



Second Error Rate Pilot Report

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EXECUTIVE SUMMARY

Congress responded to the issue of improper payments in Federal programs by enacting the Improper Payments Information Act (IPIA) of 2002. This law requires Federal agencies to identify programs that are vulnerable to improper payments and to estimate annually the amount of underpayments and overpayments made by these programs. The Executive Branch also has worked to address the improper payments issue. A goal of the President's Management Agenda (PMA) is "eliminating improper payments." To this end, agencies are to establish a baseline of the extent of improper payments and to set goals to reduce improper payments.

Because the PMA and IPIA provide for establishing a child care error rate as one on-going measure of program efficiency, the Child Care Bureau (CCB) launched the project: "Measuring Improper Payments in the Child Care Program" to identify and describe methods that could help States identify, measure, and prevent improper payments in the administration of the Child Care and Development Fund (CCDF). A major focus of the CCB project was to work in partnership with States to determine the feasibility of computing a child care improper payments error rate.

The CCDF is a block grant that allotted over \$ 5 billion to States, Territories, and Tribes to support child care subsidies for low-income working families during Fiscal Year (FY) 2006.¹ The CCDF block grant allows maximum flexibility for States, Territories, and Tribes to set policies regarding eligibility and fiscal management approaches, as well as define administrative structures that allow maximum choice for parents. As a result, States' eligibility criteria, rates, regulation of child care providers, and payment mechanisms vary widely among jurisdictions.

During FY 2005, the CCB contracted with Walter R. McDonald & Associates, Inc. (WRMA) to develop and pilot test in four States, a common methodology that States could use to compute an error rate. The CCB, in consultation with an initial workgroup of "partner States," chose to focus the analysis on administrative error related to eligibility in order to measure an element that is common to every State and to mitigate some of the variation among State policies and procedures.

The methodology of the first pilot had four main components:

- The contractor assisted each pilot State to select a random sample of up to 150 cases (children), using a sampling frame of all children in the State authorized to receive a child care payment² during October 2004. The sample size was designed to produce a statistically valid estimate of erroneous payments.

¹ Child Care Development Fund Fact Sheet (October 2006) available on the Child Care Bureau website: <http://www.acf.hhs.gov/programs/ccb/ccdf/factsheet.htm>.

² For both pilots, States calculated and recorded the authorized payment amount based on the eligibility determination process as indicated within the case record. In both pilots the term "payment" refers to the amount authorized for payment.

- Pilot States customized a *Record Review Worksheet* template to reflect child care policies in the State. The States used this instrument to guide a record review of the sampled cases to identify administrative errors in eligibility determination. States collected data regarding the number of cases with errors and whether the errors led to an improperly authorized payment. Although all of the worksheets contained common elements, the definitions pertaining to those elements varied from State to State.
- The contractor conducted site visits and provided technical assistance to the pilot States who then conducted record reviews and collected data. The contractor computed the error rates using the data submitted by the pilot States.
- The contractor also conducted telephone interviews to gather additional information about improper payment activities in five States. These States were Arizona, California, Kansas, Nebraska, and New Hampshire.

The purpose of the FY 2006 pilot was to further test an error rate methodology in five States. Similar to the first error rate pilot, the methodology of the current pilot focuses on client eligibility and employs a case record review process to identify cases with errors, cases with errors that result in improperly authorized payments, and percentages of improperly authorized payments. However, in the second pilot the methodology provides pilot States with their results in order to analyze the types and sources of error. Following an analysis of the findings from the case record review process, the contractor forwarded the results to the pilot States for their internal review. Pilot States responded to a short survey providing an explanation for the causes of the errors and a description of next steps or corrective actions to be taken as a result of participation in the error rate pilot.

Definitions of the error rates calculated for this pilot and the relevant findings are as follows:

- **Percentage of cases with an error**—This percentage is based on the number of sampled cases with an error, regardless of whether it resulted in an improperly authorized payment or not, compared to the total number of cases in the sample. *In the second pilot, the percentage of sampled cases with errors ranged from 19 percent to 35 percent. The four States in the first pilot had a slightly wider range, with the percentages of cases with errors ranging from 12 percent to 44 percent.*
- **Percentage of cases that have an improperly authorized payment**—This percentage is based on the number of sampled cases with errors that have an improperly authorized payment, compared to the total number of cases in the sample. *In the second pilot, the percentage of sampled cases with errors that had an improperly authorized payment ranged from 11 percent to 35 percent. The four States in the first pilot had a slightly lower range, with the percentages of cases with errors that resulted in an improperly authorized payment ranging from 6 percent to 32 percent.*
- **Payment Error Rate (Percentage of improperly authorized payments for the review period)**—The payment error rate is the percentage of the gross amount of

improperly authorized payments (overpayments plus underpayments) for the review period compared to the total amount of authorized payments in the sample. *The estimated percentage of improperly authorized payments in the five pilot States ranged from a low of 2 percent to a high of 18 percent. The results are very similar to the percentages of improperly authorized payments in the first pilot which ranged from 4 percent to 20 percent.*

- **Average amount of improperly authorized payment**—The average amount of improperly authorized payment is the average amount of money the State improperly authorized on a per child basis during the designated review month. *The average amount of the improperly authorized payment made in the five pilot States ranged from a low of \$89.42 to a high of \$215.82. The four States in the first pilot had a somewhat wider range, with the average amount of the improperly authorized payment ranging from \$88.99 to \$289.53.*

The findings from both pilots include several sources of administrative error, such as incomplete or missing documentation and inaccurate calculation of income. The three predominant error types in the second pilot were incomplete or missing documentation, the miscalculation of income (both earned and unearned), and incorrect hours of care. All five States in the second pilot documented these three error types in significant numbers, which accounted for 79 percent of the total dollars in error. Although the treatment of missing documentation varied between the States, missing documentation was the primary error cause and accounted for 28 percent of the total improperly authorized payments in the second pilot and 57 percent of the total improperly authorized payments in the first pilot.

One goal of the error rate pilots was to test a methodology that could provide States with useful information on areas for improvement in administrative policies and procedures. All nine States acknowledged learning additional useful information about the quality of their eligibility processes. As a result of this pilot, each of the five States has planned action steps or has implemented several new systematic changes to improve monitoring and reduce improper payments. The State strategies include:

- Strengthen supervision of new eligibility workers;
- Clarify selected standards with eligibility workers;
- Improve IT system elements to:
 - Prevent or decrease calculation errors,
 - Generate exception reports to highlight areas of potential problems or concern,
 - Implement automatic income calculation, and
 - Enhance the capability of extracting data from other data systems;
- Conduct extensive technical assistance in counties to address error-prone areas;
- Institute changes in the monitoring process;
- Introduce statutory changes to simplify access to other State databases; and
- Examine State policies to determine what changes may be necessary to provide more consistent application of policies and procedures.

Some of the State specific actions are:

- West Virginia Technical Assistance staff will continue to perform random quarterly case audits. Prior to the pilot, the FACTS electronic record was the object of the review. An expanded review will now include the physical case record.
- Oregon continues to conduct a series of “Accuracy Summits” in all areas of the State that focus on techniques to reduce errors in the Food Stamp program. Beginning with the next series of summits in July 2007, workshops to improve payment accuracy in child care will be included in the summits.
- Oregon plans to modify the Food Stamp targeted review process and database that contains review information to ensure that income errors identified in the Food Stamp case are corrected in the companion Employment Related Day Care (ERDC) case.
- Kansas continues to complete monthly Child Care QC reviews and uses the results of these reviews to inform training needs. Kansas is updating the Child Care Personnel Trainer and Training Academy to emphasize case documentation and computation of hours of care needed and income. Kansas supervisors now complete monthly case reviews for the Child Care Assistance Program.
- Kansas contracted with a firm to develop software to track all case review findings and provide aggregate review data. The web based system tracks aggregate case review data for the mandatory Food Stamp reviews and the child care reviews. The child care reviews began in July 2006. The software cost \$75,000 and there is an 18 percent annual maintenance costs agreement.
- Florida developed a desk reference tool for eligibility procedures, initiated focused monitoring and training on eligibility procedures on an annual basis and is providing each Early Learning Coalition (ELC) with its individual results of the pilot review process along with recommendations for corrective action.
- New Jersey is implementing a process to conduct electronic matching of the automated child care client database with records on other wage, SSI, and child support information systems to identify and reduce the number of improper payments.
- New Jersey plans to continue conducting child care record reviews utilizing the pilot monitoring tool, using a methodology that guarantees a statistically valid sample size of randomly selected cases, and will hire or allocate quality assurance staff needed.
- Recognizing the limitations of its legacy automated system, KIDS (Key Information Delivery System), Arkansas designed and developed a new automated eligibility system called Keying in Day Care Accurately, Reliably, and Efficiently (KIDCare), to be fully operational as of July 2005. Arkansas designed KIDCare to determine eligibility based on program specific guidelines and has incorporated numerous edits to prevent inaccuracies from occurring on the front end of eligibility determination.
- Illinois developed a resource guide for workers to outline acceptable forms of documentation or verification needed to determine eligibility accurately. The guide provides clarification for workers to use with clients during the eligibility

- process when the client cannot produce the required documentation. A worker can place a case in a pending status while awaiting necessary documentation.
- As a direct result of the first pilot, Ohio began to retool its monitoring and technical assistance processes with the county agencies, implemented a quality control process for the child care program, and examined policy for possible revisions to strengthen and clarify procedures.
 - In response to the first pilot, Colorado planned to implement an automatic income calculation into Colorado's automated Child Care Tracking System. State staff also conducted training and feedback with all participating counties to address deficiencies identified in the pilot. Staff members then shared the results of the error rate analysis at the State child care conference and changed statutory language to simplify access to other State databases such as those for new hires and unemployment compensation. Colorado also examined State policies to determine where changes may be necessary to provide more consistent application, particularly in the area of self-employment.

The other goal of the error rate pilot was to test the error rate methodology in different States to produce useful lessons learned regarding management of the process to reduce State burden and improve the accuracy of the review findings. Based on the experience of nine pilot States, recommendations for replication or expansion of the error rate process based on the pilot findings³, are:

- *Create a State Project Team (Project Team) to coordinate the error rate methodology process.* Leadership of the Project Team should be assigned to a high level management staff member. The Project Team leader's responsibilities involve managing the entire process, including: recruiting additional Project Team members; establishing and adhering to timelines; customizing the *Record Review Worksheet*; training the reviewers; arranging Project Team meetings; answering questions and consulting with Project Team members as needed.
- *Allow enough time to adequately complete the error rate methodology.* The pilots provided illustrative data on the amount of time needed to complete the methodology, but it should be remembered that these statistics are related to (1) a 150 case sample from a single sampling frame and (2) a project completed with considerable technical support, particularly in the sample selection and data analysis.
- *Establish a State Review Team (Review Team) under the leadership of the Project Team.* While sample size and technical support clearly play a role in time estimates, the length of time for States to complete the error rate methodology is largely dependent on selecting and providing adequate staff resources to the actual record review component. Those pilot States with Review Team members who were experienced in any local operations or compliance monitoring function (Quality Control (QC), audit, technical assistance) accomplished the record review efficiently.

³ See Chapter IV for the specific findings about administrative policies and procedures upon which these findings are based.

- *Provide thorough training to the reviewers in State rules, policies, and procedures.* Even with staff experienced in conducting case record reviews, it should not be assumed that all members of the Review Team agree on the interpretation of policy and, as a result, “what is” or “is not” an error. The training needs to include actual case reviews. *It is also very important for training to emphasize the need for sufficient detail in Column 3 of the Record Review Worksheet so case information and error findings can be understood.*
- *Provide formal training on standardizing error interpretation, descriptions and coding in the Record Review Worksheet to achieve inter-State reliability of data among future pilot States.* The quality of the information produced by the case record review process depends on the consistency of error definition and coding. Inconsistencies across pilot States in error interpretation dramatically influenced the outcomes. States in the second pilot were not consistent in their error coding. There were even instances where States had cases with similar findings, but with very dissimilar error results. Consistency of error definitions and coding has a direct impact on the results.
- *Involve some form of re-review or joint review to enhance inter-rater accuracy, regardless of any existing review processes and the composition of the Review Team.* It is recommended that the re-reviews be drawn from a sub-sample of **all** cases and not limited to just cases with an improperly authorized payment. Oregon’s re-review changed the review findings in three cases from an error to a correct case.
- *Make careful up-front decisions about the error information desired at the conclusion of the review, to reduce the time needed for data analysis.* The pilot findings indicated that States’ choices in customizing the *Record Review Worksheet* impact the timeline and costs of that portion of the error rate process. Additional data fields can be incorporated into the customized *Record Review Worksheet*, reducing the analysis time.
- *Develop consistent standardized policy and procedures as part of ongoing or routine auditing processes.* The State responses to the error findings in both pilots include numerous initiatives to improve the quality of case work and the frequency of reviews. Training to increase staff awareness of error-prone areas, knowledge of policy, interviewing skills, and the quality of routine case reviews are the most effective strategies States can use to prevent or reduce procedural or policy errors.
- *Focus State review strategies on **both** the most common error types and those error causes which produce errors of greater amounts, such as ineligibility.* Both pilots’ findings suggest that there is little, if any, correlation between States’ percentage of cases in error, the percentage of cases in error that had an improperly authorized payment, and the percentage of improperly authorized payments. In comparison to New Jersey, Kansas had relatively high numbers of cases with errors and cases with an improperly authorized payment. Yet the Kansas percentage of improperly authorized payments was the lower of the two States. For these reasons, State improper payment strategies need to focus on both the most common error types and those error causes which produce errors of greater amounts, such as ineligibility.

- *Make accommodations to implement the methodology independent of a pilot⁴, such as:*
 - *Work with IT departments or a local university for assistance on generating the universe and a random sample of cases for review.* Most IT departments have access to programming for random number generators for sample selection. When planning the error rate methodology, States need to decide on the frequency of sample selection and the definition of the universe of cases from which to select the sample. For example, how many times per year will the sample be drawn and what will be the sample size?
 - *Regarding sample size, consult with a statistician to achieve the desired sample size.* For example, California worked with a local university to determine a sample size for calculating an error rate that met the IPIA guidelines⁵.
 - *For data consolidation, designate a research analyst or program specialist who can create a database or an excel spreadsheet that includes at a minimum, all of the variables listed in the Data Entry Form and several error categories determined to be most important, such as the review element, missing or insufficient information, data entry errors, or calculation errors.* An Excel spreadsheet provides all the formulas needed to compute the error measures described in the pilot methodology that if combined with an electronic *Record Review Worksheet*, can aggregate individual review data automatically.

Combined with those of the first pilot, the second pilot error findings are promising as a baseline test of the methodology. The pilot methodology was also useful for States to gain evaluative information on potential areas for improvement in administrative policy for the CCDF block grant program.

⁴ This would apply if a State wishes to apply the methodology in a review program independent of a CCB pilot.

⁵ The Improper Payment Information Act recommends using a formula to determine the sample size for calculating error rates in Federally funded programs, leading to an error rate with a 90 percent confidence interval of +/- 2.5 percent.

I. INTRODUCTION

Congress responded to the issue of improper payments in Federal programs by enacting the Improper Payments Information Act (IPIA) of 2002. This law requires Federal agencies to identify programs that are vulnerable to improper payments and to estimate annually the amount of underpayments and overpayments made by these programs. The Executive Branch also has worked to address the improper payments issue. A goal of the President's Management Agenda (PMA) is "eliminating improper payments." To this end, agencies are to establish a baseline of the extent of improper payments and to set goals to reduce improper payments.

Because the PMA and IPIA provide for establishing a child care error rate as one on-going measure of program efficiency, the Child Care Bureau (CCB) launched the project: "Measuring Improper Payments in the Child Care Program" to identify and describe methods that could help States identify, measure, and prevent improper payments in the administration of the Child Care and Development Fund (CCDF). A major focus of the CCB project was to work in partnership with the States to determine the feasibility of computing a child care improper payments error rate.

During Fiscal Year 2004 of the project, the CCB worked with 11 partner States⁶ to gather information and recommend methods to identify, define, measure, and prevent improper payments. During FY 2005 of the project, the CCB contracted with Walter R. McDonald & Associates, Inc. (WRMA) to develop and pilot test in four States—Arkansas, Colorado, Illinois and Ohio—a common methodology that States could use to compute an error rate.

The purpose of this report is to summarize the findings from the second pilot to further refine and develop a methodology to compute an error rate in five States—Florida, Kansas, New Jersey, Oregon and West Virginia. Following a brief overview of the Child Care Program, this chapter provides the background on the pilot project activities to date and the objectives of the current pilot.

A. Background

The CCDF is a block grant that allotted over \$5 billion to States, Territories and Tribes to support child care subsidies for low-income working families during FY 2006.⁷ The CCDF block grant allows maximum flexibility for States to set policies regarding eligibility and fiscal management approaches, as well as define administrative structures that allow maximum choice for parents. As a result, States' eligibility criteria, rates, regulation of child care providers, and payment mechanisms vary widely among jurisdictions. This flexibility makes it difficult to develop common approaches for identifying and measuring improper payments.

⁶ In FFY 2004, the CCB visited six States (Arkansas, Connecticut, Indiana, Ohio, Oklahoma, and Virginia) and worked extensively with five additional partner States (Georgia, Maryland, Oregon, South Carolina, and Wisconsin).

⁷ Child Care Development Fund Fact Sheet (October 2006) available on the Child Care Bureau website: <http://www.acf.hhs.gov/programs/ccb/ccdf/factsheet.htm>.

In FY 2004, the CCB visited six States (Arkansas, Connecticut, Indiana, Ohio, Oklahoma, and Virginia) and worked extensively with five additional partner States (Georgia, Maryland, Oregon, South Carolina, and Wisconsin). Together, the CCB and State partners gathered information on the range of strategies that States use to prevent and identify errors and appropriate enforcement actions taken when improper payments occur. Results revealed that efforts varied extensively among States. Few States had implemented systematic methodologies to estimate the amount of improper payments.

In FY 2005, the CCB contracted with Walter R. McDonald & Associates, Inc. (WRMA) to develop and pilot test a common methodology that States could use to compute an error rate and work with States to validate existing protocols or develop new approaches to address improper payments and fraud. Specific requirements, including statistically valid sampling, guided the conceptual design of this pilot. The CCB, in consultation with a number of “partner States,” chose to focus the analysis on *eligibility error* in order to measure an element that is common to every State and to mitigate some of the variation among State definitions encountered during the first error rate pilot. The methodology—conducted in Arkansas, Colorado, Illinois, and Ohio—had four main components:

- The contractor assisted each pilot State to select a random sample of up to 150 cases (children), using a sampling frame of all children in the State authorized to receive a child care payment⁸ during October 2004. The contractor designed the sample size to produce a statistically valid estimate of erroneous payments.
- Pilot States customized a *Record Review Worksheet* template to reflect child care policies in the State. The States used this instrument to guide a record review of the sampled cases to identify administrative errors in eligibility determination. States collected data regarding the number of cases with errors and whether the errors led to an improperly authorized payment. Although all of the worksheets contained common elements, the definitions pertaining to those elements varied from State to State.
- The contractor conducted site visits and provided technical assistance to the pilot State representatives who conducted record reviews and collected data. The contractor computed the error rates using the data submitted by the pilot States.
- The contractor also conducted telephone interviews, using a consistent protocol to gather additional information about improper payment activities in five States. These States were Arizona, California, Kansas, Nebraska, and New Hampshire.

B. Objective of the Second Pilot

The purpose of the FY 2006-2007 pilot was to further refine and develop a methodology to compute an error rate in five States—Florida, Kansas, New Jersey, Oregon, and West Virginia. Similar to the first error rate pilot, the methodology of the current pilot focuses on client eligibility and employs a case record review process to identify cases with errors,

⁸ For both pilots, States calculated and recorded the authorized payment amount based on the eligibility determination process as indicated within the case record. In both pilots the term “payment” refers to the amount authorized for payment.

cases with errors that result in improperly authorized payments⁹, and percentages of authorized payments in error. However, in the second pilot the methodology provided pilot States with their results so they could analyze the types and sources of error. Following an analysis of the findings from the case record review process, the contractor forwarded the results to the pilot States for their internal review. Pilot States responded to a short survey providing an explanation for the causes of the errors and a description of next steps or corrective actions to be taken as a result of participation in the error rate pilot.

⁹ For both pilots, States calculated and recorded the authorized payment amount based on the eligibility determination process as indicated within the case record. In both pilots the term “payment” refers to the amount authorized for payment.

II. METHODOLOGY

This chapter describes the various components of the second pilot methodology and the process that the States used to measure improperly authorized payments. The chapter begins by providing an overview of the key components of the error rate methodology, followed by a detailed description of how each was implemented with the five pilot States. The final section of this chapter describes an additional area of inquiry in the second pilot. Following the data analysis, the contractor shared the findings with the five pilot States and asked the States to respond to three questions about the causes of the errors, the role of automation in reducing errors, and any corrective actions to be taken as a result of the error rate pilot.

A. Overview of the Process to Measure Improper Payments

The second pilot methodology for measuring improper authorizations for payment focused on client eligibility and employed a case record review process to determine whether child care subsidies were properly authorized. This methodology deviated from the first pilot methodology only in the addition of one element to the *Record Review Worksheet* and formalizing attention to findings and intended actions of States by requesting response to a *State Response Form*.

The methodology focused on improper authorizations for payment during the eligibility and eligibility redetermination processes. Eligibility and authorization are the first steps in the child care subsidy process and errors made at this stage in the process are likely to affect the administration of the entire program.

The process to measure improper payments in five pilot States consisted of several phases, discussed in more detail within the remainder of this chapter. They include:

- Fieldwork preparation by States, including creation of State Project Teams, formal planning conference calls and site visits with each pilot State by the Federal Project Team;
- Generation of a sample of 150 cases;
- Customizing *Record Review Worksheets* by States to reflect State-specific policies and procedures;
- State training of case record reviewers, case record reviews using customized *Record Review Worksheets*, and selected re-reviews of cases;
- Completion of *Data Entry Forms*;
- Computation of error rates and findings; and
- Completion of *State Response Forms* to include anticipated changes in response to the error rates and findings.

As with the first pilot, a contractor performed several key functions throughout these phases:

- Facilitating planning conference calls with States;
- Planning and facilitating site visits;

- Receiving State sampling frames and selecting the statewide samples;
- Providing ongoing technical assistance regarding customization of the *Record Review Worksheet*, conducting record reviews, completing *Data Entry Forms* and *State Response Forms*; and
- Receiving States' *Record Review Worksheets*, *Data Entry Forms*, and using them to compute error rates and analyze the findings.

B. Fieldwork Preparation

To prepare for the second pilot, each of the five pilot States formed a State Project Team and identified a project coordinator. Each State Project Team and project coordinator identified who would be responsible for planning for a one-day site visit with the Federal Project Team, generating a universe of cases to send to the contractor, customizing a *Record Review Worksheet*, forming and training members of the Record Review Team, and assuring that completed *Data Entry Forms* were submitted for analysis. Members of State Project Teams also agreed to consider findings and determine next steps.

State Project Team members participated in Error Rate Pilot Study overview conference calls. Each planning conference call began with a brief overview of the error rate pilot followed by specific discussions to select the most appropriate sampling plan, consider approaches to customize that State's *Record Review Worksheet*, and schedule the one-day site visit. To accomplish the fieldwork preparation and site visits within a six month timeframe, States worked quickly with the Federal Project Team to choose their sampling method, generate a universe of cases, and schedule site visits.

C. Generating the Sample

1. Pilot Sample Size

Similar to the first pilot, the primary unit of measurement for this pilot was a child authorized to receive a child care payment¹⁰ during a single month (October 2005 for the second pilot). This did not include children who were denied or terminated, or were billed but not served during October 2005.¹¹ States would review a sample of 150 cases, a sample size designed to produce a statistically valid estimate of erroneous payments. The Improper Payment Information Act of 2002 recommends using a formula to determine the sample size for calculating error rates in federally funded programs, leading to an error rate with a 90 percent confidence interval of +/- 2.5 percent.¹² A sample of 150 cases per State yields an estimate with approximately +/-6 percent confidence intervals with 90 percent confidence for each State, adequate for a pilot intended to establish feasibility and estimate the cost of the methodology.

2. Sampling Options

¹⁰ For both pilots, States calculated and recorded the authorized payment amount based on the eligibility determination process as indicated within the case record. In both pilots the term “payment” refers to the amount authorized for payment.

¹¹ For the purposes of this pilot a child randomly selected for review is referred to as a case.

¹² The Improper Payment Information Act, Public Law No: 107-300, § 2, 116 Stat. 2350.

States chose from two basic sampling techniques—a single-stage random statewide sample and a two-stage random statewide sample.¹³ States selected the sampling method most appropriate for their circumstances. Florida, Kansas, and West Virginia elected to use the statewide random sample, while Oregon and New Jersey used the two-stage random sampling approach. Oregon and New Jersey chose the two-stage approach to minimize the number of counties selected for the pilot, thereby decreasing the number of counties from which cases would be drawn and reducing the amount of travel necessary to conduct record reviews in the counties, while still ensuring an equal chance of selection for any child in the population.

a. Creating a Sampling Frame and Child Identification Number

Each State created a sampling frame consisting of the universe of children that met the criteria for a child authorized to receive a child care payment during the month of October 2005. Each case was identified by:

- (1) Sequential number;
- (2) Child identification (ID); and
- (3) County of service.

The sequential number refers to the numerical order that the case appears on the list of cases comprising the sampling frame. Each State determined its own parameters for child IDs. Specifications for the child ID were:

- Each child in the sampling frame received a unique ID. If there were several children within one family, case record, or household, each child had a unique ID.
- The ID could contain both letters and numbers.
- The unique ID did not contain identifying information; however, it was linked to a county or State data system so that the county or State could pull the record if the case was selected for the pilot.

The identification of cases by county made it easier for States to pull the randomly selected sample cases for review.

