

**STATE OF NEW JERSEY
OFFICE OF THE STATE COMPTROLLER**

**DEPARTMENT OF HUMAN SERVICES
DIVISION OF FAMILY DEVELOPMENT**

**OVERSIGHT OF THE NEW JERSEY
CHILD CARE ASSISTANCE PROGRAM**

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BACKGROUND

The New Jersey Child Care Assistance Program (CCAP) assists low-income working families in paying for child care. The Department of Human Services' Division of Family Development (DFD) is the lead state agency responsible for the overall administration of the program. Specifically, DFD directs the development of major child care initiatives, provides child care policy leadership, administers child care subsidy programs and coordinates planning for child care programs.

DFD currently contracts with 15 "child care resource and referral" agencies (CCR&Rs), of which 13 are non-profit community-based agencies and 2 are units of local government. These 15 agencies administer and coordinate the CCAP subsidy program and other child care initiatives in each of New Jersey's 21 counties. For example, the CCR&Rs assist parents in finding child care and issue CCAP payments to child care providers. DFD also contracts directly with approximately 140 center-based child care providers (CBCs). The CCR&Rs and the CBCs are responsible for determining the eligibility of families seeking to participate in the CCAP program.

The majority of subsidized child care services in New Jersey are provided through licensed child care centers. In federal Fiscal Year (FFY) 2009 (October 1, 2008 – September 30, 2009), 78 percent of children receiving subsidized child care in New Jersey were enrolled in such child care centers.

Under CCAP, low-income working parents who earn no more than 200 percent of the Federal Poverty Index (FPI) can receive federal and state subsidies for child care services. (Two hundred percent of the FPI is currently \$37,060 annually for a family of three.) To determine eligibility for subsidies, families are ranked according to income with the highest priority given to families at the lower end of the income spectrum. To qualify, recipients must either work full time, attend school full time, or work part time and attend school part time.

After one year of receiving CCAP subsidies, a family can maintain their eligibility for the program as long as their income does not exceed 250 percent of the FPI.

Federal and state funds are used to pay for CCAP child care subsidies as well as the program's administrative costs. Federal funding, which is generally provided through the Child Care and Development Block Grant program (CCDBG), is administered at the state level by the Department of Human Services (DHS) through the New Jersey Child Care and Development Fund. In FFY 2010, CCAP expenditures totaled approximately \$124 million. Of that amount, federal funding through the CCDBG and the American Recovery and Reinvestment Act was approximately \$70 million and \$19 million respectively. State funding totaled \$35 million.

Of the \$124 million in CCAP expenditures, approximately \$36 million was used to fund CBC child care subsidies and administrative costs for approximately 9,000 children, and approximately \$88 million funded CCR&R child care subsidies and administrative costs for approximately 20,000 children.

CCAP currently has a waiting list of families who are eligible for the program. Presently, there are no child care slots available for those families because current funding is fully obligated. As of October 2011, according to DFD, approximately 8,000 eligible children were on the waiting list.

AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

The objective of our audit was to evaluate the effectiveness of DFD's oversight of CCAP. Our audit covered the period July 1, 2009 through November 22, 2011. Specifically, we evaluated:

1. residency information for CCAP participants;
2. documentation supporting the eligibility of families enrolled in CCAP;
3. the accuracy of household income and status as reported by CCAP applicants;
4. the completeness and accuracy of child care providers' attendance records used to support claims for subsidy payments under CCAP; and
5. DFD's monitoring of CCAP operations.

This audit was performed pursuant to the State Comptroller's authority set forth in *N.J.S.A. 52:15C-1 et seq.* We conducted our audit in accordance with generally accepted government auditing standards applicable to performance audits. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

To accomplish our objective, we conducted numerous interviews with DFD staff relevant to the areas noted above. We also interviewed both CBC and CCR&R staff, including caseworkers responsible for determining eligibility for program participation and staff who perform program integrity operations. Additionally, we reviewed relevant federal and state laws as well as DFD's internal policies, procedures and guidelines.

