies or county/local agencies include: investigation, prosecution, and termination. (See Appendix 21 for narrative responses.)

**Exhibit 21. Penalties Due to Fraud**

State	Agency	Clients/Parents	Providers	County/Local Agency
Alabama	✓	✓	✓	✓
Arizona	✓	✓	✓	
California (DE)		✓	✓	✓
California (DSS)	✓	✓	✓	✓
Connecticut	✓	✓	✓	
Georgia	✓	✓	✓	✓
Kansas	✓	✓	✓	✓
Kentucky	✓	✓	✓	✓
Maryland		✓	✓	
Massachusetts	✓	✓	✓	✓
Minnesota		✓	✓	
Mississippi		✓	✓	✓
Missouri		✓	✓	✓
Montana		✓	✓	
Nebraska		✓	✓	✓
New Hampshire	✓	✓	✓	✓
North Carolina		✓	✓	✓
Ohio		✓	✓	
Oklahoma	✓	✓	✓	
Puerto Rico		✓	✓	
Utah	✓	✓		
Washington	✓	✓	✓	✓
West Virginia	✓	✓	✓	✓
Wisconsin	✓	✓	✓	✓

**Total:** 14 24 23 15

**Those that did not provide an answer:**  
District of Columbia

**Reporting to Any Other Higher-Level Agency**

22. *Is your agency required to report, or to have information available, on improper payments to the State legislature, the Governor, or any other higher-level agencies?*

Out of the 23 State agencies who respond to this question, four State agencies indicated they report on improper payments to the State Legislature, the Governor, or other higher-level agency (CA(DE), MD, MA, WA). Nineteen State agencies report that they are not required to report or have this information available to these entities. Two State agencies did not provide an answer to this question (DC, OK).

**Exhibit 22. Reporting to Any Other Higher-level Agency**

State	Report or have information available on improper payments to any higher-level agency	Copy of the report(s) and who receives them
California (DE)	✓	Report is due upon termination of the current state fiscal year.
Maryland	✓	State and Federal Auditors--a copy of the report will be sent by fax
Massachusetts	✓	EEC provides an error rate report to the state legislature on a quarterly basis that includes improper payments.
Washington	✓	This document is available to share with the Legislature, Governor or other agencies.

**Total:** 4

**Those that did not provide an answer:**

District of Columbia  
Oklahoma

**XI. OTHER**

**Relevant Information**

23. *Describe any other information that may be relevant to improper payments in the program that you wish to share with us.*

Eleven State agencies provide descriptive answers to this question ranging in focus, substance, and length (CT, DC, KS, KY, MN, NH, NC, OH, OK, WA, WV). Most State agencies provide a description of current and/or future plans to reduce improper payments; however, one State (WV) put forth a request to communicate with other State agencies in order to gather information about “cost/benefit analysis on various prevention strategies.” (See Appendix 23.)

Fourteen State agencies did not provide an answer to this question (AL, AZ, CA(DE), CA(DSS), GA, MD, MA, MS, MO, MT, NE, PR, UT, WI).

**Sections of Manuals, Guidance, and Web Addresses**

24. *Please submit copies of pertinent sections of manuals and other State-issued guidance that you would like to make available, or provide the Web site address where they can be found.*

Thirteen State agencies provide sections of manuals or other State-issued guidance (CA(DE), CT, KS, KY, MN, MS, MT, NE, NC, PR, WA, WV, WI). Nine State agencies provide Web site addresses to access State manuals or guidance (KS, MS, NE, NC, OH, OK, WA, WV, WI). (See Appendix 24.)

Ten State agencies did not provide an answer to this question (AL, AZ, CA(DSS), DC, GA, MD, MA, MO, NH, UT).

**Exhibit 24. Sections of Manuals, Guidance, and Web Addresses**

State	Pertinent sections of manuals and other State-issued guidance	Web address
California (DE)	✓	
Connecticut	✓	
Kansas	✓	✓
Kentucky	✓	
Minnesota	✓	
Mississippi	✓	✓
Montana	✓	
Nebraska	✓	✓
North Carolina	✓	✓
Ohio		✓
Oklahoma		✓
Puerto Rico	✓	
Washington	✓	✓
West Virginia	✓	✓
Wisconsin	✓	✓

**Total:** 13 9

**Those that did not provide an answer:**

- Alabama
- Arizona
- California (DSS)
- District of Columbia
- Georgia
- Maryland
- Massachusetts
- Missouri
- New Hampshire
- Utah



## **XII. CONCLUSIONS**

The 25 State agency responses to this survey indicate a growing trend towards establishing formalized standards, policies and procedures to reduce improper payments. Some of the promising practices highlighted in this report include:

### **Building the organizational infrastructure necessary to reduce improper payments:**

As child care costs and expenditures have increased over the last decade, State agencies have responded by building the infrastructure and technology needed to administer the CCDF. Building an adequate infrastructure to detect and recover improper payments requires State agencies to foster collaborative working relationships both within and outside their own agencies. The narrative descriptions and organization charts provided by 20 State agencies point to the establishment of State level administrative units responsible for the oversight and monitoring of improper payments.

All of the State agencies surveyed describe organizational structures that include: the Child Care Agency, Offices of Business and Finance, Accounts Receivable and Collections, Auditing and Program Integrity, Special Investigations, the Attorney General (AG) or Inspector General (OIG), Data Services and Administration. Oklahoma Department of Human Services (OKDHS) describes seven administrative level divisions and approximately 20 state-office level staff assigned full time to subsidy functions, such as Eligibility Policy, Provider Contracting, Provider Licensing and Quality, EBT and Payment Processing, Eligibility Determination, Auditing and Program Integrity Systems and Application Support. Most all State agencies report the importance of involving the OIG's and AG's office through inter-agency agreements to pursue fraud referrals.

### **Establishing State laws, administrative rules, policies and procedures that formalize the processes necessary to avoid, detect and recover improper payments:**

All States agencies indicate a trend towards establishing more formalized standards, processes and procedures. With the growth in size of the child care program and the need to collaborate across agency division lines, States have invested considerable resources in coordinating the improper payments activities of the agency. All State agencies report having established policies and regulations for the following areas: steps involved in identifying improper payments, steps involved in verifying an improper payment, establishing claims for improper payments and collecting improper payments. Examples of standards or procedures States find most effective at detecting improper payments include: establishing standardized eligibility practices for verifying client information, quality control audits or supervisory reviews, computer data matching, ad hoc reporting or third party verification of error-prone circumstances and changes discovered at redetermination.

### **Developing tools for assessment, monitoring and tracking improper payments:**

The role of information and technology is critical in reducing improper payments. Collecting information or data on improper payments is an important prevention strategy used by State agencies. Over three-quarters of State agencies report tracking information on sources, types, or causes of improper payments. Tracking the sources, types and

causes of improper payments is a key strategy used by States to detect and prevent improper payments. For example, 20 State agencies rate client nonreporting and underreporting of income and provider claiming for services not rendered, as contributing a great or moderate extent to improper payments.

One State agency provides an instructive example of the use of information on provider overpayments to determine the most effective strategies for overpayment recovery. Connecticut estimates that providers are responsible for approximately 40 percent of all overpayments and that 90% occur in unregulated settings. Of the provider errors, less than 5% of claims are referred for prosecution for various reasons, including cost effectiveness. The average non-fraud claim spans 7.9 months, where the average fraud claim period is approximately 19 months.

Armed with knowledge of key factors that contribute to payment accuracy, States develop a variety of tools to help identify error-prone circumstances. The top three methods State agencies use to detect improper payments include: training/meetings for providers on rules and responsibilities, training for agency staff on correct implementation of rules and responsibilities, use of information technology and record monitoring reviews.

**Using information technology to detect and avoid improper payments:** Promising practices in the use of information technology States consider most effective in reducing improper payments include:

- **Accessing online databases**, such as Wage and Unemployment Insurance (UI) databases, Public Assistance, Income Eligibility Verification System (IEVS) Motor Vehicles, Child Support, Social Security Administration records (SSA), Supplemental Security Income (SSI) information and Licensing records;
- **Matching automated computer files**, such as matching child care applicant income information with unemployment insurance wage information;
- **Developing ad hoc or red flag reports that identify error-prone circumstances**, such as out-of-state providers, capacity and extended hours of care; or
- **Developing EBT systems for provider payments**, eliminating the potential for most providers to charge for hours of child care that were not provided.

**Conducting record monitoring reviews to improve payment accuracy and initiation of fraud investigations if warranted:** State agencies report using a variety of methods to identify the total amount of improper payments, including case record reviews, reviews of service providers or contractors, findings from State and local fraud units, the State's single audit or from State and local auditors. Three quarters of State agencies report conducting program integrity/quality control reviews to improve payment accuracy. All State agencies report initiating a fraud investigation as a key strategy critical to verify the accuracy of payment information.

**Using monitoring information on error prevention and recovery activities to conduct cost benefit analyses:** State agencies may use monitoring information, as

highlighted in the data elements of this survey, to conduct cost benefit analyses. Appendix 26 proposes how a cost-benefit analysis could be performed using the data from the surveys and other information. Connecticut provides an example of a cost benefit analysis of error prevention and recovery activities which is also included in Appendix 26.

Thirteen State agencies provide sections of manuals or other State-issued guidance that may be instructive for other States. Where possible and appropriate, sections of manuals and administrative rules are included in the Appendices to this report. Other guidance materials that could not be attached to this report, due to length include: Benefit Errors Procedures, Payment Processing Procedures and Sample Data Integrity Reports (from Connecticut) and a Training and Monitoring Resource Guide (from CA(DE) and CA(DSS)). Copies of these attachments can be obtained through contacting the State representative listed in Appendix 25. Nine State agencies provide Web site addresses to access State manuals or guidance also listed in Appendix 24.

## APPENDIX 1. DEFINITION OF IMPROPER PAYMENTS

### 1. How does the CCDF Lead Agency define improper payments?

#### 24 State agencies responded to Question 1 (Appendix 1: pp. 39–43)

State	Definition of Improper Payments
Alabama	Improper payments result from an intentional or unintentional violation of subsidy policy by the parent/provider or misapplication of subsidy policy by the agency.
Arizona	<p>ARS § 46-213.B States "If a recipient is overpaid for whatever reason, the recipient is liable for the amount of the overpayment. The department with the concurrence of the department of law shall determine the method of securing repayment which is most appropriate to the particular situation. If there are insufficient assets or resources to justify collection, if the recipient has not obtained assistance or services by intentional misrepresentation or if the overpayment was due to an error on the part of the department, the department may waive a repayment by the recipient. The department, with the assistance of the department of law, may institute appropriate court proceedings to recover overpayments."</p> <p>State policy defines an overpayment as the payment of funds to a provider on behalf of a client who:</p> <ul style="list-style-type: none"> <li>Was not eligible for assistance;</li> <li>Did not have an eligible activity/need;</li> <li>Used more assistance than they were eligible for; or</li> <li>Payments were made for days/hours in which the children were not in attendance with the child care provider.</li> </ul> <p>Overpayments may be client, provider, or agency caused.</p>
California (DE)	California distinguishes between improper payments attributable to errors and improper payments attributable to the intentional provision of inaccurate or incomplete information by program beneficiaries (parents) or child care providers.
California (DSS)	<p>According to California's Code of Regulations (hereinafter referred to as "CCRs"), improper payments are defined as follows:</p> <p>CCR 47-110(o) (1) "Overpayment" means payments for child care services in excess of the amount which either the client or the child care provider is eligible to receive.</p> <p>CCR 47-110(u) (1) "Underpayment" means payments for child care services that are less than the amount which either the client or the child care provider is eligible to receive.</p> <p>For the California Code of Regulations, please go to:  <a href="http://www.cdss.ca.gov/ord/CDSSManual_240.htm">http://www.cdss.ca.gov/ord/CDSSManual_240.htm</a></p>

**24 State agencies responded to Question 1 (Appendix 1: pp. 39–43)**

State	Definition of Improper Payments
Connecticut	<p>Underpayments occur when the parent does not receive all the benefits to which the family is entitled due to an administrative error made by the department, the Care 4 Kids (C4K) administrator or upon submission of satisfactory documentation of an error made by the Department of Labor or its designee for a family participating in an employment services activity. The evidence must clearly demonstrate that an administrative error occurred. Errors caused by the family or the provider are not be considered underpayments, except when a provider makes a billing error on an invoice and the C4K administrator is notified of the error within thirty days of the date the payment is issued to the provider.</p> <p>Overpayments occur when the amount paid exceeds the benefit that would have been paid if the payment had been calculated correctly based on accurate information that was reported, verified and acted on in a timely manner. Overpayment are classified as administrative, parent or provider caused. Parent and provider caused overpayments are further classified as intentional or unintentional (fraud). The agency makes a “preliminary” determination of whether the error was intentional or unintentional. Errors are considered intentional if the parent or provider knowingly withheld or provided false information on matters affecting eligibility, benefits or services provided. Only a court of law or an administrative hearing official can determine if fraud occurred.</p> <p>No overpayment exists if the difference between the benefits paid on behalf of the family and the correct benefit amount is less than ten dollars in any month.</p>
District of Columbia	<p>Improper payments are generally defined as overpayments or underpayments to providers on behalf of children and families. An overpayment is payment made to a provider for services that were not performed or for services when correct eligibility has not been established. Underpayments to providers occur when correct eligibility has been established and payment is not made during the regular payment cycle. Improper payments may also be payments made at the incorrect rate. Note: Information from the D.C. CCDF Plan FY 2006-2007.</p>
Georgia	<p>“A client overpayment occurs when a client fails to report accurate information during the application process; when a client fails to report changes that affect eligibility in a timely manner; and/or when the agency miscalculates benefits. Overpayments to providers occur when a provider receives payments for care not received, when a provider receives payment for times care is not authorized, when a provider receives payments for care when the provider did not meet CAPS requirement, etc. Overpayments to providers occur when the agency makes a payment/reimbursement error. Underpayments exist when agency’s portion of the cost of care was not correctly calculated.”</p>
Kansas	<p>Kansas defines improper payments in the same manner as federally defined on page 1 of this document.</p>

**24 State agencies responded to Question 1 (Appendix 1: pp. 39–43)**

State	Definition of Improper Payments
Kentucky	“Improper Payment” means any payment that should not have been made or that was made in an incorrect amount (including overpayment and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and includes any payment to any ineligible recipient, any payment for an ineligible service, any duplicate payment, payments for services not received, and any payment that does not account for applicable discounts.
Maryland	Improper payments are payments that the customer or provider received, but were not entitled to receive.
Massachusetts	<p>The Department of Early Education and Care (formerly The Office of Child Care Services under the Executive Office of Health and Human Services) of the Commonwealth of Massachusetts defines improper payments as:</p> <p>Any payment to a child care provider that is incorrect and/or is not authorized under applicable laws, contract terms, policies and/or procedures. This includes any payments to providers for families who are ineligible for subsidized services, payments for care that was not provided, or payments made in error by the purchasing agency.</p>
Minnesota	An amount of child care assistance paid to a recipient, or child care provider in excess of or an amount that is different from the payment due even when the improper payment was caused by agency error or circumstances outside the responsibility and control of the family or provider.
Mississippi	See attached response
Missouri	Improper payments for the child care program are defined as any payments made in error to a child care provider on behalf of families receiving child care assistance. Improper payments are identified as the result of intentional program violations (fraud) or inadvertent errors made by child care providers, families utilizing child care subsidy, and/or the agency responsible for determining eligibility.
Montana	An improper payment is a payment requested or made to a parent or provider in error.
Nebraska	<p>We do not have a formal definition, but our working definition would be any payment:</p> <ul style="list-style-type: none"> <li>a. For care not rendered;</li> <li>b. For care for non-allowable purpose;</li> <li>c. For an ineligible child;</li> <li>d. Billed at an incorrect rate;</li> <li>e. That fails to deduct the family's fee.</li> </ul>
New Hampshire	Improper payments are defined as payments that should not have been made and payments that were made for the incorrect amount under statutory, contractual, administrative, or other legally applicable requirement.

**24 State agencies responded to Question 1 (Appendix 1: pp. 39–43)**

State	Definition of Improper Payments
North Carolina	An improper payment occurs when a recipient (usually child’s parent) or provider receives subsidy services or a payment for which they were not eligible. This includes administrative errors made by the local purchasing agency (LPA) that result in improper payments to providers.
Ohio	Ohio Administrative Code Section 5101:2-16-73 “(A) Child care overpayment is defined as follows:(1) Child care benefits which the recipient received but for which the recipient was not eligible and for which the CDJFS has reimbursed the child care provider. Benefits may include child care services received by the recipient, or the portion of the recipient’s monthly child care co-payment paid by the CDJFS but owed by the recipient. The recipient is responsible for repayment of the overpayment to the CDJFS. (2) Child care payments which the provider received from the CDJFS but for which the provider was not entitled. The provider is responsible for repayment of the overpayment to the CDJFS.”
Oklahoma	Improper payments are those child care payments which are not correct with respect to the care authorized, age of the child, star status “quality level” of the provider, geographic rate area or payment rate for the care provided. The family must also meet the “need factor” in order to receive proper child care benefits.
Utah	<ul style="list-style-type: none"> <li>• The customer receives a payment for which he/she is not eligible.</li> <li>• The customer receives a payment he/she is eligible for, but in the wrong amount.</li> <li>• The customer should have received a payment, but was denied or closed in error.</li> </ul>
Washington	Any payment that should not have been made, or any payment made in the incorrect amount (including overpayments and underpayments).
West Virginia	Improper payments are defined as payments that should not have been mad, or that were made in an incorrect amount due to worker error in determining and verifying eligibility, and/or calculation and input of information into the Family and Children’s Tracking System (FACTS). Incorrect amounts include overpayments, underpayments, and inappropriate denials of payment.
Wisconsin	<p>Improper payments is defined in terms of an overpayment. When an underpayment occurs, the local agency is able to make a positive adjustment in order to pay the provider.</p> <p>Overpayment is defined in Wisconsin Administrative rule DWD 56.04 (5): A child care administrative agency or the department shall take all reasonable steps necessary to recover from a parent funds paid to a child care provider or to that parent when the parent was not eligible for that level of child care benefit and the overpayment benefited the parent by causing the parent to pay less for the child care expensed than the parent otherwise would have been required to pay under child care assistance program requirements, regardless of whether overpayment was the result of administrative error, client error, or intentional program violation. Section DWD12.23 shall apply to overpayment collection from a parent under this section.</p>

**24 State agencies responded to Question 1 (Appendix 1: pp. 39–43)**

State	Definition of Improper Payments
Wisconsin (continued)	<p>An overpayment shall include excess child care funds paid when there was a change in family eligibility circumstances that was significant enough that it would have resulted in a smaller child care benefit or ineligibility for child care benefit due to any reason, including the following:</p> <ol style="list-style-type: none"> <li>1. The parent failed to report a change in circumstances that may affect his or her eligibility within 10 days after the change.</li> <li>2. The parent was absent from an approved activity without good cause while the child was in the care of the provider.</li> </ol> <p>A child care administrative agency shall take all reasonable steps necessary to recoup or recover from a provider any overpayments made for child care services for which the provider was responsible or overpayments caused by administrative error that benefited the provider. A provider shall be responsible for an overpayment if both of the following criteria is satisfied:</p> <ol style="list-style-type: none"> <li>1. The overpayment benefited the provider by causing the provider to receive more child care assistance than otherwise would have been paid on the family's behalf under child care assistance program requirements.</li> <li>2. The overpayment did not benefit the parent by causing the parent to pay less for child care expenses than the family otherwise would have been required to pay under child care assistance program requirements.</li> </ol>

**Those that did not provide an answer:**  
Puerto Rico



**APPENDIX 2. STATE ORGANIZATIONAL STRUCTURE THAT HANDLES IMPROPER PAYMENTS IN THE CHILD CARE PROGRAM**

2. *Provide a description of the organizational structure of the agency in your State that handles improper payments in the child care program. If available, please provide the web site address where it can be found.*

**19 State agencies responded to Question 2 (Appendix 2: pp. 44–46)**

State	Description of the State Organizational Structure
Arizona	See attached Organizational Chart
California (DE)	See attached CDE organization chart. Local public and private agencies operating programs for CDE handle improper payments for local child care programs.
California (DSS)	CDE and CDSS share the administration of the three stages of child care. Each of the 58 counties (i.e. county welfare departments) handles improper payments for the child care program within their county.  Please see CDSS' organization chart.
Connecticut	See attachments 1a, 1b and 1c.
Georgia	State disseminates policy and procedures to the counties. Caseworkers and supervisors in the county are responsible to uphold these rules and regulations. Regional program specialists work with counties to ensure policy is upheld. Accuracy reviews are performed at the county level monthly using sampling. Maximus, our contractor that provides provider management and payment services, offers an automated payment system that covers 27 counties provides another safeguard. Regional accounting upholds sound accounting principles and issues payments to providers in 132 counties. If either the counties or Maximus suspect fraud, they refer the case to the Office of Investigative Services (OIS). OIS performs an investigation and relays its findings back to the county for repayment or to a prosecutor for legal action.
Kansas	Processes are in place at both the Central and Regional levels to handle improper payments within our State. At the Central Office level, the Economic and Employment Support section handles supervision and oversight of Quality Assurance and Management Evaluation functions within the agency for this purpose. These are located within the Support Services unit. A current hard copy of this organizational structure is attached to this document. At the Regional Office level, both the Economic and Employment Support and Performance Improvement divisions are tasked with the processes to identify and correct improper payments. A current hard copy of the Wichita Regional Office organizational structure is attached to this document.
Kentucky	See Attachment A
Maryland	Local Department of Social Services handles overpayments. Each department's structure is a little different. The process involves case management, invoice processing and fiscal offices.

**19 State agencies responded to Question 2 (Appendix 2: pp. 44–46)**

State	Description of the State Organizational Structure
Massachusetts	Please see the attached organizational chart. The Assistant Commissioner of Administration and Finance oversees the Accounting and Contracting Units (which are directly involved with improper payments). The Director of Contracts supervises the agency's Assistant Director of Audit Resolution and Contract Monitors who conduct site visits to providers throughout the State. Contract Monitors relay any improper payments they find during site visits to the Assistant Director of Audit Resolution and the Director of Accounting. Repayment is facilitated through the Accounting Dept. and if needed, the Legal Unit.
Minnesota	Minnesota's Child Care Assistance Program (CCDP) is State supervised and county administered. The Children and Family Services Administration (CFS) within the Department of Human Services (DHS) has oversight responsibility for the Child Care Assistance Program. Within CFS the Program Assessment and Integrity Division focuses on program integrity for the child care assistance program.
Missouri	Please refer to the organizational chart available at the following web link: <a href="http://www.dss.mo.gov/ddo/orgchart.htm">http://www.dss.mo.gov/ddo/orgchart.htm</a> and click on the Division of Legal Services link.
Montana	Early Childhood Services Bureau Fiscal staff members and Child Care Resource & Referral contractors coordinate efforts with the Montana Department of Public Health & Human Services Fiscal Bureau where an accounts receivable system tracks overpayments received and balances remaining.  <a href="http://www.dphhs.mt.gov/aboutus/orgcharts/bureauorgchart.pdf">http://www.dphhs.mt.gov/aboutus/orgcharts/bureauorgchart.pdf</a>
Nebraska	Nebraska Health & Human Services System <=== Director, Finance and Support Agency <=== Support Services <=== Issuance & Collection Center
New Hampshire	Currently, the Office of Special Investigations accepts referrals for improper child care payments.  The Child Development Bureau has recently employed one staff member specifically to address improper child care payments.  The Division of Family Assistance has designated a staff position whose responsibilities include collaboration with the Division of Children, Youth and Families (DCYF) to design and implement strategies and procedures to increase and maintain the integrity of the child care system and reduce child care system abuse.  No Organizational chart is available.
North Carolina	The Division of Child Development (DCD) is the State agency that manages the Child Care Development Fund (CCDF) and allocates subsidy funds to the local departments of social services (DSS's). The DSS agency may choose to contract with a local agency to administer the Subsidy Program. Hence, the term local purchasing agency (LPA) will be used throughout this survey to describe the local agency. The Subsidy Program is administered at the local level; therefore, the local DSS is the agency that identifies fraud and recovers overpayments made due to fraud.

**19 State agencies responded to Question 2 (Appendix 2: pp. 44–46)**

State	Description of the State Organizational Structure
Ohio	Ohio's is a State-supervised, county-administered system. The State develops rules and processes for administering the Child Care program. The identification and processing of improper payments occurs at the county level.
Utah	<ul style="list-style-type: none"> <li>• Workers: Review past child care and refer any cases that appear to be an overpayment. They also authorize any child care assistance that is an underpayment.</li> <li>• Payment Specialists: Receive overpayment referrals from workers and investigators and determine if it is in fact and overpayment based upon policy, procedures, and rule. They also determine the amount of the overpayment and if the overpayment looks to be fraud. This is then sent to adjudications.</li> <li>• Adjudicators: Complete all the legal work in order to collect or garnish overpayments. They also determine if the overpayment was fraudulent. They send it to the collections unit.</li> <li>• Collections: Collections is responsible for collecting all overpayments and making sure that money collected goes back to the appropriate program.</li> </ul>
Washington	An organizational chart is attached.
Wisconsin	The document attached to the email for this survey (childcare_chart_042604) describes each agency that is involved in child care program integrity efforts.

**Those that did not provide an answer:**

Alabama  
 District of Columbia  
 Mississippi  
 Oklahoma  
 Puerto Rico  
 West Virginia

### APPENDIX 3. TOPICS OR ACTIVITIES FOR WHICH STATE HAS POLICIES OR REGULATIONS

3. Please check all of the topics or activities listed below for which your State has policies or regulations in place for the program.

#### 7 States specified their response for Question 3

State	Other Topics or Activities
Arizona	<p>Note: Arizona State Administrative Rule R-5-4920 A &amp; B refer to overpayments and the collection of overpayments.</p> <p>The Department of Economic Security (DES) Child Care Administration writes overpayments when it is discovered that a participant/provider receives more assistance than they were entitled. This referral is sent to the DES Office of Accounts Receivable and Collections (OARC) for the recovery of the overpaid assistance. If the overpayment is over \$2,000 then it is reviewed by the Office of Special Investigations (OSI) to determine if it meets the prosecution criteria. If it does then OSI keeps the overpayment and refers to the Attorney General's (AG) Office for prosecution. If the claim is rejected by OSI or the AG's then it is sent back to OARC for collections.</p> <p>OARC does the following:</p> <ul style="list-style-type: none"> <li>a) Sends the participant a demand notice telling them of the overpaid assistance</li> <li>b) Sends the participant billing Statements</li> <li>c) Initiates judgments, liens, garnishments if the participant does not voluntarily repays</li> <li>d) Submits names to the Arizona Department of Revenue for debt set-offs</li> <li>e) Intercepts any Lottery winnings</li> </ul>
Connecticut	Fraud Investigations; Fraud Early Detection; Administrative Disqualification Hearings
Kansas	Kansas is currently in the process of programming the child care computer system to automatically recoup improper overpayments administered to customers through benefit reductions.
Montana	The State of Montana assigns penalties to parents or providers who commit intentional program violations.
North Carolina	Sanctions or penalties for parents and providers that commit fraud
Ohio	Ineligibility penalty for unrepaid fraudulent overpayment
Oklahoma	Prosecution, reporting of suspected over payments

## APPENDIX 4. ASSESSMENT OR ANALYSIS OF USES OF PROGRAM FUNDS

4. For which of the following uses of program funds has your State performed an assessment or analysis to determine whether the program is at risk of improper payments?