The contractor randomly selected a sample of 150 cases for each State. In addition, a 20-case supplemental sample was randomly selected as record replacements in Florida, Kansas, and West Virginia. Because New Jersey and Oregon chose to use a random two-stage sample, 30 records were needed for its supplemental random sample. More replacement cases were selected for the two-stage samples to assure enough replacements were available within the county sample, while 20 replacement cases across the State was deemed more than sufficient under the

¹³The single-stage random sample selects cases directly from the statewide universe of cases authorized to receive payments during the sample month. The two-stage random statewide sample selects a set of counties first (first stage), from which subsamples (second stage) of cases are drawn such that the total cases from all of the subsamples equals the total sample size of a single-stage sample for the sample month.

single-stage approach. States used the replacement records only if the case selected did not meet the pilot criteria for valid reasons.

b. Single-Stage Sample

The steps of the single-stage sampling method, used to select a random statewide sample for Florida, Kansas, and West Virginia, were:

- Calculation of a sampling interval based on the size of the sampling frame or universe of cases authorized to receive a payment during October 2005. To do this, the total number of cases within the sampling frame (i.e., all cases authorized to receive a child care payment during October 2005) was divided by the number of cases selected for the sample (i.e., 150). (For example, if the sampling frame included 15,000 cases, the sampling interval was $15,000/150$ or 100—every 100th case was selected.)
- Consultation of a random number table to determine a random starting point within the sampling frame. From that starting point, cases within each sampling interval were selected, as described above. (For example, if the random start was seven and the sampling interval was 100, then the contractor selected the case listed seventh, the case listed 107th, the case listed 207th, and so on.) After randomly selecting one case for each sampling interval, the sample included 150 cases.
- Forwarding of a list of the 150 sample cases—including sequential number, child ID, and county of service—to the designated State representative.
- Removal of the sample of 150 cases from the overall sampling frame and use of the steps described above to select this second sample of 20 replacement cases.

c. Two-Stage Sample

The sampling plan for New Jersey and Oregon followed a two-stage approach, as follows:

- Provision by New Jersey and Oregon of a sampling frame that listed all cases authorized to receive a child care payment during October 2005, grouped by county. The sampling frame was sorted by county size (defined as the number of cases the county served during October 2005)—from largest to smallest counties.
- Selection of 15 counties from which to draw samples of 10 cases (15 counties X 10 cases = sample of 150 cases). A first-stage sampling interval was determined by dividing the total number of cases represented in the sampling frame by 15. A random starting point within the sampling frame was determined by consulting a random number table. From that starting point, counties were selected within each sampling interval. (For example, if the total number of cases listed in the sampling frame was 30,000, the sampling interval would be $30,000/15$ or 2,000. If the random start was seven, the contractor selected the county in which the case listed seventh lived, the county in which the case listed 2,007th lived, the county

in which the case listed 4,007th lived, and so on.) Through this process, counties were selected from which subsamples of 10 cases would be drawn during the second stage of the sampling approach. By this process, some large counties would be selected for at least one subsample of 10 cases with certainty and, in some instances, a county with a relatively large number of cases could be selected for two or three subsamples of 10 cases.¹⁴

- Selection of a series of county-level random samples, as the second stage of the sampling approach. For each of the counties selected in the first stage, the contractor determined a unique sampling interval based on the number of cases served by the county during October 2005 and the number of subsamples that would be selected from the county. (For example, a large county may have been selected two times in the first stage, meaning that two subsamples of 10 cases would be selected from this county. If the population of the county was 3,000 and two subsamples of 10 cases (20) were selected, the sampling interval for that county would be 3,000/20 or 150. If the random start was seven, the contractor selected the case listed seventh, the case listed 157th, and so on.) This process was repeated for every county selected in the first stage.

D. Customizing *Record Review Worksheets*

The CCDF block grant allows maximum flexibility for States to set critical policies and procedures. Eligibility criteria, rates, regulation of child care providers, and payment mechanisms vary widely among jurisdictions. Because each State has developed its own child care and data collection policies, it is important that all reviewers within a State and all States participating in this pilot define and collect data elements in a similar fashion to increase the validity of the pilot findings.

To determine errors based on standards contained in current statutes and applicable regulations, the contractor developed a *Record Review Worksheet* template, which was a composite of existing review sheets used by several States to conduct Child Care, Food Stamps, and Temporary Assistance for Needy Families (TANF) reviews. States participating in the first pilot agreed that it was a workable template to develop State-specific worksheets.. The *Record Review Worksheet* template captures the detail for each element of eligibility, the calculation of and amount of authorized subsidy for the review month, and any resulting errors (See Appendix F for a template of the *Record Review Worksheet*.) States were encouraged to customize the template to reflect State-specific policies and procedures.

¹⁴ Some counties served 10 or fewer cases during October 2005. The pilot team grouped into clusters counties that served fewer than 25 cases, such that at least 25 cases were in the cluster. (For example, if county A served 6 cases in October 2005 and county B served 19 cases, together they served 25 cases in that month. If this cluster were selected via the random process, a subsample of 10 cases would be selected randomly from among the 25 cases in the cluster. This process ensured that an entire county would not be included in a subsample due to its small size.)

The template worksheet consists of four columns:

- Column 1 lists the basic elements of eligibility and resulting computations;
- Column 2 contains the findings of the record review and notes any pertinent facts, questions, or conflicts in information;
- Column 3 provides a space for the reviewer to note the ultimate findings of the analysis and a summary of any error; and
- Column 4 contains error coding—in the event that a review element contains more than one error, the largest dollar error is the one coded.

Each pilot State customized a *Record Review Worksheet* to capture client information (name, address, case number, client ID, and household members), provider information, payment data, and error findings. Each State customized the data elements within the *Record Review Worksheet* to capture the analysis, investigation, and results of the individual eligibility and payment elements. The most common modifications were made in Column 1 and were designed to capture the State’s specific eligibility policy and procedures.

In the first pilot, Colorado reordered elements in Column 1 of the worksheet to follow its workflow more efficiently. Arkansas used the changes made by Colorado and added some content modifications to the elements in Column 1. Ohio reformatted the template by adding an additional column indicating the citation authority for each element. Illinois created a “check-off” rather than a written summary of the record material in Column 2. Another common alteration was to include a section addressing the review findings of the subsidy payment process. (See Appendices A–D in the first Error Rate Study Final Report for each State’s Record Review Worksheet: Available at <http://www.acf.dhhs.gov/programs/ccb/ta/ipi/phase2/phase2.pdf>.)

In the second pilot, States included additional descriptive information in the first two columns of the worksheet to assist reviewers in reliably identifying the required documentation to support the eligibility element. West Virginia specified all applicable forms or data screens required for each element including form numbers and requirements. Florida modeled its worksheet after West Virginia, specifying each applicable form required under elements of eligibility. Kansas included additional prompts or check-offs for reviewers to indicate the presence of applicable evidence. New Jersey and Oregon made changes to the narrative elements in Column 1 of the *Record Review Worksheet* to reference relevant State policies. See Appendices A–1 to E-1 for each State’s *Record Review Worksheet*.)

E. Site Visits

Following the fieldwork preparation stage of the pilot, and after the States had selected their pilot samples and developed their *Record Review Worksheets*, the Federal Project Team visited each of the five States. The Federal Project Team consisted of Federal Central Office staff members, Regional Office staff representatives, and contractor staff members. The purpose of the one-day site visit was to explain and review the pilot methodology for the case record reviews with the State Project Team. The site visits

followed the basic agenda presented in Appendix J. (See Appendices A–E for information obtained during the site visits.)

During their site visits, Florida and New Jersey presented and discussed each element of the *Record Review Worksheet* explaining how they would interpret potential errors according to State policy and procedure. In both New Jersey and Oregon, the site visit occurred before their *Record Review Worksheet* had been finalized. Although local staff had met several times previously to customize the worksheet, the site visit provided an additional opportunity to reinforce the review methodology. During the site visit, Kansas decided to scale back the scope of its review and to modify its *Record Review Worksheet* accordingly. West Virginia completed its case record review process prior to the Federal Project Team site visit. West Virginia’s site visit presentation included a review of several examples of eligibility errors discovered and lessons learned during the case record review process. In all States, review team members attended a portion of the site visit and described their planned process for reviewing the cases. Most teams conducted a training following the site visit that would involve group discussion and/or re-review of cases to assure inter-rater reliability. This process allowed for greater consistency within the State regarding error determination.

F. Conducting Record Reviews

The purpose of the record review process is to ensure that all elements are addressed during the case review and to document the findings as the review is conducted. Reviewers need to be experienced with child care program regulations and the quality control techniques and methodology common to the review of other Federal programs, such as Medicaid and Food Stamps. Training and reliability checks need to be conducted to avoid inconsistencies in verification techniques and/or the identification and calculation of errors.

Using the *Record Review Worksheet* as a guide, States conducted record reviews of the random sample of 150 cases authorized to receive a child care payment during October 2005. Florida, Kansas and Oregon conducted the training of the reviewers and the case record review process centrally. All three States also conducted a re-review process, involving a second team member reviewing each case to increase inter-rater reliability and consistency. New Jersey and West Virginia conducted training centrally; however, the reviewers conducted the record review process regionally at the local CCR&R agencies.

G. Completing the Data Entry Form

State reviewers recorded the findings from each *Record Review Worksheet* onto a *Data Entry Form*. (See Appendix G)

The *Data Entry Form* summarizes the composite results of the record review documented on the *Record Review Worksheet*. Below is a list of the information included on the *Data Entry Form*:

- State;
- County of service;
- Child ID;
- Pilot period month (October 2005);
- Date of data collection;
- One or more administrative errors during the pilot period;
- Cause of improperly authorized payment;
- Total amount of improperly authorized payment during review month; and
- Total amount of authorized payment during review month.

For both pilots, States calculated and recorded the authorized payment amount based on the eligibility determination process as indicated within the case record. In both pilots the term “payment” refers to the amount authorized for payment.

In the second pilot, two States combined the *Data Entry Form* with the *Record Review Worksheet*. West Virginia and Florida combined the *Data Entry Form* at the end of the *Record Review Worksheet*. Kansas and New Jersey kept the *Data Entry Form* as a separate attachment. (See Appendices A–1 to E-1 for each State’s *Record Review Worksheet*.) Combining the *Data Entry Form* with the *Record Review Worksheet* reduces the number of forms used in the review of a case and assists in the reliable transfer of information from the *Record Review Worksheet* to the *Data Entry Form*. However, once the *Data Entry Forms* have been completed and the task becomes the calculation of the five error measures the combined *Record Review Worksheet* and *Data Entry Form* can be a cumbersome document.

H. Computing Error Rates

As a final review, the contractor matched the information contained in the *Data Entry Forms* with the companion *Record Review Worksheet*. Project Teams sent copies of all *Data Entry Forms* and each *Record Review Worksheet* to the contractor. Using these data, the contractor computed four error rate measures—the percentage of cases with an error, the percentage of cases that have an improperly authorized payment¹⁵, payment error rate, and average amount of improperly authorized payment. (See Appendix G for the *Data Entry Form*.)

- **Percentage of cases with an error**—This percentage is based on the number of cases with an error, regardless of whether it resulted in an improperly authorized payment or not, compared to the total number of cases in the sample. This percentage is determined by dividing the number of sampled cases with an error by the total number of cases reviewed in the sample and then multiplying by 100.

¹⁵ For both pilots, States calculated and recorded the authorized payment amount based on the eligibility determination process as indicated within the case record. In both pilots the term “payment” refers to the amount authorized for payment.

- **Percentage of cases that have an improperly authorized payment**—This percentage is based on the number of cases with an error that resulted in an improperly authorized payment compared to the total number of cases in the sample. The percentage is determined by dividing the number of cases with an error that resulted in an improperly authorized payment by the total number of cases in the sample and then multiplying by 100.
- **Payment Error Rate (Percentage of authorized payments in error for the review period)**—The payment error rate is the percentage of the gross amount of improperly authorized payments (overpayments plus underpayments) for the review period compared to the total amount of authorized payments in the sample. This rate is determined by dividing the gross amount of improperly authorized payments by the total dollar amount of authorized payments for the sample cases and then multiplying by 100.
- **Average amount of improperly authorized payment**—The average amount of improperly authorized payments is the average amount of money the State authorized for payment improperly on a per child basis during the designated review month. This rate is determined by dividing the gross amount (overpayments plus underpayments) of improperly authorized payments in the sample by the number of cases with errors that had an improperly authorized payment.

I. State Response Form

An additional area of inquiry in the second pilot included sharing the findings with the five pilot States following the data analysis. After reviewing its error rate findings and site visit summary description, each pilot State submitted a written response to the following three topic areas included in the *State Response Form*:

- Causes of the improperly authorized payments identified in the record review process;
- Use of information systems that assist the State in identifying and reducing improperly authorized payments; and
- Actions to be taken in order to reduce errors in the future.

Appendix I contains the *State Response Form*. Chapter IV contains a summary of each State's responses to the *State Response Form* within the section entitled Next Steps. Appendices A–E also contain summaries of the next steps States are taking as indicated in their responses.

III. MEASURING IMPROPER PAYMENTS IN FIVE STATES

The contractor visited five States—Florida, Kansas, New Jersey, Oregon, and West Virginia—in the second pilot to gather information about the States’ policies and practices regarding improper payments. This chapter presents a summary of the processes, standards and procedures, improper payment strategies, and automation that characterize the five States in the second pilot and contrasts similarities and differences with the four States involved in the first pilot.

A. Improper Payments Process

Similar to the four States in the first pilot, the five States in the second pilot use many similar processes to identify, investigate, and recover improper payments.

All nine States in both pilots identify improper payments in four primary ways:

- Notification of the child care agency of suspected fraud by providers or the public;
- Exception reports and matches, produced on a regular basis from the State’s automated child care tracking system, identify areas of potential improper payments;
- Regular audits or reviews identify improper payments; and
- Ad hoc studies or reviews identify improper payments.

An investigation typically begins after the State identifies a payment problem. The staff persons responsible for calculating the overpayment differ among the five States in the second pilot. In four States, local staffs calculate the overpayment. In New Jersey, Florida, and West Virginia, Child Care Resource and Referral (CCR&R) agencies calculate the overpayment. The local Social Rehabilitation Services (SRS) offices complete the overpayment calculations in Kansas. In Oregon local staff refer the overpayment information to a State level central unit. Oregon has a central State level Overpayment Writing Unit in the Department of Human Resources that calculates the overpayments.

All nine States in both pilots follow similar processes to recover funds for overpayments. The process proceeds in one of the following ways, listed in order from least to most intensive action:

- The State sends the person receiving the overpayment a notice describing the overpayment and the person's responsibility to resolve the debt;
- The State establishes a repayment schedule, if possible. In some States if the client is an active recipient, a reduction of current benefits may occur;
- The State initiates judgments, liens, and garnishments if the participant does not voluntarily repay; and
- The State employs tax or lottery intercepts. This is a process where the State will intercept any tax refund or lottery winnings that would normally be paid to an individual and apply those monies toward the overpayment amount.

Once an overpayment amount is established, a dollar threshold generally determines whether the State pursues a fraud determination in addition to taking actions for repayment of the overpayment. The threshold varies greatly among the States. For example, West Virginia forwards overpayments of \$1,000 or more to the Office of the Inspector General for collection and the establishment of penalties. The Kansas threshold for referral to the local Fraud Units is also \$1,000, while in Oregon the dollar threshold is \$200. Florida refers cases to the Office of the Inspector General or the State's Department of Law Enforcement but the referral criteria do not specify a dollar threshold. These differences in the dollar threshold were also present in the States participating in the first pilot, ranging from a \$200 threshold in Arkansas to a \$2,000 threshold in Arizona.

B. Standards, Processes, and Procedures

As was seen in the first pilot, the five States in the second pilot indicate a trend toward establishing more formalized standards, processes, and procedures regarding reducing improper payments. The five second pilot States made the following procedural changes:

- While Florida's eligibility policy stipulates that a case has, at a minimum, an annual recertification, the State now randomly selects 50 percent of all cases for recertification at six month intervals. This interim recertification also requires a face-to-face interview.
- Kansas has established a Quality Assurance Unit. The unit conducted two child care quality assurance reviews during 2006. Kansas contracted with a firm to develop software that tracks all case review findings and provides aggregate review data. Kansas utilized the software in July 2006 for the mandatory Food Stamp reviews and plans to include the child care reviews in the database in 2007.
- New Jersey established a Quality Assurance in Child Care committee to develop policies and procedures to decrease the potential for improper payments. The committee includes both program and systems staff members. A recently created Program Integrity Unit uses data matching and shared data warehouse technology to identify improper payments.
- Oregon completes a monthly desk audit of 200 randomly selected billing forms. A part of the State's Food Stamp payment accuracy strategy is a monthly review of approximately 5000 cases. Since roughly 94 percent of these cases are linked to child care cases, the review now includes child care eligibility.
- West Virginia technical assistance staffs conduct random quarterly child care case audits. Prior to the pilot, the audits only targeted the automated system (FACTS) case record. The child care case audits now include a review of the physical case record. CCR&R agencies must develop and implement Quality Assurance Plans. Those plans now require payment accuracy initiatives if a CCR&R agency has an error rate that exceeds the State average.

C. Automation

This section provides a description of automated processes and systems the five States in the current pilot use to reduce improper payments.

All of the States that participated in both pilots have a statewide automated system. The automated systems in the five States from the second pilot differ considerably in function, interfaces, and age. Even though New Jersey and Oregon are locally-administered States, those States mandate that providers use the statewide system to determine eligibility for the child care voucher application.

The Florida Child Care Enhanced Field System (EFS) is a Windows based system that has an eligibility determination module, generates payments, manages waiting lists, and collects data for Federal reports and the market rate survey. The system does not interface with other benefits programs. EFS produces a selection of management reports to identify improper payments. There is ad hoc report writing capability at the local level. Sharing of the local report formats occurs throughout the State through an e-mail Q & A system. An area of concern for the EFS and the quality of its data is its decentralized structure. Each of the 31 Early Learning Coalitions has an independent section and differing processes. The result is data that is inconsistent, incompatible, and centrally unavailable. The proposed enhanced system Early Learning Information System (ELIS) will address the weaknesses of this decentralized system.

The Kansas KSCARES system, a transferred mainframe system, has been operational since 1994. KSCARES determines eligibility, authorizes and tracks payments for the Child Care Subsidy program and processes TANF Work Program referrals and payments for employment related activities and support services. KSCARES interfaces with a number of other State systems including KAECSES (TANF and Food Stamp eligibility and Child Support Enforcement), the Electronic Benefits Transfer (EBT) system, and the Kansas Department of Health and Environment for access to child care provider data. Planning and development are currently underway to build a new integrated enterprise wide web based system that would incorporate the functionality of KSCARES and several other agency systems. This multi-system interface will strengthen eligibility processes by sharing data across programs.

The New Jersey automated system occupies three different databases. Case information for Work First New Jersey (WFNJ/TANF) resides on the OMEGA (TANF) system. The Care for Kids (NJCK) case information resides in the Child Care Automated Resources Eligibility System (CARES). The voucher payments system and case information on clients receiving Center Based Services (CBC) resides on the Contracts System (CTR) and Contracts Accounting Tracking System (CATS). None of the systems interface. CARES includes intake, eligibility determination, agreement establishment, subsidy and co-pay calculation, voucher generation, attendance input, check write process, accounting procedures, letters, notices, forms, and reports. New Jersey's Consolidated Assistance and Support System (CASS) is a re-engineering effort designed to integrate all of the Division of Family Development's support systems by utilizing an Enterprise Architecture and Framework Approach. This future approach will increase New Jersey's ability to share data across programs, eliminating the need to do data matching.

The Oregon Client Maintenance System (CMS) is one of thirty-seven components of a 28 year old legacy system. CMS bundles child care eligibility with TANF and Medicaid and interfaces with the Service Authorization System, the State's payment system. The child

care application process includes a match with other DHS systems as well as child support, Employment Department wage and unemployment records and the Social Security Benefit system. CMS calculates the provider payment based on the family's co-pay, the provider's usual charge, hours authorized and billed, age of the child(ren), type of care, and provider's zip code. This capability remedies many of the payment accuracy problems associated with fee schedule and payments.

West Virginia transferred the Family and Child Tracking System (FACTS) from Oklahoma. FACTS is a customized statewide automated case management system for all Child Welfare, Child Care, and Adult Service Programs. In August 2000, the State modified FACTS to include case management and payment functionality for the Child Care Program. This change fully implemented the transition of the contracted CCR&R agencies to an automated system for on-line and real time determination of eligibility for child care services and an automated determination for child care payments. The FACTS System is designed to take information entered in the system by the CCR&R staff and use it to determine eligibility. This eliminates many errors with the exception of those caused by faulty data entry. The system has payment controls of eligible days and children only.

FACTS also provides the capability of accessing the State's TANF, Food Stamp and Medicaid system (RAPIDS). This allows additional verification of information provided in the eligibility process.

Appendix K provides an extensive summary table for all nine States who participated in the two phases of the error rate pilot. As was the case in the first pilot, the five States in the second pilot were a mixture of State administered (Florida, Kansas and West Virginia) and County administered but State supervised (New Jersey, Oregon). Four States in each pilot defined an improper payment in either State law, administrative policy or both. Florida and Ohio were the only States where fraud was not articulated in State policy. All nine States follow similar processes to identify and recover overpayments funds. There is considerable uniformity in the approaches all nine States take in assessment of risk. Some form of audit, ad hoc review, compliance review or site visit exists in all nine states. Case reviews, either independent or in conjunction with other programs (Food Stamps), are common. Two of the nine States included technical support and training as major payment accuracy risk mitigators. Although all of the States that participated in the pilots have a statewide automated system, the systems differ considerably in function, interfaces, and age. All of the States have incorporated in their payment accuracy strategies various automated tools (edits, benchmark/exception/anomilie reports, data mining).

IV. FINDINGS AND STATES' RESPONSES

This chapter reviews findings from the record review process and error rate analysis for the five pilot States—Florida, Kansas, New Jersey, Oregon, and West Virginia. It also includes actions of States, or steps they plan to take, in response to the causes of errors. The review of findings for each State includes a brief description of the record review process followed by a presentation of the error rate findings. The findings include four measures computed for each State as follows:

- **Percentage of cases with an error**—This percentage is based on the number of sampled cases with an error, regardless of whether it resulted in an improperly authorized payment or not, compared to the total number of cases in the sample. This percentage is determined by dividing the number of sampled cases with an error by the total number of cases reviewed in the sample and then multiplying by 100.
- **Percentage of cases that have an improperly authorized payment¹⁶**— This percentage is based on the number of sampled cases with errors that have an improperly authorized payment, compared to the total number of cases in the sample. The percentage is determined by dividing the number of cases with an error that resulted in an improperly authorized payment by the total number of cases in the sample and then multiplying by 100.
- **Payment Error Rate (Percentage of authorized payments in error for the review period)**—The payment error rate is the percentage of the gross amount of improperly authorized payments (overpayments plus underpayments) for the review period compared to the total amount of authorized payments in the sample. This rate is determined by dividing the gross amount of improperly authorized payments by the total dollar amount of authorized payments in the sample cases and then multiplying by 100.
- **Average amount of improperly authorized payment**—The average amount of improperly authorized payments is the average amount of money the State authorized for payment improperly on a per child basis during the designated review month. This rate is determined by dividing the gross amount (overpayments plus underpayments) of improperly authorized payments in the sample by the number of cases that had an improperly authorized payment.

Following the discussion of the error rate findings, the chapter outlines State explanations of the error causes and summarizes the corrective actions to be taken as a result of the error rate findings. The source of this information is State responses to the State Response Form included as Appendix I and discussed within the *Next Steps* section of each State's findings.

A. Florida

In Florida, the Review Team consisted of two Managers, two Performance Analysts, and three Program Analysts. The Project Team made substantial modifications to the *Record*

¹⁶ For both pilots, the payment refers to the amount authorized for payment.

Review Worksheet template. The review process occurred centrally, with all records sent to Tallahassee. A second member of the team re-reviewed all records for inter-rater reliability to ensure that findings and coding in Columns 3 and 4 of the *Record Review Worksheet* would be the same regardless of reviewer.

Following completion of the review, Florida learned from a finding in a IV-E Federal audit that only the State’s auditor general or Department of Children and Family’s (DCF’s) Family Safety Unit could access case information related to any protective services placement. The review had found six cases in error due to missing protective services documentation. Florida submitted amended review sheets on these six cases, changing the finding from ineligible to correct.

1. Results

As shown in Exhibit 3, the data indicated that 53 records (35% of the sample) had one or more administrative errors and all 53 cases had administrative errors that resulted in an improperly authorized payment. The total of authorized payments to the 150 sampled cases for the review month was \$37,571 of which \$6,908 was the result of error. This error amount represents 18 percent of all authorized payments for the sample.

Exhibit 1. Florida Findings (N=150)

Percentage of cases with errors	35%
Percentage of cases that have an improperly authorized payment	35%
Percentage of improperly authorized payments	18%
Average amount of improperly authorized payment	\$130.35

Missing documentation as an error cause accounted for the largest percentage (36%) of the total dollars in error in the Florida sample. All of the errors attributed to missing documentation resulted in ineligibility. Missing documentation occurred in a wide range of eligibility elements, including Application Forms (Element 100), Income (earned and unearned), work activity, TANF, transitional TANF, and age.

Twenty-two of the 53 total errors occurred in Payments (Element 420); however, these errors resulted in a much smaller percentage of total dollars in error (11%). Reasons for Payments errors included the incorrect use of the fee/rate schedule or the authorization of full-time payments for part-time attendance. The ten errors in Application Forms represented 36 percent of the total dollars in error. The five errors in Household Members accounted for 19 percent of the total dollars in error. An additional 9 errors occurred in Earned Income (Element 400), which accounted for 18 percent of the total dollars in error. The remaining 7 errors were dispersed among several review elements, such as Residency, Qualifying Child and Qualifying Care.

2. Florida Responses

This section identifies actions taken by the Project Team in response to the causes and corrective actions taken based on the findings of the pilot:

- Developed a desk reference tool for eligibility procedures;
- Initiated focused monitoring and training on eligibility procedures on an annual basis;
- Provided each Early Learning Coalition (ELC) with its individual results of the pilot review process along with recommendations for corrective action;
- Created mechanisms to track the results of the eligibility monitoring and other contract monitoring audits;
- Implemented an annual eligibility review process of all 31 ELCs;
- Implemented a Data Quality Initiative to standardize data collection and to identify data anomalies throughout the State; and
- Implemented procedures to conduct post audits on reimbursement requests.

B. Kansas

The Kansas Review Team consisted of three Quality Assurance Supervisors (Topeka, Wichita, Kansas City) and three Quality Assurance Specialists. The Review Team also conducted a re-review of all cases by having a second team member conduct the review. An error summary was sent to the related local Social Rehabilitation Services (SRS) office whenever an error was found. The local SRS office corrected the case based on the review information. The Review Team reviewed all records centrally in Topeka. The Project Team modified the *Record Review Worksheet* to include “Yes” or “No” questions to reduce the amount of written narration for the reviewers.

1. Results

As shown in Exhibit 4, the data show that 52 (35%) of the 150 sample records had one or more errors. All of the 52 cases with errors resulted in an improperly authorized payment. The total authorized payments to the sampled cases for the review month was \$40,623, of which \$4,650 was the result of error. This error amount represents 11 percent of all authorized payments for the sample.

Exhibit 2. Kansas Findings (N=150)

Percentage of cases with errors	35%
Percentage of cases that have an improperly authorized payment	35%
Percentage of improperly authorized payments	11%
Average amount of authorized improper payment	\$89.42

While 92 percent of the total dollars in error were in Hours of Care (Element 340), the causes varied. The most common error causes included:

- Failure to allow or the miscalculation of time for meals and travel;
- Failure to reconcile the hours of care needed with the hours verified in the employment documentation or the school schedule; and
- Allowing, without proper documentation, hours that exceeded need to satisfy a provider minimum.

There were several cases where the reviewer was unable to attribute an error to a specific cause because the case documentation was nonexistent.

