

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**IOWA LACKED SOME
DOCUMENTATION FOR ITS
CHILDCARE ASSISTANCE
PROGRAM CLAIMS**

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Office of Inspector General

<http://oig.hhs.gov>

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EXECUTIVE SUMMARY

BACKGROUND

The U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), is responsible for promoting the economic and social well-being of children, families, and communities. ACF carries out this responsibility through grants and contracts to State, county, city, and tribal governments, as well as public and private local agencies.

Childcare Services Funded by Child Care and Development Fund

Pursuant to the Child Care and Development Block Grant Act and section 418 of the Social Security Act, the Child Care and Development Fund (CCDF) is a Federal program that assists low-income families, families receiving temporary public assistance, and families transitioning from public assistance to obtain childcare so that family members can work or attend training or education.

States provide subsidized childcare services to eligible families through certificates (vouchers) or through grants and contracts with providers. Parents may select a childcare provider that satisfies applicable State and local requirements. These requirements must address prevention and control of infectious diseases, including immunizations, building and physical premises safety, and certain minimum levels of health and safety training.

Administration of Child Care and Development Fund at State Level

Under the CCDF program, States have considerable latitude in administering and implementing their childcare programs. Each State must develop, and submit to ACF for approval, a State plan that identifies the purposes for which CCDF funds will be expended for two grant periods (i.e., 2 fiscal years (FY)) and that designates a Lead Agency responsible for administering childcare programs. States are required to report childcare assistance expenditures to ACF on the quarterly Child Care and Development ACF-696 Financial Report (ACF-696 report), which is a cumulative report for the Federal fiscal year (FY).

In Iowa, the Department of Human Services (State agency) is the Lead Agency and is responsible for administering the CCDF and other childcare assistance programs. Collectively, these programs are known in Iowa as the childcare assistance program. As the Lead Agency, the State agency is required to oversee the expenditure of funds by contractors, grantees, and other agencies of the Iowa State government to ensure that the funds are expended in accordance with Federal requirements.

Iowa Childcare Assistance Program

Iowa's childcare assistance program is funded with State childcare and protective funds and Federal CCDF funds. Iowa's *Employees' Manual*, Title 13, Chapter G, "Child Care Assistance" (CCA manual), establishes the requirements, policies, and procedures used in administering the childcare assistance program regardless of the funding source (Federal or State funds). During

the period of our review, the State agency used an automated system known as KinderTrack to process and pay childcare assistance claims from providers.

The State agency's requirements concerning the childcare assistance program are found in 441 Iowa Administrative Code, Chapter 170, "Child Care Services."

The State agency paid childcare assistance claims totaling \$88,070,775 for the period April 1, 2010, through March 31, 2011.

OBJECTIVE

Our objective was to determine whether the State agency maintained documentation to support its determinations for client and provider eligibility and for claims processing, in order to ensure compliance with Federal and State requirements for the childcare assistance program.

SUMMARY OF FINDINGS

The State agency did not always maintain adequate documentation to ensure that the paid claims for the childcare assistance program complied with Federal and State requirements. With respect to client eligibility, the State agency did not always maintain adequate documentation for verification of citizenship, need for service, income, and age. With respect to provider eligibility, the State agency did not always maintain adequate documentation for background checks and provider agreements. With respect to claims processing, the State agency did not always maintain adequate documentation for supervisory approval of certain payments involving both service units and client/provider addresses. These documentation deficiencies indicate that the State agency's childcare assistance program may be vulnerable to fraud, waste, and abuse.

Of the 200 claims that we reviewed, we identified 57 claims that had client eligibility documentation deficiencies, 45 claims that had provider eligibility documentation deficiencies, and 27 claims that had claims processing documentation deficiencies (some claims had documentation deficiencies in more than one category) as identified above. We estimated that the costs affected by these documentation deficiencies totaled approximately \$15.8 million (approximately \$10.6 million Federal share).

In addition, the KinderTrack system allowed claims to be paid even when at least two significant data fields—"provider type" and "paid date"—had entries of zero. Specifically, 4,669 paid claims had entries of zero in the data field for "provider type," and 31,045 paid claims had entries of zero in the data field for "paid date." Payments associated with these incomplete claims totaled approximately \$5.9 million (approximately \$4.0 million Federal share).

RECOMMENDATIONS

We recommend that the State agency:

- use the results of this review to establish policies and procedures to help ensure compliance with the Federal and State requirements—to include requirements that relate to the maintenance of adequate documentation—for the childcare assistance program;
- determine the current eligibility of all clients and providers identified in this review with documentation deficiencies and ensure that further childcare assistance payments are denied for those clients and providers who are ineligible; and
- improve the processing of the childcare assistance claims within the KinderTrack system to ensure that the claims are complete.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our first and second recommendations and the associated findings and described corrective actions that it planned to implement. The State agency did not concur with our third recommendation or with its associated finding (regarding the data fields with entries of zero). The State agency said that “[t]he providers in the system contain the proper codes and payments were made accurately. We know that the process now works well and payments are made as they should be; it is the report that does not reflect this.” The State agency added that it would make the necessary report corrections to the KinderTrack system.