### 6 States specified their response for Question 4 (Appendix 4: pp. 48–49)

State	Other Identification and Assessment
Connecticut	Employee Fraud
Maryland	This is done on an ongoing basis through case reviews, supervisory reviews and investigations.
Minnesota	<p>In 1999, the Minnesota State Legislature appropriated \$175,000 per year for the Fraud Prevention Investigation Program (FPI) to conduct investigation on CCAP cases. The Minnesota Department of Children, Families &amp; Learning (where CCAP was housed from 1997 to 2003) contracted with the Department of Human Services Program Integrity Division to expand FPI to include child care assistance programs and oversee this function in the counties. Legislation also mandated the commissioner of Children, Families &amp; Learning to enforce the requirements for program integrity and fraud prevention investigations under sections 256.046, 256.98, and 256.983.</p> <p>In 2000, the Department of Human Services and Children, Families &amp; Learning issued a joint Instructional Bulletin to county agencies with information and instructions on expanding the fraud prevention program for child care workers.</p> <p>In 2002, the Program Integrity/Fraud Prevention Workgroup was convened to analyze administrative procedures and program policies that would strengthen program integrity/fraud prevention in the Child Care Assistance Program. The workgroup made the following recommendation and legislation was passed to support program integrity and prevention in the Child Care Assistance Program.</p> <p>§ Providers – Overpayment and fraud prevention - All providers</p> <ol style="list-style-type: none"> <li>1. Statewide provider policies and record keeping requirements, including daily log-in attendance sheets and make them available immediately to the county upon request.</li> <li>2. Uniform record retention schedule for all providers.</li> <li>3. Statewide time limit for voucher submission, exceptions for good cause as to why a bill will be submitted later due to a delay in getting a parent signature or a lost bill are avoided.</li> </ol> <p>§ All providers consequences for overpayment/fraud</p> <ol style="list-style-type: none"> <li>1. Require providers to repay amounts overpaid due to provider or county billing errors or provider fraud.</li> <li>2. Require recovery of overpayments from providers, and establish penalties to provider who are convicted of fraudulent activities.</li> <li>3. Include providers in the administrative disqualification hearing (ADH) process.</li> <li>4. Require background checks of legal nonlicensed child care providers and establish policies/criteria as to who cannot be authorized to be a provider and receive child care assistance payments.</li> <li>5. Develop a Statewide Minnesota Eligibility Child Care system, MEC2</li> </ol> <p>Since 2003, when Child Care Assistance Program was relocated back to DHS, staff have been meeting to align the child care assistance program as</p>

**6 States specified their response for Question 4 (Appendix 4: pp. 48–49)**

State	Other Identification and Assessment
Minnesota <i>(continued)</i>	much as possible with the MFIP program data collection and sharing to simplify and strengthen the overall effectiveness of the Program integrity division that oversees the Minnesota Family Investment Program, and Child Care Assistance Programs.
Mississippi	An official risk analysis has not been performed for the CCDF program. Reviews and/or assessments occur on a case-by-case basis monthly by OCY staff.
North Carolina	Funding Level
Wisconsin	More than 2 weeks of payment when the child has not attended, subsidy paid for provider's children to be in day care, subsidy payments made to providers who live in that same home as the child.

## APPENDIX 5. PROCESS FOR IDENTIFYING AND HANDLING IMPROPER PAYMENTS

5. *Please describe your process for identifying and handling improper payments and include all aspects of the process through resolution.*

**25 State agencies responded to Question 5 (Appendix 5: pp. 50–64)**

State	Process for Identifying and Handling Improper Payments
Alabama	Overpayments are identified by a review information received by the parent/provider, review of case records (annual monitoring review and monthly supervisory reviews); and/or investigation of reports from other entities. If an improper payment is identified the amount of the improper payment is then determined by entering information onto a claim form that explains the findings and calculates the amount owed, if an overpayment has occurred. The parent/provider is then notified of the amount owed, by letter. The parent/provider then has an opportunity to dispute the claim or provide evidence to reduce the claim. The parent/provider are then asked to make payment on the claim. Parent/Provider sign a repayment agreement for the full amount of the overpayment or for partial payment amounts until the balance is paid in full.
Arizona	Overpayments are identified by Child Care Specialists through a variety of means (some examples include, but are not limited to: at regular review, through quarterly interfaces with Unemployment data, through OSI investigations, through third party complaints, etc.). Once identified, the Specialist completes an overpayment packet which includes the computations to determine the amount of the overpayment, all information that was used to substantiate the overpayment, a summary of their work, and any other pertinent information. This packet is submitted to the Child Care Administration Review and Reconciliation Unit. Once it is received by the unit it is logged into a database and then reviewed for accuracy. At the point where the overpayment is determined to be accurate the packet is sent to the Office of Accounts Receivable and Collections which proceeds to set up an account and pursue collection of the overpayment. Overpayments over a certain dollar amount (as specified by the Arizona Attorney General's office) are automatically reviewed for potential prosecution prior to the collection of the overpaid amount. The Office of Special Investigations in conjunction with the Arizona Attorney General's office reviews the overpayment and conducts additional investigation to determine if the case is prosecutable.
California (DE)	See attached Training and Monitoring Resource Guide. The Training and Monitoring Resource Guide is used to perform program audits of CCDF programs. The Training and Monitoring Guide establishes standards for documenting program eligibility and verifying client provided information. Program audits use a statistically valid sample of cases to identify agency-caused errors that have a material program impact. The results of program audits are used to develop local policies and procedures to minimize errors and ensure that information on which eligibility and payments are based is complete and accurate. During determination or re-determination of eligibility or during regular processing of monthly payments, local agency may determine that client and/or provider has given incomplete or inaccurate information to obtain a benefit or payment to which the client or provider is not entitled. If such a determination is made, local agencies take action to terminate services and/or the provider's contract. If client is recipient of cash aid, a referral is made to the local county welfare department. If client is not on cash aid, local agencies may initiate civil proceedings for recovery or refer to local law enforcement for prosecution.

**25 State agencies responded to Question 5 (Appendix 5: pp. 50–64)**

State	Process for Identifying and Handling Improper Payments
California (DSS)	<p>For CDSS-administered Stage One Child Care, the identification and handling of improper payments varies from each of California’s 58 counties. However, all counties systematically utilize IEVS reviews and other State or federal matches to establish eligibility standards for CalWORKs (the TANF program in California), a process which, in turn, establishes a client’s categorical eligibility for Stage One Child Care. California has no statutory authority to pursue collection of an improper payment in Stage One Child Care unless the monies are voluntarily relinquished by the client, or through civil (e.g., small claims court) and criminal (e.g., post-conviction restitution orders) proceedings. In order to reduce the percentage of improper payments, CDSS has recently formed an ad hoc workgroup with the counties to develop best practice administrative procedures to improve accuracy.</p>
Connecticut	<p>Please refer to Attachment 2 – Benefit Error Procedures – for additional details. Detection Errors are detected through a variety of sources and activities: standard verification practices; third party verification of error prone circumstances, changes discovered at redetermination; quality control and supervisory reviews; IRS; fraud hot-line complaints; fraud investigations; errors discovered in other public assistance programs administered by DSS; administrative hearings; ad hoc data integrity reports designed to look at error prone circumstance, such as out-of-State providers, capacity and extended hours of care; information reported by parents and providers; automated data matches and manual checks of other State, federal and private databases - e.g. Department of Labor (DOL) wage and unemployment records, Department of Corrections (DOC) incarceration records, motor vehicle records, child support database, child abuse/neglect registry, State and national criminal records, public assistance program eligibility databases, Department of Public Health (DPH) licensing records, national accrediting bodies, IRS TIN matching etc. Claims Underpayments – Underpayments are processed by the Case Counselor assigned to the case. The Case Counselor verifies the correct case circumstances and makes any necessary changes to ongoing eligibility/benefits. The counselor then completes a Payment Adjustment form and forwards the form together with back-up documentation to the Unit Supervisor for review. The Unit Supervisor forwards the approved adjustment to the Payment Unit for processing. Once received by the Payment Unit, a Payment Processor enters the case data from the Payment Adjustment form into an ad hoc Access program. The Access data is independent of the Child Care Eligibility Management System (CCMIS). This program calculates the correct benefit amount for each month of the underpayment. The payment processor generates a detailed Payment History Report through CCMIS. This report lists the actual payments issued at the provider, family or child level. The amount paid is compared to the corrected amount to determine the difference. Once this is done, the Payment Unit Supervisor reviews the claim and approves the adjustment. Payment is generated in the next payroll cycle. All information relating to the claim is scanned into the case record via the FileNet interface with CCMIS. Administrative and Non-Fraud Overpayments – This process parallels the procedures for processing underpayments. When an overpayment is discovered the Case Counselor takes action to correct any ongoing eligibility issues. The Case Counselor documents the case history and generates an Overpayment Referral to the Unit Supervisor who reviews the case and forwards the referral to the Internal Quality Control Unit. Referrals on closed cases by-pass Case Counselors and are referred directly to the Internal QC Unit from the referring source. Pending claims are entered into an ad hoc database and</p>



**25 State agencies responded to Question 5 (Appendix 5: pp. 50–64)**

State	Process for Identifying and Handling Improper Payments
Connecticut (continued)	<p>tracked. Each case is assigned to a Recoupment Specialist who obtains all necessary verification. The claim is calculated in the same manner as an underpayment by comparing the actual payments to the corrected pay amounts. All documentation relating to the claim is scanned into the case record. Care 4 Kids has one full-time Recoupment Specialist. Between 2 and 3 FTE's are needed to handle the current claim volume. It should be noted that claims starting out as non-fraud errors may be referred to the DSS Client Fraud Investigations Unit (CFI) for prosecution or an administrative disqualification hearing (ADH) if the error is determined to be egregious or intentional. Claims may also involve overpayments other DSS programs. CFI determines if the case warrants an ADH or criminal action. If not, the case is referred back to C4K for handling as a non-fraud claim. Fraud - the DSS Client Fraud Investigation Unit processes all provider and client fraud claims. Referrals received by DSS from C4K, the Fraud Hot-Line and other sources are entered into a central tracking database and forwarded to the local DSS regional office, unless the referral was generated by the local DSS office. The CFI Regional Investigators have access to CCNIS and the FileNet document storage functions. The CFI Investigator completes the investigation and obtains documentation. If a non-fraud error occurred, the claim is referred to C4K for processing. If the error was intentional and warrants an ADH or prosecution, the CFI investigator processes the claim. C4K may assist CFI with calculating the claim if the error does not result in 100 percent of the benefit being overpaid. CFI maintains separate records, but forwards selected information to C4K for scanning. Overpayment Recovery Non-Fraud Claims – With the exception of refunds, cancelled/voided checks and offsets to adjustments, all non-fraud claims are recovered through a monthly billing process or State income tax intercepts. State regulations permit recovery from ongoing payments to parents and providers; however, DSS does not have the resources needed to build a CCNIS benefit error calculation and recoupment module. The agency responsible for non-fraud recoveries is the Department of Administrative Services Financial Service Center (DAS FSC or FSC). Once the claim has been calculated, the C4K Recoupment Specialist generates a notice to parents and providers detailing the circumstances of the claim, the amount and informs the client of the intent to forward the claim to FSC for collections. Following the expiration of the time limit for requesting an administrative hearing; C4K refers the claim to FSC for collection. FSC enters the claim into its Diamond tracking system and generates a demand letter to the client. If the client responds to the notice, FSC sets up a billing. If thirty days passes without a response, the claim is referred to a private collections agent. The collections agent receives 14.9% of all recovered funds. After a period, claims may be deemed unrecoverable and written off with approval of the Office of Policy and Management.</p>
District of Columbia	<p>-Documentation for a potential overpayment is given to the Program Development Division – Monitoring Unit to investigate. -If the PDD Monitoring Unit concludes that the ECEA is paying for a child that is not attending, the Monitoring Unit works with the Intake Unit of the Child Care Services Division to terminate the child. -The Intake Unit supervisor then sends documentation to the AP Unit authorizing deduction(s) from future payments. -PDD completes an agreement for repayment.</p>

**25 State agencies responded to Question 5 (Appendix 5: pp. 50–64)**

State	Process for Identifying and Handling Improper Payments
Georgia	<p>When there is reason to believe that an overpayment or an underpayment has been made by the agency, contact must be made with the client or the child care provider to investigate. Based on the investigation, if no overpayment or underpayment exists, document the case record or the provider record. If an overpayment has been made, the type of claim should be determined. When an overpayment occurs, the case manager first determines if the overpayment is the result of a suspected intentional program violation (IPV), administrative error, or inadvertent error. The agency is responsible for calculating, reporting and collecting overpayments when the claim is the result of an administrative error (AE) or an inadvertent error (IE). In general, if the overpayment was caused by an administrative error or an inadvertent error, the case manager must determine the amount of the overpayment, obtain a repayment agreement, and follow county procedures for collecting and reporting the claim. Once an error has been determined, the case manager will set up the claim. If the client does not respond to notice of the claim, childcare will be terminated. If the client does respond, case manager has 10 days to make a determination. Case managers may negotiate a reasonable repayment based on the client's ability to pay. The claim must be paid within 3 years (36 months). Applicants who fail to honor the conditions of the repayment agreement cannot be recertified for childcare until the claim is paid in full. Applicants who have honored the repayment agreement can be certified for services if otherwise eligible. The county DFCS office refers all clients and all providers who are suspected of Intentional Program Violations (IPVs) to the Office of Investigative Services (OIS). MAXIMUS, Inc. may refer providers suspected of IPV to OIS. When findings are returned from OIS, the agency will follow OIS instructions. All child care providers who are suspected of IPVs should be referred to OIS. The results of the investigation will be sent to the county office. If appropriate, the results of the investigation will also be sent to MAXIMUS, Inc., the contractor managing payments to child care providers. The county of MAXIMUS, Inc. is responsible for collecting and tracking claims. All claims negotiated by OIS should be pursued, tracked, collected and reported. When OIS established claims as suspected fraud, the claims are not terminated after four years of inactivity. OIS is responsible for investigating suspected IPVs that are referred. When OIS has sufficient evidence to document the suspected IPV, OIS will calculate the claim and pursue the appropriate claim disposition. OIS have two avenues open: prosecution, when the claims identified by OIS as suspected IPVs have been accepted by the local prosecutor for further legal action and repayment agreements, established when claims identified by OIS as suspected IPVs are inappropriate for legal action. If a provider fails to comply with a claim negotiated by Office of Investigative Services (OIS), the county must notify OIS. The county's obligation ends after reporting to OIS. OIS is responsible for notifying the prosecutor of the delinquent payments for a possible contempt action.</p>
Kansas	<p>Policy and procedure regarding improper payments is located in the Kansas Economic and Employment Support Manual (KEESM) in section 11000 which can be reviewed at <a href="http://www.srskansas.org/KEESM/keesmsec11000.htm">http://www.srskansas.org/KEESM/keesmsec11000.htm</a> Improper payments may be discovered in a number of ways including QA reviews, special audits, and the work of staff at the Regional level. The Regional level includes Case Managers, Supervisors, Quality Assurance Case Readers, Performance Improvement Case Readers, customer reports, provider reports or our fraud hotline. The Quality Assurance Case Readers are currently reviewing child care cases in which child care cases are being paid at the special needs</p>

**25 State agencies responded to Question 5 (Appendix 5: pp. 50–64)**

State	Process for Identifying and Handling Improper Payments
<p>Kansas (continued)</p>	<p>and/or special purpose rates. Beginning in January, they will begin reviewing child care eligibility. Child care provider audits are currently in progress to review compliance with enrollment and operation requirements. Also, there are reports from the Central Office that are available to all child care case managers in which possible improper payments can be investigated. Examples of these reports include customers for whom excessive child care hours have been reported and providers who appear to be over capacity for their specific licensing. Once an improper payment has been identified and the result is an overpayment, a notice of this overpayment is sent to the client who has been improperly paid. This notice informs this person of the amount of the overpayment, the cause of the overpayment (client error, agency error), and requests that the person specify how they would like to arrange to return the overpayment to the State. The options for returning payment are full payment, partial payment or a portion of their monthly benefit may be deducted. Currently, Kansas is in the process of changing our child care benefit system to automatically deduct a percentage of the over payment from the monthly benefit. The person is given 10 days to respond to this notice. If a response is received, the agency will recoup according to the customers designated preference. If a response is not received and the person has an active child care benefit, the agency, giving the person timely notice, will begin to recoup the overpaid amount. If the person is not receiving a current monthly benefit, the overpayment will be placed in debt set off at which time monies owed may be off set from tax refunds until the full balance owed is repaid. When the improper payment is an underpayment, the State submits to the person the amount that the person was qualified to receive. If currently receiving child care assistance, the amount will be credited toward their family share (an amount the person is required to pay before the agency will make payment). If not currently receiving child care assistance, the agency may write a check to the person for the entire amount owed. If the cause of the overpayment was determined to be a fraud situation (this would have been determined through the Region’s fraud referral process) the payment can be recouped by debt set-off (see above regarding debt set-off). Once the overpayment has been fully recouped a notice is sent to the customer informing them that the monies have been fully returned.</p>
<p>Kentucky</p>	<p>See Attachment B</p>
<p>Maryland</p>	<p>1. Identify: • Quality assurance reviews or audits of case records • Investigation of cases in response to public complaints – Fraud Hotlines include: • Governor’s Hotline • Legislative Auditor’s Hotline • Department of human Resources Hotline • Office of the Inspector General’s Web site 2. Reduce and/or Collect Improper Payments: • The child care automated system calculates eligibility, subsidy level and payment amount for each child based on worker input. • The child care automated system calculates payment adjustments based on worker input of adjusted number of absences • The child care automated system subtracts a recoupment amount that the worker enters to determine the net payment to providers with an established overpayment • The following disqualification penalties are in place for an intentional program violation: The parent or provider is ineligible to participate in the subsidy program as follows: 1. First violation: no payment for 6 months or until the individual makes full restitution, whichever is earlier 2. Second violation: no payment for 12 months or until the individual makes full restitution, whichever is earlier 3. Third violation: parent or provider is permanently barred from the subsidy program and shall pay restitution 4. If a parent or provider is convicted of misrepresenting the location of residence in</p>

**25 State agencies responded to Question 5 (Appendix 5: pp. 50–64)**

State	Process for Identifying and Handling Improper Payments
Maryland (continued)	<p>order to obtain benefits from two or more States, the person is not eligible to receive subsidy payments for 10 years • Recovery of Erroneous Payments: 1. Once the amount of an overpayment is determined, a demand letter is sent stating the amount of the debt and the reason for the claim. The person is allowed the right to negotiate the repayment schedule within limits. The overpayment thresholds are \$10 or 10% (whichever is greater) for non-fraud and \$20 or 20% for fraud. 2. A second and third demand letter may be sent at 30 day intervals as needed. The third demand letter advises the debtor of the consequences of failure to respond in a positive manner (i.e. forwarding of the amount to the State Central Collections Unit). 3. In no event should the liquidation of the debt by installment payments exceed a term of three years.</p>
Massachusetts	<p>EEC identifies five (5) contract regions and each region potentially has a different contract/voucher rate for each program type. EEC reviews for compliance and improper payments in these five (5) regions using contract monitoring staff and child care resource and referral agency (voucher) monitoring. The EEC Contract Monitoring Program helps verify and ensure agencies are in compliance with all applicable laws, regulations, policies and procedures. All EEC Providers are reviewed within a three year period. The EEC Contract Monitors conduct risk assessments (which include desk reviews) of contracted providers to prioritize the order in which on-site visits will be performed. Based on a number of factors, the Contract Monitors assign a High, Moderate or Low Risk rating to each provider. At the conclusion of each site visit, the Contract Monitor conducts an exit interview with the Executive Director of the program and within 15 days of the visit sends a written Site Visit Report highlighting what, if any, non-compliances were found during the visit, including any improper payments. The contractor has 30 days to respond to the Report with a Corrective Action Plan (CAP). The contractor may submit additional documentation in an effort to correct the identified improper payments. EEC reviews the documentation and determines if repayment is still due. If funds are owed, EEC’s Monitoring staff notifies EEC’s Director of Accounting and the Account Specialist (individual who enters the regional payments into the MA accounting records, New MARRS). The Accounting Department generates an Accounting Recoupment Form which is sent to the contractor and outlines a repayment schedule, including options for immediate repayment in full or a short- term repayment plan. If the contractor repays funds which were paid to it during the current fiscal year, the funds will be deposited into EEC’s child care accounts to be allocated to other child care programs in the current fiscal year. If the improper billing is related to a prior fiscal year, EEC is mandated by Massachusetts Finance Law to deposit these funds into the Massachusetts General Fund and used for other Commonwealth purposes. In some instances, cases are referred to the agency’s Legal Unit for assistance in recouping improper payments. The Legal Unit may work</p>

**25 State agencies responded to Question 5 (Appendix 5: pp. 50–64)**

State	Process for Identifying and Handling Improper Payments
Massachusetts <i>(continued)</i>	cooperatively with the Attorney General's Office to initiate civil and/or criminal proceedings against a provider. The improper payments related to client fraud are not usually addressed by our Office. Under Massachusetts Chapter 647, Acts of 1989, EEC is required to report fraud related payments to the State Auditor's Office and its Bureau of Special Investigations. The State Auditor's Office will review the file and make a decision based on a number of factors, including the sum at issue, whether to pursue the client directly and/or initiate legal proceedings. EEC is not authorized by existing regulations to recoup directly from an individual on the basis of fraud or misrepresentation. However, an individual may be barred for up to 3 years from receiving subsidized child care services if they knowingly submitted fraudulent or misleading information in order to qualify for subsidized care. EEC is working toward developing policies and regulations to address these issues.
Minnesota	Improper Payments - General Overpayments and Underpayment Policy – non-fraud See attachment 1 County CCAP workers determine eligibility and maintain ongoing case management for families applying and receiving benefits from the child care assistance program. When a worker identifies that a family has received an overpayment or under payment, the agency will recalculate eligibility using the current information. If the family remains eligible, the county agency must begin recoupment of the overpayment through the reduction of child care assistance payments in order to correct an overpayment of child care assistance. Recoupment of overpayments. "Recoupment of overpayments" means the reduction of child care assistance payments to an eligible family or a child care provider in order to correct an overpayment of child care assistance. Recovery of overpayments. (a) An amount of child care assistance paid to a recipient in excess of the payment due is recoverable by the county agency under paragraphs (b) and (c), even when the overpayment was caused by agency error or circumstances outside the responsibility and control of the family or provider. (b) An overpayment must be recouped or recovered from the family if the overpayment benefited the family by causing the family to pay less for child care expenses than the family otherwise would have been required to pay under child care assistance program requirements. If the family remains eligible for child care assistance, the overpayment must be recovered through recoupment as identified in Minnesota Rules, part 3400.0187, except that the overpayments must be calculated and collected on a service period basis. If the family no longer remains eligible for child care assistance, the county may choose to initiate efforts to recover overpayments from the family for overpayment less than \$50. If the overpayment is greater than or equal to \$50, the county shall seek voluntary repayment of the overpayment from the family. If the county is unable to recoup the overpayment through voluntary repayment, the county shall initiate civil court proceedings to recover the overpayment unless the county's costs to recover the overpayment will exceed the amount of the overpayment. A family with an outstanding debt under this subdivision is not eligible for child care assistance until: (1) the debt is paid in full; or (2) satisfactory arrangements are made with the county to retire the debt consistent with the requirements of this chapter and Minnesota Rules, chapter 3400, and the family is in compliance with the arrangements. (c) The county must recover an overpayment from a provider if the overpayment did not benefit the family by causing it to receive more child care assistance or to pay less for child care expenses than the family otherwise would have been eligible to receive or required to pay under child care

**25 State agencies responded to Question 5 (Appendix 5: pp. 50–64)**

State	Process for Identifying and Handling Improper Payments
<p>Minnesota (continued)</p>	<p>assistance program requirements, and benefited the provider by causing the provider to receive more child care assistance than otherwise would have been paid on the family's behalf under child care assistance program requirements. If the provider continues to care for children receiving child care assistance, the overpayment must be recovered through reductions in child care assistance payments for services as described in an agreement with the county. The provider may not charge families using that provider more to cover the cost of recouping the overpayment. If the provider no longer cares for children receiving child care assistance, the county may choose to initiate efforts to recover overpayments of less than \$50 from the provider. If the overpayment is greater than or equal to \$50, the county shall seek voluntary repayment of the overpayment from the provider. If the county is unable to recoup the overpayment through voluntary repayment, the county shall initiate civil court proceedings to recover the overpayment unless the county's costs to recover the overpayment will exceed the amount of the overpayment. A provider with an outstanding debt under this subdivision is not eligible to care for children receiving child care assistance until: (1) the debt is paid in full; or (2) satisfactory arrangements are made with the county to retire the debt consistent with the requirements of this chapter and Minnesota Rules, chapter 3400, and the provider is in compliance with the arrangements. (d) When both the family and the provider acted together to intentionally cause the overpayment, both the family and the provider are jointly liable for the overpayment regardless of who benefited from the overpayment. The county must recover the overpayment as provided in paragraphs (b) and (c). When the family or the provider is in compliance with a repayment agreement, the party in compliance is eligible to receive child care assistance or to care for children receiving child care assistance despite the other party's noncompliance with repayment arrangements. General Eligibility Requirements and Assistance Standards to Be Met By All Applicants and Participants. Subpart. 6b. Ineligibility For Failure To Pay Overpayments. A family with an outstanding overpayment is ineligible for child care assistance until the overpayment is paid in full or until the family arranges to repay the overpayment according to part 3400.0187 and then continues to comply with the repayment agreement. Minnesota Rules 3400.0187 Recoupment and Recovery of Overpayments Subpart 1. State recovery of overpayments. The commissioner must recover from counties any State or federal money that was spent for persons found to be ineligible for child care assistance, except as provided in Minnesota Statutes, section 119B.11, subdivision 3. The county's inability to recover an advance payment made to a provider or a family does not affect the commissioner's right to recover the advance payment from the county under Minnesota Statutes, section 119B.11, subdivision 3. Subp. 1a. County recovery of overpayments. When a county discovers that an amount of child care assistance in excess of the payment due to a family was paid to or on behalf of the family, the county must recoup or recover the overpayment according to this part. Subp. 2. Notice of overpayment. The county must notify the family of the overpayment in writing. A notice of overpayment must specify the reason for the overpayment, the time period in which the overpayment occurred, the amount of the overpayment, and the family's right to appeal the county's overpayment determination. Subp. 3. Redetermination of eligibility. When a county discovers that a family has received an overpayment, the county must immediately redetermine the family's eligibility for child care assistance. Subp. 4. Recoupment of overpayments from participants. If the redetermination of eligibility indicates the family remains</p>

