Measuring Improper Payments in the Child Care Program: A Pilot Project of the ACF Child Care Bureau

Final Report

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EXECUTIVE SUMMARY

The Child Care and Development Fund (CCDF) is a block grant that provides funds to States, territories, and tribes to support child care subsidies for low-income working families. During Fiscal Year (FY) 2004 the CCDF, managed by the U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Child Care Bureau (CCB) totaled $8.5 billion. This includes $4.8 billion in subsidized child care funds and an additional $3.7 billion in Temporary Assistance for Needy Families (TANF) and Social Services Block Grant (SSBG) transfer funds. During FY 2003, the Child Care Program served an average of 1,751,300 children each month.

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.

During FY 2002, the CCB developed an Erroneous Payment Assessment plan. The purpose of the plan was to identify and reduce improper payments in relevant HHS programs in response to the Improper Payment Information Act of 2002 and related Office of Management and Budget (OMB) guidance. In July 2003, the CCB began preparation to conduct a pilot project to determine whether there is a cost-effective approach or methodology for estimating improper payment amounts or rates in the Child Care Program.

The CCB contracted with Walter R. McDonald & Associates, Inc. (WRMA) to develop and pilot test a common methodology that States could use to compute an error rate and work with States to validate existing protocols or develop new approaches to address improper payments and fraud. Specific requirements, including statistically valid sampling, guided the conceptual design of this study. The CCB, in consultation with a number of “partner States” chose to focus the analysis on *eligibility error* to measure an element that is common to every State and to mitigate some of the variation among State definitions encountered during the Phase I pilot study. The methodology—conducted in Arkansas, Colorado, Illinois, and Ohio—had four main components.

- The study team assisted each State to select a random sample of up to 150 cases (children), using a sampling frame of all children in the State who received child care services during October 2004. The study team designed the sample size to produce a statistically valid estimate of erroneous payments.

- States developed a Record Review Worksheet to reflect child care policies in the State. The State used this instrument to guide a record review of the sampled cases to identify administrative errors in eligibility determination. States collected data regarding the number of cases with errors and whether the errors led to an improper payment. Although all of the worksheets contained common elements, the definitions pertaining to those elements varied from State to State.

- The study team conducted site visits and provided technical assistance to the State representatives who conducted record reviews and collected data. The study team computed the error rates using the data submitted by the States.

- The study team also conducted telephone interviews, using a consistent protocol to gather additional information about improper payment activities in five States. These States were Arizona, California, Kansas, Nebraska, and New Hampshire.

Definitions of the error rates calculated for this study and the relevant findings are as follows:

- Percentage of Cases with a Potential Error—This percentage is based on the number of sampled cases with any administrative error divided by the total number of valid cases in the sample. The estimated percentage of sampled cases determined to contain administrative errors ranged from 12 percent to 38 percent.

- Percentage of Cases with a Potential Improper Payment—This percentage is based on the number of sampled cases with an administrative error that resulted in an improper payment divided by the total number of valid cases in the sample. The percentage of sampled cases with administrative errors that resulted in an improper payment ranged from 6 percent to 27 percent.

- Percentage of Payments Potentially Made in Error—This percentage is based on the total amount of child care payments that were made in error divided by the total amount of child care payments for the sample. The estimated percentage of payments made in error in the four pilot States ranged from 4 percent to 14 percent.

An initial error rate measure provides both the States and the CCB with a baseline against which to compare future findings. The pilot findings confirm the value to States of regularly conducted compliance reviews to improve administrative practice. The pilot methodology was also useful for States to gain evaluative information on potential areas for improvement in administrative policy. Administrative protocols dealing with improper payments vary greatly from State to State. This is particularly true with threshold amounts that are used in pursuing recoupment. Within some States thresholds vary greatly from jurisdiction to jurisdiction—for example, one State will pursue a debt of any amount, while another requires a minimum of $5,000. Improvements to administrative practice, such as independently confirming employment and training or reconfirming participation and attendance, can reduce administrative error.

The four study States that participated in this pilot plan to reexamine their monitoring processes, provide training, or clarify policy and procedures in those counties where they identified problems or issues. The CCB will gather and compile information from those States as they continue to take action based on the pilot test findings. Colorado extended its record review process to explore additional areas of error and examined client and provider errors for a subset of the sample. This small subset indicated that the study methodology could include an external verification of both provider and client errors, both of which are important areas of risk for mitigating improper payments.

This pilot study demonstrated and reinforced that improvements to administrative practice to reduce administrative error can result in preventing or deterring improper payments caused by clients as well as providers. Independent confirmation of employment or training and intermittent reconfirmation of participation, as well as comparing attendance or sign-in and sign-out sheets with claim forms, can help ensure that recipients participated in the activities for which services were provided. As a result of this study, each State has planned action steps or has implemented several new systematic changes to improve monitoring or reduce improper payments.

I. INTRODUCTION

During Fiscal Year (FY) 2002, the Child Care Bureau (CCB) developed an Erroneous Payment Assessment plan. The purpose of the plan was to test the feasibility of an approach to preventing, identifying, reporting, reducing, and recovering improper payments in subsidized child care. The CCB also planned to conduct a pilot project to determine the feasibility of whether there is a cost-effective approach or methodology for estimating improper payment amounts or rates in the Child Care Program.

The CCB initiated a pilot project with 11 partner States to determine the feasibility of computing a child care improper payment error rate, recommend methods to identify improper payments, define child care payment error and fraud, and gather best practices information for measuring and managing improper child care payments. These objectives are particularly challenging due to widespread policy, programmatic, and quality assurance variation among each of the States.

The CCB contracted with Walter R. McDonald & Associates, Inc. (WRMA) to measure a child care error rate in four States and conduct telephone discussions with five additional States to gather information on the tools and strategies in place to manage improper payments.

Following a brief overview of the Child Care Program and background on the Improper Payment Information Act, this chapter discusses the objectives of the study and the conceptual framework for conducting the error rate analysis. Succeeding chapters describe the methodology used; provide basic information on nine States, establishing the background for what a national approach might entail; present the error rate findings of the four States that participated in the piloting of the common methodology; and discuss potential next steps for implementing a comprehensive approach to error measurement.

BACKGROUND

The Child Care and Development Fund (CCDF), managed by the CCB, is an $8.5 billion block grant—including funds transferred by the States from the Temporary Assistance for Needy Families (TANF) block grant and Social Services Block Grant (SSBG). The CCDF provides maximum flexibility for States in setting critical policies such as establishing eligibility criteria, defining administrative structures that allow maximum choice for parents, and establishing fiscal management approaches that best meet States’ needs. Because of the discretion given to States, critical policies concerning eligibility criteria, rates, regulation of child care providers, and payment mechanisms vary widely from jurisdiction to jurisdiction. This flexibility makes it difficult to develop common approaches for identifying and measuring improper payments.

The Improper Payment Information Act of 2002 (Public Law 107–300) requires certain agencies and programs to report annually on both the magnitude of erroneous or improper payments and the actions they are taking to reduce them. This law defines payments as being made by a Federal agency or representative of a Federal program and derived from Federal resources. The term improper payment includes:

(A) 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) 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 credit for applicable discounts.[1, 2]

The Government Accountability Office (GAO) issued a report describing the strategies implemented by 16 States to address improper payments in the CCDF and TANF block grants systems. 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."[3]

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. 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.

As noted previously, the CCB conducted a pilot project with 11 partner States. In Phase I of its pilot project in FY 2004, the CCB visited six States (Arkansas, Connecticut, Indiana, Ohio, Oklahoma, and Virginia) and worked extensively with five additional partner States (Georgia, Maryland, Oregon, South Carolina, and Wisconsin). Together, the CCB and State partners gathered information on the range of strategies that States use to prevent and identify errors and appropriate enforcement actions taken when improper payments occur. Results revealed that efforts varied extensively among States. Few States have implemented systematic methodologies to estimate the amount of improper payments, with the exception of California and Connecticut. Connecticut shared its methodology for error rate calculation at the State Partners Meeting in September 2004.

Following the collection of information during Phase I, the CCB contracted with WRMA to develop a methodology to calculate child care improper payment error rates in four States.[4]

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[1] Improper Payment Information Act of 2002, Pub. L. No. 107–300, § 2, 116 Stat. 2350.
[2] Office of Management and Budget. (2003). The Improper Payment Information Act, Public Law No: 107–300 [On-line]. Available: http://www.whitehouse.gov/omb/memoranda/m03-13-attach.pdf.
[3] 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.
[4] Child Care Bureau. (2004). *Measuring improper payments in the child care program: A pilot project of the ACF Child Care Bureau*. Working papers for discussion distributed at the State Partners Meeting, September 28–29, 2004 [On-line]. Available: http://www.acf.hhs.gov/programs/ccb/ta/ipi/findings1.htm.

OBJECTIVE OF THE STUDY

The objective of this study was to develop and test a methodology to compute child care error rates in four States—Arkansas, Colorado, Illinois, and Ohio. Two of the States selected, Arkansas and Ohio, participated in the CCB Phase I pilot project. The study States represent varied administrative practices: Arkansas and Illinois are State-administered and Colorado and Ohio are locally-administered. A secondary objective of this study was to assess the feasibility of measuring improper payments in additional States, including Arizona, California, Kansas, Nebraska, and New Hampshire.

CONCEPTUAL FRAMEWORK

Specific requirements, including statistically valid sampling, guided the conceptual design of this study. The CCB, in consultation with the partner States, chose to focus the analysis on *eligibility error* to measure an element that is common to every State and to mitigate some of the variation in State definitions encountered during the Phase I pilot study.

The conceptual design for this study focused on the computation of a number of error rates using available data. The study team assisted each State to select a statistically valid statewide random sample of up to 150 cases using a sampling frame of all subsidized children in the State who received services during October 2004. State representatives conducted record reviews and collected key pieces of information for this period. The study team compiled the data and computed error rates for each State. Exhibit 1 defines the components of the study's conceptual framework. This table defines some basic concepts referred to throughout this report and recommends definitions of each component unique to this study.

The following chapter defines the sampling plan, each of the error rates, and the methodology used to compute these error rates.

Exhibit 1. Components of the Conceptual Framework

Component	Definition	Discussion
Primary Sampling Unit	An individual child is the primary sampling unit for the computation of an error rate.	It was recommended that the child be the unit of analysis. If the unit were the family, one child may be eligible while another is not.
Sample	Sampling is a method of choosing a subpopulation from the universe. The sampling frame is the list of units (population or universe) from which a sample (e.g., selected children) is drawn. The sample size is the total children selected for study.	All children served during October 2004 were listed and grouped by county. October was deemed a representative month, not as atypical as other months such as November or December. The study team developed a method to select a random sample of 150 children. The study team also developed a random method to obtain a sample of 20 "replacement" children for cases that could not be reviewed for valid reasons.
Error Rate	The error rate is the calculation of the number of cases per 100 that are in error.	The rate is dependent upon the type of estimate that is being calculated. The rate most commonly utilized in entitlement program error rate analyses is errors per 100 children receiving child care subsidies, from which an amount of the total costs of all errors can be estimated. Multiple error rates may be calculated.
Percent Error	Percent error is calculated using the number of cases in error as the numerator and the number of cases that meet the definition of the study sample as the denominator multiplied by 100.	The study team calculated multiple types of percent errors during this study, including percentage of payment spent in error and percentage of children for whom there were one or more errors in eligibility determination.
Study Period	The study period refers to the calendar dates that were targeted for review.	Participating States reviewed records for a common period—October 2004.
Review Period	The review period is the period of time during which the record reviewers examined the records, following the study period.	For this study, participating States reviewed the sampled October 2004 records during April–June 2005.
Study Period Payments	The total amount spent on child care subsidy payments for all cases reviewed within each agency.	This number was used as a basis to estimate the total dollar amount spent in error or the average amount of dollars spent in error per ineligible child.
Eligibility Error	An error related to a family or child being ineligible to receive any benefits during the review period.	Errors in eligibility could be of three types: administrative (agency), client, or provider. Each type is described below.
Admini-strative Error	An error resulting from the miscalculation of the appropriate subsidy for which the family or child is eligible or a failure to require necessary documentation when determining eligibility.	This error is considered an agency error, where the worker has made a mistake in interpreting the eligibility rules, resulting in an improper payment.
Client Error	An error resulting from a family providing inaccurate or fraudulent information at the time of eligibility or redetermination or failing to report a change in circumstances that affects their eligibility.	This type of error could occur because the family or child was never eligible or because the family or child became ineligible and it was not discovered and the subsidy continued.
Provider Error	An error resulting from the child care provider providing inaccurate or fraudulent claims for services rendered.	One of the challenges of discovering this type of error is that it may depend upon being able to check multiple sources of data. For instance, attendance records must be compared with provider invoices. Some States must monitor parent sign-in/sign-out sheets to verify attendance.

II. METHODOLOGY

This chapter describes the various components of the study methodology and the process that the States used to measure improper payments. The chapter begins by providing an overview of the key components of the error rate methodology, followed by a detailed description of how each was implemented with the four pilot States. An additional area of inquiry included telephone discussions with five additional States—Arizona, California, Kansas, Nebraska, and New Hampshire. The final section of this chapter describes the telephone conferences conducted with these States.

OVERVIEW OF THE PROCESS TO MEASURE IMPROPER PAYMENTS

The process to measure improper payments for this study began with the study team working with the pilot States to prepare for the collection and analysis of data. The fieldwork preparation section of this chapter describes a planning conference held with the four pilot States in February 2005 followed by extensive telephone discussions to define common units of analysis, design the sampling plan, develop procedural definitions for the Record Review Worksheets, and prepare for the site visits.

Following the planning conference, each pilot State worked with the study team to select a statistically valid statewide random sample of children who received a child care subsidy during October 2004. The next section of this chapter describes the steps each State used to develop the sampling frame and create the universe of cases. Using the sampling frame provided electronically by each State, the study team randomly selected the sample for study.

Via teleconferences, the study team worked with each State to develop Record Review Worksheets, based on a template provided by the study team, addressing the unique policies and standards of their State. The section titled Developing Record Review Worksheets describes the process used to develop these worksheets in each pilot State.

Following extensive fieldwork preparation, the study team visited the four pilot States to learn about the State specific definitions and procedures each would use to review records. The next section briefly highlights the site visit agendas used in each State.

The record review process and error rate sections of this chapter describe the data collection and analysis procedures. The record review process section describes how the States reviewed each of the cases selected through the random sampling plan and determined whether it had been subject to an error and, if so, to determine whether the error resulted in an improper payment. Each State recorded the results of the review process on the Record Review Worksheets and summarized the error findings on a Data Entry Form. Using this information, the study team computed several error rates to measure improper payments in each of the States.

The final section of this chapter describes the telephone discussions held with five additional States to explore the feasibility of implementing the error rate methodology.

FIELDWORK PREPARATION

To prepare for the record review to identify and measure improper payments, State representatives attended a planning conference and participated in several teleconferences with the study team. The Child Care Bureau (CCB) held a planning conference during February 2005 and provided an overview of the proposed research design and obtained critical input from the participating States on record review methodology and the proposed error rate measures.

The planning conference began with each State providing background information about the State and explaining activities surrounding improper payments within their State. The presentations included definitions of improper payments as defined by State policy or legislation; the extent of automation within the State child care program; the availability of additional data sources to verify client eligibility; client and provider contributions to improper payments; and systems in place to prevent and detect improper payments. (Highlights of these presentations are included in appendices A–D of this report.)

Participating States reviewed the research design developed by Walter R. McDonald & Associates, Inc. (WRMA), and the CCB prior to the planning conference. States were encouraged to contribute feedback on the design in general, as well as regarding how it related to a particular State. WRMA amended the research design to reflect the comments and suggestions of the participating States. The major change to the research design was the decision to limit the study to a focus on administrative error in determining client eligibility.

The CCB elected to focus on the computation of an eligibility error rate in the pilot study. However, States believed that errors in eligibility could be of three types:

- Client Error—Clients not reporting changes in circumstances that affect their eligibility or reporting inaccurate or fraudulent information at the time of eligibility or redetermination;

- Administrative Error—Agency making a mistake in the calculation of the appropriate subsidy for which the family or child is eligible or failing to require necessary documentation when determining eligibility; and

- Provider Error—Providers making improper or fraudulent billings.

An outcome of this planning conference was the decision that the study would focus on administrative error as it pertains to determining eligibility or redetermining eligibility. The States felt that this focus can effectively serve as a benchmark and springboard for additional improper payment activities. States reported that they believed that client and provider error may create greater financial loss; however, they recognized that gathering the verification information required to measure client or provider error rates would be too costly and difficult to accomplish during the short study timeframe.

Following the planning conference, the study team held teleconferences with State representatives to finalize the sampling plan, provide training to develop the States' Record Review Worksheets, and develop an agenda for the site visit. To accomplish the study within the 3-month timeframe, the first step was to assure that States selected their sample to allow enough time to obtain records for the review.

GENERATING THE SAMPLE

The study team used a random sampling approach to select a sample for review and provide a defensible basis for obtaining an unbiased estimate of error rates. This approach also provided a statistical basis to determine the level of confidence that this estimate would be within a particular range of values (e.g., unbiased, best estimate value within 95% confidence limits).[5] The study team based the sampling plan for this study on several assumptions:

- The goal would be to develop an approach to obtain State-level error rate estimates;
- The entity for which the rate was calculated would be the population of children receiving subsidized child care;
- It would be possible to obtain a complete list of the population for the sampling frame; and
- The study team would base the estimate on a feasible systematic record review method.

The primary unit of measurement for this study was a child who received child care services during the month of October 2004. This did not include children who were denied or terminated, or were billed but not served during October 2004.[6]

The study team determined that reviewing a sample of 150 children per State would be within the resources of the four States that volunteered for this pilot effort. The Improper Payment Information Act recommends using a formula to determine the sample size for calculating error rates in Federally funded programs, leading to an error rate with a 90 percent confidence interval of +/-2.5 percent.[7] A sample of 150 children per State yields an estimate with approximately +/-6 percent confidence intervals with 90 percent confidence for each State, adequate for the pilot study intended to establish feasibility and estimate the cost of the methodology.

The study team offered two basic sampling techniques—a single-stage random statewide sample and a two-stage random statewide sample. The States selected the sampling method that would be most appropriate for their circumstances. Arkansas, Illinois, and Ohio elected to use the statewide random sample, while Colorado used the two-stage random sampling approach.

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[5] To illustrate the use of confidence limits, one must make two assumptions: (1) the eligibility error rate variable is the percent of clients who exhibit an eligibility error during the study period, and (2) 100 clients are sampled and 30 percent show an eligibility error. The confidence limits are calculated as follows: [m = 2(SQRT(p(1-p)/n))], where m is the 95 percent confidence limit (or interval), SQRT is the square root, n is the sample size, and p is the proportion of the sample found to be in error. Following the assumptions, the confidence interval would be calculated as [m = 2(SQRT(.3(.7)/100) = .0917 (or 9.17%)]. The 95 percent confidence interval can be described in two ways: (1) with 95 percent confidence, the error rate for this sampled population is between 20.83 percent and 39.17 percent, or (2) with 95 percent confidence, 30 percent of the population is in error with a margin of error for this estimate of +/- 9.17 percent.

[6] For the purposes of this study, a child randomly selected for study is referred to as a record.

[7] The Improper Payment Information Act, Public Law No: 107-300, § 2, 116 Stat. 2350.

Colorado chose this approach to minimize the number of counties selected for study, thereby decreasing the amount of travel necessary to conduct record reviews, while still ensuring an equal chance of selection for any child in the population.

Each State created a universe of children that met the criteria for the primary unit of measurement, as described above. The States sent their sampling frames, sorted by county and containing the following information, to the study team:

(1) Sequential number;
(2) Child ID; and
(3) County of service.

Each State determined their own parameters for child IDs. Specifications for the child ID were as follows.

- Each child in the sampling frame received a unique ID. If there were several children within one family, case, or household, each child had a unique ID.

- The ID could contain both letters and numbers with no size limit.

- The unique ID did not contain identifying information; however, it was linked to a county or State data system so that the county or State could pull the record if the case were selected for the study.

Once the study team received the sampling frame from the States, the study team randomly selected a sample of 150 children. In addition, a 20-case supplemental sample was randomly selected as record replacements in Arkansas, Illinois, and Ohio. Because Colorado chose to use a random two-stage sample, 30 records were needed for its supplemental random sample. States used the replacement records only if the child selected did not meet the study criteria for valid reasons.

To select a random statewide sample for Arkansas, Illinois, and Ohio, the study team used the following sampling method.

- The study team calculated a sampling interval based on the size of the sampling frame or universe of children served during October 2004. To do this, the study team divided the total number of children within the sampling frame (i.e., all children who received child care services during October 2004) by the number of children selected for the sample (i.e., 150). (For example, if the sampling frame included 15,000 children, the sampling interval was 15,000/150 or 100—the study team selected every 100th child.)

- The study team consulted a random number table to determine a random starting point within the sampling frame. From that starting point, the study team selected cases within each sampling interval, as described above. (For example, if the random start was seven and the sampling interval was 100, then the study team selected the child listed 7th, the child listed 107th, the child listed 207th, and so on.)

- After randomly selecting one child for each sampling interval, the sample included 150 children. The study team sent a list of the sample—including child ID and county of service—to the State representative.

