



Child Care Provider Fraud The Wisconsin Experience



Image Source: The Milwaukee Journal Sentinel



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1. Wisconsin Shares background
 2. Nature of Wisconsin Shares fraud
 3. What we have done
 4. Results
 5. Lessons learned

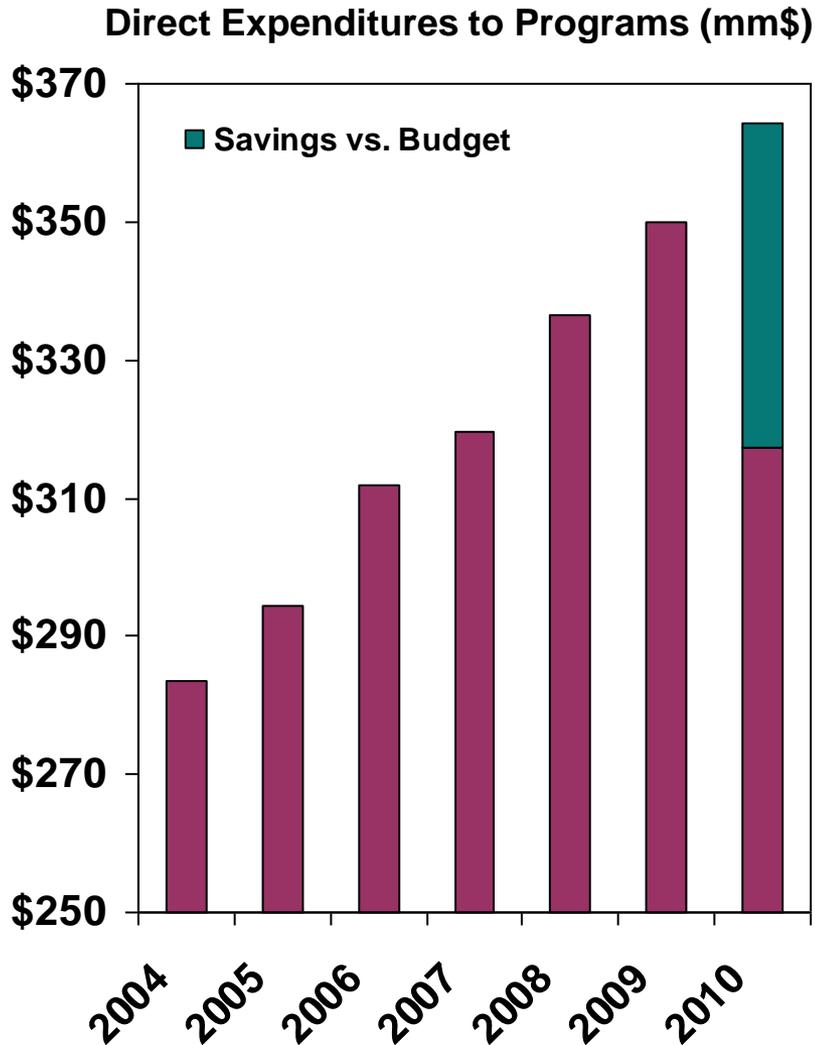


Replacing Welfare as we Know it

- Child Care Subsidy as a seamless work support
- Eliminate waiting lists
- Encourage existing child care providers to participate
 - Competitive rates
 - “Enrollment” authorizations
 - Direct centralized reimbursement by State
- Attract new providers
 - Certified Family Care
 - Legitimize and finance as means of employment

Wisconsin Shares Background

Unfettered Growth, Little Oversight



- Wisconsin Shares has tripled in size over 10 year period
- Over budget 5 consecutive fiscal years
- 8 state staff overseeing nearly \$400mm program
- Two state agencies + 72 Counties + 11 Tribes + W-2 Agencies touching child care facilities



Policy Issues contributing to fraud

- No incentives to monitor costs anywhere in the entire system
 - State always picked up bill
 - Counties and W-2 agencies
 - Providers
 - Parents
- Minimal legal ability to take action when fraud was detected
- Minimal law enforcement resources dedicated to the issue



Number One Finding related to Program Integrity





What did we find?

