PART 1

ADMINISTRATION

All States and Territories designate a Lead Agency to oversee administration of the Child Care and Development Fund (CCDF). In Part 1 of the CCDF Plan, the Lead Agency provides information about the funds available for child care, including Temporary Assistance for Needy Families and private-donated funds. Information also is provided on the administration and implementation of child care services, including determination of eligibility, payments to providers and policies to prevent and reduce improper payments.[1]

Section 1.1 and 1.2 – Lead Agency Information and State Child Care (CCDF) Contact Information

In their Child Care and Development Fund (CCDF) Plans, States and Territories identify their CCDF Lead Agency, the agency that *"… has been designated by the Chief Executive Officer of the State (or Territory), to represent the State (or Territory) as the Lead Agency. The Lead Agency agrees to administer the program in accordance with applicable Federal laws and regulations and the provisions of this Plan, including the assurances and certifications appended hereto.* **(658D, 658E)***"*[2, 3] States and Territories also provide contact information for the Lead Agency. The designated Lead Agency for each State and Territory, and contact information, are included as Appendix 1, page 311. This list is also available at http://nccic.acf.hhs.gov/statedata/dirs/display.cfm?title=ccdf.

Section 1.3 – Estimated Funding

The Lead Agency estimates that the following amounts will be available for child care services and related activities during the 1-year period: October 1, 2005 through September 30, 2006. **(§98.13(a))**

This section provides information on the State and Territory funds available for child care activities from the Child Care and Development Fund (CCDF), Temporary Assistance for Needy Families (TANF) and State sources. The amounts listed are for informational purposes only and represent the first year of the Fiscal Year (FY) 2006-2007 CCDF Plan period (October 1, 2005, through September 30, 2006). Table 1.3 lists estimated amounts for Federal CCDF, Federal TANF transfer to CCDF, direct Federal TANF spending on child care, State Maintenance of Effort Funds and State Matching Funds.[4]

1 Data provided for American Samoa, Massachusetts and the Virgin Islands are from Fiscal Year 2004-2005 CCDF Plans.

2 CCDF Plan Preprint text appears in italics throughout this report. References to relevant laws and regulations appear in bold.

3 Child Care Bureau, Administration for Children and Families, U.S. Department of Health and Human Services. (2005, July). *CCDF state and territories plan preprint, FFY 2006-2007*. Retrieved November 23, 2005, from http://www.acf.hhs.gov/programs/ccb/policy1/current/ACF118/preprint_2006_final.htm.

4 After State and Territory CCDF Plans were submitted and approved, the Child Care Bureau issued FY 2006 CCDF allocation and earmark amounts for States and Territories. See Child Care Bureau, Administration for Children and Families, U.S. Department of Health and Human Services. (2005, June). *FY 2006 CCDF allocations and earmarks for states and territories*, which is available at http://www.acf.hhs.gov/programs/ccb/policy1/current/allocations2006/allocations.htm.

TABLE 1.3
Estimated Funding for Child Care Services, Federal CCDF, TANF and State Monies[1]

State/Territory	CCDF	TANF Transfer to CCDF	Direct Federal TANF Spending	State Maintenance of Effort	State Matching Funds	Total Funds Available
Alabama	$80,373,676	$20,800,000	$0	$6,896,417	$9,207,558	$117,277,652
Alaska	$11,323,802	$13,100,000	$15,973,356	$3,544,811	$3,682,512	$47,624,485
American Samoa*†	$2,646,159	NA	NA	NA	NA	$2,646,159
Arizona	$99,629,148	$0	$8,020,300	$10,032,936	$14,736,676	$132,419,060
Arkansas	$43,793,956	$6,000,000	$0	$1,886,543	$4,635,671	$56,316,170
California	$509,416,600	$384,250,000	$351,300,000	$85,593,200	$194,509,900	$1,525,069,700
Colorado	$58,200,000	$30,000,000	NK	$8,900,000	$24,000,000	$121,100,000
Commonwealth of the Northern Mariana Islands†	$1,717,364	NA	NA	NA	NA	$1,717,364
Connecticut	$49,890,681	$0	$0	$18,738,357	$16,699,890	$85,328,928
Delaware	$13,648,974	$0	$0	$5,179,325	$3,883,131	$22,711,430
District of Columbia	$10,273,074	$18,521,963	$11,000,000	$ 4,566,974	$ 2,427,498	$46,789,509
Florida	$235,016,088	$122,549,158	$111,727,724	$33,415,872	$54,628,997	$557,337,839
Georgia	$158,230,685	$29,700,000	$0	$22,182,651	$30,559,821	$240,673,157
Guam†	$4,104,980	NA	NA	NA	NA	$4,104,980
Iowa	$40,426,890	$21,806,560	$0	$5,078,586	$7,730,754	$75,042,790
Kansas	$42,803,227	$17,510,175	$0	$6,673,024	$12,440,798	$79,427,224
Kentucky	$71,660,479	up to $54,386,300	up to $17,000,000	$7,274,537	$8,284,139	$158,605,455
Louisiana[2]	$109,010,740	$27,721,711	$28,380,576	$5,219,488	$9,733,632	$180,066,147
Maine	$15,321,898	$7,784,613	$8,000,000	$1,749,818	$2,889,142	$35,747,471
Maryland	$78,237,087	$10,285,667	$0	$23,301,407	$27,931,211	140,481,331
Massachusetts*	$103,775,824	$91,874,224	$92,000,000	$44,973,373	$30,946,749	$363,570,170
Michigan	$143,300,000	$0	$171,110,000	$24,400,000	$39,500,000	$378,310,000
Minnesota	$74,000,000	$36,000,000	$0	$19,700,000	$24,800,000	$154,500,000
Mississippi	$54,869,565	$19,000,000	NK	NK	$4,582,591	$78,452,156
Missouri	$91,554,701	$20,712,684	$0	$16,548,755	$16,969,626	$145,785,766
Montana	$12,958,259	$7,287,356	$0	$1,313,990	$1,674,404	$23,234,009
Nebraska	$31,386,626	$9,000,000	$0	$6,498,998	$12,044,203	$58,929,827
Nevada	$27,833,448	$0	$0	$2,580,421	$9,426,937	$39,840,806
New Hampshire	$15,539,682	$3,021,021	$0	$4,581,870	$6,055,091	$29,197,664
New Jersey	$108,500,000	$65,200,000	$0	$26,400,000	$48,800,000	$248,900,000
New Mexico	$30,906,996	$31,992,700	$0	$2,895,259	$3,451,707	$69,246,662
New York[3]	$306,000,000	NK	NK	$ 102,000,000	$110,000,000	NK
North Carolina	$177,270,328	$81,292,880	$35,331,547	$37,927,282	$24,492,354	$356,314,391

TABLE 1.3
Estimated Funding for Child Care Services, Federal CCDF, TANF and State Monies[1]

State/Territory	CCDF	TANF Transfer to CCDF	Direct Federal TANF Spending	State Maintenance of Effort	State Matching Funds	Total Funds Available
North Dakota	$9,086,112	$0	$1,136,707	$1,017,036	$1,404,377	$12,644,232
Ohio	$197,529,280	$0	$240,443,351	$45,403,943	$39,216,653	$635,849,227
Oklahoma	$67,800,000	$29,500,000	$45,900,000	$10,600,000	$7,500,000	$161,300,000
Oregon	$59,336,139	$0	$0	$11,714,966	$11,224,000	$82,275,105
Pennsylvania	$174,342,949	$178,511,000	$35,056,000	$46,629,051	$56,664,000	$491,203,000
Puerto Rico†	$38,641,309	$3,591,046	NA	NA	NA	$42,232,355
Rhode Island	$17,400,000	$13,700,000	$0	$5,321,126	$4,017,000	$77,000,000
South Carolina	$67,205,998	$1,300,000	$0	$4,085,269	$8,507,426	$81,098,693
South Dakota	$18,259,863	$0	$0	$802,914	$1,697,932	$20,760,709
Tennessee	$112,058,800	$63,911,600	$0	$18,975,800	$16,589,900	$211,536,100
Texas	$405,085,748	$0	$0	$27,745,141	$43,682,956	$478,513,845
Utah	$37,699,563	$0	$0	$4,474,923	$1,100,000	$43,274,486
Vermont	$9,774,049	$9,224,074	$2,796,735	$2,666,323	$1,682,466	$26,143,647
Virgin Islands*†	$2,094,534	NA	NA	NA	NA	$2,094,534
Virginia	$97,989,616	$5,000,000	$0	$21,328,762	$36,424,645	$160,743,023
Washington	$105,813,726	$95,000,000	$46,000,000	$38,707,605	$30,359,606	$315,880,937
West Virginia	$30,172,296	$0	$20,000,000	$2,971,392	$2,821,588	$55,965,276
Wisconsin	$81,379,619	$63,155,400	$159,398,800	$16,449,400	$18,772,350	$339,155,569
Wyoming	$7,923,927	$3,600,000	$0	$1,553,707	$1,922,008	$14,999,642

Key: NA=Not Applicable; NK=Not Known.

* Data provided for AS, MA and VI are from the FY 2004-2005 CCDF Plans.
† AS, CNMI, GU and VI only receive CCDF Discretionary Funds. PR receives TANF Transfer Funding.

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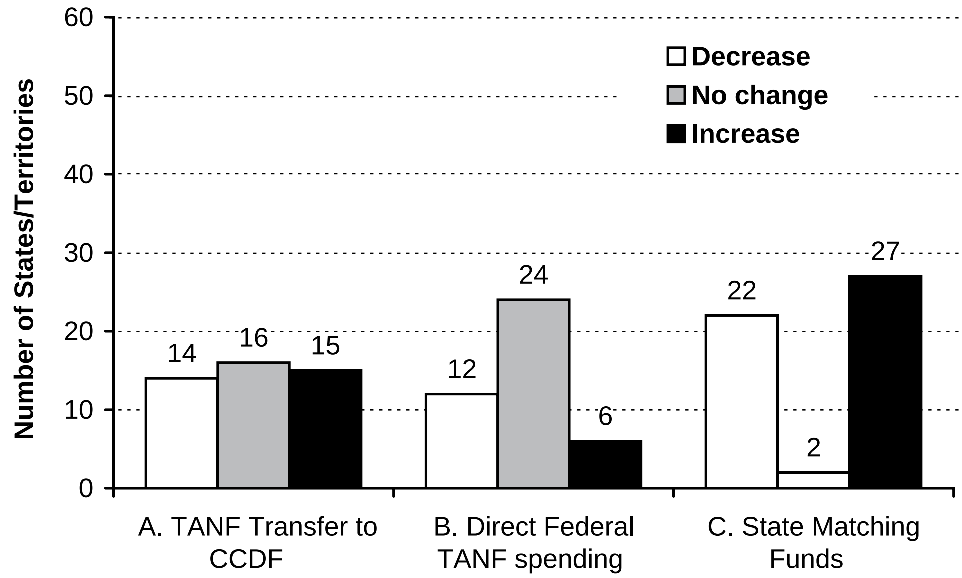
[1] This table presents estimated funding amounts as reported by the States and Territories; calculation inaccuracies were not corrected to avoid data interpretation.
[2] **Louisiana:** Direct TANF spending includes Louisiana standards for programs serving 4-year-olds and the accompanying grade level expectations (which includes Starting Points): $17,000,000; parent education: $732,660; parent/child enrichment: $1,674,603; public awareness: $473,313 and non-public school 4-year-olds program: $8,500,000.
[3] **New York:** Federal TANF transfer to CCDF, direct Federal TANF spending on child care and total funds available will not be known until enactment of the State Fiscal Year (SFY) 2005-2006 and SFY 2006-2007 budgets and FY 2005-2006 Federal budget.

Chart 1.3 illustrates the change in state-estimated funding from these funding streams between FY 2004 and FY 2006.