2. Kansas Responses

This section identifies actions taken by Kansas in response to the causes and corrective actions taken based on the findings of the pilot:

- Prior to the pilot, Kansas had completed child care quality control (QC) reviews for the month of October 2005, the second month of statewide payments using the new child care EBT payment system. Kansas was already aware of the error causes found in the pilot and had conducted statewide refresher training in June 2006 to address these errors. The training focused on hours of care, use of child care plan hour worksheets, computation of income, use of income worksheets to document computations, and general case documentation.
- Kansas continues to complete monthly Child Care QC reviews and uses the results of these reviews to inform training needs. Kansas is updating the Child Care Personnel Trainer and Training Academy to emphasize case documentation and computation of hours of care needed and income. Kansas requires this training for all new workers and for others as needed. Supervisors now complete monthly case reviews for the Child Care Assistance Program.
- Kansas hired a child care trainer in July 2006 to revise training materials and conduct several training sessions for eligibility staff. The QC unit compiles results monthly for regional administrators to keep them informed about findings and areas needing improvement. Supervisory case reviews at the regional level now include child care cases.
- Kansas contracted with a firm to develop software to track all case review findings and provide aggregate review data. The web based system tracks aggregate case review data for the mandatory Food Stamp reviews and the child care reviews. The child care reviews began in July 2006. The software costs \$75,000 with an 18 percent maintenance costs agreement.

C. New Jersey

After receipt of technical assistance during the site visit, New Jersey's Project Team substantially customized the *Record Review Worksheet* template to include coding and specific boilerplate language to guide the reviewer's written case narrative. The Project Team submitted a universe to the contractor to select a statewide sample that included only cases using a child care voucher and appearing in the Child Care Automated Resources Eligibility System (CARES). This universe did not include contracted child care slots because these cases did not meet pilot requirements for the unit of analysis of an authorized payment on a per child basis utilizing the voucher system. The Project Team trained its Review Team centrally and then reviewers conducted the reviews in their assigned regions at the local Child Care Resource and Referrals (CCR&R) agencies. The Review Team consisted of three supervisors and 13 Child Care Specialists.

1. Results

As shown in Exhibit 5, the data show that 28 (19%) of the 150 sample records had one or more errors. All of the 28 cases with errors had an improperly authorized payment. The total authorized payments for the sampled cases for the review month was \$45,807, of which \$6,043 was considered to be in error. This error amount represents 13 percent of all authorized payments for the sample.

Exhibit 3. New Jersey Findings (N=150)

Percentage of cases with errors	19%
Percentage of cases that have an improperly authorized payment	19%
Percentage of improperly authorized payments	13%
Average amount of improperly authorized payment	\$215.82

Calculation of Household Income (Element 400) accounted for the largest percentage (56%) of the total dollars in error. Errors in Application Forms (Element 100) resulted in an additional 27 percent of the total dollars paid in error. The most common errors included:

- Authorizing a payment for hours that exceeded the documented need (half-time vs. full-time and full-time for school-aged children);
- Using an incorrect household size;
- Allowing income without verification;
- Ignoring income from a second job;
- Failing to react to a reported income change;
- Applying the fee schedule incorrectly; and
- Paying for days of non-attendance.

2. New Jersey Responses

This section identifies actions taken by New Jersey in response to the causes and corrective actions taken based on the findings of the pilot:

- Allocate time during meetings with the Child Care Resource and Referral (CCR&R) Directors meeting to provide feedback and direction on implementing corrective measures.
- Institute the Error Rate Pilot monitoring tool for use of all future file reviews, in addition to increasing the number of files for review.
- Provide technical assistance to CCR&R agency staff in those areas where improperly authorized payments were detected in file reviews.
- Improve lines of communication between Division of Youth and Family Services (DYFS), the lead State child protective service agency and the Division of Family Development, the lead State child care agency and the CCR&R agencies at State and local levels.
- Look into implementing changes in the CARES system to better detect data entry errors or create error messages when data entry errors occur.

- Implement a process to conduct electronic matching of the automated child care client database with records on other wage, SSI, and child support information systems to identify and reduce the number of improperly authorized payments.
- Hire quality assurance staff or allocate the FTE needed to enable the Division to conduct file reviews, using a methodology that guarantees a statistically valid sample size of randomly selected cases.
- Link reduced improperly authorized payments to penalties in Child Care Resource and Referral contracts.

D. Oregon

Oregon's Project Team made very few modifications to the *Record Review Worksheet* template. The Review Team consisted of five Quality Control (QC) Staff Persons who have responsibility for TANF and Food Stamp case reviews. Following training on child care policy and procedures, the Review Team reviewed the cases centrally. The Project Team Leader reviewed all cases with errors a second time and discovered that the Review Team went beyond the level of a desk audit, expecting greater detail in documentation than what had been anticipated or required of the child care review process. As a result, the Review Team reviewed a subset of cases a third time and changed three review results.

1. Results

As shown in Exhibit 6, the data show that 40 (27%) of the 150 sample cases had one or more errors; however, only 16 of the cases with errors resulted in an improperly authorized payment. The total authorized payment for the sampled cases for the review month was \$81,757, of which \$1,925 was considered to be in error. This error amount represents 2 percent of all authorized payments for the sample.

Exhibit 4. Oregon Findings (N=150)

Percentage of cases with errors	27%
Percentage of cases that have an improperly authorized payment	11%
Percentage of improperly authorized payments	2%
Average amount of authorized improper payment	\$120.33

The 24 cases with errors with no improperly authorized payment involved discrepancies such as missing applications or income verification, miscalculation of hours, and failure to document need for care. Fifty-six percent of the total dollars in error occurred in the area of calculation of household Income (Element 400). A general summary of the error causes includes:

- Use of unearned income that had ended;
- Failure to react when the client reported a job change;
- Use of outdated pay stubs;
- Failure to include regular overtime pay in the income calculations; and

- Improper treatment of biweekly vs. bimonthly income.

The remainder of the dollars in error occurred in Qualifying Care (Element 340). The causes of these errors were the miscalculation of hours of care and either an understatement or overstatement of the hours needed.

2. Oregon Responses

This section identifies actions taken by Oregon in response to the causes and corrective actions taken based on the findings of the pilot:

- Oregon plans to modify the Food Stamp targeted review process and database that contains review information to ensure that income errors identified in any Food Stamp case are corrected in the companion ERDC case.
- Each year, the Oregon Department of Human Services (DHS) conducts in all areas of the State a series of “Accuracy Summits” that focus on techniques to reduce errors in the Food Stamp program. DHS plans to include workshops to improve ERDC accuracy in the next series of summits that begins in July 2007.
- DHS produces a monthly newsletter that focuses on techniques to reduce Food Stamp errors. The newsletter will now include information about other programs, including ERDC. A recent newsletter included an article about correctly determining co-pay amounts in ERDC cases. Future newsletters will contain information about ERDC payment accuracy, including an article about the results of the pilot review.
- The Governor’s recommended budget for the next biennium would allow DHS to extend Targeted Review outcome measures to the Child Care programs in local offices by FY2008. This comprehensive Program Integrity infrastructure provides a method for gathering timely, local performance data and will enable the Department to develop corrective action measures.

E. West Virginia

West Virginia's Project Team made substantial modifications to the *Record Review Worksheet*, using check-off boxes, “Yes” and “No” fields, and coding to eliminate the need for extensive narrative recording. The Review Team consisted of two Field Consultants and a Policy Specialist. All of the reviews occurred on site at the regional CCR&R agencies. The Review Team had already read 10 cases during one of their regular CCR&R agency audits. To improve the review process, the three reviewers completed several reviews jointly and consulted by telephone frequently. Because the Review Team reviewed the cases in regions, travel time was a considerable factor with several hours of driving time from one CCR&R to another.

1. Results

As can be seen in Exhibit 5, West Virginia found 33 (22%) of the 150 sample records to have one or more errors; however, only 20 (14%) of the cases with errors resulted in an improperly authorized payment. The total authorized payment to the sample

cases for the review month was \$34,506, of which \$2,522 was found to be in error. This error amount represents 7 percent of all authorized payments for the sample.

Exhibit 5. West Virginia Findings (N=150)

Percentage of cases with errors	22%
Percentage of cases that have an improperly authorized payment	14%
Percentage of improperly authorized payments	7%
Average amount of improperly authorized payment	\$126.14

Thirteen of the cases with errors did not result in an improperly authorized payment. These case errors involved discrepancies such as failure to enter mandatory information into the Family and Child Tracking System (FACTS), computation errors that did not result in a fee change, and missing documentation. Errors in Application Forms (Element 100) represented 35 percent of total dollars in error. Household Members (Element 320) accounted for 28 percent of the total dollars in error. Earned Income (Element 400) and Income Eligibility (Element 410) represented a combined 19 percent of the total dollars in error.

A general summary of the error causes includes:

- Signatures on attendance sheets;
- Missing parent agreements;
- Failure to enter the work schedule into the FACTS system.
- Failure to include documented earned and unearned income;
- Use of an incorrect conversion factor (4 vs. 4.3, weekly vs. biweekly, etc.);
- Use of net rather than gross pay; and
- Failure to reconcile the hours of care allowed with the hours verified in the employment documentation or a school schedule.

2. West Virginia Responses

This section includes a summary of the West Virginia response to the error causes and corrective actions taken based on the findings of the pilot:

- West Virginia will conduct refresher policy training with the CCR&R directors. The directors will then provide the training to their staff. West Virginia feels that, by training the directors rather than the staff, the directors will become more involved in eligibility activities.
- Technical Assistance staff will continue to perform random quarterly case audits. Prior to the pilot, the FACTS electronic record was the object of the review. An expanded review will now also include the physical case record.
- CCR&R agencies must now develop and implement Quality Assurance Plans. The plans will now require inclusion of payment accuracy initiatives if a CCR&R agency has an error rate that is above the State mean.

- Family child care providers must submit sign-in and sign-out sheets to verify attendance along with their billing forms. CCR&R agencies must audit billing forms and compare work and school schedules to times shown on the sheets to verify that the child care usage complies with time approved.
- Child care providers who submit incorrect or improper billing forms must attend a retraining session on proper billing procedures.
- Two State level child care consultants will continue to sample CCR&R agency cases to ensure compliance with appropriate policies and provide training and technical assistance on policy, procedures, and the use of FACTS. The consultants also will provide follow-up to ensure the CCR&R agency corrective action plans are completed.

F. Conclusion

This section provides a summary of the findings and conclusions based on States' responses to the questions about causes of errors and corrective actions. The summary also includes a discussion of the similarities and differences between findings from the four States in the initial pilot and the five States in the second pilot.

This was the second pilot in an exploratory effort to develop and pilot a methodology that States could use to compute an error rate. Similar to the first pilot conducted in Arkansas, Colorado, Illinois, and Ohio, this pilot yielded extremely useful findings.

1. Summary of Results

Exhibit 6 presents a summary of the findings for the five States involved in the second pilot and for the four States involved in the first pilot. The results from the second pilot demonstrate a very similar range to the findings in the first pilot. As can be seen in the summary table below, the estimated percentage of improperly authorized payments in the five pilot States ranged from a low of 2 percent to a high of 18 percent. These results are very similar to the percentage of improperly authorized payments for the four States in the first pilot, which ranged from 4 percent to 20 percent.

**Exhibit 6. Summary of Findings
Second Pilot**

Measure	Florida (N=150)	Kansas (N=150)	New Jersey (N=150)	Oregon (N=150)	West VA (N=150)
Percentage of cases with errors	35%	35%	19%	27%	22%
Percentage of cases that have an improperly authorized payment	35%	35%	19%	11%	14%
Percentage of improperly authorized payments	18%	11%	13%	2%	7%
Average amount of improperly authorized payment	\$130.35	\$89.42	\$215.82	\$120.33	\$126.14

First Pilot

Measure	Arkansas (N=150)	Illinois (N=150)	Ohio (N=123)	Colorado (N=150)
Percentage of cases with errors	12%	24%	44%	35%
Percentage of cases that have an improperly authorized payment	12%	6%	32%	25%
Percentage of improperly authorized payments	14%	4%	20%	8%
Average amount of improperly authorized payment	\$289.53	\$150.64	\$194.28	\$88.99

For the estimated percentage of sampled cases determined to contain administrative errors related to eligibility, the five pilot States' percentages ranged from 19 percent to 35 percent. The four States in the first pilot had a wider range, with the percentages of cases with errors ranging from 12 percent to 44 percent.

For the percentage of sampled cases with administrative errors that resulted in an improperly authorized payment, the five pilot States percentages ranged from 11 percent to 35 percent. The four States in the first pilot had a slightly lower range with the percentage of cases with an improperly authorized payment ranging from 6 percent to 32 percent.

The average amount of an improperly authorized payment in the five pilot States ranged from a low of \$89.42 to a high of \$215.82. The four States in the first pilot had a slightly higher range with the average amount of an improperly authorized payment ranging from \$88.99 to \$289.53.

Both pilots' findings suggest that there is little, if any correlation, between States' percentage of cases in error, the percentage of cases in error that had an improperly authorized payment, and the percentage of improperly authorized payments. In comparison to New Jersey, Kansas had relatively high numbers of cases with errors and cases with an improperly authorized payment. Yet the Kansas percentage of improperly authorized payments was the lower of the two States. In the first pilot, Arkansas had a percentage of improperly authorized payments that exceeded both its percentage of cases with errors and percentage of cases with errors that had improperly authorized payments. State improper payment strategies need to focus on both the most common error types and those error causes which produce errors of greater amounts, such as ineligibility.

A major difference in the findings of the two pilots is the ratio of the percentage of cases with errors and the percentage of cases with errors that resulted in an improperly authorized payment. Of the four States in the first pilot, only Arkansas found all cases with errors to have an improperly authorized payment, whereas in the second pilot, three of the five States—Florida, Kansas, and New Jersey—found all cases with errors to have an improperly authorized payment. This finding should not be interpreted as an indication of the quality of the case work in a specific State, but

rather as a product of the variances in the State eligibility policies. More importantly, it has implications for the methodology of conducting a consistent review process across States.

2. Most Common Errors

Exhibit 7 presents the most common errors within various eligibility elements, ordered from highest to lowest, for the five pilot States. Qualifying Care (Element 340), Income (Element 400), Payments (Element 420), Application Forms (Element 100) and Household Members (Element 320) were the five most common errors representing 91 percent of all errors. The remaining 9 percent (16) of the errors occurred in Other review elements, such as: Residency, Qualifying Child and Computations. All five pilot States experienced errors in Qualifying Care and Income. Three of the four States in the first pilot also had Income errors. Kansas had the highest frequency of errors in Qualifying Care, 43 of the 54 total errors. Florida had the highest frequency of errors in Payments, 22 of the 24 total errors. In comparing the frequency of the error elements, Kansas and Florida had the greatest frequency of Qualifying Care and Payment errors. Only Florida and New Jersey had errors in all five of the most common elements.

Exhibit 7. Frequency of Elements in Error

	Florida	Kansas	New Jersey	Oregon	West Virginia	Total
Qualifying Care (Element 340)	1	43	4	5	1	54 (32%)
Income (Element 400)	9	8	13	11	4	45 (27%)
Payments (Element 420)	22		2			24 (14%)
Application Forms (Element 100)	10		3		7	20 (12%)
Household Members (Element 320)	5		3		2	10 (6%)
Other	6	1	3		6	16 (9%)
Total	53	52	28	16	20	169

Missing documentation was the primary cause of the most common errors displayed in Exhibit 7. The States, in both pilots, differed in their coding or attribution of error types. Some States assigned all errors of missing documentation to Applications (Element 100). Others assigned the error to the element pertinent to the missing documentation, for example, assigning missing pay stubs to Income (Element 400). This is an important difference when comparing data between States.

Exhibit 8 presents the most costly errors in total dollars from highest to lowest amount. As with error frequency (Exhibit 7), Income and Qualifying Care were the two most costly errors representing 28 and 26 percent respectively of all improper authorized payments. Application Forms represent an additional 23 percent of the improper authorized payments. Household Members and Payments errors were 11

percent and 4 percent of the total respectively. The remaining 8 percent (\$1,791) of the total improper payments occurred in other review elements such as Residency, Qualifying Child and Computations.

Exhibit 8. Dollar Amounts of Elements in Error

	Florida	Kansas	New Jersey	Oregon	West Virginia	Total
Income (Element 400)	\$1,271	\$342	\$3,391	\$1,082	\$176	\$6,262 (28%)
Qualifying Care (Element 340)	\$30	\$4,278	\$470	\$843	\$63	\$5,684 (26%)
Application Forms (Element 100)	\$2,499		\$1,638		\$889	\$5,026 (22%)
Household Members (Element 320)	\$1,331		\$434		\$708	\$2,473 (11%)
Payments (Element 420)	\$733	0	\$79		0	\$812 (3%)
Other	\$1,044	\$30	\$31		\$686	\$1,791 (8%)
Total	\$6,908	\$4,650	\$6,043	\$1,925	\$2,522	\$22,048

3. Interpretation of Missing Documentation Errors

A detailed review of the error findings in the area of missing documentation shows that States had similar findings with very dissimilar error results. Great latitude was given to the pilot States in defining errors. Some States interpreted missing or out-of-date verification as causing improperly authorized payments, while other States ruled the missing or out-of-date verification as a procedural error or no error. This inconsistency between reviewer’s interpretations also occurred within a State’s findings, despite States' efforts to achieve inter-rater reliability.

4. Coding of Missing Documentation Error Types

In addition to differing definitions of errors, the States in both pilots differed in their coding or attribution of error types. Some States assigned all errors of missing documentation to Applications (Element 100). Others assigned the error to the element pertinent to the missing documentation, for example, assigning missing pay stubs to Income (Element 400). This is an important difference when comparing data between States. Although the treatment of missing documentation varied between the States, missing documentation was the primary error cause and accounted for 28 percent of the total improperly authorized payments in the second pilot and 57 percent of the total improperly authorized payments in the first pilot.

5. Review Process and Missing Documentation Error

States determined whether to review records centrally or in a local office. A concern specific to centralized reviews is the shipment of case records. It is not uncommon for record material to be missed when a record is shipped, for example, failure to obtain retired material or recently received but un-filed documentation. However, the findings from the two pilots do not indicate that the decision to review the records centrally, rather than at the local office, was related to the frequency of missing

documentation as a cause for errors. New Jersey reviewed records at the local CCR&R agencies and had as high a frequency of missing documentation errors as Florida, which reviewed records centrally. Ohio reviewed some records centrally and those from the larger jurisdictions, such as Cuyahoga County, on site. Cuyahoga County accounted for 30 of the 42 missing documentation errors.

As an error type, missing documentation is not affected by some corrective action strategies, such as exception reports, system edits, and data matches. Training to increase staff awareness of the problem, knowledge of policy, interviewing skills, and quality of routine case reviews are the most effective strategies States can use to prevent or reduce procedural or policy errors. The State responses to the error findings in both pilots include numerous initiatives to improve the quality of case work and the frequency of reviews.

6. Interpretation of Income Errors

Income errors were the only error type observed in all nine States. Income errors accounted for 28% of improperly authorized payments in the second pilot and was a major error prone area in all five pilot States. Similar percentages existed in the first pilot, where income accounted for 23 percent of the improperly authorized payments. Income error causes included: conversion, averaging, deductions, failure to include documented income, and inclusion of income, following job termination. The State responses to the error findings included initiatives targeting income verification and calculation policies.

7. Coding of Income Error Types

States in both pilots differed in their coding of income computation errors. Some reviewers assigned the error to Income (Element 400), while others assigned it to Payments/Computations (Element 430). Another inconsistency involved the connection between an Income error (Element 400) and the effect it has on the Rate/Fee schedule (Element 340). Some reviewers coded an income error and others assigned it to both review elements. Oregon's responses to the error findings in the second pilot included an initiative regarding training of reviewers on error interpretation.

8. Interpretation of Hours of Care Errors

The calculation of hours of care was the third most costly error in the second pilot, accounting for 26 percent of the improper authorized payments. Unlike missing documentation and income, the significance of errors in the calculation of hours of care varied widely across the five States. West Virginia had one hours of care error that accounted for 2 percent (\$63) of the improper authorized payments within the sampled cases. New Jersey also had a relatively small number of hours of care errors that accounted for only seven percent (\$470) of the improper authorized payments. These findings contrast with Kansas which had 43 case errors accounting for 92 percent (\$4,277) of the improper authorized payments. The hours of care error causes were most often the failure to allow travel/meals, hours that were inconsistent with work or school schedules, and the incorrect use of half time vs. full time. Based on

previous child care case reviews, Kansas anticipated having cases with errors based on the fact that the sample month of October 2005 was the second month following conversion to the EBT system. Florida had the additional issue of the closure of centers due to hurricanes. As with missing documentation, the State responses to these error findings include training and case reviews.

9. Summary of State Responses

As a result of this pilot, each of the five States has planned action steps or has implemented several new systematic changes to improve monitoring and reduce improper payments. The State strategies include:

- Strengthen supervision of new eligibility workers;
- Clarify selected standards with eligibility workers;
- Improve IT system elements to:
 - Prevent or decrease calculation errors,
 - Generate exception reports to highlight areas of potential problems or concern,
 - Implement automatic income calculation, and
 - Enhance the capability of extracting data from other data systems;
- Conduct extensive technical assistance in counties to address error-prone areas;
- Institute changes in the monitoring process;
- Introduce statutory changes to simplify access to other State databases; and
- Examine State policies to determine what changes may be necessary to provide more consistent application of policies and procedures.

Some of the State specific actions are:

- West Virginia Technical Assistance staff will continue to perform random quarterly case audits. Prior to the pilot, the FACTS electronic record was the object of the review. An expanded review will now include the physical case record.
- Oregon continues to conduct a series of “Accuracy Summits” in all areas of the State that focus on techniques to reduce errors in the Food Stamp program. Beginning with the next series of summits in July 2007, workshops to improve payment accuracy in child care will be included in the summits.
- Oregon plans to modify the Food Stamp targeted review process and database that contains review information to ensure that income errors identified in the Food Stamp case are corrected in the companion Employment Related Day Care (ERDC) case.
- Kansas continues to complete monthly Child Care QC reviews and uses the results of these reviews to inform training needs. Kansas is updating the Child Care Personnel Trainer and Training Academy to emphasize case documentation and computation of hours of care needed and income. Kansas supervisors now complete monthly case reviews for the Child Care Assistance Program.

- Kansas contracted with a firm to develop software to track all case review findings and provide aggregate review data. The web based system tracks aggregate case review data for the mandatory Food Stamp reviews and the child care reviews. The child care reviews began in July 2006. The software cost was \$75,000 and there is an 18 percent annual maintenance costs agreement.
- Florida developed a desk reference tool for eligibility procedures, initiated focused monitoring and training on eligibility procedures on an annual basis and is providing each Early Learning Coalition (ELC) with its individual results of the pilot review process along with recommendations for corrective action.
- New Jersey is implementing a process to conduct electronic matching of the automated child care client database with records on other wage, SSI, and child support information systems to identify and reduce the number of improper payments.
- New Jersey plans to continue conducting child care record reviews utilizing the pilot monitoring tool, using a methodology that guarantees a statistically valid sample size of randomly selected cases, and will hire or allocate quality assurance staff needed.
- Recognizing the limitations of its legacy automated system, KIDS (Key Information Delivery System), Arkansas designed and developed a new automated eligibility system called Keying in Day Care Accurately, Reliably, and Efficiently (KIDCare), to be fully operational as of July 2005. Arkansas designed KIDCare to determine eligibility based on program specific guidelines and has incorporated numerous edits to prevent inaccuracies from occurring on the front end of eligibility determination.
- Illinois developed a resource guide for workers to outline acceptable forms of documentation or verification needed to determine eligibility accurately. The guide provides clarification for workers to use with clients during the eligibility process when the client cannot produce the required documentation. A worker can place a case in a pending status while awaiting necessary documentation.
- As a direct result of the first pilot, Ohio began to retool its monitoring and technical assistance processes with the county agencies, implemented a quality control process for the child care program, and examined policy for possible revisions to strengthen and clarify procedures.
- In response to the first pilot, Colorado planned to implement an automatic income calculation into Colorado's automated Child Care Tracking System. State staff also conducted training and feedback with all participating counties to address deficiencies identified in the pilot. Staff members then shared the results of the error rate analysis at the State child care conference and changed statutory language to simplify access to other State databases such as those for new hires and unemployment compensation. Colorado also examined State policies to determine where changes may be necessary to provide more consistent application, particularly in the area of self-employment.

V. COST ANALYSIS

In order to estimate the burden to States to implement the pilot error rate methodology, each of the nine pilot States (including the four States from the first pilot and five States from the second pilot) agreed to work with the Child Care Bureau (CCB) to determine the costs associated with the methodology implementation. This chapter reviews the costs incurred by all nine pilot States to implement the methodology with a sample size of 150 selected from the universe of cases for one month.

A. Objectives of the Cost Analysis

The CCB asked the contractor to expand upon the cost analysis findings from the first pilot of the error rate methodology to include the additional five States from the second pilot. In addition to the data from the two pilots, this cost analysis also draws upon data from California, where staff computed cost information and provided it to the CCB. The inclusion of the California data is useful because the California legislature mandated implementation of an on-going child care error rate methodology. The California methodology closely mirrors the methodology used in the two CCB pilots and, therefore, California's results lend additional substance to the analysis.

During any pilot, two important questions are how much effort did the State expend and was that effort worth the results that the State achieved. The first pilot provided an initial baseline analysis of costs incurred by the four States. The first pilot findings also underscored the importance of regularly conducted compliance reviews by States to improve administrative practice. In order to further that analysis, this chapter examines the estimated costs for the initial four pilot States, the costs for the five States that participated in the second pilot, and the additional cost information from California.

B. Conceptual Design

The conceptual design for the cost analysis involved two general types of cost variables—fixed and variable (usually per capita). For example, costs associated with training the Review Team are essentially fixed, one-time costs for a specific year's cost analysis, provided all of the Review Team members can be trained during a single session. If multiple sessions are required for review of a one-month sample of cases, which was not the case for the nine pilot States, additional sessions would involve only the costs associated with presenter and participant time, since the preparation time will have already been incurred (e.g., development of a training agenda and training materials).

Site visit costs to the pilot States are relatively fixed, with the major exception that there were two-day site visits to the four States in the first pilot and only one-day site visits to the five States in the second pilot. In the first pilot, the Federal Project Team visited one or more county locations in some of the States. Therefore, the first pilot includes county costs for the additional day(s), travel, and county staff burden. The second pilot did not include a second day to visit a county or local child care office/Child Care Resources and Referral (CCR&R) agency, so no county costs are reflected in the preparation, site visit, and training costs below.

In both pilots, costs also were broken out by general levels of pay (hourly) rates, plus benefits, to achieve better precision. The principal cost variable is the average per capita cost to review a record. The review costs would also include the staff costs for the re-review of records in some states. Additional per capita costs would be the cost of follow-up verification, as one example, but this only occurred for a subset of records in the State of Colorado in the first pilot.