**25 State agencies responded to Question 5 (Appendix 5: pp. 50–64)**

State	Process for Identifying and Handling Improper Payments
Minnesota <i>(continued)</i>	<p>eligible for child care assistance, the county must recoup the overpayment by reducing the amount of assistance paid to or on behalf of the family at the rates in item A, B, C, or D until the overpayment debt is retired. A. When a family has an overpayment due to agency or provider error, the monthly recoupment amount is one-fourth the family's co-payment or \$20, whichever is greater. B. When the family has an overpayment due to the family's first failure to report changes as required by part 3400.0040, subpart 4, the monthly recoupment amount is one-half the family's co-payment or \$20, whichever is greater. C. When a family has an overpayment due to the family's failure to provide accurate information at the time of application or redetermination or the family's second or subsequent failure to report changes as required by part 3400.0040, subpart 4, the monthly recoupment amount is one-half the family's co-payment or \$100, whichever is greater. D. When a family has an overpayment due to a violation of Minnesota Statutes, section 256.98, subdivision 1, as established by a court conviction, a court-ordered stay of conviction with probationary or other terms, a disqualification agreement, a pretrial diversion, or an administrative disqualification hearing or waiver, the monthly recoupment amount equals the greater of: (1) the family's co-payment; (2) ten percent of the overpayment; or (3) \$200. E. This item applies to families who have been disqualified or found to be ineligible for the child care assistance program and who have outstanding overpayments. If a disqualified or previously ineligible family returns to the child care assistance program, the county must begin recouping the family's outstanding overpayment using the recoupment schedule in items A to D unless another repayment schedule has been specified in a court order. Subp. 5. Recovering overpayment from former participants. If the redetermination of eligibility shows a family is no longer eligible for child care assistance, the county may choose to initiate efforts to recover overpayments from the family for overpayments less than \$50. When the amount of the overpayment is greater than or equal to \$50, the county shall seek voluntary repayment of the overpayment from the family. If the county is unable to recover the overpayment through voluntary repayment, the county shall initiate civil court proceedings to recover the overpayment unless the county's costs to recover the overpayment will exceed the amount of the overpayment.</p>
Mississippi	See attached response
Missouri	Please refer to the attached flow chart that describes how referrals are received, investigated and resolved:
Montana	<p>The Montana process includes the following steps: A. Identification of a willful action the definition of which is found in 1-3 of the CC Manual - "Willful Action includes, but is not limited to, the making of false or misleading Statements, misrepresentations, concealment, or withholding facts and/or information that results in an over claim of scholarship benefits." B. Determination of the incidence of an intentional program violation If a willful action is an over claim, the following will occur: The first willful over claim (Strike 1) will result in: • An assessment of 10% of the amount actually due being added to the amount of repayment due if an overpayment has already been made to the claimant; • If an over claim is discovered before payment is made, deduction of 10% of the amount due from the amount paid to the claimant; and • If the provider is responsible, the loss of web invoicing privileges for six months and the imposition of the requirement that copies of sign-in/sign-out sheets must be</p>

**25 State agencies responded to Question 5 (Appendix 5: pp. 50–64)**

State	Process for Identifying and Handling Improper Payments
<p>Montana (continued)</p>	<p>submitted with invoices for the following three months. The second willful over claim (Strike 2) will result in: • An assessment of 25% of the amount actually due being either added to the amount of repayment due to the department or deducted from the amount of payment due to the claimant, depending upon whether payment to the claimant has already been made; • If the provider is responsible for the over claim, the loss of web invoicing privileges permanently and imposition of the requirement that the provider must submit copies of sign-in/sign-out sheets with invoices for the following six months. The third willful over claim (Strike 3) will result in the household or provider responsible being ineligible to participate in the child care development fund child care assistance, grant, and quality child care programs for seven years. The CCR&amp;R should complete the IPV Tracking spreadsheet and e-mail it as an attachment to, HHSCCUBSPayments@mt.gov, when a parent or provider has been determined to have a 1st , 2nd or 3rd willful action. The spreadsheet headers below are required to be sent to the central office for compilation. The information is then dispersed to the field CCR&amp;R offices quarterly. C. Determination of Overpayments in the Child Care Under the Big Sky (CCUBS) payments system. If a Best Beginnings Child Care Scholarship overpayment occurs because of a family, a provider or administrative error, the CCR&amp;R Eligibility Specialist will contact the parent, or provider, to verify the error. - Adjust the invoice in CCUBS; - Notify the parent, or provider, that s/he must repay the amount of the overpayment; and - Attempt to have the parent, or provider, sign a Repayment Agreement, DPHHS-HCS/CC-121. CCR&amp;R Eligibility Specialists adjusts the invoice in CCUBS. Repayment may be accomplished in any of the following ways: - The parent must make a monthly payment. - A provider's payment may be reduced on CCUBS. - A parent or provider may pay the total amount of the overpayment by check or money order. Payments must be made out to DPHHS Fiscal and delivered to the CCR&amp;R: - Credit the account on CCUBS; - Identify the payment as 'child care' and add the SSN, so A/R applies the payment correctly; - Include a copy of the A/R-110C (with the first payment only); and - Forward the payment to DPHHS Accounts Receivable: DPHHS Fiscal – A/R PO Box 4210 Helena, MT 50604-4210 - At no time should checks be held at the CCR&amp;R. D. Accounts Receivable: DPHHS Accounts Receivable unit manages collections for the department: 1. A/R establishes a collection account using the information provided on the AR-110C form. 2. When payments are not received, A/R sends up to three collection letters. - When a balance remains, A/R forwards the account to the Department of Revenue Tax Offset system. Tax Offset monitors all State payments, in attempt to collect the debt. An account balance may be moved to Tax Offset at any time. All unpaid balances are forwarded to Tax Offset before tax season.</p>
<p>Nebraska</p>	<p>Our Collection Unit (Issuance and Collection Center, ICC) has identified red flag indicators which have been shared with staff. These include: ♣ Attendance calendars which have the same time every day with no variations ♣ Billing full days for a school-age child, especially if the child care closes at 6 PM or earlier ♣ A child in attendance every day (no sick days, vacation days, early pickups) ♣ Billing in excess of the allowable child care capacity ♣ Excessive hours per day (i.e., 12 hours or more) ♣ High dollar amounts paid to a provider ♣ Numerous requests for increases in authorized units In addition, ICC gets computer-generated listings which have been designed to show providers with earnings in excess of identified thresholds; these are used as a basis for auditing. Client</p>



**25 State agencies responded to Question 5 (Appendix 5: pp. 50–64)**

State	Process for Identifying and Handling Improper Payments
<p>Nebraska (continued)</p>	<p>Overpayment Recovery Process 1. The overpayment is identified. a. If Case Management identifies the overpayment, the case manager refers the case to the Issuance and Collections Center (ICC) to research. ICC determines the amount and period of the overpayment within 30 days. The deadline may be extended for exceptionally difficult cases. b. If ICC refers to Case Management on a case involving client participation or authorization of service questions, Case Management has 15 days to process and send back to ICC. 2. If the case has Protection and Safety or Employment First involvement and the overpayment is determined by ICC to be an intentional violation, ICC must consult with the Protection &amp; Safety or Employment First worker before making a decision to refer to the Special Investigation Unit (the agency's fraud unit). If P &amp; S or EF concurs, ICC refers to SIU. 3. Once a referral is made to SIU, SIU has 30 days to determine if the case qualifies as Intentional Program Violation. a. If SIU determines the case qualifies as IPV, the client has the right to an administrative disqualification hearing, or may waive his/her right to a hearing. b. If the client waives the hearing, or the result of the hearing is a finding of IPV, the disqualification period is imposed. 4. For cases not determined to be IPV, ICC handles the correspondence with the client to recoup funds and collect the overpayments. Provider Overpayment Recovery Process 1. The overpayment is identified. a. If the Resource Development Unit (RD) identifies the overpayment, the RD worker refers the case to the Issuance and Collections Center (ICC) to research. b. If ICC identifies the overpayment, they determine the amount and period of the overpayment within 30 days. The deadline may be extended for exceptionally difficult cases. 2. RD may or may not keep the provider agreement open while ICC is auditing the case, depending on the nature of each individual situation. 3. If ICC believes the overpayment is an intentional violation, they forward the case to the Special Investigation Unit (SIU). SIU determines if criminal prosecution is appropriate. a. If criminal prosecution is feasible, SIU pursues criminal prosecution. b. If SIU determines criminal prosecution is not feasible, they refer back to ICC. 4. If ICC determines no action from SIU is required or SIU returns the case to ICC, ICC works with RD for an ongoing Corrective Action Plan. 5. When RD receives a referral for Corrective Action, the worker makes the decision to continue overpayment recovery. In serious cases, RD may terminate the provider agreement. 6. If the provider agreement: a. Is continued, RD develops a retrieval plan for recovery of the overpayment with ICC within 15 days. This may include provider forfeiture of a percentage of the provider's future paychecks. RD assists with any training needs and continues with audits of future billings. b. Is terminated, RD refers back to ICC for collection. 7. ICC handles the correspondence with the provider to recoup funds and collect the overpayments. 8. The provider has the right to appeal the existence and amount of overpayment. The provider has 45 days to appeal. If the provider does not appeal or contact the Department to work out a repayment agreement, the overpayment is recouped from future billings for the same or different children, or from another service.</p>
<p>New Hampshire</p>	<p>Overpayments of CCDF benefits are handled through the Office of Special Investigations. Referrals of allegation are received from many sources including the Child Care Licensing Bureau, the Child Care Development Bureau, other DHHS offices, other State and federal agencies as well as the public. Referrals are logged and tracked through the New Heights computer system. Claims that are a result of client error, agency error, or fraud are pursued for restitution. The</p>

**25 State agencies responded to Question 5 (Appendix 5: pp. 50–64)**

State	Process for Identifying and Handling Improper Payments
New Hampshire (continued)	claims are posted to the accounts receivable, which is also part of the New Heights computer system. Criminal cases are resolved through both the district courts and the superior courts of New Hampshire. If an NHEP or FSS staff believes a case (either client or provider) is fraudulent, the case is referred to the Special Investigations. Examples of fraudulent practice would be an individual not participating in an approved activity, but still using the approved child care (overpayment, inappropriate billing for child care, unless it was the approved “break in activity” period as allowed by DFA policy). An example of fraudulent child care practice would be asking clients to sign blank invoices for a period of time preceding the service. Most of the practices fall in the category of error rather than fraud, and are resolved between NHEP and client. Also, there is no formalized process for identifying error or fraud that would allow the identification to be a purposeful part of a case review, or redetermination. Usually it is a result of a complaint, or a redetermination error.
North Carolina	Improper payments are identified through monitoring visits conducted by the Division of Child Development. The Division notifies the Director of the LPA of the planned monitoring visit. Division staff select a sample of cases for review. An entrance conference is held at the beginning of the monitoring visit with the agency director and other LPA staff. Client and provider records are reviewed, provider visits and parent interviews are conducted and documented on standardized checklists. An exit conference is held with the LPA and a written report is provided. After the LPA completes all corrections, the Division provides a final written report. In addition to the Division’s monitoring, the Office of State Controller coordinates annual audits of all local agencies administering child care subsidy programs. Also, Division staff review a sample of records during technical assistance visits made monthly to the LPA. Any errors noted are shared with LPA staff.
Ohio	Ohio’s rules State the following: “The CDJFS (county department of job and family services), in cooperation with the county prosecutor, shall develop and implement procedures that the CDJFS shall follow for the investigation of alleged child care recipient fraud and the recovery of child care overpayments. The CDJFS shall update these procedures as necessary.” Actual processes and division of responsibility differ from county to county.
Oklahoma	Attach CC overpayment policy and Chapter 65 & Finance policy
Puerto Rico	1. Provide training in eligibility 2. Direct supervision in centers 3. Technical Assistance 4. Payment reports 5. Monitory Reviewing
Utah	Underpayments are taken care of at the local level. All underpayments are authorized upon discovery to ensure that the parent is receiving the child care assistance as soon as possible. At each recertification, workers review past child care to verify that the customer was eligible for child care assistance. If the improper payment appears to be an overpayment, a referral is made to a Payment Specialist for calculation. The Payment Specialist looks at all the evidence and determines if it is in fact an overpayment based upon policy, rules, and procedures. If it is determined that an overpayment did occur, they determine the amount, and who caused the overpayment. It is then sent to the adjudicators, who determine if the overpayment was fraud. They also take all legal action to be able to collect the overpayment. It is then sent to the collections unit who collects the overpayment. Overpayments are collected by reduction of future child care benefits, or if they are no longer opened, by garnishment of wages, taxes, etc. We also have a case review process that randomly selects child care cases for supervisors. These reviews allow for an

**25 State agencies responded to Question 5 (Appendix 5: pp. 50–64)**

State	Process for Identifying and Handling Improper Payments
Utah <i>(continued)</i>	ongoing process to identify and fix potential problems with cases as they are discovered. The State also has investigators who are used to investigate occurrences that may arise. If the investigator determines that there is a potential improper payment, they refer this information to the Payment Specialist.
Washington	The department is responsible to review monitoring reports and to evaluate information as needed for possible overpayment action. Staff from the following divisions monitor case activities: The Division of Child Care and Early Learning, Social Service Payment Systems (SSPS), Operations Review/Consultation (by request), Office of the State Auditor, Community Services Division field offices, and the Payment Review Program (PRP). Monitoring activities may include reviews of case records in the Working Connections Automated Program (WCAP), documents in the Document Management System (DMS), SSPS reports, E-JAS on-line case information (contains WorkFirst information), ACES (contains TANF, Medical and Food Assistance information), on-site visits to a child care facility or home, telephone or written communication with DSHS staff, consumers, providers and licensors. To verify an overpayment, staff gather, analyze and verify all the necessary information. This includes contact with the parents and/or provider to determine the cause of the overpayment. They verify work schedules of the parents, and check provider attendance records. Once the overpayment is verified the overpayment is written in the WCAP and automatically transmitted to the Office of Financial Recovery (OFR). OFR reviews and then sends the overpayment notification to the parent or vendor. The person can request a fair hearing if they question the overpayment. If a fair hearing is requested, collection would begin following the fair hearing if the fair hearing decision is in the department's favor. If no fair hearing is requested, the person is expected to contact OFR to establish a payment plan.
West Virginia	Strategies to Identify Errors: The FACTS system is designed to take the information entered in the system by the CCR&R agencies and use it to determine eligibility. This eliminates many of the errors, with the exception of errors in the data entry itself. As part of the required Quality Assurance plans, CCR&R agencies internally monitor eligibility determinations, payment processing, and FACTS input. In addition, a Child Care Policy Specialist works with CCR&R agencies to identify problem policies, procedures and forms that may lead to errors. Solutions are developed by committee, and supported in the field through training and technical assistance supplied by the Child Care consultants. From the Child Care Policy Manual: If a parent fails to fulfill program responsibilities, the worker shall give a written warning regarding specific problems, noting that subsequent abuses may result in a 30-day penalty closure. When a parent continues to use child care services when the need no longer exists (e.g., parent has lost job or quit school), the case will be closed and no further payment made. The Recipient shall repay to the agency any child care monies paid on their behalf during the period of ineligibility. If intentional misrepresentation may have occurred and if the estimated amount exceeds \$1,000, the case will be referred to the Director of Investigation and Fraud Management. If the estimated amount is under \$1,000, arrangements shall be made for recoupment. (See Chapter 6, Section 7, Suspected Fraud). 6.7.0. Suspected Fraud If the R&R Agency becomes aware that the client/provider is attempting to or has received services/payments to which they are not entitled, the R&R worker must take corrective action to prevent further payments from occurring. The following procedures should be applied: 6.7.1. If over payment is due to error by the R&R agency or error on the part of the provider and the amount is less than \$1000, the R&R agency is responsible for negotiating the repayment. 6.7.2. If the overpayment is \$1000 or greater and is due to

**25 State agencies responded to Question 5 (Appendix 5: pp. 50–64)**

State	Process for Identifying and Handling Improper Payments
<p>West Virginia (continued)</p>	<p>misrepresentation by the client or provider, a memo referring the case to the Chief Investigator, IFM, will be mailed to the Department of Health &amp; Human Resources, Office of Inspector General, Investigations and Fraud Management, Capitol Complex, Building 6, Charleston, West Virginia 25305, Attention: Chief Investigator. The memo should include a summary of the circumstances and copies of all documentation including ECE-CC-10-A (Payment Form) and attendance sheets ECE-CC-10-G. The CCR&amp;R will notify the DHHR of all referrals. *Note: The client/provider is NOT to be advised that a referral has been made. If questioned, advise the client/provider that the matter has been referred to another unit for evaluation. DO NOT indicate that fraud is suspected. 6.8.0. Recovery of Overpayments 6.8.1. When an overpayment or misrepresentation of \$1000 or less is discovered, either to/by a client or provider, the R&amp;R worker should immediately notify the supervisor. 6.8.2. Supervisors are responsible for negotiating repayment schedules with providers and/or clients and completing a Repayment Agreement (ECE-CC-19) to include the amount to be recovered, the period of recovery, the monthly recovery amount, and the procedure for repayment. 6.8.3. If intentional misrepresentation may have occurred and the provider/client remains active, it is recommended that the R&amp;R worker try to collect the payment in full. If this is not feasible, it is suggested that the R&amp;R worker request that the client or provider be asked to repay the amount in monthly installment payments of approximately 10% of the amount due. 6.8.4. Payment schedules should be sufficient to recover the amount due within a reasonable time period but should not pose an undue hardship on a client. The amount of payment should not exceed living costs. 6.8.5. If a payment is more than forty-five (45) days late, the entire unpaid balance becomes due and must be paid in full. Failure to repay the requested amount shall result in case closure for clients or denial of participation in the certificate system for child care providers. Client services will not be reinstated until full payment is received. Clients who owe repayment are not eligible to participate in the subsidy system as providers until the balance is paid in full. Providers who apply as clients must enter into a repayment agreement. Child Care providers must request a waiver to participate in the subsidy system. (See Chapter 6, Section 5.2.3: If there is substantiated misrepresentation by the provider, the provider shall be prohibited from future participation in the Certificate Program. However, if the provider makes full restitution, a one time waiver may be considered. The provider must request the waiver in writing, and the R&amp;R shall forward the request to the Division of Early Care and Education for approval/denial.) 6.8.6. Exceptions for WV Works participants – WV Works participants are subject to the same Recovery of Overpayment efforts as non-TANF Child Care recipients. However, when making repayment arrangements, the supervisor or case worker should consider the impact of payment schedules and amounts on very low income WV Works clients. When possible, graduated repayment arrangements can be considered, such as increasing the amount due per month as the client's income increases. If a WV Works client fails to make repayment arrangements, or becomes delinquent, case managers should consult with WV Works supervisors and case managers to see if a joint counseling session with the client can be scheduled to reinforce program requirements. If no agreement can be reached, and the client fails to repay amounts due the agency, services will be closed.</p>
<p>Wisconsin</p>	<p>Provider Overpayments: We have several reports that identify possible provider overpayments. Those reports include over utilization (95-100% attendance for a 10 week period), under utilization (0-40% attendance for a 4 week period), and over capacity (more than 7 children at certified/license exempt provider and more than 12 children at a licensed family provider). Local agencies are required in</p>

**25 State agencies responded to Question 5 (Appendix 5: pp. 50–64)**

State	Process for Identifying and Handling Improper Payments
Wisconsin (continued)	<p>their administrative contract to develop and adhere to a monitoring plan. Once a potential area of overpayment has been identified, the local agency contacts the provider for their attendance records. The provider's attendance records are compared to the attendance records sent in for subsidy reimbursement. If there is a discrepancy, the appropriate overpayment or underpayment is processed for the appropriate amount. Underpayments are paid through positive adjustments entered into the computer system. Once a positive adjustment is entered, the payment is issued the following Monday. Overpayments are recovered through negative adjustments also processed through the computer system. Once negative adjustment is entered, an overpayment notice is issued the following Monday. Up to 50% of the providers future issuance is recouped until the overpayment is recovered. The recoupment process does not begin until the 2nd Monday after the overpayment notice has been sent. If the provider becomes inactive in the child care subsidy program, the system turns the negative adjustments into claims and they are then processed the same way as a client overpayment. See below for more information on that process. Client Overpayment: We have several data exchanges that help to alert workers to a change in the family's income that may not have been reported timely. Local agencies indicate that any other changes that affect eligibility are not usually found until the 12 months face-to-face review or the 6 month mandatory mail in report. Once a discrepancy had been found that was not reported a timely, an overpayment is processed. The local agencies determine the period of time and amount of the overpayment and they enter that information into an automated benefit recovery system. The overpayment is collected through a voluntary payment process. The client is sent an overpayment notice and a repayment agreement. The client must sign the repayment agreement and make the monthly payments as agreed. For each month the repayment agreement has not been signed and/or repayment has not been received, a dunning notice is sent. After 3 dunning notices, the overpayment is sent to State of Wisconsin, Department of Revenue for collection through tax intercept. Both parent and providers can appeal overpayments through a fair hearing process with an administrative law judge.</p>

## APPENDIX 6. METHODS USED TO IDENTIFY A TOTAL AMOUNT OF IMPROPER PAYMENTS

6. Which methods, if any, did your State use to identify a total amount of improper payments for the program?

17 States specified their response for Question 6 (Appendix 6: pp. 65–66)

State	Findings from other State or local auditors	Findings from State or local fraud units	Other Methods
Arizona		Department of Economic Security Office of Special Investigations	Information discovered in the regular course of processing a case and quarterly interfaces with the Unemployment Insurance Administration
Connecticut			DSS uses audits to identify error rates but has never determined the total amount of error for the program.
District of Columbia			Attendance/Termination Report
Georgia		Office of Investigative Services	
Kansas			Pulled overpayment data which had been entered on to the State's eligibility computer system. We did not pull underpayment data from the computer system as most often these are not considered improper payments, simply proper payments for services that were not initially anticipated by the agency (i.e.- the customer worked extra hours in a month).
Kentucky			Analysis of actual collections of fraud repayments & actual payment adjustments made to Providers for State Fiscal Years 2004 & 2005.

17 States specified their response for Question 6 (Appendix 6: pp. 65–66)

State	Findings from other State or local auditors	Findings from State or local fraud units	Other Methods
Maryland	Office of the Inspector General investigators and Local Department staff		
Minnesota		Minnesota is State supervised and county administered. Child care workers identify the improper payment and the county agencies report the results of their non fraud overpayment and underpayments through their quarterly reports to the State.	
Montana			IPV tracking form
Nebraska		Our agency investigative unit, called Issuance and Collection Center, does a thorough audit of cases that are referred to them.	
New Hampshire		The Department relies on its Office of Special Investigations	
North Carolina	A local audit is required annually for the LPA	Improper payments identified through the monitoring conducted by the Program Compliance Unit of the Division are tracked and a total amount is calculated. The amount of an improper payment caused by parent or provider fraud is calculated by the staff in the LPA.	
Ohio			Surveys of the CDJFS
Oklahoma		Oklahoma Department of Human Services Office of Inspector General	reports of child care overpayments in the OKDHS overpayment system
Utah			Case workers review past child care issued to ensure that child care was issued correctly.
Washington	State auditors, Operations Review and Consultation, and Payment Review Program		
Wisconsin		Local fraud units	

**APPENDIX 7. ELEMENTS MAINTAINED BY STATES TO  
DESCRIBE IMPROPER PAYMENTS**

7. Which of the following elements, if any, has your State maintained?

**7 State agencies specified their response for Question 7**

<b>State</b>	<b>Other Elements</b>
California (DE)	During program audits cases suspected of being fraudulent are referred to the local agency for follow-up. Results of follow-up are tracked.
California (DSS)	Because we do not collect overpayment data in the Child Care Program, we use TANF (CalWORKS) overpayment data and presume that it would be similar in the Child Care Program.
District of Columbia	Eligibility Determination and Re-determination/Termination Report
Missouri	Cross references are made on a regular basis with Bureau of Child Care (licensing agency) and the Maternal and Child Health, Child and Adult Care Food Program.
North Carolina	The Division calculates an error and accuracy rate for each LPA based upon record reviews and monitoring findings.
Oklahoma	findings from the Single State Audit
Washington	Audit 99 is an automated tool used by managers to review cases in the automated system. This tool contains the items which need to be in place in order for eligibility to be determined and payment authorized correctly.



## APPENDIX 10(A). SOURCES OF IMPROPER PAYMENTS

10. (a) Please rank the following sources of improper payments (1 to 7) for the program in your State over the past two fiscal years, beginning with one (1) indicating the primary source of improper payments. Error is defined as an inadvertent mistake whereas fraud is defined as a willful misrepresentation.

24 State agencies responded to Question 10(a)

State	Error				Fraud				Other	Other Sources of IP
	Client	Provider	State Agency	Local Agency	Client	Provider	State Agency	Local Agency		
Alabama	1	2		5	3	4				
Arizona	1	2	3		4	5				
California (DE)										CDE will have data available for state fiscal year 2005-06 after the close of the fiscal year.
California (DSS)										CDSS-administered Stage One Child Care does not collect data in such a way as to be able to rank the sources.
Connecticut	1	4		5	2	3		6		
District of Columbia	2	1	3							
Georgia	1	1	3	3	2	2				our data is calculated in 2 categories: agency and client/vendor
Kansas	3	2	4	1	5	6		7		
Kentucky	5	3	4	6	1	2		7		
Maryland	1	3	6	5	2	4	7	7		
Massachusetts	3	1	6	5	2	4				
Minnesota	1	2		3	3	3				
Mississippi	3	2	4	1	6	5				
Missouri	3	2		5	4	1				
Montana										Not tracked in Montana
Nebraska	2	1	6	5	3	4	7	7		
New Hampshire	5	1	6	4	3	2	7			
North Carolina	3	2	6	1	5	4				
Ohio	1	4	6	2	3	5				
Puerto Rico	3	1		2	4					
Utah	1	4	3		2		5			
Washington										Our current automated system does not track this level of detail regarding the sources of improper payments.
West Virginia	2	2	5	3	1	1	6	4		
Wisconsin	5	2	4	1	6				3	computer system error

<b>Total:</b>	20	20	15	17	19	16	5	6	1
<b>Average:</b>	2.35	2.10	4.60	3.35	3.21	3.44	6.40	6.33	3.00

**Those that did not provide an answer:**

Oklahoma

## APPENDIX 12. CONTRIBUTING FACTORS TO IMPROPER PAYMENTS

12. To what extent, if any, have the following factors contributed to improper payments in your State over the past two fiscal years?