Our audit work included analysis of a random sample of case files of 600 participants who received program services in FFY 2010. This sample was selected from CBCs and CCR&Rs in six counties (Burlington, Camden, Hudson, Mercer, Ocean and Union) with diverse geographic locations and that received varying amounts of CCAP funding. We visited six CBCs and three CCR&Rs and reviewed the documentation used by caseworkers to verify the 600 participants' eligibility. We also compared wage information as reported by the participants with wage information reflected in third-party sources such as income tax returns filed with the state Division of Taxation (Taxation). We also requested attendance records from the sampled child care providers and compared them to the vouchers and other reports submitted to DFD for payment.

SUMMARY OF AUDIT RESULTS

Our audit found that controls and procedures for determining CCAP eligibility are lacking, allowing ineligible participants to gain entry into the program and resulting in significant overpayments to child care providers. Specifically, at the nine locations we reviewed we found that 70 out of the 478 participants we reviewed (15 percent) were ineligible for the program based on their income. One participant had underreported his income by 420 percent.

Had DFD confirmed reported participant income, it could have identified and removed ineligible participants from the program. Removing ineligible participants from the program would open slots for the families currently on the program's waiting list.

DFD pays approximately \$421,000 per year to obtain quarterly wage data concerning CCAP participants as well as participants in other DFD programs. Nonetheless, we found that DFD is not actually utilizing these quarterly reports to identify unreported applicant income.

Moreover, our review of DFD's child care recipient database revealed 71 children in the CCAP program with "999-99-9999" entered as their Social Security numbers. This calls into question whether these children actually have Social Security numbers, which are necessary to verify citizenship or legal permanent residency and, consequently, eligibility to enroll in CCAP. Cumulative state and federal payments for these 71 children totaled approximately \$335,000 in FFY 2010 and FFY 2011.

In accordance with *N.J.A.C. 10:15-2.4(a)(25)*, the records of children enrolled in the CCAP program are required to be maintained on file. We reviewed files for a sample of 600 current participants to determine if they contained required documentation supporting eligibility for the program. Required documentation was missing from 429 of the 600 files.

We found similar deficiencies in controls and procedures concerning attendance records and subsidy payments. For the month we tested, miscalculations and mathematical errors made by caseworkers resulted in approximately \$6,500 in overpayments of child care subsidies for 93 children, or 17 percent of our sample. Additionally, for the month tested, child care providers were unable to provide attendance records to support approximately \$15,000 in payments made for 78 children, or 14 percent of our sample. If the results from our analysis hold true for the entire population at the three CCR&Rs we tested, overpayments based on miscalculations could total approximately \$700,000 and unsupported attendance payments could total approximately \$1.8 million for 2010 at these three locations alone.

One CCR&R issued CCAP payments for approximately 200 children who were absent from their child care center an entire month and in some instances consecutive months. In accordance with program requirements, these children should have been terminated from the program and payment should not have been made.

DFD's monitoring of the CBCs and CCR&Rs is not sufficient to ensure compliance with CCAP requirements. For example, our review of a DFD monitoring report concerning one CCR&R indicated that DFD reviewed only 6 out of approximately 2,900 participant files for program requirements in its annual monitoring visit.

We make 12 recommendations to address these deficiencies.

AUDIT FINDINGS AND RECOMMENDATIONS

Program Eligibility

Controls and procedures for determining program eligibility are lacking, allowing ineligible participants to gain entry into the program.

Three types of information must be ascertained by CBC and CCR&R caseworkers before eligibility for CCAP can be determined. They are:

- family status;
- employment status or status concerning enrollment in an educational or job-training program; and
- family income.

To be eligible for the program, a parent/guardian must have at least one child who is under the age of 13 or a child under the age of 19 who is classified as having special needs. Participating children must be residents of New Jersey and United States citizens or legal permanent residents.

As noted previously, families with an annual gross income at or below 200 percent of the FPI are eligible for entrance into the program. Once they initially qualify, CCAP participants lose their financial eligibility only if their annual gross income subsequently exceeds 250 percent of the FPI. For purposes of income eligibility determinations, gross income includes income earned by parent(s) or guardian(s) through the receipt of wages, tips, salaries or commissions. It also includes Social Security payments, pension/retirement payments, unemployment benefits, workers' compensation payments, alimony payments and any other income required to be reported for federal or state income tax purposes.

The parent/guardian is required to complete an application form which sets forth family income for the four weeks preceding the application, answer eligibility-

related questions, provide pertinent information concerning the child and sign an application certification form. In part, the parent/guardian certifies as follows: “I (we) hereby certify that all of the information provided is true and correct to the best of my (our) knowledge. I (we) know that submitting false information about my (our) situation, failing to give the necessary information or causing others to hold back information is against the law and may subject me (us) to prosecution.”

