



**NEW YORK STATE OFFICE OF CHILDREN AND FAMILY SERVICES**  
**Child Care Subsidy in New York State: *Making Every Dollar Count***

**New York Public Welfare Association**

July 25, 2011





# NEW YORK STATE OFFICE OF CHILDREN AND FAMILY SERVICES

## Child Care Subsidy in New York State: *Making Every Dollar Count*

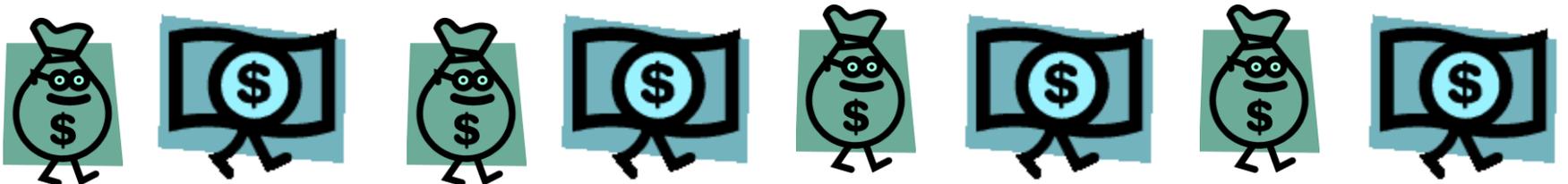
### DID YOU KNOW THAT:

Nationally, the rate of improper child care subsidy payments is 13.3%.

The US Department of Health and Human Services has estimated that somewhere between 15% and 20% of payments are either in fraudulent status, lack program integrity or are in error.

In each of the past three State Fiscal Years, New York State allocated \$736 M to local social services districts for child care subsidies.

If we take 10% of NYS's allocations (\$73.6 M) and divide it by \$6,200 (cost to provide child care to one child per year), that's 11,870 add'l child care slots that could be available in NYS.





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***WE NEED TO  
MAKE EVERY DOLLAR COUNT  
IN  
NEW YORK STATE!!!!***





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### Real Life Examples of Child Care Subsidy Fraud

- Multiple providers who claimed full second and third shifts despite surveillance indicating zero attendance for weeks
- One sister was licensed as a group family day care provider, hired her sister as an assistant, and watched only her sister's children who were eligible for child care subsidies
- Providers who split child care payments with parents who agreed not to send their children to the program. Parents watched their own kids and received a kick-back from the provider
- Providers who offered to sell authorizations for payments to other providers for \$1500 every two weeks
- Social services staff authorized care for children who didn't exist (including stealing identities of deceased children)





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## Child Care Subsidy Fraud: A View From the States

- In WI, 1000 out of 9000 regulated providers were under investigation for possible subsidy fraud.
- In CT, in 2007, an assessment of 1200 cases resulted in: 141 arrests; 50 convictions, recoupment of \$202,000; and a cost avoidance of \$1.5M
- In CA, LA county reviewed 6 years of historical data from 5 data sources; used predictive analytics to identify fraudsters; resulted in 85% correct hit rate on provider fraud and 40% correct hit rate on participant fraud; expected return on investment is between \$7M and \$30M annually

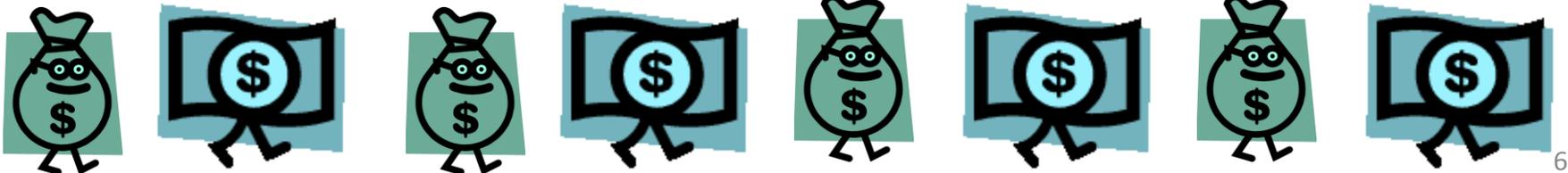




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## **NEW YORK STATE CHILD CARE SYSTEM**