Finally, the contractor calculated the costs for the nine pilot sites based on the sample size of 150 cases reviewed; however, when viewing the California costs it is important to note that California used a sample of 1,744 cases due to State legislative requirements.

C. Measuring the Costs to Conduct the Error Rate Pilot

To begin the cost analysis in the first pilot, the contractor contacted each of the pilot States and California to explain the expanded¹⁷ cost analysis. Each of the States was eager to continue the work begun during the pilot and pledged to provide the data on costs incurred during the process. The next step was to develop a tool to collect data regarding the costs associated with measuring improper payments in the child care program. For the initial four pilot States, the contractor also captured the costs associated with conducting a site visit in association with measuring improper payments, as well as the estimated costs associated with conducting the record review.

D. Cost Analysis Worksheet Development

The contractor developed a draft worksheet template to capture the relevant cost information and shared it with the initial four pilot States. After the States commented on the draft worksheet, the contractor modified the worksheet and sent it to the participating States. After discussions with the pilot States, a consensus set of cost categories emerged. The cost categories were staff time, materials, copying, postage and site visit costs. For the first pilot, the worksheet included :

- Costs incurred by different State, county, CCR&R agency and contractor staff for conducting the record review process;
- Costs related to participating in the site visits; and
- Federal participants estimated costs for the site visit only.

The contractor used a slightly modified cost analysis worksheet in the second pilot in order to capture greater detail on the costs incurred by different staff to complete each of the error rate pilot tasks:

- Preparation and training of the Review Team (including the Federal Project Team site visit);
- Drawing the sample;
- Record review process;
- Consolidating the data on the *Data Entry Forms*;

¹⁷ After the first pilot, the CCB asked the contractor to expand upon the findings and analyze the costs incurred by the State and Federal participants to conduct the site visits and record reviews.

- Reviewing the findings and responding to the three questions; and
- Discussion of causes/strategies and report preparation.

The second pilot did not ask States to gather county, local agency, and contractor costs, since local staff did not participate in the second pilot.

Staff time was divided into categories according to job classification—Review Team, Computer Support, and Clerical Support—to allow for differing salary ranges. Within these job categories, costs were estimated for the above activities.

E. Preparation and Site Visit Costs

For estimating the costs involved in preparation and training for the error rate project, the second pilot States estimated the costs associated with participating in the technical assistance planning calls with the contractor, customizing the *Record Review Worksheet* template, planning for and participating in a one-day site visit, selecting and training the record review team, conducting the case record review, and completing the *Data Entry Form*.

The first pilot focused on the costs associated specifically with the site visits. In the first pilot, the Federal Project Team consisted of two contractor staff members, the Federal Regional Office representatives, and several Federal Central Office staff members. During the second pilot, the Federal Project Team consisted of two contractor staff members, Federal Regional Office representatives, and Federal Central Office staff. Only one Federal Central Office staff member was present in Kansas and New Jersey, two Federal Central Office staff members were present in Florida, and three were present in West Virginia.

In both pilots, the focus of the site visit was to review the tools that States would use to conduct the record review process, discuss the universe of cases (sampling frame) and the selected sample, and provide technical assistance that might be necessary for a successful record review. In some of the States, the site visit team also conducted a review of several of the records. This process allowed for questions and clarifications concerning the tools and definitions prior to beginning the actual review. This training process increased inter-rater reliability and ensured consistency across States regarding error interpretation.

Exhibit 9 highlights the aggregate State and County costs for the two-day site visit activities in the first pilot and the State only costs for preparation, training, and the one-day site visit in the second pilot.

Exhibit 9. Preparation, Training and Site Visit Costs for Nine Pilot States

Initial Pilot States	
Arkansas	\$7,352
Colorado	\$7,140
Illinois	\$5,000
Ohio	\$10,295
Sub Total	\$29,787
Second Phase Pilot States	
Florida	\$10,061
Kansas	\$3,814
New Jersey ¹⁸	
Oregon	\$3,173
West Virginia	\$2,154
Sub Total	\$19,202
TOTAL COSTS	\$48,989

In the first pilot, the consensus among all participants was that the time spent discussing the *Record Review Worksheets* and reviewing the definition of each element was essential to establish consistency, both within and across States. In the second pilot, the site visit had a dual focus of reviewing State eligibility practices regarding improper payments in addition to providing technical assistance around sampling and the review methodology.

Costs were higher in the first pilot because the site visit occurred over two days and involved visiting one or two local child care offices. County staff time accounted for a substantial number of hours and costs in the first pilot. The second pilot focused on gauging State costs only involved with preparation, training, and the one-day site visit. Costs were lowest for the States, such as Kansas, Oregon, and West Virginia, that used existing quality assurance and monitoring staff to conduct the child care reviews. While Florida recorded approximately the same number of hours as the other States for preparation and training, Florida used a higher average hourly (salary + benefits) rate to estimate the cost of staff time.

F. Record Review Costs

Although each of the participating pilot States engaged in the same basic process to conduct the record reviews, there was some variation in implementation.

1. Four States in the First Pilot

- Ten staff members from county offices in Arkansas comprised the Review Team. The reviews occurred in Little Rock. The Review Team members received an overview and training on the process used to review the records. The Review Team conducted the record reviews in a large room and questions about individual records were resolved by asking questions within the group.

¹⁸ New Jersey data were not available at the time of final report submission.

- In Colorado, staff from the counties first reviewed the records before they submitted them to the State. The Review Team then conducted an in-depth review of all records. For the record review process, two staff members from two different State offices—one from the Audit Division of the Office of Performance Improvement and one from the Child Care Division—participated in the pilot.
- In Illinois, staff from the Program Integrity and Quality Assurance Unit comprised the Review Team. This review was an extension of the regular duties and functions of this unit. Little modification or variation from the normal processes was necessary to meet the record review requirements. Because of the volume of cases in the Cook County CCR&R agency, the Cook County CCR&R—Action for Children—reviewed the cases on site. The other CCR&R and site-administered programs sent their records to the Department of Human Services for review.
- Ohio did not have an existing process in place to conduct the case record reviews. Prior to the pilot, the Research, Assessment, and Accountability Division, Quality Control Unit did not audit child care, believing that child care program requirements were too vague to lend themselves to a quality assurance review process. This unit, along with staff from the Office for Children and Families, Bureau of Child Care and Development, comprised the State Review Team that conducted the record reviews.

2. Five States in the Second Pilot

- In Florida, the Review Team consisted of two Managers, two Performance Analysts, and three Program Analysts. Florida made substantial modifications to the *Record Review Worksheet* template. The review process occurred centrally, with all records sent to Tallahassee. A second member of the team re-reviewed all records for inter-rater reliability.
- The Kansas Review Team consisted of three Quality Assurance Supervisors (Topeka, Wichita, Kansas City) and three Quality Assurance Specialists. The team also conducted a re-review of all cases by having a second team member conduct the review. When both team members agreed on an error, they sent a notice to the local Social Rehabilitation Services (SRS) office for corrective action. The Review Team reviewed all records centrally in Topeka. Kansas modified the *Record Review Worksheet* to include “Yes” or “No” questions to reduce the amount of written narration for the reviewers.
- New Jersey substantially amended the *Record Review Worksheet* template to substitute coding and specific boilerplate language to guide the reviewer’s written case narrative. New Jersey trained the Review Team members centrally and then reviewers conducted the reviews in their assigned regions at the local CCR&R agencies. The Review Team consisted of three Supervisors and 13 Child Care Specialists.
- Oregon made very few modifications to the *Record Review Worksheet* template. The Review Team consisted of five Quality Control (QC) Staff Persons who have responsibility for TANF and FS case reviews. Following training on child care policy and procedures, the Review Team reviewed the

cases centrally. The State Team Leader reviewed all cases with errors a second time and discovered that the Review Team went beyond the level of a desk audit, expecting greater detail in documentation than what had been anticipated or required of the child care review process. As a result, the Review Team reviewed a subset of cases a third time and changed some review results accordingly.

- West Virginia made substantial modifications to the *Record Review Worksheet* template, using check-off boxes, “Yes” and “No” fields and coding to eliminate narrative recording. West Virginia completed the record review process and compiled the results prior to the site visit. The Review Team consisted of two Field Consultants and a Policy Specialist. The reviews occurred on site at the regional CCR&R agencies. The reviewers had already read 10 cases during one of their regular CCR&R audits. To improve the review process, the three reviewers completed several reviews jointly and consulted by telephone frequently. Because the team reviewed the cases regionally, travel time was a considerable factor with several hours of driving time from one CCR&R agency to another.

Each of the four States in the first pilot submitted information concerning the costs for conducting the record reviews. Exhibit 10 presents the State and local/county costs for the record review process and site visits for the four States in the first pilot.

Exhibit 10. Cost of Record Review Process for Four States in the First Pilot

Task	Arkansas		Colorado		Illinois		Ohio	
	State	County	State	County	State	County	State	County
Staff Time (Review Team)	\$12,030	\$5,742	\$22,920	\$10,465	\$16,760	\$6,475	\$26,571	\$9,173
Staff Time (Computer Support)	\$150	\$110	\$560	\$175	\$1,338		\$2,568	\$4,275
Staff Time (Clerical and Other Support)			\$170	\$1,780	\$2,094	\$1,906	\$1,545	\$3,947
Site Visit	\$1,920	\$5,432	\$5,970	\$1,170	\$3,500	\$1,500	\$9,341	\$954
Materials	\$50		\$50	\$50	\$10	\$115	\$1,378	\$726
Copying	\$25		\$1,378		\$20	\$138	\$42	\$865
Postage			\$260	\$260	\$6	\$212	\$183	\$412
Travel			\$100		\$4		\$855	
Other Costs			\$500			\$385	\$4,298	\$2,003
Subtotal	\$14,175	\$11,284	\$31,908	\$13,290	\$23,732	\$10,731	\$46,781	\$22,355
COMBINED TOTAL COSTS	\$25,459		\$45,198		\$34,463		\$69,136	

In the first pilot, several factors contributed to differing totals among States. Arkansas reduced many of its costs by requesting that field staff members transport the records to

Little Rock—a central location—for the record review. Illinois had an existing process in place for conducting record reviews; therefore, the costs in Illinois were less than in Colorado and Ohio, where a new process was developed and implemented. The two county-administered States incurred higher costs than the State-administered States, suggesting that the cost burden for county-administered States (Colorado and Ohio) may be substantially greater than for State-administered States (Arkansas and Illinois). Exhibit 11 shows that California, a county-administered State, corroborated this finding, because it had 11 times as large a sample size, compared with the pilot States, but it had a total cost of more than 20-30 times the costs for Colorado and Ohio and 50-60 times the costs for Illinois and Arkansas.

Exhibit 11 presents California’s total costs for the record review process. California’s total costs are substantially higher due to the larger sample size of 1,744 cases.

Exhibit 11. Cost of Record Review Process for California

Task	Time	Cost
Staff Time (Review Team)		
Preparation		\$142,333
Training		\$71,167
Record Review		\$640,500
Subtotal		\$854,000
Staff Time (Computer Support)		
Preparation		\$500,000
Training		\$0
Record Review		\$50,000
Subtotal		\$550,000
Staff Time (Clerical and Other Support)		
Preparation		\$10,833
Training		\$5,417
Record Review		\$48,750
Subtotal		\$65,000
Materials		\$0
Copying		\$500
Postage		\$0
Travel		\$0
Other Costs		\$100,000
TOTAL COSTS		\$1,569,500

Because of the modified cost analysis worksheet in the second pilot, States tracked the time utilized by different staff to complete each of the error rate pilot tasks:

- Preparation and training of Review Team (including the Federal Project Team site visit);
- Drawing the sample;
- Record review process;
- Consolidating the data on the *Data Entry Forms*;

- Reviewing the findings and responding to the three questions; and
- Discussion of causes/strategies and report preparation.

The second pilot did not ask States to gather county, local agency, and contractor costs, since local staff members did not participate in the second pilot.

Exhibit 12 displays the aggregate costs summarized by tasks for four of the five States in the second pilot. New Jersey's cost data were unavailable at the time of report submission.

Exhibit 12. Cost of Project Tasks for Five States in the Second Pilot

<i>Tasks</i>	<i>Florida</i>	<i>Kansas</i>	<i>New Jersey¹⁹</i>	<i>Oregon</i>	<i>West Virginia</i>
Preparation, Training, and Site Visits	\$10,061	\$3,814		\$3,173	\$2,154
Record Review Process	\$14,550	\$8198		\$6,981	\$2,260
Drawing the Sample	\$2,225	\$388			\$655
Consolidation of The Data	\$1299	\$561			\$310
Reviewing the Findings	\$3533	\$157		\$1454	\$717
Discussion of Causes/Strategies and Report Preparation	\$1073	\$179			\$388
Materials	\$279				\$107
Copying	\$225	\$771			\$19
Postage	\$620	\$128			
Travel	\$2,477				\$690
Other Costs					
Total Costs²⁰	\$36,671	\$13,603		\$11,609	\$7,686

Final analysis of the cost data does not include the data from New Jersey. For the remaining States, the costs incurred during the second pilot are less than those incurred by States which participated in the first pilot. Reasons for this include:

- States in the second pilot had access to information and instrumentation published in the final report from the first pilot.
- Four of the five States in the second pilot made significant modifications to the *Record Review Worksheet* to reduce the time needed for its completion.

¹⁹ As of the submission of this report, New Jersey cost data were not available.

²⁰ These are State costs. County costs were not estimated in this pilot

- Costs were lowest for the States, such as Kansas, Oregon, and West Virginia, that used existing quality assurance and monitoring staff members to conduct the child care reviews.
- While Florida recorded approximately the same number of hours as the other States for preparation and training, Florida used a higher average hourly (salary + benefits) rate to estimate the cost of staff time.
- The site visits in the first pilot lasted two days to allow time for local office visits (Ohio had two local office visits). The States estimated a cost of \$9,000 for county staff for these visits. In the second pilot site visits were reduced to one day and the local office visits were eliminated.
- The States made different choices in the staff assigned to the Review Team. Those States that assigned the task to central office administrators, auditors and policy specialists had significantly higher review team costs than those States where existing review staff completed the review. The three States in the second pilot that used existing Quality Control and monitoring staff members for the review had the lowest record review team costs among the nine States.
- Total costs in the second pilot included a process to re-review cases to increase inter-rater reliability and to verify the accuracy and consistency of error determination. Some States included these costs as part of the record review process, while Oregon recorded time and costs for the re-review process as a separate activity. The re-review process did not add substantially to the total per case review time.
- County costs were not estimated in the second pilot.

VI. RECOMMENDATIONS

A goal of the error rate pilots was to test a methodology that could provide States with useful information on areas for improvement in administrative policies and procedures. All nine States acknowledged learning additional useful information about the quality of their eligibility processes.

The two most frequent errors in the Second Pilot occurred in the calculation of hours of care and treatment of income. The three most costly errors occurred in the treatment of income, calculation of hours of care and application forms. Although the error coding of missing documentation varied between the States, it was the primary error cause in the second pilot.

As a result of this pilot, each of the five States has planned action steps or has implemented several new systematic changes to improve monitoring and reduce improper payments. Highlights of some of the State strategies include:

- Strengthen supervision of new eligibility workers;
- Clarify selected standards with eligibility workers;
- Improve IT system elements to:
 - prevent or decrease calculation errors;
 - generate exception reports to highlight areas of potential problems or concern;
 - implement automatic income calculation; and
 - enhance the capability of extracting data from other data systems.
- Conduct extensive technical assistance in counties to address error-prone areas;
- Institute changes in the monitoring process;
- Introduce statutory changes to simplify access to other State databases; and
- Examine State policies to determine what changes may be necessary to provide more consistent application of policies and procedures.

The other goal of the error rate pilot was to test the error rate methodology in different States to produce useful lessons learned regarding management of the methodology process to result in reduction of State burden and improvement in the accuracy of the review findings. Based on the experience of nine pilot States, this chapter provides the implications for replication or expansion of the error rate process including recommendations regarding:

- Management of the error rate methodology process;
- Provision of instructions and managing the review process;
- Use of the instruments;
- Modifications to improve reliability across States; and
- Implications for ongoing technical assistance.

A. Management of the Error Rate Methodology Process

1. State Project Team Formation and Responsibilities

To coordinate the error rate methodology process, a State needs to create a State Project Team (Project Team). A critical factor in the quality of the review process in the second pilot was the leadership role played by the Project Team. The more successful teams had similar characteristics. Leadership of the Project Team was assigned to a high level management staff member. The Project Team leader's responsibilities included establishing and adhering to timelines; customizing the Record Review Worksheet; training the reviewers; and arranging Project Team meetings.

In addition to the Project Team leader, the Project Team membership should include the State Lead Agency administrator, staff representatives from program, policy, training, information technology, and the Review Team leader.

The inclusion of the State Lead Agency administrator provides the appropriate level of importance to the Project Team's assignment. Program and policy team members provide critical input into the customization of the *Record Review Worksheet*, logistics of the record review process, record review process training, coordination of the re-review process, consolidation of the data analysis and error findings, and completion of the *State Response Form*. IT staff provide critical logistical support to the sample selection process, as evidenced in the sampling issues New Jersey confronted (pg. 27), and automation of the *Record Review Worksheet*.

2. Provision of Time to Complete All Steps of the Process

In managing the review process a State must allow enough time to adequately complete the error rate methodology. The pilots provided illustrative data on the amount of time needed to complete the methodology, but it should be remembered that these statistics are related to (1) a 150 case sample for a single sampling frame and (2) a project completed with considerable technical support, particularly in the sample selection and data analysis.

While sample size and technical support clearly play a role in time estimates the length of time for States to complete the error rate methodology is largely dependent on selecting and providing sufficient staff resources to the actual record review component. Those pilot States with Review Team members who were experienced in any local operations or compliance monitoring function (Quality Control (QC), audit, technical support) accomplished the record review efficiently and accurately.

Setting timelines for completion of the error rate methodology process requires consideration of several other factors. If the State decides to expand the pilot methodology and conduct reviews more frequently than once a year, arrangements must be made in advance with IT for additional sampling and with county agencies or local contractors to obtain additional case records for the review process. Likewise time will be a factor if a State decides to include in the review additional client information sources (social security and wage data bases, motor vehicles, etc.) and

attendance and payment files. Arrangements would need to be made in advance to coordinate with other parts of the agency to obtain records or payment files. Three States captured review completion information (date assigned/date completed) in their *Record Review Worksheet*. Two of these had large State Review Teams and conducted the review centrally and the other was one of the smallest State Review Teams and read records on site. Based on that information, the review of the 150 case sample with a single review month took one month for all three States. All States agreed with the estimate given at the site visit. *It is recommended that the methodology timeframe allow for one hour for each case record review.*

The decision of whether to conduct the case record review process locally or centrally will have a time and workload effect at the county agency or local contractor level. The State timeline needs to provide the time necessary for each reviewer's travel or the shipping of case records to a central location for reviews. *It is important for States to estimate adequate time for the re-review process, an important reliability check used by the pilot States.* Because the re-review component of a centralized record review has fewer practical problems than if the records are read at the local site, it is especially important for the State to include a step in the timeline for a re-review method if its decision is to review records locally. West Virginia addressed the re-review issue through the use of conference calls on error cases.

The time needed for sample selection is dependent on a State's IT resources and whether or not the sample selection can occur centrally. For some pilot States, sample selection was dependent on cooperation with county agencies or local contractors who may have separate data systems or none at all.

B. Provision of Instructions and Managing the Review Process

Under the leadership of the Project Team, a State needs to establish a State Review Team (Review Team). The State will need to consider existing review processes and staff assignments when making decisions about the actual composition and size of the Review Team.

1. State Review Team Selection and Training

The States made different choices in the type of staff assigned to the record review. Those States that assigned the task to central office administrators, auditors and policy specialists had significantly higher review team costs than those States where existing review staff completed the review. The two States in the second pilot that used existing Quality Control staff for the review (Kansas and Oregon) had two of the lowest record review team costs of all nine States.

Kansas assigned the task to three of its existing quality assurance reviewers. These staff members had extensive experience conducting reviews in the TANF and Food Stamps programs and had conducted an earlier review of child care cases. Oregon also chose existing Food Stamp review staff members. The Florida review staff members included Performance and Program Analysts, who normally conduct audits and reviews (grants, financials, contracts, etc.) of the Early Learning Coalitions

(ELCs). West Virginia assigned the task to two Field Consultants and a central office Policy Specialist. Staff members from the State's Central office audit and policy divisions completed the Colorado review. Arkansas chose local office staff members as reviewers.

The staff resources assigned to the actual record review varied among the States in the pilots. The West Virginia and Colorado reviews were completed by three staff members and the Ohio review by four staff members. New Jersey and Arkansas were at the high end of the range with 13 and 10 staff members respectively. A determinant of the team size is the composition of the team. To the assigned staff members the record review is best described as a "special project." Some consideration had to be given to their normal responsibilities as program manager, policy specialist, auditor or Quality Control reviewer. Only West Virginia, Ohio and Illinois managed to combine record reviews with the staff members' normal field visits.

Regardless of the existing review processes and the composition of the Review Team, formal training is necessary to achieve inter-rater reliability. The training needs to include actual case reviews to increase the consistency of error definition, attribution, and interpretation.

States need to establish a process to conduct re-reviews of a subset of all cases to enhance inter-rater reliability of error interpretation. The findings from the second pilot underscored the need to incorporate some form of re-review or joint review to enhance inter-rater accuracy. It is recommended that the re-reviews be drawn from a sub-sample of **all** cases and not limited to just cases with an improperly authorized payment.

2. Instructions for Error Interpretation and Coding

Feedback from the pilot States and review findings underscore the critical importance of training the reviewers in State rules, policies, and procedures. Even with staff experienced in conducting case record reviews, it should not be assumed that all members of the Review Team agree on the interpretation of policy and, as a result, "what is" or "is not" an error. Many State eligibility policies are replete with "mays" and "shoulds." In contrast, the quality of the information produced by the case record review process depends on the consistency of error definition and coding.

It is also very important for training to emphasize the need for sufficient detail in Column 3 of the Record Review Worksheet so case information and error findings can be understood. Without training, reviewers will rely on their own experiences and perspectives in deciding errors and causes. For example, several site visits included case reviews as an agenda item in the review process overview. During the discussion, it was common for the reviewers to express very different decisions about the case situations. This was particularly true if the Review Team consisted of Quality Control (QC) staff members who may be accustomed to very strict or narrow interpretations regarding failing the case based on missing documentation.

A major emphasis for any future pilot is to provide formal training on standardizing error interpretation, descriptions and coding in the Record Review Worksheet to achieve inter-State reliability of data. The quality of the information produced by the case record review process depends on the consistency of error definition and coding. Inconsistencies across pilot States in error interpretation dramatically influenced the outcomes. States in the second pilot were not consistent in their error coding. There were instances within a State where cases with similar findings had very different error results, in terms of improper payment vs. a correct case. Consistency of error definitions and coding has a direct impact on the accuracy of the data and as a result the development of strategies to address improper payments.

3. Record Review Site

States determined in their review processes whether to review records centrally or in the local office. The choice of whether to conduct the record review at the local office or centrally does not appear to have a major role in deciding the number of staff members assigned to the project. Both West Virginia (three State Review Team members) and New Jersey (thirteen State Review Team members) reviewed the records in the local office. Arkansas, with the second largest State Review Team, read the records centrally.

A concern specific to centralized reviews is the shipment of case records. It is not uncommon for record material to be missed when a record is shipped, for example, failure to obtain retired material or recently received but un-filed documentation. The findings from the two pilots do not indicate that the decision to review the records centrally, rather than at the local office, was related to the frequency of missing documentation as a cause for errors. *A recommendation is to include a response time within the review cycle to allow local agencies the opportunity to provide the missing documentation.* The Quality Control procedures in TANF, Food Stamps, and Medicaid all include local response requirements. Because the re-review component of a centralized record review has fewer practical problems than if the records are read at the local site, the State needs to include a re-review method if its decision is to review records locally.

C. Use of the Instruments

1. Record Review Worksheet Development and Use

The pilot States customized several versions of the *Record Review Worksheet* that can be a reference for other States (Exhibits A-1 – E-1). The different versions were practical in terms of use by the reviewers, but still included the level of detail needed for data analysis. Some observations of the various versions are:

- The *Record Review Worksheet* template contains a section requiring Client ID, State, County, and Date. Four of the nine States (Arkansas, Colorado, Kansas, and New Jersey) developed a face sheet for their *Record Review Worksheet*. The face sheets included summary information of the case being reviewed. Examples of the information captured are case name, address, case number,

the date, and type of the most recent case action (application or recertification), and particulars of the other household members (name, date of birth, relationship). These face sheets also contained information related to the review processing such as reviewer name, date assigned, and completion date. Face sheets are a useful addition to the *Record Review Worksheet*, since they provide a valuable overview of the case and its review. Each of the nine States modified the *Record Review Worksheet* template. *It is recommended that States add a face sheet to the Record Review Worksheet in order to summarize key case review information.* Within the review elements, most States substituted predefined codes, check-off blocks, “Yes” and “No” fields, and specific questions for written narrative summary. States may choose to make changes such as these to simplify and standardize staff worksheet completion.

- A quality summary of the error finding is critical for data analysis. Pilot States differed in the quality of the review narratives in error cases. In some States, the narratives lacked the detail necessary to understand the case information or the error finding. In contrast, the narrative in other reviews provided a thorough synopsis of the case and the review results. Reviewers must provide detail in their error findings in Column 3 of the worksheet. Boilerplate language, “Yes” or “No” fields, and check-offs alone in Column 2 of the worksheet provide sufficient detail for non-errors, but too little detail for error findings. Review Team staff training must stress the importance of the error narrative.
- Three of the States (Florida, New Jersey, and West Virginia) created electronic versions of the *Record Review Worksheet*. Compared to hard copies, the obvious advantages of an electronic version are standardization, ease of analysis, ease of report submission, and ease of archiving. State reviewers access to laptops, portable memory, and shared network files is necessary to eliminate duplicate data entry or manually filling out worksheets and later entering the data electronically. *All States need to make every effort to commit their Record Review Worksheet to an electronic format.* (See Appendices A–1 to E-1 for each State’s *Record Review Worksheet*.)

2. Data Entry Form

The Data Entry Form summarizes the findings contained in the *Record Review Worksheet*. Because the information from the *Data Entry Form* must be standardized if used for inter-State pilot purposes, there are no recommendations pertaining to this form.

- Most States in the second pilot combined the *Data Entry Form* with the *Record Review Worksheet* to assist reviewers in reliably recording the required documentation resulting from the case review findings. West Virginia, New Jersey, and Florida combined the *Data Entry Form* at the end of the *Record Review Worksheet*. Kansas kept the *Data Entry Form* as a separate attachment. (See Appendices A–1 to E-1 for each State’s *Record Review Worksheet*.)