The parent/guardian also is required to submit the following original documentation to satisfy the eligibility requirements stated above:

- pay stubs for the four consecutive weeks prior to the application date;
- current utility bill (for proof of residency);
- child’s birth certificate (or permanent resident card); and
- child’s Social Security card.

All documentation used by the caseworker to determine eligibility must be kept on file and entered into DFD’s electronic database. Caseworkers use the pay stubs and other information provided by the applicant to complete an income calculation worksheet and calculate the applicant’s annual gross income. The caseworker then determines the maximum child care payment rate (which is paid to the child care provider) and the applicant’s required co-payment. These rates and co-payments are based on prescribed federal and state guidelines. The specific payment amounts are determined using several factors including family size, age of the child or children receiving care and family income.

Pursuant to *N.J.A.C. 10:15-6.6*, participants’ eligibility must be re-determined at least once every 12 months or whenever there is a change in family income, family size or the need for service (e.g., hours of care to be provided). Further, *N.J.A.C. 10:15-6.8(b)* requires applicants to report any changes in income or other circumstance affecting eligibility within ten business days of the change.

As described below, our eligibility testing for a sample of 600 children revealed significant flaws in the eligibility process as well as several areas of non-compliance with program requirements.

Income Verification

We compared wage information reported by the parents/guardians of CCAP participants for their FFY 2010 application term with income information reported to Taxation on state income tax returns for calendar year 2010. Out of our sample of 600 participants, Taxation was unable to provide data for 122 participants because the parents/guardians of those participants had not filed tax returns.

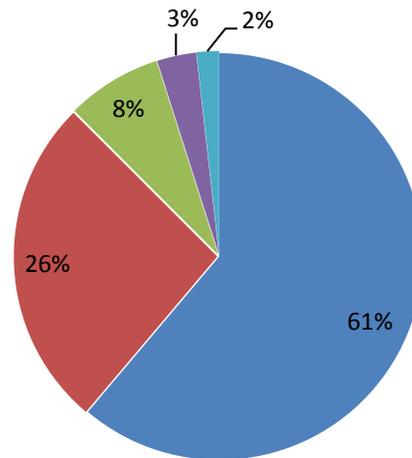
In analyzing information concerning the remaining 478 participants, we found significant differences between the income reported on the CCAP application and the income reported to Taxation:

- Based on the income reported to Taxation, 70 participants (15 percent) should have been deemed not eligible for CCAP because their income was more than 200 percent of FPI when they applied. If the results from the analysis of our sample hold true for the population of 6,715 enrolled participants at the nine locations we tested, it could be estimated that a total of 1,007 ineligible participants are enrolled in the program at these nine facilities alone.
- The parents/guardians of a total of 224 participants (47 percent) reported less income on their 2010 CCAP application than they reported on their 2010 state income tax return. Underreporting income enables ineligible participants to enroll in the program and also allows eligible participants to receive subsidy payments that are greater than those to which they are actually entitled. The following chart shows the differences between income reported on CCAP applications and income reported to Taxation for the 224 participants:

Differences in Reported Income

Legend:

- 1 - Less than \$5,000 (137 participants)
- 2 - \$5,001 - \$15,000 (59 participants)
- 3 - \$15,001 - \$30,000 (17 participants)
- 4 - \$30,001 - \$60,000 (7 participants)
- 5 - Greater than \$60,000 (4 participants)



For example, one participant underreported his annual income by 420 percent. His 2010 CCAP application reported an annual income of \$18,200, yet that same individual reported to Taxation income of \$94,705 for 2010, a difference of \$76,505.

Requiring applicants to provide income tax returns could assist DFD in identifying and removing ineligible participants from the program. Removing ineligible participants from the program would make slots available for the approximately 8,000 children currently on the program's waiting list. For the 224 participants with differences in reported income, we have provided DFD with the names and Social Security numbers of the parents/guardians in order to assist DFD in removing ineligible participants from the program.