To create the sample of 20 “replacement” children, the study team removed the sample of 150 children from the overall sampling frame and used the methods described above to select this second sample.

The sampling plan for Colorado followed a two-stage approach, as follows:

- Colorado provided a sampling frame that listed all children who received child care services during October 2004, grouped by county. The sampling frame was sorted by county size (defined as the number of children the county served during October 2004)—from largest to smallest counties.

- The first stage of the sampling approach was to select 15 counties from which to draw samples of 10 children (15 counties * 10 children = sample of 150 children). A first-stage sampling interval was determined by dividing the total number of children represented in the sampling frame by 15. The study team consulted a random number table to determine a random starting point within the sampling frame. From that starting point, the study team selected the counties within each sampling interval. (For example, if the total number of children listed in the sampling frame was 30,000, the sampling interval would be 30,000/15 or 2,000. If the random start was 7, the study team selected the county in which the child listed 7th lived, the county in which the child listed 2,007th lived, the county in which the child listed 4,007th lived, and so on.) Through this process, the study team selected counties from which subsamples of 10 children would be drawn during the second stage of the sampling approach. By this process, some large counties would be selected for at least one subsample of 10 children with certainty and in some cases a county could be selected for two or three subsamples of 10 children.[8]

- The second stage of the sampling approach was a series of county-level random samples. For each of the counties selected in the first stage, the study team determined a unique sampling interval based on the number of children served by the county during October 2004 and the number of subsamples that would be selected from the county. (For example, a large county may have been selected 2 times in the first stage, meaning that 2 subsamples of 10 children would be selected from this county. If the population of the county were 3,000 and 2 subsamples of 10 children (20) were selected, the sampling interval for that county would be 3,000/20 or 150. If the random start was 7, the study team selected the child listed 7th, the child listed 157th, and so on.) This process was repeated for every county selected in the first stage.

[8] Some counties served 10 or fewer children during October 2004. The study team grouped into clusters counties that served fewer than 25 children, such that at least 25 children were in the cluster. (For example, if county A served 6 children in October 2004 and county B served 19 children, together they served 25 children in that month. If this cluster were selected via the random process, a subsample of 10 children would be selected randomly from among the 25 children in the cluster. This process ensured that an entire county would not be included in a subsample due to its small size.)

DEVELOPING RECORD REVIEW WORKSHEETS

To determine errors based on standards contained in current statutes and applicable regulations, the study team developed a Record Review Worksheet template for States to customize. The initial version of the worksheet was a composite of existing review sheets used by several States to conduct Child Care, Food Stamps, and Temporary Assistance for Needy Families (TANF) reviews. The study team presented a draft Record Review Worksheet at the February 2005 planning meeting. Following discussion of the worksheet, the study team and the States agreed that it was a workable template to develop State-specific worksheets. The Record Review Worksheet includes all of the major areas of concern, but States made individual modifications so their worksheets would conform to the specifics of their State plans. (See appendix E for a template of the Record Review Worksheet.)

The Record Review Worksheet captured the detail for each element of eligibility, the benefit calculation as documented by the agency, the amount of the subsidy authorized for the review month, and any resulting errors. The template worksheet consisted of four columns:

- Column 1 listed the basic elements of eligibility and resulting computations;
- Column 2 contained the findings of the record review and noted any pertinent facts, questions, or conflicts in information;
- Column 3 provided a space for the reviewer to note the ultimate findings of the analysis and a summary of any error; and
- Column 4 contained error coding—in the event that a review element contained more than one error, the largest dollar error was the one coded.

The States made several adjustments to the worksheet, primarily in formatting. Colorado reformatted the worksheet to follow its workflow more efficiently. Arkansas used the changes made by Colorado and added some content modifications. Ohio reformatted the template and added a column indicating the citation authority for each element. Illinois created a “check-off” rather than a written summary of the record material. Another common alteration was to include a section addressing the review findings of the subsidy payment process. (See appendices A–D for each State’s Record Review Worksheet.)

SITE VISITS

Following the fieldwork preparation stage of the study and after the States had selected their study samples and developed their Record Review Worksheets, the study team visited each of the four States. The site visits generally lasted 2 days and followed the basic agenda presented in exhibit 2 on the following page.

In three of the States, the site visit team also conducted a review of several of the records included in the record review. This process allowed for questions and clarifications concerning the tools and definitions prior to beginning the actual review. This training process increased interrater reliability and ensured greater consistency across States regarding error interpretation.

Because of time constraints and pressures to complete the case review prior to undergoing conversion to a new automated child care system, Arkansas completed their record review process before the site visit in early June. The study team provided technical assistance to the Arkansas Review Team Leader via teleconference to develop the Record Review Worksheet. The study team retrospectively reviewed the implementation of the record review process. (See appendices A–D for detailed findings from the site visits.)

Exhibit 2. Site Visit Agenda

DAY ONE
Overview of Project Goals and Objectives
Overview of Improper Payments in Child Care
How does your State define improper payments?
What automated systems are in place in your State?
What data sources does your State use to ensure accurate payments?
What steps does your State take to prevent and detect improper payments?
How will your State utilize an error rate to improve payment accuracy?
Overview of State Review Process
Overview of Sampling Process
Sampling frame and number per county sampled
Number of cases reviewed to date
Logistics of the review process
Overview of the Record Review Process
Record Review Worksheet criteria
Data sources for the Data Entry Form
Demonstration of the Record Review Process with the Record Review Worksheet and Data Entry Form
DAY TWO
Meet with Reviewers and Eligibility Office Staff
Discuss the Project Goals and Objectives
Overview of State Child Care Program Operation
Discussion of State/county/provider relationship
Potential improvements
Quality assurance and quality control processes
Overview of the Client Eligibility Process
Demonstration of Client Eligibility Determinations and Redetermination Processes
Use of automation to determine eligibility
Relationship to TANF system
Interfaces with other State systems
Use of red flags to identify potential problems
Reports
Data warehouse
Meet with Additional Staff (The States identified additional staff who would add to the understanding of the Child Care system—child care payment or fiscal staff or other quality control staff from associated programs such as TANF or Food Stamps.)

CONDUCTING RECORD REVIEWS

Using the Record Review Worksheet as a guide, the States conducted record reviews of the random sample of 150 cases that received child care during October 2004. The study team maintained ongoing communication with the States during this process through scheduled teleconferences. The following chapter presents each State's record review process to evaluate administrative accuracy.

Colorado added two additional phases to its record review to verify client documentation of employment or training and provider billing with child attendance records. However, given the time necessary to complete all phases of the evaluation and the limited resources available, Colorado scaled back the provider and client portion of the review to a subsample of 30 cases from the administrative review.

COMPUTING POTENTIAL ERROR RATES

The State review teams distilled findings from each of the 150 Record Review Worksheets into a Data Entry Form. The form contained nine fields:

- State;
- County of service;
- Child ID;
- Study period month (October 2004);
- Date of data collection;
- One or more administrative errors during study period;
- Cause of improper payment;
- Total amount of improper payments during review month; and
- Total amount of payments during review month.

State teams sent copies of all Data Entry Forms and each Record Review Worksheet to the study team. Using these data, the study team computed three types of error rates—case error rate, payment error rate, and average dollars spent in error per ineligible child. (See appendix F for the Data Entry Form.)

Case Error Rate

The case error rate had two components:

(1) The percentage of cases with an error; and
(2) The percentage of cases with an improper payment.

The percentage of cases with an *erro*r was determined by dividing the number of sampled cases with an administrative error by the total number of valid cases in the sample. (For example, if a State had 50 records with one or more administrative errors during October 2004, the percentage of cases with an error would be 50/150 = 33%.)

The percentage of cases with an *improper payment* was determined by dividing the number of sampled cases with an error that resulted in an improper payment by the total number of valid cases in the sample. (For example, if a State had 50 records with one or more administrative errors during October 2004, but only 40 of those errors resulted in an improper payment, the percentage of cases with an improper payment would be 40/150 = 27%.)

Payment Error Rate
The payment error rate was the percentage of child care payment dollars that were potentially paid in error. This rate was determined by dividing the total amount of child care payments paid in error by the total amount of child care payments for the sample. (For example, if the sum of improper payments for the sample was $5,000 and the sum of all payments made for the sample was $50,000, the payment error rate would be $5,000/$50,000 = 10%.)

Average Dollars Spent in Error per Ineligible Child
The average dollars potentially spent in error per ineligible child was determined by dividing the total dollar amount of child care payments paid in error by the number of cases that had an administrative error. In addition, the study team identified minimum and maximum amounts of improper payments. (For example, if the sum of improper payments for the sample was $5,000 and 50 records had 1 or more administrative errors during October 2004, the average dollars spent in error per ineligible child would be $5,000/50 = $100. The minimum and maximum amounts of improper payments would constitute the range within which the $100 average falls.)

Chapter 4 summarizes the error rate findings for each of the four States.

TELEPHONE DISCUSSIONS WITH ADDITIONAL STATES

WRMA conducted telephone discussions with representatives in Arizona, California, Kansas, Nebraska, and New Hampshire to determine the feasibility of implementing a methodology to measure improper payments in each of these States. (See appendix G for telephone discussion questions.)

The telephone discussions focused on the following topics:

- Description of the organization and infrastructure of the State's child care program;
- The States' experience with monitoring improper payments that result from erroneous eligibility determination;
- Description of current process of monitoring improper payments;
- Examples of strengths of current practices and services;
- Examples of areas that need improvement; and
- Use of automation.

Appendices H–L contain detailed findings from these discussions.

III. MEASURING IMPROPER PAYMENTS IN NINE STATES

The study team visited four pilot States—Arkansas, Colorado, Illinois, and Ohio. The study team also conducted telephone discussions with five additional States—Arizona, California, Kansas, Nebraska, and New Hampshire—to gather information about the States' policies and practices regarding child care improper payments. This chapter presents a summary of the findings from the site visits and telephone discussions. A more detailed discussion of each State is presented in the appendices.

Exhibit 3, at the end of this chapter, provides a summary table of the structure of the States selected for this study, as well as their improper payments process and current level of automation for the child care program.

IMPROPER PAYMENTS PROCESS

States identify improper payments in four primary ways:

- Providers or the public notify the child care agency of suspected fraud;
- Exception reports, produced on a regular basis from the State's automated child care tracking system, identify areas of potential improper payments;
- Regular audits or reviews identify improper payments; and
- Ad hoc studies or reviews identify improper payments.

An investigation typically begins after the State identifies potential problems. However, the dollar threshold that determines whether the States will investigate varies greatly among the States. For example, in Arizona, overpayments of $2,000 or less go to the Office of Accounts Receivables and Collections. Overpayments exceeding $2,000 go to the Office of Special Investigations to determine if prosecution is warranted. If warranted, the case goes to the Attorney General for prosecution; if not, the case returns to the Office of Accounts Receivables and Collections for collection. In Arkansas, the same system applies; however, the dollar threshold is $500.

Most States follow similar processes to identify and recover funds for overpayments. The process proceeds in one of the following ways, listed in order from least to most intensive action:

- The State sends the person responsible for the overpayment a demand or similar notice informing them of the overpayment;
- The State establishes a repayment schedule, if possible;
- The State initiates judgments, liens, and garnishments if the participant does not voluntarily repay; and

- The State will also initiate tax or lottery intercepts. This is a process where the State will intercept any tax refund or lottery winnings that would normally be paid to an individual and apply those monies to the overpayment amount.

Standards, Processes, and Procedures
The States indicated a trend toward establishing more formalized standards, processes, and procedures. States suggested that this trend came about, in part, by information shared during quarterly teleconferences held by the Child Care Bureau (CCB) and information shared at the State Advisory Meeting on improper payments.

Examples of the way States are formalizing their standards, processes, and procedures are as follows.

Pilot States

- The Arkansas Department of Human Services reorganized all child care services under the Division of Child Care and Early Childhood Education. This allows for a more efficient management of all child care within the State.

- Colorado is working with a group of 12 counties to identify case profiles where potential fraud might occur. A major outcome expected from the pilot is developing error profiling and identifying what constitutes a data anomaly.

- Illinois developed in excess of 25 exception reports that highlight areas of potential concern, which the State examines and, when necessary, does followup.

- Ohio will retool its county monitoring process.

Telephone Survey States

- Arizona uses exception reports to identify potential problem areas. There are audits conducted on provider records. Arizona also conducts monthly supervisory reviews and annual case reviews.

- California is establishing a new review auditing process including creating and funding a team to conduct the record reviews. This process attempts to identify and remediate improper payments. California counties have been using small claims courts to collect overpayment, which has proven to be an effective vehicle for pursuing these dollars.

- Kansas has an audit division and quality assurance unit. This unit conducted two child care quality assurance reviews during the past year. Kansas also uses exception reporting to identify problem areas.

- Nebraska attempts to develop a repayment agreement for improper payments. If the case is active, the agency can deduct the amount from the next payment. Nebraska has better success at recouping overpayments by pursuing civil suits rather than criminal suits and has an attorney assigned to cover child care.

- New Hampshire established a task force for improper payments that crosses program areas in the Department of Health and Human Services. They are developing rules within the Office of Special Investigations to cover improper payments. In addition, New Hampshire is formalizing its processes for dealing with improper payment and has hired a new staff person to take the lead on the effort.

Each State has a unit responsible for auditing improper payments; however, most have no auditing staff dedicated to child care. As mentioned earlier, California is establishing a new unit to audit child care. New Hampshire used funds from the State's high performance bonus and the program's cost allocation plan to fund the first-year salary for a staff position to coordinate the improper payments activities of the department. Colorado is working with counties to develop the capacity to better audit improper payments at the county level. Ohio will begin to audit child care on a continuous basis beginning this winter. Kansas does not have specific funding to deal with improper payments due to program deficits and hopes to address improper payments with existing resources.

States indicated that funds recovered in the pursuit of improper payments are not returned to the child care program, and are often deposited to the State General Fund. Therefore, many States' child care offices have little incentive to actively pursue recovery of improper payments.

Automation

Six of the nine study States are State-administered—Arkansas, Arizona, Kansas, Illinois, Nebraska, and New Hampshire. Three of the States are county-administered—California, Colorado, and Ohio. All of the States have a statewide automated system with the exception of the largest, California. California does not receive client-specific or provider-specific data, only aggregated data to meet Federal reporting requirements. Most of the counties and providers in California have their own automated systems. The other two locally-administered States, Colorado and Ohio mandate that providers use the statewide system, which is the system of record; however, most of the individual counties now have their own systems.

Most of the systems are older, mainframe-based systems; however, Arkansas and New Hampshire both recently implemented newer Windows-based systems. Two of the systems, Nebraska and New Hampshire, closely integrate with their other benefits programs, such as Temporary Assistance for Needy Families (TANF) and Food Stamps. All of the State systems achieve some interface with TANF, Food Stamps, Child Support, and other systems. These interfaces vary from Arkansas' use of a split screen and data transfer between systems to the more common overnight batch interfaces used by others. Arizona, Colorado, and Ohio all intend to migrate to new systems and have begun some design work. At this point, Illinois intends to continue to modify and when possible utilize newer Web interfaces, but they have no plans for a major upgrade to their system.

Exhibit 3. Summary of Study States

Summary Topic	States Participating in Pilot Study				States Participating in Discussions				
	Arkansas	Colorado	Illinois	Ohio	Arizona	California	Kansas	Nebraska	New Hampshire
State Structure	State-administered	County-administered, State-supervised	State-administered	County-administered, State-supervised	State-administered	County-administered, State-supervised	State-administered	State-administered	State-administered
Improper Payment Defined	Policy (Only misrepresentation in statute)	Policy	Policy	Policy (Only loosely defined)	Statute	Statute	Policy	Policy (Only IPV in statute)	State Plan
Improper Payments Processes	• Complaints or calls to the agency • Worker reviews • Supervisory reviews • Random provider reviews • Unannounced visits • Annual audits	• Complaints or calls to the agency • Counties investigate first • Office of Program Improvement involved if necessary	• Complaints or calls to the agency • Program Integrity and Quality Assurance Unit conducts regularly-scheduled audits	• Complaints or calls to the agency • Some counties have regular supervisor reviews • Counties conduct monitoring reviews, State conducts followup	• Complaints or calls to the agency • Monthly supervisory-level case reviews • Annual case reviews • Audits of provider records	• Complaints or calls to the agency • Improper Payment Unit established • Annual audits	• Complaints from the public • Review attendance sheets in the field • Field staff review or complaints	• Complaints or calls to the agency • Issuance and Collection Center Unit audits child care	• Complaints or calls to the agency • Task Force for Improper Payments established across program areas
Assessment of Risk	• Compliance Review Team • Data mining • Benchmark reporting • Exception reporting	• Office of Program Improve-ment • Ad hoc studies • Counties monitor improper payments first • Special studies	• Reliance on exception reporting • Ongoing training	• Office of Children and Families, Bureau of Child Care and Development visit each county twice during a 15-month period • Incident Tracking system tracks circumstances of any injury to a child in care	Exception reports	Improper Payments Unit	• Exception reports generated from automated systems • Audits based on department request	• Exception reports • Attorney is assigned to child care	• Developing queries for error-prone profiling • Educating providers to encourage referrals • Establishing Internet billing • Developing automated exception reports

Exhibit 3. Summary of Study States

Summary Topic	States Participating in Pilot Study				States Participating in Discussions				
	Arkansas	Colorado	Illinois	Ohio	Arizona	California	Kansas	Nebraska	New Hampshire
Automation	• New system • Up-front edits • Interface with TANF, Food Stamps, child support	• Mainframe statewide system that must be used • Most counties have own systems	• Mainframe system • Interface with TANF, Food Stamps, child support • Up-front edits • Billing process is automated for CCR&Rs and will soon be for contract providers	• Mainframe system • Interface with TANF, Food Stamps, child support • Up-front edits, but eligibility determination is not automated	• Mainframe system • Interface with TANF, Food Stamps, child support	• No State automated system, only aggregate data collected to meet Federal requirements • Many counties have their own automated systems	• Mainframe system • Interface with TANF, Food Stamps, child support • Up-front edits, but eligibility determina-tion is not automated • EBT for billing	• Mainframe system • Integrated with TANF, Food Stamps, child support • Eligibility calculated off-line	• New system • Up-front edits • System integrated with TANF, Food Stamps, child support • Interfaces to most other systems

IV. FINDINGS AND NEXT STEPS

This chapter reviews findings from the record review process and error rate analysis for the four pilot States—Arkansas, Illinois, and Ohio, and Colorado. The review of findings for each State includes a brief description of the record review process followed by a presentation of the error rate findings. The findings include six measures computed for each State as follows:

- Percentage of Cases with a Potential Error—This percentage is based on the number of sampled cases with an administrative error divided by the total number of valid cases in the sample.

- Percentage of Cases with a Potential Improper Payment—This percentage is based on the number of sampled cases with an administrative error that resulted in an improper payment divided by the total number of valid cases in the sample.

- Percentage of Payments Potentially Made in Error—This percentage is based on the total amount of child care payments that were made in error divided by the total amount of child care payments for the sample.

- Average Amount of Potential Improper Payment—The average dollars spent in error per ineligible child is the total amount of child care payments that were made in error divided by the number of cases that had an administrative error.

- Minimum and Maximum Amounts of Potential Improper Payments—The minimum and maximum amounts constitute the range within which the average amount of improper payment falls.

Following the discussion of the error rate findings for each State, the chapter outlines next steps taken by each of the pilot States following participation in the pilot project. Colorado extended its review process to include two additional phases of investigating client and provider error by verifying external data sources. The findings from the additional analyses are reviewed.

ARKANSAS

Pressures initiated by the State's conversion to a new automated eligibility system in June 2005 dictated a short timeframe for the study in Arkansas. Two program supervisors coordinated the record reviews and selected a 10-member State review team that represented different regions of the State. The supervisors modified the Record Review Worksheet template to incorporate supervisory review checklists already in use. Once the sample was drawn, the team convened in Little Rock for a training session on the use of the Record Review Worksheet, the record review process, and the documentation to use to determine record accuracy. Each reviewer examined 15 records and completed the record review process.

Results

The data indicate that 18 records (or 12% of the sample) had one or more administrative errors. In 15 of these records, the errors were due to missing documentation. In three cases, while there was sufficient documentation, the determination of eligibility was in error. Total payments made during the study period were $37,135.59 of which $5,211.47 were made as a result of potential error. These potential errors resulted in overpayments equal to 14 percent of all payments made for the sample, ranging from $163.80 to $405.30. (See exhibit 4.)

Exhibit 4. Arkansas Findings (N=150)

Percentage of cases with errors	12%
Percentage of cases with improper payments	12%
Percentage of payments made in error	14%
Average amount of improper payment	$289.53
Minimum amount of improper payment	$163.80
Maximum amount of improper payment	$405.30

Missing documentation was the most common factor found to be in error in the Arkansas sample. Due to differing documentation requirements used by the Department of Human Services, Temporary Assistance for Needy Families (TANF) staff to determine eligibility for Extended Support Services child care assistance in October 2004, the errors in the Extended Support Services cases required additional followup. The Division of Child Care and Early Childhood Education (DCC/ECE) reviewers may not have been familiar with the documentation that Transitional Employment Assistance (TEA) and TANF cases require for eligibility determination. In addition, much of the supporting documentation may have been available for verification on the TANF automated eligibility system, to which the reviewers had no access.