CHART 1.3
FY 2004 to FY 2006
Change in State and Territory Estimated Funding for Child Care Services by Type of Fund



A	AK, CA, FL, HI, IA, ID, KS, LA, NJ, NM, OK, SC, VA, WY
	AR, AZ, CO, CT, DC, DE, GU, NE, NV, OH, OR, TX, VT, WA, WI, WV
	AL, GA, IN, KY, MD, ME, MN, MO, MT, NC, NH, PA, PR, RI, TN
B	CA, FL, LA, MI, OK, OR, PA, SD, TN, VA, WA, WV
	AL, AR, CT, DC, DE, GA, GU, HI, IA, KS, KY, MD, MN, MO, MT, NH, NJ, NM, NV, RI, SC, TX, VT, WY
	AK, AZ, ME, NC, OH, WI
C	AR, CT, DC, DE, IA, IN, KY, ME, MN, MO, ND, NH, NM, NV, OH, OK, OR, RI, SC, SD, VT, WA
	GU, HI
	AK, AL, AZ, CA, CO, FL, GA, ID, IL, KS, LA, MD, MI, MS, MT, NC, NE, NJ, NY, PA, TN, TX, UT, VA, WI, WV, WY

Several States and Territories are not included in the counts because data are not available for either FY 2004 or FY 2006.

Fourteen States (AK, CA, FL, HI, IA, ID, KS, LA, NJ, NM, OK, SC, VA, WY) report a decrease in the amount of TANF transfer funds to CCDF.

Fifteen States (AR, AZ, CO, CT, DC, DE, NE, NV, OH, OR, TX, VT, WA, WI, WV) and one Territory (GU) report no change in the amount of TANF transfer funds to CCDF.

Fourteen States (AL, GA, IN, KY, MD, ME, MN, MO, MT, NC, NH, PA, RI, TN) and one Territory (PR) report an increase in the amount of TANF transfer funds to CCDF.

Twelve States (CA, FL, LA, MI, OK, OR, PA, SD, TN, VA, WA, WV) report a decrease in the amount of direct Federal TANF spending.

Twenty-three States (AL, AR, CT, DC, DE, GA, HI, IA, KS, KY, MD, MN, MO, MT, NH, NJ, NM, NV, RI, SC, TX, VT, WY) and one Territory (GU) report no change in the amount of direct Federal TANF spending.

Six States (AK, AZ, ME, NC, OH, WI) report an increase in the amount of direct Federal TANF spending.

Twenty-two States (AR, CT, DC, DE, IA, IN, KY, ME, MN, MO, ND, NH, NM, NV, OH, OK, OR, RI, SC, SD, VT, WA) report a decrease in the amount of State Matching Funds.

One State (HI) and one Territory (GU) report no change in the amount of State Matching Funds.

Twenty-seven States (AK, AL, AZ, CA, CO, FL, GA, ID, IL, KS, LA, MD, MI, MS, MT, NC, NE, NJ, NY, PA, TN, TX, UT, VA, WI, WV, WY) report an increase in the amount of State Matching Funds.

Section 1.4 – Estimated Administration Cost

The Lead Agency estimates that the following amount (and percentage) of Federal CCDF and State Matching Funds will be used to administer the program (not to exceed five percent). **(658E(c)(3), §§98.13(a), 98.52)**

Administrative costs are capped at five percent of the State and Territory Child Care and Development Fund (CCDF) allocation, as required by the CCDF Final Rule.[5] Table 1.4 identifies the amounts and percentages States and Territories estimate they will spend on administration of the block grant.

The national average percentage of the CCDF allocation spent on administration costs remained the same between Fiscal Year (FY) 2004 and FY 2006 (4 percent); however, in 25 States, expenditures on administration costs changed.

Twelve States (CO, IA, IN, KS, ME, MO, NC, NJ, OK, RI, SD, WV) report a decrease in the estimated costs of CCDF administration.

Twenty-four States (AL, AR, AZ, CT, DC, DE, FL, GA, HI, ID, KY, MD, MI, MT, NM, NV, NY, OR, SC, TX, VA, WA, WI, WY) and two Territories (GU, PR) report no change in the estimated costs of CCDF administration.

Thirteen States (AK, CA, LA, MN, MS, ND, NE, NH, OH, PA, TN, UT, VT) report an increase in the estimated costs of CCDF administration.

[5] CCDF Final Rule, 45 CFR Section Parts 98 and 99. *Federal Register* 63:142 (24 July 1998).

TABLE 1.4 Estimated Costs of CCDF Administration		
State/Territory	**Estimated Amount of CCDF**	**Estimated Percent of CCDF**
Alabama	$5,519,062	5.00%
Alaska	$1,200,000	4.27%
American Samoa*	$132,308	5.00%
Arizona	$6,219,938	5.00%
Arkansas	$2,189,698	5.00%
California	$13,676,000	1.10%
Commonwealth of the Northern Mariana Islands	$85,868	5.00%
Colorado	$2,400,000	2.20%
Connecticut	$981,000	2.00%
Delaware	$863,754	5.00%
District of Columbia	$1,439,752	5.00%
Florida	$22,280,000	5.00%
Georgia	$10,924,525	5.00%
Guam	$205,249	5.00%
Hawaii	$2,165,300	5.00%
Idaho	$1,266,000	5.00%
Illinois	$11,600,000	4.00%
Indiana	$3,144,680	2.00%
Iowa	$1,500,000	2.00%
Kansas	$1,546,833	2.13%
Kentucky	$3,583,024	5.00%
Louisiana	$3,000,000	2.40%
Maine	$550,000	3.00%
Maryland	$7,107,006	5.00%
Massachusetts*	$3,800,000	1.70%
Michigan	$3,100,000	2.00%
Minnesota	$3,300,000	2.50%
Mississippi	$1,403,821	4.23%
Missouri	$1,085,243	0.80%
Montana	$1,096,001	5.00%

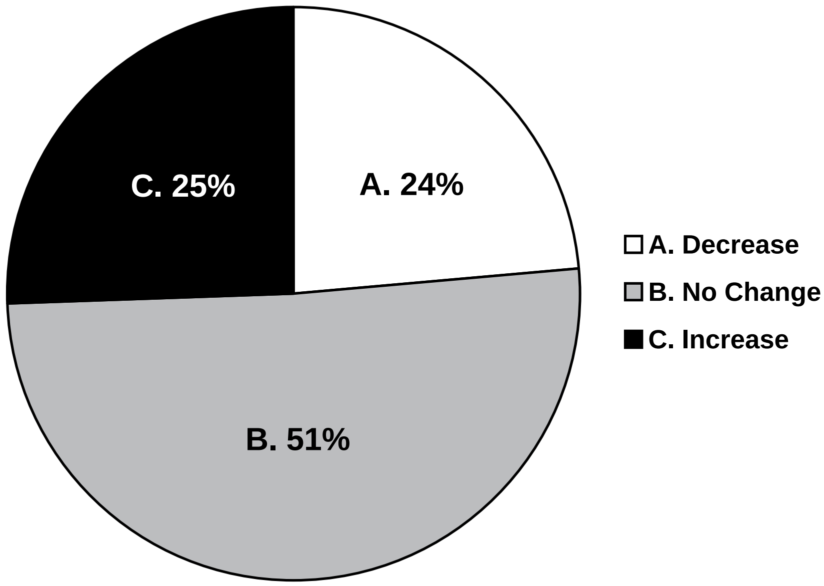
TABLE 1.4
Estimated Costs of CCDF Administration

State/Territory	Estimated Amount of CCDF	Estimated Percent of CCDF
Nebraska	$2,316,541	4.00%
Nevada	$1,992,040	5.00%
New Hampshire	$1,230,789	5.00%
New Jersey	$9,200,000	3.70%
New Mexico	$1,862,698	5.00%
New York	$20,800,000	5.00%
North Carolina	$7,090,813	2.50%
North Dakota	$524,524	5.00%
Ohio	$11,812,297	5.00%
Oklahoma	$7,300,000	4.50%
Oregon	$2,966,806	5.00%
Pennsylvania	$4,881,000	1.90%
Puerto Rico	$1,932,065	5.00%
Rhode Island	$1,300,000	3.70%
South Carolina	$3,785,671	5.00%
South Dakota	$549,589	3.00%
Tennessee	$3,000,000	1.60%
Texas	$22,438,435	5.00%
Utah	$1,884,978	<5.00%
Vermont	$1,045,746	5.00%
Virgin Islands*	$104,726	5.00%
Virginia	$6,970,713	5.00%
Washington	$11,550,000	5.00%
West Virginia	$1,649,694	5.00%
Wisconsin	$16,957,780	5.00%
Wyoming	$576,196	5.00%

* Data provided for AS, MA and VI are from the FY 2004-2005 CCDF Plans.

Chart 1.4 illustrates the percentage of States and Territories experiencing change in the estimated expenditure to administer the child care program funded by CCDF.

CHART 1.4
FY 2004 to FY 2006
Change in State and Territory Estimated Costs of CCDF Administration



A	CO, IA, IN, KS, ME, MO, NC, NJ, OK, RI, SD, WV
B	AL, AR, AZ, CT, DC, DE, FL, GA, GU, HI, ID, KY, MD, MI, MT, NM, NV, NY, OR, PR, SC, TX, VA, WA, WI, WY
C	AK, CA, LA, MN, MS, ND, NE, NH, OH, PA, TN, UT, VT

N=51 (Data are not available for AS, CNMI, IL, MA or VI.)

Section 1.5 – Administration of the Program

Child Care and Development Fund (CCDF) Plans for Fiscal Year (FY) 2006-2007 indicate that Lead Agencies continue to work in partnership with multiple Federal, State, Tribal and local entities, including private sector partners, to administer the program. Most CCDF Lead Agencies contract with non-governmental entities to implement all or some portions of the program. Child care resource and referral services and quality improvement activities are the most common services implemented through contracts with other agencies.

Does the Lead Agency directly administer and implement all services, programs and activities funded under the CCDF Act, including those described in Part 5.1 – Activities & Services to Improve the Quality and Availability of Child Care, Quality Earmarks and Set-Aside?

Four States (AR, KY, NM,[6] OK) and three Territories (AS, CNMI, GU) respond that the Lead Agency directly administers and implements all services, programs and activities funded under the CCDF Act.

Forty-seven States (AK, AL, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NV, NY, OH, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WI, WV, WY) and two Territories (PR, VI) report that the Lead Agency does not directly administer and implement all services and activities.

The following describes how the Lead Agency maintains overall control when services or activities are provided through other agencies: **(658D(b)(1)(A), §98.11)**

States and Territories identify several strategies through which the Lead Agency maintains overall control when services or activities are provided through other agencies and/or entities. Lead Agencies in several States and Territories have established environmental control strategies, such as an emphasis on competence or assignment of authority and responsibility. Lead Agencies report that overall control activities are in place to ensure accountability and effective achievement of program goals, with ongoing monitoring to examine and evaluate contractor and grantee performance.

Seventeen States (AK, CA, CO, DC, HI, KS, LA, MA, ME, MT, NC, ND, PA, TN, TX, VT, WI) report that the Lead Agency provides technical assistance and/or training to all contractors and grantees to help maintain and improve job competency. These States also report that periodic evaluation and meetings help identify problem areas.

Montana's program staff develops and writes program policy and rules, provides training and technical assistance, develops and monitors CCDF program operations and budget, prepares and submits reports to the Federal government and oversees the State child care system.

North Carolina's Lead Agency provides training and technical assistance to local purchasing agency personnel, helps them interpret State child care subsidy policies and conducts onsite monitoring of the subsidized child care program to ensure funds are spent appropriately.

Sixteen States (DC, DE, GA, HI, KS, MD, MI, MO, NE, NJ, NY, OR, TX, UT, VA, WA) indicate the Lead Agency establishes memoranda of understanding or coordinates with other State agencies.