Social Security Numbers

As part of the eligibility determination process, CBC and CCR&R caseworkers are required to obtain the Social Security number of any child seeking entry into the CCAP program. Our review of DFD's database revealed, however, 71 children in the program with "999-99-9999" entered as their Social Security

number. This calls into question whether these children actually have Social Security numbers, which DFD requires to verify citizenship or legal permanent residency and consequently the participant's eligibility. In FFY 2010 and FFY 2011, cumulative CCAP payments made for these children totaled \$335,253.

In reviewing DFD's database, we also identified 3,795 additional children participating in other DFD programs (not the subject of this audit) with "999-99-9999" entered as their Social Security number. Each of those programs requires the applicant to provide a valid Social Security number to be eligible for the program. In FFY 2010 and FFY 2011, cumulative DFD payments made for these children totaled \$13.9 million. We have separately provided DFD with the details of this information.

Wage Reporting

DFD has the ability to verify employment and income information submitted by an applicant. For example, DFD pays approximately \$421,000 per year in contract costs for a private vendor to maintain a database of quarterly wage data for all active participants in CCAP as well as other DFD programs. The database reflects information as reported by employers to the state Department of Labor and Workforce Development and includes unemployment and disability income. The vendor creates exception reports which indicate whether CCAP participants are receiving income over the program threshold of 250 percent of the FPI. These reports are sent to DFD on a quarterly basis.

Our audit revealed that DFD is not utilizing these quarterly exception reports. DFD officials stated to us that they review the reports once a year at most, due to staffing limitations. Our own review of the exception report for the final quarter of FFY 2010, which took minimal time, revealed that 36 enrolled CCAP participants earned income that exceeded the 250 percent threshold and therefore are not eligible for the program. The income of one of those participants was as high as 585 percent of the FPI. DFD had neither identified these individuals nor taken any steps to exclude them from the program.

Participant Case File Review

In accordance with *N.J.A.C. 10:15-2.4(a)(25)*, the records of children enrolled in CCAP are required to be maintained on file at the applicable CCR&R. We requested files for a sample of 629 current participants to see if the files contained the required documentation. Of those 629, 29 files (5 percent) could not be located by the responsible CCR&R. In the 600 available case files we examined, we found a lack of required documentation in the vast majority of the files. For example:

- 429 files (72 percent) did not contain proof of residency in New Jersey.
- 42 files (7 percent) reflected improper annual income calculations. On average, the income calculated for these participants was \$2,300 less than the income reflected on the paystubs that had been supplied by the participants. For example, one participant's annual income was calculated to be approximately \$38,000 when, in fact, the pay stubs provided reflected an annual income of approximately \$63,000, rendering the applicant ineligible for the program.
- 57 files (10 percent) did not contain documentation of family income (e.g., no paystubs). Nevertheless, the applicants were deemed eligible for the program.

Recommendations

1. Strengthen income verification procedures by requiring applicants to submit their income tax return, if one exists, as part of the income verification process.
2. Investigate the instances of underreported income exceptions noted in this report and take further action as appropriate.

3. Do not accept applications that do not include the child's Social Security number.
4. Utilize the quarterly exception reports provided by the third-party vendor to identify ineligible participants and remove those participants from the program. Recoup any misspent funds.
5. Strengthen monitoring and training of caseworkers such that all required documents necessary to demonstrate a family's eligibility for CCAP are obtained and maintained.
6. Conduct periodic audits of a random sample of CCAP participants' files to verify their eligibility for the program.
7. Consider converting to electronic case files so that all required documents can be scanned into DFD databases and be more easily organized, maintained and monitored.

Attendance and Subsidy Payments

Lack of monitoring resulted in significant overpayments to CCAP child care providers.

Child care subsidy payments to both CBCs and CCR&Rs are based in part on the child's attendance. Pursuant to *N.J.A.C. 10:122-3.3(b)*, child care providers are required to maintain attendance records for up to one year after the child is no longer enrolled at the center. Attendance at CBCs and CCR&Rs is calculated and reported differently. Therefore, our testing of each was conducted in a different manner as described below.

Attendance at CBCs is calculated quarterly based on total cumulative attendance of all enrolled children. At the end of each quarter, a "Level of Service" report is submitted to DFD showing the total attendance for the quarter and the total number of children enrolled. If total attendance for the quarter falls below 80 percent of children enrolled, then the next quarterly subsidy payment is to be adjusted downward on a pro rata basis.