Following a case-by-case error review, the county office staff resolved many of the potential errors. Results indicate that errors due to missing documentation were equally divided between the 2 types of child care cases—9 of 11 Extended Support Services cases and 6 of 7 Low-Income cases, despite different eligibility standards.

Next Steps

Error rate findings revealed some shortcomings in administrative management policies in Arkansas. The most commonly cited error was missing documentation, which may not have resulted in client ineligibility. Missing documentation may mean that while workers followed policies to determine eligibility, the necessary documentation was not present in the case file. However, for this study, Arkansas failed the entire case and counted the entire subsidy amount as an improper payment. This may have been a more rigorous application of error as compared to other State interpretations or, alternatively, the missing documentation was serious enough to render the case ineligible.

The review month (October 2004) occurred before the TEA, TANF, and Extended Support Services cases transferred to the DCC/ECE and the State converted to a new automated system—Arkansas anticipated some administrative errors. Arkansas can reduce the error rates within the next year with several system changes. The State will be conducting training to clarify standards to document eligibility as part of new staff positions in DCC/ECE to manage the increased caseload responsibilities brought on by including the Transitional Employment Assistance, TANF, and Extended Support Services cases. Planned system enhancements include converting to a new automated system that has up-front edits to prevent or decrease calculation errors and enhanced monitoring to identify improper payments through the creation of exception reports using a Decision Support System. Each of these enhancements is briefly described below.

- Over the past year, the Arkansas Department of Human Services reorganized all child care services under the DCC/ECE Family Support Unit. This unit received 26 new positions statewide with the transfer of the TEA and TANF cases.

- Recognizing the limitations of its legacy automated system, KIDS (Key Information Delivery System), DCC/ECE designed and developed a new automated eligibility system called Keying in Day Care Accurately, Reliably, and Efficiently (KIDCare), to be fully operational as of July 2005. DCC/ECE designed KIDCare to determine eligibility based on program specific guidelines and has incorporated numerous edits to prevent inaccuracies from occurring on the front end of eligibility determination.

- Arkansas is also working to develop a Decision Support System. The purpose of this system is to provide management query and reporting capability utilizing data extracted and transformed from across all relevant data systems within the child care assistance network. Using benchmarking techniques, managers will be able to design reports to predict or identify potential sources of improper payments for monitoring and investigation.

ILLINOIS

The Program Integrity and Quality Assurance Unit conducted the record reviews for the current study. Because of the volume in the Cook County Child Care Resource and Referral (CCR&R) agency, the study team reviewed the client records for their largest CCR&R, Action for Children on site. The other CCR&R and site-administered programs sent their records to the Department of Human Services for review.

Illinois modified the Record Review Worksheet to closely mirror the checklist that is currently in use for record reviews in Illinois. During the site visit, the State review team selected several cases from the Action for Children CCR&R and reviewed them with the study team. A discussion of each item on the Record Review Worksheet took place using an actual record to determine exactly what information would satisfy each requirement. This process provided training and increased interrater reliability on the required documentation.

Results

The data indicated that 36 cases (24%) in the sample had one or more administrative errors. Only nine (6%) of the cases with errors resulted in an improper payment. Total payments made during the study period were $37,044.74 of which $1,355.99 were made as a result of potential error. These potential errors resulted in overpayments equal to 4 percent of all payments made in the sample. The average amount of potential payment error was $150.64, ranging from $21.66 to $430.00. The majority of errors in the Illinois sample were administrative errors that did not result in an improper payment. The most common error finding was missing documentation. (See exhibit 5.)

Exhibit 5. Illinois Findings (N=150)

Percentage of cases with errors	24%
Percentage of cases with improper payments	6%
Percentage of payments made in error	4%
Average amount of improper payment	$150.64
Minimum amount of improper payment	$21.66
Maximum amount of improper payment	$430.50

Next Steps

While Illinois had a higher than expected number of records with an administrative error, the majority of these did not result in an improper payment. The Illinois data indicate a very low payment error rate. Because of Illinois' routine auditing processes, State reviewers followed consistent standardized procedures to interpret whether the administrative error resulted in an overpayment.

Prior to this study, Illinois implemented several procedures at the front end of service delivery to prevent improper payments:

- The Child Care Tracking System has multiple front-end edits built into the eligibility, redetermination, and billing processes. These edits prevent inaccuracies in eligibility determination before authorization.

- All additional databases and screens required to adequately check Social Security numbers, parentage, child support, employment status and wages, TANF, Food Stamps, and Medicaid receipt are available to the child care worker at the time of eligibility determination. Eligibility determination training requires the worker to follow a standardized sequence of steps to these other databases to authorize care for the client and payment for the provider.

- Illinois developed a resource directory for workers to outline acceptable forms of documentation or verification needed to determine eligibility accurately. The guide provides clarification for workers to use with clients during the eligibility process when the client cannot produce the required documentation. A worker can place a case in a pending status while awaiting necessary documentation.

- To eliminate payment errors, the State developed a policy regarding payments based on the number of days of care, called the 80 percent rule. To address the issue of decreased provider payments due to inconsistent CCAP client attendance, a policy of determining the number of days of care paid by providing an 80 percent rule was established. For licensed providers only, if a child has attended 80 percent of the monthly days authorized, the provider will receive full 100 percent payment. If the child attends less than 80 percent of the days authorized, the provider receives payment for the actual amount of care.

Following service authorization, Illinois generates up to 26 improper payment reports to highlight areas of potential problems or concern. These exception reports can trigger one of several responses—additional research on the identified discrepancy, a stop payment, or overpayment letters sent to providers. Examples of these reports include:

- Multiple Providers with the Same Address—This report identifies multiple providers with the same address approved for active cases on the Child Care Tracking System. There may be situations when more than one provider is caring for multiple children at the same address, but often this is not the case.

- Clients Who Are Also Providers—Recipients of a child care subsidy may also be providers, but this situation is not likely. This report provides the information necessary for the CCR&Rs to verify the legitimacy of the situation.

- Client on Multiple Case Report by Name and Date of Birth—This report lists active cases that have the same case name and date of birth more than once.

- List of Licensed-Exempt Provider Overcapacity—This report lists licensed-exempt providers approved for more than three children from more than one active case.

Illinois' strategies of up-front prevention and monitoring after service authorization provide a comprehensive system of activities and programs to reduce improper payments.

OHIO

Four staff members completed the record reviews—one staff member from the child care monitoring unit and three from the quality control unit. The review staff members were familiar with program requirements, policy, and local procedures. Because of the number of records pulled from some of the large counties, the review team reviewed some records on site and in counties that were a distance to travel and had only one case as part of the sample these cases were reviewed at the central office in Columbus. All records received a second review as an additional level of quality control. When reviewers encountered errors in the records, counties received notification so that they could take corrective action.

Ohio modified the Record Review Worksheet to mirror existing policy. A discussion of each item on the Record Review Worksheet took place using an actual case file to determine exactly what information would satisfy each requirement. This process provided training and increased rater reliability on the required documentation.

As in most States, TANF recipients' cases pose a unique problem for the child care program because the TANF staff handle the eligibility determination.

Results

The data indicate that 54 cases (44%) in the sample had one or more administrative errors.[9] Thirty two percent of the cases had errors resulting in overpayments equal to 20 percent of all payments made in the sample. Total payments made during the study period were $37,716.13 of which $7,576.78 were made as a result of potential error. The average amount of potential payment error was $197.24, ranging from $22.00 to $675.00. (See exhibit 6.)

Exhibit 6. Ohio Findings (N=123)

Percentage of cases with errors	44%
Percentage of cases with improper payments	32%
Percentage of payments made in error	20%
Average amount of improper payment	$194.28
Minimum amount of improper payment	$22.00
Maximum amount of improper payment	$675.00

Missing documentation as well as improper income or parental fee calculation contributed most frequently to errors in eligibility. Ohio discussed the findings with county staff who had the opportunity to clarify and or produce additional documentation. Missing documentation is a serious administrative shortcoming, but it does not necessarily indicate that the family was ineligible. In some cases, however, the missing documentation can be serious enough to cause an improper payment or render the entire case ineligible.

Next Steps

During the study design phase, the States predicted that limiting the focus of the error rate analysis to administrative errors would not yield many improper payments. Ohio was surprised to learn the extent of error in the records—staff stated that it "forced us to sit still and look at our processes." As a direct result of the study, the State has begun to retool its monitoring and technical assistance processes with the county agencies, will be implementing a quality control process for the child care program and has been examining policy for possible revisions to strengthen and clarify procedures.

Prior to the study, the Research, Assessment, and Accountability Division, Quality Control Unit did not review child care, believing that child care program requirements were too vague. The study experience demonstrated that the requirements for child care are adequate to determine error in the ongoing monitoring process. The Division of Child Care now realizes that there are serious flaws in existing child care improper payment monitoring processes. The State is making changes in the process to ensure that more effective monitoring will take place in the future.

COLORADO

While the study methodology focused on administrative errors, Colorado was the only study site that extended the examination to include client and provider errors for a subsample of 35

[9] In Cuyahoga County, many of the records had been moved to a locked warehouse and documents to verify eligibility had not yet been scanned into the automated system. The State was unable to gain access to these records. Because there were 27 unobtainable records, the sample size for Ohio was reduced to 123 valid obtainable records for the pilot project review process.

children from all of the 12 counties in the sample. The record review included three phases. Phase I focused on administrative error, including eligibility determination and redeterminations as well as accuracy in determining the cost of care and the parental fee. For the subsample of 35 cases, Phase II reviewed provider error by verifying attendance information and amounts billed. Phase III verified clients' employment or educational situation, as well as whether changes to the clients' circumstances occurred and were reported as required.

The State conducted the Phase I record review in Denver. The State review team consisted of one staff person from the Department of Human Services, the program director from the Division of Child Care, and two auditing staff from the Office of Performance Improvement, Audit Division.

Phase I Administrative Error Results

Phase I data from Colorado indicate that 52 cases (35%) in the sample had one or more administrative errors. Twenty-five percent of the cases sampled had errors that resulted in overpayments equal to 8 percent of all payments made in the sample.[10] Many of the cases reviewed had administrative errors that did not result in an overpayment. Total payments made during the study period were $42,011.04 of which $3,292.54 were made as a result of potential error. The average amount of potential payment error was $88.99, ranging from $1.00–$521.00. (See exhibit 7.)

Exhibit 7. Colorado Findings—Phase I (N=150)

Percentage of cases with errors	35%
Percentage of cases with improper payments	25%
Percentage of payments made in error	8%
Average amount of improper payment	$88.99
Minimum amount of improper payment	$1.00
Maximum amount of improper payment	$521.00

The most frequently cited errors occurred in calculating income or parental fee. The review team identified 30 cases with these types of administrative errors or over one-half of all error cases. The total dollar impact of these errors constituted the majority of the total error dollars. The total dollar impact of the percentage of improper payments was 8 percent of the total amount of sample subsidies.

This initial administrative error rate measure provided Colorado with a baseline against which to compare Phase II and Phase III audit findings. Additional improper payments were discovered in the extended review with a subset of the sample. The pilot findings underscore the importance of regularly conducted compliance reviews by the State to improve administrative practice. The pilot methodology allowed Colorado to gain evaluative information on potential areas for improvement in administrative policy.

[10] This rate was determined by dividing the total amount of child care payments that were made in error in the Phase I review by the total amount of child care payments for the subsample.

Phase II (Provider Error) and Phase III (Client Error) Results
A subset of 35 cases was selected from the original 150 sample for further study. The subset was chosen at random. As part of phase II, the Colorado review team directly contacted each provider within the subsample and requested additional documentation, including attendance rosters, billing records, and sign-in sheets for parents. If issues arose, a team member contacted the provider to verify the information. As part of phase III, the review team directly contacted the parent and, if necessary the employer, to verify employment and work records.

Phase II provider errors yielded an additional $1,113.45 (12%) in improper payments.[11] Examples of provider error included missing sign-in sheets verifying if or when the child attended the child care center and provider billings for more absences than allowed by policy. Phase III client error yielded an additional $1,252.35 (13%) in improper payments.[12] Examples of parent error included failure to report a work change and allegedly falsifying employment verification.

Next Steps
While the 25 percent case error rate indicates serious administrative inaccuracies, almost one-third of the cases reviewed had policy errors that did not result in a payment error. Colorado's further analysis of parental and provider error via external verifications for discrepancies uncovered additional error findings. This very small subset yielded findings that indicate that there is a need in future reviews to externally verify both provider and client documentation as an integral piece of the case review process.

However, the small number of cases in error represents a small subset of the entire sample—using the data from this study to determine the causes of the errors should be viewed with some caution. Data from this study should be evaluated against historical experiences with compliance reviews and other input in developing recommendations for improvement.

In response to these findings, Colorado plans to take the following actions:

- Implement automatic income calculation into Colorado's automated Child Care Tracking System. The State has defined the requirements for several updates to the automated system, which are in process.

- Conduct training and feedback with all participating counties to address deficiencies identified in this study.

- Share the results of the error rate analysis at the upcoming State child care conference.

- Change statutory language to simplify access to other State databases such as those for new hires and unemployment compensation. This study identified the need for interfaces with other systems. It also pointed out deficiencies in some of the interfaces that are currently

[11] This rate was determined by dividing the total amount of child care payments that were made in error in the Phase II review by the total amount of child care payments for the subsample.
[12] This rate was determined by dividing the total amount of child care payments that were made in error in the Phase III review by the total amount of child care payments for the subsample.

available. (Matching data between child care and Motor Vehicles only yielded a match for approximately two-thirds of the cases because the Motor Vehicles database is often out of date with address and residents only have to renew their license every 10 years.)

- Examine State policies to determine where changes may be necessary to provide more consistent application, particularly in the area of self employment.

Colorado's data can be interpreted and compared against the findings from their prior provider study conducted in 2003. The 2003 study found that there was often a lack of documentation available to support payments made. Recommendations included the need for staff and provider training, updates to automated systems, and development of error profiles to assist the State in identifying areas for examination of potential error. Because of the payment monitoring studies, the Division of Child Care and the Office of Performance Improvement have initiated several other actions, including:

- Issuing a prevention CD-ROM to raise awareness about fraud;

- Using data mining techniques to identify potential areas of concern with a new software tool, ACL, that assists in auditing, extracting financial data, analyzing data, and detecting fraud; and

- Embarking upon a pilot program with 12 counties to identify case profiles where potential fraud would occur. A major outcome expected from the pilot is developing error profiling and identifying what constitutes a data anomaly.

Special studies continue to underscore the need to regularly measure progress in the reduction of improper payments in the child care system. Colorado plans to continue conducting periodic auditing processes, but requires increased resources in the Office of Performance Improvement to conduct child care audits on a more regular basis.

CONCLUSION

This study was an exploratory effort to develop and pilot a common methodology that States could use to compute an error rate. This exploratory study, based on an examination of administrative error, yielded extremely useful findings.

As can be seen in the summary table below, the estimated percentage of payments made in error in the four pilot States ranged from a low of 4 percent to a high of 20 percent. The estimated percentage of sampled cases determined to contain administrative errors ranged from 12 percent to 44 percent. However, the percentage of sampled cases with administrative errors that resulted in an improper payment ranged from 6 percent to 32 percent. (See exhibit 8.)

Exhibit 8. Summary of Findings

Measure	Arkansas (N=150)	Illinois (N=150)	Ohio (N=123)	Colorado (N=150)
Percentage of cases with errors	12%	24%	44%	35%
Percentage of cases with improper payments	12%	6%	32%	25%
Percentage of payments made in error	14%	4%	20%	8%
Average amount of improper payment	$289.53	$150.64	$194.28	$88.99
Minimum amount of improper payment	$163.80	$21.66	$22.00	$1.00
Maximum amount of improper payment	$405.30	$430.50	$675.00	$521.00

Because this was a pilot effort, the error findings are promising as a baseline test of the methodology. The methodology was a good working model for States to gain useful evaluative information on potential areas for improvement in administrative policy. The findings did uncover several potential sources of administrative error such as incomplete or missing documentation and inaccurate calculation of income or parental fee that merit further followup in each State. Using the data from this study to determine the causes of the errors should be viewed with some caution. Data from this study should be evaluated against historical experiences with compliance reviews and other input in developing recommendations for improvement.

States that have historical experience with compliance reviews suggest that the more error-prone areas of eligibility are client or provider caused. To explore this area of error estimation, Colorado extended its record review process to include an examination of client and provider errors. The purpose of this extended review was to use independent sources of verification to determine a level of error that would be more predictive of errors that could result in client ineligibility. This very small subset indicated that the study methodology can be refined to include an external verification of both provider and client errors that are important areas of risk for improper payments.

This pilot study demonstrated that improvements to administrative practice to reduce administrative error can result in preventing or deterring improper payments caused by clients and providers as well. Independent confirmation of employment or training and intermittent reconfirmation of participation, as well as comparing attendance or sign-in and sign-out sheets with claim forms, can help ensure that recipients were participating in the activities for which services were provided. As a result of this study, each State has planned action steps or has implemented several new systematic changes to improve monitoring or reduce improper payments. For example, Arkansas will conduct training to clarify standards for documenting eligibility as part of new staff positions in DCC/ECE to manage the increased caseload responsibilities brought on by including the TEA, TANF, and Extended Support Services cases.

While Illinois had a higher than expected number of cases with a policy error, the majority of these administrative errors did not result in an improper payment. The Illinois data indicate a very low payment error rate. Because of Illinois' routine auditing processes, State reviewers followed consistent standardized procedures for the interpretation of whether the administrative error resulted in an overpayment.

Because of this study, the Ohio Division of Child Care now realizes that there are serious flaws in its existing child care improper payment monitoring processes. Changes to the process to ensure that more effective monitoring will take place in the future. State staff will begin auditing counties on a regularly scheduled basis beginning in December 2005.

V. RECOMMENDATIONS

This pilot study was an exploratory effort to develop and test a methodology that States can use to compute a statistically valid error rate estimate. The methodology was successfully tested in four States, representing both State- and locally-administered management structures. This chapter outlines recommendations about the methodology for the Child Care Bureau (CCB) to take under advisement.

A desired outcome of this study is to recommend a strategy that will assist States in measuring the reduction of improper payments. Used as a performance measure, an error rate can be part of an effective strategy to monitor progress on error reduction. To reduce improper payments, many States have invested administrative resources into the infrastructure needed to design, evaluate, and monitor program compliance, quality, and accountability. An error rate is a useful tool for these States to assess progress toward the goal of reducing improper payments.

For those States that have implemented error rate measurement, the results have been instructive, prompting States to reexamine policy or regulations, clarify procedure, and develop new business practices.[13] The four study States that implemented error rate measurement as part of this pilot are planning to reexamine their monitoring processes, provide training, or clarify policy and procedure in those counties where problems or issues were identified.

The findings also reveal useful feedback regarding challenges encountered in the pilot study of the methodology. For example, States need a backup plan when cases from a participating county are unobtainable. Thirty-eight cases from one county were removed from the Ohio sample. That county was in the process of implementing imaging technology and those cases could not be removed from the warehouse. The study team could not select replacement cases within the study timeframe to fix this problem with the study sample. Rather than penalize the State by failing every missing case, the study team analyzed the results without these missing cases, thus reducing the statistical validity of the Ohio sample. Anticipating these types of problems prior to future compliance reviews, States can avoid such large numbers of missing records by giving counties sufficient notice prior to compliance reviews so the cases can be retrieved in a timely manner.

Another challenge was the variation in the ways that States interpreted the error findings. States need to standardize the interpretation of error findings to have more reliability across raters and results that are more consistent. For example, Illinois has defined the documentation required for eligibility specifically enough that raters know exactly how to interpret the missing data and whether it would constitute an eligibility error. Each State could define hierarchies of errors, such that certain types of errors constitute less concern or do not necessarily result in an improper payment. The study team detected some variation in the thresholds for what constituted an error from State to State, but this was an expected outcome of this pilot effort. Each State review team can provide very useful feedback for improvements to the record review process to increase the reliability and consistency of error interpretation.

[13] California and Connecticut are the only States known to the study team to date that regularly use error rate as a performance indicator in the child care subsidy program.

As a result of increasing standardization of what constitutes an error, States can begin to construct different hierarchies for different types of errors. Evaluation of the data indicates that the most common error found by reviewers involved a lack of sufficient documentation. This result is consistent with the findings from the California error rate analysis.[14] However, the interpretation of what missing documentation constituted ineligibility must be clearly defined by each State prior to initiating the review process. The rigor in this interpretation may have varied from State to State. For many cases the errors due to missing documentation did not result in an improper payment. In some cases, however, missing documentation resulted in the case being deemed ineligible and the entire subsidy ruled an improper payment. States need to standardize what missing documentation results in ineligibility and how State reviewers should compute the resultant improper payment.

States that have historical experience with compliance reviews suggest that the more error prone areas of eligibility are caused by clients or providers. To explore this area of error estimation, Colorado extended its record review process. This additional study yielded findings that indicate that there is value in an extended study of both client and provider caused error. The study methodology can be refined in future reviews to include State-specific techniques of external verification of both provider and client error. States may want to pilot these additional areas in their error reviews, not limiting the review to administrative error. However, extended reviews can be costly due to travel, staff time, and related costs. States will need to customize auditing techniques to pursue additional investigation of cases identified as being problematic or at greatest risk for an improper payment.