24 State agencies responded to Question 12

State	Related to clients						Related to providers		
	Nonreporting/ underreporting of income	Client receiving payment in more than one jurisdiction	Incorrect reporting of household size	Incorrect citizenship or immigration status	Incorrect information on client's compliance with program requirements	Other	Overstating performance	Claiming for services not rendered	Other
Alabama	5	1	4	2	5			5	
Arizona	4	2	4	3	4	2	4	5	5
California (DSS)*									
Connecticut	4	2	4	3	4	4	3	4	4
District of Columbia	4	1	2	1	5				4
Georgia	4	3	3	3	4		4	4	3
Kansas	4	2	3	2	3		2	3	
Kentucky	4	2	4	2	2		1	3	
Maryland	4	2	4	2	3		2	3	
Massachusetts	5	3	5	2	4	4	5	3	5
Minnesota	4	3	2	4	4		1	4	
Mississippi	3	4	1	2	5		5	4	
Missouri	4	3	3	1	4		1	5	
Montana	4	2	3	2	4		3	4	
Nebraska	5	2	4	2	5		5	4	4
New Hampshire	3	2	3	2	4		3	4	
North Carolina	5	3	4	3	3	5	1	4	4
Ohio	5	3	5	3	5		4	5	5
Oklahoma	4	2	3	2	3		4	4	
Puerto Rico	5	4	5		1		1	1	
Utah	5	2	3	3	5		2	4	
Washington*									
West Virginia	4	2	5	2	5			4	
Wisconsin	5	2	5	2	5		5	5	
<b>Total:</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>21</b>	<b>22</b>	<b>4</b>	<b>19</b>	<b>21</b>	<b>8</b>
<b>Average:</b>	<b>4.27</b>	<b>2.36</b>	<b>3.59</b>	<b>2.29</b>	<b>3.95</b>	<b>3.75</b>	<b>2.95</b>	<b>3.90</b>	<b>4.25</b>

Those that did not provide an answer:

California (DE)

\*State did not collect data

7 States specified their response for Question 12

State	Other factor contributing to improper payments	
	Related to clients	Related to providers
Arizona	Providing false verification of income/employment/ eligible activity	Calculation Errors Providing False Claims
Connecticut	Employment Termination Unreported, Bogus unregulated provider, Self-employment schemes	Identity Theft
District of Columbia		
Georgia		providing services with no valid certificate
Massachusetts	Fraud, creating documentation	Failure to collect the proper documentation
Nebraska		billing errors
North Carolina	Client failure to report employment terminations.	Provider failure to notify agency of improper payments.
Ohio		providing services for which the family was not eligible and then billing for those services

### APPENDIX 13. PRIORITIES FOR PREVENTING AND REDUCING IMPROPER PAYMENTS

13. Please describe your top 3 priorities for preventing and reducing improper payments (e.g., training/meetings for providers on rules and responsibilities, training for agency staff on correct implementation of rules and responsibilities; clear communication with parents on rules and responsibilities; use of information technology.)

**25 State agencies responded to Question 13 (Appendix 13: pp. 70–76)**

State	Priority 1	Priority 2	Priority 3
Alabama	Better Training to Child Care Management Agencies.	More precise/plainly written guidelines that parents can understand the consequences.	More extensive training for providers with precise results/guidelines.
Arizona	Further refinement of the data matching process between Unemployment Insurance (UI) wage information and income as reported by child care applicant/ recipients.	Establishment of an administrative process and criteria for treatment of clients who have committed an “Intentional Program Violation” (IPV).	In addition to the current reviews of billing documents for newly contracted child care center and large home providers and providers identified in having difficulty in proper completion of billing documents, CCA has implemented random selection of child care providers to perform desk audits. These two populations make up 85.5% of the subsidy payments issued.
California (DE)	<p>The CDE is currently has a three-pronged strategy for preventing and reducing improper payments in the CCDF program.</p> <p>At the State level, we are conducting a thorough review of all regulations related to the CCDF program, with the intent of adopting new regulations that:</p> <ul style="list-style-type: none"> <li>• Clarify State rules for determining, documenting, and verifying eligibility and need (hours of care).</li> <li>• Clarify local agency responsibility</li> </ul>	At the local level, the State CCDF agency is conducting annual program audits of local agencies with the goal of determining local error rates in four different areas of program operation (eligibility, need (hours of care), provider payment, and parent fee); and implementing local procedures for the identification and referral of cases where the agency suspects that incomplete or inaccurate information has been intentionally provided.	The CCDF agency and the TANF agency are cooperating in developing procedures for the referral and investigation of cash-aided cases where the agency suspects that incomplete or inaccurate information was intentionally provided.

**25 State agencies responded to Question 13 (Appendix 13: pp. 70–76)**

State	Priority 1	Priority 2	Priority 3
California (DE) <i>(continued)</i>	<p>for independent verification of information on which eligibility, need, and provider payment is based, especially in situations where traditional documentation may be difficult (e.g., self-employment).</p> <ul style="list-style-type: none"> <li>• Clarify client and provider responsibility for submitting documentation or other data to determine eligibility and payment.</li> </ul>		
California (DSS)	<p>CDSS-administered Stage One Child Care is currently collaborating with the counties and CDE to establish best practices to help identify payment errors and fraud.</p>	<p>Promoting counties efforts in early fraud programs and working with CDE to improve program integrity between all three stages of California’s child care program.</p>	<p>CDSS has established a program integrity workgroup comprised of county representatives and CDSS staff to look at specific issues in more detail.</p>
Connecticut	<p>Implement a Fraud Early Detection (FRED) program to screen and conduct site visits on pending applications</p>	<p>Increased integration and automated data matching between existing State databases</p>	<p>Client education</p>
Georgia	<p>use of information technology</p>	<p>training of caseworkers to identify problems at intake</p>	<p>training for agency staff on correct implementation of rules and responsibilities</p>

**25 State agencies responded to Question 13 (Appendix 13: pp. 70–76)**

State	Priority 1	Priority 2	Priority 3
Kansas	Kansas has implemented the Electronic Benefit Transfer (EBT) process for child care benefits which brought parents into the payment process and will help prevent some improper payments from occurring. Parents make transfers of benefits which they have received from their EBT card to providers to pay for child care. This eliminates the potential for most providers to charge for hours of child care that were not provided. Parents receive a one time benefit for the month and it is between the parent and the provider on how much the provider will be paid as well as when the provider will be paid. Retroactive payment based on actual hours of care has been eliminated and benefits available for the month will be considered proper payments if the family was eligible for the benefit at the first of the month.	Kansas currently has established an on-going child care provider audit. The audit is designed to check that each provider is charging the parent correctly. Kansas requires each provider to keep an attendance record for each of their State assisted children and that providers have a contract with these parents explaining how they bill for child care services rendered. This audit randomly chooses providers and ensures that providers are following the State requirements. If the provider is found not to be following the requirements a notice is sent to them requiring them to take corrective action and gives them a deadline to achieve the required practice. Ultimately, the provider either begins to follow the requirements or loses their ability to care for State assisted clients.	Kansas trains regional staff on policies and procedures to help insure accuracy in child care eligibility and benefits. Training on child care policy, child care eligibility procedures, entering correct income information and calculating the correct amount of hours needed is provided. Kansas also contracts with local area Resource and Referral Agencies to provide training to child care providers on the EBT system as well as other training which will ensure quality child care services are being rendered to our child care customers.  Beginning January 3, 2006, our Quality Assurance (QA) area will begin to review child care cases to ensure that the proper child care plan has been set up by the case workers. QA will be reviewing hours authorized, hourly rates paid and proper documentation in case files to support the child care plan.
Kentucky	Enacting new policies & procedures for fraud & improper payments for clients/providers.	Updating information technology system statewide to verify program compliance for clients/providers.	Providing training to staff/clients/providers to increase awareness of new requirements.
Maryland	Information technology	Staffing	Clear communication with parents and providers
Massachusetts	provide training for contract and voucher agency staff on correct implementation of rules and responsibilities	communicate new policies and procedures to all providers and share with families	require parents to sign a financial compliance statement, that States all financial information is accurate and disclosed, placing responsibility on the parent

**25 State agencies responded to Question 13 (Appendix 13: pp. 70–76)**

State	Priority 1	Priority 2	Priority 3
Minnesota	Continue to provide policy training and technical assistance to county workers who administer the program and fraud investigators.	Provide child care providers and families with standardized program reporting requirements, the importance of reporting timely and warnings about wrongfully obtaining public assistance.	Future Plans - Implementation of a statewide Child Care Assistance Eligibility System (MEC2 )- Review of case specific licensed family child care providers in selected counties and findings will be used to develop protocol for case management review for child care providers - Development and application of case management protocol review system for child care assistance program.
Mississippi	See attached response	See attached response	See attached response
Missouri	Missouri has an automated system for child care eligibility and provider approval and payments. This system has system edits built to prohibit overpayments to providers when child care eligibility and child authorizations are entered by field staff.	Provider's participating in the subsidy reimbursement program participate in subsidy orientation training in which they are educated on the rules and responsibilities of invoicing for reimbursement.	A Compliance Review Team is under development as part of a departmental initiative to prevent waste, fraud and abuse. Child care providers will be the first group of vendors to be reviewed. This team will conduct on site reviews with providers to determine their compliance with DSS billing requirements as well as other contractual requirements as defined by the department.
Montana	One of the top priorities that we have for preventing and reducing improper payment lies with CCUBS, The State of Montana's comprehensive childcare system. CCUBS integrates all the functions required to provide subsidized childcare to qualified families in Montana. CCUBS core functions are to determine eligibility for childcare clients, match clients with State approved care providers, and facilitate payments to childcare providers for care that's delivered.	The Early Childhood Services Bureau reviews 10% of the total child care cases receiving subsidy each year. Randomly selecting and reviewing 10% of each Child Care Resource & Referral Eligibility Specialists caseload accomplishes this process. During this review process, the ECSB Program Specialist works with individual CCR&R Eligibility Specialists to identify where case errors occur, how to adjust or fix the errors, and how to prevent future errors from occurring. Intentional program violations may also be identified during the reviews.	The Child Care Resource & Referral agencies conduct their own 10% reviews of each Eligibility Specialists caseload. This review process is required by each CCR&R in their contract, and does not include the same 10% sample reviewed by ECSB. Each CCR&R is required to share with ECSB their review findings. This allows the entire statewide subsidy program to have 20% of the total case load reviewed each year.

**25 State agencies responded to Question 13 (Appendix 13: pp. 70–76)**

State	Priority 1	Priority 2	Priority 3
Montana <i>(continued)</i>	To this end CCUBS provides functions for client intake, eligibility determination, case management, invoice entry and management, invoice adjustment processing and provider management. CCUBS also includes a fully integrated licensing module that handles licensing and registration for all State-sanctioned child care providers, whether or not they are caring for subsidy children. The licensing functionality of CCUBS allows for managing and recording childcare facility inspections and complaints against providers. In addition to the above functionality of CCUBS, numerous interfaces connect the system to other DPHHS systems and to systems outside the agency. These interfaces include a connection to AWACS for warrant writing and a connection to State’s central accounting system, SABHRS. CCUBS also shares selected information with other human services systems. Because the CCUBS system integrates childcare payments with licensing functions, improper payments to unregulated providers is non-existent.	This review process also helps identify what the training needs are of the CCR&R Eligibility Specialists and the ECSB conducts annual training with this group. The training focuses on identified topics from the review process, as well as, any updated policy and Rule procedures.	
Nebraska	use of information technology	training/meetings for providers	clear communication with parents
New Hampshire	Use of Web Billing to reduce errors	Provider Handbook for all child care providers	Clear Internal Agency policies and procedures regarding improper child care payments

**25 State agencies responded to Question 13 (Appendix 13: pp. 70–76)**

State	Priority 1	Priority 2	Priority 3
North Carolina	training/meetings for providers and agency staff	monitoring for compliance with program requirements	implementing an automated statewide system that will calculate the payment rate for providers and the parent co-payment
Ohio	Reviewing with clients and providers their reporting responsibilities. Posters, brochures, information sharing at conferences, and cracking down on those who fraud the program.	Ongoing training for agency staff to keep up on any changes to the rules and their correct implementation.	Monitoring county agencies on appropriate application of policy and providing them with technical assistance and training.
Oklahoma	Provider training and Handbook	Random provider audits	Information Technology---data reporting
Puerto Rico	Review of cases files	Verify eligibility of participants	Technical Assistance
Utah	Training of agency staff on correct implementation of policy and procedures.	Educating parents on policy and procedures.	Education providers on policy and rules.
Washington	The Division's trainers currently offer subsidy / billing training to licensed providers across the State. Some trainers with our partner Division which delivers service for the subsidy program (Community Service Division - CSD) also provide training to providers. The Division of Child Care and Early Learning is currently researching the feasibility of requiring subsidy / billing training to all providers (licensed and exempt from licensing) in order to receive subsidy payments. CSD provides ongoing training to staff who deliver the service in the field, to ensure accurate payment authorization.	The Division is also working on a project to develop and procure a new automated system (e-Child Care), which we anticipate would greatly decrease the amount of improper payments.	Our current roadblock to proceeding with the project is funding.



**25 State agencies responded to Question 13 (Appendix 13: pp. 70–76)**

State	Priority 1	Priority 2	Priority 3
West Virginia	<p>Documentation of Need and Eligibility</p> <ul style="list-style-type: none"> <li>• West Virginia is constantly working to clarify and strengthen child care eligibility policy to prevent improper payments. Requiring specific forms of documentation for activities, income and billing from clients and providers reduces the ability of clients and providers to misrepresent their situation. For example, students receiving services must provide school schedules and grades. Employed clients must submit pay stubs and work schedules.</li> <li>• CCR&amp;R agency staff receive training from State Level staff on Child Care Policy regarding documentation requirements and program rules on a quarterly basis.</li> </ul>	<p>Quality Assurance Activities –</p> <ul style="list-style-type: none"> <li>• Two State level Child Care Consultants provide oversight and technical assistance to the CCR&amp;R agencies. They perform a quarterly sampling of CCR&amp;R cases to ensure compliance with appropriate procedures and policies.</li> <li>• Child Care Resource and Referral Agencies are required to perform a monthly sampling of child care cases to ensure compliance with appropriate procedures and policies. CCR&amp;R agencies also audit every billing form submitted by providers by matching sign in and out sheets filled in by parents to the providers billing form and the parents' work/school schedules. Sign in and out sheets that do not match billing forms or parents' approved activity schedules require investigation.</li> </ul>	<p>Use of information technology –</p> <ul style="list-style-type: none"> <li>• CCR&amp;R agencies must use the State's management information system, the Family and Children's Tracking System (FACTS), to determine financial eligibility and calculate payment amounts due.</li> <li>• The FACTS system is programmed to calculate income, determine eligibility and assess co-payment amounts. The system contains controls to limit payments to eligible days and children only.</li> <li>• The system also prevents improper payments through checks and balances – payments must be entered at the local CCR&amp;R office, verified by a supervisor at the local CCR&amp;R office, approved by management at both the local and Lead Agency and then issued by the Lead Agency. These checks and balances prevent improper payments at the local and State level agencies.</li> </ul>
Wisconsin	Use of IT	Review of current policy/process	Provider/local agency staff training

**Those that did not provide an answer:**

District of Columbia

**APPENDIX 14. ACTIVITIES PERFORMED AND CONSIDERED MOST EFFECTIVE TO VERIFY ACCURACY OF INFORMATION**

14. For each activity listed below, indicate whether or not your State performs it to verify the accuracy of information needed to determine eligibility for and/or proper amount of a program payment. If yes, indicate, when in the process the step or activity is performed, and how often it is performed. (States were also asked to indicate the 3 steps or activities considered the most effective.)

**25 State agencies responded to Question 14 (Appendix 14: pp. 77–86)**

State	Steps or activities performed	What stage in the process	Frequency	Effective
Alabama	a. Require documentation from client	Pre-approval	Depends on client activity	✓
	e. Conduct telephone, fax, or e-mail contacts	Pre-approval & continuing	As needed	
	g. Initiate a fraud investigation if warranted	When investigation is warranted	Investigation continued until answers are determined	
	h. Conduct program integrity/quality control review	Program monitor conducts yearly sample monitoring	Yearly	
Arizona	a. Require documentation from client	Approval, redetermination, whenever a change in the client's circumstance changes	At least every 6 months	
	c. Access online database	Approval, redetermination, whenever a change in the client's circumstance changes	At least every 6 months	✓
	d. Match automated computer files	Approval, redetermination, whenever a change in the client's circumstance changes	At least every 6 months	✓
	e. Conduct telephone, fax, or e-mail contacts	Approval, redetermination, whenever a change in the client's circumstance changes	At least every 6 months	✓

**25 State agencies responded to Question 14 (Appendix 14: pp. 77–86)**

State	Steps or activities performed	What stage in the process	Frequency	Effective
Arizona <i>(continued)</i>	f. Conduct home visits	Not conducted on clients. Conducted at initial certification and regularly throughout the year. Conducted only for Certified Home Providers (caring for 4 or less children for compensation), as the Arizona Department of Health Services regulates other providers such as Licensed Centers, and Group Homes. Relative providers are not regulated, so therefore are not subject to home visits.	At least 2 times per year	
	g. Initiate a fraud investigation if warranted	At any point in the process if fraud is suspected.	As needed	
	i. Supervisor Case Reviews	On child care initial and review cases.	At least 12 per Child Care Specialist per year.	
California (DE)	a. Require documentation from client	Initially, and at re-determination.	Annually or more often, if appropriate	✓
	g. Initiate a fraud investigation if warranted	Refer to local fraud investigators		
	h. Conduct program integrity/quality control review			✓
	i. Other	Require documentation of attendance in care	Every day child attends	✓
California (DSS)	a. Require documentation from client	Pre-approval and at redetermination at 3 months	Quarterly	✓
	b. Fingerprint clients	Pre-approval and re-determination	At intake	✓
	c. Access online database	Pre-approval/approval/re-determination	Daily	
	d. Match automated computer files	Pre-approval/approval/re-determination	Monthly/quarterly	✓
	e. Conduct telephone, fax, or e-mail contacts	Pre-approval/approval/re-determination	As needed	
	f. Conduct home visits	Varies from county to county	As needed	
	g. Initiate a fraud investigation if warranted	Pre-approval/ongoing fraud	As needed	

**25 State agencies responded to Question 14 (Appendix 14: pp. 77–86)**

State	Steps or activities performed	What stage in the process	Frequency	Effective
California (DSS) <i>(continued)</i>	h. Conduct program integrity/quality control review	CDSS conducts reviews of local agencies as a whole. Additionally, counties may conduct QC reviews a their option.	Large counties – 1 per year Medium counties- every other year Small counties- every 3 years	
Connecticut	a. Require documentation from client	Application, redetermination and interim changes	6 month review cycles	✓
	c. Access online database	Application, redetermination	6 months	✓
	d. Match automated computer files	Regular intervals and Variable	Variable	
	e. Conduct telephone, fax, or e-mail contacts	Application, redetermination and interim changes	Daily	
	f. Conduct home visits	Fraud Investigations (1/1/06 FRED implementation)	On request	✓
	g. Initiate a fraud investigation if warranted	Ongoing referral protocols	Daily	
	h. Conduct program integrity/quality control review	DSS – Quarterly Program – ongoing internal QC		
District of Columbia	a. Require documentation from client			✓
	d. Match automated computer files			✓
	e. Conduct telephone, fax, or e-mail contacts			✓
	g. Initiate a fraud investigation if warranted			
	h. Conduct program integrity/quality control review			
	i. Submit Child Care Provider's attendance reports			

**25 State agencies responded to Question 14 (Appendix 14: pp. 77–86)**

State	Steps or activities performed	What stage in the process	Frequency	Effective
Georgia	a. Require documentation from client	Approval/6 month review/redetermination at 12 months.	6 &12 month	✓
	c. Access online database	6 month review/ 12 month redetermination	6 &12 month	✓
	d. Match automated computer files	Upon specific purpose/request		
	e. Conduct telephone, fax, or e-mail contacts	Approval/changes in case	6 &12 month	
	g. Initiate a fraud investigation if warranted	As needed		
	h. Conduct program integrity/quality control review	6 Month Review; monthly accuracy review (by sample)	6 month	✓
Kansas	a. Require documentation from client	pre-approval redetermination	yearly	✓
	c. Access online database	pre-approval redetermination	yearly	✓
	d. Match automated computer files	on-going	if applies for other benefits	✓
	g. Initiate a fraud investigation if warranted	when fraud is suspected	as needed	
	h. Conduct program integrity/quality control review	randomly selected	random	
Kentucky	a. Require documentation from client	Initial interview redetermination as needed		✓
	e. Conduct telephone, fax, or e-mail contacts		As needed	
	f. Conduct home visits	12 months, as needed for STARS	License renewal	
	g. Initiate a fraud investigation if warranted		As needed	✓
	h. Conduct program integrity/quality control review	Varied	Yearly	✓

**25 State agencies responded to Question 14 (Appendix 14: pp. 77–86)**

State	Steps or activities performed	What stage in the process	Frequency	Effective
Maryland	a. Require documentation from client	Application and reconsideration	At least once every 12 months	✓
	c. Access online database	Application and reconsideration	At least once every 12 months	✓
	e. Conduct telephone, fax, or e-mail contacts		As needed	
	g. Initiate a fraud investigation if warranted		As needed	
	h. Conduct program integrity/quality control review	Can occur at any stage	At least once yearly by the agency	✓
Massachusetts	a. Require documentation from client	Pre-approval/ redetermination every 6 mos.	Every 6 mos.	✓
	c. Access online database	Approval		
	e. Conduct telephone, fax, or e-mail contacts			
	f. Conduct home visits	Approval and after	Periodically	
	g. Initiate a fraud investigation if warranted	As applicable	As needed	
	h. Conduct program integrity/quality control review	Desk reviews annually/internal control questionnaire post-approval	Updated yearly	✓
Minnesota	i. On-site monitoring visits to providers	Post-approval	Within three years or as needed	✓
	a. Require documentation from client	Initial approval, redetermination at 6 mos, and when the family reports a change	At least 6 months, could be more often	✓
	c. Access online database	During fraud investigation		
	d. Match automated computer files	If fraud referral is made		
	e. Conduct telephone, fax, or e-mail contacts	County agencies may need to contact client or provider	When necessary	
g. Initiate a fraud investigation if warranted	CCA worker makes a referral to the fraud investigator	When necessary	✓	

**25 State agencies responded to Question 14 (Appendix 14: pp. 77–86)**

State	Steps or activities performed	What stage in the process	Frequency	Effective
Minnesota <i>(continued)</i>	h. Conduct program integrity/quality control review	Under development, will be applied at regular intervals of case management review		✓
Mississippi	a. Require documentation from client	Pre-approval & Redetermination	Every 6 months	✓
	d. Match automated computer files	Approval	Monthly	
	e. Conduct telephone, fax, or e-mail contacts	Approval & Redeter. at 6 months	Daily	✓
	g. Initiate a fraud investigation if warranted	Approval & Redeter. at 6 months	Annually	
	h. Conduct program integrity/quality control review	Approval & Redeter. at 6 months	Quarterly	✓
Missouri	a. Require documentation from client	Approval, Re-determination	At least annually	✓
	b. Fingerprint clients	Approval (Providers only)	One time and name checks on an annual basis thereafter	
	c. Access online database	Approval, Re-determination	At least annually	
	d. Match automated computer files	Approval, Re-determination	At least annually	✓
	e. Conduct telephone, fax, or e-mail contacts	Approval, Re-determination	Whenever the situation warrants	
	g. Initiate a fraud investigation if warranted	As needed	As needed	✓
Montana	a. Require documentation from client	Application & re-certification	Min. Every 6 months	✓
	c. Access online database	Application	1x/year	
	g. Initiate a fraud investigation if warranted			

**25 State agencies responded to Question 14 (Appendix 14: pp. 77–86)**

State	Steps or activities performed	What stage in the process	Frequency	Effective
Montana <i>(continued)</i>	h. Conduct program integrity/quality control review	Recertification	Min. Every 6 months	✓
	i. Parents required to turn in Work Verification Forms, School Schedules, and any other documentation that can be used to determine the need for child care	Recertification (During the recertification process, the parent is requested to review an Explanation of Benefits from the previous month and sign it if they agree with the billing of the provider.)	Min. Every 6 months	✓
Nebraska	a. Require documentation from client	Pre approval & redetermination	At least 12 months, sometimes more frequently	✓
	c. Access online database	Pre approval & redetermination		
	d. Match automated computer files	Pre approval & redetermination		✓
	e. Conduct telephone, fax, or e-mail contacts	Pre approval & redetermination		✓
	g. Initiate a fraud investigation if warranted	When potential fraud is identified		
	i. Annual audit conducted by State Auditor		Annually	
New Hampshire	a. Require documentation from client	Six and 12 month determination and re-determination visits		
	g. Initiate a fraud investigation if warranted	At any stage, if referred		
	h. Conduct program integrity/quality control review	Once per 2 year Local Agency Agreement period (Contract Centers)		
North Carolina	a. Require documentation from client	Pre-approval/approval; redetermination; periodic reviews		✓
	c. Access online database	Varies by county or local purchasing agency	Varies by county or local purchasing agency	✓



**25 State agencies responded to Question 14 (Appendix 14: pp. 77–86)**

State	Steps or activities performed	What stage in the process	Frequency	Effective
North Carolina <i>(continued)</i>	d. Match automated computer files	Varies by county or local purchasing agency	Varies by county or local purchasing agency	
	e. Conduct telephone, fax, or e-mail contacts	Varies by county or local purchasing agency	Varies by county or local purchasing agency	
	f. Conduct home visits	When fraud is suspected	When fraud is suspected	
	g. Initiate a fraud investigation if warranted	When fraud is suspected by LPA staff	When fraud is suspected by LPA staff	
	h. Conduct program integrity/quality control review	Varies by county or local purchasing agency	Varies by county or local purchasing agency	✓
Ohio	a. Require documentation from client	pre-approval & redetermination	Every 12 mos.	
	e. Conduct telephone, fax, or e-mail contacts	pre-approval, redetermination, & when conflicting information is received		
	f. Conduct home visits	when conflicting information is received		
	g. Initiate a fraud investigation if warranted	when conflicting information is received		✓
Oklahoma	a. Require documentation from client	Approval, redetermination & change reporting.	6 mo. & 12 mo.	✓
	c. Access online database	Approval, redetermination & change reporting		✓
	d. Match automated computer files	Approval, redetermination & change reporting		
	g. Initiate a fraud investigation if warranted	Upon referral		✓
Puerto Rico	a. Require documentation from client	Pre-approval	3 times a year	
	c. Access online database			
	d. Match automated computer files			
	f. Conduct home visits			
	g. Initiate a fraud investigation if warranted			

**25 State agencies responded to Question 14 (Appendix 14: pp. 77–86)**

State	Steps or activities performed	What stage in the process	Frequency	Effective
Utah	a. Require documentation from client	Pre-payment and post-payment	Every 3 months	✓
	c. Access online database	Pre-payment and post-payment	Every 3 months	✓
	d. Match automated computer files	Pre-payment and post-payment	Every 3 months	
	e. Conduct telephone, fax, or e-mail contacts	Pre-payment and post-payment	Every 3 months	
	f. Conduct home visits	When warranted	When warranted	
	g. Initiate a fraud investigation if warranted	When warranted	When warranted	✓
	h. Conduct program integrity/quality control review	Post-payment	6months to a year	
Washington	a. Require documentation from client	Approval and Reapproval	Re-applications are due every 3 or 6 months	✓
	c. Access online database	Approval and Reapproval	Re-applications are due every 3 or 6 months	✓
	d. Match automated computer files	Approval and Reapproval	Re-applications are due every 3 or 6 months	
	e. Conduct telephone, fax, or e-mail contacts	Approval and Reapproval	Re-applications are due every 3 or 6 months	
	g. Initiate a fraud investigation if warranted	At any time		
	h. Conduct program integrity/quality control review	At any time		✓
West Virginia	a. Require documentation from client	Pre-approval at 6 mos redetermination, and for any change in the case	Pre-approval at 6 mos redetermination, and for any change in the case	✓
	e. Conduct telephone, fax, or e-mail contacts	Pre-approval at 6 mos redetermination, and for any change in the case	Pre-approval at 6 mos redetermination, and for any change in the case	✓

**25 State agencies responded to Question 14 (Appendix 14: pp. 77–86)**

State	Steps or activities performed	What stage in the process	Frequency	Effective
West Virginia <i>(continued)</i>	g. Initiate a fraud investigation if warranted	At any point in the case, when warranted	At any point in the case, when warranted	
	h. Conduct program integrity/quality control review	Monthly, at both the State and local level	Monthly, at both the State and local level	✓
Wisconsin	a. Require documentation from client	Application/prior to approval, 12 month review, 6 month mail in report	Application/prior to approval, 12 month review, 6 month mail in report	✓
	c. Access online database	Application, 12 month review, on request	Quarterly and On Request	✓
	d. Match automated computer files	Established cases in batch	Weekly, monthly, bi-monthly, quarterly, and annually	✓
	e. Conduct telephone, fax, or e-mail contacts	As needed.		
	g. Initiate a fraud investigation if warranted	As needed.		
	h. Conduct program integrity/quality control review	As needed.		

