FACT SHEET
Measuring Improper Payments in the Child Care Program: August 2005

In response to one of the key elements of the President's Management Agenda, the Child Care Bureau is interested in methods that could help States identify, measure and prevent errors in the administration of child care funds. Measuring Improper Payments in the Child Care Program *seeks to document best practices, produce technical assistance materials, and make recommendations for improved monitoring and administration.*

EXAMINING STATE PRACTICES

Because of the extensive State flexibility that is permitted by the Child Care and Development Fund, defining error in a way that has meaning across the States is difficult. Policies vary widely. Some States are county-administered, while others have a centralized system; some Child Care Administrators are located in the State's education agency, while others are in the social services or workforce development agency.

Phase I. To understand the issue from a State perspective, the Bureau invited eleven States in the summer of 2003 to participate in this Project to assess the adequacy of systems, databases, policy constants, and administrative structures, and to describe the critical differences among broad categories of States. In 2004, site visits were conducted in six States (Arkansas, Connecticut, Indiana, Ohio, Oklahoma, and Virginia) and the remaining five (Georgia, Maryland, Oregon, South Carolina, and Wisconsin) participate as partners in the project. These eleven States bring to this project experience in dealing with erroneous payments, knowledge of the capacity of their automated systems, and strong working relationships among key State agencies. Both centralized and locally-based organizational structures are represented.

Phase II. In 2004-2005, the Bureau continued to solicit input on this issue from States, Territories and Tribes through conference calls, a new question in the FY 2006-2007 State Plans, a more intensive round of site visits in a select group of States (Arkansas, Colorado, Illinois, and Ohio), and expanding its partnership to include five additional states (Arizona, California, Kansas, Nebraska and New Hampshire). Through this process the Bureau assessed different approaches to specifying and tracking child care error rates, documented obstacles, constructed case studies of solutions to serve as technical assistance materials, and captured information about and copies of effective procedures, training materials, software, and the like. The Bureau also examined new technological approaches in some States, such as software that highlights potential fraud or error for closer examination, and electronic benefit transfer (EBT) applications for child care vouchers.

Phase III. In Phase III, the Bureau will expand its analysis of the site visit results, will study the responses to the improper payments question in the State Plans, and will work with Federal and State staff to develop and field test a self-assessment instrument. In addition, the Bureau will examine the feasibility of a nationwide survey requesting information about States' policies, practices, challenges and solutions.

INITIAL FINDINGS

Each State, Territory, and Tribe has its own unique set of policies, procedures, and structures that support the child care subsidy program. Locally-administered States can have more than one system of administering the program even within their own borders. To address the issue, the variability with which States, Territories, and Tribes implement the block grant must be acknowledged.

Many States have already taken active steps to measure, prevent, identify and recover improper payments, addressing everything from overt fraud to inadvertent, unintentional errors. Although progress is uneven across States, existing strategies and practices provide a solid basis for future improvements and sharing best practices.

Some States have reduced improper payments by re-examining their definitions and child care subsidy policies. For example, adjusting payment strategies, such as paying by the week, instead of by the hour, may reduce the amount of resources required for tracking attendance and the resulting level of improper payments. Linking systems to each other can also cut down on the amount of time required to verify information, and enhance monitoring capabilities.

However, if strategies to limit improper payments (e.g., increased verification requirements) discourage parents or providers from participating, the effectiveness of the program may be undermined. Many States report that efforts to control erroneous payments need to be balanced by efforts to provide effective service delivery for clients.

FOR MORE INFORMATION

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Updates and findings will also be shared through postings on the Bureau's web site, www.acf.hhs.gov/programs/ccb.

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