States can also implement improvements to administrative practice to reduce administrative error. These improvements include independent confirmation of employment or training and intermittent reconfirmation of participation, as well as attendance or sign-in sheet comparison with claim forms.

An initial error rate measure provides both the States and the CCB with a baseline against which to compare future audit findings. The pilot findings underscore the importance of regularly conducted compliance and evaluative reviews by States to improve administrative practice. Federal monitoring of improper payments compliance reviews would not have to occur every year. Audits in some programs, such as title IV-E, are not conducted on an annual basis. States could self-certify on the results of regularly held compliance reviews, and reporting on the results of improper payment monitoring could occur every 2 years as part of the State Plan submission process.

While there is an emphasis on regularly conducted reviews to comply with the Improper Payment Act, the study underscores the value of findings derived from a smaller yet still statistically valid sample. The pilot study used a sample to 150 cases per State, adequate for a pilot study intended to establish feasibility and estimate the cost of the methodology. However, to achieve the level recommended by the Office of Management and Budget would mean selecting much larger sample sizes per site. The burden on the States to implement a

[14] CalWORKS and Alternative Payment Child Care Programs Error Rate Study Report Required by Chapter 229, Statutes of 2004, (Senate Bill 1104, Committee on Budget and Fiscal Review) April, 2005, p.2.

methodology that requires a larger sample size would be much more costly than for the pilot study.

This study cannot address in a scientific manner the issue of costs to conduct a statewide error rate analysis, but describes in a general way the level of effort required by the States. However, the study did make some estimates. The study team asked the participating States to track the time spent reviewing each record. Time spent ranged from less than 1 hour to several hours.[15] State review teams varied in size from 3 to more than 10 reviewers. Regularly reviewing cases to monitor compliance requires a significant investment in infrastructure at both the State and local levels. One audit approach States may consider to avoid unreasonable costs is to select a first sample and set a threshold that if a certain number of cases "fail" then another sample is pulled. This would prevent using a more intensive approach unless it is needed.

To support such a standardized methodology for error rate measurement, the CCB has a strong group of committed States and stakeholders who can provide additional feedback on improvements to the methodology to assure that it can achieve the desired outcomes in each State. The importance of involving the partner States in developing and shaping an error rate methodology for all States cannot be underestimated. The contribution of the four study States to demonstrating the feasibility of this methodology for child care in the current study was exemplary.

[15] Colorado incurred the longest review times, but they did reduce the amount of time spent on case reviews over the duration of the study and they did conduct a more detailed analysis with a sub sample of cases.

APPENDIX A.
ARKANSAS

SITE VISIT SUMMARY

Overview of the Child Care Assistance Program

During 2005, the Arkansas Department of Human Services (DHS) reorganized all child care services under the Division of Child Care and Early Childhood Education (DCC/ECE). Previously, DHS Transitional Employment Assistance (TEA) staff at county offices determined eligibility for families receiving Temporary Assistance for Needy Families (TANF), while the DCC/ECE Family Support Unit staff determined eligibility for the low-income program and child care associated with foster care and child protective services. As of July 2005, all types of child care fall under the Family Support Unit of DCC/ECE, which received 26 new positions statewide with the transfer of the TEA/TANF cases to the unit.

Other child care system units within DCC/ECE include Pre-K and Program Development, the Special Nutrition Program, and Child Care Licensing. The Pre-K and Program Development Unit is responsible for State Accreditation Grants, Child Care Resource Centers, Training, teacher licensure, monitoring and evaluation, and the Arkansas Better Chance for School Success (ABCSS) Program. The Special Nutrition Program is responsible for the U.S. Department of Agriculture's National School Lunch, Summer Food Service, Child and Adult Care Food Program, and special milk programs. The Child Care Licensing Unit handles the licensing of Child Care Centers and Child Care Family Homes, voluntary registration, and criminal record checks.

To be eligible for child care assistance in Arkansas, families must have income less than 60 percent of the State median income, live in Arkansas, have children younger than 13 years of age (or age 19 for special needs), and meet citizen eligibility requirements. Eligible families receive the following types of child care assistance.

- Extended Support Services (ESS)—Child care assistance is provided to 14,000 children (7,000 families) meeting 3-year increasing employment and training requirements of 20 hours per week during the first year, 25 hours per week during the second year, and 30 hours per week during the third year. Specific eligibility requirements for this program include participation in the TANF program.

- Transitional Employment Assistance (TEA)—Child care assistance is provided to 5,000 children (3,000 families) meeting TEA or TANF eligibility requirements. Recipients of this type of child care are transitioning out of the TANF program.

- Low-Income—Child care assistance is provided to 11,000 children (7,000 families) in low-income families when the parents work or are in training or other educational activities for a minimum of 32 hours per week. Eligibility is based on income, work or school hours, and pursuit of child support.

- Foster and Protective Services—Child care assistance is provided to 1,200 children (600 families) in foster care and 149 children (90 families) receiving protective services.

In State Fiscal Year (FY) 2004, Arkansas provided child care assistance to 30,572 children in 17,555 families. Arkansas has 100 percent licensure in 1,574 licensed child care centers, 952 child care family homes, and 118 registered or relative homes. The total licensed capacity for all types of care is 135,850.

To apply for child care, families submit an application to their local DHS office. The application is reviewed for basic eligibility requirements. Upon application, families are categorized into priority groups: teen parents, homeless, low-income without a fee, and low-income with a fee. All applicants are approved, denied, or placed on the waiting list within 45 days. The program goal is for a Child Care Specialist to see all applicants on the waiting list within 30 days. Of the 75 counties in Arkansas, the majority have fewer than 100 families on the waiting list, with the most in Pulaski County, which has 15 percent of the child care caseload. Prioritization for receipt of child care services is based on county, priority code, and application date. The individual's eligibility is effective for 12 months.

Verification of applications is conducted first with a check against prior eligibility, then by checking with other systems (e.g., TEA/TANF, Food Stamps, child support enforcement, Social Security Administration, child welfare) as well as on-site visits by special nutrition or licensing staff. Arkansas issues vouchers for all participants in the subsidy program. Once the family is approved, the Child Care Specialist keys in the authorization certificate for the chosen child care provider. The family is authorized for 6 months of care. A redetermination takes place at the end of 6 months.

Providers must be licensed and sign a Child Care System Participant Agreement Form, which is valid for 2 years. This agreement states that "the provider is responsible for all overpayments, fraud, or legal proceedings against the provider for noncompliance" and that DCC/ECE "reserves the right to recoup payments through current and subsequent payments to the provider." Providers must agree to an annual audit if they receive more than $100,000 per year in Federal or State payments. If fraud or a pattern of incorrect billing is suspected, audits are mandatory. DCC/ECE also mandates biannual training for providers.

All providers must have a valid license or registration before the Child Care Specialist issues a certificate. Approximately 36 percent of the providers currently bill through the Internet, while the remainder use a touch-tone telephone entry system for their billing. DCC/ECE processes billing information three times each week. The preferred method of payment is through direct deposit, but checks are still issued.

According to the 2004 "Building for the Future of Arkansas Children" report, there were more than 181,585 children, under the age of 5, living in Arkansas. More than 30 percent of those children lived in poverty. During the 2000 school year, approximately 38 percent of fourth-grade students scored below the basic test levels in math and science. To address this, Arkansas developed the Arkansas Better Chance for School Success (ABCSS) program in 2004, earmarking $40 million dollars to establishing quality pre-Kindergarten programs in areas where there is low academic achievement. The program emphasizes school readiness for children 3- and 4-years of age whose families are at or below 200 percent of the Federal poverty level. The areas targeted include:

- Areas where 75 percent or more of the fourth-grade test results were below proficiency benchmarks;

- School districts in academic distress as designated by the Arkansas Department of Education; and

- Areas of the State where designated elementary schools are in the "improvement" status based on Federal No Child Left Behind standards.

More than 14,000 children participated in the ABCSS during 2004 and the State's goal is to increase that number to 22,000 during 2005.

Improper Payments Process

DCC/ECE takes a preventive, systems-based approach to identify, investigate, and resolve improper payments. To achieve this, DCC/ECE established a Compliance Unit Team comprised of four staff from the Office of Chief Council (OCC), two from the Overpayment Processing Unit, the Assistant Director of Operations and Program Support for DCC/ECE, and four Compliance Unit staff.

Improper payments can include fraud, intentional program violation, overpayments, and underpayments. DCC/ECE defines the differences among each.

- Fraud is an attempt by a provider or client to receive services or payments to which they are not entitled by willfully making a false statement, misrepresentation, or impersonation. The Fraud Unit within the OCC investigates fraud.

- An intentional program violation is making a false or misleading statement or misrepresenting, concealing, or withholding facts to receive services in an amount that exceeds $500. The Fraud Unit within the OCC investigates intentional program violations. If there is an intentional program violation, several possible actions ensue, including parent or provider termination or exclusion, repayment in full or, if disputed, an administrative hearing.

- Overpayments are any payment less than $500 that the provider or client was ineligible to receive. If a parent or provider overpayment is less than $500, it is referred to the Overpayment Processing Unit, which sends a demand or repayment notice. Overpayments greater than $500 are referred to the OCC, which investigates to determine if there is evidence of an intentional program violation.

- Underpayments occur when a provider or client does not receive all payments for all enrolled services.

Assessment of Risk

DCC/ECE takes a multifaceted approach to identify overpayments and fraud focused on both client and provider error. The approach includes front-end strategies to obtain accurate information and documentation for eligibility using a comprehensive automated system, as well as back-end strategies such as auditing and exception reports that highlight potential problems, errors, and fraud. Some of these techniques are highlighted below.

Case Worker Referrals

- Each worker must identify three suspected fraud and overpayment referrals each month as inconsistencies and problems typically arise at 6-month redetermination.
- Supervisors review 35 cases per worker each quarter, with the requirement that they find less than 4 percent administrative error.
- Child care providers and members of the public are encouraged to report suspected fraud.

Billing Audits and Annual Audits

- The Compliance Unit Team reviews 3 months of billing information per quarter for 51 randomly-selected providers.
- The Compliance Unit Team monitors provider annual audits for poor or inadequate documentation to develop corrective action plans.
- The Compliance Unit Team terminates or takes exclusionary action if problems identified in these reviews are not corrected.

Unannounced On-site Visits

- Licensing staff conduct unannounced on-site visits three to five times per year to monitor compliance with the State plan.
- Licensing staff verify on-site observations against billing records to demonstrate compliance.

Continuous Monitoring

- Licensing Staff and the Compliance Unit Team continuously monitors and closely cooperates with other partners to uncover issues with provider between and among programs.

Data Mining and Benchmarking Techniques

- Data mining techniques include querying other systems to merge data to create exception reports that profile potential problems to be investigated.
- Reports comparing benchmarks (e.g., days/hours open, number of children served, number of authorized hours) against the billing submitted.
- Conceptual design and a prototype for a business intelligence system, Decision Support System (DSS), to be implemented during 2005.

Automation

Since 1994, DCC/ECE has used Key Information Delivery System (KIDS), an older mainframe, character-based system, to provide automated tracking of child care assistance in Arkansas. KIDS is code-driven, making it difficult to use and even more difficult for new workers to learn. For example, there are no automated linkages between KIDS and ANSWER, the TANF automated system. This requires the worker to exit one system to query another. Recognizing the limitations of KIDS, DCC/ECE designed and developed a new automated eligibility system called Keying in Day Care Accurately, Reliably, and Efficiently (KIDCare), to be fully operational as of July 2005. DCC/ECE designed KIDCare to determine eligibility based on program-specific guidelines and has incorporated a number of edits to prevent inaccuracies from occurring on the front end of eligibility determination. These edits include:

- Checking age against the type of care;
- Requiring program approval if service authorization is older than 45 days;
- Checking services authorized against services rendered;
- Calculating subsidy amount and copay based upon established criteria; and
- Deobligating subsidy under certain predetermined conditions, such as exclusions, adverse actions against a provider, over 60 days, and termination.

Now that DCC/ECE is responsible for the TEA and ESS child care cases, a prime feature of the new KIDCare system is that it interfaces with other systems:

- The TEA child care application cannot be authorized unless there is an open TEA case in the ANSWER (TANF) system;
- TEA case closure in ANSWER automatically deobligates authorizations within KIDCare;
- ESS child care authorization requires TEA case closure in ANSWER;
- Automatic tracking of ESS case period of entitlement;
- A split-screen feature displays data contained in ANSWER and KIDCare side by side, so that the worker can determine and update the most accurate demographic, income, and other information;
- SSA enumeration validates Social Security numbers using name, date of birth, and sex; and
- Interface deobligates authorizations when vendors are excluded and allows authorizations during the exclusion period.

The design of the new system also took into consideration the management of the child care budget process. KIDCare allocates all child care funds across counties, using an allocation formula. It allows prioritized spending of funds and tracks allocated, obligated, available, billed, and paid funds. The design of the system also ensures compatibility with the State’s accounting system, Arkansas Administrative Statewide Information System (AASIS).

The second major initiative after KIDCare is the development of a Decision Support System (DSS). The purpose of the DSS is to provide management query and reporting capability utilizing data extracted and transformed from all relevant data systems within the child care assistance network. Using benchmarking techniques, managers will be able to design reports to predict or identify potential sources of improper payments for monitoring and investigation. DCC/ECE developed a prototype DSS to begin to produce a set of comprehensive ongoing reports.

Information from the following systems will be part of the DSS:

- ABCSS—The ABCSS program uses the Child Outcome Planning and Administration software for its data requirements. This data system contains information about the ABCSS, including children served, funding sources, staff credentials, and related information. This application is a Web-based solution.

- CLEAN—This child care licensing system contains contractual information on all facilities and licensed providers. If a provider is under a corrective action agreement the record is “flagged,” such that when the record is accessed an alert is issued with the pertinent information concerning the action. The child care rates from CLEAN will be automatically displayed within the new KIDCare system. The CLEAN system contains a comment screen to input explanations and a Complaints and Outcome section for both unlicensed and licensed providers. DHS developed CLEAN using Visual Basic 6 and a SQL Server 2000 database.

- Child Care Billing System—Providers enter their billing information via the Internet or by using a touch-tone telephone system.

- Exclusion—This database contains all of the information concerning providers subject to exclusions. It also interfaces with the CLEAN system. DCC/ECE developed the Exclusion system using Visual Basic 6 and a SQL Server 2000 database.

- Special Nutrition Program (SNP)—This database contains pertinent information concerning children in the Special Nutrition Programs.

- The Recipient Overpayment Accounting System (ROAS)—Tracks client overpayment referrals across every category of service, including TANF, Food Stamps, and child care. This system tracks overpayment until resolution. DHS developed ROAS using Visual Basic 6 and a SQL Server 2000 database.

- The Provider Overpayment Accounting System—This is an Excel spreadsheet rather than a structured database. DCC/ECE discussed upgrading this application into a full database.

- DCC Tracker—This database tracks provider and client overpayment assessments. It is an ACCESS database.

- KIDCare—The division developed this new child care eligibility system using Visual Basic 6 and a SQL Server 2000 database.

- ANSWER—The TANF data will be matched against ages and number of children authorized, hours of care, provider and client Social Security numbers, and addresses.

- Child Support—The child support data will be matched against the KIDCare system to determine if parent has good cause and is exempt or ineligible for services due to lack of cooperation.

System requirements for the DSS include:

- Compatibility with Arkansas network and operations;

- Integration with DHS production systems;

- Minimal training for use and maintenance;

- Data security;

- Sufficient size and storage capacity; and

- Frequent updating.

Record Review Process

Conversion to a new automated eligibility system during June 2005 dictated a very short timeframe for the record review process. Two DCC/ECE supervisors coordinated the record review effort and selected a 10-member State Review Team, representing the different regions of the State. The supervisors modified the Record Review Worksheet template to incorporate supervisory review checklists already in use. Once the sample was drawn, the team was convened in Little Rock for a training session on the use of the Record Review Worksheet, the record review process, and what documentation to use to determine record accuracy. Each reviewer examined 15 records and together they completed the record review process.

Because Arkansas completed its record reviews before the site visit, the study team reviewed the process and examined the results of the record review during the site visit. Records randomly selected for the review were of 2 types: 65 low-income and 85 ESS cases. Preliminary results indicated errors in both sets of records. The errors in the ESS cases required additional followup due to different documentation requirements used by the DHS TANF staff that determined eligibility for ESS child care assistance in October 2004.

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RECORD REVIEW WORKSHEET

The Record Review Worksheet used for this site is located on the following pages.

Exhibit A–1. Arkansas Record Review Worksheet

				No Error	Client Error	Agency Error	Notes
Application Process	Applicant Information		Client Name				
			Residence Address				
			Mailing Address				
			Children				
			Others (2nd Parent)				
	Ref. Appendix A 100,300						
	Head of Household		Have open child support case				
			Meet semester or quarter hours w/ enrollment in institution of higher learning				
			Number of work hours met				
	Ref Appendix 400						
	Forms						
		DCC-531 Notice for Child Care					
		Assistance					
		DCC-513 Application					
		DCO-97 Earning Statement					
		DCC-540 Citizenship Form					
		DCC-576 Non Custodial Child					
		Support Statement					
		DCC-552 Child Care Arrangement					

Exhibit A–1. Arkansas Record Review Worksheet

			No Error	Client Error	Agency Error	Notes
	Verification					
	DCO-1413 Work Requirement/ Lifetime					
	Limit Notification					
	DCO-1414 ESS Child care Earning Request					
(@ each authorization)	DCO-1412 Notice of Child Care Action					
(@ closure)	DCO-1412 Notice of Child Care Action					
(@closure)	DCO-1404 Notice to provider					
Ref. Appendix A 300						
Income		Work Income				
		Non-Work Income				
		Other Income				
Ref. Appendix A 100, 320						
Changes	Reported within 10 days of the change	Low Income- DCC-516 Change Report				
		ESS- DCO-234 Change Report				
Ref. Appendix A 100						
Eligibility Guidelines		Income Calculated w/ appropriate multipliers				
		Income guidelines for county used				
		$100 deduction given if eligible				
Ref. Appendix A 100,320,400						
Qualifying Children		Immunization Records				
		Is Care Requested?				

Exhibit A–1. Arkansas Record Review Worksheet

				No Error	Client Error	Agency Error	Notes
			Special Needs				
			Provider Information				
	Ref. Appendix A 330						
	Signatures		Applicant				
	& Dates		Auth to Release Info				
	Client Responsibility Agreement		Signed and Dated				
	Ref. Appendix A 100						
	Case Notes	Documentation of action taken, communication etc.					
Re-determination Process							
	Primary Parent	Name	Primary Parent				
		Residence Address					
		Mailing Address					
		Children					
		Others					
	Ref. Appendix A 100,300						
	Qualifying Head of Household	Meet CCCAP Definition of parent	Compare reported on appl. Vs. CHATS				
			Others (2nd Parent)				
	Ref. Appendix A 300						
	Qualifying Activity	Activity	Applicant				
			Other Parent (if app)				
		Schedule	Applicant				
			Other Parent (if app)				

Exhibit A–1. Arkansas Record Review Worksheet

				No Error	Client Error	Agency Error	Notes
	Ref. Appendix A 100, 320						
	Income	Work Income	Documented in File				
		Non-Work Income	Documented in File				
		Other Income	Disclosure				
	Ref. Appendix A 400, 410						
	Changes	Changes properly reported between Redit. Periods	Change in circumstance for or contact documented with county worker				
	Ref. Appendix A 400						
	Qualifying Children		Qualified Child				
			Immunization				
			Schedule				
			Is Care Requested?				
			Special Needs				
			Provider Information				
	Ref. Appendix A 330						
	Signatures		Primary Parent				
	& Dates		Auth to Release Info				
	Ref. Appendix A 100						
	Case Notes	Documentation of action taken, communication etc.					
Authorization Process (Ref. Appendix A 340)							
	Authorization	Timely authorization					
		Care Coded for activity					
		Authorized based on need					

Exhibit A–1. Arkansas Record Review Worksheet

				No Error	Client Error	Agency Error	Notes
		Parent Fee Accurately Assessed					
		Accurate Termination date/reason					
	Multiple providers	Documentation of need					
		Authorized based on need					
	Case Notes	Documentation of action taken, communication etc.					
Provider Fiscal Process (Ref. Appendix A 360)							
	Fiscal Agreement	Form	Current for test period				
		Provider	Signed and Dated				
		Agency	Signed and Dated				
	Exempt: Self-Assurance	Provider	Complete, Signed & dated				
		Parent	Signed and Dated				
	W-9	Form	Complete, Signed & dated				
	KIDS	Provider open service	KIDS				
		Exempt	KIDS check complete				
Payment Process (Ref. Appendix A 420)							
	Billing Form	Received By County	Timely receipt				
			Timely payment				
			Correct Payment				
		Supporting Documentation	Provider sign in/out documentation				

Exhibit A–1. Arkansas Record Review Worksheet

				No Error	Client Error	Agency Error	Notes
			Absence Documentation(allowed/non-allowed)				
		Parent Fee	Timely Receipt				
			Correct Amount				
		Billed/Paid	Overautorizaiton				
			Under authorization				
			Overpayment				
			Underpayment				
	Ref. Appendix A 430		Registration, Activity, Transportation fees correct payment				

APPENDIX B.
COLORADO

SITE VISIT SUMMARY

Overview of the Colorado Child Care Program

The Colorado Department of Human Services (DHS), Division of Child Care administers the State-supervised, county-administered child care subsidy system in Colorado. The State is comprised of 64 counties, with the 10 largest counties representing 85 percent of the children and 81 percent of the overall child care budget. Most counties administer the program through their local county departments of social services, although three counties have contracted their programs out to private agencies—Adams and Boulder Counties contract with Aspen Family Services and El Paso County contracts with Goodwill Industries. According to the latest information provided by the Division of Child Care, 48,084 children and 26,342 families in the State receive child care assistance at 4,300 family child care homes, 2,001 child care centers (including preschools), and 883 school-age facilities.