- The *Data Entry Form* is designed to capture the minimum amount of review information necessary to calculate error measures. Since the information in the form may not be modified, a State may wish to consider methods for collecting a greater level of detail when developing its *Record Review Worksheet*. Each State can decide its information needs in the development of targeted corrective action strategies after consolidation of the data and calculation of the error measures.

3. Cost Analysis Form

To determine the feasibility of expanding the review methodology, it was necessary to establish the costs associated with both the site visits and the record review process. The States had the flexibility to modify the costs worksheet, if modifications helped them to collect the necessary cost information. In the first pilot, the contractor instructed the States to gather all costs incurred by the State, counties, and CCR&R agencies and contractors that participated in the pilot. The contractor provided a slightly modified worksheet for the cost analysis in the second pilot. The second pilot did not ask States to gather separate county, CCR&R agency, and contractor costs, since local staff members did not participate in the second pilot. Several States in the second pilot stated that the costs were a “best guess” estimate.

The Federal Project Team provided a substantial amount of flexibility to States during both pilots in gathering their costs. The results of the two pilots demonstrated that most States, given existing workloads and the additional work from the pilot, were unable to collect the time and costs data while, at the same time, conducting the methodology. Instructions for States in the first pilot were to estimate time and cost data retrospectively. This retrospective estimation resulted in less precision regarding accounting of time spent and actual costs. State review procedures must include a clearly defined method for collecting cost data that places emphasis on reviewer’s time recording starting at project outset. It is recommended that a State use a standardized time/cost worksheet for all time and costs. It is also important that the leadership reinforce the importance of collecting all time and cost. With sufficient data, it would be possible to develop and use a time/cost standard and thereby reduce the State burden of tracking and compiling actual task data.

Instructions for States in the second pilot were to keep track of the length of time to review each case during the actual case record review process. Only three States in the second pilot captured review completion information (date assigned/date completed) in their *Record Review Worksheet*. Two had large review teams and conducted the review centrally and the other was one of the smallest teams and read records on site. Based on that information, the review of the 150 sample cases took one month for all three. All States agreed with the estimate given at the site visit that the case review required 45 minutes to one hour to complete, but only three States systematically collected this information.

As the States move forward to address improper payments, an accurate cost accounting of both fixed and variable costs is important to the error rate process. State

consistency in data collection of time and costs from the beginning of the process is critical to accurately establish the true cost of this effort. *Recommendations for future time and cost accounting include use of a standardized time/cost worksheet for all State/county participants and administrative leadership to reinforce the importance of collecting all time and costs from the outset of the error rate process.*

4. State Response Form

New for the second pilot, the contractor shared the findings with each of the five pilot States following the calculation of error measures and data analysis. After reviewing its error rate findings and site visit summary description, each pilot State submitted a written response to the following three topic areas included in the *State Response Form*:

- What are the causes of the improper payments that have been identified? What are the actions that will be taken to correct those causes in order to reduce errors in the future?
- Describe the information systems and other infrastructure that assist the State in identifying and reducing improper payments. If the Lead Agency does not have these tools, describe actions to be taken to acquire the necessary information systems and other infrastructure, as required in the Improper Payments Information Act of 2002; and
- What steps will the State take to ensure that the Lead Agency and eligibility workers will be accountable for reducing improper payments?

Recommendations for States to consider for planning responses to the three topic areas include:

- *For the first topic area, analyze the error data to determine the causes and how to reduce the errors going forward.* West Virginia completed an analysis that included error elements, error cause and CCR&R specific results.
- *For the second topic area, analyze ways that automation could have prevented errors detected in the review process and steps that the State is taking to address needed changes to the automated system.* In response to the second topic area, only two States in the second pilot listed that changes were needed to their automated systems to reduce improper payments. There are several reasons for this limited response. Most of the States in the pilots have statewide systems with multiple payment accuracy features. The exceptions were New Jersey and Florida. New Jersey plans to improve its system's links with other data sources to verify information and plans to request additional programming to increase up-front edits to reduce data entry errors. Florida is designing and implementing a new automated system that will improve the accuracy of the eligibility process.
- *A recommendation related to the third topic area is to describe how the State intends to monitor staff performance over time to reduce payment errors.* In response to the third topic area, pilot States offered several new initiatives including:

- New Jersey plans to link error rate findings to contractor performance.
- West Virginia CCR&R agency Quality Assurance Plans will now require inclusion of payment accuracy initiatives if a CCR&R agency has an error rate that is above the State mean.
- West Virginia child care providers with incorrect or improper billing forms must attend a retraining session on proper billing procedures.
- Florida provided each Early Learning Coalition (ELC) with its individual results of the pilot review process along with recommendations for corrective action.

The *State Response Form* questions provide States a starting point in the summation of the review data and the resulting corrective action strategies. The contractor provided the causes for the errors as an example of the types of analyses States may want to complete with the data they collect from the record review process. See Chapter IV (pg. 36-37) for a summary description of the error causes and reasons provided to each State.

D. Modifications to Improve Reliability across Future Pilot States

An initial error rate measure provides both the States and the CCB with a baseline against which to compare future findings. More importantly, the findings from the two pilots suggest the following recommendations for revising the pilot methodology in order to achieve a more consistent review process across States.

- *Provide for all pilot States formal training on standardizing error interpretation and coding.* A detailed review of the error findings in the area of missing documentation shows that States had similar findings with very dissimilar error results. Great latitude was given to the pilot States in defining errors. Some States interpreted missing or out-of-date verification as causing authorized payment errors, while other States ruled the missing or out-of-date verification as a procedural error or no error. This inconsistency between reviewer's interpretations also occurred within a State's findings.
- *Establish within each State a process to conduct re-reviews of a subset of **all** cases to enhance inter-rater reliability of error interpretation.* State training sessions must emphasize reviews of sample cases as part of the training process.
- *Develop consistent standardized policy and procedures as part of ongoing or routine auditing processes.* The State responses to the error findings in both pilots include numerous initiatives to improve the quality of case work and the frequency of reviews. Training to increase staff awareness of error-prone areas, knowledge of policy, interviewing skills, and the quality of routine case reviews are the most effective strategies States can use to prevent or reduce procedural or policy errors.
- *Focus State review strategies on **both** the most common error types and those error causes which produce errors of greater amounts, such as ineligibility.* Both pilots' findings suggest that there is little, if any, correlation between States' percentage of cases in error, the percentage of cases in error that had an improperly authorized payment, and the percentage of improperly authorized

payments. In comparison to New Jersey, Kansas had relatively high numbers of cases with errors and cases with an improperly authorized payment. Yet the Kansas percentage of improperly authorized payments was the lower of the two States. In the first pilot, Arkansas had a percentage of improperly authorized payments that exceeded both its percentage of cases with errors and percentage of cases with errors that had improperly authorized payments. For these reasons, State improper payment strategies need to focus on both the most common error types and those error causes which produce errors of greater amounts, such as ineligibility.

Although the treatment of missing documentation varied between the States, missing documentation was the primary error cause in the second pilot and accounted for the largest percentage (57%) of the total improperly authorized payments in the first pilot. As an error type, missing documentation is not affected by some corrective action strategies such as exception reports, system edits, and data matches. Training to increase staff knowledge of appropriate documentation and policy, coupled with routine case reviews targeted on problem areas can assist States in reducing missing documentation errors.

E. Implications for ongoing Technical Assistance

If future pilots do not include consultant assistance, States will need to consider accommodations to reflect additional State functions. States may choose to incorporate the following:

- *Work with IT departments or a local university for assistance on generating the universe and a random sample of cases for review.* Most IT departments have access to programming for random number generators for sample selection. When planning the error rate methodology, States need to decide on the frequency of sample selection and the definition of the universe of cases from which to select the sample. For example, how many times per year will the sample be drawn and what will be the sample size?
- *Regarding sample size, consult with a statistician to achieve the desired sample size.* For example, California worked with a local university to determine a sample size for calculating an error rate that met the IPIA guidelines²¹.
- *For data consolidation, designate a research analyst or program specialist who can create a database or an excel spreadsheet that includes at a minimum, all of the variables listed in the Data Entry Form and several error categories determined to be most important, such as the review element, missing or insufficient information, data entry errors, or calculation errors.* An Excel spreadsheet provides all the formulas needed to compute the error measures described in the pilot methodology that if combined with an electronic *Record Review Worksheet*, can aggregate individual review data automatically.

²¹ The Improper Payment Information Act recommends using a formula to determine the sample size for calculating error rates in Federally funded programs, leading to an error rate with a 90 percent confidence interval of +/- 2.5 percent.

This second pilot demonstrated that improvements to administrative practice to reduce administrative errors can result in substantially preventing or deterring improperly authorized payments. Combined with those of the first pilot, these error findings are promising as a baseline test of the methodology. The pilot methodology also was useful for States to gain evaluative information on potential areas for improvement in administrative policy in the CCDF block grant program.

Appendix A. Florida

A. Organizational Structure

In January 2005, legislation established the Office of Early Learning (OEL) within the Agency for Workforce Innovation (AWI). OEL administers the child care program in Florida's 67 counties through grant awards with 31 local Early Learning Coalitions (ELC) and one statewide agency serving the unique population of migrant, seasonal, and Farm worker families. The ELCs are quasi-governmental community agencies incorporated as private, not-for-profit organizations. OEL is responsible for monitoring the grant awards. In FFY 2005, OEL through its grant awards provided childcare assistance to over 256,601 children in 170,497 families through 13,879 providers.

B. Overview of the Child Care Eligibility Process

The ELCs determine eligibility priorities based on unique populations within their communities. To be eligible for assistance, a family must have an income of less than 150 percent of the Federal Poverty Level (FPL), be a resident of the State, have children under the age of 13 (or age 19 for special care needs), and be employed, or in an approved education or training activity. Children may remain eligible provided income does not exceed 200 percent of FPL. Once eligible, parents may choose a certificate or a purchase of service subcontract. Families may use their home, licensed centers or family child care homes.

The child care payment is based on the hours of need determined by the eligibility process and attendance policy. Each family is assigned a co-payment determined by income, family size, and a sliding fee schedule that must be approved by OEL. Co-payments may be waived for protective services clients on a case by case basis. Benefits are determined prior to services being rendered. Reauthorization of eligibility is re-determined on an annual basis. However, as one payment accuracy strategy, Florida requires the ELCs to reauthorize a random selection of an additional 50 percent of their caseloads after six months. Reauthorizations include a re-verification of income, need for care, and all other eligibility requirements. All clients are responsible for reporting changes in their income within 10 days of the change.

C. Improper Payment Process

Florida currently defines an improper payment as the misapplication of funds resulting from error or intentional acts, or fraud. Categories of fraud applicable to the child care program include: 1) misrepresentation of material facts; 2) concealment of material facts; 3) conflicts of interest; 4) theft of money or property; and 5) statutory offenses. Recipients of improperly authorized payments may include program clients (families), program contractors (child care providers/vendors), and program employees.

Florida identifies improper payments through a variety of methods, including:

- ELCs and their contractors are responsible for prevention, reduction, identification, reporting, and recuperation of improper overpayments. When suspected fraud has occurred, a Suspected Fraud Referral is completed and forwarded to the AWI Inspector General, OEL and the Florida Department of

- Law Enforcement. OEL tracks the disposition of fraud cases, restitution orders, and receipt of restitution payments.
- OEL fulfills its local coalition monitoring responsibilities through several mechanisms. Each ELC must submit a plan for service delivery for approval by OEL. Subject to biannual review and revision, ELC plans must provide objectives, activities, and measurements for each statutory requirement in the Florida School Readiness Act, and the Voluntary Pre-kindergarten Education Program and applicable Federal requirements. There is also a plan amendment process for submitting and approving plan changes. Effective 2007-08, each ELC will complete an internal control questionnaire, reviewed annually with expanded on-site review procedures on a rotational basis.
 - OEL assigns a coalition analyst to monitor ELC grant award agreements and plan adherence, provide technical assistance, regularly attend Board meetings, and conduct site visits. In conjunction with the coalition analysts, OEL fiscal analysts process reimbursement requests on a monthly basis and conduct post audits of these requests on a sample basis. Starting in March 2007, OEL Services and Support staff will conduct eligibility reviews of client files in all 31 ELCs annually to examine the eligibility documentation, procedures used and the accuracy of child care service payments.
 - OEL's Office of Program Effectiveness and Analysis will conduct a six month performance review for each ELC every three years that addresses the following areas:
 - Governance and Operations;
 - Grant Award and Contract Management;
 - Community Partnerships;
 - Educational Service Delivery;
 - Health & Developmental Screening; and
 - Child Care Resource & Referral.
 - AWI OEL has contracted with qualified CPA firms licensed to practice in the State of Florida to conduct annual financial compliance monitoring reviews for the ELCs and selected sub-recipients. AWI OEL has developed financial monitoring tools for the ELCs that include, but are not limited to, the following compliance categories (as applicable):
 - Financial;
 - Property;
 - Procurement;
 - Matching Requirements;
 - Prior Approval;
 - General Conditions; and
 - Merger Activity.
 - AWI has developed separate monitoring tools for the selected sub recipients (statewide contracts, universities, etc.). The CPA contractors will conduct an onsite visit to perform the specified financial monitoring procedures and will prepare a monitoring report for each ELC to identify the procedures performed and any findings noted. Financial Management Systems Assurance Section staff will review and approve these reports before release to the monitored entities.

- Families applying for financial assistance are required to sign a Rights and Responsibilities form that notifies them of their responsibility for reporting changes in income or employment. When a family fails to report a change and the result is an overpayment, the eligibility worker prepares a Suspected Fraud Referral and forwards it to AWI's Office of the Inspector General and the Florida Department of Law Enforcement.
- ELCs conduct the following activities to monitor payment accuracy:
 - Complete post attendance monitoring monthly;
 - Audit sign-in and sign-out sheets and the companion attendance sheet;
 - Randomly select provider payments and compare them to attendance sheets and payment reports;
 - Match the names of divorced or separated parents with the Child Support database;
 - Conduct peer review of every completed eligibility file;
 - Conduct supervisory review of 10 percent of the completed cases; and
 - Conduct monthly review of payment overrides.

D. Case Review Process

In Florida, the Review Team consisted of two Managers, two Performance Analysts, and three Program Analysts. Florida made substantial modifications to the *Record Review Worksheet* template. The review process occurred centrally, with all records sent to Tallahassee. A second member of the team re-reviewed all records for inter-rater reliability.

Following completion of the review, Florida learned from a finding in a IV E Federal audit that only the State's auditor general or DCF's Family Safety Unit could access case information related to a protective services placement. The payment accuracy review had found six cases in error due to missing protective services documentation. Florida submitted amended review sheets on these six cases that changed the finding from ineligible to correct.

E. Automation

There are various automated systems used by OEL. The Child Care Enhanced Field System (EFS) generates payments, based on days attended and approved rate schedule. This system also has an eligibility determination module. The allowance of off-line eligibility calculations compromises the systems payment accuracy edits.

The EFS processes payments, manages waiting lists, and collects data for Federal reports and the market rate survey. Local child care staff have access to other State automated systems, particularly the TANF/Food Stamp system: One Stop Service Tracking (OSST) varies by local coalition. In many cases, it depends on co-location of services such as in a "One Stop" location.

The EFS system generates a selection of management reports to identify improper payments, including special reports available by request. The EFS system has an ad hoc report writing capability at the local level. The ELC network shares local report formats

through a centralized e-mail Q & A system. Examples of existing exception batch reports include:

- The CCMS Care Level Report identifies children whose age does not match the care level.
- The Duplicate Parent, Child and Provider Report identifies:
 - Individuals with the same name but different numeric IDs;
 - Children enrolled, but not paid; and
 - Clients who have providers in another county.

The EFS has numerous edits and functions that prevent improper payments, including:

- Setting and changing of care level based on child's age;
- Change from pre-school to school care level based on age;
- Assignment of funding sources;
- System Edits preventing changes to closed payment periods to preserve the integrity of the audit trail;
- Automated Fee Assessment based on Coalition rules;
- Edits to ensure rates do not exceed Coalition-defined maximums; and
- Interface to local accounting systems to reduce data entry errors.

An area of concern for the EFS and the quality of its data is its decentralized structure. Each of the 31 local coalitions has an independent section and differing processes. The result is data that is inconsistent, incompatible, and centrally unavailable. The proposed enhanced system Early Learning Information System (ELIS) will address the weaknesses of this decentralized system.

F. Next Steps

After reviewing the improper payment data Florida implemented the following strategies to improve payment accuracy:

- Developed a desk reference tool for eligibility procedures;
- Initiated focused monitoring and training on eligibility procedures on an annual basis;
- Provided each ELC with its individual results of the pilot review process along with recommendations for corrective action;
- Created mechanisms to track the results of the eligibility monitoring and other contract monitoring audits;
- Implemented an annual eligibility review process of all 31 ELCs;
- Implemented a Data Quality Initiative to standardize data collection and to identify data anomalies throughout the State; and
- Implemented procedures to conduct post audits on reimbursement requests.

Florida Site Visit Participants

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Tim Elwell - Program Effectiveness & Analysis Manager, OEL
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Barbara Griffin – Assistant Director, AWI
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Diane Parcel – UC Program Manager, Office of Benefit Payment Control
Bob Pope – Director, Saber Corp
Abdel Gonzalez – Senior Manager, Saber Corp

Exhibit A-1. Florida Record Review Worksheet

Child Study ID# _____ **ELC:** _____

Child Name/ID# _____ **County:** _____

Reviewer _____ **Date Reviewed:** _____ / ____ / _____

SECTION I. STATE CHILD CARE PROGRAM FORMS			
100 APPLICATION FORMS	ANALYSIS OF CASE RECORD (2)		
ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) Determine presence, date, and completeness of required eligibility forms, may include:	Yes	No	Comments
(1) Signed and dated application			
(2) Parental choice form is signed, dated and current			
(3) Rights and responsibilities form is signed, dated and current			
(4) If applicable, notice of re-determination/termination form is complete and current			
(5) Referral Form (if applicable)			
Is form complete and current? (including applicable authorized service period)			
Referring entity and worker are authorized to submit referrals			
Reason for referral is valid (purpose for care) and documented (Acceptable Documentation is listed below) <ul style="list-style-type: none"> For at-risk/protective service/foster care/relative placement cases: INFORMATION IS CONFIDENTIAL REFERRAL IS SUFFICIENT or; For Relative Caregiver (RCG) cases: Florida system "IQCH" screen documents that relative is in receipt of the RCG payment. Ensure that payment is RCG (usually in the amount of \$242 per child) and not regular cash assistance payment amount or; For cash assistance families that are subject to work participation requirements: FLORIDA system "IQAA" screen shows cash assistance case is open and "IQEL" screen show individuals are eligible and documentation of activity is present or; For transitional child care (TCC) cases: FLORIDA system "IQCH" screen shows recent closure of cash assistance and case was closed due to earned income, or other qualifying factor or; All paperwork is valid and present for "diversion" cases. Diversion forms are signed and appropriately signed by designated workforce individual. 			
(6) If any of the above conditions lead to ineligibility please specify conditions of the dollar error, including			
(1) form expired			
(2) No application form			
(3) Referral not valid			
FINDINGS (3)			
Results (4)	No Error ___ 0	Client Error ___ 1	Agency Error ___ 2

SECTION II. PRIORITY GROUP PLACEMENT

200 PRIORITY GROUP PLACEMENT ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) Determine if client meets criteria of State-designated priority groups, e.g., (Florida has determined that placement based on priority group does not result in an improper payment.) NOT APPLICABLE	ANALYSIS OF CASE RECORD (2)		
	Yes	No	Comments
FINDINGS (3)			
Results (4)	No Error ___ 0	Client Error ___ 1	Agency Error ___ 2

SECTION III. General Program Requirements

300 QUALIFYING HEAD OF HOUSEHOLD ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) Determine if client meets parent definition (parent means a parent by blood, marriage or adoption and also means a legal guardian, or other person standing in loco parentis), e.g., (Note: Identification has been classified as a best practice or good internal control)	ANALYSIS OF CASE RECORD (2)		
	Yes	No	Comments
Does the client meet the definition of parent as defined by Section 98.20, CFR?			
(1) parent (identification provided)			
(2) step-parent (identification provided)			
(3) legal guardian (identification provided)			
(4) relative caretaker (identification provided)			
(5) spouse of same (identification provided)			
(6) Other person standing in loco parentis (identification provided) (Note: Defined in Rule 60BB-4.100 as temporary guardian of child)			
FINDINGS (3)			
Results (4)	No Error ___ 0	Client Error ___ 1	Agency Error ___ 2

310 RESIDENCY ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) Determine if client is a resident of the State and if client is a resident of the county.	ANALYSIS OF CASE RECORD (2)		
	Yes	No	Comments
(1) Is the Client is a resident of the State? (a client statement indicating residency and intent to stay is sufficient for non TANF clients) (Section 414.095(2)(a)2, FS requirement for TCA clients – clients are not eligible for TCC unless previously served under TCA)			
(2) Is child a US citizen or a qualified eligible alien? (Section 414.095(2)(a)1, FS requirement for TCA clients – clients are not eligible for TCC unless previously served under TCA)			
(3) Child care authorized by county in which the parent resides? (School readiness funding and services are provided based on the county where the parent resides)			

FINDINGS (3)			
RESULTS (4)	No Error ___ 0	Client Error ___ 1	Agency Error ___ 2
320 HOUSEHOLD MEMBERS ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) To receive services a child's parent or parents must be working or attending a job training or educational program.	ANALYSIS OF CASE RECORD (2)		
	Yes	No	Comments [Comments should include billing group and eligibility code reimbursement was made under]
(1) Does the client meet one of the following criteria?			
Employment (working a minimum of 20 hours per week. Purpose of Care established)			
Attending a job training or educational program. (Minimum of 20 hours per week. Purpose of Care established)			
Seeking employment (documentation supported and time limited)			
Child only under the age of 16 (TANF) "family of one" – adult must meet purpose for care			
Disability: An individual who receives benefits under the SSI or the SSDI program.			
Protective Services Case (supporting documentation is present)			
TANF Respite Child Care			
Child within Natural Disaster Area, and is in need of protection to ensure child's safety			
Other : State GR Funded Only _____			
(2) Is the child classified in the correct billing group and eligibility code? (See chart for applicable billing group and eligibility codes. Note: this will not result in an improper payment unless the billing group should have been one that is funding by State GR Only)			
FINDINGS (3)			
Results (4)	No Error ___ 0	Client Error ___ 1	Agency Error ___ 2
330 QUALIFYING CHILD ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) Determine if child (ren) is eligible for services, including	ANALYSIS OF CASE RECORD (2)		
	Yes	No	Comments
Is the child (1) younger than 13 years (Proof of Age Included – see FPSR-PI-PPA-04-08) or (2) younger than 19 years and physically or mentally incapable of caring for himself or herself, or under court supervision (proof of age on file – see FPSR-PI-PPA-04-08; verification of physical or mental incapacity or court supervision is on file)			

FINDINGS (3)			
Results (4)	No Error ___ 0	Client Error ___ 1	Agency Error ___ 2
340 QUALIFYING CARE		ANALYSIS OF CASE RECORD (2)	
ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)		Yes	No
Does the required number of hours of care included in the authorized schedule meet the definition of the unit of care (i.e., amount of care authorized is related to activity plus reasonable travel time)? (Care may be authorized as part-time, full-time or based on other factors that the coalition has put in place (e.g., part-time "light" for before and/or after school care))			
FINDINGS (3)			
Results (4)	No Error ___ 0	Client Error ___ 1	Agency Error ___ 2
350 QUALIFYING PROVIDER ARRANGEMENT		ANALYSIS OF CASE RECORD (2)	
ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)		Yes	No
Determine if services are provided within a legally operating provider type. (Provider of child care services must be licensed, license exempt, or registered under applicable State of local law)			
Is the Provider a legally operating provider type? (Types allowable under Section 98, CFR listed below, Karate Schools and Ballet Schools would be examples of unallowable providers)			
(1) Center-based child care provider			
(2) family child care provider			
(3) in-home child care provider			
(4) informal provider			
FINDINGS (3)			
Results (4)	No Error ___ 0	Client Error ___ 1	Agency Error ___ 2
360 PROVIDER REQUIREMENTS		ANALYSIS OF CASE RECORD (2)	
ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)		Yes	No
(1) Determine if regulatory requirements are met. Regulatory requirements means requirements necessary for a provider to legally provide child care services in a State or locality, including registration requirements established under State, local, or tribal law. (Each Coalition should document in file that the provider meets the regulatory requirements; an example would be DCF Form 6920)			
(2) Verify if the provider license is current? (Review CCIS for applicable dates)			
(3) Determine if the provider is a gold seal provider? (Review CCIS)			

FINDINGS (3)			
Results (4)	No Error __ 0	Client Error __ 1	Agency Error __ 2

SECTION IV. INCOME AND PAYMENTS

400 INCOME ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) Describe income documentation verification for each member of the household. <i>Calculation of income is to be based on six weeks of gross income for period prior to application/redetermination: Collect the following data:</i>	ANALYSIS OF CASE RECORD (2)		
	Yes	No	Comments
(1) Head of household employment income and/or spouse employment income (Per 60BB-4.208 shall include, at a minimum, documentation by hours of employment and rate of pay based on: Six weekly, three biweekly, or two monthly pay stubs that are current and consecutive, or a signed statement by the employer, or a signed contract for employment.)			
(2) Self employment (Per 60BB-4.208 provides that documentation be sufficient to determine hours worked and income, such as business account ledgers, written documentation from customers, contractors, or federal tax returns)			
(3) any changes in income reported (clients are required to report changes in income)			
(4) income during job training for parent/caregiver			
(5) child support received/alimony received			
(6) loss of income during eligibility period.			
(7) Cash assistance benefits (TANF)			
(8) Other countable income documented (SSI, TANF, Spousal Support, gifts, etc.) <ul style="list-style-type: none"> ▪ Income is defined as "family income," and means the combined gross income, from all sources, of all members of the family unit who are eighteen (18) years of age or older, including earned and unearned income, and excluding the following: <ul style="list-style-type: none"> • Food stamp benefits; • Documented child support payments paid to an individual outside of the home; • Documented alimony payments being paid to an individual outside the home; and • Housing assistance payments from HUD issued directly to a landlord and associated utilities expenses. ▪ <i>As foster parents, shelter parents, and court ordered relative and non-relative caregivers are not considered a part of the child's family unit, their income is not considered for purposes of eligibility.</i> <p>Any exceptions or variations should be documented and explained in the case notes section.</p>			
FINDINGS (3)			
Results (4)	No Error __ 0	Client Error __ 1	Agency Error __ 2

410 INCOME ELIGIBILITY ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)	ANALYSIS OF CASE RECORD (2)		
	Yes	No	Comments
Determine if household income meets State requirements (e.g., family gross income must be at or below 150% of the FPL for families to enter and 200% to remain eligible). NOTE: For coalitions participating in the Child Care Executive Partnership (CCEP), families may enter with income at or below 200% of the FPL. (Use Spreadsheet provided for calculation)			
FINDINGS (3)			
Results (4)	No Error __ 0	Client Error ____ 1	Agency Error ____ 2
420 PAYMENTS, GENERAL ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)	ANALYSIS OF CASE RECORD (2)		
	Yes	No	Comments
Determine if payments were made. Parent fees are established on a sliding fee scale based on income and the size of the family and may be based on other factors as appropriate.			
(1) Calculate amount of parent fee based on household income, family size and the ELC's sliding fee scale. Does this agree with amount included in reimbursement records? (Each coalition's sliding fee scale provided)			
(2) Determine provider payment rate based on provider type, age of child, care schedule and the ELC's approved provider rate schedule. Is the provider rate less than or equal to the approved reimbursement rate and the private pay rate? (Each Coalition's Reimbursement Rates provided, review file for private pay rate; the private pay rate may need to be requested from the Coalition or CCRR)			
(3) Does the Final Provider Reimbursement Report agree with the Provider's Attendance Sheet? (Note: if there are any holidays confirm with coalition's approved schedule)			
(4) Is the Providers Attendance Sheet signed?			
FINDINGS (3)			
Results (4)	No Error __ 0	Client Error ____ 1	Agency Error ____ 2

430 PAYMENTS, COMPUTATIONS ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)	ANALYSIS OF CASE RECORD (2)		
	Yes	No	Comments
Determine difference in dollar amount of child care benefits authorized versus the amount that should have been authorized—indicate if it is an overpayment or underpayment.			
Calculate amount of payment that child was eligible to receive (daily rate – parent fee x number of days = monthly payment). Does this agree with the reimbursement? If not determine difference in dollar amount of child care benefits authorized versus the amount that should have been authorized--indicate if it is an overpayment or underpayment. (Use spreadsheet provided)			
FINDINGS (3)			
Results (4)	No Error __ 0	Client Error ____ 1	Agency Error ____ 2

Data Summary	
State	Florida
County	
Child ID	
Study Period Month	
One or more eligibility errors during pilot period 0= no errors, 1= one or more errors	
Total amount of improper payment during review month	
Total Payment Amount during review month (shown in Client Payment Information screen)	

Appendix B. Kansas

A. Organizational Structure

The Division of Economic and Employment Support within the Kansas Department of Social and Rehabilitation Services (SRS) administers the Child Care Subsidy Program. In six regional offices and 39 county offices, SRS provides eligibility services to the State's 105 counties. In FY 2005, average per month assistance was provided through 6,450 providers to over 18,800 children in 10,200 families.

