Child Care Provider Fraud
The Wisconsin Experience

Image Source: The Milwaukee Journal Sentinel
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
Nature of Wisconsin Shares Fraud
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
The Heat
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
Nature of Wisconsin Shares Fraud

Data examples

• 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
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

Jim Bates
FDIU Section Chief

FDIU - Madison

Program Planning Analyst
Senior Auditor
IT Specialist
Senior Auditor

Wisconsin Map
Nature of Wisconsin Shares Fraud
Current Staffing Level

FDIU Resource Team - Madison

MECA PIU Section 2

MECA PIU Section 1

FDIU - Madison

Mary Drumm
Sr Auditor

Regena Floyd
Office Associate

Jim Bates
FDIU Section Chief

Erik Hayko
PPA

Jamye Chapman
Workflow

Janie Pflaum
IT Specialist

Emily Woger
BoS Coordinator

Radene King
LTE Auditor

Katelynn Skillrud
LTE Auditor

Kristin Harvey
LTE Auditor

Jessica Sabin
LTE Auditor

Camio
LTE

Djordje Rankovic
Sr Auditor

Randy
LTE

Bill
LTE

Cheryl
LTE

Robin
LTE

Milwaukee CC Fraud Task Force
Hotline Tip
Licensing
Certification
Other Govt Agency

Referral

On Site Visit
Gather 3 months of SI/SO Records
On Site Red Flags

Pre-Suspension Meeting
if appropriate

Desk Review of Provider and Parents

2 Week Attendance Review

3 Month Attendance Review

Reasonable Suspicion
Suspend Payments

Establish Overpayments

Indefinite Suspension - Reconcile Payments

Conditional Reinstatement

Task Force – Criminal Investigation
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.
Nature of Wisconsin Shares Fraud
General Categories of Child Care Fraud

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

<table>
<thead>
<tr>
<th>Lessons</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Siloed programs and information don’t just impede access – they facilitate fraud.</td>
<td>1. Hard to catch and then hard to punish – fraud needs to be stopped up front</td>
</tr>
<tr>
<td>2. Use data and technology to prioritize efforts.</td>
<td>2. Perceived profiling</td>
</tr>
<tr>
<td>3. Understand the incentives of the actors involved in the system (and the implications).</td>
<td>3. Due process</td>
</tr>
<tr>
<td>4. The child care voucher market does not function properly without suitable intervention – payment needs to be linked to quality.</td>
<td>4. Provider as beneficiaries versus businesses</td>
</tr>
<tr>
<td>5. Media makes a tremendous difference.</td>
<td>5. Pandora’s Box</td>
</tr>
<tr>
<td>6. Fighting fraud is a huge financial opportunity -- and NOT fighting fraud is a huge risk.</td>
<td>6. Implementation risks</td>
</tr>
</tbody>
</table>
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.
For more information:

Jim Bates, Section Chief
Fraud Detection and Investigation Unit
Bureau of Child Care Administration

Jim.bates@wisconsin.gov