Families who receive Temporary Assistance for Needy Families (TANF) represent 22 percent of the child care population; the remaining 78 percent of families receive services through the low-income program. Some counties administer TANF and low-income child care with the same staff, while others administer the programs through different locations, programs, or agencies. Child care in Colorado is first come, first served; however, counties can establish waiting lists. TANF recipients move directly to low-income child care and not to a waiting list.

The Colorado Child Care Assistance Program (CCCAP) allocates funding annually and utilizes a county- and State-approved formula. Counties have the ability to transfer TANF dollars and utilize county-only dollars to supplement their allocation. Counties also have decision-making ability regarding local policies, can establish waiting lists as needed, and must submit a child care plan for State approval every 2 years. Counties are required to amend plans between submission dates for all changes. The next county plan will include information on how counties address improper payments.

To determine eligibility, clients must submit an application, provide child support information, complete a client responsibility agreement, and provide verification of employment and income. All counties must enter child care subsidy information into the Child Care Automated Tracking System (CHATS), which collects and tracks background information, eligibility, redetermination, changes to eligibility, days authorized, and days billed. CHATS automatically calculates eligibility for households based upon the information entered. CHATS also tracks provider payments and ensures that each provider has a unique identifier, thus minimizing potential double-billing situations. In addition, CHATS tracks nonpayment of fee closures and follows the parent should they attempt to receive benefits in another county.

CHATS interfaces with another child welfare system, the Colorado Trails System (Trails), for all provider information, including license status and addresses. The system maintains separation of duties by county eligibility staff maintaining client information, while the business office enters billing data and issues the payments. The business office cannot modify authorizations to raise the payment amounts; conversely, eligibility staff cannot process and pay providers.

The parent fee is the first amount applied to the monthly cost of child care. A parent pays the assessed fee to the provider and the provider bills for the remainder of the cost of care based on the rate agreed upon in the fiscal agreement. If the county CCCAP office receives notification that a parent is not paying their fee and has not initiated a schedule for paying the fee, the county can close the case within 30 days.

The provider submits the billing form by entering “units” onto a printed billing form from the CHATS system. Payroll runs occur each Friday night. Counties can choose to pay each Friday after the month of care provided and are required to process payments by the second Friday prior to the third Monday of the month. Funds are distributed through an Electronic Fund Transfer on the following Monday. Colorado does not allow for the processing of checks so providers must have direct deposit or receive payment on an Electronic Benefits Transfer Card (Quest Card). The CHATS system must have valid banking information prior to processing any payment through the Electronic Fund Transfer.

Child care program options vary across counties, presenting a labor-intensive process for State-level monitoring of improper payments based on administrative error. Examples of this variation include the following:

- The State conducts a market rate survey every 2 years and publishes the 75th percentile in an agency letter. Colorado publishes the 75th percentile based on rates for children younger than 2 years and children older than 2 years. Counties determine their rates based either on this information or on local information. Counties establish their own reimbursement and age range rates. To determine these rates, counties consider several factors, including local economies, child care availability, market prices and rates, and quality. Each county’s rate represents the maximum amount they can pay for child care and is not to exceed a provider’s private pay rate. Using the current daily rate information, for children younger than 2-years old in full-time center-based care, Routt County (resort economy of Steamboat Springs) has a rate of $45.00 a day, while Dolores County (rural economy) has a rate of $13.84 a day.

- Families must live in the county in which they receive benefits. In metropolitan areas like Denver—which consists of multiple contiguous counties—a child may no longer be eligible for services if he or she moves to another county. This policy has the potential to impact access, as one county may pay different rates than another. In dual custody cases, both parents must apply for benefits regardless of where they reside. The county authorizes service based on the custody agreement and the location of the child.

- Each county determines its own policy for reimbursement when a child is absent from care. Counties authorize up to 7 days of paid absences per month, the average being 3 days per month. Counties make exceptions based on documented anomalies, such as a physician-documented illness.

- Documenting immunization schedules varies among counties. Some counties obtain immunization verification as part of the eligibility process and maintain them within the case record, while others require the child care providers to maintain the documentation with a plan to monitor the provider's collection of immunization information.

- Counties have the option to require cooperation with Child Support Enforcement as a condition of child care benefits. This option is not required statewide and some counties that implemented this have experienced a drop in the child care rolls; child support may increase household income enough to make families ineligible for services. This policy has also reduced erroneous reporting of household composition.

- Counties complete a redetermination every 6 months. Three months of pay stubs are required at redetermination, but counties sometimes request them for 6 months, depending upon the individual's income consistency and regularity.

Certain client eligibility policies and procedures are similar across counties, allowing for systematic monitoring of administrative error. These eligibility procedures include the following:

- Clients are required to report any change that influences eligibility such as employment, household composition, schedule, or income. Clients can report these changes by phone, but most counties request changes in writing with supporting documentation as needed. The State is considering reducing the time limit to report changes from 3 days for some changes and 30 days for others, to a standard 7 days for all changes.

- A full-time rate means that more than 5 hours of child care are provided per day, while part-time daily rates are less than 5 hours of child care provided per day. The average number of care days per month is 22.

Legally-exempt providers—usually family, friends, or neighbors—must be at least 18-years old and must sign contracts and self-assurances with the county to provide care. Legally-exempt providers are registered but not licensed, and may not provide services to more than one household at the same time without a license. However, a legally-exempt provider can serve one client in the morning and another in the afternoon providing there is no overlap. Provisions allow relatives to care for more than one relative's children (e.g., a grandmother caring for her grandchildren from two of her children). A family child care home or child care center receives a license following a background check and licensing procedures as outlined in Colorado's Child Care Licensing Act.

Improper Payments Process
The Office of Performance Improvement (OPI), Audit Division, is responsible for fiscal oversight of all DHS programs. OPI auditors investigate fraud and improper payments in several ways. Typically, a referral from a worker, provider, or the general public will prompt a review of a provider or client. Due to staffing constraints—the staffing for this division was recently reduced by 50 percent—few investigations are conducted. A large number of corrections or adjustments of over and underpayments are handled through the Division of Child Care. If OPI identifies an overpayment, it can initiate a repayment schedule, reduce a payment, or refer to the State's legal office. In an attempt to become more proactive, OPI staff began working with a new auditing and financial data extraction, data analysis, fraud detection, and continuous monitoring tool referred to as ACL. The ACL software allows OPI to explore a variety of data mining techniques to identify potential areas of concern and records that would warrant further investigation.

County auditors occasionally audit child care as part of the single audit testing and some counties have implemented their own auditing and monitoring procedures. Although child care in the past did not receive auditing attention by the DHS Audit Division, concerns about payment monitoring in the child care program prompted a special study of the program in 2003. The *Child Care Provider Study* found that documentation to support payments made was often lacking. Recommendations included the need for staff and provider training updates to automated systems, as well as the need to develop error profiles to identify areas of potential error.

OPI issued a CD-ROM about prevention to raise awareness about fraud in all its forms. The Division of Child Care and OPI distributed the CD-ROM at the Colorado Counties, Inc., and Region VIII meetings. In addition, the State embarked upon a pilot program with the counties in July 2005 to identify case profiles where fraud could occur. Eight of Colorado's largest counties and four smaller ones are involved in this pilot. The State purchased the ACL software for the pilot counties and is providing technical assistance during the pilot. While pilot results are not yet available, a major expected outcome is the development of error profiling and identification of what constitutes a data anomaly.

Payment and Overpayment Process
The payment process at the county level begins with the receipt of a bill following a month of care. A county billing clerk processes the bills and generates payments based on the amount authorized. The billing office staff does not have the authority to update an approved authorization; the responsibility lies with the county workers who authorize care. If the billed amount is greater than the authorized amount, workers rectify the conflict and the provider is sent payment. Counties set policies regarding how to resolve billing and authorization conflicts, which may include clients using more child care than authorized, absences, or use of full-time care when the authorization was for part-time care. The most common conflict in Jefferson County was consecutive absences without prior authorization.

An investigation by the Division of Child Care of a facility's improper payment is precipitated by a complaint, a tip, or a worker. Both the State and counties will pursue child care overpayments. The incidence of counties initiating and completing more indepth investigations of potential fraud varies across the State. Some counties are very active while others are not, which is often based on staffing rather than the willingness to investigate fraud.

State regulation requires counties, upon discovery of an error, to recover any improper payments from the parent or the provider. Implementation of this regulation varies by county and depends on staffing and workload. Counties are required to work with the local District Attorney's (DA) office. Coordination with the DA's office varies, with some requiring a recovery minimum or threshold prior to accepting a case. In some counties, the threshold is as high as $5,000. OPI staff have conducted multiple training sessions at conferences and meetings to educate, problem solve, and promote recovery efforts. Recovery of client overpayments occurs through county-established repayment plans, as well as the intercept of State Income Tax refunds. Tracking of recoveries occurs through CHATS and Colorado Accounts Receivable System. The State typically recovers up to $250,000 each year.

The State tracks and classifies recoveries by error reason, including agency error, client error, and fraud, as well as the reason for the recovery. Currently, there is no distinction between intentional and unintentional overpayment and there are no consequences for intentional and fraud overpayments, although the State is working with counties to identify reasonable consequences for the program. In the case of a provider recovery, workers have the ability to recover from future payments through an adjustment process in CHATS. If the county is no longer paying that provider, recoveries are more challenging. Repercussions for provider recoveries and fraud are the discontinuance of the county's contract with that provider. Any fraud committed by a provider does not currently affect that provider's license.

In past years, child care has shared a tax intercept license with other programs in DHS. If a client is identified who owes money to more than one program, these programs are refunded before child care. Therefore, child care receives fewer dollars from the intercepts due to this established hierarchy for intercept distribution. The hierarchy continues to exist, but the Division of Child Care expects that having an independent intercept license will result in greater dollars recovered. During State Fiscal Year (SFY) 2004, the State recovered $70,000 through tax intercepts. To date, in SFY 2005, the State has recovered $45,000–$50,000. Of the 740 records sent to the Department of Revenue, 100 resulted in successful intercepts. Overall, more than $1.2 million in total child care recoveries exist and are due to the State. The Colorado Welfare Fraud Council, an organization dedicated to fraud and recovery issues, has initiated a discussion to propose legislation to enable recovery of funds through the intercept of unemployment compensation and workers' compensation benefits.

Recovered funds are deposited into the county's general fund rather than a fund earmarked for child care. Counties have indicated frustration with the lack of incentives in child care that exist for other public assistance programs. The incentives received by other programs often fund staff to pursue recoveries and increase a county's ability to actively pursue improper payment cases.

Assessment of Risk

Determining eligibility for self-employed clients presents many problems. Establishing a meaningful employment schedule is often difficult because the individual may work different hours on different days. Counties struggle with receiving enough verification information to determine the client's eligibility, while limiting documentation requirements that may deter people from applying for benefits. County policy is that the parent must make a profit of at least $1 through self-employment, they must prove their self-employment tax status, and they must maintain a calendar of work appointments and money earned through these appointments. The county conducts a crosscheck of the provider's calendar against the number of hours billed at the end of the month or at redetermination. TANF recipients must earn minimum wage, even if they are self-employed, to qualify for care. This criterion is not relevant for low-income families who are not on TANF.

Automation

Colorado is county-administered and State-supervised, with the counties having great latitude in the administration of their county-specific child care programs. All counties must use the CHATS, administered and maintained by State staff, to track eligibility, case management, authorization, payment, and provider maintenance.

The design of the CHATS system allows the worker to determine eligibility and redetermination online. The worker does not need to independently calculate and enter eligibility information. The CHATS system has in place a number of edits and safeguards to minimize errors. Examples of the edits and safeguards include:

- Household income is at or below the county-set income eligibility level;
- Parents are participating in eligible activities;
- Income inclusions and exclusions are added or subtracted from the household income;
- The child requesting service is at or below the age limit;
- Each person has a unique identifier called the State ID, which is utilized across all assistance programs;
- A case is open and eligible for each month and year that the care is authorized; and
- Provider reimbursement rates are at or below the county-specific rate ceiling for the provider type, child age, special need, and type of care.

The CHATS system is an older, mainframe, character-based system that has some limitations, including: the inability to issue seasonal authorizations, such as before- and after-school care from September to June or full-day, full-time care during the summer; and the inability to automatically adjust parental fees for those same families when care changes from part-time during the school year to full-time during the summer.

An additional shortcoming in the current CHATS system involves accurate authorization of care. Workers have difficulty accurately authorizing care when the appropriate child schedule varies daily or weekly. For example, a parent may need 2 days of part-time and 3 days of full-time care one week, 3 days of part-time and 2 days of full-time care the next, and 5 days of full-time care the third week. To deal with this situation, some staff authorize 22 full-time and 22 part-time days per month. The State recognizes that while this may be an attempt to ensure flexibility, it is a potential source of error on the part of parents and providers. The State is working on changes to CHATS to accommodate this issue.

Counties may obtain access to the Colorado Unemployment Benefits System (CUBS) in the Department of Revenue, which allows for verification of employer status and Social Security numbers. Counties also have access to the Automated Child Support Enforcement System (ACSES) to verify reporting of child support. In addition to this access, the State recently began providing all counties a monthly child support report which compares data known to both the CHATS and ACSES systems. Some counties also have the ability to check addresses and other household member information through the Department of Motor Vehicles.

CHATS tracks 28,000–30,000 active authorizations in any given month. Twice per month, the system validates each authorization by examining case eligibility, child eligibility, and provider status and reimbursement rates. Anomalies raise “red flags” in the system, which do not automatically close the case in most instances, allowing the county to review and verify case status and information. The parent, provider, and caseworker receive notification of any action taken.

The CHATS system generates multiple reports and data extracts at the county and State levels. The Division of Child Care uses this information to track program information, identify trends, and identify error or the propensity for error. The State-sponsored pilot project will utilize some of the same data and extracts to develop profiles and identify anomalies not already identified by the current system.

Colorado is pursuing the option of replacing the CHATS system and has completed the first phase by conducting a replacement feasibility study, which gave multiple stakeholders the opportunity to identify system requirements including those that will reduce risk of improper payments. The State evaluated the current system and other options for automation as part of the feasibility study.

County Site Visit—Jefferson County

Jefferson County, an urban county located on the western edge of the Denver Metropolitan area, contracts with 600 providers in licensed centers, licensed homes, and legally exempt homes. Jefferson County administers both TANF child care and low-income child care cases.

As a county option, Jefferson County implemented a waiting list beginning March 2002. Recently, the waiting list in the county has been reduced from 800 to approximately 440 families. Clients must call every 3 months to confirm that they wish to remain on the waiting list and provide any updates to their address and telephone number. Placement on the waiting list is generally first-come, first-served. Three exceptions exist and these cases receive services first: client is a teen parent earning a GED or actively attending high school or junior high school; client is a TANF recipient; or a caretaker is a relative of a child on TANF. Other counties that have waiting lists have established similar policies or have used a weighted priority for their waiting lists.

Parents who live in Jefferson County and who are interested in receiving child care assistance must first attend a group orientation. Once they’ve completed the orientation, parents have 30 days to schedule an intake with a caseworker to have a formal determination of eligibility. Two attempts are made to contact the individual and complete an intake. If an intake is not scheduled, the parent will be placed at the bottom of the waiting list. The date of application is the date the application is signed, not the date of the orientation session and there is a 30-day verification period.

Jefferson County implements State policies in the following ways:

- As per State regulation, parents are responsible for paying the parental fee to the provider, not to the county. The parent pays the fee to the provider and the county pays the provider, up to the allowed amount, for the remainder of the cost of care. The provider is responsible for notifying the county if a parent fails to pay the parental fee.

- The county, per State regulation, allows parents 30 days per rolling calendar year to look for a job while the child is in care. The parent must meet certain requirements in terms of making contacts for a job and the parent must speak with a county employment counselor. To facilitate this process, Jefferson County Workforce Center staff are colocated with child care.

- Teen parents earning a GED or high school diploma are eligible for child care assistance; however, at this time in Jefferson County, those working toward their Bachelor's degree are not eligible. Counties across the State have the ability to offer training or education as an eligible activity for up to 48 months. Each county makes the determination on whether to offer training or education and the number of months covered.

State licensing staff, as outlined in the State's licensing regulation, license providers. Legally exempt providers receive certification at the county level to provide care. Legally exempt providers are usually family, friends, or neighbors and are 18 years or older. They sign a contract with the county that includes a self-assurance form to provide care. Colorado uses a large number of legally exempt providers.

All providers must sign a contract or fiscal agreement with each county for whom they will provide childcare. This presents a challenge for some providers who provide care for children from multiple counties, such as in the Denver Metropolitan area, when rates and policies differ county by county. In instances when the licensed provider's rate is greater than the county approved rate, the provider must not charge more than the contracted county rate.

As part of the Consolidated Child Care Pilot, Jefferson County received a State waiver enabling them to work with self-employed workers more extensively than State guidelines. This additional flexibility allows the county to require a self-employed individual to document work activities on a calendar or a log to verify the number of hours worked.

Record Review Process

Colorado chose to centralize record reviews and use a team of State staff. A stratified random sampling methodology was used to select records for review. While the study methodology focused on administrative errors, Colorado extended its examination to include client and provider errors for a subsample of 35 children from the 12 counties in the sample. In Colorado, the record review process included three phases:

- Phase I focused on administrative error, including eligibility determination and redeterminations, as well as accuracy in determining the cost of care and the parental fee, if applicable. This Phase I review was achieved within the study timeline.

- Phase II reviewed for provider error through verifying if attendance information supports amounts billed.

- Phase III verified the client's employment or educational situation, as well as the client's circumstances to determine if changes have been reported as required.

The record review process focused on administrative error, including eligibility determination and redeterminations, as well as accuracy in determining the cost of care and the parental fee, if applicable. The study team spent considerable time training the State review team on the methodology to select the sample and conduct the record review process. The training on the record review process examined the process, Record Review Worksheet, and interrater reliability of the team that would conduct the full record review. During the course of the record review, the State review team questioned whether an error that did not result in an improper payment was an error—this error would apply to the case error rate as compared to the payment error rate. The definition of an error was less clear around issues of timely processing and adequate notice of termination.

The State conducted the record review in Denver. The State review team consisted of Anne Keire (CDHS, Division of Child Care, Project Team Leader), Charissa Hammer (CDHS, Audit Division), and Leslie Hanssen (CDHS, OPI, Audit Division). All have expert policy and audit experience. Several counties are using imaging as part of their automated system. This entails scanning all supporting documentation and linking it to the eligibility record. Those counties submitted approximately 30 cases on CD to Denver where the team reviewed them electronically. The team indicated that these records were easier to review and tended to be more complete.

The State review team raised the issue of the finding would be if a nonsampled child in the same household had an error. It was decided that this additional information would be sent to the county but that the finding was outside the scope of this review. The State agreed that some form of review summary would go to the county for any error found in the record review so that the county could take whatever corrective action was necessary.

The full study team reviewed one low-income case and one TANF case. TANF cases are included as part of the sample even though their eligibility is under the control of the TANF staff in some counties, rather than the Division of Child Care.

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RECORD REVIEW WORKSHEET

The Record Review Worksheet used for this site is located on the following pages.