## APPENDIX 15. STATES DATA SOURCES USED AND CONSIDERED MOST EFFECTIVE TO ENSURE ACCURATE PAYMENTS

15. *Data sharing: Indicate whether or not your State utilizes this source to better ensure accurate payments under the program. (This question also asked States to indicate when in the process the source is used, and/or how often that source is used, and the 3 items considered the most effective.)*

### 24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)

State	Sources	What stage in the process	Frequency	Effective
Alabama	b. Other human services programs in your agency/State	At Initial Application and redetermination	As often as changes are reported	
	r. K-12 school systems	Before payment is issued/changes reported	Changes are reported	
	s. Community colleges	Before payment is issued/changes reported	Changes are reported	
	t. Other providers of services, education, training	Before payment is issued/changes reported	Changes are reported	
	u. Child support	Before payment is issued/changes reported	Changes are reported	
	v. Social Security Administration (SSA) form W-2 (wage statements)	Before payment is issued/changes reported	Changes are reported	
	w. SSA Social Security number verification	Before payment is issued/changes reported	Changes are reported	
	x. SSA Supplemental Security Income (SSI) data	Before payment is issued/changes reported	Changes are reported	
Arizona	a. Income Eligibility Verification System (IEVS)	Our system interfaces with a system called AZTECS which houses the eligibility information for TANF, FS, and Medicaid (MA) in the State of Arizona. The AZTECS system interfaces with IEVS, so we can obtain this information through our interfaces, in addition child care staff have direct access to inquire into the AZTECS system. At initial interview, at 6 month review intervals, and as changes occur in the TANF case (we receive electronic alerts through an interface with the AZTECS system which interfaces with IEVS)	On an individual case at least every 6 months, more often if changes in the TANF case occur.	

**24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)**

State	Sources	What stage in the process	Frequency	Effective
Arizona (continued)	b. Other human services programs in your agency/State	Referrals from the TANF Jobs program, Child Protective Services (CPS), Division of Developmental Disabilities (DDD), tribal Native Employment Works (NEW), verification of Child Support income through the Division of Child Support Enforcement (DCSE), background checks for providers in the CPS system (all prior to issuing payment)	Normally at least every 6 months, at client review, depending on the program and our agreement with them	✓
	c. State department of labor or employment security	Through quarterly cross match reports, at initial interview, and reviews every 6 months. (both before and after issuance of payment)		✓
	e. State department of motor vehicles	During investigation for potential program violations (after issuance of payment)	As needed based on the investigation	
	j. Lottery agencies	For recoupment of overpayments (after issuance of payment)	As needed	
	k. Prisons and criminal justice agencies at State level	During investigation for potential program violations/ potential prosecution (after issuance of payment)	As needed based on the investigation	
	l. National Criminal Information Center (NCIC)	During investigation for potential program violations/ potential prosecution (after issuance of payment)	As needed based on the investigation	
	m. Local jails	During investigation for potential program violations/ potential prosecution (after issuance of payment)	As needed based on the investigation	
	n. Credit bureaus	During investigation for potential program violations/ potential prosecution (after issuance of payment)	As needed based on the investigation	

**24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)**

State	Sources	What stage in the process	Frequency	Effective
Arizona (continued)	o. Financial institutions	In situations where the client's accounts provide information regarding their income (business accounts for self-employment, verification of interest income, etc.) During investigation for potential program violations/ potential prosecution (after issuance of payment)	As needed	
	p. State tax intercepts	During recoupment of overpayments (after issuance of payment)	As needed	
	q. Immigration authorities	When information provided by the client is of a questionable nature (before issuance of payment in most cases)	As needed	
		When clients are students requesting child care assistance, and during potential fraud investigations. (before issuance of payment in most cases)	As needed	
	s. Community colleges	When clients are students requesting child care assistance to attend school. (before issuance of payment)	As needed	
	t. Other providers of services, education, training	When clients are students requesting child care assistance to attend school. (before issuance of payment)	As needed	
	u. Child support	At initial application and at review	At least every 6 months	✓
	v. Social Security Administration (SSA) form W-2 (wage statements)	When the W-2 is the best indicator of the clients income.	As needed	
	w. SSA Social Security number verification	At initial application	Initially	
	x. SSA Supplemental Security Income (SSI) data	At initial application and at review for clients who receive social security SSI income	As needed	

**24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)**

State	Sources	What stage in the process	Frequency	Effective
Arizona (continued)	z. Other	When a client is employed by a company contracting with the WORK number to verify employment. When an applicant is applying for other-related children and need assistance verifying relationship	As needed	
California (DE)	r. K-12 school systems			
	s. Community colleges			
	t. Other providers of services, education, training			
California (DSS)	a. Income Eligibility Verification System (IEVS)	Pre and post approval	Monthly and quarterly	✓
	b. Other human services programs in your agency/State	Approval	Monthly	
	c. State department of labor or employment security	Pre and post payment	Monthly	✓
	d. State directory of new hires	Pre and post payment	Monthly	✓
	g. State data (from other States) on length of TANF receipt	Pre-approval	At the time of application	
	h. State data (from other States) on potential concurrent TANF receipt		Quarterly	
	i. State data (from other States) on client or provider debarment from benefits, for fraud or other infraction		Daily	
	k. Prisons and criminal justice agencies at State level	Post approval	Monthly	
	l. National Criminal Information Center (NCIC)		Monthly	
	m. Local jails	Post approval	Monthly	
	p. State tax intercepts	Post approval	Monthly	
q. Immigration authorities	Pre-approval	Monthly		

**24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)**

State	Sources	What stage in the process	Frequency	Effective
California (DSS) (continued)	v. Social Security Administration (SSA) form W-2 (wage Statements)	Pre-approval	Monthly	
	w. SSA Social Security number verification	Pre-approval	Daily/monthly/ quarterly/annually	
	x. SSA Supplemental Security Income (SSI) data	Pre-approval	Daily	
	y. SSI death information	Pre-approval	Monthly	
Connecticut	b. Other human services programs in your agency/State	Application, Redetermination, Interim changes	Ongoing	✓
	c. State department of labor or employment security	Questionable circumstances and error prone cases	Ongoing	
	e. State department of motor vehicles	Investigation and questionable cases	Ongoing	
	k. Prisons and criminal justice agencies at State level	When unknown unregulated provider is added	Ongoing	
	l. National Criminal Information Center (NCIC)	When unregulated, non-relative provider is added	Ongoing	
	m. Local jails	When unregulated, non-relative provider is added		
	p. State tax intercepts	DAS Collections	Annual	
	q. Immigration authorities	Child status is questionable	As needed	
	t. Other providers of services, education, training	Application, Redetermination, Interim Changes	Daily	
	u. Child support	Application, Redetermination	6 month	✓
	w. SSA Social Security number verification	Provider data match	Quarterly	
	x. SSA Supplemental Security Income (SSI) data	Available EMS Interface	As needed	
Georgia	b. Other human services programs in your agency/State	prepayment	6 month	✓
	c. State department of labor or employment security	Pre/postpayment	6 month review; 12 month redetermine	



**24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)**

State	Sources	What stage in the process	Frequency	Effective
Georgia <i>(continued)</i>	v. Social Security Administration (SSA) form W-2 (wage statements)	prepayment	6 month review; 12 month recent	✓
	w. SSA Social Security number verification	prepayment	application	✓
	x. SSA Supplemental Security Income (SSI) data	prepayment	Application; 6 month review	
Kansas	b. Other human services programs in your agency/State	post payment pre payment	yearly	✓
	q. Immigration authorities	pre approval post approval	yearly	✓
	u. Child support	pre approval post approval	yearly	✓
	x. SSA Supplemental Security Income (SSI) data	pre approval post approval	yearly	
Kentucky	b. Other human services programs in your agency/State	Initial interview TANF	12 months	
	g. State data (from other States) on length of TANF receipt	Initial interview		
	i. State data (from other States) on client or provider debarment from benefits, for fraud or other infraction	Initial interview		
	p. State tax intercepts	Before check issue	Weekly payment run	
Maryland	a. Income Eligibility Verification System (IEVS)	Pre and post payment	At least once yearly	
	c. State department of labor or employment security	Pre and Post payment	At least once yearly	✓
	f. Public Assistance Reporting Information System (PARIS)			
	q. Immigration authorities	Prepayment	As needed	
	u. Child support	Pre and post payment	At least every 12 months	✓

**24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)**

State	Sources	What stage in the process	Frequency	Effective
Maryland (continued)	v. Social Security Administration (SSA) form W-2 (wage statements)	Pre and post payment	When available	
	x. SSA Supplemental Security Income (SSI) data	Pre and post payment	At least once every 12 months	✓
	y. SSI death information	Postpayment	As needed	
Massachusetts	a. Income Eligibility Verification System (IEVS)	On Web site	Prior to services	
	b. Other human services programs in your agency/State	Pre-payment (for eligibility determination of their clients to receive child care)	Department of Transitional Assistance (DTA) & Department of Social Services (DSS) DTA – every six months. DSS – as cases are open and closed	
	h. State data (from other States) on potential concurrent TANF receipt			
	i. State data (from other States) on client or provider debarment from benefits, for fraud or other infraction			
	k. Prisons and criminal justice agencies at State level	Pre- licensing and payment (for family child care) and prior to employee providing direct care services (center-based)	CORI Check	
	u. Child support	Request child support info from applicant but not from other agencies		
Minnesota	v. Social Security Administration (SSA) form W-2 (wage statements)	Ask income but no test of SSA		
	a. Income Eligibility Verification System (IEVS)	For TANF families applying for child care assistance	As needed	
	b. Other human services programs in your agency/State	Initial application, & Redeterminations	every 6 months or as needed	✓
	c. State department of labor or employment security	If fraud referral is made	As needed	

**24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)**

State	Sources	What stage in the process	Frequency	Effective
Minnesota (continued)	d. State directory of new hires	For child support purposes	As needed	
	g. State data (from other States) on length of TANF receipt	Currently used for TANF families and available to child care program		
	h. State data (from other States) on potential concurrent TANF receipt	For TANF families applying for child care		
	i. State data (from other States) on client or provider debarment from benefits, for fraud or other infraction	For TANF families applying for child care		
	k. Prisons and criminal justice agencies at State level	Background check for child care providers	Initial application Every 2 years	✓
	o. Financial institutions	Fraud referral	As needed	
	p. State tax intercepts	County can get a judgment to recover overpayments	As needed	
	q. Immigration authorities	During fraud investigation	When necessary	
	t. Other providers of services, education, training	If related to eligibility or when they occur	As needed	
	u. Child support	Initial eligibility & redetermination	Initial, 6 months intervals if changes	✓
	v. Social Security Administration (SSA) form W-2 (wage statements)	If needed to determine eligibility		
	w. SSA Social Security number verification	When TANF families apply for child care assistance		
	y. SSI death information	TANF families only		
Mississippi	b. Other human services programs in your agency/State	Approval & Redeter.	Throughout eligibility	✓
	c. State department of labor or employment security	Approval & Redeter.	Throughout eligibility	
	o. Financial institutions	Pre-approval	Initial	
	p. State tax intercepts	Pre-approval	Initial	✓
	u. Child support	Throughout	Monthly	

**24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)**

State	Sources	What stage in the process	Frequency	Effective
Mississippi <i>(continued)</i>	v. Social Security Administration (SSA) form W-2 (wage statements)	Approval & Redeter. at 6 months	Initial and every 6 mos.	
	w. SSA Social Security number verification	Pre-approval	Initial	
	x. SSA Supplemental Security Income (SSI) data	Pre-approval	Initial	✓
Missouri	a. Income Eligibility Verification System (IEVS)	Pre and post payment	At least yearly	✓
	b. Other human services programs in your agency/State	Pre and post payment	At least yearly	✓
	c. State department of labor or employment security	Pre and post payment	At least yearly	
	d. State directory of new hires	As information is available	As information is available	
	f. Public Assistance Reporting Information System (PARIS)	As information is available	As information is available	
	h. State data (from other States) on potential concurrent TANF receipt	Pre and post payment	One time at initial approval	
	i. State data (from other States) on client or provider debarment from benefits, for fraud or other infraction	As information is available	As information is available	
	j. Lottery agencies	As information is available	As information is available	
	k. Prisons and criminal justice agencies at State level	Pre and post payment	At least yearly	
	l. National Criminal Information Center (NCIC)	Pre and post payment	At least yearly	
	p. State tax intercepts	As information is available	As information is available	
	r. K-12 school systems	As information is available	As information is available	
	s. Community colleges	As information is available	As information is available	

**24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)**

State	Sources	What stage in the process	Frequency	Effective
Missouri (continued)	t. Other providers of services, education, training	As information is available	As information is available	
	u. Child support	Pre and post payment	At approval, re-determination, and interim contacts	✓
	w. SSA Social Security number verification	For self-employment and as needed	As information is available	
	x. SSA Supplemental Security Income (SSI) data	At approval, re-determination, and interim contacts	At approval, re-determination, and interim contacts	
	y. SSI death information	As information is available	As information is available	
Montana	b. Other human services programs in your agency/State	Application	1x/year	
	e. State department of motor vehicles	Application	1x/year	
	i. State data (from other States) on client or provider debarment from benefits, for fraud or other infraction			
	k. Prisons and criminal justice agencies at State level	Application	1x/year	
	l. National Criminal Information Center (NCIC)	Application	1x/year	
	m. Local jails	Application	1x/year	
	p. State tax intercepts	Application	1x/year	
	s. Community colleges	Application	1x/year	
	t. Other providers of services, education, training	Application	1x/year	
	u. Child support	Application	1x/year	
	w. SSA Social Security number verification	Application	1x/year	
z. Tribal Court check	Application	1x/year		
Nebraska	a. Income Eligibility Verification System (IEVS)	At approval	Once	

**24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)**

State	Sources	What stage in the process	Frequency	Effective
Nebraska (continued)	b. Other human services programs in your agency/State	At approval, redetermination, and whenever a new program is added	Our computer system is integrated so we know what other services within our agency the client is receiving	
	c. State department of labor or employment security	At approval		
	d. State directory of new hires	At approval		
	e. State department of motor vehicles	Pre approval & redetermination	annually	
	f. Public Assistance Reporting Information System (PARIS)	At approval	once	
	h. State data (from other States) on potential concurrent TANF receipt	At approval	quarterly	
	o. Financial institutions	Pre approval & redetermination		
	p. State tax intercepts	Worker can check a separate system if there is reason to believe the client will receive intercepted State tax	Annually	
	q. Immigration authorities	Pre approval & redetermination	Whenever it is an issue	
	s. Community colleges	Pre approval & redetermination		
	t. Other providers of services, education, training	Pre approval & redetermination	Whenever applicable	
	u. Child support	Pre approval & redetermination	Whenever applicable	
	w. SSA Social Security number verification	At approval		
	x. SSA Supplemental Security Income (SSI) data	At approval		
	y. SSI death information	At approval		
z. (1)State Vital Statistics data match for births, marriages, and SSNs for newborns, match with IRS (2)Verify with employers	Pre approval & redetermination	Once for Vital Stats; quarterly for IRS		

**24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)**

State	Sources	What stage in the process	Frequency	Effective
New Hampshire	a. Income Eligibility Verification System (IEVS)		Monthly	
	b. Other human services programs in your agency/State	Our Eligibility System is an “ All in One” system		
	c. State department of labor or employment security		Monthly	
	d. State directory of new hires		6 & 12 Months	
	g. State data (from other States) on length of TANF receipt	At application		
	h. State data (from other States) on potential concurrent TANF receipt	If alleged fraud		
	j. Lottery agencies	Child Support Only		
	o. Financial institutions	For verification of eligibility		
	q. Immigration authorities	At time of application		
	r. K-12 school systems			
	s. Community colleges			
	t. Other providers of services, education, training			
	u. Child support			
	w. SSA Social Security number verification	At time of application		
	x. SSA Supplemental Security Income (SSI) data			
y. SSI death information				
North Carolina	b. Other human services programs in your agency/State	Varies based on local purchasing agency policy	Varies based on local purchasing agency policy	✓
	c. State department of labor or employment security	Varies based on local purchasing agency policy	Varies based on local purchasing agency policy	✓
	d. State directory of new hires	Varies based on local purchasing agency policy	Varies based on local purchasing agency policy	

**24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)**

State	Sources	What stage in the process	Frequency	Effective
North Carolina <i>(continued)</i>	e. State department of motor vehicles	Varies based on local purchasing agency policy	Varies based on local purchasing agency policy	
	g. State data (from other States) on length of TANF receipt			
	h. State data (from other States) on potential concurrent TANF receipt			
	i. State data (from other States) on client or provider debarment from benefits, for fraud or other infraction			
	k. Prisons and criminal justice agencies at State level	Varies based on local purchasing agency policy	Varies based on local purchasing agency policy	
	r. K-12 school systems			
	s. Community colleges			
	u. Child support	Varies based on local purchasing agency policy	Varies based on local purchasing agency policy	✓
	v. Social Security Administration (SSA) form W-2 (wage statements)			
	w. SSA Social Security number verification			
	x. SSA Supplemental Security Income (SSI) data	Varies based on local purchasing agency policy	Varies based on local purchasing agency policy	
Ohio	b. Other human services programs in your agency/State	This occurs in some counties, and within the same county.		
	r. K-12 school systems	At county level		
	s. Community colleges	At county level		
	t. Other providers of services, education, training	At county level		
	u. Child support	At county level		



**24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)**

State	Sources	What stage in the process	Frequency	Effective
Ohio (continued)	v. Social Security Administration (SSA) form W-2 (wage statements)	At county level		
	w. SSA Social Security number verification	At county level		
	x. SSA Supplemental Security Income (SSI) data	At county level		
	y. SSI death information	At county level		
Oklahoma	a. Income Eligibility Verification System (IEVS)		Ongoing	✓
	c. State department of labor or employment security		Ongoing	✓
	d. State directory of new hires		Ongoing	
	e. State department of motor vehicles		At Worker discretion	
	f. Public Assistance Reporting Information System (PARIS)			
	g. State data (from other States) on length of TANF receipt		Ongoing	
	h. State data (from other States) on potential concurrent TANF receipt			
	i. State data (from other States) on client or provider debarment from benefits, for fraud or other infraction			
	j. Lottery agencies		In process of establishing	
	l. National Criminal Information Center (NCIC)		Fraud investigators at OIG have access	
	o. Financial institutions		IRS part of IEVS	
	q. Immigration authorities		At worker discretion	
	u. Child support			
	w. SSA Social Security number verification			
x. SSA Supplemental Security Income (SSI) data				

**24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)**

State	Sources	What stage in the process	Frequency	Effective
Oklahoma (continued)	y. SSI death information			
	z. State Worker's Comp. Court			
Puerto Rico	b. Other human services programs in your agency/State	Pre-approval during the year	During the year	
	v. Social Security Administration (SSA) form W-2 (wage statements)			
	w. SSA Social Security number verification			
	x. SSA Supplemental Security Income (SSI) data			
	y. SSI death information			
Utah	b. Other human services programs in your agency/State	Pre-payment and post-payment	Every 3 months	✓
	d. State directory of new hires	Pre-payment and post-payment	Every 3 months	
	f. Public Assistance Reporting Information System (PARIS)	Pre-payment and post-payment	Every 3 months	✓
	k. Prisons and criminal justice agencies at State level	Pre-payment and post-payment	Every 3 months	
	l. National Criminal Information Center (NCIC)	When warranted		
	m. Local jails	When warranted		
	p. State tax intercepts	When warranted		
	t. Other providers of services, education, training	Pre-payment and post-payment	Every 3 months	
	u. Child support	Pre-payment and post-payment	Every 3 months	
	v. Social Security Administration (SSA) form W-2 (wage statements)	Pre-payment and post-payment	Every 3 months	
	w. SSA Social Security number verification	Pre-payment and post-payment	Every 3 months	
	x. SSA Supplemental Security Income (SSI) data	Pre-payment and post-payment	Every 3 months	
	y. SSI death information	Pre-payment and post-payment	Every 3 months	

**24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)**

State	Sources	What stage in the process	Frequency	Effective
Washington	a. Income Eligibility Verification System (IEVS)	On-going		✓
	b. Other human services programs in your agency/State	On-going		
	c. State department of labor or employment security	Approval & Reapproval	Every 3 to 6 months	
	d. State directory of new hires	Approval & Reapproval	Every 3 to 6 months	
	f. Public Assistance Reporting Information System (PARIS)	Approval & Reapproval	Every 3 to 6 months	
	h. State data (from other States) on potential concurrent TANF receipt			
	s. Community colleges	Application and Reapplication	Every 3 to 6 months	✓
	t. Other providers of services, education, training	Application and Reapplication	Every 3 to 6 months	
	u. Child support	Application and Reapplication	Every 3 to 6 months	✓
	x. SSA Supplemental Security Income (SSI) data	Ongoing		
	y. SSI death information	Ongoing		
West Virginia	b. Other human services programs in your agency/State	As needed	As needed	
	h. State data (from other States) on potential concurrent TANF receipt	As needed	As needed	
	i. State data (from other States) on client or provider debarment from benefits, for fraud or other infraction	As needed	As needed	
	k. Prisons and criminal justice agencies at State level	As needed	As needed	
	m. Local jails	As needed	As needed	
	r. K-12 school systems	As needed	As needed	✓
	s. Community colleges	As needed	As needed	
	t. Other providers of services, education, training	As needed	As needed	
u. Child support	As needed	As needed	✓	

**24 State agencies responded to Question 15 (Appendix 15: pp. 87–103)**

State	Sources	What stage in the process	Frequency	Effective
West Virginia <i>(continued)</i>	v. Social Security Administration (SSA) form W-2 (wage statements)	As needed	As needed	
	x. SSA Supplemental Security Income (SSI) data	As needed	As needed	✓
Wisconsin	a. Income Eligibility Verification System (IEVS)	Application and at batch with valid SSNs	Daily, quarterly, yearly	✓
	c. State department of labor or employment security	Application and at batch with valid SSNs	Quarterly and on request	✓
	d. State directory of new hires	In batch for established cases	Weekly	✓
	e. State department of motor vehicles	Established cases	On request	
	f. Public Assistance Reporting Information System (PARIS)	Established cases	PARIS sets the timeframe	
	h. State data (from other States) on potential concurrent TANF receipt	Established cases	PARIS sets the timeframe	
	k. Prisons and criminal justice agencies at State level	Established cases	On request	
	m. Local jails	Established cases	On request	
	p. State tax intercepts	Established cases with 3 dunning notices of non payment of overpayment	On request	
	q. Immigration authorities	Application and New Person Add	On-line	
	r. K-12 school systems	Established cases	On request	
	u. Child support	Established cases	Daily	
	v. Social Security Administration (SSA) form W-2 (wage statements)	Established cases	Annually	
	w. SSA Social Security number verification	Established cases	Daily	
x. SSA Supplemental Security Income (SSI) data	Established cases	Weekly		
y. SSI death information	Established cases	Bi-monthly		

**Those that did not provide an answer:**

District of  
Columbia

## APPENDIX 17. PENALTIES DUE TO ERROR

17. What penalties does your program mandate for clients, agencies, or providers, who commit an error leading to improper payments?