Delaware's Lead Agency maintains a memorandum of understanding with the Department of Services for Children, Youth, and Their Families to improve the quality of child care by establishing and enforcing requirements and standards for licensed child care providers. The agency conducts provider training, which is coordinated with early childhood education to create career development opportunities.

6 The Lead Agency reports that the New Mexico Human Services Department determines eligibility for Temporary Assistance for Needy Families (TANF).

Eighteen States (AK, AZ, CO, HI, IA, IL, IN, MA, ME, MT, NC, ND, NJ, OH, PA, TX, WA, WV) indicate the Lead Agency establishes rules and policies for all child care services and provides policy manuals and/or procedural guides to contractors and grantees.

In **Washington**, the Department of Social and Health Services is the point of contact regarding the administration of funds, determines use and priorities for block grant expenditures, promulgates administrative rules and regulations, submits required reports, ensures compliance with the Plan and Federal requirements, oversees expenditures to subgrantees and contractors, monitors programs and resources and fulfills responsibilities related to complaints, compliance, hearings and appeals.

Twenty-three States (AK, CO, DC, DE, FL, IL, IN, KS, MA, ME, MO, MS, NC, NH, NJ, NY, OR, TN, TX, VA, WI, WV, WY) report that the Lead Agency specifies performance indicators or measurements in contracts with other entities.

In **Colorado**, contracts for CCDF-funded services feature the CCDF Final Rule as an exhibit. Contracts also include contractor work plans that stipulate performance indicators, outcome measures, products, deliverables and performance standards which relate to increasing the quality, availability and affordability of child care.

Twenty-nine States (AK, AL, CO, DC, FL, HI, ID, IL, IN, LA, MA, ME, MI, MO, MS, MT, NC, NH, NJ, NV, OR, PA, RI, TN, TX, UT, WI, WV, WY) specify that the Lead Agency monitors contractors to ensure compliance with agreements.

Idaho maintains overall control of contracts through monthly monitoring by the Lead Agency contracts and external resource management team to ensure compliance. Additional control mechanisms include amending contracts to reflect changing circumstances, assisting with negotiations, reviews of vendor records to ensure compliance with record keeping provisions and contract performance standards and researching contract-related questions from the vendor or State management.

Twenty-seven States (AK, AZ, CA, CO, DC, DE, FL, GA, HI, ID, IL, IN, MA, MD, ME, MN, MS, NC, OH, RI, SC, SD, TX, VA, WA, WI, WV) and one Territory (VI) indicate that the Lead Agency oversees and monitors financial compliance.

The Lead Agency in **Mississippi** has internal management tools to help ensure all obligation and liquidation deadlines are met. Monthly fiscal reports depicting obligations and expenditures, organized by priority populations and designated agencies, are prepared and submitted to the Office for Children and Youth Director for review. Fiscal reports generated by each designated agency on the Child Care Information System serve as supporting documentation for the statewide report submitted to the Office for Children and Youth Director. To maintain the highest possible level of data integrity, Office for Children and Youth fiscal staff reviews the transactional aspects incurred in each priority population and, before preparing the statewide report, consults with the appropriate designated agent regarding the validity of those transactions.

Rhode Island's Department of Human Services Financial Management staff monitors for compliance with approved budgets and expenditures. Annual audits are required for expenditures under the contract budget.

Twenty-six States (AK, AL, AZ, CA, CO, CT, DE, FL, GA, IL, MA, MN, MT, NH, NJ, OH, RI, SC, SD, TN, TX, VA, VT, WA, WV, WY) and one Territory (VI) report that the Lead Agency monitors contractors and/or local government agencies to ensure compliance with Federal and State rules.

In **Alabama**, child care management agencies and quality enhancement agencies are monitored yearly by the Lead Agency to determine compliance with contracts, applicable Federal and State laws and regulations and Department policies and procedures.

The **Colorado** Board of Human Services adopts regulations that counties must adhere to when administering the child care program. Under these regulations, counties are given flexibility to set county-specific policies as long as they do not conflict with State or Federal regulations. State child care assistance program staff monitor counties throughout the year to ensure program compliance.

Fifteen States (AZ, CA, CO, DC, MA, MS, NJ, NY, OH, PA, SC, VA, WA, WI, WV) and one Territory (VI) indicate the Lead Agency monitors programs and services provided by contractors.

Where contracts are in place in **New Jersey**, a prescriptive list of requirements for child care resource and referral agencies and contracted providers help ensure grantees comply with all policies and procedures of the Division of Family Development. The Division of Family Development meets quarterly with all child care resource and referral agency directors and bi-monthly with the contracted center Policy Development Board, and sends representatives to monthly Child Care Advisory Council and New Jersey Association of Child Care Resource and Referral Agency meetings to discuss relevant initiatives and policies and be apprised of issues that need immediate attention. The Division of Family Development conducts periodic monitoring of child care resource and referral agencies and center-based contract child care centers to ensure policy and procedures are followed.

While Lead Agencies assume primary responsibility for administering funds for child care and related services, States and Territories report contracting with at least one other entity to administer funds designed to improve the quality and availability of child care, including child care resource and referral agencies, State TANF agencies, State or Territory Departments of Education and other State or Territory agencies, child care providers and family child care networks, universities and colleges, Tribal agencies and organizations and others.

Examples of agencies that assist States and Territories in administering CCDF funds appear in Table 1.5.

TABLE 1.5
Other Agencies That Assist in Administering CCDF Funds

State/Territory	Agency
Alabama	- Regional child care management agencies - Quality enhancement agencies
Alaska	- Local government entities or nonprofit organizations
Arizona	- MAXIMUS, Inc. (in a specified portion of Maricopa County) - Governor's Office for Children, Youth and Families - Child care resource and referral agencies, non-governmental community-based organizations - Other State organizations
California	- Local child care and development agencies - Child care resource and referral agencies - County welfare departments - Other private and State agencies
Colorado	- County departments of human services, Colorado Child Care Assistance Program - Private, for-profit independent agency - Non-governmental community organization - Child care resource and referral agencies
Connecticut	- Other agencies (government, private and nonprofit community-based organizations)
Delaware	- Department of Services for Children, Youth, and Their Families - Interagency Resource Management Committee - Private, nonprofit organization
District of Columbia	- DC Department of Parks and Recreation - DC Public Schools - Level II providers - Washington Child Development Council
Florida	- Local Early Learning Coalitions (quasi-governmental community agencies incorporated as private, nonprofit organizations) and other contracted service providers - Other State agencies
Georgia	- County departments of family and children services - Local county departments - Division of Family and Children Services, Regional Accounting Offices - Private for-profit contractors - Bright From the Start: Georgia Department of Early Care and Learning - MAXIMUS, Inc.
Hawaii	- Child care subsidy contractors - Department of Human Services Training Office - People Attentive to Children, a nonprofit child care resource and referral agency
Idaho	- University of Idaho Center on Disabilities and Human Development (contractor for statewide child care resource and referral services)

TABLE 1.5 Other Agencies That Assist in Administering CCDF Funds	
State/Territory	**Agency**
Illinois	- Child care resource and referral agencies - Governmental agencies - Professional organizations - Colleges and universities - Child care agencies
Indiana	- Local non-governmental, multi-service agencies - Child care resource and referral agencies - School districts - Local governmental agencies - For-profit corporations
Iowa	- Child care resource and referral agencies - Other agencies
Kansas	- Department of Health and Environment - Kansas Association of Child Care Resource and Referral Agencies - eFunds Corporation - Kansas Early Head Start - Other State agencies
Louisiana	- Child care resource and referral agencies
Maine	- Community-based, private and nonprofit organizations
Maryland	- Department of Business and Economic Development - Maryland Committee for Children, a nonprofit agency - Maryland State Department of Education
Massachusetts	- Child care providers - Child care resource and referral agencies - Department of Transitional Assistance - Department of Social Services - Other agencies
Michigan	- Michigan Community Coordinated Child Care Association Community (4C Association) - Regional Community Coordinated Child Care Councils - Department of Community Health - Department of Consumer and Industry Services - Head Start Association - Michigan Department of Education - Michigan State University Extension
Minnesota	- County social services agencies - Tribal social service agencies - Regional child care resource and referral agencies
Mississippi	- Head Start programs - Mississippi Planning and Development Districts - Municipalities and local businesses - Public and nonprofit agencies - Institutions of higher learning
Missouri	- Department of Health and Senior Services - Department of Elementary and Secondary Education

TABLE 1.5 Other Agencies That Assist in Administering CCDF Funds	
State/Territory	**Agency**
Montana	- Institutions of higher learning - Child care resource and referral agencies - Non-governmental community organization - Montana Early Childhood Advisory Council
Nebraska	- Nebraska Department of Education - Other agencies
Nevada	- Nonprofit agencies - Quality Control Section of the Welfare Division - Other State agencies
New Hampshire	- Child care resource and referral agencies - Other agencies
New Jersey	- County welfare agencies/boards of social services - Child care resource and referral agencies - Nonprofit community-based agencies
New York	- Local departments of social services - State University of New York - City University of New York - New York State Department of Health - Consortium for Worker Education (Liberty Zone) - New York State Child Care Coordinating Council - New York State Department of Agriculture and Markets
North Carolina	- County departments of social services (county departments of social services may subcontract their activities) - Child care resource and referral agencies
North Dakota	- Regional representatives for Early Childhood Services (State licensing staff) - Child care resource and referral agencies - County departments of social services
Ohio	- County departments of job and family services - Ohio Department of Education - Child care resource and referral agencies - Non-governmental agencies
Oregon	- Department of Human Services - Center for Career Development in Childhood Care and Education - Oregon Department of Education - Oregon Child Care Resource and Referral Network - Oregon Commission on Children and Families
Pennsylvania	- Local child care information service agencies - Regional keys
Puerto Rico	- Administration for Family Socio Economic Development - Other agencies
Rhode Island	- Child care resource and referral agency - Other agencies
South Carolina	- Other agencies or organizations

TABLE 1.5
Other Agencies That Assist in Administering CCDF Funds

State/Territory	Agency
South Dakota	- Nonprofit organizations - Child care resource and referral program
Tennessee	- Universities - Community agencies
Texas	- Local workforce development boards - Private nonprofit organizations - Private for-profit organizations - Faith- or community-based organizations - Texas Health and Human Services Commission - Texas Information and Referral Network - Texas Department of Family and Protective Services
Utah	- Other State and nonprofit agencies
Vermont	- Community-based, private, nonprofit organizations
Virgin Islands	- Other agencies
Virginia	- Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services - Virginia Department of Housing and Community Development - Non-governmental community multi-service agencies - Virginia Child Care Resource and Referral Network - Local departments of social services
Washington	- Washington Statewide Child Care Resource and Referral Network - Other agencies
West Virginia	- Child care resource and referral agencies - Other private agencies
Wisconsin	- Wisconsin Works (W-2) agencies - County and Tribal social and human services departments - Child care resource and referral agencies - Wisconsin Child Care Resource and Referral Network - Child Information Center - Wisconsin Early Childhood Association - Wisconsin Department of Public Instruction - United Migrant Opportunity Services, Inc. - Other public and private agencies
Wyoming	- Child care resource and referral agency - Other agencies and organizations

Data are not available for AR, AS, CNMI, GU, KY, NM and OK; the Lead Agency for these States and Territories directly administers all services, programs and activities funded under the CCDF Act. Data provided for MA and VI are from the FY 2004-2005 CCDF Plans.

Section 1.6 – Determining Eligibility[7]

States and Territories determine those eligible to receive assistance from the child care subsidy program. Fiscal Year (FY) 2006-2007 Child Care and Development Fund (CCDF) Plans indicate Lead Agencies are more likely to determine eligibility for families receiving TANF than for non-TANF families. FY 2006-2007 CCDF Plans also indicate more States and Territories make payments to providers, which might result from increased use of automated data systems.

