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### Informational Letter

<b>Transmittal:</b>	10-OCFS-INF-04
<b>To:</b>	Commissioners of Social Services Executive Directors of Voluntary Authorized Agencies
<b>Issuing Division/Office:</b>	Division of Administration Division of Child Care Services
<b>Date:</b>	June 24, 2010
<b>Subject:</b>	<b>Child Care Subsidy Program - Improper Authorization for Payment</b>
<b>Suggested Distribution:</b>	Directors of Social Services Day Care Unit Supervisors
<b>Contact Person(s):</b>	Questions pertaining to the Improper Authorization for Payment Review should be directed to the Office of Audit and Quality Control: Don Nicklas (518) 486-1118 <a href="mailto:Don.Nicklas@ocfs.state.ny.us">Don.Nicklas@ocfs.state.ny.us</a>  Questions pertaining to the Child Care Subsidy Program should be directed to the Division of Child Care Services: Eileen Mahoney (518) 473-0711 <a href="mailto:Eileen.Mahoney@ocfs.state.ny.us">Eileen.Mahoney@ocfs.state.ny.us</a>
<b>Attachments:</b>	No
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Previous ADMs/INFs	Releases Cancelled	Dept. Regs.	Soc. Serv. Law & Other Legal Ref.	Manual Ref.	Misc. Ref.
		18NYCRR Parts 404 and 415	SSL Section 410 45 CFR Parts 98 and 99		

## **I. Purpose**

The purpose of this Informational Letter (INF) is to inform social services districts (districts) of the results of a comprehensive review of child care subsidy cases that was performed by the Office of Audit and Quality Control (AQC) of the New York State Office of Children and Family Services (OCFS) during 2009, and to help prepare districts for the next review. The review was of 276 subsidy cases that were authorized for payment for one or more months during the period October 1, 2007, through September 30, 2008. Because the U.S. Department of Health and Human Services (HHS) requires that the reviews be conducted every three years, AQC will initiate another review in 2011 that will focus on child care subsidy cases authorized for one or more months during the period October 1, 2010, through September 30, 2011.

## **II. Background**

The Improper Authorization for Payment Review was conducted by AQC pursuant to the requirements of the Improper Payments Information Act of 2002, which mandates that federal agencies review programs and activities that may be susceptible to significant improper payments. Additionally, Title 45, Parts 98 and 99 of the Code of Federal Regulations, requires states to measure, calculate and report improper payments, and to identify strategies for reducing future improper payments. Based on these requirements, the Child Care Bureau of the HHS Administration for Children and Families (ACF) directed all states to review their respective child care subsidy programs to measure improper authorizations for payment of child care subsidies. In accordance with instructions received from ACF, a statistical random sample of 276 child care subsidy cases that were authorized for payment for any month during the period October 1, 2007, through September 30, 2008, was selected for review by AQC. The subsidy cases randomly selected involved authorizations performed by 34 local districts, the City University of New York, and the State University of New York. It is likely that some districts that did not have any cases selected for review will have cases selected for the next review due to the random nature of the sampling process. Therefore, it is important that all districts be prepared for the next review.

The methodology for measuring improper authorizations for payment focused on client eligibility and employed a case record review process to determine whether child care subsidies were properly authorized. Eligibility determination and authorization are the first steps in the child care subsidy process, and mistakes made at this stage of the process can result in the needless expenditure of federal, state, and local funds.

## **III. Findings**

Numerous errors were discovered during the Improper Authorization for Payment Review. AQC urges districts to more carefully perform eligibility determinations and fully document circumstances leading to child care subsidy authorizations. The failure of some districts to accurately determine whether caretakers were engaged in an approved activity (such as employment, training or education), and to fully document that

determination, was one of the more frequent and critical errors found. In all cases in which a district failed to provide adequate evidence that the caretaker was engaged in an approved activity, AQC was forced to report to ACF that the full amount authorized for payment was an over-authorization, and had to recommend to the district that it make an appropriate retroactive claim adjustment.

Many other types of errors were noted that resulted in over-authorizations being identified by AQC and reported to ACF. The following is a list of the types of errors identified by AQC during the review:

### **Errors Identified by AQC During the Improper Authorization for Payment Review**

#### Eligibility Determination - Income Calculation Errors

- Income for less than a one-month period was used to calculate gross annual income, but such calculations should be based on average monthly income for a period of not less than one month and not more than three months.
- When income fluctuated significantly, gross annual income was not calculated based on income received during a period of not less than three or more than six months, as required.
- Paycheck stubs used to calculate the caretaker's income were not current.
- Child support was improperly excluded from the calculation of the caretaker's income.
- Alimony was improperly excluded from the calculation of the caretaker's income.
- Disability benefits were improperly excluded from the calculation of the caretaker's income.
- A case was approved for child care subsidy, but should not have been approved because the caretaker earned less than minimum wage.
- Taxable gross earnings were used to calculate income and family share, but gross earnings should have been used.
- The income calculation used to determine eligibility and calculate the family share was not fully supported by appropriate documentation.
- Gross annual income was incorrectly calculated by multiplying biweekly salary by 26; it should have been calculated by multiplying biweekly salary by a factor of 2.16 to determine monthly salary, and then multiplying the monthly salary by 12 (months).