### 25 State agencies responded to Question 17 (Appendix 17: pp. 104–112)

State	Error Committed By	Penalties
Alabama	Agency	
	Clients/Parents	Repayment of benefits; suspension from program participation
	Providers	Recoupment of benefits; suspension from program participation
	County/Local Agency	Prosecution for fraud
Arizona	Agency	none
	Clients/Parents	repayment
	Providers	repayment, potential loss of contract
	County/Local Agency	N/A
California (DE)	Agency	
	Clients/Parents	Clients failing to comply with program rules have services terminated. Intentionally providing incomplete or inaccurate information can result in a referral to local welfare fraud investigation agency if client is recipient of cash aid.
	Providers	Termination of contract. Civil action for recovery if provider does not comply with billing. Referral for prosecution if suspicion of criminal activity.
	County/Local Agency	Egregious and sustained failure to perform (high error rate) can lead to adverse action being taken against the local agency, including the termination of the local agency's authorization to operate program.
California (DSS)	Agency	<p>Stage One child care is administered by either the County Welfare Departments (CWDs) or the Alternative Payment Providers (APPs).</p> <p>Currently, there are no State mandated penalties for stage one child care. However, State Assembly Bill 1542 (Ducheny, Chapter 270, Statutes of 1997) requires counties to take all "reasonable" steps necessary to promptly correct any overpayment or underpayment of supportive services payments to a recipient or a service provider, consistent with procedures developed by CDSS (Welfare Institutions Code Section 1123.4[b]). Counties should identify and track any overpayments involving recipients or providers, and pursue collection of those overpayments. Overpayments resulting from suspected fraud on the part of the recipient or provider should be referred for investigation, subject to the county's criteria for fraud referrals.</p>

**25 State agencies responded to Question 17 (Appendix 17: pp. 104–112)**

<b>State</b>	<b>Error Committed By</b>	<b>Penalties</b>
California (DSS) <i>(continued)</i>	<b>Clients/Parents</b>	For CDSS-administered Stage One Child Care, there exist no “mandated penalties.” However, errors leading to improper payments can be collected by counties through voluntary client/parent commitments, civil (e.g., small claims court), or criminal (e.g., post-conviction restitution orders) proceedings.
	<b>Providers</b>	For CDSS-administered Stage One Child Care, there exist no “mandated penalties” for child care providers. However, errors leading to improper payments can be collected by counties through voluntary provider commitment, civil (e.g., small claims court), or criminal (e.g., post-conviction restitution orders) proceedings.  In Stage One, the termination of a provider’s contract is not a penalty option because counties do not contract with the child care providers, but rather, the county works through the client.
	<b>County/Local Agency</b>	In CDSS-administered Stage One Child Care, the CWD has oversight and is responsible for compiling an annual performance report and an update of their county plan, including administrative penalties. Additionally, CDSS ensures county compliance through its regular IEVS review process.
	<b>Agency</b>	Contract Compliance
Connecticut	<b>Clients/Parents</b>	Mandatory repayment of the overpayment. Progressive disqualification penalties in fraud cases.
	<b>Providers</b>	Mandatory repayment of the overpayment. Lifetime disqualification and State license forfeiture in fraud cases.
	<b>County/Local Agency</b>	N/A
	<b>Agency</b>	N/A
District of Columbia	<b>Clients/Parents</b>	If a parent/guardian is suspected of committing an error leading to an improper payment, they are referred to the Department of Human Services Office of Inspections and Compliance which conducts an investigation. If the investigation substantiates the error the child is terminated from the program and the parent/guardian is referred for
	<b>Providers</b>	If a program monitor observes that a provider continues to consistently commit an error leading to improper payment; the provider is placed in a stop placement status which means that no new children can be placed with that provider. The program monitor provides technical assistance and develops a corrective action plan and monitors for a period of six months for compliance. If there is compliance, then no further action is taken. If there is not compliance, the provider will be recommended for termination for participation in the child care subsidy program.
	<b>County/Local Agency</b>	N/A
	<b>Agency</b>	The client or provider repays the money if agency error.

**25 State agencies responded to Question 17 (Appendix 17: pp. 104–112)**

<b>State</b>	<b>Error Committed By</b>	<b>Penalties</b>
Georgia <i>(continued)</i>	<b>Clients/Parents</b>	Once an error has been determined, the case manager will set up the claim. If the client does not respond to notice of the claim, childcare will be terminated. If the client does respond, case manager has 10 days to make a determination. Case managers may negotiate a reasonable repayment based on the client's ability to pay. The claim must be paid within 3 years (36 months). Applicants who fail to honor the conditions of the repayment agreement cannot be recertified for childcare until the claim is paid in full. Applicants who have honored the repayment agreement can be certified for services if otherwise eligible.
	<b>Providers</b>	Provider must repay claim. If provider is still caring for children for whom subsidies are paid, the county will offset future payments by one-half (50%) of future reimbursements until the claim has been recouped in full. If provider is not caring for subsidized children, the county will send a collection notice. If payment is not made for three consecutive months, no further collection attempts are necessary unless the provider becomes active again. If a provider fails to comply with a claim negotiated by Office of Investigative Services (OIS), the county must notify OIS. The county's obligation ends after reporting to IS. OIS is responsible for notifying the prosecutor of the delinquent payments for a possible contempt action.
	<b>County/Local Agency</b>	The client or provider repays the money if agency error.
Kansas	<b>Agency</b>	Recovery action or payment is made to resolve the improper payment. A corrective action plan may also be developed.
	<b>Clients/Parents</b>	Recovery action or payment is made to resolve the improper payment. A corrective action plan may also be developed.
	<b>Providers</b>	Recovery action or payment is made to resolve the improper payment. A corrective action plan may also be developed. In addition, the agency may terminate the provider contract in cases of overpayments and refuse to do further business with the provider.
	<b>County/Local Agency</b>	Recovery action or payment is made to resolve the improper payment. A corrective action plan may also be developed.
Kentucky	<b>Agency</b>	Payment of Underpayments
	<b>Clients/Parents</b>	Repayment of Overpayments
	<b>Providers</b>	Repayment of Overpayments
	<b>County/Local Agency</b>	N/A
Maryland	<b>Agency</b>	none
	<b>Clients/Parents</b>	There is no penalty for the customer or the provider, but both must repay a \$10.00 or 10% repayment monthly until the balance is paid in full. If the monies are not repaid timely, the overpayment is sent to the Central Collection Unit.

**25 State agencies responded to Question 17 (Appendix 17: pp. 104–112)**

<b>State</b>	<b>Error Committed By</b>	<b>Penalties</b>
Maryland <i>(continued)</i>	<b>Providers</b>	There is no penalty for the customer or the provider, but both must repay a \$10.00 or 10% repayment monthly until the balance is paid in full. If the monies are not repaid timely, the overpayment is sent to the Central Collection Unit.
	<b>County/Local Agency</b>	none
Massachusetts	<b>Agency</b>	Agency staff are retrained. Additional internal controls may have to be developed and implemented.
	<b>Clients/Parents</b>	Repayment facilitated through Child Care Resource and Referral Agencies and/or the State Auditor's Office
	<b>Providers</b>	EEC may hold or stop payments to providers or recoup funds. EEC may also fine contracted providers if they violate the terms and conditions of their contracts.
	<b>County/Local Agency</b>	EEC may direct local agencies (Child Care Resource and Referral Agency to develop a Corrective Action Plan, policies and procedures or internal controls). Staff training provided.
Minnesota	<b>Agency</b>	None
	<b>Clients/Parents</b>	<p>Recoupment of overpayments from participants. If the redetermination of eligibility indicates the family remains eligible for child care assistance, the county must recoup the overpayment by reducing the amount of assistance paid to or on behalf of the family at the rates in item A, B, C, or D until the overpayment debt is retired.</p> <p>A. When a family has an overpayment due to agency or provider error, the monthly recoupment amount is one-fourth the family's co-payment or \$20, whichever is greater.</p> <p>B. When the family has an overpayment due to the family's first failure to report changes as required by part 3400.0040, subpart 4, the monthly recoupment amount is one-half the family's co-payment or \$20, whichever is greater.</p> <p>C. When a family has an overpayment due to the family's failure to provide accurate information at the time of application or redetermination or the family's second or subsequent failure to report changes as required by part 3400.0040, subpart 4, the monthly recoupment amount is one-half the family's co-payment or \$100, whichever is greater.</p>



**25 State agencies responded to Question 17 (Appendix 17: pp. 104–112)**

<b>State</b>	<b>Error Committed By</b>	<b>Penalties</b>
Minnesota <i>(continued)</i>	<b>Providers</b>	The county must recover an overpayment from a provider if the overpayment did not benefit the family by causing it to receive more child care assistance or to pay less for child care expenses than the family otherwise would have been eligible to receive or required to pay under child care assistance program requirements, and benefited the provider by causing the provider to receive more child care assistance than otherwise would have been paid on the family's behalf under child care assistance program requirements. If the provider continues to care for children receiving child care assistance, the overpayment must be recovered through reductions in child care assistance payments for services as described in an agreement with the county. The provider may not charge families using that provider more to cover the cost of recouping the overpayment.  If the provider no longer cares for children receiving child care assistance, the county may choose to initiate efforts to recover overpayments of less than \$50 from the provider. If the overpayment is greater than or equal to \$50, the county shall seek voluntary repayment of the overpayment from the provider. If the county is unable to repayment arrangements.
	<b>County/Local Agency</b>	None
Mississippi	<b>Agency</b>	No incidents to report from.
	<b>Clients/Parents</b>	Recovery efforts as administered through MDHS and County/Local Agencies.
	<b>Providers</b>	Recovery efforts as administered through MDHS and County/Local Agencies.
	<b>County/Local Agency</b>	Recovery efforts and/or suspension/termination of related benefits.
Missouri	<b>Agency</b>	
	<b>Clients/Parents</b>	Possible termination of benefits and repayment.
	<b>Providers</b>	Possible termination of contract of provider agreement and repayment.
	<b>County/Local Agency</b>	Corrective action and possible disciplinary action.
Montana	<b>Agency</b>	none
	<b>Clients/Parents</b>	10 % & 25%
	<b>Providers</b>	10 % & 25%
	<b>County/Local Agency</b>	none
Nebraska	<b>Agency</b>	Overpayments are collected; depending on the severity of the overpayment, the provider agreement may be terminated. If the overpayment involves serving more children than the license would allow, this is shared with the Licensing division. Licensing imposes consequences as determined by a review of the facts.

**25 State agencies responded to Question 17 (Appendix 17: pp. 104–112)**

<b>State</b>	<b>Error Committed By</b>	<b>Penalties</b>
Nebraska <i>(continued)</i>	<b>Clients/Parents</b>	An attempt is made to collect overpayments. As stated previously, the client/parent is denied child care if s/he did not pay the required co-payment, is eligible for child care under the co-payment category, and does not make a satisfactory arrangement to pay the back co-payment(s).
	<b>Providers</b>	Overpayments are collected; depending on the severity of the overpayment, the provider agreement may be terminated. If the overpayment involves serving more children than the license would allow (for a licensed provider), this is shared with the Licensing division for application of their policies.
	<b>County/Local Agency</b>	N/A
New Hampshire	<b>Agency</b>	
	<b>Clients/Parents</b>	Generally, all suspected cases are referred to Special Investigations, including many cases of overpayment errors, with the understanding that Special Investigations will make the decision as to what constitutes error and fraud. Some cases are not pursued because they must reach a threshold of concern, identified by a certain amount of money, and whether they had been previously referred.  If a person goes to court as a result of Special Investigations (and it is decided that improper payments have occurred) it will affect their TANF grant.
	<b>Providers</b>	An error resulting in improper payments will be recouped from that provider.
	<b>County/Local Agency</b>	Contract Child Care Centers are monitored a minimum of once in their two year contract cycle. An error resulting in improper payments will be recouped from that provider
North Carolina	<b>Agency</b>	N/A
	<b>Clients/Parents</b>	the parent is requested to pay the amount of funding that he/she was not eligible to receive.
	<b>Providers</b>	providers are required to return funds received that they were not eligible to receive. In addition. repeated instances of noncompliance with subsidy policies (e.g., submitting inaccurate attendance reports, over-enrollment, etc.) can result in termination of the provider's eligibility to receive subsidy funding.
	<b>County/Local Agency</b>	agency is required to correct any over or under payments made due to agency error.
Ohio	<b>Agency</b>	A corrective action plan is instituted by our agency to the county agency. This corrective action plan requires counties to recoup funds and correctly implement administrative policy.

**25 State agencies responded to Question 17 (Appendix 17: pp. 104–112)**

<b>State</b>	<b>Error Committed By</b>	<b>Penalties</b>
Ohio <i>(continued)</i>	<b>Clients/Parents</b>	Pursuant to Ohio Administrative Code Section 5101:2-16-73 : (E) "...failure of the recipient to enter into or comply with an agreement with the CDJFS to repay a child care overpayment caused by recipient error or agency error, shall result in the termination of child care benefits after provision of appropriate hearing notice pursuant to division-level designation 5101:6 of the Administrative Code. Ineligibility for child care benefits shall continue as long as: (2) The recipient fails to enter into or comply with an agreement with the CDJFS to repay a child care overpayment caused by recipient error or agency error. The agreement shall be satisfactory to both the recipient and the CDJFS."
	<b>Providers</b>	Pursuant to Ohio Administrative Code Section 5101:2-16-73 :  “(F) Failure of the child care provider to repay a child care overpayment made by the CDJFS as a result of provider error, provider fraud or agency error, shall result in the revocation of the type B family child care home or in-home aide certificate. Denial for certification shall continue until repayment is made to the CDJFS.”
	<b>County/Local Agency</b>	
Oklahoma	<b>Agency</b>	
	<b>Clients/Parents</b>	Establish claim for overpayment and pursue collection
	<b>Providers</b>	Establish overpayment, recoup and/or cancel Child Care Provider Contract. Assess liquidated damages.
	<b>County/Local Agency</b>	
Puerto Rico	<b>Agency</b>	
	<b>Clients/Parents</b>	remove children of center
	<b>Providers</b>	Technical Assistance, Correction in files, Monitoring
Utah	<b>County/Local Agency</b>	
	<b>Agency</b>	Parents have to pay the overpayment back. This is based on the worker making an error on the case the caused the parent to receive child care assistance that they were not eligible to receive.
	<b>Clients/Parents</b>	Parents have to pay the overpayment back.
	<b>Providers</b>	Providers have to pay the overpayment back. We are currently working on our database to be able to track the type of errors more efficiently. This should be up and running by January 2006. If it is determined to be fraud, they are disqualified from being a provider for State assisted child care cases.
	<b>County/Local Agency</b>	N/A

**25 State agencies responded to Question 17 (Appendix 17: pp. 104–112)**

State	Error Committed By	Penalties
Washington	Agency	No penalties
	Clients/Parents	No penalties
	Providers	No penalties
	County/Local Agency	No penalties
West Virginia	Agency	Agency staff are given a corrective action plan to follow. Failure to comply with the corrective action plan results in termination
	Clients/Parents	Clients are given a warning letter reminding them of their program responsibilities, and notified that with the next error, a thirty day penalty closure may occur. Should another error occur, the thirty day penalty closure is implemented. Clients must also repay any amounts owed to the Agency.
	Providers	<p>From the Child Care Policy Manual</p> <p>7.2.4.4. “Three Strikes Rule” – Child Care Providers will from time to time make errors in completing Requests for Payment. Occasional minor mistakes are not grounds for closure. However, consistent unwillingness or inability to comply with appropriate Request for Payment and Sign In and Out procedures should be addressed in the following manner: The R&amp;R worker shall have the provider sign a statement indicating the provider received training and understands the forms and process. The worker shall explain that the following actions shall be implemented if provider does not complete forms correctly:</p> <ul style="list-style-type: none"> <li>• If the provider submits an incorrect Request for Payment Form (ECE-CC-10-A) and attendance sheet (ECE-CC-10-G), the R&amp;R worker shall send a letter to the provider indicating the payment request is incorrect. The R&amp;R worker shall have the provider submit another request for payment with the appropriate corrections made. Corrections on Request for Payment forms or Child Care Attendance records shall not be made with “white out.”</li> </ul> <p>Parents and/or Providers, as appropriate, shall strike through incorrect information, make corrections and initial them. If corrections need to be made to original Child Care Attendance sheets (ECE-CC-10G) – parents should also initial to verify the corrections. If Child Care Attendance sheets are incorrect, clients should also be notified of their responsibility for appropriately completing sign in and out procedures.</p> <ul style="list-style-type: none"> <li>• If the provider submits a second incorrect Request for Payment form (ECE-CC-10-A), the R&amp;R worker shall contact the provider by telephone or letter to schedule an individual training session on the payment process. The additional training must be documented and the provider notified in writing that any future incorrect billing forms will result in termination from the Certificate system.</li> <li>• If a third incorrect payment form is submitted, the R&amp;R worker shall send the provider a 13 day cancellation notice using Cancellation Notice for Childcare Provider Services Agreement. Families using the provider shall also receive notification to select a new provider.</li> </ul>

**25 State agencies responded to Question 17 (Appendix 17: pp. 104–112)**

<b>State</b>	<b>Error Committed By</b>	<b>Penalties</b>
West Virginia <i>(continued)</i>	County/Local Agency	Local CCR&Rs can be given corrective action plans. Failure to implement the corrective action plan could result in the termination of the contract.
Wisconsin	Agency	None
	Clients/Parents	None
	Providers	Stop payment and not allow authorizations for up to 6 months (bar from child care subsidy program for 6 months)
	County/Local Agency	None

## APPENDIX 18. DEFINITION OF FRAUD

### 18. How does the CCDF Lead Agency define fraud?

#### 21 State agencies responded to Question 18 (Appendix 18: pp. 113–117)

State	Definition of Fraud
Arizona	<p>Currently, the definition of “fraud” used by the Attorney General’s Office for criminal prosecution purposes is the only definition in use in Arizona (since the legal process establishes “fraud” via conviction).</p> <p>Per Arizona Revised Statutes 13-2311</p> <p>“..Any person, who, pursuant to a scheme or artifice to defraud or deceive, knowingly falsifies, conceals or covers up a material fact by any trick, scheme or device or makes or uses any false writing or document knowing such writing or document contains any false, fictitious or fraudulent statement or entry is guilty of a class 5 felony”.</p>
California (DE)	<p>In California, the CCDF lead agency is the Department of Education. There is no definition of fraud in Education Code. By policy, the Department defines fraud as the intentional provision of inaccurate or incomplete information to obtain a benefit or payment to which the parent or provider would otherwise not be entitled.</p>
California (DSS)	<p>In California, the lead agency for Stage One Child Care is CDSS. “Fraud” is defined in both California’s Code of Regulations (CCR Division 20, Chapter 20.003), and in the Welfare and Institutions Code (WIC §10980), where CDSS derives its statutory authority. Please go to <a href="http://www.leginfo.ca.gov">http://www.leginfo.ca.gov</a> and click on “California Law” to access the State code section. For the California Code of Regulations, please go to: <a href="http://www.cdss.ca.gov/ord/CDSSManual_240.htm">http://www.cdss.ca.gov/ord/CDSSManual_240.htm</a></p>
Connecticut	<p>Overpayments are considered intentional if the parent or provider knowingly withheld or provided false information on matters affecting eligibility, benefits or a claim for services as determined by a court or administrative disqualification hearing official. An overpayment is considered unintentional under the following circumstances:</p> <p>(A) if there was clearly no intent to commit fraud or to obtain benefits or payments under false pretenses;</p> <p>(B) if the parent or provider did not purposefully withhold or provide erroneous information;</p> <p>(C) if illness, a family emergency or other good cause reasons exist for not reporting information timely or accurately; or</p> <p>(D) if the error was due to a delay in taking action as the result of an administrative hearing request.</p>
Georgia	<p>An intentional program violation is an intentional action by an individual to establish or maintain a family unit’s eligibility, or to increase or prevent a decrease in the family unit’s benefits, by providing false or misleading information or withholding information. This list is not all inclusive.</p>
Kansas	<p>See <a href="http://www.srskansas.org/KEESM/keesm11200.htm#11210">http://www.srskansas.org/KEESM/keesm11200.htm#11210</a></p>

**21 State agencies responded to Question 18 (Appendix 18: pp. 113–117)**

State	Definition of Fraud
Kentucky	"Fraud" means an intentional deception or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit to him/her or some other person. It may include any act that constitutes fraud under applicable Federal or State law.
Maryland	Someone who obtains or attempts to obtain monies, property, Food Stamps, Medical Care or other assistance to which he is not entitled.
Massachusetts	Fraud is not defined in EEC's regulations. EEC's "working definition" of fraud is a deliberate act to deceive or misrepresent in order to secure an unfair or unlawful gain.
Minnesota	<p>Improper Payments Fraud -Attachment 2256.98 Wrongfully obtaining assistance; theft. Subdivision 1. Wrongfully obtaining assistance. A person who commits any of the following acts or omissions with intent to defeat the purposes of sections 145.891 to 145.897, the MFIP program formerly codified in sections 256.031 to 256.0361, the AFDC program formerly codified in sections 256.72 to 256.871, chapters 256B, 256D, 256J, 256K, or 256L, and child care assistance programs, is guilty of theft and shall be sentenced under section 609.52, subdivision 3, clauses (1) to (5): (1) obtains or attempts to obtain, or aids or abets any person to obtain by means of a willfully false statement or representation, by intentional concealment of any material fact, or by impersonation or other fraudulent device, assistance or the continued receipt of assistance, to include child care assistance or vouchers produced according to sections 145.891 to 145.897 and MinnesotaCare services according to sections 256.9365, 256.94, and 256L.01 to 256L.16, to which the person is not entitled or assistance greater than that to which the person is entitled; (2) knowingly aids or abets in buying or in any way disposing of the property of a recipient or applicant of assistance without the consent of the county agency; or</p> <p>(3) obtains or attempts to obtain, alone or in collusion with others, the receipt of payments to which the individual is not entitled as a provider of subsidized child care, or by furnishing or concurring in a willfully false claim for child care assistance.</p> <p>The continued receipt of assistance to which the person is not entitled or greater than that to which the person is entitled as a result of any of the acts, failure to act, or concealment described in this subdivision shall be deemed to be continuing offenses from the date that the first act or failure to act occurred.</p> <p>Subd. 2. Joint trials. When two or more defendants are jointly charged with the same offense under subdivision 1, or are jointly charged with different offenses under subdivision 1 arising from the same course of conduct, they shall be tried jointly; however, if it appears to the court that a defendant or the State is substantially prejudiced by the joinder for trial, the court may order an election or separate trial of counts, grant a severance of defendants, or provide other relief.</p> <p>The process:</p> <p>County agency staff determines eligibility and maintains ongoing case management services for families applying and receiving benefits from the child care assistance program. When a worker receives questionable or</p>

**21 State agencies responded to Question 18 (Appendix 18: pp. 113–117)**

State	Definition of Fraud
Minnesota <i>(continued)</i>	<p>inconsistent information that creates overpayments or possible fraud, according to program policy, the child care worker makes a referral to their county Fraud Prevention Investigation (FPI) unit. The investigator determines if the family’s case will be handled through the County Fraud Prevention Investigation (FPI) unit or referred to their County attorney office for prosecution.</p> <p>If the family is determined guilty, the entire family will be disqualified from receiving child care assistance, for a specific time period according to the number of prior offenses; 1st offense: 3 months, 2nd offense 6 months and 3rd offense 2 years and permanently disqualified from child care assistance for any additional offenses. A family with an outstanding debt is not eligible for child care assistance until 1) the debt is paid in full; or 2) satisfactory arrangement is made to retire the debt and the family is in compliance with the arrangement. For non-fraudulent cases, the county will recoup a percentage of the overpayment depending on the type of overpayment and the sequences of events that cause this overpayment, such as failure to report changes timely that result in an overpayment.</p> <p>For child care providers, if they are determined guilty, they are disqualified from caring for any children receiving CCAP payments. The disqualification periods are: 1st offense = 1 year, 2nd offense 2 years and permanently barred from caring for children receiving child care assistance payments. A child care provider with an outstanding debt is not eligible to care for a child receiving child care assistance until; 1) the debt is paid in full; or 2) satisfactory arrangement is made to retire the debt and the child care provider is in compliance with the agreement.</p>
Mississippi	To willfully and intentionally misrepresent eligibility status for related benefits.
Missouri	Fraud is defined as any payment made or receive as a willful and intentional violation of the program’s rules and regulations.
Nebraska	For clients/parents, we use the following definition: Any action by an individual to intentionally:1. Make a false statement, either verbally or in writing, to obtain benefits to which the individual is not entitled;2. Conceal information to obtain benefits to which the individual is not entitled; or3. Alter one or more documents to obtain benefits to which the individual is not entitled.We do not have a written definition for provider fraud, but it would be very similar, involving the intentional action to receive payment for which the provider was not eligible, either by caring for more children than regulation would allow, billing for children for whom care was not provided, overstating hours of care, etc.
New Hampshire	“Fraud” means an intentional deception or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit to himself or some other person. It includes any act that constitutes fraud under New Hampshire criminal code, RSA title LXII.
North Carolina	Fraud is defined as a misrepresentation or false statement regarding a material fact, or failure to disclose a material fact that results in obtaining, attempting to obtain, or continuing to receive child care subsidy funds or services for himself or herself or another person.