Determining Individual Eligibility of Non-TANF Families

For child care services funded under **§98.50** *(i.e., certificates, vouchers, grants/contracts for slots based on individual eligibility), does the Lead Agency itself determine individual eligibility of non-TANF families?* **(§98.11)**

Twenty-five States (AR, DC, DE, GA, HI, IA, ID, KS, KY, LA, MD, MI, MO, NE, NH, NM, OK, RI, SC, SD, TN,[8] UT, VA, WA, WY) and five Territories (AS, CNMI, GU, PR, VI) indicate that the Lead Agency determines eligibility of non-TANF families.

Twenty-seven States (AK, AL, AZ, CA, CO, CT, FL, IL, IN, MA, ME, MN, MS, MT, NC, ND, NJ, NV, NY, OH, OR, PA, TN, TX, VT, WI, WV) indicate the Lead Agency does not determine eligibility of non-TANF families.

In **Indiana**, an intake agent is selected for each Bureau of Child Development region through a competitive Request for Funds process. The Request for Funds has specific requirements for the selection of the intake agent, but the type of entity selected varies from county to county. Typically, intake agents are local non-governmental, multi-service agencies that serve low-income families. However, some child care resource and referral agencies, school districts and local government units also are agents.

Determining Individual Eligibility of TANF Families[9]

For child care services funded under **§98.50** *(i.e., certificates, vouchers, grants/contracts for slots based on individual eligibility), does the Lead Agency itself determine individual eligibility of TANF families?* **(§98.11)**

Thirty States (AK, AR, DC, DE, GA, HI, IA, ID, IN, KS, KY, LA, MD, ME, MI, MO, MT, NE, NH, NV, OK, PA, RI, SC, SD, TN, UT, VA, WA, WY) and two Territories (GU, VI) report the Lead Agency determines eligibility for TANF families.

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7 In some States and Territories that indicate the Lead Agency determines eligibility for Temporary Assistance for Needy Families (TANF) and non-TANF families, assists parents with locating care and/or makes payments to providers, the Lead Agency conducts these activities in conjunction with other private entities.

8 Tennessee reports the Lead Agency determines eligibility of non-TANF families for child care assistance in four urban counties (Chattanooga, Davidson, Knox and Shelby). In the other 91 counties, the Lead Agency uses contract agencies that operate under the Lead Agency's policies and procedures to determine eligibility for non-TANF families.

9 American Samoa and the Commonwealth of the Northern Mariana Islands do not have a TANF program and are not included in the following three counts.

Twenty-one States (AL, AZ, CA, CO, CT, FL, IL, MA, MN, MS, NC, ND, NJ, NM, NY, OH, OR, TX, VT, WI, WV) and one Territory (PR) report the Lead Agency does not determine eligibility for TANF families.

The **Texas** Health and Human Services Commission determines eligibility for TANF assistance and refers TANF applicants and recipients to the Workforce Commission Board's contractor for participation in Choices—TANF employment and training services. For clients participating in Choices, a case manager with the Board's employment and training contractor determines the family's eligibility for child care. For TANF families who do not participate in Choices, but who are potentially eligible for child care services, the Health and Human Services Commission makes the referral to the Workforce Commission Board's child care contractor. In this case, the child care contractor determines the parent's eligibility for child care services.

Assisting Parents in Locating Child Care

For child care services funded under **§98.50** *(i.e., certificates, vouchers, grants/contracts for slots based on individual eligibility), does the Lead Agency itself assist parents in locating child care?* **(§98.11)**

Fifteen States (AR, DC, GA, HI, IA, KS, KY, MA, MS, NE, NM, OK, SC, TN,[10] VA) and five Territories (AS, CNMI, GU, PR, VI) indicate the Lead Agency directly assists parents with locating child care.

Thirty-seven States (AK, AL, AZ, CA, CO, CT, DE, FL, ID, IL, IN, LA, MD, ME, MI, MN, MO, MT, NC, ND, NH, NJ, NV, NY, OH, OR, PA, RI, SD, TN, TX, UT, VT, WA, WI, WV, WY) indicate the Lead Agency does not directly assist parents with locating child care.

Local early learning coalitions in **Florida**, which are quasi-governmental community agencies incorporated as private, nonprofit organizations, provide assistance to parents in locating child care through child care resource and referral services.

Making Payments to Providers

For child care services funded under **§98.50** *(i.e., certificates, vouchers, grants/contracts for slots based on individual eligibility), does the Lead Agency itself make payments to providers?* **(§98. 11)**

Thirty-eight States (AK, AL, AR, AZ, CA, CT, DC, DE, HI, IA, ID, KS, KY, LA, MA, MD, ME, MI, MN, MO, MT, ND, NE, NH, NM, OK, OR, PA, RI, SC, SD, TN, UT, VA, VT, WA, WI, WY) and four Territories (AS, CNMI, GU, PR) report the Lead Agency makes payments to child care providers.[11]

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10 The Tennessee Lead Agency assists parents on the certificate program who reside in four urban counties in locating child care. In the other 91 counties, the Lead Agency uses contract agencies that operate under the Lead Agency's parent consumer education policies and procedures to assist parents in locating child care.

11 Lead Agencies in California, Maine and Pennsylvania make payments to direct service providers but share this responsibility with other agencies such as county welfare departments, voucher management agencies or child care information services agencies.

Sixteen States (CA, CO, FL, GA, IL, IN, ME, MS, NC, NJ, NV, NY, OH, PA, TX, WV) and one Territory (VI) report the provider payment function is performed by another agency.

In **West Virginia**, provider payment is a joint process. The six child care resource and referral agencies receive invoices from child care providers. Child care resource and referral personnel audit the invoice and enter data into the Family and Children's Tracking System, which was developed and is managed by the Lead Agency. The system calculates payment and deducts parent copayments. Family and Children's Tracking System staff pulls that information from the system to pay providers.

Section 1.7 – Non-Governmental Entities

In some cases, a non-governmental entity determines eligibility, implements child care services and/or administers services. According to the Child Care and Development Fund (CCDF) Plan Preprint Guidance, "A non-governmental entity is one that is controlled by private sources completely unrelated to Federal, State or local government. A public-private partnership would be considered a governmental entity. Private organizations and nonprofit organizations would be considered non-governmental entities."[12]

Is any entity named in response to section 1.6 a non-governmental entity? [13] **(658D(b), §§98.10(a), 98.11(a))**

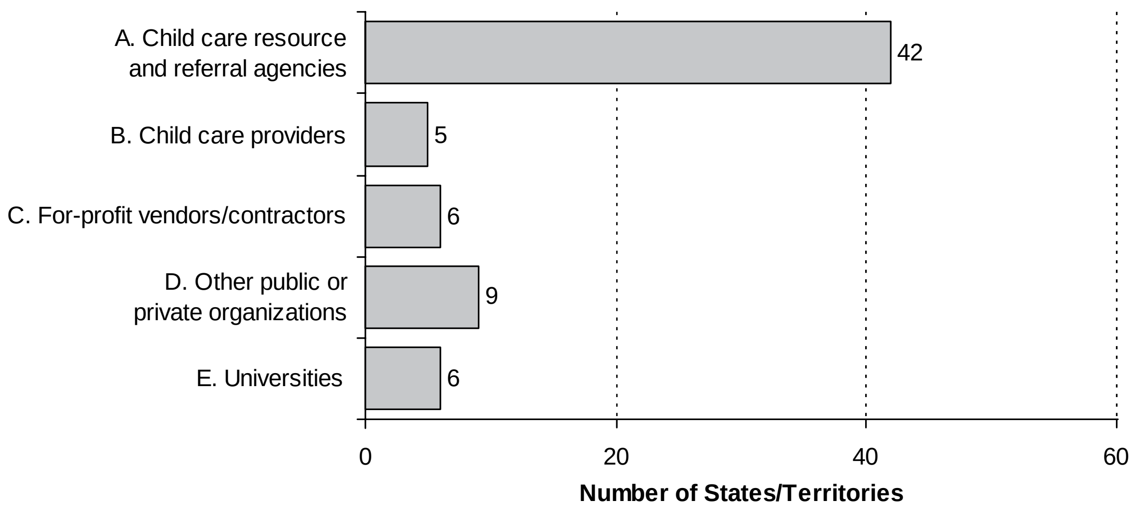
Forty-one States (AK, AL, CA, CO, CT, DC, FL, GA, HI, IL, IN, KS, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NH, NJ, NV, NY, OH, OR, PA, SC, SD, TN, TX, UT, VA, VT, WA, WI, WV, WY) and two Territories (PR, VI) indicate the agencies that determine eligibility, assist parents with locating child care or make payments to providers under §98.50 are non-governmental agencies.

As shown in Chart 1.7, States and Territories contract with a variety of non-governmental entities, most often with child care resource and referral agencies.

12 Child Care Bureau, Administration for Children and Families, U.S. Department of Health and Human Services. *CCDF state and territories plan preprint guidance, FFY 2006-2007*. Retrieved April 17, 2006, from http://www.acf.hhs.gov/programs/ccb/policy1/current/ACF118/guidance_2006_final.htm.

13 Types of non-governmental entities are identified in part 1.6 of the *CCDF State and Territories Plan Preprint Guidance, FFY 2006-2007*, available on the Child Care Bureau's web site at http://www.acf.hhs.gov/programs/ccb/policy1/current/ACF118/guidance_2006_final.htm.

CHART 1.7
Other Entities That Administer and Implement State and Territory Child Care Services



A	AK, AL, AZ, CA, CO, CT, DC, DE, FL, HI, IA, IL, IN, KS, LA, MA, MD, ME, MI, MN, MO, MT, NC, ND, NH, NJ, NV, NY, OH, OR, PA, RI, SC, SD, TX, UT, VA, VT, WA, WI, WV, WY
B	CT, DC, IL, MA, NJ
C	AZ, CO, DC, GA, IN, TX
D	CA, LA, MS, PA, TN, VA, VI, WA, WV
E	ID, LA, MI, MS, NY, TX

Data provided for MA and VI are from the FY 2004-2005 CCDF Plans.

Section 1.8 – Use of Private Donated Funds

Lead Agencies use private donated funds to maximize services provided to children and families. The same States report using private donated funds to meet part of their matching requirement in the Fiscal Year (FY) 2006-2007 Child Care and Development Fund (CCDF) Plans as in the FY 2004-2005 CCDF Plans.

Will the Lead Agency use private donated funds to meet a part of the matching requirement of the CCDF pursuant to **§98.53(e)(2)** *and* **(f)***?*

Thirteen States (CO, FL, MA, MS, MT, NV, NY, OK, OR, SD, TX, UT, VA) indicate in FY 2004-2005 and in FY 2006-2007 that they use private donated funds to meet part of their matching requirement pursuant to §98.53 of the CCDF Final Rule.[14]

- Eight of these States (MA, MT, NY, OR, SD, TX, UT, VA) designate the State agency to receive donated funds.
- Three of these States (MS, NV, OK) designate a statewide nonprofit organization to receive donated funds.
- The remaining two States (CO, FL) select other types of organizations to receive donated funds.

Section 1.9 – Use of State Prekindergarten Expenditures for CCDF-Eligible Children

The number of States that count investments in prekindergarten programs to meet the Child Care and Development Fund (CCDF) and State Maintenance of Effort (MOE) and Matching Fund requirements is approximately the same in Fiscal Year (FY) 2006-2007 CCDF Plans as it was in FY 2004-2005 CCDF Plans. For MOE, the number of States decreased from 15 to 14; for Matching Funds, the number of States increased from 16 to 19.

Section 1.9.1 – Prekindergarten Spending and State MOE

During this plan period, will State expenditures for Pre-K programs be used to meet <u>any</u> of the CCDF maintenance of effort (MOE) requirement?

The State assures that its level of effort in full day/full year child care services has not been reduced, pursuant to **§98.53(h)(1)**.

Estimated percentage of the MOE requirement that will be met with pre-K expenditures. (It may not exceed 20%.)