For the CBCs, we tested total attendance for the quarter ending June 30, 2010. To do this, we obtained the Level of Service quarterly reports submitted to DFD by each of the six CBCs in our sample. We then requested the daily attendance records from each CBC for that quarter and compared them to the amounts reported on their Level of Service reports. Our testing did not reveal any significant discrepancies. One CBC fell below 80 percent attendance for the quarter and DFD correctly adjusted the following quarterly payment in accordance with program requirements.

CCR&Rs calculate attendance on a monthly basis per individual child through a voucher system. Vouchers are provided to the child care provider upon the enrollment of a family into CCAP. At the end of each month, the provider records the child's attendance on the voucher and then both the provider and the parent/guardian are required to sign the voucher. The provider is responsible

for submitting the voucher to the CCR&R. The CCR&R caseworker is then responsible for reviewing the voucher for completeness and certifying it for payment. If a child was not in attendance for at least 80 percent of the authorized “care days” within that month, then the following month’s payment to the provider is to be adjusted accordingly.

For the CCR&Rs, we tested attendance for the applicable 548 children from our eligibility sample for the month ending June 30, 2010. In some cases, the child was no longer enrolled as of June 30, 2010. In those cases, we tested the child’s last month of enrollment in 2010. To conduct our testing, we requested the voucher for each child in our sample from the CCR&R. We then requested the monthly attendance records from the respective child care provider for the same time period. Our testing revealed the following:

Missing Attendance Records

Child care centers were not able to provide any attendance records for 78 of the 548 children, or 14 percent of our sample. Payments made to the centers for these 78 children for the month tested in 2010 totaled \$14,939. If the results from this sample hold true for the entire population of 6,129 children at the three CCR&Rs we tested, subsidy payments to child care providers made without any supporting attendance documentation could total approximately \$1.8 million for 2010 at these three locations.

The failure to obtain proper attendance documentation violates program requirements and makes it nearly impossible for DFD or any other oversight agency to accurately determine attendance and proper payments for each child.

Overpayments to Child Care Providers

In comparing attendance reported on vouchers to provider attendance records, we found miscalculations, mathematical errors and discrepancies for 182 children or 33 percent of our sample. Overpayments totaling approximately \$6,500 for the month tested were made to child care providers for 93 of the children, or 17 percent of the sample. If the results from our sample hold true

for the entire population of 6,129 children at the three CCR&Rs we tested, improper subsidy payments made by those CCR&Rs to providers in 2010 could total approximately \$700,000.

Several factors contributed to these overpayments, including:

- One CCR&R calculated attendance percentages using 23 care days for every month when, in fact, each calendar month has a different number of care days, ranging from 20 to 23. Not using the correct number of care days to calculate attendance can significantly impact attendance percentages and result in overpayments.
- Mathematical errors made by CCR&R caseworkers in processing attendance vouchers resulted in overpayments to providers.
- In some instances, provider attendance records simply reflected more absences than those reported on the voucher.

In addition, during our attendance testing at one of the CCR&Rs we found eight instances in which children were absent for an entire month for unexplained reasons, yet payments in the amount of 20 percent of the respective child's monthly care rate were nonetheless made to the child care providers. Program parameters indicate that if a child is absent for an entire month, then no payment is to be made that month for that child. In addition, program requirements dictate that eligibility should be terminated if the child is not in attendance for unexplained reasons for more than ten consecutive days or if the child has exhibited a pattern of excessive unexcused absences. Contrary to CCAP requirements, these eight children remained enrolled in the program.

Upon noting this, we obtained attendance data from that CCR&R's database for all of the children enrolled at that CCR&R during FFY 2010. The data revealed that payments in the amount of 20 percent of the monthly care rates were paid to child care providers for a total of 214 children who were absent an entire month or more. In some cases, children were absent for consecutive months. Those payments totaled \$66,957.

The failure to identify these overpayments resulted in the misuse of program funding. In addition, the failure to terminate those participants from the program allowed ineligible participants to occupy child care slots that should have been provided to eligible families waiting to be enrolled in the program.

Recommendations

8. Communicate with and train CCR&Rs to use proper methods to calculate attendance and make necessary payment adjustments.
9. Monitor CCR&Rs' removal of participants no longer attending the program and termination of payments to providers for such participants.
10. Consider converting to an electronic format of attendance record submission and calculations to reduce the risk of calculation errors and overpayments to providers.