- Information was received by the district indicating that a caretaker's salary had increased, but the district did not re-determine eligibility and recalculate the family share.

#### Eligibility Determination – Engagement in an Approved Activity

- There was insufficient evidence that the caretaker in a single caretaker household was engaged in an approved activity.
- There was insufficient evidence that one of the caretakers in a two-caretaker household was engaged in an approved activity and, therefore, the need for child care was not substantiated.

#### Other Eligibility Determination Issues/Authorization Issues

- The need for child care could not be determined because the specific days/hours that the caretaker worked were not properly documented.
- A recertification form covering the authorization period, which included the sample month, was not available to substantiate eligibility.
- In several districts, a local equivalent application and/or recertification form was used that did not contain all of the required elements and/or was not approved for use by OCFS's Division of Child Care Services.
- A child care case was opened in connection with a Child Protective Services (CPS) case, but when the CPS case was closed, the child care case could no longer be classified in the CPS eligibility category. The district should have required the caretaker to complete a new application for day care services and document eligibility.
- A child care case was opened, reportedly in relation to a CPS case, but Connections indicated that the CPS case was not opened until the following month.
- The Welfare Management System (WMS) indicated that the caretakers were not residents of the district that authorized the child care subsidy.
- The number of individuals in the Child Care Services Unit was incorrectly determined.
- A caretaker answered "no" to questions on the recertification form relating to employment, training and education, but was authorized to receive a child care subsidy.
- Full-time child care was authorized, but the caretaker was employed on a part-time basis.

- Child care was authorized for a total number of hours that included one hour of travel time each day, but OCFS determined that the travel time from the caretaker's training site to the child care provider was approximately 17 minutes.

#### Payments to Providers

- Sunday, rather than Monday, was used to start counting hours of child care to determine whether 30 or more hours of care were provided over the course of five or fewer days in a single week. (When 30 or more hours of care are provided over the course of five or fewer days in a single week, a weekly rate is used to calculate the payment due for that period.)
- Some districts paid for days and/or hours of care beyond those days/hours needed for the caretaker to engage in the approved activity, plus travel time.
- Overpayments occurred because the market rate that became effective 10/1/05 was used to calculate payments to providers, rather than the lower rate that became effective 10/1/07.
- Payments to the provider were not for the actual cost of care up to the market rate.
- Calculations of payments to the providers were made incorrectly due to the use of the wrong rate periods.
- Payments to providers were for more hours of care than was actually provided.
- Payments were made to providers who were not licensed, registered or enrolled.

#### Family Share

- The calculated family share amount was rounded off, but was not rounded to the nearest fifty-cent amount, as required.
- The amount of family share deducted from the payment to the provider was different than the family share amount calculated by the district.
- In one district, Kinder Track failed to include Supplemental Security Income (SSI) payments in the calculation of family income due to a software glitch. Kinder Track also failed to calculate the family share correctly in that district because it rounded family share amounts to the nearest dollar instead of the nearest fifty-cent amount.
- A district prorated the family share because the child was in care for only a portion of the week. (The full family share must be charged for a particular week if any care was provided during that week.)

#### **IV. Program Implications**

The next review to be conducted will involve child care subsidy cases authorized for any month during the review period October 1, 2010, through September 30, 2011. AQC will be using a different sampling methodology for the next review to allow it to more easily comply with federal timelines for completing various phases of the review, including completion of the field work and submission of the final report. Instead of performing an annual review consisting of 12 monthly sampling frames, AQC will perform two semiannual reviews, each consisting of six monthly sampling frames. The total number of cases to be reviewed will be approximately 276 cases. AQC expects to commence the first semiannual review in June 2011. The second semiannual review will commence in November 2011. All districts that authorize child care subsidy cases that are selected for review will be contacted by telephone and in writing prior to the on-site review so that AQC auditors can make appropriate logistical arrangements.

It is important that, prior to the start of the next review period, all districts review their respective child care subsidy programs to determine if any of the errors cited in this INF are occurring in their programs. If any such errors are noted, appropriate remedial action should be implemented immediately.

*/s/ Janice M. Molnar*

*/s/ Kevin W. Mahar*

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