If the State uses Pre-K expenditures to meet more than 10% of the MOE requirement, the following describes how the State will coordinate its Pre-K and child care services to expand the availability of child care. **(§98.53(h)(4))**

In 14 States (AL, AR, CT, FL, HI, MI, OK, OR, SC, TN, TX, VA, WA, WI), expenditures on prekindergarten are used to meet part of the CCDF State MOE requirement, a slight decrease from the FY 2004-2005 CCDF Plan period during which 15 States reported using prekindergarten expenditures to meet MOE.

[14] In FY 2002-2003 CCDF Plans, only five States (Massachusetts, Nevada, New York, South Dakota and Texas) reported using private donated funds to meet part of the match requirement.

- Twelve of these States (AR, CT, FL, MI, OK, OR, SC, TN, TX, VA, WA, WI) report using prekindergarten expenditures to meet more than 10 percent of the MOE requirement, reaching the maximum permitted (20 percent). In the FY 2004-2005 CCDF Plans, 11 of 15 States reported using the maximum permitted.

  The **Michigan** Department of Education requires that applicants for State funding streams for the Michigan School Readiness Program, which is the State prekindergarten program, conduct a needs assessment to ensure the prekindergarten program aligns with child care options in the local area. Priority is given to those applicants who propose wraparound child care either within the program or by coordinating with local child care providers.

  In **Oregon**, the Child Care Division and Department of Human Services collaborate with prekindergarten programs, and CCDF funds are used to match prekindergarten expansion grants awarded for full-day, full-year child care for working parents.

Section 1.9.2 – Prekindergarten Spending and State Match

During this plan period, will State expenditures for Pre-K programs be used to meet <u>any</u> of the CCDF Matching Fund requirement? **(§98.53(h))**

Estimated percentage of the Matching Fund requirement that will be met with pre-K expenditures. (It may not exceed 20%.)

If the State uses Pre-K expenditures to meet more than 10% of the Matching Fund requirement, the following describes how the State will coordinate its Pre-K and child care services to expand the availability of child care. **(§98.53(h)(4))**

Nineteen States (AL, AR, AZ, CO, FL, HI, MA, MD, MI, NJ, NV, OK, OR, SC, TN, TX, VA, WA, WI) report using prekindergarten expenditures to meet the Child Care and Development Fund (CCDF) State Matching Fund requirement.

- Seventeen of these States (AR, AZ, CO, FL, MA, MD, MI, NJ, NV, OK, OR, SC, TN, TX, VA, WA, WI) meet more than 10 percent of CCDF match with prekindergarten expenditures, and 16 of them report using the 20 percent maximum match permitted, reflecting an increase from the Fiscal Year (FY) 2004-2005 CCDF Plans in which 14 of 16 States reported using the maximum permitted. Of the States not using the maximum, one State (NJ) reports using prekindergarten funds for 15 percent of match and two States (AL, HI) report using prekindergarten expenditures for 10 percent of match.

  Colorado is working through county quality and availability improvement grants and Consolidated Child Care Pilot programs to coordinate prekindergarten and child care services and to expand the availability of child care, including full-year services.

  In **Texas**, prekindergarten and child care coordination occurs at both the State and local levels. At the State level, the Texas Education Agency and the Texas Workforce Commission work with the State Center for Early Childhood Development to meet the needs of working families by increasing the availability and integration of full-day, full-year child care services. Coordination at the State level focuses on removing administrative barriers to integration in order to enhance collaboration, resulting in full-day, full-year child care services.

Section 1.9.3 – Coordinating Prekindergarten and Child Care Services to Meet the Needs of Working Families

The following describes State efforts to ensure that pre-K programs meet the needs of working parents. **(§98.53(h)(2))**

Child Care Lead Agencies and State departments of education continue to coordinate prekindergarten and child care services to ensure there are quality programs to meet the needs of working families. States have forged new approaches and developed innovative strategies to accomplish these goals.

The following examples illustrate how some States meet family needs through coordination.

The Agency for Workforce Innovation, Office of Early Learning in **Florida** works to expand the availability of child care by ensuring regional early learning coalitions successfully implement the school readiness program and the Voluntary Prekindergarten Education Program. It also works to expand availability by establishing a uniform payment rate for 4-year-olds in school readiness programs, and monitoring both the school readiness and Voluntary Prekindergarten Education programs. Florida statute mandates that local early learning coalitions provide extended-day and extended-year services to the maximum extent possible to meet the needs of parents who work, that programs have expanded access to community services and resources to help families achieve economic self-sufficiency and that there is a system to provide direct enhancement services to families and children.

The **Oklahoma** Department of Human Services Division of Child Care and the Oklahoma Department of Education share a commitment to serving families with high-quality care and education for 4-year-olds. The State superintendent for public instruction and the assistant superintendent consistently urge school districts to collaborate with child care and Head Start to provide full-day, full-year services. In some districts, State-funded prekindergarten teachers teach at licensed child care centers and provide mentoring and consultation to other teachers. In other districts, State prekindergarten funding is provided contractually to the child care provider.

In **South Carolina**, the Department of Education employs education associates in the Office of Early Childhood Education to work with communities in forging partnerships among schools, Head Start programs and child care providers. The Department of Social Services supplies the Department of Education with data regarding child care services available to working parents whose children participate in prekindergarten programs. State-funded prekindergarten programs also receive information about the child care voucher program so they may assist parents in accessing wraparound services that allow them to work. Prekindergarten programs are encouraged to participate in the ABC Child Care Program to be reimbursed for extended-day services. The Department of Social Services encourages collaborations that blend funding, including allocations for prekindergarten and Head Start funds as well as child care subsidies.

The prekindergarten program in **Tennessee** is managed by the Department of Education in collaboration with the Lead Agency and receives State funding to meet a portion of the Child Care and Development Fund Maintenance of Effort. The State prekindergarten program is expanding statewide with funding awarded competitively to local education agencies. In partnership with the child care industry, the program will continue to expand availability of enhanced educational opportunities for 4-year-olds, including wraparound child care services, to increase the availability of full-day, full-year child care. A portion of the funds is used to coordinate certification and reporting of prekindergarten expenditures.

In **Washington**, individual Early Childhood Education Assistance Programs that are part of the State's prekindergarten program and offer part-day programs are encouraged to link with full-day, community-based child care programs. Many Head Start and Early Childhood Education Assistance Programs provide technical assistance over a period of years to help child care providers become subcontractors for full-day prekindergarten services. A package of services delivers child care, medical exams, home visits and family support activities through collaborative funding and service delivery among kindergarten through 12th grade, Head Start/Early Childhood Education Assistance Programs, health services and child care providers. Head Start and Early Head Start programs also provide resources for professional development for the child care staff in programs that partner to provide full-day, full-year services.

Section 1.10 – Improper Payments[15]

The Improper Payments Information Act of 2002 requires Federal agencies to report an annual estimate of improper payments for some Federal programs and activities, and identify steps being taken to reduce these payments and improve program integrity. The Child Care and Development Fund has been identified as a Federal program that falls within the terms of the Act. In their Fiscal Year (FY) 2006-2007 Child Care and Development Fund Plans, all States and Territories identify strategies to prevent, measure, identify, reduce and/or collect improper payments.

[15] Data for Section 1.10 are not available for American Samoa or the Virgin Islands. However, FY 2006-2007 data for Massachusetts are available for this section.

Section 1.10.1 – Defining Improper Payments

How does the Lead Agency define improper payments?

States and Territories use a variety of terms in their definition of improper payments. The vast majority include terms such as overpayment, underpayment, provider and client error and/or fraud.

Nine States (HI, IL, ME, NH, NY, PA, RI, SC, WA) use all or part of the definition of improper payments established in the Improper Payments Information Act of 2002, which states the following:

> An erroneous payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirement. Incorrect amounts are overpayments and underpayments (including inappropriate denials of payment or service). An erroneous payment includes any payment that was made to an ineligible recipient or for an ineligible service. Erroneous payments are also duplicate payments, payments for services not received, and payments that do not account for credit for applicable discounts.[16]

Ten States (AL, AR, CT, FL, KY, MN, MO, NH, NM, OH) include "fraud," and three States (AL, MN, MO) include "nonfraud" in their definition of improper payments.

Eleven States (AL, AR, CT, GA, IN, MI, MO, NH, NJ, TN, WI) include "intentional error," and seven States (AL, GA, IN, MI, MO, NJ, TN) include "unintentional error" in their definition of improper payments.

Alabama's definition states that improper payments result from an intentional or unintentional violation of subsidy policy by the provider or parent, or misapplication of subsidy policy by the agency. Improper payments are classified as fraud when there is suspected willful misrepresentation of fact by the parent or provider to gain, or have the effect of gaining, payments or services for which the parent or provider would not be eligible otherwise. Nonfraud improper payments include administrative errors on the part of agency staff or unintentional errors on the part of the parent or provider.

Nineteen States (CA, CT, DC, DE, GA, HI, KS, KY, ME, MS, NM, PA, RI, SC, VA, WA, WI, WV, WY) and one Territory (PR) use the term "underpayment," and 21 States (CA, CO, CT, DC, DE, GA, HI, KS, KY, ME, MN, MS, NM, PA, RI, SC, VA, WA, WI, WV, WY) and one Territory (PR) use the term "overpayment" in their definition of improper payments.

Connecticut uses the phrase "benefit error" to describe improper payments that are either overpayments or underpayments. Underpayments occur when the parent does not receive all entitled benefits due to an administrative error. Errors by the family and/or child care

16 The terms "erroneous payment" and "improper payment" have the same meaning. Office of Management and Budget. (2003, May 1). *Implementation guidance for the Improper Payments Information Act of 2002, P.L. 107-300.* Retrieved December 1, 2005, from http://www.whitehouse.gov/omb/memoranda/text/m03-13.html.

provider not reporting correct information are not considered underpayments, except for provider billing errors when the agency is notified within 30 days of the payment date. Overpayments occur when the amount paid exceeds the benefit that would have been issued if payments were calculated correctly and based on accurate information that was reported, verified and processed in a timely manner. Overpayments are classified as administrative, parent or provider error. Overpayments caused by parents or providers are further classified as intentional or unintentional. No overpayment exists if the amount is less than 10 dollars in any month.

Thirty-eight States (AK, AL, AR, AZ, CT, DC, DE, FL, GA, IA, ID, IN, KS, LA, MD, ME, MI, MN, MO, MT, NC, ND, NJ, NM, NY, OK, OR, PA, RI, SC, SD, TN, UT, VA, VT, WA, WI, WY) and three Territories (CNMI, GU, PR) include parent error/fraud in their definition of improper payments.

- Ten of these States (AR, CT, DE, FL, GA, IA, MN, MO, NJ, NM) and one Territory (GU) specify parent error/fraud associated with parents failing to report changes in a timely manner.
- Eight of these States (AR, AZ, CT, GA, IA, MO, NJ, VT) specify parent error/fraud associated with falsification of documents and/or misrepresentation of information.
- Three of these States (AZ, DE, ID) specify parent error/fraud concerning parents using care for unauthorized hours or activities.

  In **New Jersey**, overpayment related to the parent/applicant includes nonreporting/underreporting of income, a client receiving payment in more than one jurisdiction, incorrect reporting of household size and incorrect information on a client's compliance with program requirements, such as participating in required activity.

Forty-three States (AK, AL, AR, AZ, CT, DC, DE, FL, GA, IA, ID, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MT, NC, ND, NE, NJ, NM, NY, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WI, WY) and three Territories (CNMI, GU, PR) include provider error/fraud in the definition of improper payments.

- Seven of these States (AZ, DE, IA, MO, NJ, NM, VT) and one Territory (CNMI) specify provider error/fraud associated with incorrect reports of child attendance.
- Seven of these States (AZ, IA, ID, MO, ND, NM, SD) cite provider error/fraud in reporting number of hours the child is in their care.