Exhibit B–1. Colorado Record Review Worksheet

				Phase I	Phase II	Phase III	Notes
Application Process	Demographics	Applicant Information	Name				
			Residence Address				
			Mailing Address				
		Household Members	Children				
			Others (2nd Parent)				
			Children Citizen/Documented				
	Ref. Appendix A 100,300						
	Qualifying Head of Household	Meet CCCAP Definition of parent	Compare reported on appl. Vs. CHATS				
	Ref. Appendix A 300						
	Qualifying Activity	Activity	Applicant				
			Other Parent (if app)				
		Schedule	Applicant				
			Other Parent (if app)				
	Ref. Appendix A 100, 320						
	Income	Work Income	Documented in File				
		Non-Work Income	Documented in File				
		Other Income	Disclosure				
	Ref. Appendix A 100, 320, 410						
	Changes	Changes properly reported between REDIT. Pds	Change in circumstance for or contact documented with county worker				
	Ref. Appendix A 400						
			Income falls within county Guidelines				
	Ref. Appendix A 400						
	Qualifying Children		Immunization				
			Schedule				
			Is Care Requested?				
			Special Needs				
			Provider Information				
	Ref. Appendix A 330						
	Signatures		Applicant				
	& Dates		Auth to Release Info				

				Phase I	Phase II	Phase III	Notes
	Ref. Appendix A 100						
	Client Responsibility Agreement		Signed and Dated				
	Ref. Appendix A 100						
	Case Notes	Documentation of action taken, communication etc.					
Redetermination Process							
	Form	Redetermination form	Received timely				
	Demographics	Primary parent	Name				
			Residence Address				
			Mailing Address				
		Household Members	Children				
			Children Citizen/Documented				
	Ref. Appendix A 100,300						
	Qualifying Head of Household	Meet CCCAP Definition of parent	Compare reported on appl. Vs. CHATS				
			Others (2nd Parent)				
	Ref. Appendix A 300						
	Qualifying Activity	Activity	Applicant				
			Other Parent (if app)				
		Schedule	Applicant				
			Other Parent (if app)				
	Ref. Appendix A 100, 320						
	Income	Work Income	Documented in File				
		Non-Work Income	Documented in File				
		Other Income	Disclosure				
	Ref. Appendix A 400, 410						
	Changes	Changes properly reported between redit. Pds	Change in circumstance for or contact documented with county worker				
	Ref. Appendix A 400						
	Qualifying Children		Qualified Child				
			Immunization				
			Schedule				
			Is Care Requested?				
			Special Needs				
			Provider Information				
	Ref. Appendix A 330						
	Signatures		Primary Parent				
	& Dates		Auth to Release Info				
	Ref. Appendix A 100						
	Case Notes	Documentation of action taken, communication etc.					

				Phase I	Phase II	Phase III	Notes
Authorization Process (Ref. Appendix A 340)	Authorization	Timely authorization (7 day rule)					
		Care Coded for activity					
		Authorized based on need					
		Parent Fee Accurately Assessed					
		Accurate Termination date/reason					
	Multiple providers	Documentation of need					
		Authorized based on need					
	Case Notes	Documentation of action taken, communication etc.					
Provider Fiscal Process (Ref. Appendix A 360)							
	Fiscal Agreement	Form	Current for test period				
		Provider	Signed and Dated				
		Agency	Signed and Dated				
	Exempt: Self-Assurance	Provider	Complete, Signed & dated				
		Parent	Signed and Dated				
	W-9	Form	Complete, Signed & dated				
	Trails	Provider open service	TRAILS				
		Exempt	TRAILS check complete				
Payment Process (Ref. Appendix A 420)							
	Billing Form	Received By County	Timely receipt				
			Timely payment				
			Correct Payment				
		Supporting Documentation	Provider sign in/out documentation				
			Absence Documentation(allowed/non-allowed)				
		Parent Fee	Timely Receipt				

				Phase I	Phase II	Phase III	Notes
			Correct Amount				
		Billed/Paid	Overautorizaiton				
			Under authorization				
			Overpayment				
			Underpayment				
	Ref. Appendix A 430						
			Registration, Activity, Transportation fees correct payment				
	Ref. Appendix A 430						
Calculation of Error (Ref. Appendix A 430)							
	One or more eligibility errors during study period recorded						
	Cause of Improper Payment (include all types of error)						
	Total Amount of Improper Payment during reivew month (value)						
			Total Improper Payment	$	$	$	
	Total Fields	Minus Tanf	Minus N/A	Total For test	Errors Identified	Error %	

APPENDIX C.
ILLINOIS

SITE VISIT SUMMARY

Overview Illinois's Child Care Program
The Illinois Department of Human Services Bureau of Child Care and Development (IDHS/BCCD) administers the Child Care Assistance Program (CCAP) in the 102 counties and 22 municipalities (populations greater than 30,000) that comprise the State of Illinois. In Federal Fiscal Year (FFY) 2004 the CCAP provided childcare assistance to over 300,000 children, 151,000 families, and 91,000 providers.

To be eligible for child care assistance, families must have income less than 50 percent of State Median Income (SMI) and live in Illinois, with children under the age of 13 years (or age 19 for special care needs) and be either employed or in an approved education and training activity, including teen parents. In Fiscal Year (FY) 2004, all eligible families applying for CCAP received services. There were no waiting lists in Illinois for FY 2004.

CCAP allows families the choice to select the childcare provider that best meets their needs. Parents may use licensed centers, licensed family childcare homes, and group homes as well as license exempt centers and homes. License exempt family childcare includes care supplied by relatives and friends that meet basic legal qualifications.

There are three provider reimbursement rate structures in the State. The rates have not increased in more than 4 years, and a recently conducted market rate survey may result in a rate increase in 2005 subject to budgetary considerations.

IDHS/BCCD contracts with 17 Child Care Resource and Referral (CCR&R) agencies that provide administrative service to more than 90 percent of CCAP clients. The CCR&R agencies are responsible for determining customer eligibility for CCAP and processing provider billings. CCR&R services also include outreach, information and referrals to families and providers, processing eligibility applications, determining eligibility and copayments, and processing provider payments.

One of the CCR&R's, the McHenry County CCR&R, provides only resource and referral services to clients. The Community Coordinated Child Care CCR&R in DeKalb County processes applications, redeterminations, and certificates for their service delivery area.

The remaining ten percent of CCAP clients are serviced through the CCAP Site Administered program, which includes contracts with 90 agencies, including the City of Chicago's Department of Children and Youth Services, to supply both administrative and direct services. Site Administered Program contractors provide slots for children of low-income families in licensed centers and homes, determine family eligibility, and calculate family copayments. Site Administered Program providers submit payment information to DHS for processing.

Improper Payment Process
CCR&Rs, Site Administered and State staff may identify inconsistencies when initially determining eligibility during the application process, or at the time of the redetermination. (Redetermination can occur at every 3, 6, or 12 months depending on the case, or at anytime the CCR&R is aware of changes in the case status). IDHS/BCCD developed a Resource Guide to Determining Family and Provider Eligibility to provide assistance to staff in the determination of eligibility for difficult and challenging cases. Parents, neighbors, or the public will often notify the CCR&R or the State with an allegation of a suspected client or provider program violation. Reports generated from the Child Care Tracking System (CCTS) may also trigger a review or investigation of a client or provider. After investigation and supervisory review, referrals are made to IDHS/BCCD of any identified overpayments.

If client or provider overpayments occur, IDHS will pursue them through a variety of methods, including demand letters, tax intercepts, reductions in the CCAP payment for providers, and collection agencies. When a provider overpayment occurs, the IDHS notifies the provider and tries to arrange a repayment schedule. This can be a one-time repayment or, if the amount is too large, a negotiated repayment schedule.

The Program Integrity and Quality Assurance Unit monitors the CCAP program through regularly scheduled audits of the CCR&R CCAP units and the contracted Site Administered Program Providers.

CCAP's automated computer program, the Child Care Tracking System (CCTS), generates numerous reports that can trigger further inquiry into a site or program. (A further explanation of these reports is contained later in this summary). The CCR&Rs are responsible for monitoring the performance of the providers that provide the actual childcare.

Assessment of Risk
CCAP identifies overpayments and potential fraud both preventatively before services are authorized and after careful monitoring of services rendered. To minimize improper payments, approval for eligibility is performed at the front end of service delivery:

- CCTS has multiple front-end edits built into the eligibility, re-determination, and billing processes. These edits prevent inaccuracies in eligibility determination before authorization.

- All additional databases and screens required to adequately check social security numbers, parentage, child support, employment status and wages, TANF (Temporary Assistance for Needy Families), Food Stamps, and Medicaid receipt are available to the child care subsidy specialist staff at the time of eligibility determination from their terminal screen. Based upon policy found in the Child Care Program Manual, eligibility determination procedures requires the worker to go through a standardized sequence of steps or toggles through the linkages to these other databases to authorize care for the customer and the payment for the provider. Staff must use available State data- bases to verify information received in accordance with the IDHS/BCCD developed IPACS Training Manual. This information includes social security numbers, parentage, child support, employment status and wages, TANF, Food Stamps, and Medicaid. If the information contained in any State database is not consistent with the information received from the client, additional documentation is required.

- IDHS/BCCD developed a resource directory for workers, *A Resource Guide for Determining Family and Provider Eligibility for the Illinois Child Care Assistance Program*, which clearly outlines all acceptable forms of documentation or verification needed for accurate determination of eligibility. The guide uses examples for clarification so workers can use the guide as a tool with the customer during the eligibility process when the client cannot produce the required documentation. A worker can place a case in a pended status while awaiting necessary documentation.

- To address the issue of decreased provider payments due to inconsistent CCAP client attendance, a policy of determining the number of days of care paid by providing an 80 percent rule was established. For licensed and licensed-exempt center providers only, as long as the child has attended 80 percent of the monthly days authorized for the client, the provider will receive the full 100 percent payment for the total number of days of care. If the child attends less than 80 percent of the days of care authorized, the provider receives payment for the total number of days of care actually provided. (The Center can use a combined total of eligible days for children in all IDHS-funded programs.)

After services are authorized, IDHS/BCCD regularly generates up to 26 exception type (Improper Payment) reports to highlight areas of potential problems or concern. These exception reports can trigger one of several responses: additional research on the identified discrepancy, a stop payment, or over payment letters to be sent to providers or clients. Examples of these reports include:

- Multiple Providers with the Same Address—Multiple providers with the same address approved for active cases on the CCTS. There can be situations where more than one provider may legitimately be caring for multiple children at the same address, but in many cases, this should not be the case.

- Clients who are also Providers—Again, this is a possible situation, but not likely and the report provides the information necessary for the CCR&Rs to verify the legitimacy of the situation.

- Head of Household Multiple Case Report—This report is a listing of multiple active cases that have the same SSN for the head of household.

- Client on Multiple Case Report by Name and DOB—This report is a listing of multiple active cases that have the same case name and date of birth more than once.

- Providers that did not clear the Child Abuse and Neglect Tracking System (CANTS)—This report is a listing of active cases for providers that did not clear CANTS.

- List of Licensed-Exempt Providers Over Capacity—This report lists licensed-exempt providers approved for more than three children from more than one active case.

Case Review Process

Monitors of the Program Integrity and Quality Assurance Unit as well as other BCCD staff conducted the case record review for the current study. Because of the volume in the Cook County CCR&R, Action for Children, the team reviewed the cases on-site. Action for Children is the largest CCR&R in Illinois, comprising over 60 percent of the child care caseload. The other CCR&Rs and site administered programs sent their records to IDHS/BCCD for review centrally.

Illinois modified the template worksheet so that it closely mirrored the checklist type format that is currently in use for case record review in Illinois. During the site visit, the State Review Team selected several cases from the Action for Children CCR&R, which were reviewed with the study team. A discussion of each item on the Record Review Worksheet took place using an actual case record to determine exactly what information would satisfy each requirement. This process provided training and increased inter-rater reliability on the required documentation.

Automation

A key underpinning of the Illinois childcare system is the Child Care Tracking System. The Illinois Child Care Tracking System is an older mainframe based system; originally developed in 1990, however, Illinois keeps the system up-to-date, with new edits and enhancements. Information Systems staff from the IDHS IT Team are assigned to work closely with BCCD staff to develop and maintain the CCTS. The BCCD and the IT staff develop new reports and enhancements on an on-going basis.

The CCTS runs on an IBM mainframe computer using DB2 as the database. COBOL is the programming language used for the system. The new Web application uses JAVA Script. The system uses a secure HTTP(s) connection for security. The CCTS provides CCR&R subsidy specialist as well as all BCCD and TANF Program staff with a large database of information including as example; provider payment status, approval status, eligibility period and status, reason for childcare, and parent co-pay amount.

All CCR&Rs utilize the DHS CCTS. Training on the system is continuous. Processing of cases proceeds in a standardized format for all sites. Real time tracking of eligibility, authorization and timely payment processing occurs within the CCTS.

CCR&R staff enter not only the eligibility, re-determination, and other supporting administrative information into the CCTS; they also enter all of the billing information for payment into the CCTS. The system has multiple edits built into the eligibility and re-determination processes. Eligibility determination and re-determination checks are an automated function, as is the evaluation of client income eligibility and the assessment of co-pay which are on a sliding scale based upon family size, monthly income, amount of care provided during a month, the number of children in care, and the number of hours in care. A worker will not process an application if the provider is not properly licensed or if there is a record of an unregulated provider not operating legally in the system. In addition, during the payment process, the billing cannot complete the cycle unless the provider is recorded as a licensed or a legally unregulated provider in the system. The Illinois Office of the Comptroller must also certify the Provider's Tax Identification Numbers.

For the IDHS Site Administered Provider Program, the 90 contracted providers complete all of their eligibility determination and re-determination functions, as well as the billing forms, and submit the records to a CC&D unit in the Springfield, Illinois office. That unit inputs all of the case information data as well as the billing information into the CCTS. In July, the contracted providers will begin using a new Web-based application that will allow them to input the billing information for automated billing. The legally unregulated providers can use an Integrated Voice Response (IVR) touch-tone automated telephone system to enter monthly billing information.

Any activity pertinent to the case can be input as a case note in the CCTS. The system automatically generates certain notices and alerts, which are then sent via mail to the customer and/or provider.

The system also utilizes the Illinois Public Aid Communication System (IPACS) database containing TANF, as well as some non-TANF client information in order to insure accurate eligibility determination for efficient service delivery. IPACS facilitates an interface with several other systems. Although an older mainframe technology, the system allows the worker to toggle between systems with relative ease and a minimum of key strokes; however, the older technology does not allow an easy flow of information between the different mainframe databases. The issue of SSN's came up during the site visit, and when the SSN is not available, it makes the cross systems checks much more difficult but still possible with name searches. The CCTS interfaces with the following systems for verifications:

- Automated Client Information Database (ACID)—Contains TANF, Food Stamp and Medicaid information including: address, Case ID, SSN, TANF Grant Amount, Number Living Together, Income types/amounts, Assistance Unit members, relationships, Parent Status, and Responsibility and Service Plan (RASP) confirmation;

- Automated Wage Verification System (AWVS)—Contains SSN/Name, employers/wages per quarter, unemployment compensation benefits.

- Public Aid State Data Exchange (PASDX)—Interfaces with the Social Security Administration and yields SSI and SSA Income.

- Key Information Delivery System (KIDS)—This exchange is with the Child Support & Enforcement system and includes Child Support court orders, Child Support payments, Relationships and Paternity information.

CCR&R Site Visit: Action for Children

Action for Children is the largest CCR&R in Illinois, and is responsible for the administration of the child care program in Cook County, including the city of Chicago, and provides childcare subsidies for 60 percent of the CCR&R CCAP population. No other CCR&R exceeds 6 percent of the CCAP population. Action for Children has four sites within the Cook County/Chicago area and according to 2004 Illinois Child Care Report; there were an average of 55,403 CCAP families with 108,314 children served monthly in Cook County/Chicago.

Clients can communicate with Action for Children in three basic ways. The most common way is to mail in their application for childcare, however, they can also fax their application in or they can walk in and have their application taken in person. There are 175 subsidy specialist staff that process all of the eligibility determinations and re-determinations for the agency. Staff members manage all applications and information gathering using state-of-the-art call center technology, including faxed applications. There is also additional supervisory and support staff at the agency.

Once a month each supervisor conducts a file audit of three to four records per worker. This is one way for the agency to work on quality control issues. Action for Children also has private contracts; however, the CCAP portion of the agency keeps the entities separate. The agency offers an extensive professional development program to its staff. This includes two Professional Associates on staff and an extensive catalog of courses offered to staff. Courses offered include Health & Safety, Physical & Intellectual Development, Social & Emotional Development, Relationships with Families, and Leadership, amongst others.

State-of-the-art technologies allow for much needed efficient management of the more than 50,000 active childcare subsidy cases in Chicago/Cook County. The agency employs a number of technological solutions geared to effectively managing the volume of mail, calls, and walk-ins. Some examples of these efficiencies are; File Room advanced records management, and Mailroom, Fax, and Call center technologies:

- File Room—All relevant documentation and communication about the case goes to the case file, which is bar-coded by location. The use of bar code technology allows staff to efficiently track and organize thousands of files. Upon file creation, a bar code is also established and attached to the file folders, which are color-coded for ease of retrieval and replacement. When a record is removed from or returned to the file room, the file is scanned and logged out or in, before re-filing. Any file that is not returned to the file room is tracked. This technology minimizes record loss and maximizes critical documentation location and retrieval.

- Mail Room—All mail comes to a central mailroom in the agency. The mailroom is utilized for processing incoming mail by date stamping, sorting and routing it to the appropriate workers.

- Fax—All faxes are routed to a single database, so that customers need only send faxes to one phone number. Faxes can be new applications, billing certificates, questions, or supporting documentation from a previous application. Two staff members electronically sort and route all faxes to the appropriate subsidy specialist staff. Through this technology, AFC handles hundreds of faxes per week and can route the time sensitive information to the subsidy specialist staff quickly and efficiently.

- Call Center—Call center technology allows staff to give a timely and accurate response to customer's calls and questions. Managers monitor statistics on call volume, length of time and customer service. Because efficiency and timeliness are critical to accurate certification, staff training is continuous. Managers also monitor live or taped calls for quality and customer service standards.

Illinois Site Visit Participants

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RECORD REVIEW WORKSHEET

The Record Review Worksheet used for this site is located on the following pages.

Exhibit C–1. Illinois Record Review Worksheet

CLIENT ID# STATE: COUNTY: DATE:

ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)	ANALYSIS OF CASE RECORD (2)	FINDINGS (3)	RESULTS (4)

SECTION I. STATE CHILD CARE PROGRAM FORMS

100 APPLICATION FORMS			100 RESULTS	
Determine presence, date, and completeness of required eligibility forms, may include	_____ 0 _____ 1 _____ 2		0	No Error
(1) signed and dated application form--------------------------------------	_____ 0 _____ 1 _____ 2		1	Client Error
(2) child care agreement--	_____ 0 _____ 1 _____ 2		2	Agency Error
(3) voucher or certificate---				
(4) provider invoice. Specify conditions of dollar error, including	_____ 0 _____ 1 _____ 2			
(1) form expired---	_____ 0 _____ 1 _____ 2			
(2) no application form--	_____ 0 _____ 1 _____ 2			
(3) no documentation of income and work hours.--------				

SECTION II. PRIORITY GROUP PLACEMENT

200 PRIORITY GROUP PLACEMENT			200 RESULTS	
Determine if client meets criteria of State-designated priority groups, e.g.,			0	No Error
(1) teen parent in high school,---	_____ 0 _____ 1 _____ 2		1	Client Error
(2) TANF recipients in eligible work activities,---------------------------	_____ 0 _____ 1 _____ 2		2	Agency Error
(3) working parents on TANF --	_____ 0 _____ 1 _____ 2			
(4) foster parents etc.--	_____ 0 _____ 1 _____ 2			

SECTION III. GENERAL PROGRAM REQUIREMENTS

300 QUALIFYING HEAD OF HOUSEHOLD			300 RESULTS	
Determine if client meets parent definition (parent means a parent by blood, marriage or adoption and also means a legal guardian, or other person standing in loco parentis), e.g.,			0	No Error
(1) parent--	_____ 0 _____ 1 _____ 2		1	Client Error
(2) step-parent--	_____ 0 _____ 1 _____ 2		2	Agency Error
(3) legal guardian---	_____ 0 _____ 1 _____ 2			
(4) needy caretaker relative--	_____ 0 _____ 1 _____ 2			
(5) spouse of same. Child(ren) must be citizen(s).---------------------	_____ 0 _____ 1 _____ 2			

Exhibit C–1. Illinois Record Review Worksheet

310 RESIDENCY			310 RESULTS	
Determine if			0	No Error
client is a resident of the State and for what duration-------------------	_____ 0 _____ 1 _____ 2		1	Client Error
client is a resident of the county and for what duration-----------------	_____ 0 _____ 1 _____ 2		2	Agency Error
There is an agreement regarding eligibility among counties.---------	_____ 0 _____ 1 _____ 2			

320 HOUSEHOLD MEMBERS			320 RESULTS	
To receive services a child's parent or parents must be			0	No Error
Working--	_____ 0 _____ 1 _____ 2		1	Client Error
attending a job training or educational program.-------------------------	_____ 0 _____ 1 _____ 2		2	Agency Error

330 QUALIFYING CHILD			330 RESULTS	
Determine if child (ren) is eligible for services, including			0	No Error
(1) younger than 13 years---	_____ 0 _____ 1 _____ 2		1	Client Error
(2) younger than 19 years and physically or mentally incapable of caring for himself or herself, or under court supervision---------	_____ 0 _____ 1 _____ 2		2	Agency Error
(3) in foster care when defined in the State Plan.------------------------	_____ 0 _____ 1 _____ 2			

340 QUALIFYING CARE			340 RESULTS	
Determine hours and type of care authorized. --------------------------	_____ 0 _____ 1 _____ 2		0	No Error
Determine required number of hours of care during authorized schedule.-- --	_____ 0 _____ 1 _____ 2		1	Client Error
			2	Agency Error

350 QUALIFYING PROVIDER ARRANGEMENT			350 RESULTS	
Determine if services are provided within a			0	No Error
center-based child care provider---	_____ 0 _____ 1 _____ 2		1	Client Error
group home child care provider---	_____ 0 _____ 1 _____ 2		2	Agency Error
family child care provider---	_____ 0 _____ 1 _____ 2			
an in-home child care provider---	_____ 0 _____ 1 _____ 2			
other provider of child care services for compensation that Is licensed, regulated, or registered under applicable State or local law. Is informal care included?---	_____ 0 _____ 1 _____ 2			

360 PROVIDER REQUIREMENTS			360 RESULTS	
Determine if regulatory requirements are met. Regulatory requirements means requirements necessary for a provider to legally provide child care services in a State or locality, including registration requirements established under State, local, or tribal law.-- --	_____ 0 _____ 1 _____ 2		0	No Error
			1	Client Error
			2	Agency Error

Exhibit C–1. Illinois Record Review Worksheet

SECTION IV. INCOME AND PAYMENTS

400 INCOME			400 RESULTS	
Describe income documentation verification for each member of the household. Specify time period and all income to be considered, e.g., based on 4 weeks prior to application: Collect the following data: (1) head of household employment income------------------------------- (2) spouse employment income-- (3) any changes in income reported--- (4) income during job training for parent/caregiver---------------------- (5) child support, if included as part of income---------------------------- (6) Food Stamps, if included as part of income--------------------------- (7) loss of income during eligibility period.----------------------------------	_____ 0 _____ 1 _____ 2 _____ 0 _____ 1 _____ 2 _____ 0 _____ 1 _____ 2 _____ 0 _____ 1 _____ 2 _____ 0 _____ 1 _____ 2 _____ 0 _____ 1 _____ 2 _____ 0 _____ 1 _____ 2		0	No Error
			1	Client Error
			2	Agency Error

410 INCOME ELIGIBILITY			410 RESULTS	
Determine if household income meets State requirements (e.g., family gross income must be within 50% of State's median income). --	_____ 0 _____ 1 _____ 2		0	No Error
			1	Client Error
			2	Agency Error

420 PAYMENTS, GENERAL			420 RESULTS	
Determine if payments were made. A sliding fee scale based on income and the size of the family and may be based on other factors as appropriate.--	_____ 0 _____ 1 _____ 2		0	No Error
			1	Client Error
			2	Agency Error

430 PAYMENTS/COMPUTATIONS			430 RESULTS	
Determine difference in dollar amount of child care benefits authorized versus the amount that should have been authorized--indicate if it is an overpayment or underpayment.-----------------------	_____ 0 _____ 1 _____ 2		0	No Error
			1	Client Error
			2	Agency Error

APPENDIX D.
OHIO

SITE VISIT SUMMARY

Overview of Ohio's Child Care Program

Child care is provided through several service options in the State of Ohio, including:

- Child care centers;
- In-home aides;
- Type A providers, which are family home providers who serve 7–12 children, 4–12 children at one time, and 4 or more of those children are younger than 2 years of age; and
- Type B providers, which are subsidized family home providers who serve one to six children at one time, in which no more than three children are under the age of 2 years at one time.