**21 State agencies responded to Question 18 (Appendix 18: pp. 113–117)**

State	Definition of Fraud
Ohio	<p>Ohio Administrative Code Section 5101:2-16-71</p> <p>“(D) Child care recipient fraud is the willful withholding or falsification of information or the willful misuse of child care services resulting in the recipient receiving child care benefits for which the recipient is not eligible. Recipient fraud includes the following:</p> <p>(1) Knowingly, and with the intent to deceive or defraud, providing false information or withholding information regarding eligibility factors such as family income, number of family members, ages of family members, or the recipient’s hours of employment or training.</p> <p>(2) Knowingly, and with the intent to deceive or defraud, failing to report any changes which would affect the family’s eligibility for child care benefits, within ten working days of the date the change occurred, in accordance with paragraph (R) of rule 5101:2-16-35 of the Administrative Code.</p> <p>(3) Knowingly, and with the intent to deceive or defraud, using child care services when the recipient is not employed or in training.</p> <p>(4) Knowingly, and with the intent to deceive or defraud, using child care services during hours and/or for purposes not authorized by the eligibility determiner.</p> <p>(5) Knowingly, and with the intent to deceive or defraud, using child care services for an ineligible child.”</p> <p>Ohio Administrative Code Section 5101:2-16-72</p> <p>“(C) Child care provider fraud is the willful withholding or falsification of information or misuse of child care services by the provider, with an intent to deceive or defraud, resulting in the provider receiving payments from the CDJFS for which the provider is not entitled.</p>
Oklahoma	<p>The term fraud is legally defined as an intentional false representation of a truth or matter of fact whether by words or by conduct, by false or misleading allegations, or by concealment of that which should have been disclosed , for the purpose of inducing another in reliance upon it to part with some valuable thing or surrender a legal right.</p>
Utah	<p>Making false statements or misinterpretations with the knowing or willful intent to obtain services, payments, or other gains.</p>
Washington	<p>Fraud is defined as: “Purposeful deception to cause a person to give up a property or other right. The term person includes the State.” This is the definition used by the Division of Fraud Investigations, within DSHS.</p>
West Virginia	<p>Fraud is defined as intentional misrepresentation by either a client to receive services or a provider in billing for services leading to overpayments of at least \$1,000.00.</p>

**21 State agencies responded to Question 18 (Appendix 18: pp. 113–117)**

State	Definition of Fraud
Wisconsin	<p>Anyone who, with knowledge and purpose makes false statements, suppresses facts, gives information which misrepresents true circumstances, in order to become eligible or remain eligible for public assistance benefits commits fraud. These actions are referred to as intentional program violation (IPV).</p> <p>IPV activity includes:</p> <ol style="list-style-type: none"> <li>1. The activity a recipient engages in to obtain benefits for which s/he is not eligible by knowingly, willfully and with deceitful intent:               <ol style="list-style-type: none"> <li>a. Making a false statement or misrepresentation; or</li> <li>b. Failing to disclose a material fact; or</li> <li>c. Not reporting changes in income or other eligibility factor that affect the amount of payment.</li> </ol> </li> </ol> <p>Or</p> <ol style="list-style-type: none"> <li>2. A fraud conviction in a criminal court or a determination after an administrative hearing.</li> </ol>

**Those that did not provide an answer:**

- Alabama
- District of Columbia
- Montana
- Puerto Rico

## APPENDIX 19. MAINTAINING DATA ON FRAUDULENT PAYMENTS

19. Does your agency maintain data on fraudulent payments in the program as a subset of your improper payments data?

23 State agencies responded to Question 19 (Appendix 19: pp. 118–122)

State	Maintains data	Most recently completed fiscal year		Next most recently completed fiscal year		Methods used for finding occurrences of fraud and effectiveness	Does not maintain data	Other entities in the State that maintain fraudulent payments
		% of fraudulent payments	Month / Year	% of fraudulent payments	Month / Year			
Alabama							✓	
Arizona							✓	This information is not tracked separately based on whether or not there was a fraud conviction on a case. The Office of Accounts Receivable (OARC) is the recoupment entity for a myriad of human service programs in Arizona, and provides totals recouped per program without any additional detail. This information can be pulled manually, if needed.
California (DE)							✓	
California (DSS)							✓	CDSS does not have complete data.
Connecticut	✓					CT has not determined the total program error or fraud error as a percentage of the total. However, the DSS Client Fraud and Recoveries Unit maintains a separate database on all C4K fraud. In SFY 2005, 42 cases totaling \$458,432 were referred for prosecution. For SFY 06 to date, 21 cases were referred for prosecution with a total value of \$233,722.		
District of Columbia							✓	

23 State agencies responded to Question 19 (Appendix 19: pp. 118–122)

State	Maintains data	Most recently completed fiscal year		Next most recently completed fiscal year		Methods used for finding occurrences of fraud and effectiveness	Does not maintain data	Other entities in the State that maintain fraudulent payments
		% of fraudulent payments	Month / Year	% of fraudulent payments	Month / Year			
Georgia	✓	30%	Jun-05	45%	Jun-04			
Kansas	✓	1%	Sep-05			1. Fraud Hotline- somewhat effective 2. Client/Provider reports- very effective 3. Case Worker reviewing file- very effective 4. Quality Assurance Reviews- very effective 5. State Audits- very effective 6. Supervisor case reads- very effective		
Kentucky	✓	60%	Jun-05	40%	Jun-04	The following methods were utilized for the Child Care Program since inception. Effective? List of Methods of Fraud Detection 1 Very Service Agent performs Recipient Case Review 2 Somewhat Hotline Call 1 Very Agency Referrals		
Maryland							✓	Angelia Butler, Office of the Inspector General, 410-585-5371
Massachusetts							✓	Unknown at this time. Massachusetts' State Auditor's Office has a Bureau of Special Investigations which may collect some information. For more information please contact Howard Olsher, Director of State Audits (617) 727-6200 ext. 156.
Mississippi							✓	Please contact the Office for Children and Youth for referral to the Monitoring Division for purposes of this survey at 601-359-4555.

23 State agencies responded to Question 19 (Appendix 19: pp. 118–122)

State	Maintains data	Most recently completed fiscal year		Next most recently completed fiscal year		Methods used for finding occurrences of fraud and effectiveness	Does not maintain data	Other entities in the State that maintain fraudulent payments
		% of fraudulent payments	Month / Year	% of fraudulent payments	Month / Year			
Montana							✓	
Nebraska	✓	14%	Sep-05	11%	Sep-04	For provider fraud, the ICC auditors request records from the USDA Child and Adult Care Food Program to determine if the program was in compliance with capacity limits and if the records match attendance records submitted to our agency. They have found this to be very effective. For both providers and clients/parents, the auditors have found that attendance calendars that have the exact same schedule every day with no variations for sickness, vacation, holidays, school attendance, and the same drop off and pick up times are an indication of possible fraud. They have found this to be somewhat effective.		
New Hampshire	✓	50%	Jun-05	68%	Jun-04	New Hampshire is reliant on fraud referrals to detect fraud. Other than New Hire employment matches along with historical wage matches with the New Hampshire Department of Employment Security an audit or screening function does not yet exist. The aforementioned cross matches are limited to recipients of child care rather than providers.		
North Carolina							✓	
Ohio	✓		Dec-04		Dec-03	concerned citizen reports, caseworker discovery, connection to other programs for which we conduct matches		

**23 State agencies responded to Question 19 (Appendix 19: pp. 118–122)**

State	Maintains data	Most recently completed fiscal year		Next most recently completed fiscal year		Methods used for finding occurrences of fraud and effectiveness	Does not maintain data	Other entities in the State that maintain fraudulent payments
		% of fraudulent payments	Month / Year	% of fraudulent payments	Month / Year			
Puerto Rico	✓		Sep-05					
Utah	✓	27%	Jun-05	35%	Jun-04	<ul style="list-style-type: none"> <li>• Random case reviews by supervisors: Somewhat effective.</li> <li>• Investigations on problematic cases: Very effective.</li> <li>• Reviewing past child care every three months by caseworkers: Very effective.</li> <li>• Tax payer referrals: Somewhat effective</li> </ul>		
Washington							✓	
West Virginia							✓	
Wisconsin	✓	8%	Jun-05	3%	Jun-04			

<b>Total:</b>	<b>11</b>						<b>12</b>
<b>Average:</b>		<b>27.10%</b>		<b>33.70%</b>			

**Those that did not provide an answer:**

Missouri  
Oklahoma

\*Minnesota’s response is separated from the table due to a lengthy response:

The Minnesota Department of Human Services’ Program Assessment and Integrity Division, in cooperation with county agencies, is responsible for preventing and reducing recipient fraud in most of the State’s cash, child care, health care and Food Support programs.

The work falls into three broad categories:

- An intensely focused, “front-end” process to identify fraud early and prevent overpayments by denying, stopping or reducing benefits to ineligible applicants and recipients

- Traditional criminal investigative procedures for addressing welfare fraud, as a crime of theft, through the State's civil or criminal justice systems.
- A collections program that uses various means to recover money from recipients who were ineligible for benefits

### **Front-end process**

The Fraud Prevention Investigation Program, Minnesota's front-end program, is a nationally recognized model for quickly resolving issues of questionable eligibility for public assistance. Through this investigative process, eligibility workers refer potentially fraudulent applications and open cases to trained investigators. Currently, 52 of the 87 counties in Minnesota participate in the FPI program. In 2004, they:

- Completed more than 8,000 investigations; in 45 percent of them, benefits were stopped or reduced
- Found and corrected information discrepancies in 70 percent of the investigations; this aspect of fraud investigations contributes to fewer errors found during State and federal quality control reviews
- Identified more than \$13.5 million in cost-avoidance (not paying benefits to ineligible applicants and recipients) and overpayments
- Saved or collected \$4.91 for every \$1 spent in the program in administrative costs
- Identified more than 400 recipients in the program who committed fraud and were disqualified from public assistance.

### **Criminal investigations**

When investigations find that individuals did not provide complete or accurate information to receive public assistance, the counties and Minnesota Department of Human Services take actions to prevent them from participating in public assistance programs. Some welfare fraud cases rise to the felony theft level and require involvement of the criminal justice system. In 2004:

- Investigators completed more than 2,000 criminal investigations; in 59 percent of them, investigators proved benefits had been illegally obtained and, at a minimum, overpayments were assessed
- Investigators disqualified recipients in 490 instances from programs
- Recipients, in 89 cases prior to trial, admitted guilt and agreed to restitution, with sentencing deferred.

Welfare fraud cases that go to trial may receive publicity which raises awareness of the possibility of detection and helps deter fraud.

Both these methods are very effective in the prevention and deterrence of fraud in the welfare programs.

While no report is required, one is produced on a monthly basis with the results of the fraud referrals and findings received from the counties. This information is shared within the Department and with other county partners to assist in improving performance.

Same for the front end/ Fraud Prevention Investigation (FPI) Program. While no report is required, we do compile statistics and issue county agencies an annual program evaluation report. By State statute, the administrative costs of funding the FPI program must be cost neutral to the State. Here is the statute reference: <http://www.revisor.leg. State.mn.us/stats/256/983.html>

## APPENDIX 20. MEASURES TAKEN TO PREVENT COLLUSION

20. What measure does your agency take to prevent collusion?

### 24 State agencies responded to Question 20 (Appendix 20: pp.123–126)

State	Measures taken to prevent collusion
Alabama	Where possible the caseworker who interviews client and assign provider to child does not process payment to the provider.
Arizona	<p>CCA has several safeguards in place concerning payment processes and providers. The AzCCATS (Arizona Child Care Automated Tracking System) assigns and tracks security levels in the automated system as controls for the administration. The security levels limit system access (examples would include a limited number of staff with access to load provider contracts, and limited number of staff with access to the payment module). In addition, the security levels separate any staff from having the ability to create a provider contract and the ability to reimburse the provider on that contract. There is a systematic separation between the eligibility, provider contract and payment modules. Security levels for the Child Care Administration are monitored and evaluated on an on going basis.</p> <p>CCA Policy Unit and Provider Contracts staff routinely define specifications for reports as needed to:</p> <ul style="list-style-type: none"> <li>• Compare information across program lines,</li> <li>• Identify suspect patterns of usage and billing, and</li> <li>• Identify inconsistencies in case processing that warrant further review.</li> </ul>
California (DE)	<p>The CCDF agency issued two reports in the last year recommending best practices for local agency internal controls designed to prevent local agency employees from colluding with clients and/or providers.</p> <p>The CCDF agency prevents successful collusion between parents and providers by establishing clear procedures for documenting the schedule of the parent’s work activity, updating that schedule as appropriate, and ensuring that payments cover only those hours of child care that correspond to the parent’s work activity schedule.</p>
California (DSS)	Prevention of collusion measures are determined at the county level, but the definition and penalties are set out in statute (Penal Code §182). Please go to <a href="http://www.leginfo.ca.gov">http://www.leginfo.ca.gov</a> and click on “California Law” to access the code section.
Connecticut	<p>Internal Program – Appropriate separation of duties to prevent eligibility staff from generating payments. Systems have multiple security levels and automatic log-off provisions. All system transactions are tracked. The assigned code of the individual completing the transaction is automatically recorded. Published rules prevent staff from working on cases of individuals known or related to them, or employees that may receive benefits from the program. Care is taken to avoid assigning cases from the area where the worker lives. Control reports and supervisory reviews.</p> <p>Clients/providers – Staff perform name checks and review selected data from on-line and matching data interfaces, including TANF, Medical Assistance, AABD and Food Stamps, Child Support, DMV and DOL records, DCF records, Public Health licensing data, NACCRRRA. We look specifically for relationships, address and associations recorded in other databases. TIN matching and complaints resulting from filing W-2 forms have been particularly helpful in uncovering problems with unregulated providers.</p>



**24 State agencies responded to Question 20 (Appendix 20: pp.123–126)**

State	Measures taken to prevent collusion
District of Columbia	The ECEA has developed Attendance Policies and Procedures for the providers to follow for maintaining and reporting accurate attendance for the DHS children enrolled. The providers are trained on the policies and procedures. The program monitors complete an on site attendance review during each provider agreement period. NOTE: The agreement period is 12 months. The provider's roll book/attendance sheets are compared to the pay statement for accuracy in payment for a designated month. The program monitor will share the findings with the provider and leave a deficiency list stating the out of compliance areas and timetable for correction. The program monitor will submit a copy of the attendance review to the ECEA Intake and Continuing Services Unit Supervisor to take appropriate action on all accurate payments. The Intake and Continuing Services Unit will provide a copy of the actions completed in the inaccurate payments to the Supervisory Program Monitor. The program monitor shall follow up on all deficiencies to ensure compliance with the ECEA Attendance Policies and Procedures.
Georgia	Red flag training for line staff to identify possible fraudulent activities, record reviews, identification of suspected collusion or fraud by our outside contractor that issues payments.
Kansas	Kansas requires hard copy verification of child care hours needed before a plan is written. This documentation is most often in the form of an employment verification which is filled out by an employer of the customer. For work program purposes the case manager knows the number of hours the client will be in the work program and sets child care hours according to that need. The State's EBT payment system also dramatically reduces the potential for collusion as transactions must be done electronically and via direct deposit into the provider's account. In addition, the State mandates that the parent establish a FEIN for all in-home care situations in order to pay Social Security taxes on behalf of the provider.
Kentucky	Contract Eligibility with review by Supervisor. Perform Payments internally with aid of 3 separate State Agencies/Department with review by supervisors in each Office.
Maryland	The informal relationship and location of care is declared prior to payment for informal providers. In the event that fraud is suspected, a request for investigation is forwarded to OIG.
Massachusetts	EEC maintains internal controls that have secondary review at all levels. Child care providers are required to implement and maintain internal controls in accordance with generally accepted accounting principles to ensure that Commonwealth funding is spent appropriately.
Minnesota	Minnesota Statutes 256.98 makes it a criminal offense and are subject to the same program disqualifications as others who wrongfully obtain public assistance. The act and penalty of collusion is included in the Rights and Responsibilities of the Child Care Application.
Mississippi	The MS Dept. of Human Services maintains penalty and debarment procedures in its standard Subgrantee/Contract Manual Revised March 2005. As this document is considerable in content, please refer to the official MDHS Web site: <a href="http://www.mdhs.State.ms.us/dpi_subman.htm">http://www.mdhs.State.ms.us/dpi_subman.htm</a>

**24 State agencies responded to Question 20 (Appendix 20: pp.123–126)**

State	Measures taken to prevent collusion
Montana	<p>Each CCR&amp;R is required by contract with ECSB to have an Internal Management Plan (IMP). Included in the IMP is specific language regarding conflict of interest and internal fraud. The contract requires that each agency adopt language in their IMPs that States:</p> <p>“Conflict of Interest - All staff who conduct any portion of their work for the Family Services section of the PMP, are not allowed to own, operate or work-in a licensed/registered child care facility or provide LUP/LUI services. All staff who work 20 hours or more per week for the Provider Services section of the PMP, are not allowed to own or operate a licensed/registered child care facility.”</p> <p>“Internal Fraud – Internal controls that include a system of checks and balances in areas of child care eligibility determination and payment processing, and contract management to protect against employee fraud. The Department requires that at least 10% of each eligibility worker’s case load is monitored and documented internally.”</p> <p>In addition to IMP procedures, the State has set up some controls in the payment of invoices (warrants) and in the approval of providers, in CCUBS.</p> <p>Payment of Invoices – In each CCR&amp;R if a provider is requesting more than 110% on an Invoice (warrant), the CCUBS system will require a supervisor approval on the Invoice. This 2-person approval process, allows the CCR&amp;R to be sure that the amount of the provider request is appropriate. Registered/Licensed Providers – For the CCUBS system to release a payment a provider must be approved and have a current registration/license. A Providers application is reviewed, imputed into the CCUBS system, and approved by licensing workers. The program supervisor then has final registration/licensing approval. Two approvals are always required and cannot be the same person.</p>
Nebraska	<p>When we have clear evidence that the provider and client/parent were in collusion, we pursue both for overpayments and sanctions. This sends a signal to the provider and client community that we monitor.</p>
New Hampshire	<p>There are currently no formal measures in place to prevent collusion between client and child care provider.</p> <p>There was a rule change in July 2005 regarding child care eligibility if the recipient/client is self employed as a child care provider. The adopted language is as follows:</p> <p>“When the individual is employed solely as a license exempt child care provider, there shall be no eligibility for child care assistance for his/her child(ren) who reside with him/her.”</p>
North Carolina	<p>All recipients and providers are given information about the consequences of misrepresentation to obtain services or payments, failure to provide accurate information, or notify the LPA of changes that may impact eligibility or payment rate. All recipients and providers are required to sign documents acknowledging they received and understand the information. Also, some LPA staff conduct intensive screenings prior to approving family for services.</p>
Ohio	<p>None, however, county agencies might have steps in place.</p>
Oklahoma	<p>Use of EBT system for child care time and attendance tracking and payments. Training of clients and providers</p>

**24 State agencies responded to Question 20 (Appendix 20: pp.123–126)**

<b>State</b>	<b>Measures taken to prevent collusion</b>
Puerto Rico	Segregation of Duties Creation of the Monitory Division
Utah	This is not actively pursued. If it is determined that collusion occurred, an overpayment will be looked at for both the parent and the provider. This may or may not be fraud.
Washington	There is a separation of duties. One group of staff authorize child care payments. Once authorized, there is a reconciliation process conducted by other staff. This lessens the possibility of collusion.
West Virginia	Please see the answers to questions 5, 13, 14, 17, and 21
Wisconsin	I don't know that we do a lot to prevent collusion other than our process to establish an eligible case requires that the people really exist. Providers are required to be regulated and their data comes from the regulatory databases – so we know that the providers are real.

**Those that did not provide an answer:**

Missouri

## APPENDIX 21. PENALTIES DUE TO FRAUD

21. What penalties does your program mandate for clients, providers, or the agency for those who commit a fraud leading to improper payments?

### 24 State agencies responded to Question 21 (Appendix 21: pp. 127–133)

State	Error Committed By	Penalties
Alabama	Agency	Prosecution
	Clients/Parents	Prosecution; sanction from program participation
	Providers	Prosecution; sanction from program participation
	County/Local Agency	Prosecution
Arizona	Agency	Overpayments resulting from the intentional action of an employee would be followed by an Internal affairs investigation; repayment of all monies paid out; administrative action, up to and including termination; and potential for prosecution (the decision to prosecute is made by the Arizona Attorney General).
	Clients/Parents	Overpayments resulting from the intentional action of a client to defraud the Child Care Administration would be referred to the Arizona Attorney General for prosecution. Sentencing can include (but is not limited to): restitution, community service, incarceration, court ordered probation, and court ordered counseling. If the Attorney General declines to prosecute, the monies paid are still collected.
	Providers	Overpayments resulting from the intentional action of a provider to defraud the Child Care Administration would be referred to the Arizona Attorney General for prosecution. Sentencing can include (but is not limited to): restitution, community service, incarceration, court ordered probation, and court ordered counseling. The provider's contract is also terminated. If the Attorney General declines to prosecute, the monies paid are still collected.
	County/Local Agency	Not applicable
California (DE)	Agency	
	Clients/Parents	Termination of services. Referral to local fraud investigation agency for families on cash aid.
	Providers	Termination of contract. Referral to local law enforcement agency.
	County/Local Agency	Referral to local law enforcement agency.
California (DSS)	Agency	In Stage One, there are two 'agencies:' The CWD is responsible for their employees who commit fraud, and the APP is responsible for their employees who commit fraud. In both agencies, those who commit fraud can be referred to the local law enforcement agency and can be prosecuted criminally or through the administrative process.
	Clients/Parents	Stage One clients/parents committing fraud are referred to fraud investigation and may be prosecuted criminally or through the administrative process.

**24 State agencies responded to Question 21 (Appendix 21: pp. 127–133)**

<b>State</b>	<b>Error Committed By</b>	<b>Penalties</b>
California (DSS) <i>(continued)</i>	<b>Providers</b>	Stage One providers committing fraud are referred to fraud investigation and may be criminally prosecuted.
	<b>County/Local Agency</b>	County officials can be prosecuted under various Penal Code sections including, but not limited to, the following: 72, 118, 133, 186, 424, 470, and 487. Please go to <a href="http://www.leginfo.ca.gov">http://www.leginfo.ca.gov</a> and click on “California Law” to access the code section.
Connecticut	<b>Agency</b>	Contract Compliance
	<b>Clients/Parents</b>	Mandatory repayment of the overpayment. Progressive disqualification penalties in fraud cases.
	<b>Providers</b>	Mandatory repayment of the overpayment. Lifetime disqualification and State license forfeiture in fraud cases.
	<b>County/Local Agency</b>	N/A
Georgia	<b>Agency</b>	Staff guilty of fraudulent behavior have disciplinary action, usually termination.
	<b>Clients/Parents</b>	The county DFCS office refers all clients and all providers who are suspected of Intentional Program Violations (IPV) to the Office of Investigative Services (OIS). When findings are returned from OIS, the agency will follow OIS instructions. When OIS established claims as suspected fraud, the claims are not terminated after four years of inactivity. Client claims negotiated by OIS will be returned to DFCS for collection.
	<b>Providers</b>	The county DFCS office refers all clients and all providers who are suspected of Intentional Program Violations (IPV) to the Office of Investigative Services (OIS). MAXIMUS (contractor) may refer providers suspected of IPV to OIS. When OIS established claims as suspected fraud, the claims are not terminated after four years of inactivity. OIS have two avenues open: prosecution, when the claims identified by OIS as suspected IPV have been accepted by the local prosecutor for further legal action and repayment agreements, established when claims identified by OIS as suspected IPV are inappropriate for legal action. If a provider fails to comply with a claim negotiated by Office of Investigative Services (OIS), the county must notify OIS. The county’s obligation ends after reporting to OIS. When findings are returned from OIS, the agency will follow OIS instructions. OIS is responsible for notifying the prosecutor of the delinquent payments for a possible contempt action.
	<b>County/Local Agency</b>	Staff guilty of fraudulent behavior have disciplinary action, usually termination.
Kansas	<b>Agency</b>	Recovery action will be initiated to collect the overpayment. If fraud committed by an agency employee, the employee may be terminated.
	<b>Clients/Parents</b>	Recovery action will be initiated to collect the overpayment. This may occur through civil or criminal proceedings.
	<b>Providers</b>	The provider may also be terminated from contracting further with the agency. <a href="http://www.srskansas.org/KEESM/keesm10400.htm">http://www.srskansas.org/KEESM/keesm10400.htm</a>

**24 State agencies responded to Question 21 (Appendix 21: pp. 127–133)**

<b>State</b>	<b>Error Committed By</b>	<b>Penalties</b>
Kansas <i>(continued)</i>	<b>County/Local Agency</b>	Recovery action will be initiated. If fraud committed by an agency employee, the employee may be terminated.
	<b>Agency</b>	Administrative Action, Repayment of Fraudulent funds
Kentucky	<b>Clients/Parents</b>	Repayment of Fraudulent funds
	<b>Providers</b>	Repayment of Fraudulent funds
	<b>County/Local Agency</b>	Administrative Action, Repayment of Fraudulent funds
	<b>Agency</b>	none
Maryland	<b>Clients/Parents</b>	Levels of sanction for customer:  1st – 6 months and repay 2nd – 12 months and repay 3rd – permanent and repay  Can repay early and have sanction lifted
	<b>Providers</b>	Levels of sanction for provider:  1st – 6 months and repay 2nd – 12 months and repay 3rd – permanent and repay  Can repay early and have sanction lifted
	<b>County/Local Agency</b>	none
	<b>Agency</b>	Staff termination or probation
	<b>Clients/Parents</b>	Parents may be barred from receiving subsidized child care services for up to three (3) years. Parents may be required to repay the Commonwealth. Parents may also face criminal prosecution.
Massachusetts	<b>Providers</b>	Repayment of funds and possible contract termination. Contracted providers may be debarred from contracting with the Commonwealth in the future. Providers may be pursued civilly and/or criminally by the State Attorney General's Office.
	<b>County/Local Agency</b>	Child Care Resource and Referral Agencies may face repayment of funds and possible contract termination.
	<b>Agency</b>	None
Minnesota	<b>Clients/Parents</b>	disqualification period 1st 3 months 2nd 6 mos, 3rd 1 year, thereafter permanently disqualified from child care assistance.

**24 State agencies responded to Question 21 (Appendix 21: pp. 127–133)**

<b>State</b>	<b>Error Committed By</b>	<b>Penalties</b>
Minnesota <i>(continued)</i>	<b>Providers</b>	disqualification period 1st – 3 months, 2nd 6 months, 3rd and after permanently disqualified from receiving payment through the child care assistance program
	<b>County/Local Agency</b>	None
Mississippi	<b>Agency</b>	No incidents to report from.
	<b>Clients/Parents</b>	Recovery efforts as administered through MDHS and County/Local Agencies.
	<b>Providers</b>	Recovery efforts as administered through MDHS and County/Local Agencies.
	<b>County/Local Agency</b>	Recovery efforts and/or suspension/termination of related benefits.
Missouri	<b>Agency</b>	
	<b>Clients/Parents</b>	Termination of benefits; repayment; possible criminal prosecution.
	<b>Providers</b>	Termination of contract or provider agreement; repayment; possible criminal prosecution.
	<b>County/Local Agency</b>	Repayment; disciplinary action (including termination of employment); possible criminal conviction.
Montana	<b>Agency</b>	0%
	<b>Clients/Parents</b>	10 % & 25%
	<b>Providers</b>	10 % & 25%
	<b>County/Local Agency</b>	0%
Nebraska	<b>Agency</b>	N/A We don't contract out any functions regarding payment
	<b>Clients/Parents</b>	If the client/parent is found to have committed Intentional Program Violation, s/he is ineligible for up to a year for the first violation; up to two years for the second violation; and permanently for a third violation. The individual may also be civilly or criminally prosecuted.
	<b>Providers</b>	The Provider Agreement is terminated; an attempt is made to collect overpayments.
	<b>County/Local Agency</b>	After an internal investigation indicates fraud, Human Resource policies are applied for employees who are found to have committed fraud. The employee is likely terminated and may be turned over to the legal system.
New Hampshire	<b>Agency</b>	Agency Staff are subject to review, which can include progressive discipline and may end in termination of employment.
	<b>Clients/Parents</b>	When the DFA programs suspect error or fraud, they refer the information to Special Investigations. DFA does not conduct investigations, or levy penalties
	<b>Providers</b>	If, after investigation, a provider is found to have committed fraud, the money will be recouped and the provider will either be prosecuted criminally, and/or their billing privileges will be revoked for an agreed upon time period.
	<b>County/Local Agency</b>	If a Contract Center were found to have committed fraud that lead to improper child care payments, the Department would terminate their agreement, recoup the money and prosecute those responsible for the fraudulent billing.