Kansas has processes in place at both the Central and Regional level to handle improper payments. At the Central Office level, the Economic and Employment Support section provides supervision and oversight of Quality Assurance and Performance Improvement functions. At the Regional Office level, both the Economic and Employment Support and the Performance Improvement divisions are tasked with the responsibility to identify and correct improper payments.

B. Overview of the Child Care Eligibility Process

The Kansas Child Care Subsidy Program allows families the choice to select the child care provider that best meets their needs. Parents may use licensed centers, licensed family childcare homes, and group homes as well as license exempt centers and homes.

To be eligible for child care assistance, families must have an income less than 185 percent of the Federal Poverty Level (FPL), be a resident of the State, have children under the age of 13 (or age 19 for special care needs), be employed or in an approved education or training activity, and, when applicable, cooperate with child support enforcement. A monthly family payment is assessed to income eligible clients with income at or over 70 percent of the FPL. Kansas does not have a resource limit as a condition of eligibility.

The basis of the child care payment is the hours of need. Payment rates vary from county to county (excluding the In-Home care rate) and for special needs. Benefits are determined prospectively, i.e. for the upcoming month. Reauthorization of eligibility is on an annual basis. Clients are responsible for reporting specific types of changes (household composition, income, residence, and provider changes) within 10 days of the change. With some exceptions for changes requiring verification, the change takes effect the following month.

C. Improper Payment Process

Kansas defines an underpayment as the amount a provider was due but did not receive and an overpayment as either assistance to a client or a payment to a provider over the entitled amount. Overpayments are also classified according to cause: agency, client, or provider. Client and provider overpayments may be further categorized as fraudulent if a court of appropriate jurisdiction determines that the actions or omissions have been willful.

Kansas identifies improper payments through a variety of methods listed below:

- The automated eligibility system, KSCARES, contains a number of edits that identify anomalies dealing with income, hours, duplicate eligibility, and multiple providers.
- The system generates reports that identify cases reporting excessive hours or providers whose capacity exceeds their licensing.
- Kansas staff members currently complete the following audits and quality assurance reviews designed to improve payment accuracy:
 - Targeted reviews on specific populations and/or portions of eligibility and payment such as attendance records, in-home child care cases, special needs, and child welfare cases;
 - General statewide quality assurance reviews initiated in October 2005 on a randomly selected sample of 80 cases per month; and
 - Provider audits involving reviews of 10 randomly selected providers per month, initiated with EBT in June 2005, to audit hours of care charges against attendance records and contracts.
- Kansas contracted with a firm to develop software, which would track all case review findings and provide aggregate review data. The system, which is web based, provides detailed tracking information on all reviews, including the child care reviews. The software costs \$75,000 with an 18 percent maintenance costs agreement.

D. Case Reviews

Kansas Performance Improvement staff completed two targeted child care quality assurance reviews over the past two years. One focused on in-home care as it was believed to be more error prone than other types of care. The review findings did not support this belief. The second review focused on field staff adhering to State policy and procedures in the area of social services child care. The review tool was a version of the Food Stamp quality control review sheet. The review began with a reading of the case record. All aspects of eligibility were reviewed. Each element was re-verified with collateral contacts (customer, employers, providers, etc.) All relevant data bases were queried (CSE – Child Support, EBT, FACTS – Child Welfare, BARI/BASI – wages and unemployment, KDHE – vital records, EATTs – licensing, KAECSES – TANF, Food Stamps, General Assistance, Medicaid). The information was compared to the customer’s June 2006 child care payment.

Kansas chose to participate in the pilot in order to learn the error rate review methodology undergoing a pilot test. From the Kansas perspective, because the pilot error rate review model was limited to a desk audit it was less involved than the most recent State child care review, which involved contacting employers and verifying income.

For the pilot, the Kansas Review Team consisted of three Quality Assurance supervisors (Topeka, Wichita, Kansas City) and three Quality Assurance Specialists. The team also conducted a re-review of all cases by having a second team member conduct the review. When both team members agreed on an error, they sent a notice to the local Social Rehabilitation Services (SRS) office for corrective action. The Review Team reviewed all

records centrally in Topeka. Kansas modified the *Record Review Worksheet* to include “Yes” or “No” questions to reduce the amount of written narration for the reviewers.

Prior the pilot, the Quality Assurance Specialists had conducted two reviews of child care cases in 2006. These reviews were more extensive, involving re-verification of all elements of eligibility, queries of relevant State databases, and follow-up contacts with clients, employers, and providers.

E. Automation

The Kansas System for Child Care and Realizing Economic Self Sufficiency (KsCARES) has played a significant role in preventing and identifying improper payments in the subsidized child care program. Kansas obtained the system from Wyoming and then modified it extensively to fit its policy requirements.

KsCARES has extensive edits that help enforce policies and perform the calculations used for eligibility determination, including:

- Indicating whether income is countable based on income type;
- Enforcing maximum hours for child care service plans during a month;
- Preventing duplicate benefit issuances; and
- Determining the reimbursement rates automatically, based on the child's age, provider's individual rate, and the State's maximum rates.

KsCARES is a mainframe system that Kansas has modified extensively since the 1990's. Some of the modifications enhance the sharing of information with the systems supporting Temporary Assistance for Needy Families, Food Stamps (KAECSES) and child care licensing (KDHE/CLARIS). KsCARES processes all eligibility determinations automatically, but workers may perform some eligibility calculations off-line and enter the results into the system. However, KsCARES computes rates to ensure accuracy. The system will pay the lesser rate between the provider maximum, State, and private pay rates.

KsCARES has many system edits that improve payment accuracy including: case record search when entering application information, “215” hour block, duplicate plans, automatic income eligibility test, the number of placements and maximums for licensed home, child on more than one case, automation of provider rates, and provider rates automatically pay lesser of provider/SRS rate. Also, Kansas has recently changed the child care payment system to automatically deduct a percentage of the overpayment from each monthly payment.

Kansas installed a new Electronic Benefits Transfer (EBT) system in June, 2005 that handles all aspects of billing. Providers no longer send in attendance sheets but use a point-of-service (POS) system or a 1-800 number to submit attendance records electronically. Kansas plans to establish a system of random audits of providers.

F. Next Steps

Based on the experience with the error rate pilot Kansas took the following actions:

- Prior to the pilot, Kansas had completed child care quality control (QC) reviews for the month of October 2005, the second month of statewide payments using the new child care EBT payment system. Kansas was already aware of the error causes found in the pilot and had conducted statewide refresher training in June 2006 to address these errors. The training focused on hours of care, use of child care plan hour worksheets, computation of income, use of income worksheets to document computations, and general case documentation.
- Kansas continues to complete monthly Child Care QC reviews and uses the results of these reviews to inform training needs. Kansas is updating the Child Care Personnel Trainer and Training Academy to emphasize case documentation and computation of hours of care needed and income. Kansas requires this training for all new workers and for others as needed. Supervisors now complete monthly case reviews for the Child Care Assistance Program.
- Kansas hired a child care trainer in July 2006 to revise training materials and conduct several training sessions for eligibility staff. The QC unit compiles results monthly for regional administrators to keep them informed about findings and areas needing improvement. Supervisory case reviews at the regional level now include child care cases.
- Kansas contracted with a firm to develop software to track all case review findings and provide aggregate review data. The web based system tracks aggregate case review data for the mandatory Food Stamp reviews and the child care reviews. The child care reviews began in July 2006. The software costs \$75,000 with an 18 percent maintenance costs agreement.

Kansas Site Visit Participants

Alice Womack – Program Administrator SRS

Sally Hargis – Kansas SRS, Family and Children Programs, Policy

Darlene Kinion – Kansas SRS, Quality Assurance Specialist

Dennis Priest – Kansas SRS, Program Administrator

Diane Dykstra – Kansas SRS Performance Improvement Manager

Tonie Dugan – Kansas Quality Assurance Supervisor (Topeka Unit)

Diane Britton – Kansas Quality Assurance Supervisor (Wichita Unit)

Cindy Barshesky – Kansas Quality Assurance Supervisor (Kansas City Unit)

Kelly Ross - Kansas Quality Assurance Specialist

Cletus Linenberger – Kansas Quality Assurance Specialist

John Gibson – Kansas Quality Assurance Specialist

Allen Mossman – Kansas SRS, Training

Rachel Katuin – Kansas SRS

Jean Morgan – Kansas SRS, Policy

Nancy Caudle – Kansas EES, Management Evaluation

Exhibit B-1. Kansas Record Review Worksheet

WORKSHEET FOR Child Care QUALITY CONTROL REVIEWS

A. IDENTIFYING INFORMATION

B. PERSONS LIVING IN THE HOME

1. Region		NAME	BIRTH DATE	AGE	RELATIONSHIP OR SIGNIFICANCE	SOCIAL SECURITY NUMBER	Sample child	
2. CASE NAME	1							
3. ADDRESS	2							
	3							
4. PHONE NUMBER	4							
5. Child's name	5							
6. Child's ID number	6							
7. Case Number	7							
8. Review Number	8							
9. REVIEW DATE	9							
10. Date of Most Recent child care plan	10							

11. Most Recent Action

C. SIGNIFICANT PERSONS NOT LIVING IN THE HOME

A. DATE		NAME	RELATIONSHIP OR SIGNIFICANCE	SOCIAL SECURITY NUMBER	ADDRESS	PHONE NUMBER	FINANCIAL SUPPORT
B. TYPE							
12. Reviewer	11						
13. Date Assigned	12						
	13						

D. REVIEW FINDINGS

14. Date of Case reading

Child Care

	CASE Eligibility	PAYMENT FINDING
	c Correct c One element in error c More than one element in error	SRS Payment under Review _____
		c Correct c Improper Payment \$ _____
18. DATE COMPLETED	c Drop	c Underpayment \$ _____
19. SUPERVISOR	Drop Reason	c Overpayment \$ _____
20. DATE CLEARED		c Ineligible \$ _____

Coding on worksheet

1 = Correct C= Case error
 2= Agency caused error P= Payment error
 3= Customer caused error

ELEMENTS OF ELIGIBILITY AND PAYMENT DETERMINATION

Review No

ELEMENTS OF ELIGIBILITY AND PAYMENT DETERMINATION	QC ANALYSIS OF CASE RECORD <i>(Pertinent facts, sources of verification, reliability, gaps or deficiencies)</i>	FINDINGS OF FIELD INVESTIGATION <i>(Facts obtained, verification and substantiation, nature or errors)</i>	CC
(1)	(2)	(3)	(4)
	SECTION I. STATE CHILD CARE PROGRAM FORMS		
100 APPLICATION FORMS	Date of Application: _____ Date Child Care Plan approved: _____ Child Care Plan from _____ to _____ First Month of Plan: _____ Income worksheet: ___ Yes ___ No Hours of Care worksheet: ___ Yes ___ No	Case reviewed in last 12 month: ___ Yes ___ No ___ N/A Most recent application approved within 30 days: ___ Yes ___ No ___ Unable to determine Approval Notice sent to consumer: ___ Yes ___ No Reporting requirements notice sent to consumer: ___ Yes ___ No Copy of case plan sent to consumer: ___ Yes ___ No Verification of income in record: ___ Yes ___ No Verification of work hours in record: ___ Yes ___ No	C 1 2 3
	SECTION II. PRIORITY GROUP PLACEMENT		
200 PRIORITY GROUP PLACEMENT	Case was set up under what subtype. ___ JO ___ MO ___ SS ___ N/A see element 320	Child care type correct: ___ Yes ___ No If no, explain: ___ N/A see element 320	C P 1 2 3
	SECTION III. GENERAL PROGRAM REQUIREMENTS		
300 QUALIFYING HEAD OF HOUSEHOLD	___ Parent ___ Step-parent ___ Legal Guardian ___ Needy Caretaker Relative ___ Spouse of Needy Caretaker Relative Cooperating with CSE: ___ Yes ___ No If not cooperating with CSE, is there good cause: ___ Yes ___ No	Were all family members properly included in the household and listed on CAMA? ___ Yes ___ No explain Was a CSE referral found in KsCARES, KAECSES, or by paper in the case record? ___ Yes ___ No explain	C P 1 2 3

ELEMENTS OF ELIGIBILITY AND PAYMENT DETERMINATION	QC ANALYSIS OF CASE RECORD (Pertinent facts, sources of verification, reliability, gaps or deficiencies)	FINDINGS OF FIELD INVESTIGATION (Facts obtained, verification and substantiation, nature or errors)	CC
310 RESIDENCY	Residents of Kansas: ___ Yes ___ No	Child met residency requirement: ___ Yes ___ No explain	C 1 2 P 3
320 HOUSEHOLD MEMBERS	N/A _____ See element 200 The customer is employed by (the employer of record) or in school (record States) _____ Case was set up under what subtype ___ EM ___ ET	N/A _____ See element 200 Child care type correct: ___ Yes ___ No If no, explain:	1 2 C 3 P
330 QUALIFYING CHILD	Age of child: _____ Under 13 age ___ Yes ___ No go to next question Between 13 & 18 (under 19) is the child physically or mentally incapable of self care or under court supervision: ___ Yes ___ No (Ineligible) Child is a special needs child: ___ Yes ___ No There is a need for child care: ___ Yes ___ No (Ineligible)	Child eligible to received child care assistance: ___ Yes ___ No If no, explain: All documentation for special needs in case record. ___ Yes ___ No Child is citizen of the United States: ___ Yes ___ No (Ineligible if alien not met) Child is resident Alien: ___ Yes ___ No If not citizen or resident alien, Social Services involvement: ___ Yes ___ No	1 2 C 3 P
340 QUALIFYING CARE	_____ Hours of Care Authorized Calculation of hours:	CASE RECORD INCLUDING TAF AND FS CASES IF ANY.	1 2 C 3 P

ELEMENTS OF ELIGIBILITY AND PAYMENT DETERMINATION	QC ANALYSIS OF CASE RECORD <i>(Pertinent facts, sources of verification, reliability, gaps or deficiencies)</i>	FINDINGS OF FIELD INVESTIGATION <i>(Facts obtained, verification and substantiation, nature or errors)</i>	CC
350 QUALIFYING PROVIDER ARRANGEMENT	<p>1st Provider Name: _____</p> <p>Provider Address: _____</p> <p>_____</p> <p>PLHC/CHCP Provider Type: ___ LIC ___ REG ___ REL ___ INH ___ CCC</p> <p>2nd Provider Name: _____</p> <p>Provider Address: _____</p> <p>_____</p> <p>Provider Type: ___ LIC ___ REG ___ REL ___ INH ___ CCC</p>	<p>Was the provider listed on KSCARES also the provider paid (provider on sample assignment list) by the client: ___ Yes ___ No Explain:</p>	<p>1</p> <p>2 C</p> <p>3 P</p>

ELEMENTS OF ELIGIBILITY AND PAYMENT DETERMINATION

Review No

ELEMENTS OF ELIGIBILITY AND PAYMENT DETERMINATION	QC ANALYSIS OF CASE RECORD <i>(Pertinent facts, sources of verification, reliability, gaps or deficiencies)</i>	FINDINGS OF FIELD INVESTIGATION <i>(Facts obtained, verification and substantiation, nature or errors)</i>	CC
360 PROVIDER REQUIREMENTS	<p>Provider on PRLI (enrolled as qualified provider). <input type="checkbox"/> Yes <input type="checkbox"/> NO</p> <p>PRR2 is another helpful screen</p>	<p>Provider requirements were met: <input type="checkbox"/> Yes <input type="checkbox"/> No If no, explain:</p> <p>Child with in home provider and provider was enrolled for that child (see memo from Regional provider manager) <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA</p> <p>Child in the home of a relative provider and is related to that provider (verified) <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA</p>	<p>1</p> <p>2 C</p> <p>3 P</p>

ELEMENTS OF ELIGIBILITY AND PAYMENT DETERMINATION

Review No

ELEMENTS OF ELIGIBILITY AND PAYMENT DETERMINATION	QC ANALYSIS OF CASE RECORD <i>(Pertinent facts, sources of verification, reliability, gaps or deficiencies)</i>	FINDINGS OF FIELD INVESTIGATION <i>(Facts obtained, verification and substantiation, nature or errors)</i>	CC
	SECTION IV. INCOME AND PAYMENTS		
400 INCOME	EMPLOYMENT # ___ Employer of Record: _____ # ___ Employer of Record: _____ Calculation: CHILD SUPPORT Budgeted: _____ Calculation: ___ No changes AORD ___ Change reported on _____ acted on _____	Case record	1 2 C 3 P
410 INCOME ELIGIBILITY	Household financially eligible: ___ Yes ___ No Family Fee: _____	Financial eligibility & family fee were determined correctly: ___ Yes ___ No Corrected family fee: _____ Explain:	1 2 C 3 P
420 PAYMENTS, GENERAL	Payments made on CHCP: _____	Payments were made correctly: ___ Yes ___ No If no, explain:	1 2 C 3 P
430 PAYMENTS / COMPUTATIONS	Case manager used conversion 4.3, 2.15, ?, : Comments:	___ Correct ___ Overpayment of: _____ ___ Underpayment of: _____	1 2 C 3 P

Appendix C. New Jersey

A. Organizational Structure

The New Jersey Department of Human Services (DHS), Division of Family Development (DFD), is the State agency responsible for the overall administration of the Child Care Development Fund. DFD works in collaboration with the Division of Youth and Family Services (DYFS) and the DHS Office of Licensing in the administration and operation of the program. In addition, DFD supervises supportive services including (child care) for Work First New Jersey (WFNJ), New Jersey's Temporary Assistance for Needy Families (TANF), and post-TANF participants under New Jersey's Transitional Child Care (TCC) program.

DFD currently contracts with 16 Child Care Resource and Referral (CCR&R) agencies, 14 of which are non-profit community based agencies, and two units of local government to administer and coordinate the CCDF subsidy programs and other child care initiatives in each of New Jersey's 21 counties. DFD also contracts directly with approximately 480 contracted child care provider agencies. These agencies provide over 36,000 subsidized child care slots on a statewide basis annually.

Program staff in DFD periodically review and set the standards for operation of all aspects of child care services and related programs, including all contracted child care agencies and providers. The CCR&R agencies and approximately 180 center based contract child care providers (CBCs) determine the eligibility of families and the availability of child care service funds for all DHS administered child care service programs.

Staffs of the 21 New Jersey County Welfare Agencies (CWAs) and Boards of Social Services (BSSs) are responsible for determining eligibility for child care services for TANF families. Referrals of eligible participants with the appropriate income and work activities are made to one of the CCR&R agencies to obtain the child care services.

B. Overview of the Child Care Eligibility Process

To be eligible for child care assistance, families must have an income less than 200 percent of the Federal Poverty Level (FPL) for new cases, and up to 250 percent of the FPL for on-going cases, re-determined annually, be employed or in an approved education or training activity, and cooperate with child support enforcement when applicable.

A re-determination of the subsidy amount occurs when there is a change in the family size, provider type, income, hours of employment/training/education, and hours of care needed or the number of children receiving services. If such a re-determination is warranted, the CCR&R agency must notify the family that all changes become effective with the beginning of the next full month of service. In these instances a new Parent/Applicant Provider Agreement (PAPA) must be completed and signed.

Through case monitoring or based on reported changes, the CCR&R agency must assess changes in family circumstances, employment, or training and determine whether a reassessment of the program eligibility, subsidy amount, and/or co-pay amount is necessary. The parent is required to provide the required verification of the change in circumstance.

When the family reports a change, the contracted agency inputs the new information into the Child Care Resources Eligibility System (CARES) automated system. The CCR&R agency uses this information and all required supporting documentation to verify client eligibility. All CCR&R agency actions are also documented and maintained in the family case record.

When the CCR&R agency is notified of a change in family circumstance involving a layoff, termination from employment, or a break in participation in an education or training program, the family may continue to receive services for 30 days.

C. Improper Payment Process

New Jersey defines a client overpayment as funds that have been erroneously paid on behalf of a family to a child care provider, whenever the family or child was ineligible to receive the issued benefit amount. Examples include:

- Non-reporting or underreporting of income;
- Receiving payments in more than one jurisdiction;
- Incorrect reporting of household size;
- Incorrect information on compliance with program; and
- Other program requirements, such as participating in required activity.

Provider overpayments are funds that have been erroneously paid but the eligibility of the family or child(ren) is not affected. These overpayments may result from intentional or unintentional errors in the completion of the voucher made by the provider(s) or the CCR&R agency. Examples include:

- Overstating level of service (e.g., child attendance); and
- Claims for services not rendered (e.g., child enrollment).

Whenever an overpayment occurs, the CCR&R agency recovers the entire amount of the overpayment to the best of its ability and whenever cost effective. The overpayment amount is a portion of the total subsidy paid to the child care provider. After determining the overpayment, the CCR&R agency establishes a repayment agreement with the applicant or the provider following issuance of a written notice advising them of the overpayment. Repayment may occur through either a lump sum payment or monthly payments. If the family or provider indicates that repayment within the current eligibility period will create a hardship, the CCR&R agency is authorized to negotiate a longer repayment period. DFD must approve all repayment agreements that exceed one year.

1. Strategies to prevent or identify improper payments

New Jersey uses several strategies to prevent or identify improper payments, including:

- Twice a year monitoring of the CCR&R agencies and CBCs to review randomly selected case records for completeness and accuracy;
- Establishing a Quality Assurance in Child Care committee that includes systems and program staff to develop policies and procedures to decrease the potential for improper payments;
- Establishing a new Program Integrity Unit to oversee work on using technology such as, data matching and shared data warehouse technology to identify improper payments;
- Strengthening the voucher system through upgraded security measures through enhancement of internal controls and by CCR&R supervisory control of the voucher approval process;
- Data matching on a quarterly basis of client information from the CARES and CTRX systems with the Income Eligibility Verification System (IEVS);
- Data matching on a quarterly basis of client information from the CARES and CTRX systems with the OMEGA (TANF) system; and
- Using data sources to better ensure accurate payments for WFNJ/TANF and TCC child care services, such as:
 - Income Eligibility Verification System (IEVS);
 - Public Assistance Reporting Information System (PARIS);
 - Social Security Administration (SSA) form W-2 (wage statements);
 - SSA Social Security number verification;
 - SSA Supplemental Security Income (SSI) data; and
 - SSI death information.

D. Case Review Process

After receipt of technical assistance during the site visit, New Jersey substantially customized the *Record Review Worksheet* template to include coding and specific boilerplate language to guide the reviewer's written case narrative. After consulting with the contractor during the site visit, New Jersey determined that the statewide sample could not include the cases utilizing contracted child care slots. These child care cases did not meet pilot requirements for the unit of analysis of an authorized payment on a per child basis utilizing the voucher system. New Jersey submitted a second universe to the contractor to select a new statewide sample that included only cases using a child care voucher and appearing in the Child Care Automated Resources Eligibility System (CARES). New Jersey trained its Review Team centrally and then reviewers conducted the reviews in their assigned regions at the local Child Care Resource and Referrals (CCR&R) agencies. The Review Team consisted of three supervisors and 13 Child Care Specialists.

E. Automation

A major challenge for New Jersey is that information on child care clients resides in three different databases. Work First New Jersey (WFNJ/TANF) case information resides on

the OMEGA (TANF) system, New Jersey Care for Kids (NJCK) CCR&R case information resides in CARES, the child care automated voucher payments system, and the information on clients receiving Center Based Contract (CBC) resides on the Contracts System (CTRX) and Contracts Accounting Tracking System (CATS). None of these systems “talk” to one another, requiring the periodic generation of matching reports to verify client household and income information with third party or outside income databases.

CARES is a system custom designed for the State. The system is a single Oracle platform using a UNIX operating system. The application includes client application intake, eligibility determination, agreement establishment, subsidy and co-pay calculation, voucher generation, attendance input, check writing process, accounting procedures, letters, notices, forms, and reports.

F. Next Steps

For correction and reduction of future improper payments, New Jersey will:

- Allocate time during meetings with the Child Care Resource and Referral (CCR&R) Directors meeting to provide feedback and direction on implementing corrective measures.
- Institute the Error Rate Pilot monitoring tool for use of all future file reviews, in addition to increasing the number of files for review.
- Provide technical assistance to CCR&R agency staff in those areas where improper payments were detected in file reviews.
- Improve lines of communication between Division of Youth and Family Services (DYFS), the lead State child protective service agency and the Division of Family Development, the lead State child care agency, and the CCR&R agencies at State and local levels.
- Look into implementing changes in the CARES system to better detect data entry errors or create error messages when data entry errors occur.
- Implement a process to conduct electronic matching of the automated child care client database with records on other wage, SSI, and child support information systems to identify and reduce the number of improper payments.
- Hire quality assurance staff or allocate the FTE needed to enable the Division to conduct file reviews, using a methodology that guarantees a statistically valid sample size of randomly selected cases.
- Link reduced improper payments to penalties in Child Care Resource and Referral contracts.