Ohio's child care program is a State-supervised, county-administered system. The Ohio Department of Job and Family Services, Office for Children and Families, Bureau of Child Care and Development administers the child care program. The department is responsible for licensing, monitoring, and inspecting child care centers and type A providers for basic health and safety regulation compliance. The 88 County Departments of Job and Family Services are responsible for providing subsidized child care, including eligibility determination, certification, and monitoring. The counties are also responsible for the inspection of type B providers and in-home aides, as well as payments to providers.

Four counties—Cuyahoga, Defiance, Fulton, and Henry—have contracted out some portion of their child care program. Cuyahoga County maintains eligibility determination, but uses a private nonprofit agency to conduct the certification of type B providers. Defiance, Fulton, and Henry Counties enter into contracts with nonprofit agencies to assume the eligibility determination responsibilities, as well as the certification process. The remaining 84 counties in Ohio directly administer the eligibility determination for child care.

The largest counties in Ohio are Cuyahoga, Franklin, Hamilton, Summit, Lucas, and Montgomery, which represent 61 percent of the State's child care cases and approximately 80 percent of the overall child care budget. According to statewide statistics provided by the department, as of January 2005 there were 80,322 children receiving subsidized child care; 47,312 families received a monthly subsidy, totaling $29,130,746. More than 13,000 certified home providers and 4,000 centers and type A homes were part of the system.

As with most States, Ohio pays for some child care with Temporary Assistance for Needy Families (TANF) pass-through funds. In addition, approximately 100 cases receive funding through the Social Services Block Grant for special needs and protective services.

Improper Payments Process
Because Ohio is a State-supervised, county-administered State, counties conduct their own monitoring reviews to determine eligibility accuracy. Eligibility staff, providers, and members of the community can make fraud referrals. In some counties, cases are also subject to review by unit supervisors. When overpayments occur, counties refer the cases for collection, prosecution, or both.

Staff from the Office of Children and Families, Bureau of Child Care and Development visit each county twice during a 15-month period. The State-level reviews cover all areas of eligibility, notification, and documentation. Each visit includes reviews of 10–15 cases for eligibility and redetermination. When the reviewer encounters a discrepancy between data in the record and State and county policy, the county receives notification and is given time to respond. The State then conducts followup to review any action taken. The second visit also covers a review of the Family Child Care Certifications for type B family homes certified by the county.

Discovery of most overpayments occurs at redetermination, by complaint, or the worker questioning a situation. When these circumstances occur, the county will investigate and take the appropriate action.

Assessment of Risk
Policy requirements established by the State can vary by county resulting in variations in interpretation. This can present a major challenge to State-level monitoring of improper payments in Ohio. The following are examples of this variation:

- Ohio allows both face-to-face and mail-in applications for child care. There is debate over the level of risk each poses to the program. A mail-in application can take longer than face-to-face application due to the time required to gather the proper documentation. It is also possible that staff would apply a looser standard of documentation to mail-in applications because of the difficulty of obtaining the documentation.

- Counties have the flexibility to require additional documentation for eligibility. This variation in documentation can lead to uneven results in eligibility determination across counties.

- A client's eligibility is valid for 12 months. At the sixth month of eligibility, the County Departments of Job and Family Services conduct a review of the client's income; however, a full redetermination does not take place until a full year has elapsed. Increases to the copay occur only at the 6-month review, but copays can decrease as circumstances warrant. Conducting a redetermination only for copay at 6 months creates the potential opportunity for improper payments to not be determined until the full review is conducted at the end of the year. On the other hand, the staff resources to conduct a full review every 6 months could mean the counties would need to hire more staff, which would thus increase the cost of the program.

Most counties contract with their child care providers; however, some counties (such as Cuyahoga) do not contract, and instead use a Memorandum of Understanding. A Memorandum of Understanding may not carry the same weight as an actual contract, but can afford additional flexibility to both the State and the contractor.

Certain client eligibility policies and procedures are similar across counties, allowing for systematic monitoring of administrative error throughout the State. These eligibility procedures include the following:

- Most counties have a 90-day delay between service month and the actual payment.

- Ohio has an income limit for applicants. If the client's income increases during the 6-month period, the copay remains until the 6-month mark to avoid a "cliff effect." For example, an applicant obtains a job that requires child care, and then receives a raise. Without a limit, the increase could cause the applicant to lose their care. The copay can increase only at the 6-month review or 12-month redetermination, but the county can reduce the client's copay whenever the client demonstrates a reduction in income sufficient to warrant a reduction in copay.

- Clients are required to report any changes that influence eligibility, such as employment, household size, or income within 10 days.

- Full-time daily rates are for periods of time greater than 5 hours, while part-time daily rates are for periods less than 5 hours. The average number of care days per month is 22.

- A parent pays the assessed copayment to the provider first, then the provider bills for the remainder of the cost of care up to the limit set by the county. It is the provider's responsibility to collect the parental fee. If notified that a parent is not paying the fee and has not initiated a schedule to pay the fee, the county can close the case within 30 days.

- Counties provide payments to child care providers. Providers submit attendance forms that are reconciled prior to payment. This process is less costly, but it does not eliminate error.

- A single system tracks all providers and ensures that each provider has a unique identifier, thus minimizing potential double-billing situations. County staff maintain client and provider information in the system. While the business office is responsible for issuing the payments, it cannot raise the payment amount.

- A provider receives a license after going through a process of background checks and other licensing procedures. Unlicensed providers, usually family, friends, and neighbors aged 18 years or older, must undergo limited certification criteria and sign contracts with the county to provide care. Ohio uses a large number of certified unlicensed providers.

Automation

The child care program uses several statewide systems including the 3299 system, Injury and Incident Tracking System, and Licensing Systems. These systems are mainframe, character-based systems that all counties must utilize. Although each of these systems contains information pertaining to some aspect of the child care program, these systems do not interrelate.

The 3299 system is Ohio’s child care system. It captures all child care activity, including eligibility and redetermination, cost of care, and copay information. It also maintains the authorized days of care and service days. All of the counties are required to maintain their child care data by entering data into the 3299 system.

The Injury and Incident Tracking System maintains information on any injury to a child while in child care and it also tracks the circumstances of the injury. For example, the system tracks that a child suffered a bruise on his forehead after he fell while running to greet his mother at the end of the day. The child care division compiles reports from this system to determine the types of injuries that occur, how they occur, why they occur, and when they occur. The division shares this information with the centers and home so that they can minimize the circumstances when most of the injuries occur. Using the previous example, the sites can take steps to monitor more closely the entering and exiting of the children to prevent them from running, minimizing the opportunity for accidents, and provide training to staff on steps to prevent such injuries.

The Licensing System maintains data on all licensed centers and type A providers. This information helps satisfy the provider requirement section of the study; thus, the State will complete part of the review outside of the actual case record. Such files provide efficiencies in the review process by eliminating redundant efforts of the review staff. Although workers can enter incorrect provider ID’s, the efficiencies gained are considerable. With accurate licensing information available when conducting a record review, a reviewer can ensure that the provider was licensed for the service authorized.

An additional data source that is useful for the child care system is Ohio’s CRIS-E system, which is the State system that supports the Food Stamps, TANF, and Medicaid programs. This system is more comprehensive, but does not include or interface with the 3299 system. The CRIS-E system calculates eligibility based on TANF and Food Stamps rules. It also performs an automated check between programs, excluding child care because the rules are too dissimilar and were not fully integrated. Workers in the child care program can check the CRIS-E system to see if clients are also receiving TANF or Food Stamps benefits; however, as there is no interface, the user must move back and forth between systems. In addition, because the systems are older mainframe systems, their technology does not allow data to transfer easily between system and common Microsoft Windows techniques, such as “cut and paste,” which are not possible with the CRIS-E system.

The State plans to modify the CRIS-E system and include the child care 3299 system into the modified design. Plans also include the use of imaging as a part of the overall upgrade. Imaging is the process of scanning all documentation that applies to the record, including signed application and pay stubs, and electronically indexing the documents to the application or redetermination. When the case is accessed any time after this process, all documentation is then available on the screen. Imaging can increase accountability by avoiding loss of documentation and it cuts down on photocopying and storage costs. Additional information about automation in Cuyahoga and Summit Counties is included in sections below.

Most of the large counties and some of the smaller counties have developed or purchased their own automation systems. These range from full eligibility systems to smaller tracking systems that do not feature automated eligibility determination. This situation creates a high potential for inaccuracies because the county staff first enter all of the information into the county system and then reenter the required information into the 3299 system. Approximately 12 counties interface data from their individual county-based systems and upload the data to the 3299 system.

A number of counties use a commercial software product, the Automated Budgeting and Claims Updating System (ABACUS) as their claims system. Its purpose is to calculate and act as an accounts receivable system for overpayments. Approximately 20–30 counties in the State utilize the ABACUS system and meet regularly as part of a users' group. These counties download State utilization data necessary for counties to complete their payments to providers. The download occurs overnight, keeps the systems out of sync for at least 1 day, and requires that county workers enter eligibility information into both the county and the State 3299 systems.

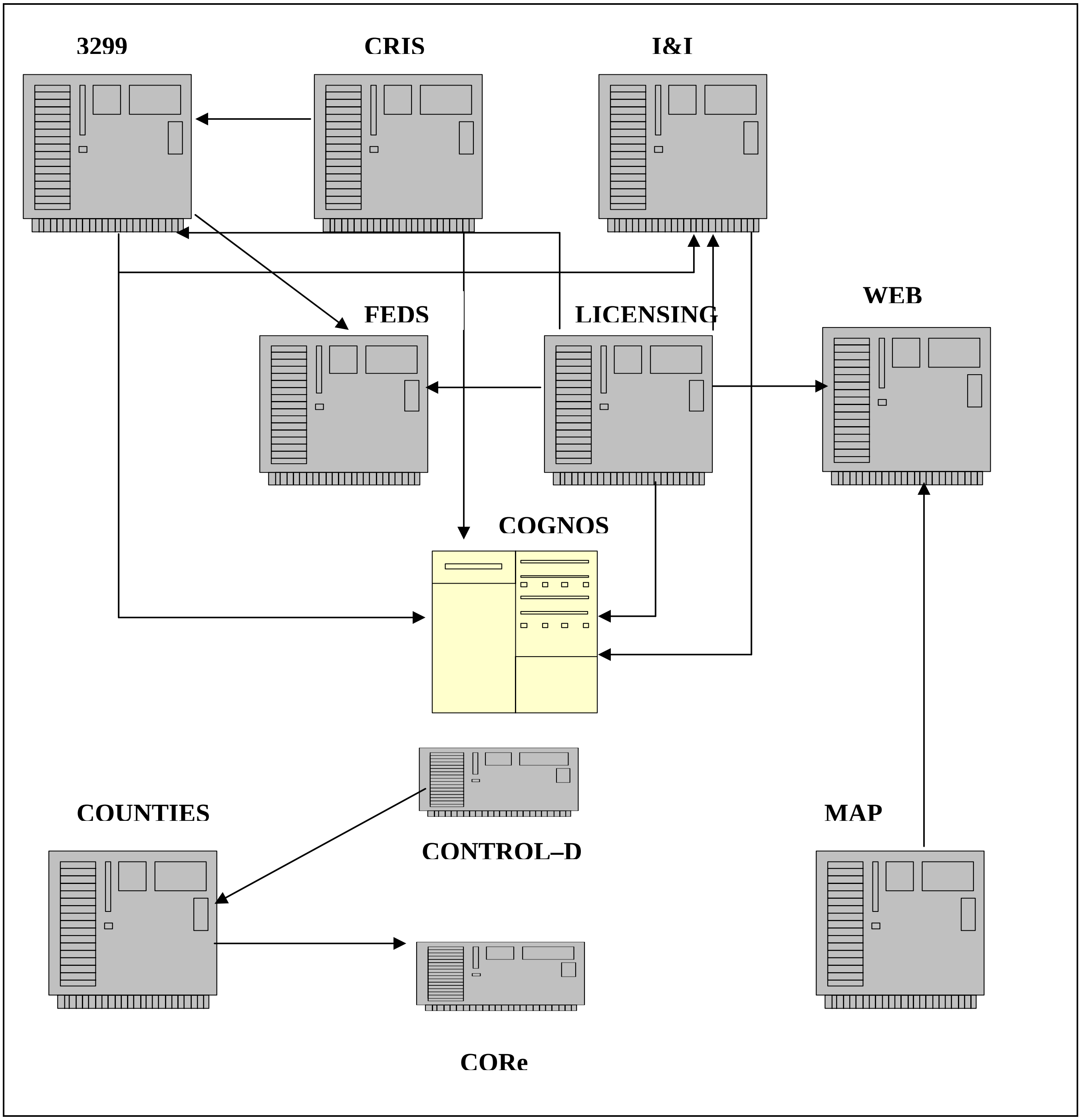
The State produces a number of child care reports and publishes them to a fileserver called Control-D. Counties can access this server to retrieve these reports. The division also publishes information on center and type A provider inspections to a database call MAPS. This database is available to the counties and sites through the Internet. The counties also enter fiscal data into the State's COR-e system, which is a file server that houses the county fiscal and billing data.

The State uses data from its various systems to meet Federal reporting requirements. In addition, data from the various State systems feed a data warehouse. The State uses COGNOS, a data warehousing software, to manipulate the data to produce reports not only from the unique systems but also across systems. (See exhibit 1 for a diagram of automation in Ohio.)

County Site Visit—Cuyahoga County

The visit to Cuyahoga County included a demonstration of the county-developed Calculator System. The system does more than basic mathematical eligibility calculations; it collects, manages, and captures all of the relevant information needed for either an initial child care application or a redetermination. It also automatically calculates the eligibility determination

Exhibit D–1. Automation in Ohio



and copay. A Cuyahoga County eligibility worker initially developed the calculator as an Excel spreadsheet to help eliminate basic math errors in subsidy calculations. The systems staff in the county expanded the Calculator System logic to create notices and capture case history and household demographics. The current Calculator System utilizes Visual Basic and a SQL database using Windows technology, including drop-down menus to assist the eligibility and redetermination process.

The Calculator System includes parent income and work schedule information. The system helps to match the schedules with provider billing records, identifying potential improper payments. It links to an independent imaging system, the Electronic Record Information Management System (eRIMS). The eRIMS works with several other county systems, such as TANF and Food Stamps. It collects scanned images of all documentation, indexes the forms, and attaches them to the proper record. When accessing a record, all supporting documentation is available on-line. In the TANF and Food Stamps system, once the application is completed, the eRIMS system application allows the client to sign the electronic application using a stylus and touch screen-signing pad. The county plans this functionality for the child care program in the future.

The county estimates a paper reduction of 45 percent with the advent of eRIMS. The intention of the study team was to look closely at these technology efforts on the selected cases; however, these technologies were not in effect during October 2004, the study period.

The eRIMS system went live in April 2005 and the county is diligently working to scan the backlog into the system, particularly the older cases. The county keeps the scanning equipment that it currently owns in use for a full 8 hours a day and is looking at purchasing additional scanners to cut down on the backlog. It is too early to tell at this point how well the new technology will meet the county’s expectation.

County eligibility staff who conduct interactive interviews with clients use the Calculator System. The client can view the results of the determination, including any assessed copay. Hard copy documents necessary for determining eligibility are scanned and indexed. All other electronic documentation that exists for other programs will display for the worker to use during the eligibility determination. To date, the county has not experienced delays or backlogs and states that it takes the same amount of time doing the interactive interview as it does without using the Calculator System. Cuyahoga County conducts all walk-in interviews, approximately 15 percent, using the interactive interview method; the remainder of the applications are mailed in.

The Calculator System and eRIMS house the documents for 7 days before actual production to give the worker time to make any additional changes. The system produces local forms on demand and contains an online policy manual and worker guide. Currently, double data entry is still necessary so that the county can provide the needed data for the State’s 3299 system for voucher issuance. The State and county are working to develop an interface between the Calculator System and the 3299 system.

There is some form of eligibility review on every case in the nonTANF caseload. Every application is subject to review as are a random number of recertifications. The supervisors conduct the reviews. In addition, the county clears each application with the State CRIS-E system to determine if the client in question is receiving another benefit in another program.

Four county examiners and 35 investigators in the county deal with improper payments in all of their programs. The county conducts most of the reviews in the TANF and Food Stamps area, but the examiners are beginning to work more in child care.

County Site Visit—Summit County

Summit County uses ABACUS as their claims system. Its purpose is to calculate and act as an accounts receivable system for overpayments. The county also uses a Paradox System for tracking child care. The State prohibits any standalone system from transferring or sharing information with their income maintenance system, CRIS-E, which means double entry. However, a reverse interface moves State data into the ABACUS system. Workers in Summit County must calculate the eligibility independently and then enter it into the Paradox System. After completing their eligibility work in the Paradox System, the workers must also enter the information into the State 3299 system.

Each county must have a fraud plan and Summit County is a leader in the State for its improper payments and fraud programs. The county has dedicated considerable resources to fraud identification.

Child care centers and group homes receive licenses through the State while the county certifies family homes and limited care. Every year the eligibility unit supervisors conduct regular record reviews of all child care centers. They review 3 months of billing records for 10 percent of the children receiving service. If warranted, the county will review all records. The county receives most complaints anecdotally and these complaints can trigger an investigation. The county investigates overpayments of $1,200 in-house, while overpayments in excess of the $1,200 threshold are sent to the Sheriff's office for investigation by the Prosecutor.

One unit controls provider overpayments and three field investigators investigate cases of suspected client fraud. Prosecution is a common outcome. The department possesses the authority to issue charges and warrants.

Record Review Process

After representatives from the State completed their version of the Record Review Worksheet, four staff persons completed the record reviews—one staff person from the child care monitoring unit and three from the quality control unit. (See the following section for the Ohio Record Review Worksheet.) The reviewer who conducted the review in Cuyahoga County was from the child care unit and worked with Cuyahoga County on a regular basis. The review for Cuyahoga County intended to pay particular attention to those records scanned into the county eRIMS system, but due to the review period of October, 2004, these records are not yet scanned into the system. The county is focusing on current records and scanning history as time permits. The review staff were familiar with program requirements, policy, and local procedures. Because of the number of records pulled from some of the large counties, the review team reviewed some records on-site and others at the central office in Columbus.

A subsample of the records received a second review as an additional level of quality control. When reviewers encountered errors in the records, counties received notification so correction action could be taken.

As in most States, TANF recipients' cases pose a unique problem for the child care program because the income maintenance staff handle the eligibility determination. The record review looked at the CRIS-E documentation as well as the hard copy case record to determine if other services impact the child care services being provided.

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RECORD REVIEW WORKSHEET

The Record Review Worksheet used for this site is located on the following pages.