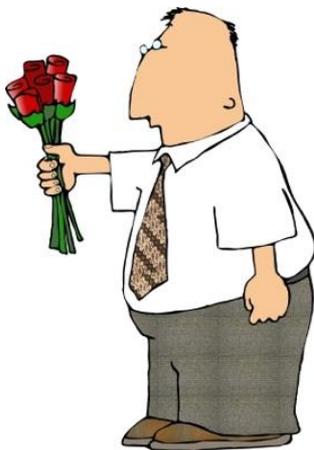
- Over 216,000 children received subsidies in FFY 2010
- Over 21,260 regulated child care providers with a capacity to serve approximately 670,000 children
- Approximately 52,000 legally-exempt providers caring for 83,000 children



# Can you tell who the fraudulent provider is?



**A**



**B**



**C**



**D**



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## **Steps NYS Has Taken to Prevent Waste, Fraud, and Abuse**

- Conducted a Roundtable Discussion in October 2010 for 100 participants (invitation only) including social services commissioners, caseworkers, fraud investigators, local county prosecutors, child care advocates, among others
- Built partnership with NYWFIA and established scholarships for local district staff to attend the NYWFIA annual seminar
- Increased training of state staff to improve oversight and monitoring, including training sponsored by NYWFIA and OSC
- Drafted new child care subsidy regulations to address fraud





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## **Child Care Subsidy Fraud Regulations**

**Principle:** Provide LDSS' more authority to stop child care payments

**LDSS may disqualify a provider from receiving payment for child care services if a provider:**

- Is found to be criminally convicted of fraud;
- Is found to be civilly liable for fraud;
- Has voluntarily admitted to filing a false claim;
- Has been disqualified from the NYSDOH CACFP;
- Has a conviction of any activities in the past 7 years that indicated a lack of business integrity;
- Has been found to have submitted false claims after an Administrative Review;





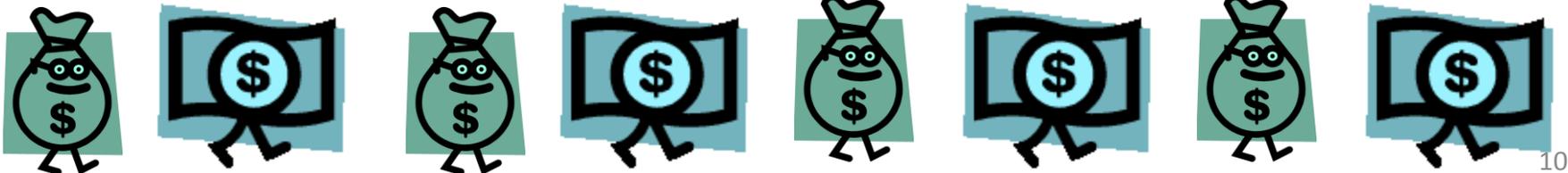
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**Fraud Regulations *continued***

All providers must:

- Comply with all OCFS regulations or face enforcement actions;
- Maintain current and accurate enforcement records;
- Certify that all documents and information provided to districts is accurate and true;

The submission of any false, inaccurate or fraudulent claims may be the basis for the deferral or disallowance of payment for such claims.





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## .....More Steps

- Began integrating the OCFS regulated care and subsidy units on issues related to fraud
- Established a formal referral process between local social services districts and OCFS regional office regulatory staff to address child care subsidy fraud
- Worked with local districts to establish indicators for the referral of child care applications to their investigative units