The State agency’s comments appear in their entirety as Appendix D.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing the State agency’s comments regarding the data fields with entries of zero, we maintain that this finding and recommendation remain valid. The State agency provided us with claims data only, not with reports. The data fields with entries of zero appeared in the claims data. We recognized that, by the end of our audit period, the number of claims with entries of zero in the “paid date” data field had been substantially reduced. However, the number of claims with entries of zero in the “provider type” data field had not been significantly reduced; moreover, there were still claims with entries of zero in both data fields. The claims can not be considered complete unless they are accurately reported by the State agency’s system.

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INTRODUCTION

BACKGROUND

The U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), is responsible for promoting the economic and social well-being of children, families, and communities. ACF carries out this responsibility through grants and contracts to State, county, city, and tribal governments, as well as public and private local agencies.

Childcare Services Funded by the Child Care and Development Fund

Pursuant to the Child Care and Development Block Grant Act and section 418 of the Social Security Act, the Child Care and Development Fund (CCDF) is a Federal program that assists low-income families, families receiving temporary public assistance, and families transitioning from public assistance to obtain childcare so that family members can work or attend training or education.

States provide subsidized childcare services to eligible families through certificates (vouchers) or through grants and contracts with providers. Parents may select a childcare provider that satisfies applicable State and local requirements. These requirements must address prevention and control of infectious diseases, including immunizations, building and physical premises safety, and certain minimum levels of health and safety training.

Administration of the Child Care and Development Fund at the State Level

Under the CCDF program, States have considerable latitude in implementing and administering their childcare programs. Each State must develop, and submit to ACF for approval, a State plan that identifies the purposes for which CCDF funds will be expended for two grant periods (i.e., 2 fiscal years (FY)).

Furthermore, the State plan must designate a Lead Agency responsible for administering childcare programs. Federal regulations (45 CFR § 98.11(b)) state:

In retaining overall responsibility for the administration of the program, the Lead Agency shall: ...

(5) Oversee the expenditure of funds by subgrantees and contractors;

(6) Monitor programs and services; ...

(8) Ensure that all State and local or non-governmental agencies through which the State administers the program, including agencies and contractors that determine individual eligibility, operate according to the rules established for the program.

States are required to report childcare assistance expenditures to ACF on the quarterly Child Care and Development ACF-696 Financial Report (ACF-696 report), which is a cumulative report for the FY. The ACF-696 report summarizes the total childcare assistance expenditures made by the State agency and identifies the funding sources (Federal or State funds) that the State used for childcare assistance expenditures. The actual childcare assistance claims submitted by providers and paid by the State agency are not transmitted to ACF.

In Iowa, the Department of Human Services (State agency) is the Lead Agency and is responsible for administering the CCDF and other childcare assistance programs. Collectively, these programs are known in Iowa as the childcare assistance program. As the Lead Agency, the State agency is required to oversee the expenditure of funds by contractors, grantees, and other agencies of the Iowa State government to ensure that the funds are expended in accordance with Federal requirements.

Iowa Childcare Assistance Program

Eligibility Requirements

Iowa's childcare assistance program is funded with State childcare and protective funds¹ and Federal CCDF funds. Iowa's *Employees' Manual*, Title 13, chapter G, "Child Care Assistance" (CCA manual), establishes the requirements, policies, and procedures used in administering the childcare assistance program regardless of the funding source (Federal CCDF funds, State childcare funds, and protective funds). During the period of our review, the State agency used an automated system known as KinderTrack to process and pay childcare assistance claims from providers.

Under Iowa's childcare assistance program, childcare assistance may be provided to the children of income-eligible parents who are absent for a portion of the day because of employment or participation in academic or vocational training or PROMISE JOBS² activities. Assistance may also be available for a limited period when a parent is looking for employment or when the parent who normally cares for the child is absent from the home because of hospitalization or outpatient treatment for physical or mental illness, or is present in the home but unable to care for children (as verified by a physician).

Furthermore, childcare assistance is provided to people participating in activities approved under the PROMISE JOBS program and to people who are recipients of FIP funds without regard to childcare assistance program eligibility requirements if there is a need for childcare services.

¹ Protective funds are used for children with protective needs—that is, children who are subject to a protective service plan to prevent or alleviate child abuse or neglect.