Program Monitoring

DFD's lack of monitoring has contributed to weak program operations.

DFD is required by contract and internal policy to conduct monitoring visits of each CBC and CCR&R at least once each year to assess compliance with program regulations. Examples of items to be included in the monitoring visits are facility licensing, timely filing of Level of Service reports and maintenance of parent eligibility files. We noted weaknesses in DFD's monitoring of program operations and participant case files, contributing to the previously noted findings pertaining to program eligibility and improper payments to child care providers. For example, our review of one CCR&R monitoring report prepared by DFD indicated that DFD reviewed only 6 of 2,864 CCAP case files during the annual monitoring visit. A sample that small in relation to the total population cannot be considered an adequate representation of the CCAP files maintained at that or any other CCR&R.

According to DHS, its Office of Auditing also performs financial audits of each CCR&R once every three years. However, that office does not audit any of the CBCs. In addition, these financial audits, as well as similar audits conducted by outside firms, are limited in scope and do not cover many of the areas discussed in this report.

Recommendations

11. Increase the number of case files tested during monitoring visits to obtain a more accurate view of how policies and procedures are being applied.
12. Consider having the DHS Office of Auditing perform programmatic audits of the areas discussed in this report, such as program eligibility, attendance and subsidy payments.

REPORTING REQUIREMENTS

We provided a draft copy of this report to DHS/DFD officials for their review and comment. Their comments were considered in preparing this report and are attached as Appendix A.

DHS/DFD generally concurred with the report's recommendations. For many of the recommendations, DHS/DFD indicated steps either already taken or underway to implement our recommendations. Of note, DHS/DFD referenced its newly implemented (January 2012) automated e-Child Care system. DHS/DFD indicated that it is confident this system will address many of the findings and recommendations contained in our report.

The Office of the State Comptroller is required by statute to monitor the implementation of our recommendations. To meet this requirement, DHS/DFD shall report to the Office of the State Comptroller, within 90 days of the date of this report, the corrective action taken or underway to implement the recommendations contained in this report and, where not implemented, the reason therefore. *N.J.A.C. 17:44-2.8(a)*.

DEPARTMENT OF HUMAN SERVICES
DIVISION OF FAMILY DEVELOPMENT

Responses to January 2012 OSC Childcare Audit Recommendations

The Department of Human Services' Division of Family Development (DHS/DFD) has been reforming the Office of Child Care Operations program over the past few years to enhance efficiencies and improve program and fiscal accountability. One of the latest initiatives was the implementation of New Jersey's automated time and attendance system known as e-Child Care (ECC). ECC was piloted in October 2011 with statewide implementation occurring in January 2012. With the implementation of this automated system, DHS/DFD is confident it will result in stronger internal controls and strategies to address many of the findings and recommendations presented in the Office of the State Comptroller audit report of the Oversight of the New Jersey Child Care Assistance Program.

In addition, DHS/DFD has also been realigning policies, procedures and system enhancements during this time to meet the Divisions' priorities which include ECC and developing strategies to strengthen internal controls and improve sub-recipient monitoring as noted in our responses to the recommendations.

Recommendations

1. Strengthen income verification procedures by requiring applicants to submit their income tax return, if one exists, as part of the income verification process.

- DHS/DFD current policy requires income tax returns as verification for participants who are self-employed. Income tax returns are also an acceptable document obtained when applicants do not have a pay stub. DHS/DFD currently request pay stubs and/or employment letters and is in the process of drafting new policies and procedures that will require applicants that have been identified at risk or red flagged for income tax returns.

2. Investigate the instances of underreported income exceptions noted in this report and take further action as appropriate.

- DHS/DFD is currently conducting a wage match for the 210 participants identified during the audit. DHS/DFD will have the Child Care Referral and Resource Agencies (CCR&R's) perform a redetermination on each of these cases. DHS/DFD anticipates that this match and investigation will be completed within the next three to six months.

3. Do not accept applications that do not include the child's Social Security number.

- Frequently the Department of Children and Families' Division of Youth and Family Services (DCF/DYFS) has to place a child who is in immediate need, DHS/DFD may not be provided with a social security number immediately. DHS/DFD is currently working with DYFS on implementing updated procedures

to expedite the receipt of the social security number when these incidences occur.