**24 State agencies responded to Question 21 (Appendix 21: pp. 127–133)**

State	Error Committed By	Penalties
North Carolina	Agency	
	Clients/Parents	the LPA's can request that the Division impose a sanction against a client when the amount of fraud is more than one thousand dollars (\$1,000). Sanctions may be imposed in addition to requiring repayment of the amount of fraud for which they were ineligible. With the first incidence, the client is ineligible to receive services for twelve (12) months statewide with the exception of child care to support child welfare or protective services cases. With the second incidence, the client is permanently ineligible statewide with the exception of child welfare or protective services situations. We also have laws defining fraud as a misdemeanor or felony based on the amount of the improper payment which allows the LPA to pursue criminal court action.
	Providers	the LPA's can impose a sanction against providers when the amount of fraud is more than one thousand dollars (\$1,000). Sanctions may be imposed in addition to requiring repayment of the amount of fraud for which they were ineligible. With the first incidence, the provider can not receive subsidy funds from any county for any new children who enroll in the provider's program for 12 months. With the second incidence, the provider is permanently ineligible statewide to participate in the Subsidy Program. We also have laws defining fraud as a misdemeanor or felony based on the amount of the improper payment which allows the LPA to pursue criminal court action.
	County/Local Agency	if an LPA employee commits fraud, the LPA typically takes appropriate action such as dismissing the employee, seeking recoupment of the funds and /or pursuing criminal court action.
Ohio	Agency	None
	Clients/Parents	<p>Pursuant to Ohio Administrative Code Section 5101:2-16-73</p> <p>“(E) Failure of the child care recipient to repay in full a child care overpayment made by the CDJFS as a result of recipient fraud, or failure of the recipient to enter into or comply with an agreement with the CDJFS to repay a child care overpayment caused by recipient error or agency error, shall result in the termination of child care benefits after provision of appropriate hearing notice pursuant to division-level designation 5101:6 of the Administrative Code. Ineligibility for child care benefits shall continue as long as:</p> <p>(1) Repayment of a child care overpayment is owed to the CDJFS as a result of recipient fraud; ...”</p> <p>In addition, cases of alleged recipient fraud are referred by the CDJFS to the local county prosecutor for court action.</p>



**24 State agencies responded to Question 21 (Appendix 21: pp. 127–133)**

<b>State</b>	<b>Error Committed By</b>	<b>Penalties</b>
Ohio <i>(continued)</i>	<b>Providers</b>	Pursuant to Ohio Administrative Code Section 5101:2-16-73 “(F) Failure of the child care provider to repay a child care overpayment made by the CDJFS as a result of provider error, provider fraud or agency error, shall result in the revocation of the type B family child care home or in-home aide certificate. Denial for certification shall continue until repayment is made to the CDJFS” In addition, cases of alleged provider fraud are referred by the CDJFS to the local county prosecutor for court action.
	<b>County/Local Agency</b>	None. This would be a matter for the courts.
Oklahoma	<b>Agency</b>	Terminate and prosecute
	<b>Clients/Parents</b>	Recoup & prosecute
	<b>Providers</b>	Recoup or collect overpayment, cancel Child Care Provider Contract, prosecution
	<b>County/Local Agency</b>	
Puerto Rico	<b>Agency</b>	
	<b>Clients/Parents</b>	Remove Child of Center
	<b>Providers</b>	No Agreement Renewal
Utah	<b>County/Local Agency</b>	
	<b>Agency</b>	If it is determined that a worker has fraudulently obtained child care funds, they are terminated and criminal penalties will be pursued.
	<b>Clients/Parents</b>	They are disqualified from the program for a period of 12 months for their 1st occurrence, 24 months for the 2nd occurrence, and permanent disqualification for the 3rd occurrence.
	<b>Providers</b>	
Washington	<b>County/Local Agency</b>	N/A
	<b>Agency</b>	The Division of Fraud Investigations (DFI) determines whether there is reason to believe fraud occurred. If they determine this to be the case, they prosecute the individual, agency or other entity which according to the investigation committed the fraud.
	<b>Clients/Parents</b>	The Division of Fraud Investigations (DFI) determines whether there is reason to believe fraud occurred. If they determine this to be the case, they prosecute the individual, agency or other entity which according to the investigation committed the fraud.
	<b>Providers</b>	The Division of Fraud Investigations (DFI) determines whether there is reason to believe fraud occurred. If they determine this to be the case, they prosecute the individual, agency or other entity which according to the investigation committed the fraud.
	<b>County/Local Agency</b>	The Division of Fraud Investigations (DFI) determines whether there is reason to believe fraud occurred. If they determine this to be the case, they prosecute the individual, agency or other entity which according to the investigation committed the fraud.

**24 State agencies responded to Question 21 (Appendix 21: pp. 127–133)**

<b>State</b>	<b>Error Committed By</b>	<b>Penalties</b>
West Virginia	Agency	Termination and prosecution
	Clients/Parents	Repayment and prosecution
	Providers	Repayment and prosecution
	County/Local Agency	Depending upon the number of employees involved, see answer in 17D
Wisconsin	Agency	Terminate employment and prosecution in criminal court.
	Clients/Parents	After 3 IPVs (Intentional Program Violations) the parent/family could be permanently banned from the child care subsidy program.
	Providers	prosecution in criminal court.
	County/Local Agency	terminate employment and prosecution in criminal court.

**Those that did not provide an answer:**

District of Columbia

## APPENDIX 22. REPORTING TO ANY OTHER HIGHER-LEVEL AGENCY

22. *Is your agency required to report, or to have information available, on improper payments to the State legislature, the Governor, or any other higher-level agencies?*

### 23 State agencies responded to Question 22

State	Report or have information available on improper payments to any higher-level agency	Copy of the report(s) and who receives them
Alabama		
Arizona		
California (DE)	✓	Report is due upon termination of the current state fiscal year.
California (DSS)		
Connecticut		
Georgia		
Kansas		
Kentucky		
Maryland	✓	State and Federal Auditors--a copy of the report will be sent by fax
Massachusetts	✓	EEC provides an error rate report to the state legislature on a quarterly basis that includes improper payments.
Minnesota		
Mississippi		
Missouri		
Montana		
Nebraska		
New Hampshire		
North Carolina		
Ohio		
Puerto Rico		
Utah		
Washington	✓	This document is available to share with the Legislature, Governor or other agencies.
West Virginia		
Wisconsin		

**Total:** 4

#### Those that did not provide an answer:

District of Columbia  
Oklahoma

## APPENDIX 23. RELEVANT INFORMATION

23. Describe any other information that may be relevant to improper payments in the program that you wish to share with us.

### 11 State agencies responded to Question 23 (Appendix 23: pp. 135–137)

State	Any other information relevant to improper payments in the program
Connecticut	<p>Connecticut strongly recommends against establishing a national target error rate for CCDF. As you can see, we have invested significant State funds and resources to both avoid and detect errors. Policy and regulatory variances between States make it difficult or impossible to establish uniform standards. One recommendation being considered by ACS is to measure error relative to each State’s own policies and practices. Such an approach would only serve to penalize States with more restrictive policies. Connecticut maintains that the program would be better served by providing guidance and direction to help States establish sound quality assurance programs and practices.</p> <p>Connecticut also recommends addressing improper payments within the context of the goals of CCDF and the Child Care Bureau. For example, the definition of an improper payment may take on an entirely different perspective if continuity of care is the goal vs payment eligibility that is rigidly correlated to daily attendance an work hours. States must also have the flexibility to establish and move early childhood education agendas without risk of audit exceptions.</p> <p>The role of information and technology in reducing improper payments is an issue that has surfaced at numerous ACF conferences and discussions on improper payments. While child care expenditures and market rate costs have increased exponentially since the enactment of the Family Support Act of 1988, States received little support for developing the infrastructure and technology needed to administer the CCDF. Proposed TANF reauthorization legislation will only increase the pressures on States to meet this demand making diversion of block grant funds for administrative purposes even less feasible. As a result, child care management information systems are largely comprised of a patchwork of independent or proprietary systems. ACF can effect significant reductions in the amount of improper payments by providing States with the financial incentives to develop and fully functional and integrated child care systems.</p>

**11 State agencies responded to Question 23 (Appendix 23: pp. 135–137)**

State	Any other information relevant to improper payments in the program
District of Columbia	RESPONSE: October 1, 2004, the ECEA implemented a revised automated module on attendance as well as revised and specific policies and procedures related to the monthly attendance reports for children enrolled in the child care subsidy program along with step by step procedures of what providers must do and what the ECEA must do. All providers were trained on the policies and procedures and the module was placed on computers that ECEA provided to all center based providers participating in the child care subsidy program. This system was implemented to set forth policy and procedure to effectively monitor the attendance of children at early care and education facilities, to ensure accurate recording of attendance for each enrolled child, and to facilitate accurate payment to all subsidized child care providers. Further, the policies and procedures are designed to reduce payment errors and to increase the accountability of providers and ECEA staff. The monthly attendance is the basis for payment. These policies and procedures are available from the ECEA. They are not on the Web site because they are pending final legal sufficiency review by the Department of Human Services Office of the General Counsel.
Kansas	See number 24
Kentucky	Currently updating policies and procedures to include sanctions of services/payment for fraudulent payments
Minnesota	See attachment 3 & 4
New Hampshire	The Department of Health and Human Services has convened an agency wide Improper Payments Task Force to examine our policies and procedures. The task force, consisting of individuals from the Office of Special Investigations, the Division of Family Assistance, the Bureau of Improvement and Integrity, the Child Development Bureau and the Office of Economic Services, has taken a leading role in addressing the issues around Improper Payments. This Task Force meets quarterly.
North Carolina	Subsidy Services Consultants visit LPA's to provide technical assistance and training for staff. Program Compliance Consultants monitor LPA's and conduct provider training when requested. The Program Compliance Consultants also conduct provider site visits to offer technical assistance about all aspects of enrollment in the Subsidized Child Care Program.
Ohio	We would like to be able to collect improper payments via the Treasury Offset Program (TOP).
Oklahoma	EBT system for Child Care...time and attendance tracking and payments
Washington	The Quality Assurance section, under the Division of Management and Resources & Services (a partner division), is planning an on-going audit of child care. The plan is to audit approximately 25 providers each quarter. The audit would include auditing the child care subsidy records of each of the children being cared for by those providers. This will encompass all facets of the cases, from correct eligibility determination, income, copayments, and correct payment authorizations, and provider billing.

**11 State agencies responded to Question 23 (Appendix 23: pp. 135–137)**

<b>State</b>	<b>Any other information relevant to improper payments in the program</b>
West Virginia	We are interested in knowing whether or not anyone has done a cost/benefit analysis on various prevention strategies. For example, home visits would likely be very effective in reducing improper payments due to failure to report all household members; however, we suspect that the actual cost of home visits for each client would be excessive.

**Those that did not provide an answer:**

- Alabama
- Arizona
- California (DE)
- California (DSS)
- Georgia
- Maryland
- Massachusetts
- Mississippi
- Missouri
- Montana
- Nebraska
- Puerto Rico
- Utah
- Wisconsin

## APPENDIX 24. SECTIONS OF MANUALS, GUIDANCE, AND WEB ADDRESSES

24. Please submit copies of pertinent sections of manuals and other State-issued guidance that you would like to make available, or provide the Web site address where they can be found.

### 16 State agencies responded to Question 24 (Appendix 24: pp. 138–139)

State	Pertinent sections of manuals and other State-issued guidance	Web address
California (DE)	Copy of Training and Monitoring Resource Guide is attached.	
California (DSS)	None	
Connecticut	<p>Attachments:</p> <p>1A. DSS Organization Chart            1B. Care 4 Kids Organization Chart            1C. Client Fraud and Recoveries Organization Chart            2. Benefit Error Procedures            3. Cost Benefit Analysis            4. Payment Processing Procedures            5. Sample Data Integrity Reports</p>	
Kansas	Sections 2000, 10000, and 11000 (Web address 1)	<a href="http://www.srskansas.org/KEESM/KEESM.htm">http://www.srskansas.org/KEESM/KEESM.htm</a> <a href="http://www.srskansas.org/ISD/es/CCStateplan/">http://www.srskansas.org/ISD/es/CCStateplan/</a>
Kentucky	Please see the attached Fraud / Improper Payments Section of the Operations Manual. We are currently in the process of making some revisions to our Manual.	
Minnesota	<p>See attachment 1-Improper Payments Overpayments and Underpayments Policy – Non Fraud</p> <p>See Attachment 2 - Improper Payments - Fraud</p> <p>See attachment 3 – History of Program Integrity in Child Care Assistance Program</p> <p>See attachment 4 – Recommendations of the Program Integrity Workgroup</p>	
Mississippi	As mentioned above, please refer to the official MDHS Web site for additional reference materials:	<a href="http://www.mdhs.State.ms.us/dpi_subman.htm">http://www.mdhs.State.ms.us/dpi_subman.htm</a>
Montana	Hard copy attached to the mailed document.	

**16 State agencies responded to Question 24 (Appendix 24: pp. 138–139)**

<b>State</b>	<b>Pertinent sections of manuals and other State-issued guidance</b>	<b>Web address</b>
Nebraska	HHS regulations are at <a href="http://www.hhs.State.ne.us/reg/regs.htm">http://www.hhs.State.ne.us/reg/regs.htm</a>  Child Care Subsidy regulations are in Title 392. Regulations on client overpayments are found in Chapter 3, at 3-011 and 3-012. Regulations on provider overpayments are found in Chapter 5, 5-005.	<a href="http://www.hhs.State.ne.us/reg/regs.htm">http://www.hhs.State.ne.us/reg/regs.htm</a>
North Carolina	The Subsidized Child Care Manual is located at <a href="http://www.ncchildcare.net">www.ncchildcare.net</a> . Select the following tabs: County staff; Manuals; click link “access to latest version” and select Chapter 23 Fraudulent Misrepresentation and Overpayments.	<a href="http://www.ncchildcare.net">www.ncchildcare.net</a>
Ohio		<a href="http://emanuals.odjfs.State.oh.us/emanuals/family/CCM">http://emanuals.odjfs.State.oh.us/emanuals/family/CCM</a>
Oklahoma		<a href="http://www.policy.okdhs.org/home">http://www.policy.okdhs.org/home</a>
Puerto Rico	Eligibility Criteria	
Washington	The Working Connections Child Care (WCCC) manual	<a href="http://www1.dshs.wa.gov/esa/wccc/">http://www1.dshs.wa.gov/esa/wccc/</a>
West Virginia	West Virginia Child Care Policy Manual (Web address 1)  See also attachment – Common Chapters Manual	<a href="http://www.wvdhhr.org/bcf/ece/earlycare/policy.asp">www.wvdhhr.org/bcf/ece/earlycare/policy.asp</a>
Wisconsin	Communication about the monitoring plan requirement as part of the child care administrative contract was communicated in Operations Memos 02-13 and 02-44 located at Web address 1 and administrative memo 01-23 located at Web address 2.	<a href="http://dhfs.wisconsin.gov/em/ops-memos/2002/default.htm">http://dhfs.wisconsin.gov/em/ops-memos/2002/default.htm</a> <a href="http://www.dwd.State.wi.us/dws/adminmemos/sort_date.htm">http://www.dwd.State.wi.us/dws/adminmemos/sort_date.htm</a>

**Those that did not provide an answer:**

- Alabama
- Arizona
- District of Columbia
- Georgia
- Maryland
- Massachusetts
- Missouri
- New Hampshire
- Utah



## APPENDIX 25. STATE CONTACT INFORMATION AND E-MAIL ADDRESS

State	Agency	Name	E-mail
Alabama	Department of Human Resources	Jeanetta Green	jgreen@dhr.state.al.us
Arizona	AZ DES Child Care Administration	Dorinda Johns	Dorindajohns@azdes.gov
California (DE)	California Department of Education	Greg Hudson	ghudson@cde.ca.gov
California (DSS)	Dept of Social Services – Fraud Bureau	Gary Grayson	Gary.Grayson@dss.ca.gov
Connecticut	Connecticut Department of Social Services	Peter J. Palermo	Peter.Palermo@po.state.ct.us
District of Columbia	District of Columbia Department of Human Services Early Care and Education Administration formerly the Office of Early Childhood Development	Barbara Ferguson Kamara	Barbara.kamara@dc.gov
Georgia	Georgia Department of Human Resources/Division of Family and Children Services	Elizabeth Otwell	eaotwell@dhr.state.ga.us
Kansas	Social and Rehabilitation Services	Lisa Langley	lal@srskansas.org
Kentucky	Division of Child Care	Elizabeth Farley, Ed.D, MSW	betsy.farley@ky.gov
Maryland	MD Department of Human Resources	Anne Webster	awebster@dhr.state.md.us
Massachusetts	Department of Early Education and Care (formally Office of Child Care Services)	Sandra Sherriff	Sandra.Sherriff@EEC.State.MA.US
Minnesota	Department of Human Services	Cherie Kotilinek	Cherie.Kotilinek@state.mn.us
Mississippi	The Mississippi Department of Human Services (MDHS)	Julia Todd	jatodd@mdhs.state.ms.us
Missouri	Missouri Department of Social Services, Children's Division	Doris Hallford	doris.hallford@dss.mo.gov
Montana	DPHHS/ Early Childhood Services Bureau	Patti Russ	pruss@mt.gov
Nebraska	Nebraska Health and Human Services	Sandra Scott	Sandra.Scott@hhss.ne.gov
New Hampshire	Child Development Bureau, Division for Children Youth and Families, DHHS, State of New Hampshire	Dawn Rouse	drouse@dhhs.state.nh.us
North Carolina	Division of Child Development, Department of Health and Human Services	Nancy Guy	Nancy.Guy@nmail.net
Ohio	Ohio Department of Job and Family Services	Terrie Hare	haret@odjfs.state.oh.us
Oklahoma	Oklahoma Department of Human Services	Susan M. Hall	susan.hall@okdhs.org
Puerto Rico	Administration for Integral Child Care and Development	Yvette Del Valle Soto	ydelvalle@acuden.gobierno.pr
Utah	Department of Workforce Services	Dave Baldwin	dbaldwin@utah.gov
Washington	Department of Social and Health Services, Division of Child Care and Early Learning	Carla Gira	giracg@dshs.wa.gov
West Virginia	West Virginia Department of Health and Human Services	Judy Curry	JCurry@WVDHHR.org
Wisconsin	State of Wisconsin, Dept. of Workforce Development, Child Care Section	Rebecca Brueggeman	rebecca.brueggeman@dwd.state.wi.us

## **APPENDIX 26. CONDUCTING CHILD CARE IMPROPER PAYMENTS COST BENEFIT ANALYSIS**

State agencies may use monitoring information, as highlighted in the data elements of this survey, to conduct cost benefit analyses. The purpose of this appendix is to propose how a cost-benefit analysis could be performed using the data from the voluntary survey and other information.

For a cost benefit analysis, States must determine whether the costs of conducting improper payment monitoring activities, as identified in the voluntary survey questions listed below, are offset by improper payment amounts or costs recovered or avoided.

For example, States estimate the time involved and costs of all activities related to identifying and preventing improper payments as described in response to Question 5, 13, 14 and 15 of the survey, such as training and monitoring of eligibility staff in the use of standardized eligibility practices, use of targeted verification practices, name clearances or inquiries on other State agency on-line databases, investigation referrals, quality control audits and monitoring reviews. In addition, a State may estimate the time and costs of the use of a valid method to identify the total amount of improper payments. For example, in Question 6 of the survey, States may select a statistically representative statewide sample of cases to review monthly to estimate an annual amount of improper payments. The costs of record review practices include the salary and numbers of cases reviewed by a State or Contractor Quality Control review team.

Time involved and costs of overpayments processing and recovery activities as detailed in the responses to Questions 5, 16 and 17 are also computed, including: referral volume, case processing, estimated costs of developing a benefit error and recoupment module and notices, client and provider phone calls, billing referrals, administrative hearings and all costs of recovery processing including billing, processing staff, collection agents, returned payments and credits. For example, fraud investigations and prosecution costs could include salary costs for investigators, fraud early detection staff, specialized training, travel, cell phones, laptops, State warrants and prosecutors.

Critical to a cost benefit analysis is computing an adequately documented benefit to cost ratio. A benefit to cost ratio is the most common way to summarize cost benefit. A cost benefit ratio would be based on the total benefits in dollars divided by the total costs in dollars or the average benefit per case (e.g., per fraud case discovered or prevented) divided by the average cost per case (e.g., of discovery, recovery, and prevention). Some of the offsetting benefit amounts to be computed include the weighted average amount of errors detected per case, the actual amount of collections for a fiscal year and annual estimated cost avoidance. Documentation of the necessary information used to calculate any of the ratios or even some of the variables going into these ratios must be included to explain what was done to arrive at the estimates of these key cost and benefit variables.

This appendix provides an illustration below of how Connecticut conducts a cost benefit analysis of error prevention and recovery activities. This cost benefit analysis illustrates

how monitoring information can be used to estimate whether costs of error detection and recovery are offset by amounts recovered.

## CONNECTICUT CHILD CARE IMPROPER PAYMENTS COST BENEFIT ANALYSIS ERROR PREVENTION/RECOVERY ACTIVITIES

Entity	Task	Time/Cost	Benefit
<b>Eligibility Case Processing</b>			
Contractor	<ul style="list-style-type: none"> <li>▪ Eligibility Staff – (FTE) 50 eligibility counselors</li> </ul>	\$30,000 - \$40,000 salary, plus fringe	
Contractor	<ul style="list-style-type: none"> <li>▪ Targeted Verification – direct contact with employers, shift and schedule verification, identity, birth records for children not known through other DSS programs, self-employment tax, partnership and corporation records, child support, provider criminal and child abuse/neglect background checks, provider capacity and licensing status.</li> </ul>	30% of case processing time	
Contractor	<ul style="list-style-type: none"> <li>▪ Name Clearance – Because SSN cannot be used as the primary key, DSS uses a front end add on to our FAMIS system - Eligibility Management System (EMS) that assigns a unique Client ID's to all household members.</li> </ul>	10 % of case processing time	
Contractor	<ul style="list-style-type: none"> <li>▪ State Databases – Automated inquiry into other state data systems – TANF E&amp;T, DOL wage and UCB inquiries, DMV, Child Support, Corrections, EMS.</li> </ul>	8 % of case processing time	
Contractor	<ul style="list-style-type: none"> <li>▪ Investigation Referrals – Electronic referrals to Fraud Unit for investigations.</li> </ul>	2 % of case processing time	
Contractor	<ul style="list-style-type: none"> <li>▪ Case Reviews – redeterminations conducted every six months.</li> </ul>	8 – 10 thousand cases per 6 months	
Contractor	<ul style="list-style-type: none"> <li>▪ System Security – transactions recorded and time and date stamped, security levels, etc.</li> </ul>	System development cost not quantified	
<b>Quality Control</b>			
State	<ul style="list-style-type: none"> <li>▪ State QC Reviews – (FTE) 0.5 supervisor and 2.5 case reviewers                             <ul style="list-style-type: none"> <li>➢ Positive case samples (100 per quarter)</li> <li>➢ Supervisory case reviews and exit interview</li> </ul> </li> </ul>	\$50,000 - \$70,000 salary, plus fringe	
		800 hrs/qtr	
		120 hrs/qtr	
Contractor	<ul style="list-style-type: none"> <li>▪ Internal QC Reviews – (FTE) 0.5 Supervisor and 4 case reviewers                             <ul style="list-style-type: none"> <li>➢ Positive and negative case samples/invoices (100 per week – targeted vs. full reviews)</li> <li>➢ Supervisory case reviews activity</li> </ul> </li> </ul>	\$30,000 - \$45,000 salary, plus fringe	
		160 hrs/wk	
		20 hrs/wk	
<b>Overpayments</b>			
Contractor	Overpayments Processing – (FTE) 2 overpayment processing specialists	\$30,000 - \$40,000 salary, plus fringe	
	Referral Volume – 100 referrals per month for unintentional error, administrative error and client fraud not cost effective to prosecute.		
	Case Processing – maximum 50 per month/ per processing specialist. Process is manual due to the lack of an overpayment calculation/recoupment module in the state's Child Care Eligibility Management System (CCMIS).	40 hrs/wk	
	<ul style="list-style-type: none"> <li>➢ Estimated cost of developing a CCMIS benefit error and recoupment module and notices</li> </ul>	\$500,000	

Entity	Task	Time/Cost	Benefit
	➤ Client and provider phone calls	Calls on 25% of processed claims	
	➤ Billing Referrals – preparation of case materials	5 – 10 hrs/mo	
	➤ Administrative Hearings	7/month	
	➤ Average Amount - weighted average of administrative and non-fraud client errors		\$4,627 per case
State/Contractor	▪ Recovery		
State	➤ Billing – Recovery through a monthly billing process and state income tax intercepts. Claims are referred to the Department of Administrative Services Financial Services Center (DAS). CCMIS does not contain the functionality to recover from ongoing benefits.		
State	➤ DAS Staff – (FTE) 0.25 processing technician	\$38,000 - \$50,000 salary, plus fringe	
State	➤ DAS collection agents	14.9% of collections	
Contractor	➤ Returned payments and credits		
State	➤ Recovery of IRS and child support liens		
State	➤ Administrative Hearings (state income tax intercept challenges)	Variable	
State	➤ Office of Adult Probation – central collections of cases adjudicated in criminal court		
State	➤ Actual Collections for SFY 2005		\$227,000
<b>Fraud Investigations and Prosecution</b>			
State	▪ Child Care Investigations Staff - (FTE) 3 Supervisors and 8 Investigators	\$44,000 - \$66,000 salary, plus fringe	
State	▪ Cars and Travel Expense		
State	▪ Specialized Training – 4days state police academy, investigation and self-defense		
State	▪ Cell Phones		
State	▪ State Policy Warrants		
State	▪ State Prosecutors		
<b>Fraud Prevention and Early Detection</b>			
State	▪ Fraud Early Detection Staff – (FTE) 1 Supervisor and 4 Investigators	\$44,000 - \$66,000 salary, plus fringe	
State	▪ Site visits – 60 month (estimated)		
State	▪ Cars and Travel Expense		
State	▪ Lap Top Computers		
State	▪ Specialized Training – 4 days state police academy, investigation and self-defense		
State	▪ Cell Phones		
State	▪ Annual estimated cost avoidance		\$2.6 million