Two States (MN, MO) include in their definition collusion of interest between parent and provider to commit fraud.

As required by statute in **Minnesota**, "when both the family and the provider acted together to intentionally cause the overpayment, both the family and the provider are jointly liable for the overpayment regardless of who benefited from the overpayment."

Missouri includes parent "complicity with provider to receive overpayment" in its definition of improper payments.

Eighteen States (AL, CT, DE, FL, GA, KS, LA, MA, MI, MN, MO, NC, TN, TX, VA, VT, WV, WY) and two Territories (CNMI, GU) identify administrative errors in their definition of improper payments.

Kansas classified administrative errors leading to overpayment as follows:

A. Agency–Provider

- Provider is assigned an incorrect payment;
- Payments continue to a provider after the termination date or end date of the purchase of service agreement; and
- Misapplication of policy.

B. Agency–Client

- Prompt action is not taken on a change reported by the household;
- Household's income is incorrectly computed or household is otherwise assigned an incorrect allotment;
- Benefits continue to a household after its review period expires without reapplication determination; and
- Misapplication of policy.

Section 1.10.2–1.10.3 – Strategies to Prevent, Measure, Identify, Reduce, and/or Collect Improper Payments and Identify Errors in Determination of Client Eligibility

Has your State developed strategies to prevent, measure, identify, reduce and/or collect improper payments? **(§98.60(i), §98.65, §98.67)**

Has your State developed strategies to identify errors in the determination of client eligibility?

The majority of States and Territories report strategies to address improper payments, including automated data systems; training for providers, parents and agency staff; and stricter processes for authorizations and outreach activities.

Fifty-one States (AK, AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WI, WV, WY) and three Territories (CNMI, GU, PR) report that they developed strategies to prevent, measure, identify, reduce and/or collect improper payments.[17]

Forty-nine States (AK, AL, AR, AZ, CA, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WI, WV, WY) and three Territories (CNMI, GU, PR) report that they developed strategies to identify errors in the determination of client eligibility.

Two States (CO, KS) have plans underway to determine and implement strategies to identify errors in determination of client eligibility.

Preventing and Reducing Improper Payments

States report using automated data systems, strict processes for authorization of services, outreach and training for providers and agency staff to prevent and reduce incidences of improper payments.

Automated Data Systems

Sixteen States (AZ, CT, DE, ID, MD, ME, NE, NJ, NV, OR, RI, SD, TN, VT, WA, WI) report that data systems used by the Lead Agency have the capacity to share, review or match data from other government programs (e.g., Child and Adult Care Food Program, Temporary Assistance for Needy Families [TANF], Medicaid, Food Stamps, Child Support Enforcement and Unemployment Insurance).

In **Arizona**, the Lead Agency prevents, identifies and reduces improper payments by routinely sharing and reviewing systems data with the State's Financial Accounting Management Information System (for TANF, Food Stamps and Medical Assistance cases) and the Unemployment Insurance Base Wage automated system to identify and resolve discrepant income or household information reported by clients to other assistance programs, or reported as wages by employers for State Unemployment Insurance tax purposes. The Lead Agency also routinely accesses Department of Economic Security, Division of Child Support Enforcement online child support payment histories and disbursement schedules for known child care clientele.

Twenty-five States (AR, AZ, CT, DE, GA, IA,[18] ID, IL, KS, ME, MI, MS, NE, NJ, NM, NY, OK, PA, RI, SC, SD, TX, VT, WA, WI) report using a child care program data system that can detect errors during eligibility determination and/or can be used to run reports that flag possible improper payments.

17 Data are not available for American Samoa or the Virgin Islands.

18 Iowa reports it will develop a new child care management information system. The system will include new case management tools to help the Lead Agency identify potential issues and resolve errors before they cause overpayments (i.e., matching electronically submitted invoices to eligibility files, cross-referencing units of care with parent work/school schedules and flagging items that appear inconsistent or uncharacteristic).

Georgia increased case management system automation to assist workers in minimizing opportunities for improper payments. The Lead Agency has reports (in the Social Service Payment System) for workers and offices to identify possible improper payments, including possible overpayments or underpayments. The Lead Agency has a payment review process to identify overpayments through the use of algorithms and to establish and collect overpayments.

Eleven States (AK, AZ, CO, DC, DE, IN, KS, OK, RI, VT, WI) report using an automated system to collect information from providers regarding child attendance and provider billing, and for automated provider payment.

In **Wisconsin**, attendance data are entered into the Child Care Provider Information system by providers or local workers. Attendance periods are prescribed 2-week time periods for which providers receive attendance report forms, prefilled with children's names. Providers indicate the number of hours the child was in care each day of the attendance period and send the form to the county agency, which enters the data, monitoring the form for anomalies. Providers can elect to enter their own attendance through the Child Care Provider Information Web system.

Ten States (AR, HI, IN, MD, ME, MS, PA, VT, WI, WV) report using an automated data system for eligibility determination.

Mississippi's Child Care Information System contains several parameters and audit checks designed to reduce the occurrence of improper payments. Database features include the following:

- The system automatically assigns a unique family identification number to each parent;
- The system does not allow a parent or child's Social Security Number to be entered more than once;
- Once all necessary income information for a client is entered, the system calculates household income and automatically assigns the correct copayment fee to each child;
- When birth date information is entered, the child's age is calculated automatically, ensuring the correct daily or weekly rate is applied to the child's certificate; and
- The system performs an automatic audit on the beginning and ending date for a certificate.

Outreach and Training

Sixteen States (AZ, CO, GA, IA, LA, MA, MD, MI, NC, NE, OH, OK, PA, RI, SC, WV) report that outreach or training activities are conducted to inform clients and child care providers of requirements for participating in child care assistance programs and the rules regarding billing and payment.

In **North Carolina**, recipients and providers are required to sign documents acknowledging they received and understood information about the consequences of misrepresentation to obtain services or payments. Failure to provide accurate information or not notifying the local purchasing agency of changes can affect eligibility or payment rate.

Oklahoma requires licensed providers who wish to receive payment from the Department of Human Services on behalf of eligible families to have an approved child care provider contract. The provider is required to attend training on contract requirements, Electronic Benefits Transfer payment requirements and processes and other child care provider issues prior to being given the opportunity to formalize a contract with the department.

Providers approved to accept payments in the **Rhode Island** child care assistance program must attend a mandatory 2½- to 3-hour introductory training session on program rules and provider responsibilities before they can receive their first reimbursement check.

Eighteen States (AZ, CO, GA, HI, IL, LA, MD, ME, MN, MT, NC, ND, NY, OH, RI, TX, UT, WV) report that the Lead Agency provides training for agency, field office and local government staff, as well as contractors.

Arizona conducts comprehensive child care policy and systems training deployment for new and continuing child care administrative staff. Child care case managers are required to participate in the Child Care Basic Skills course upon being hired by the Department of Economic Security Child Care Administration. Additionally, the administration conducts refresher trainings and training sessions on new policy and systems initiatives to provide ongoing support to case managers.

In **Illinois**, training is delivered periodically to child care resource and referral agency staff to ensure they are knowledgeable in child care program policy and are applying procedures correctly.

In **North Carolina**, training and technical assistance are provided to strengthen understanding of State policies and help local staff identify potential problem areas.

Thirteen States (AL, AR, CA, CT, IL, KS, LA, MI, NY, RI, UT, WI, WV) report that the Lead Agency uses policy manuals, procedural guides and other resource materials to help child care staff reduce improper payment errors.

Improper payment prevention is addressed in **Alabama** in written policy that defines eligibility conditions, categories and procedures for reporting and monitoring client changes. Written policy also covers provider registration, rates and billing procedures.

The **California** Department of Education conducted an error rate study in the winter of 2004-2005, focusing on errors in determining eligibility and the need for care in calculating family copayment and provider payment. Recommendations for reducing error rates in those areas were presented to the legislature, including strategies such as regulatory improvements and provider visits, which are contingent upon the appropriation of funds, similar to those required by the Federal Child and Adult Care Food Program. The Lead Agency also established a Program Monitoring and Integrity Unit to conduct annual reviews of alternative payment programs. Best practices were compiled from a survey of stakeholders that examined program integrity practices.

Service Authorization Process

Nine States (CO, CT, FL, LA, MA, MN, NC, NE, RI) identify communication with parents about rules and responsibilities as a strategy to prevent and reduce improper payments.

In **Colorado**, clients must complete and sign a client responsibility agreement as part of the low-income eligibility process. The agreement outlines reporting requirements.

Ten States (KY, MA, MD, MN, ND, NV, NY, VT, WI, WV) and two Territories (CNMI, GU) indicate strict policies are in place to verify client documentation to prove eligibility, and thus prevent and reduce improper payments.

In **Kentucky**, workers follow up documentation with phone, fax or e-mail contact. Home visits are conducted at annual recertification and application, if necessary. Fraud investigations are initiated when warranted.

Nine States (DE, FL, MA, MD, MN, NM, NY, TN, UT) report their eligibility redetermination process is used to check for improper payments.

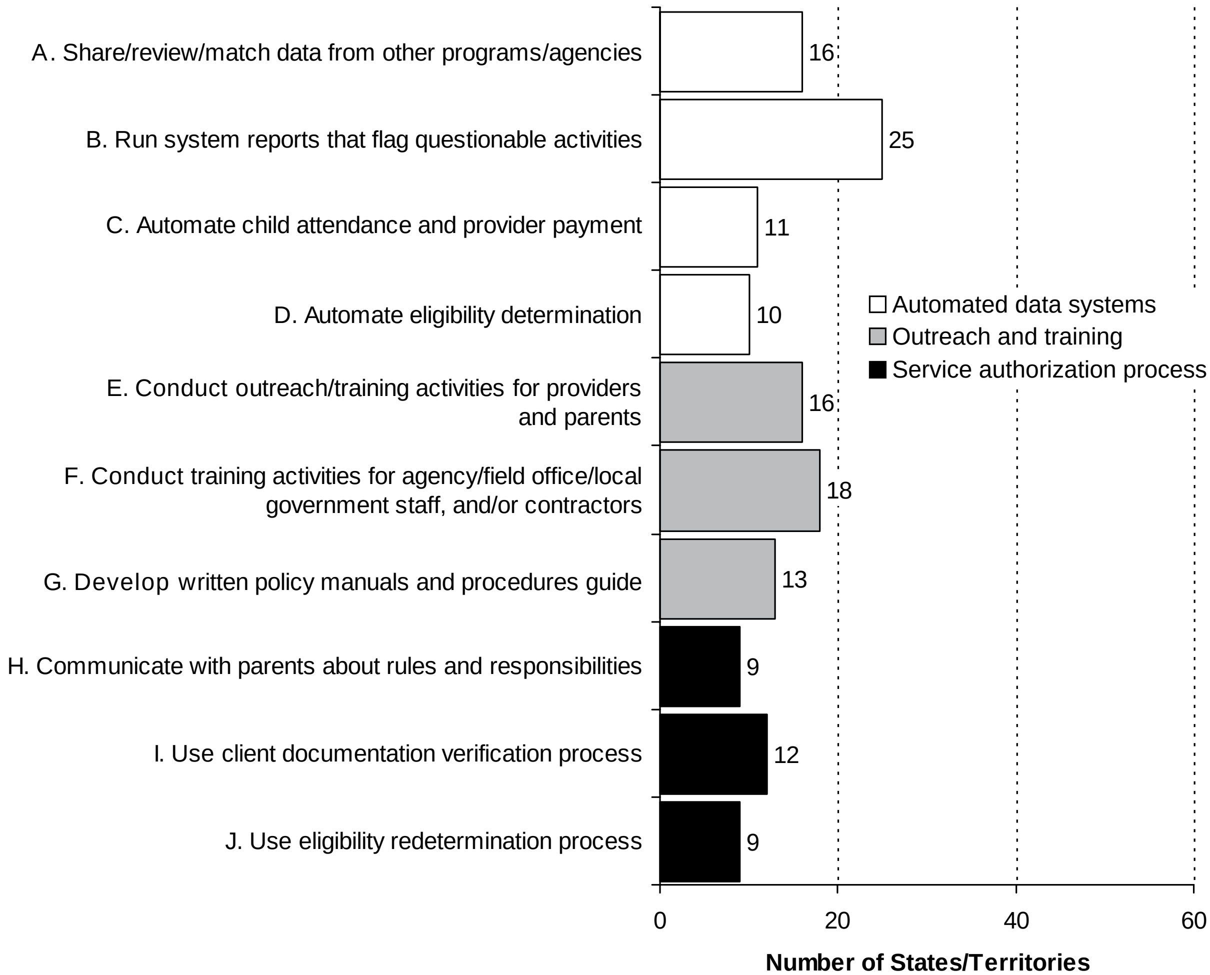
Utah's recertification process requires child care staff to review past child care services to verify the client was eligible for child care assistance. Whenever an improper payment is discovered, a referral is made to a payment specialist for calculation. The Lead Agency also has a collections unit to adjudicate and collect improper payments.