Exhibit D–2. Ohio Record Review Worksheet

ELEMENT	AUTHORITY	ANALYSIS	FINDING	RESULT
Application	JFS 1138 JFS 4074 5101:2-16-35 (A) & (D)			
Priority Group	Disposition page of JFS 1138 Screen print County Authorization form Running record – handwritten CLRC Referral from OWF 2-16-30(B)(C)(D)(J)			
Caretaker	Page 1 of JFS 1138 2-16-01(E)(L) 2-16-30(A)			
Residency	Page 1 of JFS 1138 required pay stubs, school schedule or self sufficient plan 2-16-35(A)			
Household Members	Page 1 or 2 of JFS 1138 2-16-30(B)(C)(D)(G)(J)			
Qualifying Child	Page 1 or 2 of JFS 1138 Documentation of special need 2-16-30(E)(J) running records FACSIS			
Qualifying Care	JFS 1138 Documentation such as pay stubs, letter from employer, school schedule, travel time. County authorization form 2-16-30(F)			

ELEMENT	AUTHORITY	ANALYSIS	FINDING	RESULT
Qualifying Provider Arrangement	Disposition page of JFS 1138 County authorization form billed/paid correctly, ask for fiscal information for each 2-16-44(A)			
Provider Requirements	Disposition page of JFS 1138 County authorization form			
Income	2-16-34 (C)(D)(F)(G)(H) Supporting documentation in case record Agency calculation showing method used to arrive at gross monthly income.			
Income Eligibility	CCMTL #55A, copayment 150% & 165% of 2003 FPL CCMPL #9, 150% and 165% of the 2004 FPL. Pay source code342 Franklin 185%, code 899			
Payments	JFS 1224 Contract 2-16-01(N)(O) 2-16-41(A)(B)(D)(E)(F)			
Copayment Computations	CCMTL #55A Copayment table effective 6/9/03 County authorization form			
Payment Computations	Days and hours of care authorized by the county vs. days and hours of employment/training of the parent Pay stubs and school schedule			

APPENDIX E.
RECORD REVIEW WORKSHEET

CLIENT ID# STATE: COUNTY: DATE:

ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)	ANALYSIS OF CASE RECORD (2)	FINDINGS (3)	RESULTS (4)	

SECTION I. STATE CHILD CARE PROGRAM FORMS

100 APPLICATION FORMS			100 RESULTS	
Determine presence, date, and completeness of required eligibility forms, may include (1) signed and dated application form, (2) child care agreement, (3) voucher or certificate, and (4) provider invoice. Specify conditions of dollar error, including (1) form expired, (2) no application form, and (3) no documentation of income and work hours.			0	No Error
			1	Client Error
			2	Agency Error

SECTION II. PRIORITY GROUP PLACEMENT

200 PRIORITY GROUP PLACEMENT			200 RESULTS	
Determine if client meets criteria of State-designated priority groups, e.g., (1) teen parent in high school, (2) TANF recipients in eligible work activities, (3) working parents on TANF, and (4) foster parents etc.			0	No Error
			1	Client Error
			2	Agency Error

SECTION III. GENERAL PROGRAM REQUIREMENTS

300 QUALIFYING HEAD OF HOUSEHOLD			300 RESULTS	
Determine if client meets parent definition (parent means a parent by blood, marriage or adoption and also means a legal guardian, or other person standing in loco parentis), e.g., (1) parent, (2) step-parent, (3) legal guardian, (4) needy caretaker relative, or (5) spouse of same. Child(ren) must be citizen(s).			0	No Error
			1	Client Error
			2	Agency Error

310 RESIDENCY			310 RESULTS	
Determine if client is a resident of the State and for what duration, if client is a resident of the county and for what duration, and whether there is an agreement regarding eligibility among counties.			0	No Error
			1	Client Error
			2	Agency Error

CLIENT ID# STATE: COUNTY: DATE:

ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)	ANALYSIS OF CASE RECORD (2)	FINDINGS (3)	RESULTS (4)	
320 HOUSEHOLD MEMBERS			320 RESULTS	
To receive services a child's parent or parents must be working or attending a job training or educational program.			0	No Error
			1	Client Error
			2	Agency Error
330 QUALIFYING CHILD			330 RESULTS	
Determine if child(ren) is eligible for services, including (1) younger than 13 years, (2) younger than 19 years and physically or mentally incapable of caring for himself or herself, or under court supervision, and (3) in foster care when defined in the State Plan.			0	No Error
			1	Client Error
			2	Agency Error
340 QUALIFYING CARE			340 RESULTS	
Determine hours and type of care authorized. Determine required number of hours of care during authorized schedule.			0	No Error
			1	Client Error
			2	Agency Error
350 QUALIFYING PROVIDER ARRANGEMENT			350 RESULTS	
Determine if services are provided within a center-based child care provider, a group home child care provider, a family child care provider, an in-home child care provider, or other provider of child care services for compensation that Is licensed, regulated, or registered under applicable State or local law. Is informal care included?			0	No Error
			1	Client Error
			2	Agency Error
360 PROVIDER REQUIREMENTS			360 RESULTS	
Determine if regulatory requirements are met. Regulatory requirements means requirements necessary for a provider to			0	No Error
			1	Client Error

CLIENT ID# STATE: COUNTY: DATE:

ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)	ANALYSIS OF CASE RECORD (2)	FINDINGS (3)	RESULTS (4)	
legally provide child care services in a State or locality, including registration requirements established under State, local, or tribal law.			2	Agency Error

SECTION IV. INCOME AND PAYMENTS

400 INCOME			400 RESULTS	
Describe income documentation verification for each member of the household. Specify time period and all income to be considered, e.g., based on 4 weeks prior to application: Collect the following data: (1) head of household employment income, (2) spouse employment income, (3) any changes in income reported, (4) income during job training for parent/caregiver, (5) child support, if included as part of income, (6) Food Stamps, if included as part of income, and (7) loss of income during eligibility period.			0	No Error
			1	Client Error
			2	Agency Error

410 INCOME ELIGIBILITY			410 RESULTS	
Determine if household income meets State requirements (e.g., family gross income must be within 50% of State's median income).			0	No Error
			1	Client Error
			2	Agency

420 PAYMENTS, GENERAL			420 RESULTS	
Determine if payments were made. A sliding fee scale based on income and the size of the family and may be based on other factors as appropriate.			0	No Error
			1	Client Error
			2	Agency Error

430 PAYMENTS/COMPUTATIONS			430 RESULTS	
Determine difference in dollar amount of child care benefits authorized versus the amount that should have been authorized--indicate if it is an overpayment or underpayment.			0	No Error
			1	Client Error
			2	Agency Error

APPENDIX F.
DATA ENTRY FORM

VARIABLE	VALUE
State [STATE]	
County [COUNTY]	
Child ID [ID]	
Study Period Month (October 2004) [PERIOD]	
Date of data collection [DATE]	
One or more eligibility errors during study period [ERROR] 0 =no errors, 1 = one or more errors	
Cause of improper payment [CAUSE] 0 =no errors, 1 = client, 2 = agency	
Total amount of improper payments during review month [TIMP]	
Total amount of payments during review month [AMPAY]	

Note: The terms in brackets represent the variables names in the WRMA-maintained database.

APPENDIX G.
TELEPHONE DISCUSSION GUIDE

1. How are improper payments defined in legislation and/or policy in your State? Is the definition consistent from jurisdiction to jurisdiction?

2. Please check all of the topics or activities listed below for which your State has policies or regulations in place for the program.
   - ☐ The definition of an improper payment (includes overpayments, in which a client is paid more than he or she is entitled to)
   - ☐ Steps involved in <u>identifying</u> a potential improper payment
   - ☐ Steps involved in <u>verifying</u> an improper payment
   - ☐ Establishing claims for underpayments
   - ☐ Collecting overpayments, including, for example, the authority to reduce payments to recover overpayments
   - ☐ Distribution of recovered improper payments
   - ☐ Sources of funding for addressing improper payments
   - ☐ Other (specify)

3. What child care automated systems do you have in place—eligibility, family data, provider data, licensing, payments/authorizations (including EBT), attendance?

4. For each data source listed below:
   - Indicate whether your agency or State utilizes the data source to better ensure accurate payments under the program.
   - If your State utilizes the data source, indicate when in the process the source is used (prior to or following issue of payment) and indicate how often that source is used.

Data source	Is the source used?	When in the process is source used?	How often is source used?
a. Income Eligibility Verification System (IEVS)			
b. Other human services programs in your agency/State			
c. State department of labor or employment security			
d. State directory of new hires			
e. State department of motor vehicles			
f. Public Assistance Reporting Information System (PARIS)			
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			
j. Lottery agencies			
k. Prisons and criminal justice agencies at State level			
l. National Criminal Information Center (NCIC)			
m. Local jails			
n. Credit bureaus			
o. Financial institutions			
p. State tax intercepts			
q. Immigration and Naturalization Service			
r. K-12 school systems			
s. Community colleges			
t. Other providers of services, education, training			
u. Child support			
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			
z. Other *(Please specify:)*			

To what extent, if any, have the following factors contributed to improper payments in your State over the past 2 fiscal years for the program?

Factors contributing to improper payments	Great extent	Moderate extent	Little extent	No extent	Don't know
Related to clients					
b. Nonreporting/underreporting of income					
c. Client receiving payment in more than one jurisdiction					
d. Incorrect reporting of household size					
e. Incorrect citizenship or immigration status					
f. Incorrect information on client's compliance with program requirements, such as participating in required activity					
g. Other *(Please specify):*					
Related to providers					
h. Overstating performance					
i. Claiming for services not rendered					
j. Other *(Please specify):*					

APPENDIX H.
ARIZONA

Arizona is a centralized, State-administered child care program. Fourteen administration offices take applications, determine eligibility, and provide services for all of the assistance programs. Arizona provides Child Care Resource and Referral through Child and Family Resources, Inc., which provides training, technical assistance, and matches parents seeking child care with resources.

IMPROPER PAYMENTS PROCESS

Arizona defines improper payments in revised statute, 46–213B:

> *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.*

The definition of improper payments in policy reads:

> *Payment of funds to a provider on behalf of a client who was not eligible for assistance, does not have an eligible activity or need, use more assistance they were eligible for, or payment were made for days/hours, in which they were not in attendance with the child care provider. Overpayments may be client, provider, or agency caused.*

Arizona identifies improper payments through a variety of methods, including:

- Complaints or calls to the agency;
- Monthly supervisory-level case reviews;
- Annual case reviews;
- Inconsistent information at redetermination;
- Computerized exception reports; and
- Audits of provider records.

Examples of exception reports include reports that identify providers for billing for the maximum number of units every month or identify clients for whom the income varies more than 20 percent when child care data are compared with unemployment insurance.

Arizona has thresholds for overpayment referrals. Overpayments of $2,000 or less go to the Office of Accounts Receivables and Collections. Overpayments exceeding $2,000 go to the

Office of Special Investigations to determine if prosecution is warranted. If warranted, the case goes to the Attorney General for prosecution; if not, the case returns to the Office of Accounts Receivables and Collections for collection.

AUTOMATION

The Arizona Child Care Administration Tracking System (AzCCATS) consists of modules for eligibility, family data, provider data, certification, contract monitoring, and payments and authorizations. The system interfaces with Temporary Assistance for Needy Families (TANF) and Food Stamps. The system is a mainframe system that was transferred from Utah in 1988. It is supported internally and has been modified extensively. Providers can access the AzCCATS system to directly input their billing, or they can submit paper billing requests to the Payment Processing Unit.

APPENDIX I.
CALIFORNIA

California is a State-supervised, county-administered State, with 89 different agencies providing child care. Of the 89, 15 are school districts, 15 are child welfare agencies, and the remainder are private contract agencies.

California delivers child care through the CalWORKS welfare program. There are three stages of the CalWORKS program—Stage 1 is traditional Temporary Assistance for Needy Families (TANF) child care; Stage 2 is transitional child care; and Stage 3 is low-incomes child care when the child migrates out of transitional care. California also has alternative payment providers that provide child care for nonwelfare, low-income cases.

Each county has the discretion to establish when TANF benefits end, when transitional benefits begin, and the duration of transitional benefits. It is estimated that 30 percent of those receiving transitional child care benefits are also receiving some TANF benefits. In addition, 32 of the counties contract out their TANF services to former alternative payment providers. Of the remaining 26 counties, 15 operate all of the programs, while the remainder operates parts of the program.

IMPROPER PAYMENTS PROCESS

California legislation and statute define child care eligibility requirements, while the California State Department of Education, Child Development Division defines improper payments as any deviation from those policies or statutes that would constitute an erroneous payment.

The legislature, through Senate Bill 1113, allocated $530,000 for 5.5 staff positions to establish a new unit to deal with improper payments. In addition, the Child Care Division is adding 2.5 staff positions to this unit, for a total of eight staff positions. As stipulated by statute, this new unit will conduct a yearly audit of provider records to determine compliance rates, identify instances of misallocation of resources, and estimate the amount of funds expected to be recovered from instances of both potential fraud and overpayment when no intent to defraud is suspected. The areas of examination include family fee determinations, income eligibility, rate limits, and basis for hours of care.

In California, each county District Attorney's office establishes its own dollar threshold for pursuing improper payments.

AUTOMATION

The State does not have a statewide automated child care system. The State does not receive any client or provider-specific data, only aggregate data to meet Federal reporting requirements.

Most agencies that deliver child care within the counties have automated systems. Some of the systems are proprietary. Two systems are the most widely used—the NoHo system, developed during the 1980s by North Hollywood for eligibility and payment; and Kindertrack, which is used by many large agencies. Kindertrack is a newer system with a more user-friendly interface. One of the county welfare offices is moving to an imaging system so that they can have a paperless office. The State believes that the automated system could reduce the number and severity of errors; however, the human element of data entry and the basic decision process still allow for the introduction of error, even with the automated systems.

APPENDIX J.
KANSAS

Kansas has a State-administered child care program. There are 105 counties with 6 regional offices and 39 county offices. The Kansas Association of Child Care Resource and Referral agencies has 16 members.

IMPROPER PAYMENT PROCESS

Kansas does not define improper payments through statute, but through the *Kansas Economic and Employment Support Manual*, Section 11000, Incorrect Benefits. Definitions of errors are defined as follows:

Agency error is defined as:

> *Instances of agency error which may result in a claim include, but are not limited to, the following: The provider's time sheet was incorrectly keyed into Kansas Cares or the provider was otherwise assigned an incorrect payment; Payments continued to be made to a provider after the termination date or end date of the purchase of service agreement; Misapplication of policy.*

Provider error is defined as:

> *Instances of provider error which may result in a claim include, but are not limited to, the following: Nonwillful withholding of information from a failure on the part of a provider to report a change which affects eligibility for payment and/or the amount of payment when: The worker has reason to believe that the provider did not understand responsibilities; and there was no oral or written misstatement by the provider, or Willful withholding of information such as: Misstatement (oral or written) made by the provider in response to oral or written questions from the agency; Consistent failure by the provider to report a change which affects eligibility and/or amount of payments; Failure by the provider to report the receipt of a payment which he knows, or should know, represents an incorrect issuance.*

Fraud error is defined as:

> *A fraud error is a willful error which has been found to be fraud in accordance with the provisions in 11200. If the provider is found guilty of civil or criminal child care fraud by a court of appropriate jurisdiction, recoupment, which may include debt set-off, will be initiated by the local Fraud Unit.*

No specific funding is available at this time for further development of the improper payments monitoring process and the State is looking to address improper payments with existing resources. Kansas identifies improper payments through a variety of methods, including:

- Notification or complaints from the public;
- Exception reports generated from automated systems;
- Review of attendance sheets in the field; and
- Audits based on department request, field staff review, or complaints.

The State has an audit division and quality assurance unit. The State did two child care quality assurance reviews during the past year. One focused on in-home care because it was believed to be more error prone than other types of care. The review did not support this belief. The second focused on field staff adhering to State policy and procedures in the area of social services child care. Results are in process at this time.

AUTOMATION

Kansas Cares is a mainframe system, transferred from Wyoming during the late 1980s or early 1990s. Kansas made extensive modifications and it has some sharing of information with the Temporary Assistance for Needy Families and Food Stamps system and the licensing system. Kansas Cares processes some of the eligibility determination automatically, but workers perform most of the eligibility calculations off-line and enter the results into the system. However, Kansas Cares computes rates to ensure accuracy. The system will pay the lesser rate between the provider maximum, State, and private pay rates.

Kansas is installing a new Electronic Benefits Transfer (EBT) system that will handle all aspects of billing. Given that the providers will no longer be sending in the attendance sheets, Kansas will establish a system of random audits of providers.

APPENDIX K.
NEBRASKA

Nebraska is State-administered and has 93 counties. Some Resource and Referral agencies exist in Nebraska, but they do not receive State funds. Nebraska has approximately 6,000 child care providers with contracts to provide care; however, the State does not pay for slots, but arranges for care on a case by case basis.

IMPROPER PAYMENTS PROCESS

Nebraska does not define improper payments in statute or policy. Nebraska revised statute, 81–3109, defines intentional program violations as:

> *Any action by an individual to intentionally make a statement either verbally or in writing to obtain benefits to which they are not entitled, to conceal information to obtain benefits to which they are not entitled, to alter one or more documents to obtain benefits to which they are not entitled.*

Nebraska identifies improper payments primarily through monthly exception reports, including computer generated lists of top-paid providers in the State, copay lists, and lists of high daily and hourly rates. The Issuance and Collection Center Unit is responsible for auditing Temporary Assistance for Needy Families (TANF), Food Stamps, child care, and foster care. Four auditors conduct the child care audits. Most audit referrals fall into one of two categories:

- Overcapacity—Providers identified as serving more children than their licensed capacity. Auditors identify providers by compiling a spreadsheet for the provider's daily attendance for both title XX billings and the food program. From these data, they are able to determine if the provider is caring for more children than allowed.

- Inaccurate Billings—Providers identified as billing out of the authorization, padding billings with additional attendance, making inaccurate calculations, or other regulation violations. Auditors identify problems by compiling monthly charts that provide an easy comparison between attendance billed by the provider and the authorized days of care.

Following an investigation, the State determines the amount of the overpayment and who is responsible for the overpayment. For each overpayment, the auditor will write a report of audit findings that summarizes the details of the case, how the amount was determined, and who was responsible for the overpayment. The overpayments will either be internal, which are charged to the billing documents, or external, where the overpayment may go to civil court. Clients and providers have 45 days to appeal an audit decision. Nebraska takes action on every improper payment and has no threshold.

The agency attempts to develop a repayment agreement of up to 50 percent. If the case is active, the agency can deduct from the next payment. The State has had better success at recouping overpayments by pursuing civil suits rather than criminal suits. The letters requesting repayment are issued by the attorney assigned to Child Care and sent to the clients and providers. The State believes that letters coming from the legal office are more effective than other types of communication.

AUTOMATION

The Nebraska system, developed approximately 5–8 years ago, uses a home-grown, mainframe-based automated system that serves TANF, Food Stamps, and Child Care. Because all of the major programs use the same system, the automated system determines if the client is receiving the service and where. Child care eligibility is not automated and the eligibility must be performed manually and entered into the system.

APPENDIX L.
NEW HAMPSHIRE

New Hampshire is a highly centralized, State-administered State with 12 district offices. These offices take applications, determine eligibility, and provide services for all of the assistance programs. New Hampshire contracts with 36 centers, which are monitored once every 2 years, unless a problem arises.

IMPROPER PAYMENTS PROCESS

New Hampshire has a task force for improper payments that crosses program areas in the Department of Health and Human Services. The task force began after the State's chief policy staff attended the State Advisory Meeting in 2004. The State is developing rules within the Office of Special Investigations to cover improper payments, but does not feel that the statutes that are in effect apply specifically to child care, but apply more generally. The State plan does have a definition for improper payments: "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 requirements." Fraud is defined as "intentional improper billing or payment."

Current policies and practices to identify and verify improper payments are being formalized. Information on improper payments comes from a variety of sources:

- Educating the provider community to encourage referrals;
- Conducting a front-end prevention effort to identify training needs;
- Establishing Internet billing to reduce error and potential fraud in the provider billing process;
- Developing queries of the automated system for error-prone profiling; and
- Developing automated exception reports to identify potential areas where improper payments may be occurring.

Funding to address improper payments comes from the State's high performance bonus and the program's cost allocation plan to pay for an Improper Payments Coordinator for the department.

An adjustment process for both underpayments and overpayments allows the client or provider to return the check, write a reimbursement check, or deduct the amount out of the next check. Recovered improper payments are returned to the General Fund and are not returned to the program.

AUTOMATION

The New Heights system is a Windows-based system activated in 2000 that integrates all programs in the Division of Family Assistance, including Temporary Assistance for Needy Families, Food Stamps, Medicaid, and child care agencies. The system captures family data and automatically determines eligibility. The case file is fully integrated and a single query can determine if a client is receiving services in another program.

Currently, licensing is not integrated with the New Heights system. Providers and payments are housed within the Statewide Automated Child Welfare Information System, New Hampshire Bridges. This system is a transfer system and has undergone considerable modification. The New Heights system uses the New Hampshire Bridges provider number when authorizing service for a child within the New Heights system. The information is passed through the interface during a nightly batch run, which initiates and completes the process.