- Lack of coordination between state agencies responsible for regulating different facets of the same facilities
 - Subsidy Administration
 - Licensing
 - Certification
 - Other Govt Programs
- No ability to independently verify attendance
 - Rely on Provider to accurately bill for hours of child care
- No use of data to identify anomalous (or impossible) patterns of provider behavior
 - Relied on client based data for fraud detection (SWICA, IEVS, etc)
- Gross failure in Milwaukee County, location for 59% of payments
 - County had their own silo issues



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CHANGING DIRECTIONS | WATCHDOG UPDATE

Child-care seems rife in thousands



Millions cancelling, fake jobs used to defraud taxpayer-funded system
By Rachel Rutledge of the Journal Sentinel
Jan. 25, 2009

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Homicidal crime boss linked to child care

Lock used at least 4 centers for illicit ends
By Rachel Rutledge of the Journal Sentinel
Dec. 13, 2009

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CASHING IN ON KIDS | WATCHDOG UPDATE

Millions down the drain

State unable to collect overpayments to providers in child-care subsidy program
By Rachel Rutledge of the Journal Sentinel
Feb. 14, 2009



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

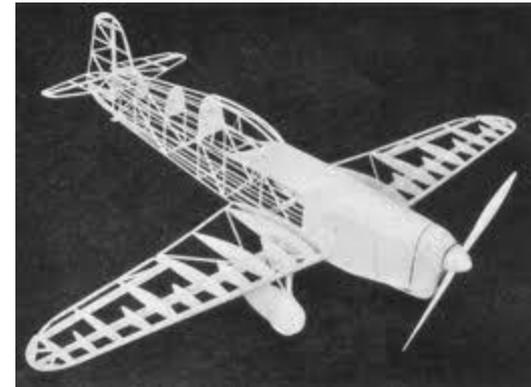
When regulators have tried to collect the excessive taxpayer-funded money, parents and providers have stiffed the state to the tune of \$6.4 million, the Journal Sentinel has found.

A four-month Journal Sentinel investigation published last month detailed a lack of regulatory controls within the \$240 million Wisconsin Shares child-care subsidy program - a system prone to abuse and fraud that can go undetected.



Building a strategy

- The use of Data - Red Flag database
- Creation of Dedicated Unit (FDIU)
- Tearing down silos
 - Subsidy and Regulators partnering
 - Milwaukee County
- New Statutes
 - Reasonable Suspicion
 - Written Attendance Records onsite
- Active Investigations
 - Developing new set of investigation procedures
 - Creation of Fraud Task Forces





- Examples of quantitative red flags:
 - 87 providers were receiving more than \$15,000 per licensed slot – all 87 in MKE County
 - 93 providers claimed to be serving an average of greater than 2.5 Shares children per slot – 90/93 in MKE County
 - 36 providers claimed to be serving greater than an average of 3 Shares children per slot – all 36 in MKE County
- Three cases identified with data:
 - 223 Shares authorizations, licensed capacity of 90 – and 212 were children of “employees”
 - \$35,323/licensed slot and 5.38 children/slot
 - \$28,883/licensed slot and 3.75 children/slot in one facility; \$27,764 and 4.50 in a second owned by same person

Nature of Wisconsin Shares Fraud Revised Investigation Procedures



Previously:

- *Request Attendance Records – allow provider time*
- *Gather at least 6 months of records*
- *Audit would take several months*
- *Provider would face an overpayment but allowed to continue to operate*