New Jersey Site Visit Participants

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Elaine Mullen, Supervisor, Child Care Operations, DFD

Maribel Steath, Supervisor, Child Care Operations, DFD

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Cammelia Bacon-Cassagnol, Child Care Specialist, DFD

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Reyland Malvern, Child Care Specialist, DFD
Andrea Petranto, Child Care Specialist, DFD
Randy Singer, Child Care Specialist, DFD

Exhibit C-1. New Jersey Record Review Worksheet

A. IDENTIFYING INFORMATION		B. PERSONS IN THE FAMILY					
1. CCR&R:		NAME		DOB	AGE	RELATIONSHIP SIGNIFICANCE	SOCIAL SECURITY NUMBER
2. Case Name:		1.					
3. Address		2.					
		3.					
		4.					
4. FAMILY ID NUMBER:		5.					
5. REVIEW DATE		6.					
6. DATE OF APPLICATION		7.					
7. SPECIALIST		8.					
8. DATE ASSIGNED:		9.					
9. DATE OF FILE REVIEW:		10.					
10. DATE COMPLETED:		11.					
11. SUPERVISOR SIGNATURE:		12.					
12. DATE APPROVED:		13.					

C. REVIEW FINDINGS:

CO-PAYMENT AMOUNT: \$ _____

(CIRCLE ONE)

AMOUNT CORRECT:

OVERPAMENT:

CASE INELIGIBLE:

AMOUNT IN ERROR: \$ _____

Child ID	STATE:	COUNTY:	DATE:
	New Jersey		

SECTION I CHILD CARE ELIGIBILITY APPLICATION

APPLICATION FORM	ANALYSIS OF CASE RECORD	FINDINGS	RESULTS	
Is application present? Is it dated, signed and completed? If the date of application is 12 months or older, has the case been re-determined timely? Date of re-determination application. Is the re-determination signed and completed?			0	NO ERROR
			1	CLIENT ERROR
			2	AGENCY ERROR

SECTION II GENERAL PROGRAM REQUIRMENTS FOR CASE RECORDS

QUALIFYING HEAD OF HOUSEHOLD	ANALYSIS OF CASE RECORD	FINDINGS	RESULTS	
Establish relationship.			0	NO ERROR
			1	CLIENT ERROR
			2	AGENCY ERROR

FAMILY SIZE	ANALYSIS OF CASE RECORD	FINDINGS	RESULTS	
-------------	-------------------------	----------	---------	--

Determine family size. Does family size information agree?			0	NO ERROR
			1	CLIENT ERROR
			2	AGENCY ERROR

FAMILY INCOME	ANALYSIS OF CASE RECORD	FINDINGS	RESULTS	
Verify income. Include Co-payment Calculations.			0	NO ERROR
			1	CLIENT ERROR
			2	AGENCY ERROR

INCOME ELIGIBILITY	ANALYSIS OF CASE RECORD	FINDINGS	RESULTS	
Document income eligibility criteria.			0	NO ERROR
			1	CLIENT ERROR
			2	AGENCY ERROR

ELIGIBLE PARENT/APPLICANTS	ANALYSIS OF CASE RECORD	FINDINGS	RESULTS	
Document hours of work and/or education/training.			0	NO ERROR
			1	CLIENT ERROR
			2	AGENCY ERROR

SECTION III PRIORITY PLACEMENT QUESTIONS AND AGENCY OFFICAL USE

PRIORITY PLACEMENT	ANALYSIS OF CASE RECORD	FINDINGS	RESULTS	
<p>Is Section "D" of the application completed properly?</p>			0	NO ERROR
			1	CLIENT ERROR
			2	AGENCY ERROR

SECTION IV CHILD RECORD(S)

ELIGIBLE CHILD(REN)	ANALYSIS OF CASE RECORD	FINDINGS	RESULTS	
Document child(ren)'s age with services.			0	NO ERROR
			1	CLIENT ERROR
			2	AGENCY ERROR

**NEW JERSEY CHILD CARE ERROR RATE PILOT
APPENDIX C-1
DATA ENTRY FORM**

VARIABLE	VALUE
State	New Jersey
County	
Child ID [ID]	
Study Period Month (October 2005) [PERIOD]	
Date of data collection [DATE]	
One or more eligibility errors during pilot period [ERROR] 0 =no errors, 1 = one or more errors	
Cause of improper payment [CAUSE] 0 =no errors, 1 = client, 2 = agency	
Total amount of improper payments during review month [TIMP]	
Total amount of payments during review month [AMPAY]	

Note: The terms in brackets represent the variables names in the THE CONTRACTOR-maintained database.

COMPUTING POTENTIAL ERROR RATES

This form contains nine fields:

- **State;**
- **County of service;**
- **Child ID;**
- **Study period month (October 2005);**
- **Date of data collection;**
- **One or more administrative errors during the pilot period;**
- **Cause of improper payment;**
- **Total amount of improper payments during review month; and**
- **Total amount of payments during review month.**

Copies of all Data Entry Forms and each Record Review Worksheet will be sent to the contractor. Using these data, the contractor will compute three types of error rates—case error rate, payment error rate, and average dollars spent in error per ineligible child.

Appendix D. Oregon

A. Organizational Structure

The Child Care Division (CCD), which administers the child care program, is within the Oregon Employment Department. CCD, in partnership with Oregon's child care community, sets the State level priorities for spending on child care services. It contracts with other agencies and organizations to provide specific services. One of those agencies is the Oregon Department of Human Services (DHS). DHS manages the integrated child care subsidy program for children of low-income working parents and post secondary student parents.

There are three types of care in the DHS child care subsidy program. Through Certified Care the CCD certifies approximately 1000 child care centers and 250 certified family homes. Centers care for more than 13 children in a non-residential facility. Certified family homes can care for up to 16 children, including the provider's own children in a residential setting. Registered Care is provided through approximately 5000 family child care businesses. These providers are registered for two years at a time and can care for up to 10 children, including their own, in their own home. Lastly, some child care is exempt from regulation, including providers caring for three or fewer children, providers caring for children from only one family, school district programs, care provided in the child's home or by a relative of the child, and limited duration programs such as summer camps.

In addition, CCD provides child care funding to over 200 community-based organizations that serve the following high-risk families, including:

- Teen parents participating in approved high school or GED completion programs;
- Parents participating in State-approved substance abuse programs;
- Migrant and seasonal farm workers; and
- Parents who have children with special needs.

In FY2005, average per month assistance was provided through 13,826 providers to over 21,300 children in 10,700 families. Approximately 78 percent of the children were served in family home settings.

B. Overview of the Child Care Eligibility Process

The CCD child care subsidy programs help low-income families achieve self-sufficiency by providing the child care assistance necessary for employment or participation in other activities that promote self-sufficiency. Several types of child care assistance are combined to form the Integrated Child Care Program (ICC). They are:

- Employment Related Day Care (ERDC) assists low-income working parents. Parents in this program pay a share of the child care;
- Temporary Assistance to Needy Families (TANF) child care assistance assists low-income working parents who are receiving TANF cash benefits; and
- JOBS child care assists parents receiving TANF or Food Stamps pay for child care so they can participate in DHS-approved self-sufficiency activities.

To be eligible for ERDC families must be State residents and have an income below 150 percent of the Federal Poverty Level (FPL). Children must either be younger than 12 or under 18 and circumstances are such that the child is unable to safely care for him or herself. Children must be younger than 12 for ERDC and younger than 13 for the other programs. Children up to age 17 can receive assistance if it is determined that the child should not be unsupervised during the hours the caretaker is working or participating in self-sufficiency activities. At least one caretaker must receive income from employment, including employment through a work study program. For clients who are in the start-up phase of self-employment, working on commission, or participating in job-related training that is a condition of employment, the requirement to have earned income may be waived for three months. The client's co-pay is calculated prospectively. Payment for services is determined by the age of the child, geographic area, type of facility (family or center), special needs, and the level of training of the provider. The co-pay is assigned to the family rather than the child and all of the family's co-pays are assigned to one provider.

Reauthorization of eligibility (Anticipating with Periodic Review/APR) varies in length. The primary determinant of the length of the APR period is the projected stability of the client's income. The most common period is six months. Clients must report within 10 days those changes that are expected to continue in either the source of income or rate of pay. The month the change is effective depends on when during the previous month the report is made and whether the change results in a significant increase or decrease in the co-pay.

C. Improper Payment Process

Oregon defines an improper payment as one made for care that was not provided or one made to an ineligible provider or on behalf of a client who was not eligible for the total amount paid. Oregon identifies improper payments through a variety of methods, including:

- A monthly desk audit of 200 randomly selected billing forms;
- A monthly match with TANF, Food Stamps, and Medicaid to identify ineligible providers and questionable child care payments;
- Reports via the hot line number included in notices sent to clients and providers; and
- Monthly record reviews of 5000 Food Stamp cases. Approximately 95 percent of child care recipients receive Food Stamps. In these cases both the Food Stamp and child care subsidy eligibility is subject to review. Oregon plans on expanding a database that currently contains the Food Stamp review information to capture Child Care review results.

1. Suspected Fraud

Within the DHS Office of Payment Accuracy, three staff members in the Overpayment Writing Unit are responsible for completing the calculation of child care overpayments. Legal action may result in addition to collection of the overpayment. The Overpayment Writing Unit may refer cases to the Investigations

Unit to establish intent based on a pattern of behavior, clear falsification, or behavior contrary to reasonable expectation.

Client fraud occurs when a client attempts to establish eligibility, increase the amount of assistance, or prevent a reduction by:

- Intentionally making a false or misleading statement;
- Misrepresenting, concealing, or withholding facts; or
- Intentionally taking or failing to take an action, such as leaving a child in care when not participating in activities authorized by DHS.

Provider fraud occurs when the provider intentionally:

- Bills for more child care than actually provided, such as duplicate billing;
- Collects payment directly from a client after the DHS's payment for its services has been garnished or after overpayment recovery actions have reduced the amount paid;
- Fails to list required persons on the provider application to participate in the subsidy program; and
- Applies for participation on behalf of another provider who would not be eligible to participate.

Once calculated, DHS recovers the overpayments through withholding a portion of the authorized monthly payment or through direct repayment by the customer. In the case of provider fraud, the payment is recouped at the 100 percent level.

In situations of a closed case, the Overpayment Writing Unit sends the customer a series of recovery notices. In instances where there is either no response to the notices or no payment, the case is referred to the Department of Revenue which uses tax intercepts and private collection action to recover overpayments.

D. Case Reviews

Oregon made very few modifications to the *Record Review Worksheet* template. The Review Team consisted of five Quality Control (QC) Staff Persons who have responsibility for TANF and FS case reviews. Following training on child care policy and procedures, the Review Team reviewed the cases centrally. The Project Team Leader reviewed all cases with errors a second time and discovered that the Review Team went beyond the level of a desk audit, expecting greater detail in documentation than what had been anticipated or required of the child care review process. As a result, the Review Team reviewed a subset of cases a third time and changed some review results accordingly.

E. Automation

DHS uses several automated systems in support of the child care program. The Client Maintenance System (CMS) is used in determining eligibility for TANF, Medicaid, Food Stamps, and ERDC. The Service Authorization System is the subsidy payment system for

ERDC cases. Both systems contain various edits, tables, and charts to support payment accuracy. The ERDC application process includes a match with other DHS systems as well as child support, Employment Department wage and unemployment records, and the Social Security Benefit system. CMS calculates the provider payment based on the family's co-pay, the provider's usual charge, hours authorized and billed, age of the child(ren), type of care, and provider's zip code.

F. Next Steps

After reviewing the improper payment data Oregon listed the following corrective action strategies:

- Currently, there is no process for ensuring that income errors identified in Food Stamp cases are dealt with in the companion Employment Related Day Care (ERDC) case. Oregon plans to modify the Food Stamp targeted review process and database that contains review information to ensure that income errors identified in any Food Stamp case are corrected in companion ERDC case.
- Each year, the Oregon Department of Human Services (DHS) conducts in all areas of the State a series of "Accuracy Summits" that focus on techniques to reduce errors in the Food Stamp program. DHS plans to include workshops to improve ERDC accuracy in the next series of summits that begins in July 2007.
- DHS produces a monthly newsletter that focuses on techniques to reduce Food Stamp errors. The newsletter will now include information about other programs, including ERDC. A recent newsletter included an article about correctly determining co-pay amounts in ERDC cases. Future newsletters will contain information about ERDC payment accuracy, including an article about the results of the pilot review.
- The Governor's recommended budget for the next biennium includes increased funding to build on the efforts that have worked to improve accuracy in the Food Stamp program. This funding would allow DHS to extend Targeted Review outcome measures to the Child Care programs in local offices by FY2008. This comprehensive Program Integrity infrastructure provides a method for gathering timely, local performance data and will enable the Department to develop corrective action measures.

Oregon Site Visit Participants

Mark Anderson – Manager, Child Care and Refugee Programs

Cassie Day – Program Analyst/Trainer CAF Child Care Unit

Rhonda Prodzinski – Program Analyst CAF Child Care Unit

Carol Bennett – Overpayment Writer CAF

Lisa Stegman – Business Analyst CAF Program Systems Support

Peggy Cain – Program Trainer

Kathy Van-Brocklin – Operations Manager Direct Pay Unit

Janet Dornhecker – Program Manager CAF Food Stamp Reinvestment Unit

Robert O'Shea – Manager, Overpayment Writing Unit

Chris Bravo – Investigator

Exhibit D-1. Oregon Record Review Worksheet

CLIENT ID#

STATE: Oregon

COUNTY:

DATE:

ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)	ANALYSIS OF CASE RECORD (2)	FINDINGS (3)	RESULTS (4)
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SECTION I. STATE CHILD CARE PROGRAM FORMS

100 APPLICATION/RE-DETERMINATION FORMS			100 RESULTS	
Determine presence, date, and completeness of required eligibility forms, may include (1) signed and dated application form or (2) narration from case manager for case(s) transitioning from TANF to Employment related Day Care. Specify conditions of dollar error, including (1) incomplete application after 45 day processing time frame, (2) no application form, and (3) no narration regarding transition or extension of application processing time frame.			0	No Error
			1	Client Error
			2	Agency Error

SECTION II. PRIORITY GROUP PLACEMENT

200 PRIORITY GROUP PLACEMENT			200 RESULTS	
N/A			0	No Error
			1	Client Error
			2	Agency Error

SECTION III. GENERAL PROGRAM REQUIREMENTS

300 QUALIFYING CARETAKER			300 RESULTS	
Determine if client meets definition of caretaker. A caretaker is the person, regardless of age, who is responsible for the care, control and supervision of the dependent child. The caretaker does not have to be related to the child. Caretaker status ends when the responsibility for care, control and supervision is given to another person for 30 days or more.			0	No Error
			1	Client Error
			2	Agency Error

310 RESIDENCY			310 RESULTS	
Determine if client is a resident of the State of Oregon.			0	No Error

CLIENT ID#

STATE: Oregon

COUNTY:

DATE:

ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)	ANALYSIS OF CASE RECORD (2)	FINDINGS (3)	RESULTS (4)	
			1	Client Error
			2	Agency Error
320 ELIGIBILITY GROUPS			320 RESULTS	
Requirement for caretaker to be <i>employed</i> or participating in DHS-approved <i>self-sufficiency activities</i> . The ERDC program is used only for clients not receiving TANF, unless the adult is not included in the TANF benefit group			0	No Error
			1	Client Error
			2	Agency Error
330 QUALIFYING CHILD			330 RESULTS	
Determine if child(ren) is eligible for services, including (1) younger than 12 years, (2) younger than 18 years and physically or mentally incapable of caring for himself or herself. Need for care of older children must be documented.			0	No Error
			1	Client Error
			2	Agency Error
340 QUALIFYING CHILD CARE NEED/HOURS			340 RESULTS	
Determine if there is a child care need and authorized hours. Determine if the co-pay is less than the child care subsidy amount.			0	No Error
			1	Client Error
			2	Agency Error
350 LISTABLE PROVIDER			350 RESULTS	
Determine if provider of child care service(s) is a listed or in the process of becoming listed through the Department of Human Services			0	No Error
			1	Client Error
			2	Agency Error
360 PROVIDER REQUIREMENTS			360 RESULTS	
N/A			0	No Error
			1	Client Error

CLIENT ID#

STATE: Oregon

COUNTY:

DATE:

ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)	ANALYSIS OF CASE RECORD (2)	FINDINGS (3)	RESULTS (4)
			2 Agency Error

SECTION IV. INCOME AND PAYMENTS

400 INCOME			400 RESULTS	
Describe income verification for each member of the filing group. Specify time period and all income, earned or unearned, to be considered. If historical income is not representative of future income review explanation of how anticipated income was calculated.			0	No Error
			1	Client Error
			2	Agency Error

410 INCOME ELIGIBILITY			410 RESULTS	
Determine if income meets State requirements (e.g., gross income must be within 150% of the Federal Poverty Level).			0	No Error
			1	Client Error
			2	Agency Error

420 PAYMENTS, GENERAL			420 RESULTS	
Determine if the co-pay requirement was met.			0	No Error
			1	Client Error
			2	Agency Error

430 PAYMENTS/COMPUTATIONS			430 RESULTS	
Determine difference in dollar amount of child care benefits authorized versus the amount that should have been authorized-- indicate if it is an overpayment or underpayment.			0	No Error
			1	Client Error
			2	Agency Error

Appendix E. West Virginia

A. Organizational Structure

The Office of Children and Family Policy of the West Virginia Department of Health and Human Resources administer the child care subsidy program, Adventures in Better Child Care (ABCC). The State contracts with six regional Child Care Resource and Referral agencies (CCR&R) to provide eligibility services to the State's 55 counties. The CCR&R agencies also educate consumers on selecting appropriate child care and refer parents to providers in their area. In FY 2005, average per month assistance was provided through 3,370 providers to over 10,000 children in 5,900 families.

To allow families the choice to select the child care provider that best meets their needs, parents may use these care settings: the child's home, registered family providers, registered informal family providers, registered relative family providers, certified family facilities, licensed child care centers, and unlicensed school-age child care programs.

B. Overview of the Child Care Eligibility Process

To be eligible for assistance, families must have an income below 150 percent of the Federal Poverty Level (FPL), be a resident of the State, a US citizen or a "qualified alien," have children under the age of 13 (or age 19 for special care needs), be employed or in an approved education or training activity, and when applicable, cooperate with child support enforcement. Parents with earnings of less than 40 percent of Federal Poverty Level are exempt from fees. State foster children in approved foster homes are also exempt.

West Virginia's subsidized child care program is a certificate system. Provider payments are made monthly and retrospectively. Payment for services includes a base rate for each type of care as well as incentive rates. Rates are based on the type of care, age of child, special needs of individual children, hours of care, nontraditional hours, and the accreditation status of the provider. Benefits are determined prospectively, i.e., for the upcoming month. Reauthorization of eligibility is every six months. A new certificate is issued at the six month mark following the completion of a "status check" (re-verification of need and income). Clients must report specific types of changes (identifying information, household composition, employment, need for job search, and provider changes) within five days of the change. With some exceptions for changes requiring verification, the change takes effect the following month.

C. Improper Payments

West Virginia defines an improper payment as a payment that should not have been made, or that was made in an incorrect amount due to worker error in determining and verifying eligibility and/or calculation and input of information in the Family and Children's Tracking System (FACTS). Incorrect amounts include overpayments, underpayments, and inappropriate denials of payment. West Virginia identifies improper payments through a variety of methods detailed below.

- Use of information technology: The CCR&R agencies must use the State's information system, FACTS, to determine financial eligibility and calculate

payment amounts due. FACTS contains a number of edits that identify anomalies dealing with income, hours, child's age, shift differential, duplicate eligibility, assessment periods, and multiple providers. All payments, while entered and approved by a supervisor at the local level, are approved by management at the Lead Agency level before issuance. This system of checks and balances also prevents improper payments.

- **Documentation of Need and Eligibility Training:** A Child Care Policy Specialist works with CCR&R agencies to identify problem policies, procedures and forms. Solutions are developed by committee and implemented in the CCR&R agencies through training and technical assistance provided quarterly.
- **Quality Assurance Activities:** Two Child Care Consultants provide support to the local CCR&R agencies through a quarterly sampling of cases to ensure compliance with policies and procedures. They also provide training in child care policy and use of the FACTS system
- **Suspected Fraud Activities:**
 - If the CCR&R agency becomes aware that the client or provider is attempting to or has received payments to which they are not entitled, the worker must take corrective action to prevent further payments from occurring. The CCR&R agencies are required to cooperate with one another and share information, including payment forms, sign-in and sign-out sheets, documents, and records to reduce and prevent improper payments. When information is requested by other CCR&R agencies for this purpose, the CCR&R agencies shall respond within five days, unless extenuating circumstances exist.
 - If over payment is due to error by the CCR&R agency or error on the part of the provider and the amount is less than \$1,000, the CCR&R agency is responsible for negotiating the repayment. If the overpayment is \$1,000 or greater and is due to misrepresentation by the client or provider, a referral is to be made to the Director of Investigation and Fraud Management.

D. Case Review Process

West Virginia made substantial modifications to the *Record Review Worksheet*, using check-off boxes, "Yes" and "No" fields, and coding to eliminate the need for extensive narrative recording. West Virginia completed the record review process and compiled the results prior to the site visit. The Review Team consisted of two Field Consultants and a Policy Specialist. All of the reviews occurred on site at the regional CCR&R agencies. The Review Team had already read 10 cases during one of its regular CCR&R audits. To improve the review process, the three reviewers completed several reviews jointly and consulted by telephone frequently. Because the Review Team reviewed the cases in regions, travel time was a considerable factor with several hours of driving time from one CCR&R agency to another.

E. Automation

The Families and Children Tracking System (FACTS) is a customized statewide automated case management system for all Child Welfare, Child Care, and Adult Service Programs. In August 2000, the State modified FACTS to include case management and

payment functionality for the Child Care Program. This change fully implemented the transition of the contracted CCR&R agencies to an automated system for on-line and real time determination of eligibility for child care services and an automated determination for child care payments. The FACTS System utilizes information entered by the CCR&R staff to determine eligibility. This eliminates many errors, with the exception of those caused by faulty data entry. The system has payment controls for eligible days and for eligible children.

The FACTS system also provides staff with the capability of accessing the State's TANF, Food Stamp and Medicaid system - RAPIDS. This allows additional verification of information provided in the eligibility process.

The major goals of the system are to improve the organization's capacity for:

- Program compliance and planning;
- Accurate data collection for State and Federal reporting;
- Program quality assurance efforts;
- Case record management; and
- Information collection and analysis.

F. Next Steps

This section includes a summary of the West Virginia response to the error causes and corrective actions taken based on the finding of the pilot.

- West Virginia will conduct refresher policy training with the CCR&R directors. The directors will then provide the training to their staff. It is felt that by training the directors rather than the staff that the directors will become more involved in eligibility activities.
- Technical assistance staff will continue to perform random quarterly case audits. Prior to the pilot, the FACTS electronic record was the object of the review. An expanded review will now include the physical case record.
- CCR&R agencies must develop and implement Quality Assurance Plans. The plans will now require inclusion of payment accuracy initiatives if a CCR&R agency has an error rate that is above the State mean.
- Family child care providers must submit sign-in and sign-out sheets to verify attendance along with their billing forms. CCR&R agencies must audit billing forms and compare work and school schedules to times shown on the sheets to verify that the child care usage complies with time approved.
- Child care providers who submit incorrect or improper billing forms must attend a retraining session on proper billing procedures.
- Two State level Child Care Consultants will continue to sample CCR&R cases to ensure compliance with appropriate policies and provide training and technical assistance on policy, procedures, and the use of FACTS. The consultants also provide follow up to ensure the CCR&R corrective action plans are completed.

West Virginia Site Visit Participants

Charlie Young – Director, Bureau for Children and Families Policy

Kay Tilton, Director, Division of Early Care and Education

Deidre Craythorne, Policy Specialist, Division of Early Care and Education

Mary Hayden, Field Consultant, Division of Early Care and Education

Shannon Richards, HHR Specialist, FACTS Project

Raechelle Miller, HHR Specialist, FACTS Project

Judy Curry, Child Care Program Manager

Brenda Howell, Director, FACTS

Susan Richards, Director, Training

Exhibit E-1. West Virginia Record Review Worksheet

Client Study ID# _____ County: _____

Client FACTS ID# _____ Date Reviewed: ___ / ___ / ___

SECTION I. STATE CHILD CARE PROGRAM FORMS			
100 APPLICATION FORMS ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) Determine presence, date, and completeness of required eligibility forms, may include:	ANALYSIS OF CASE RECORD (2)		
	No Error	Client Error	Agency Error
(1) Signed and dated application (ECE-CC-1) or review form (DAY-0614) or signature page (DAY-0617) effective for 10-05	___ 0	___ 1	___ 2
(2) Child care parent services agreement (signed DAY 0162)	___ 0	___ 1	___ 2
(3) Certificate (completed DAY-0176)	___ 0	___ 1	___ 2
(4.a.) Provider invoice. (ECE-CC-10 A)	___ 0	___ 1	___ 2
Is form completely filled out?	___ 0	___ 1	___ 2
Are Sign In/Out Sheets attached? (if required)	___ 0	___ 1	___ 2
Does Provider Signature match signature in provider file?	___ 0	___ 1	___ 2
Do parent signatures match signatures in parent's paper file?	___ 0	___ 1	___ 2
Do the number of days billed match sign in/out sheet?	___ 0	___ 1	___ 2
Does sign in/out sheet match parent's work/school schedule in FACTS?	___ 0	___ 1	___ 2
Was payment entered correctly?	___ 0	___ 1	___ 2
Was payment form signed by worker?	___ 0	___ 1	___ 2
Was form signed by approving supervisor?	___ 0	___ 1	___ 2
(4.b.) Specify conditions of dollar error, including	___ 0	___ 1	___ 2
(1) form expired- (expired certificate-DAY-0176)	___ 0	___ 1	___ 2
(2) No application form (signed ECE-CC-1 /DAY-0614 or DAY-0617)	___ 0	___ 1	___ 2
(3) No documentation of income and work hours. (copies of pay stubs or ECE-CC-1B or 1C, if self-employed-check application form for work hours and check the employment screen for all adults in FACTS)	___ 0	___ 1	___ 2
FINDINGS (3)			

SECTION II. PRIORITY GROUP PLACEMENT			
200 PRIORITY GROUP PLACEMENT ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) Determine if client meets criteria of State-designated priority groups, e.g., (West Virginia's State plan only addresses priorities for foster and adoptive parents, since we operate without a waiting list, so we changed the priorities list.)	ANALYSIS OF CASE RECORD (2)		
	No Error	Client Error	Agency Error
(1) foster parents (check general information screen to see if role is a foster parent and if child is checked as a foster child. If so, check finance screen to make sure foster parent income was disregarded)	___ 0	___ 1	___ 2
(2) adoptive parent (check general information screen to see if role in case is adoptive parent. If so, check finance screen to make sure adoption subsidy amounts were disregarded)	___ 0	___ 1	___ 2
FINDINGS (3)			
SECTION III. General Program Requirements			
300 QUALIFYING HEAD OF HOUSEHOLD ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) Determine if client meets parent definition (parent means a parent by blood, marriage or adoption and also means a legal guardian, or other person standing in loco parentis), e.g., (check general information screen to see if the client is one of the following:)	ANALYSIS OF CASE RECORD (2)		
	No Error	Client Error	Agency Error
(1) parent	___ 0	___ 1	___ 2
(2) step-parent	___ 0	___ 1	___ 2
(3) legal guardian	___ 0	___ 1	___ 2
(4) caretaker	___ 0	___ 1	___ 2
(5) relative	___ 0	___ 1	___ 2
FINDINGS (3)			
310 RESIDENCY ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) Determine if (WV has a statewide system, so we are checking only if the client is a resident of the State. We also added " is the child a US citizen or a qualified eligible alien)	ANALYSIS OF CASE RECORD (2)		
	No Error	Client Error	Agency Error
Client is a resident of the State (check address on address screen)	___ 0	___ 1	___ 2
Is child a US citizen? (Check race/ethnicity screen)	___ 0	___ 1	___ 2
Is Child a qualified eligible alien? (Check race/ethnicity screen)	___ 0	___ 1	___ 2
Client is a resident of the county and for what duration. There is an agreement regarding eligibility among counties.			

