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Informational Letter

Transmittal:	13-OCFS-INF-04
To:	Commissioners of Social Services
Issuing Division/Office:	Division Of Administration Division of Child Care Services
Date:	March 29, 2013
Subject:	Child Care Subsidy Program Improper Authorization for Payment Review
Suggested Distribution:	Directors of Services Supervisors of Services Child Care Assistance Staff Accounting
Contact Person(s):	Questions pertaining to the Improper Authorization for Payment Review: Christopher Covas, Office of Audit and Quality Control (212)-383-1967, Christopher.Covas@ocfs.ny.gov Questions pertaining to the Child Care Subsidy Program: Rhonda Duffney, Division of Child Care Services (518)474-9454, Rhonda.Duffney@ocfs.ny.gov
Attachments:	No
Attachments Available Online:	No

Filing References

Previous ADMs/INFs	Releases Cancelled	Dept. Regs.	Soc. Serv. Law & Other Legal Ref.	Manual Ref.	Misc. Ref.
10-OCFS-INF-04		18 NYCRR 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 local social services districts (districts) of the results of a comprehensive review of child care subsidy cases that was performed by the Office of Children and Family Services (OCFS), Office of Audit and Quality Control (AQC) during 2012, and to help prepare districts for the next review.

II. Background

The Improper Authorization for Payment Review was conducted by AQC pursuant to the requirements of the federal 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 Office of Child Care of the Department of Health and Human Services' 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, OCFS selected for review a random sample of 276 child care subsidy authorizations, which were divided into twelve monthly sampling frames of 23 child-specific authorizations for payment covering the period October 1, 2010 through September 30, 2011.

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.

Because the U.S. Department of Health and Human Services requires that the reviews be conducted every three years, AQC will initiate another review in 2014 that will focus on child care subsidy cases authorized for one or more months during the period October 1, 2013 through September 30, 2014. The subsidy cases randomly selected for the review in 2012 involved authorizations performed by 31 local districts. It is likely that some districts that did not have any cases selected for the 2012 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.

III. Findings

During the Improper Authorization for Payment Review, 173 cases were reviewed in New York City and 103 cases in the rest of the state. Statewide, the error rate was 42%. The rate of one or more errors per case was 47% in New York City, as compared to 34% for the rest of state.

Of the 117 sample cases that were cited with at least one error of any type, 82 (70%) were New York City cases. Of a total of 35 authorization errors across the state as a whole, 25 (71%) were New York City cases.

Not all districts had child authorizations included in the sample as a result of the random selection process. There will be a new sample selected for the next review, covering the period October 1, 2013 through September 30, 2014. AQC urges that, moving forward, all districts 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 their failure to fully document those determinations, were among the more frequent and critical errors found.

Many other types of errors were also made 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
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New York City

Error Type*	Count
<i>Eligibility Determination Error:</i> Insufficient evidence that child care was needed in a two-parent family	27
<i>Administrative Error:</i> Unapproved local equivalent application and/or recertification form	24
<i>Eligibility Determination Error:</i> Insufficient evidence that full-day time child care was needed in a two-parent family	22
<i>Eligibility Determination/Authorization Error:</i> Missing Case Record (or portion of the case record containing information related to the authorization for payment was not available for review)	8
<i>Eligibility Determination Error:</i> Full-time care incorrectly authorized when part-time care was warranted based on documentation provided	7
<i>Eligibility Determination Error:</i> Insufficient documentation that part-time care was needed	7
<i>Eligibility Determination Error:</i> Income and family share determined using the required number of weeks of paycheck stubs, but the stubs were not for consecutive weeks	6

Error Type*	Count
<i>Eligibility Determination Error: When income fluctuated significantly, gross annual income not calculated based on a 3- to 6-month period, as required</i>	5
<i>Family Share Calculation Error</i>	3
<i>Administrative Error: Recertification form missing data or signature</i>	3
<i>Miscellaneous Other Errors</i>	7
Total Number of Errors*	119

* More than one error type may be cited for a given error. Two cases had more than one error. For example, failing to include all required paystubs in the income eligibility determination also impacts the family share calculation.

Rest of State

Error Type*	Count
<i>Eligibility Determination Error: When income fluctuated significantly, gross annual income not calculated on a 3- to 6-month period, as required</i>	9
<i>Administrative Error: Unapproved local equivalent application and/or recertification form</i>	7
<i>Administrative Error: Recertification form missing data or signature</i>	6
<i>Family Share Calculation Error</i>	5
<i>Miscellaneous Other Errors</i>	10
Total Number of Errors*	37

* More than one error type may be cited for a given error. Two cases had more than one error.

IV. Future Action

The next review to be conducted will involve child care subsidy payments made for services provided during the review period October 1, 2013 through September 30, 2014. Please note that the basis of sample selection has been changed from child care authorizations to child care payments. AQC will be using a different sampling frequency for the next review, which will allow it to more easily comply with federal timelines for completion of various phases of the review, including completion of the field work and submission of the final report. Instead of performing two semiannual reviews, each

consisting of six monthly sampling frames, when practical, AQC will perform monthly reviews, each consisting of a monthly sampling frame consisting of 23 child-specific payments. Once again, a total of 276 monthly payments will be reviewed. AQC expects to commence the first monthly review in January 2014. All districts with child care subsidy payments 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. Since the next review will focus on payments, guidance will also be forthcoming on the procedures for recouping payments resulting from overpayment errors.

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.

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