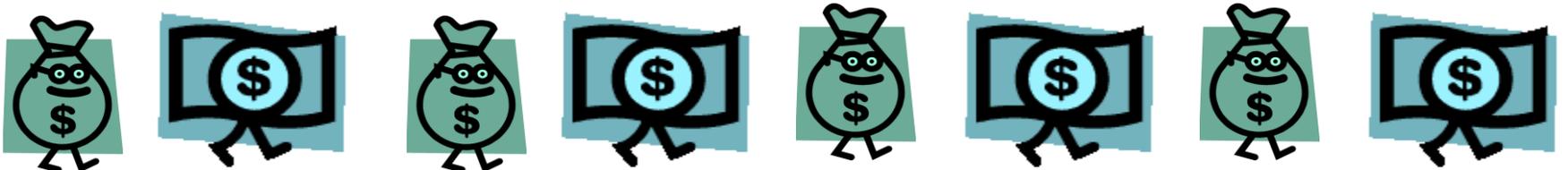


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## ...Even More Steps



- Analyzed existing databases for the purpose of identifying child care subsidy cases that may warrant further investigation
- Developed a “SWAT Team” to investigate and conduct on-site inspections
- Coordinated efforts with the NYS CACFP program around data sharing and fraud detection
- Secured funding for, and are currently implementing, an automated child care time and attendance system





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### NYS Identifies Red Flags to Detect Fraud

- Beginning in March 2011, data are run quarterly from a “data warehouse” using the following two indicators:
  - 🚩 Overcapacity: Any group family child care program that receives payment for 22 or more children in a pay period
  - 🚩 Highest Revenue Producers in a pay period by modality: list of top 10 providers for 4 modalities (child care centers, family child care, group family child care, and legally exempt) are given to each OCFS regional office to review and conduct inspections and/or investigations, where appropriate
- Began discussions on using technology solutions (data mining) to identify fraudulent individuals (child care providers and subsidy recipients)





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### Steps Nassau County Has Taken to Address Fraud

- Increased reviews of applicants who “work off the books”
- Increased the number of cases verified for the recipients ongoing need for child care assistance
- Identified red flags such as provider billing for perfect attendance, billing for meals for an absent child, billing full-time for a school-age child
- Improved communication between eligibility workers and fraud investigators
- Increased the number of fraud referrals to law enforcement
- Strengthened contracts with providers to allow for greater oversight in ensuring compliance with LDSS rules and regulations
- Leveraged CCTA reporting functions to identify fraud





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#### Nassau County continued:

- Since April 1st: completed 221 investigations resulting from 313 referrals from the Day Care Unit (the remaining 92 referrals are still being reviewed)
- Found that 43% of the referrals resulted in a finding of ineligibility, worth \$527,250 in cost avoidance. *(The cost avoidance figures are based on a NYS OTDA prescribed savings of \$5,550 per case closure for a 6-month period).*
- FEDS investigations are averaging a 31-day completion window





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## **Next Steps to Address Child Care Subsidy Fraud**

1. Implement the new, child care subsidy fraud regulations once they are adopted
2. Explore ways to assist local districts with resources for fraud efforts
3. Release a Request For Information (RFI) focused on technical solutions such as data mining, predictive analytics, among others



# NYS Identifies Red Flags to Detect Fraud

- The new, automated Child Care Time and Attendance System (CCTA) includes the following Red Flags:
  - Parents/caretakers use a password to check the child in and out of the system automatically.
  - Attendance data is captured in the system in real time; inspectors check CCTA for attendance prior to an inspection.
  - If a change is made, the system records all transactions in history establishing an audit trail.
  - The system captures “exceptions” which the district can review when a child has perfect attendance and when a provider changes the check in and out times recorded by the parent.
  - CCTA interfaces with NY’s regulatory database to confirm that the provider is licensed/registered and is in a payable status both at time of authorization and when making the payment.





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## Albany County's Experience with CCTA

- **Pilot County**
- **CCTA Implementation**
- **Lessons Learned**





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## **Child Care Time & Attendance (CCTA) Updates**

- **Deployments to be completed on 8/1**
- **63 Public/Private organizations collaborated to deploy CCTA**





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## **Next Steps**

- **Refine and Enhance CCTA**
- **Progress towards 100% utilization/Parent sign-in/out**
- **Leverage CCTA to identify 'low hanging fruit' fraud**



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**Questions  
and  
Answers**



<http://www.ocfs.state.ny.us/main/childcare>