4. Utilize the quarterly exception reports provided by the third-party vendor to identify ineligible participants and remove those participants from the program. Recoup any misspent funds.

- The Wage Match file is one of many reports OptumInsight, formerly known as Ingenix provided through the Shared Data Warehouse for DHS Divisions' of Medical Assistance and Health Services and Family Development. As of April 2011, DHS/DFD suspended the Wage Match report performed by OptumInsight, through the Shared Data Warehouse due to Social Security Administration (SSA) safeguard review. Findings resulted in restricting certain SSA confidential information to be matched against child care data. To address the SSA concerns, OIT had to modify the data and OptumInsight had to redesign reports for child care with the new data and format.

As of December 2011, the Wage Match Report project has resumed. DHS/DFD is presently in the process of updating reports to strengthen internal control and increase monitoring.

From June 2010 to June 2011, DFD total collections using the Wage Match Report were \$48,884. This is a direct result of DFD using wage match reporting.

5. Strengthen monitoring and training of caseworkers such that all required documents necessary to demonstrate a family's eligibility for CCAP are obtained and maintained.

- The Department of Human Services will be implementing a new database system called Consolidated Assistance Support System (CASS) in May 2013 that will automate eligibility for CCAP. Prior to the implementation of CASS, DHS/DFD will provide training to the CCR&R agencies to ensure they are accurately assessing eligibility.

DHS/DFD will be focusing more on monitoring of eligibility and verification of documents during FY 2012 monitoring schedule to commence September 2012. In order to clarify policy related to eligibility verification and documents required, clear written instructions will be provided to the CCR&Rs. A monitoring tool and checklist is also being developed to ensure a universal standard and approach is administered and delivered.

6. Conduct periodic audits of a random sample of CCAP participants' files to verify their eligibility for the program.

- DHS/DFD is aligning our monitoring of case file reviews with the audit practices of the Childcare Federal Error Rate case file review. Our current monitoring

includes reviews of Performance Measures. This year DHS/DFD will be increasing our sample size and focusing more on evaluating how well the CCR&Rs are accurately applying eligibility policies within the CCAP program. It should be noted that the centralization of eligibility to occur exclusively at the CCR&R's began in July 2011.

7. Consider converting to electronic case files so that all required documents can be scanned into DFD databases and be more easily organized, maintained and monitored.

- DHS/DFD appreciates the value of electronic case files and will consider this recommendation which will be subject to available funding resources.

8. Communicate with and train CCR&Rs to use proper methods to calculate attendance and make necessary payment adjustments.

- DHS/DFD signed a contract with a vendor to implement an electronic time and attendance system called eChildCare (ECC) on September 22, 2010. ECC was piloted in four counties on October 1, 2011 and implemented statewide on January 1, 2012. ECC requires parents to "swipe" their children in and out of care daily with an assigned EBT card.

9. Monitor CCR&Rs' removal of participants no longer attending the program and termination of payments to providers for such participants.

- ECC will facilitate this process. After ECC is launched, the state will pay for a maximum of five (5) consecutive, sick days per child within a two (2) week period. ECC will not authorize any payment after 5 consecutive sick days. If no care is provided, the providers will not get paid.

10. Consider converting to an electronic format of attendance record submission and calculations to reduce the risk of calculation errors and overpayments to providers.

- The new ECC system will calculate payment for providers based on attendance therefore eliminating calculation errors and overpayments.

11. Increase the number of case files tested during monitoring visits to obtain a more accurate view of how policies and procedures are being applied.

- DHS/DFD is aligning our monitoring of case file reviews with the audit practices of the Federal Error Rate case file review. Our current monitoring includes reviews of Performance Measures; however this year we will be increasing our sample size and focusing more on evaluating how well the CCR&Rs are accurately applying eligibility policies within the CCAP program. It should be noted that the centralization of eligibility to occur exclusively at the CCR&R's began in July 2011.

12. Consider having the DHS Office of Auditing perform programmatic audits of the areas discussed in this report, such as program eligibility, attendance and subsidy payments.

- The DHS Office of Auditing (OOA) performs audits for all Divisions with the Department of Human Services. DFD will include requests for audits related to eligibility, attendance and/or subsidy payments within future audit plan submissions.