As Chart 1.10-A shows, States and Territories use a variety of strategies to prevent and reduce improper payments.

Identifying and Measuring Improper Payments

States and Territories identify several strategies to identify and measure improper payments, including reviewing client caseload, monitoring provider records, monitoring/auditing grantees and contractors and establishing monitoring requirements for contractors, grantees, field offices and local agencies. Strategies to monitor client caseload are mentioned by 42 States and Territories. Monitoring and/or auditing of provider attendance sheets and billing records are mentioned by 26 States and Territories. Strategies to monitor contractors, grantees and/or field office staff also are mentioned by 48 States and Territories.

CHART 1.10-A
Strategies to Prevent and Reduce Improper Payments



A	AZ, CT, DE, ID, MD, ME, NE, NJ, NV, OR, RI, SD, TN, VT, WA, WI
B	AR, AZ, CT, DE, GA, IA, ID, IL, KS, ME, MI, MS, NE, NJ, NM, NY, OK, PA, RI, SC, SD, TX, VT, WA, WI
C	AK, AZ, CO, DC, DE, IN, KS, OK, RI, VT, WI
D	AR, HI, IN, MD, ME, MS, PA, VT, WI, WV
E	AZ, CO, GA, IA, LA, MA, MD, MI, NC, NE, OH, OK, PA, RI, SC, WV
F	AZ, CO, GA, HI, IL, LA, MD, ME, MN, MT, NC, ND, NY, OH, RI, TX, UT, WV
G	AL, AR, CA, CT, IL, LA, KS, MI, NY, RI, UT, WI, WV
H	CO, CT, FL, LA, MA, MN, NC, NE, RI
I	CNMI, GU, KY, MA, MD, MN, ND, NV, NY, VT, WI, WV
J	DE, FL, MA, MD, MN, NM, NY, TN, UT

Data are not available for AS or VI.

Forty States (AL, AZ, CA, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MT, NC, ND, NE, NJ, NM, NV, NY, OK, OR, PA, RI, TN, TX, UT, VA, VT, WA, WI, WV, WY[19]) and two Territories (GU, PR) report monitoring client/caseload as a strategy to identify and measure improper payments.

Maine's program evaluators review all, or a statistically valid sample of, eligibility files held by voucher management agencies and contracted slots programs. The files must include documentation to support eligibility decisions.

Nevada's Lead Agency conducts several levels of caseload review: management evaluations (administrative staff reviews a sampling of cases to ensure documentation supports case decisions), quality control (administrative staff review a sampling of cases and perform independent verifications to determine case eligibility) and supervisory reviews (contractor staff reviews a sampling of cases to ensure case actions are in accordance with policy, and the eligibility decision and benefit level are correct).

In **Utah,** new workers have 100 percent of cases audited for the first 3 months, before benefits are authorized. During the fourth through eleventh months, new workers have 50 percent of their cases audited. Experienced workers are audited six times a month by their supervisor, targeted for child care, Food Stamps or financial assistance. Audits are selected at random, and one supervisor case a month is reviewed to ensure supervisory audits are conducted correctly.

Twenty-five States (AL, CT, DC, DE, HI, IA, IL, IN, KS, LA, MA, MO, MT, ND, NE, NM, NY, OR, SC, SD, TN, TX, VA, WI, WV) and one Territory (PR) report that the Lead Agency monitors provider attendance sheets and/or audits provider records and conducts onsite monitoring visits to view provider records.

Delaware conducts announced and unannounced onsite visits to monitor provider compliance with the child care contract, with a review of facility attendance and payment records. Monitors receive a system-generated max day report that lists providers who report children attending maximum payment days 2 months in a row, which is an alert to potential provider fraud.

To identify provider benefit error or fraud, **Missouri** reviews billing practices of facilities receiving payments of $25,000 or more per month, randomly reviews billing of any provider in the subsidy program and conducts random license capacity checks of licensed facilities.

New York monitors providers either through onsite visits or based on complaints or random selection.

[19] Wyoming reports its Lead Agency will implement a new statewide computer system, the Integrated Resource and Information System, which has enhanced features for improved monitoring and collection of improper payments and reduced errors.

In **Oregon**, approximately 200 billing forms are selected randomly each month for a desk audit. Providers submit attendance logs, which are checked against the amount billed and client case record information. This has led to discovery of overpayments, but the Department of Human Services believes the main value is preventative since it alerts providers that they may be audited.

Fifteen States (AL, CA, FL, IL, IN, MA, MT, NC, NH, NJ, NV, PA, TX, VA, WV) report that the Lead Agency conducts onsite monitoring of contractors and grantees.

In **Illinois**, Lead Agency staff from the Bureau of Child Care and Development and the Office of Contract Administration monitor contracted child care resource and referral agencies, contracted site-administered child care programs and child care providers who receive child care assistance payments through the certificate program to ensure services billed to the child care program are legitimate. Monitoring review schedules vary by type of program.

Pennsylvania's strategies include monitoring checks, audits and an automated computer database, the Child Care Information System, which determines eligibility and reduces the possibility of human error. In addition, the Lead Agency monitors the program by reviewing a sample of individual case records and income documentation, and by assessing whether the eligibility agent used correct family size and income information to determine eligibility and copayments. The department's subsidy coordinators conduct an annual sample review of records.

Eleven States (AK, AL, CA, FL, GA, MA, MN, MT, NV, TX, WV) report established monitoring requirements for contractors and grantees.

Alabama's Child Care Management Agency staff monitors provider attendance sheets. When irregularities are noted, staff members are authorized to conduct onsite monitoring visits to view more detailed attendance and financial records maintained by the provider.

West Virginia requires child care resource and referral agencies to audit billing forms and compare work and school schedules to times shown on the sign-in and sign-out form to verify that child care usage complies with time approved.

Six States (AK, AZ, GA, MI, NC, UT) indicate that the Lead Agency developed monitoring tools for grantees and contractors to help prevent and reduce improper payments.

Alaska's Lead Agency has a monitoring tool for grantees and contractors who determine client eligibility, which is being piloted and will be revised and adopted.

In **Georgia**, the eligibility determination section of the Child Care Case Accuracy Review has responsibility to review the child care application, standard of promptness, need for care, residency, eligible children, income, family unit size and certification period. A review of the fee assessment also is conducted. The Child Care Case Accuracy Review helps the county office evaluate error and deficiency trends. Once trends are identified, training to address errors or deficiencies can be conducted.

Six States (AK, CA, GA, NY, VA, WI) report establishing monitoring requirements for field offices and local agencies.

In **Virginia**, Lead Agency subsidy program staff conduct periodic monitoring reviews of local departments to ensure policies are applied correctly and prevent improper payments. Program staff also provides training on the correct application of policy and purchase of service procedures.

Wisconsin's Lead Agency requires county agencies that administer the child care payment system to establish a Child Care Monitoring Plan, which relates to the child care payment process (authorization, attendance and payment). Several reports and online tools identify data anomalies, which helps county agencies focus on monitoring.

Chart 1.10-B illustrates that States and Territories use a variety of strategies to identify and measure improper payments.

Collecting Improper Payments and Administering Penalties

States and Territories report using multiple strategies to collect overpayment and to penalize clients and child care providers when it is established that improper payment resulted from fraudulent activities. Sixteen States and Territories report that the Lead Agency has designated a staff member and/or established a fraud/quality assurance unit to investigate and identify improper payments. Strategies for collecting overpayment, such as repayment plans, reduction of future payments and tax intercepts, were mentioned by 33 States and Territories. Provider and client sanctions and/or criminal prosecution were mentioned by 22 States and Territories.

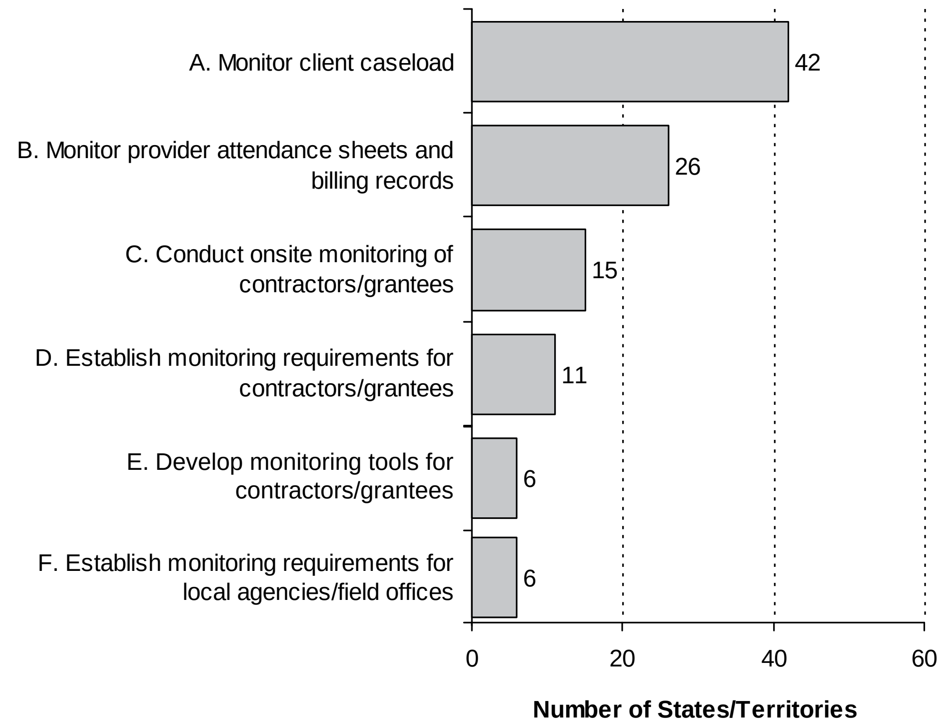
Investigation

Twenty-six States (AK, AZ, CT, DC, FL, GA, IA, ID, IL, IN, KS, MA, MD, MI, MN, MO, NE, NH, OK, PA, RI, SD, TX, UT, VA, WI) and two Territories (CNMI, GU) report that the Lead Agency coordinates with or makes referrals to the fraud/improper payments unit to investigate records identified as possible improper payments.

In **Florida**, when fraud is suspected, a Suspected Fraud Referral Record is completed and forwarded to the Agency for Workforce Innovation's Office of Inspector General, Office of Early Learning, and the Florida Department of Law Enforcement. Fraud referrals are investigated by the Florida Department of Law Enforcement.

Sixteen States (AK, AR, CA, CT, FL, GA, ID, IL, KS, MA, MI, NH, NJ, RI, UT, WV) report that the Lead Agency has designated a staff member and/or established a fraud/quality assurance unit to investigate improper payments.