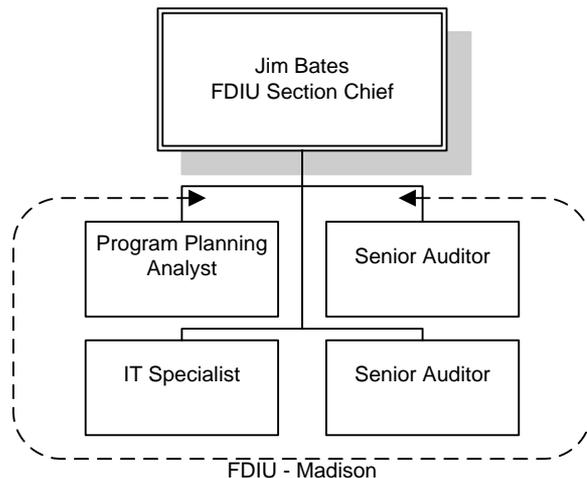
Nature of Wisconsin Shares Fraud

Previous Staffing Level – Two Years Ago



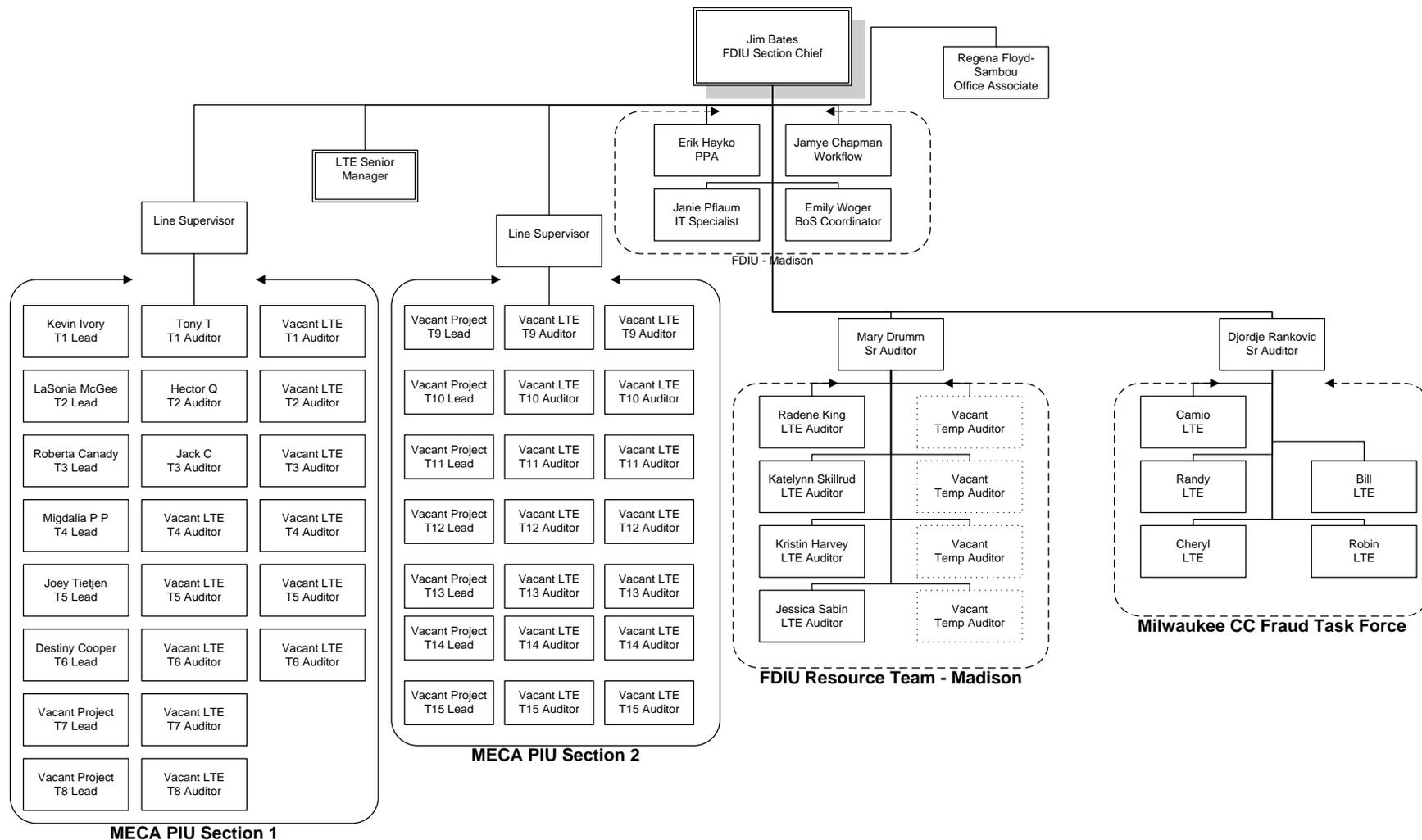
Nature of Wisconsin Shares Fraud

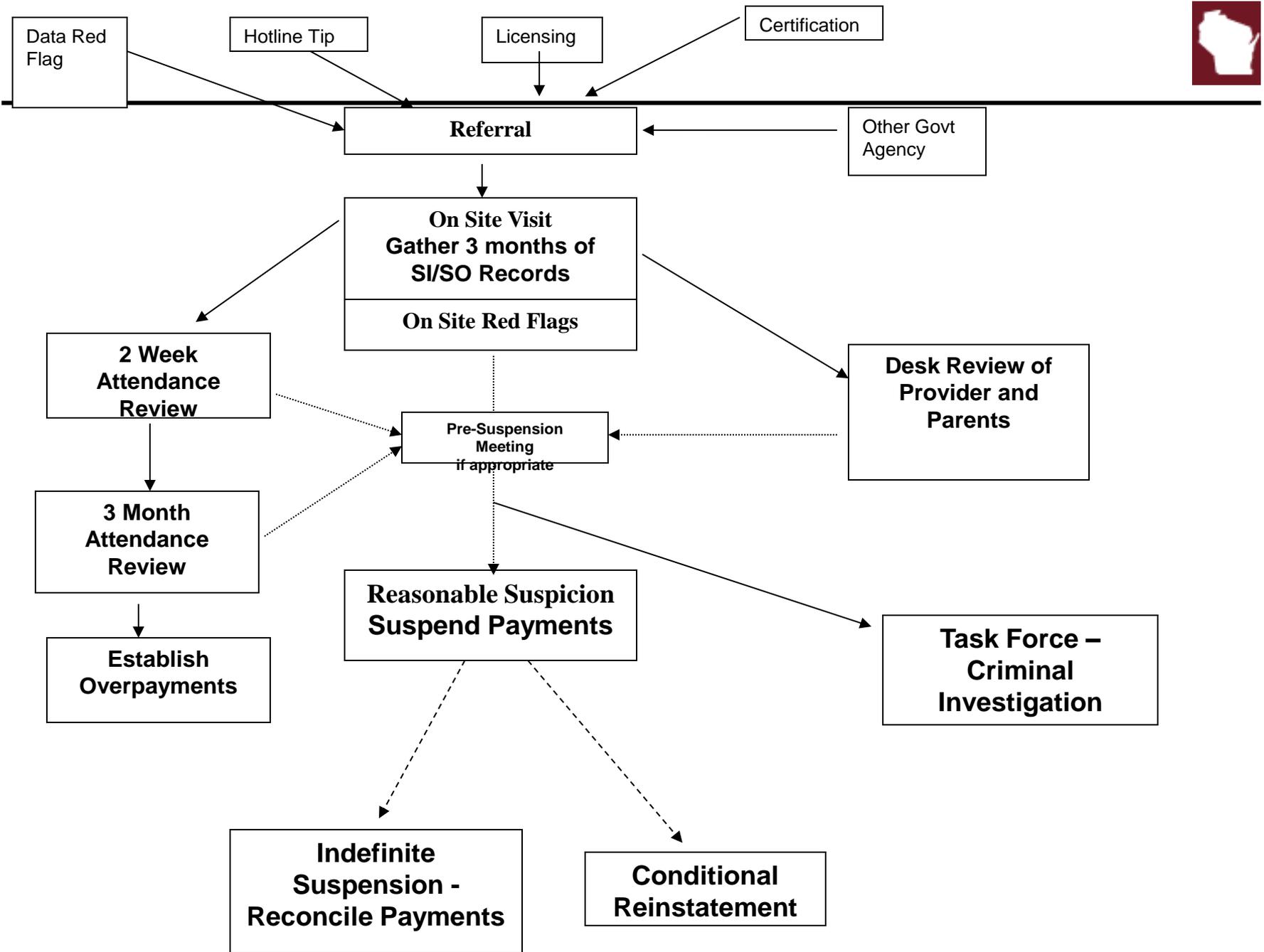
Previous Staffing Level – One Year Ago



Nature of Wisconsin Shares Fraud

Current Staffing Level





Nature of Wisconsin Shares Fraud

Real life examples



- Suspended provider who walked across the street and offered to sell 25 authorizations to provider for \$1,500 every two weeks.
- Call from a center's one real employee, who called to ask why we had not shut her place of employment down yet and shared the names of 10 fake employees.
- Multiple providers who claim full second and third shifts despite surveillance indicating zero attendance for weeks
- Suspended provider whose ex-employees went looking for employment at child care facilities, under the condition that they do not have to work.
- Suspended provider who actively recruited large immigrant families at W-2 agencies to participate in scheme



1. Children not attending – attendance records fictionalized or embellished
2. Parents listed as employees of child care centers to get Shares benefit – child nor parent never actually attend
3. Second and third shifts that do not exist
4. Child attendance used as jigsaw puzzle pieces – child simply unit to be monetized
5. Larger defrauders learned system as a family provider and expanded to group
6. Friends and family connections, but no centralized organized crime racket



Lessons and Issues

Lessons

1. Siloed programs and information don't just impede access – they facilitate fraud.
2. Use data and technology to prioritize efforts.
3. Understand the incentives of the actors involved in the system (and the implications).
4. The child care voucher market does not function properly without suitable intervention – payment needs to be linked to quality.
5. Media makes a tremendous difference.
6. Fighting fraud is a huge financial opportunity -- and NOT fighting fraud is a huge risk.

Issues

1. Hard to catch and then hard to punish – fraud needs to be stopped up front
2. Perceived profiling
3. Due process
4. Provider as beneficiaries versus businesses
5. Pandora's Box
6. Implementation risks



Lessons and Issues – Media Relations & Messaging

Failure is News, Success is not

- What did you know?
- When did you know it?
- What did you do about it?

Dangers of Over Perception

- Public outrage is hard to answer
 - Gov't Bureaucrats “not doing their job”
 - Calls for heads to roll
 - Calls for programs to be cut/eliminated

Focus on Current Efforts and Future Outcomes

- Defending the past is a losing cause.



Wisconsin Department of Children and Families

For more information:

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