FINDINGS (3)			
320 HOUSEHOLD MEMBERS ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) To receive services a child's parent or parents must be	ANALYSIS OF CASE RECORD (2)		
	No Error	Client Error	Agency Error
Working (check employment screen and finances screen to see if work has been verified or check pay stubs in record)	___ 0	___ 1	___ 2
Attending a job training or educational program. (check education screen and see if and how education was verified- check paper file to see if verification is in file)	___ 0	___ 1	___ 2
FINDINGS (3)			
330 QUALIFYING CHILD ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) Determine if child (ren) is eligible for services, including (WV does not pay for children in foster care unless the foster parents are working/attending school, so we changed this to "for protective services reasons)	ANALYSIS OF CASE RECORD (2)		
	No Error	Client Error	Agency Error
(1) younger than 13 years (check date of birth on client general information screen –if over 13, see #2)	___ 0	___ 1	___ 2
(2) younger than 18 years and physically or mentally incapable of caring for himself or herself, or under court supervision (see if verification of physical or mental incapacity or court supervision is on file in record)	___ 0	___ 1	___ 2
(3) in child care for protective services reasons (Check in Child Care assessment to see if CPS safety or treatment plan is checked. Is a copy of safety or treatment plan or a Safety First Plan on file?	___ 0	___ 1	___ 2
FINDINGS (3)			
340 QUALIFYING CARE ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)	ANALYSIS OF CASE RECORD (2)		
	No Error	Client Error	Agency Error
Determine hours authorized. (check employment/education screens and services to see if hours of care are entered and consistent- If not, exceptions are noted on contacts or paper record)	___ 0	___ 1	___ 2
Determine required number of hours of care during authorized schedule. (Check to see if number of hours authorized matches pay stubs, school schedules or other documentation)	___ 0	___ 1	___ 2
FINDINGS (3)			

350 QUALIFYING PROVIDER ARRANGEMENT ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) Determine if services are provided within a legally operating provider type. (Check the provider record status screen to see if a valid license or certificate was in effect as of October 2005)	ANALYSIS OF CASE RECORD (2)		
	No Error	Client Error	Agency Error
Center-based child care provider	___ 0	___ 1	___ 2
group home child care provider	___ 0	___ 1	___ 2
family child care provider	___ 0	___ 1	___ 2
an in-home child care provider	___ 0	___ 1	___ 2
other provider of child care services for compensation that is licensed, regulated, or registered under applicable State or local law, including informal, relative or legally operating school-age child care?	___ 0	___ 1	___ 2
FINDINGS (3)			
360 PROVIDER REQUIREMENTS ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) If provider status screen shows a valid license, regulatory requirements are met, so this is a duplicate question for WV.	ANALYSIS OF CASE RECORD (2)		
Determine if regulatory requirements are met. Regulatory requirements means requirements necessary for a provider to legally provide child care services in a State or locality, including registration requirements established under State, local, or tribal law.			
Findings (3)			
SECTION IV. INCOME AND PAYMENTS			
400 INCOME ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) Describe income documentation verification for each member of the household. Specify time period and all income to be considered, e.g., based on 4 weeks prior to application: Collect the following data: (WV does not require reporting of changes in income during the six month period; b. food stamps are not considered income; and c. loss of income does not need to be reported.)	ANALYSIS OF CASE RECORD (2)		
	No Error	Client Error	Agency Error
(1.) head of household employment income (Check record to see if pay stubs or other acceptable income verification is on file that document the 1-mo. period prior to review or application. Verification can be any of the below)	___ 0	___ 1	___ 2
(1.a.) 2 pay stubs if paid bi-weekly or twice monthly, 4 pay stubs if paid weekly	___ 0	___ 1	___ 2
(1.b.) Three months of pay stubs if income fluctuates	___ 0	___ 1	___ 2
(1.c.) New Employment Verification Letter	___ 0	___ 1	___ 2
(1.d.) Self Employment income verification (must also have copy of applicable business licenses, Registration and Tax Return- if available)	___ 0	___ 1	___ 2
(2) spouse employment income (Check record to see if pay stubs or other acceptable income verification is on file that document a 1-mo. Period)	___ 0	___ 1	___ 2

(2.a.) 2 pay stubs if paid bi-weekly or twice monthly, 4 pay stubs if paid weekly	___ 0	___ 1	___ 2
(2.b.) Three months of pay stubs if income fluctuates	___ 0	___ 1	___ 2
(2.c.) New Employment Verification Letter	___ 0	___ 1	___ 2
(2.d.) Self Employment income verification (must also have Copy of business licenses/Registration and Tax Return- if available)	___ 0	___ 1	___ 2
(3) any changes in income reported West Virginia does not require reporting of income changes within the eligibility period, therefore there would be no error within this data element.			
(4) income during job training for parent/caregiver	___ 0	___ 1	___ 2
(5) child support, if included as part of income (check FACTS or application to see if child support is verified)	___ 0	___ 1	___ 2
(6) Food Stamps, if included as part of income West Virginia does not count food stamps as income, therefore there would be no error within this data element.			
(7) loss of income during eligibility period. West Virginia does not require reporting of income changes within the eligibility period therefore there would be no error within this data element.			
(8) Other countable income documented (SSI, TANF, Spousal Support, gifts, etc.)	___ 0	___ 1	___ 2
FINDINGS (3)			
410 INCOME ELIGIBILITY		ANALYSIS OF CASE RECORD (2)	
ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1) (WV's automated system calculates income and compares it with the sliding fee scale, so we opted to check for mathematical errors in averaging income or data entry.)		No Error	Client Error
Determine if household income meets State requirements (Check income verification in paper record against that in FACTS to see if any mathematical or data entry errors were made by the case worker?)		___ 0	___ 1
FINDINGS (3)			
420 PAYMENTS, GENERAL		ANALYSIS OF CASE RECORD (2)	
ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)		No Error	Client Error
Determine if payments were made. A sliding fee scale based on income and the size of the family and may be based on other factors as appropriate. West Virginia's pilot sample consists only of clients for whom a payment was made for the service month of October 2005, therefore there are no errors possible for this data element.			

Findings (3)				
430 PAYMENTS, COMPUTATIONS ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)		ANALYSIS OF CASE RECORD (2)		
		No Error	Client Error	Agency Error
Determine difference in dollar amount of child care benefits authorized versus the amount that should have been authorized—indicate if it is an overpayment or underpayment.		___ 0	___ 1	___ 2
FINDINGS (3)				
Data Summary				
State		West Virginia		
County				
Child ID				
Study Period Month				
One or more eligibility errors during pilot period 0= no errors, 1= one or more errors				
Total amount of improper payment during review month				
Total Payment Amount during review month (shown in FACTS Client Payment Information screen)				

APPENDIX F. RECORD REVIEW WORKSHEET TEMPLATE

CLIENT ID#

STATE:

COUNTY:

DATE:

ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)	ANALYSIS OF CASE RECORD (2)	FINDINGS (3)	RESULTS (4)
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SECTION I. STATE CHILD CARE PROGRAM FORMS

100 APPLICATION/RE-DETERMINATION FORMS			100 RESULTS	
Determine presence, date, and completeness of required eligibility forms, may include (1) signed and dated application form, (2) child care agreement, (3) voucher or certificate, and (4) provider invoice. Specify conditions of dollar error, including (1) form expired, (2) no application form, and (3) no documentation of income and work hours.			0	No Error
			1	Client Error
			2	Agency Error

SECTION II. PRIORITY GROUP PLACEMENT

200 PRIORITY GROUP PLACEMENT			200 RESULTS	
Determine if client meets criteria of State-designated priority groups, e.g., (1) teen parent in high school, (2) TANF recipients in eligible work activities, (3) working parents on TANF, and (4) foster parents etc.			0	No Error
			1	Client Error
			2	Agency Error

SECTION III. GENERAL PROGRAM REQUIREMENTS

300 QUALIFYING HEAD OF HOUSEHOLD			300 RESULTS	
Determine if client meets parent definition (parent means a parent by blood, marriage or adoption and also means a legal guardian, or other person standing in loco parentis), e.g., (1) parent, (2) step-parent, (3) legal guardian, (4) needy caretaker relative, or (5) spouse of same. Child(ren) must be citizen(s).			0	No Error
			1	Client Error
			2	Agency Error

310 RESIDENCY			310 RESULTS	
Determine if client is a resident of the State and for what duration, if client is a resident of the county and for what duration, and whether there is an agreement regarding eligibility among			0	No Error
			1	Client Error
			2	Agency

CLIENT ID#

STATE:

COUNTY:

DATE:

ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)	ANALYSIS OF CASE RECORD (2)	FINDINGS (3)	RESULTS (4)
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counties.			Error
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<p>320 HOUSEHOLD MEMBERS</p> <p>To receive services a child's parent or parents must be working or attending a job training or educational program.</p>			<p>320 RESULTS</p> <table border="1"> <tr> <td>0</td> <td>No Error</td> </tr> <tr> <td>1</td> <td>Client Error</td> </tr> <tr> <td>2</td> <td>Agency Error</td> </tr> </table>	0	No Error	1	Client Error	2	Agency Error
0	No Error								
1	Client Error								
2	Agency Error								

<p>330 QUALIFYING CHILD</p> <p>Determine if child(ren) is eligible for services, including (1) younger than 13 years, (2) younger than 19 years and physically or mentally incapable of caring for himself or herself, or under court supervision, and (3) in foster care when defined in the State Plan.</p>			<p>330 RESULTS</p> <table border="1"> <tr> <td>0</td> <td>No Error</td> </tr> <tr> <td>1</td> <td>Client Error</td> </tr> <tr> <td>2</td> <td>Agency Error</td> </tr> </table>	0	No Error	1	Client Error	2	Agency Error
0	No Error								
1	Client Error								
2	Agency Error								

<p>340 QUALIFYING CARE</p> <p>Determine hours and type of care authorized. Determine required number of hours of care during authorized schedule.</p>			<p>340 RESULTS</p> <table border="1"> <tr> <td>0</td> <td>No Error</td> </tr> <tr> <td>1</td> <td>Client Error</td> </tr> <tr> <td>2</td> <td>Agency Error</td> </tr> </table>	0	No Error	1	Client Error	2	Agency Error
0	No Error								
1	Client Error								
2	Agency Error								

<p>350 QUALIFYING PROVIDER ARRANGEMENT</p> <p>Determine if services are provided within a center-based child care provider, a group home child care provider, a family child care provider, an in-home child care provider, or other provider of child care services for compensation that is licensed, regulated, or registered under applicable State or local law. Is informal care included?</p>			<p>350 RESULTS</p> <table border="1"> <tr> <td>0</td> <td>No Error</td> </tr> <tr> <td>1</td> <td>Client Error</td> </tr> <tr> <td>2</td> <td>Agency Error</td> </tr> </table>	0	No Error	1	Client Error	2	Agency Error
0	No Error								
1	Client Error								
2	Agency Error								

CLIENT ID#

STATE:

COUNTY:

DATE:

ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)	ANALYSIS OF CASE RECORD (2)	FINDINGS (3)	RESULTS (4)							
<p>360 PROVIDER REQUIREMENTS</p> <p>Determine if regulatory requirements are met. Regulatory requirements means requirements necessary for a provider to legally provide child care services in a State or locality, including registration requirements established under State, local, or tribal law.</p>			<p>360 RESULTS</p> <table border="1"> <tr> <td>0</td> <td>No Error</td> </tr> <tr> <td>1</td> <td>Client Error</td> </tr> <tr> <td>2</td> <td>Agency Error</td> </tr> </table>		0	No Error	1	Client Error	2	Agency Error
0	No Error									
1	Client Error									
2	Agency Error									
SECTION IV. INCOME AND PAYMENTS										
<p>400 INCOME</p> <p>Describe income documentation verification for each member of the household. Specify time period and all income to be considered, e.g., based on 4 weeks prior to application: Collect the following data: (1) head of household employment income, (2) spouse employment income, (3) any changes in income reported, (4) income during job training for parent/caregiver, (5) child support, if included as part of income, (6) Food Stamps, if included as part of income, and (7) loss of income during eligibility period.</p>			<p>400 RESULTS</p> <table border="1"> <tr> <td>0</td> <td>No Error</td> </tr> <tr> <td>1</td> <td>Client Error</td> </tr> <tr> <td>2</td> <td>Agency Error</td> </tr> </table>		0	No Error	1	Client Error	2	Agency Error
0	No Error									
1	Client Error									
2	Agency Error									
<p>410 INCOME ELIGIBILITY</p> <p>Determine if household income meets State requirements (e.g., family gross income must be within 50% of State's median income).</p>			<p>410 RESULTS</p> <table border="1"> <tr> <td>0</td> <td>No Error</td> </tr> <tr> <td>1</td> <td>Client Error</td> </tr> <tr> <td>2</td> <td>Agency Error</td> </tr> </table>		0	No Error	1	Client Error	2	Agency Error
0	No Error									
1	Client Error									
2	Agency Error									
<p>420 PAYMENTS, GENERAL</p> <p>Determine if payments were made. A sliding fee scale based on income and the size of the family and may be based on other factors as appropriate.</p>			<p>420 RESULTS</p> <table border="1"> <tr> <td>0</td> <td>No Error</td> </tr> <tr> <td>1</td> <td>Client Error</td> </tr> <tr> <td>2</td> <td>Agency Error</td> </tr> </table>		0	No Error	1	Client Error	2	Agency Error
0	No Error									
1	Client Error									
2	Agency Error									
<p>430 PAYMENTS/COMPUTATIONS</p> <p>Determine difference in dollar amount of child care benefits</p>			<p>430 RESULTS</p> <table border="1"> <tr> <td>0</td> <td>No Error</td> </tr> </table>		0	No Error				
0	No Error									

CLIENT ID#

STATE:

COUNTY:

DATE:

ELEMENTS OF ELIGIBILITY & PAYMENT DETERMINATION (1)	ANALYSIS OF CASE RECORD (2)	FINDINGS (3)	RESULTS (4)	
authorized versus the amount that should have been authorized— indicate if it is an overpayment or underpayment.			1	Client Error
			2	Agency Error

APPENDIX G. DATA ENTRY FORM

VARIABLE	VALUE
State	
County	
Child ID	
Study Period Month (October 2004)]	
Date of data collection	
One or more eligibility errors during pilot period] 0 =no errors, 1 = one or more errors	
Cause of improper payment 0 =no errors, 1 = client, 2 = agency	
Total amount of improper payments during review month	
Total amount of payments during review month]	

Appendix H. ERROR RATE COST ANALYSIS

Pilot States are asked to track the time utilized by different staff to complete each of the error rate pilot tasks. These tasks include:

- Preparation and training (including the CCB site visit);
- Drawing the sample;
- Record review process;
- Consolidating the data on the Data Report Forms;
- Reviewing the findings and responding to the three questions; and
- Discussion of causes/strategies and report preparation.

Costs per task are estimated by multiplying the length of time to conduct the task by the average hourly rate (salary + benefits) of the relevant staff person's job classification. Each task may require time from different staff persons, e.g., staff time should be tracked according to job classification—Administrative Staff/Review Team, Computer Support, and Clerical Support—to allow for differing salary ranges. Within these job categories, costs will be estimated to conduct each of the activities listed above. Please note that States should include the time involved in the site visits as part of the first preparation and training activity.

In addition, States are asked to keep track of other indirect costs, e.g., materials, copying, postage, travel and other costs. The following template lists the categories of tasks, job classifications, time in hours, hours (salary + benefits) and total costs. A spreadsheet with each of the tasks is attached for States to use to enter their hours and cost information.

Task	Job category	Time	Cost Per Unit	Cost
Preparation and training	Administrative Computer support Clerical support			
Record review process	Administrative Computer support Clerical support			
Drawing the sample	Administrative Computer support Clerical support			
Consolidation of the data and other support activities	Administrative Computer support Clerical support			
Reviewing the findings and responding to the three questions	Administrative Computer support Clerical support			
Discussion of causes/strategies and report preparation	Administrative Computer support Clerical support			
Other indirect costs	Materials Copying Postage Travel Other			
Total				

APPENDIX I. STATE RESPONSE FORM



Walter R. McDonald & Associates, Inc.

Child Care Improper Payments Error Rate Pilot Study

Following receipt of the contractor statistical analysis of the pilot findings, the State will prepare—and return to the contractor—a written response to *each* of the three questions presented in this document.

Directions

Please identify the respondent to each question. If one respondent provides a response for all of the questions, it is necessary to provide the contact information only once. The information will be used by the Error Rate Pilot Study Team to contact the respondent should the need arise for further clarification of the response.

The respondent(s) should be as thorough as possible in the responses to the question(s). All responses will be shared with the Child Care Bureau.

Please return this document in its entirety via e-mail to Carol Pearson, Project Director of the Child Care Improper Payments Pilot Study, at cpearson@wrma.com. Should you have questions, please contact Carol at the above e-mail or by phone at (302) 226-1542.

Please return the completed document by _____

Thank you!

Child Care Improper Payments Error Rate Pilot Study

Question 1.

Date: _____

Name: _____

Title: _____

State Agency: _____

(Area Code) Phone Number: _____

E-mail: _____

What are the causes of the improper payments that have been identified? What are the actions that will be taken to correct those causes in order to reduce errors in the future?

Child Care Improper Payments Error Rate Pilot Study

Question 2.

Date: _____

Name: _____

Title: _____

State Agency: _____

(Area Code) Phone Number: _____

E-mail: _____

Describe the information systems and other infrastructure that assist the State in identifying and reducing improper payments. If the Lead Agency does not have these tools, describe actions to be taken to acquire the necessary information systems and other infrastructure, as required in the *Improper Payments Information Act of 2002*.

Question 3.

Date: _____

Name: _____

Title: _____

State Agency: _____

(Area Code) Phone Number: _____

E-mail: _____

What steps will the State take to ensure that the Lead Agency and eligibility workers will be accountable for reducing improper payments?

APPENDIX J. SITE VISIT AGENDA

Introductions
Overview of Project Goals and Objectives
Overview of Improper Payments in Child Care in your State (Please cover the following topics in your presentation)
How are improper payments defined in legislation or policy in your State?
Describe any activities for which your State has policies or regulations in place for the program, such as:
<ul style="list-style-type: none"> • Definition of an improper payment • Steps involved in identifying a potential improper payment • Steps involved in verifying an improper payment • Establishing claims for underpayments • Collecting overpayments • Sources of funding for addressing improper payments
What data sources does your State use to ensure accurate payments?
What steps does your State take to prevent and detect improper payments?
How will your State utilize an error rate to improve payment accuracy?
What automated systems are in place in your State?
Do you use automation to determine eligibility?
Are family data, provider data, licensing, attendance or payments/authorizations data automated?
Do child care staff have access to other State systems, such as employment/wage data, TANF, Child Support, etc.?
Describe any automated systems features such as edits, exception reports or red flags used to identify potential errors.
Break
Overview of the Client Eligibility Process in your State
Lunch
Overview of the Record Review Process
<i>Record Review Worksheet</i> criteria
Data sources for the <i>Data Entry Form</i>
Demonstration of the Record Review Process with the <i>Record Review Worksheet</i> and <i>Data Entry Form</i>
Break
Overview of State Review Process
Sampling frame and number per county sampled
Logistics of the review process
Timeframe
Next steps
Meet with Additional Staff (The States identified additional staff who would add to the understanding of the Child Care system—child care payment or fiscal staff or other quality control staff from associated programs such as TANF or Food Stamps.)

APPENDIX K. SUMMARY OF PILOT STUDY STATES

Summary Topic	States Participating in First Pilot				States Participating in Second Pilot				
	Arkansas	Colorado	Illinois	Ohio	Florida	Kansas	New Jersey	Oregon	West Virginia
State Structure	State administered	County administered, State supervised	State administered	County administered, State supervised	State administered	State administered	County administered, State TANF supervised	County administered, State supervised	State administered
Improper Payment Defined	Administrative Policy (Only misrepresentation in statute)	Administrative Policy	Administrative Policy	Policy (Only loosely defined)	General, not established in state policy	Administrative Policy	Administrative Policy	Administrative Policy	Administrative Policy
Improper Payments Processes	<ul style="list-style-type: none"> • Complaints or calls to the agency • Worker reviews • Supervisory reviews • Random provider reviews • Unannounced visits • Annual audits 	<ul style="list-style-type: none"> • Complaints or calls to the agency • Counties investigate first • Office of Program Improvement involved if necessary 	<ul style="list-style-type: none"> • Complaints or calls to the agency • Program Integrity and Quality Assurance Unit conducts regularly-scheduled audits 	<ul style="list-style-type: none"> • Complaints or calls to the agency • Some counties have regular supervisor reviews • Counties conduct monitoring reviews, State follows-up 	<ul style="list-style-type: none"> • Technical assistance provided local staff • Annual monitoring plan of all ELCs • Monthly invoice reviews 	<ul style="list-style-type: none"> • Complaints from the public • Review attendance sheets in the field • Field staff review • Inclusion of child care in QC review process 	<ul style="list-style-type: none"> • Case review of a sampling of cases • Internal controls for monitoring vouchers 	<ul style="list-style-type: none"> • Hotline number • Improper Payments staff • Monthly desk audit of 200 randomly selected billing forms 	<ul style="list-style-type: none"> • Policy Specialist provides technical assistance to CCR&Rs • Case review of a sampling of cases • Two staff provide technical assistance to CCR&Rs
Assessment of Risk	<ul style="list-style-type: none"> • Compliance Review Team • Data mining • Benchmark reporting • Exception reporting 	<ul style="list-style-type: none"> • Office of Program Improvement • Ad hoc studies • Counties monitor improper payments • Special 	<ul style="list-style-type: none"> • Reliance on exception reporting • Ongoing training 	<ul style="list-style-type: none"> • State visits each county twice during a 15-month period • Incident Tracking system of injury to a child in care 	<ul style="list-style-type: none"> • Field staff review local financial & program operations • Exception reports • Local Ad hoc report writing 	<ul style="list-style-type: none"> • Exception reports generated from automated systems • Audits based on department request 	<ul style="list-style-type: none"> • Data Matching • Exception reports generated from CARES and OMEGA systems • Quality Assurance 	<ul style="list-style-type: none"> • Exception reports • Monthly match with, Food Stamps and Medicaid files • Child care reviews with Food Stamp 	<ul style="list-style-type: none"> • FACTS edits identify anomalies • Mandatory CCR&R Quality Assurance Plans

Summary Topic	States Participating in First Pilot				States Participating in Second Pilot				
	Arkansas	Colorado	Illinois	Ohio	Florida	Kansas	New Jersey	Oregon	West Virginia
Automation	<ul style="list-style-type: none"> • New system • Up-front edits • Interface with TANF, Food Stamps, child support 	<ul style="list-style-type: none"> • Mainframe statewide system that must be used • Most counties have own systems 	<ul style="list-style-type: none"> • Mainframe system • Interface with TANF, Food Stamps, child support • Up-front edits • Billing process is automated for CCR&Rs and will soon be for contract providers 	<ul style="list-style-type: none"> • Mainframe system • Interface with TANF, Food Stamps, child support • Up-front edits, but eligibility determination is not automated 	<ul style="list-style-type: none"> • Enhanced Field System (EFS) makes payments • Eligibility determination module • EFS has edits for age, attendance, and payment rate. 	<ul style="list-style-type: none"> • Mainframe system • Interface with TANF, Food Stamps, child support • Up-front edits, eligibility determination is not automated • EBT for billing 	<ul style="list-style-type: none"> • Mainframe system • Eligibility determination, subsidy and co-pay calculation, voucher generation, attendance, check write process 	<ul style="list-style-type: none"> • Mainframe legacy system • Eligibility determination • Interface with SAS payment system 	<ul style="list-style-type: none"> • Web based SACWIS system. • Eligibility processing with eligibility and payment edits. • Connectivity with the public assistance eligibility system (RAPIDS) • Payment Processing

Summary Topic	States Participating in Discussions ²²			
	Arizona	California	Nebraska	New Hampshire
State Structure	State-administered	County-administered, State-supervised	State-administered	State-supervised
Improper Payment Defined	Statute	Statute	Policy (Only IPV in Statute)	State Plan
Improper Payments Processes	<ul style="list-style-type: none"> • Complaints or calls to the agency • Monthly supervisory-level case reviews • Annual case reviews • Audits of provider records 	<ul style="list-style-type: none"> • Complaints or calls to the agency • Improper Payment Unit established • Annual audits 	<ul style="list-style-type: none"> • Complaints or calls to the agency • Issuance and Collection Center Unit audits child care 	<ul style="list-style-type: none"> • Complaints or calls to the agency • Task Force for Improper Payments established across program areas
Assessment of Risk	Exception reports	Improper Payments Unit	<ul style="list-style-type: none"> • Exception reports • Attorney is assigned to child care 	<ul style="list-style-type: none"> • Developing queries for error-prone profiling • Educating providers to encourage referrals • Establishing Internet billing • Developing automated exception reports
Automation	<ul style="list-style-type: none"> • Mainframe system • Interface with TANF, Food Stamps, child support 	<ul style="list-style-type: none"> • No State automated system, only aggregate data collected to meet Federal requirements • Many counties have their own automated systems 	<ul style="list-style-type: none"> • Mainframe system • Integrated with TANF, Food Stamps, child support • Eligibility calculated off-line 	<ul style="list-style-type: none"> • New system • Up-front edits • System integrated with TANF, Food Stamps, child support • Interfaces to most other systems

²² In the first pilot, the team conducted telephone discussions with five additional States—Arizona, California, Kansas, Nebraska, and New Hampshire—to gather information about the States’ policies and practices regarding child care improper payments.