CHART 1.10-B
Strategies to Identify and Measure Improper Payments



A	AL, AZ, CA, CT, DC, DE, FL, GA, GU, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MT, NC, ND, NE, NJ, NM, NV, NY, OK, OR, PA, PR, RI, TN, TX, UT, VA, VT, WA, WI, WV, WY
B	AL, CT, DC, DE, HI, IA, IL, IN, KS, LA, MA, MO, MT, ND, NE, NM, NY, OR, PR, SC, SD, TN, TX, VA, WI, WV
C	AL, CA, FL, IL, IN, MA, MT, NC, NH, NJ, NV, PA, TX, VA, WV
D	AK, AL, CA, FL, GA, MA, MN, MT, NV, TX, WV
E	AK, AZ, GA, MI, NC, UT
E	AK, CA, GA, NY, VA, WI

Data are not available for AS or VI.

In **Alaska**, a child care licensing position is being reclassified to a position responsible for conducting and monitoring initial investigations of unusual child care payments.

The **Arkansas** Division of Child Care and Early Childhood Education employs four full-time staff members in its Compliance Unit to investigate and analyze provider and client suspicious activity. In addition, the Division pays for two full-time fraud investigators, one full-time auditor and one full-time attorney.

Six States (CT, MD, OH, OR, SC, TX) report they have one or more hotlines for the public to report alleged improper payments and/or fraud.

Ohio's Lead Agency has posters and a brochure that inform the public that child care fraud is illegal and has consequences. Policy requires termination of child care services if the family or provider does not enter into and comply with a repayment agreement. A hotline for reporting welfare fraud has been advertised as accepting reports of child care program fraud.

Recovery of Overpayments

Thirty-one States (AL, CO, CT, DC, DE, FL, GA, HI, IN, KS, LA, MD, ME, MI, MO, MS, MT, NC, NE, NJ, NY, OH, PA, RI, SC, TN, UT, VA, VT, WI, WY) and two Territories (CNMI, GU) report using repayment plans, reduction of future payments, tax intercepts and other strategies to recover overpayments.

- Eleven States (AL, HI, IN, KS, LA, MT, NE, NJ, NY, SC, VT) and two Territories (CNMI, GU) report that the Lead Agency recoups improper payments through repayment plans.

  In **Nebraska**, once the Issuance and Collections Center Unit has determined that there is an overpayment, the provider has the opportunity to appeal. If the Lead Agency is upheld in the appeal, the provider may repay the entire amount or enter into a repayment agreement. If the provider fails to make arrangements for repayment, the Lead Agency may pursue other legal options, such as filing a civil suit to seek recovery of funds.

  Vermont's procedures for recovering overpayment include progressive repayment plans, which are mutually agreed to by the provider and the Child Development Division.

- Twelve States (DC, GA, KS, MD, ME, MI, MO, MS, MT, SC, TN, WI) and two Territories (CNMI, GU) indicate that the State may reduce the amount of provider payment until the entire amount of overpayment is recovered.

  In **South Carolina**, information is entered into an automated adjustment system that allows future child care payments to be reduced until all overpayments have been recovered. If the provider is not owed any further child care payments, the outstanding debt is sent to the Accounts Receivable Department for collection.

  In **Wisconsin**, collection of improper payments is completely automated. Once the overpayment is calculated manually and entered into the Client Assistance for Re-employment and Economic Support database, overpayment and repayment notices are mailed automatically to the provider or parent. The recovery of the overpayment also is tracked in the database. Provider overpayments are collected directly from the provider's future issuance when the provider remains active in the child care subsidy program. The provider is given notice that collection of the overpayment will begin in 2 weeks. At that time, up to 50 percent of the provider's future issuance is recouped until the entire overpayment has been repaid. When providers are no longer active in the child care subsidy program, the overpayment is collected through the database benefit recovery system.

- Five States (CO, IN, MI, SC, WI) and one Territory (CNMI) report that recovery of improper payments can be carried out through State tax intercepts if the provider fails to comply with repayment agreements.

  In the **Commonwealth of the Northern Mariana Islands**, if a parent for whom a collection action has been initiated fails to make a payment for any month in the calendar tax year, the child care program may refer debts exceeding $25 to the comptroller of the State for tax offset.

  When a child care provider does not respond to notification that money is owed to the **South Carolina** Department of Social Services, a request is sent to the Department of Revenue to withhold future tax refunds (this applies to sole proprietors only). The Division of Finance is working on strengthening processes for charging interest and enforcing tax intercepts for nonpayment of debts.

- Three States (MI, MT, WI) charge a fine/penalty fee in addition to collection of the overpayment.

  In **Montana**, a parent or provider who makes an overclaim or has an identified overpayment, which resulted from an intentional program violation, is assessed an additional payment penalty. For the first intentional program violation, an additional 10 percent penalty is added to the overpayment or taken away from the overclaim. For the second intentional program violation, an additional 25 percent penalty is added to the overpayment or taken away from the overclaim. For the third intentional program violation, the parent or provider loses eligibility to participate in the program for 7 years.

Five States (AR, CT, LA, MD, MN) and one Territory (GU) report a threshold for the total of improper payments before they pursue collection.

In **Maryland**, once the amount of an overpayment is determined, a demand letter is sent stating the amount of the debt and the reason for the claim. The person is allowed to negotiate the repayment schedule, within limits. Overpayment thresholds are $10 or 10 percent (whichever is greater) for nonfraud, and $20 or 20 percent for fraud. Second and third demand letters are sent at 30-day intervals if needed. The third demand letter advises the debtor of the consequences of failure to respond in a positive manner, and the overpayment information is sent to the Central Collections Unit if the debtor does not respond. In no event does liquidation of the debt by installment payments exceed a period of 3 years.

Minnesota counties initiate civil court proceedings to recover the overpayment when it is greater than $50, unless the county's costs to recover it will exceed the amount of the overpayment.

Penalties

Twenty-two States (AL, AR, AZ, CA, CT, DC, DE, IL, LA, MD, MI, MN, NC, NM, NV, NY, PA, RI, TN, VA, VT, WV) report that the Lead Agency has established client and provider sanctions to prevent and reduce improper payments.

- Eleven States (AR, CT, MD, MN, NC, NM, NV, NY, RI, VA, VT) specify client disqualification.
- Eleven States (AL, AR, CT, MN, NC, NM, NV, RI, TN, VT, WV) specify provider disqualification.
- Four States (AR, CT, NC, VT) specify provider exclusion from the child care assistance program.
- Two States (AR, CT) specify child care license revocation.
- Ten States (AL, AR, AZ, CA, CT, DC, MI, NY, PA, RI) specify criminal prosecution.

In **Connecticut**, provider penalties may include lifetime disqualification and State license forfeiture.

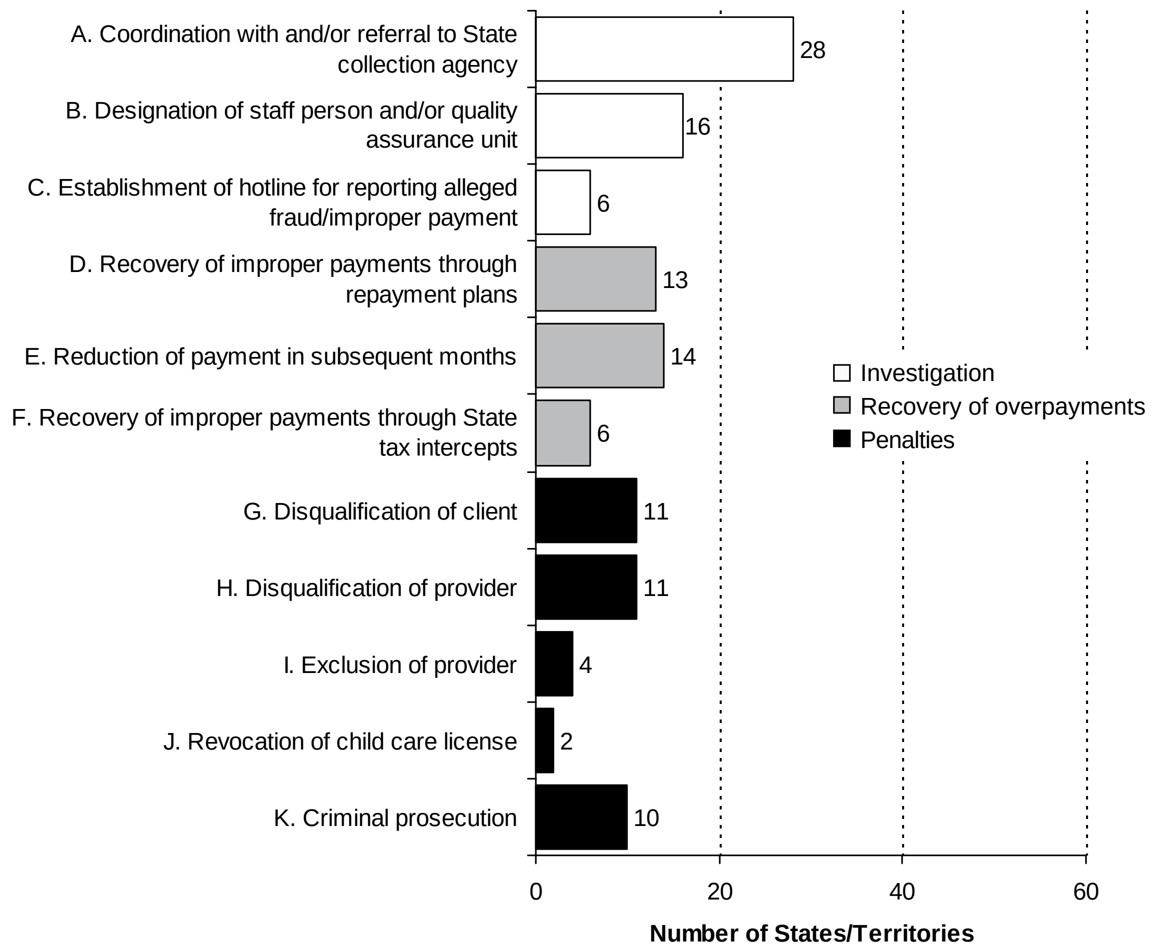
North Carolina's Division of Child Development has the authority to impose sanctions on recipients or providers when fraud has occurred, if a county or local agency submits such a request. Sanctions may be imposed in addition to requiring repayment of the child care subsidy or funds received in error. When a sanction is imposed on a recipient, the individual is ineligible to receive subsidized child care services for 12 months in any county. If a second instance occurs, the recipient becomes permanently ineligible. Sanctions imposed on providers are the same.

In **Pennsylvania**, suspected fraud from an individual is reported to the Office of the Inspector General, where the improper payment is pursued along with potential prosecution.

Vermont is revising regulations to allow for permanently disallowing benefits to families who receive benefits based on purposeful misrepresentation of their eligibility.

Chart 1.10-C illustrates that States and Territories use multiple strategies to collect or penalize improper payments.

CHART 1.10-C
Strategies to Collect and Penalize Improper Payments



A	AK, AZ, CNMI, CT, DC, FL, GA, GU, IA, ID, IL, IN, KS, MA, MD, MI, MN, MO, NE, NH, OK, PA, RI, SD, TX, UT, VA, WI
B	AK, AR, CA, CT, FL, GA, ID, IL, KS, MA, MI, NH, NJ, RI, UT, WV
C	CT, MD, OH, OR, SC, TX
D	AL, CNMI, GU, HI, IN, KS, LA, MT, NE, NJ, NY, SC, VT
E	CNMI, DC, GA, GU, KS, MD, ME, MI, MO, MS, MT, SC, TN, WI
F	CNMI, CO, IN, MI, SC, WI
G	AR, CT, MD, MN, NC, NM, NV, NY, RI, VA, VT
H	AL, AR, CT, MN, NC, NM, NV, RI, TN, VT, WV
I	AR, CT, NC, VT
J	AR, CT
K	AL, AR, AZ, CA, CT, DC, MI, NY, PA, RI

Data are not available for AS or VI.