² The Family Investment Program (FIP) is Iowa's Temporary Assistance to Needy Families program. FIP provides cash assistance to needy families as they become self-supporting so that children may be cared for in their own homes or in the homes of relatives. The PROMISE JOBS (Promoting Independence and Self Sufficiency through Employment) program is part of the FIP and is designed to assist FIP recipients to become self-sufficient.

Lastly, childcare assistance for children with protective needs is provided without regard to income. To receive protective childcare services, a family must meet specific requirements, and childcare must be identified in the child's case plan as a necessary service.

Approved childcare providers include (1) licensed childcare centers, (2) registered child development homes, (3) nonregistered childcare homes, (4) in-home providers (i.e., within the child's own home), and (5) childcare programs that are exempt from licensing or registration.

The State agency's requirements concerning the childcare assistance program are found in 441 Iowa Administrative Code (IAC), chapter 170, "Child Care Services."

Government Accountability Office Review

A review conducted by the Government Accountability Office (GAO) revealed vulnerabilities in the administration of the CCDF program in selected States. The GAO report (*Undercover Tests Show Five State Programs as Vulnerable to Fraud and Abuse* (GAO-10-1062, issued September 2010)) found that the five States (Illinois, Michigan, New York, Texas, and Washington) that it tested lacked controls over childcare assistance application and billing processes for unregulated relative providers, leaving the program vulnerable to fraud and abuse.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency maintained documentation to support its determinations for client and provider eligibility and for claims processing, in order to ensure compliance with Federal and State requirements for the childcare assistance program.

Scope

We reviewed the childcare assistance claims totaling \$88,070,775 that were paid by the State agency for the period April 1, 2010, through March 31, 2011. We did not review the State agency's overall internal control structure because our objective did not require us to do so.

We conducted fieldwork at the State agency in Des Moines, Iowa, from December 2010 to August 2011.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and program guidance for the CCDF program;
- reviewed applicable State laws and the approved Iowa CCDF State plans related to the childcare assistance program;

- reviewed the State agency’s ACF-696 reports for FYs 2009 through 2011 to determine the amount of childcare assistance payments that were included in each FY report and the breakdown of the payments charged to each funding source (Federal or State funds);
- interviewed State agency staff responsible for preparing the ACF-696 reports to obtain an understanding of how the reports were prepared, how the childcare assistance claims were reported, and what documentation the State agency maintained to support the childcare assistance claims;
- interviewed State agency staff to obtain an understanding of the policies, procedures, and guidance used to determine childcare assistance client³ eligibility and provider eligibility;
- reviewed the State agency’s documentation used to prepare the ACF-696 reports;
- obtained the paid claims data from the State agency for the period April 1, 2010, through March 31, 2011;
- reconciled paid claims data to the State agency’s accounting system and the ACF-696 reports, in order to ensure that the childcare assistance paid claims population represented the amounts claimed by the State agency for Federal reimbursement;
- divided the claims paid during our audit period into 4 strata by provider type and selected 50 claims from each stratum (see Appendix B for our estimation and sampling plan);⁴
- reviewed the selected 200 paid claims’ family case files (electronic or paper) to determine whether the files contained documentation for client eligibility determinations, and specifically:
 - determined whether each eligibility case file contained the completed application, citizenship documentation, and verification of family income and hours worked, and
 - recomputed the child’s age based upon date of birth and date of service to verify that the child was under 13 years old, unless special needs or protective needs had been documented;
- reviewed the provider files related to the selected 200 paid claims to determine whether the files contained documentation for provider eligibility determinations, and specifically determined whether each provider file contained documentation for the required background checks and evaluations, the required provider forms, and an approved provider application;

³ We use the term “client” to describe the child for whom the provider is being paid and the family of the child for whom eligibility is being determined.

⁴ For each group of 50 paid claims, we judgmentally selected 30 paid claims and used a simple random sample to select an additional 20 paid claims.

- reviewed the selected 200 paid claims’ family case files (electronic or paper) to determine whether the files contained documentation for claims processing, and specifically:
 - determined whether billing of more than 2 units of service per day had supervisor approval and whether paid claims exceeded the approved number of units, and
 - analyzed instances in which the provider address and client address were the same; and
- discussed the results of our review with State agency officials on December 1, 2011.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

The State agency did not always maintain adequate documentation to ensure that the claims paid for the childcare assistance program complied with Federal and State requirements. With respect to client eligibility, the State agency did not always maintain adequate documentation for verification of citizenship, need for service, income, and age. With respect to provider eligibility, the State agency did not always maintain adequate documentation for background checks and provider agreements. With respect to claims processing, the State agency did not always maintain adequate documentation for supervisory approval of certain payments involving both service units and client/provider addresses. These documentation deficiencies indicate that the State agency’s childcare assistance program may be vulnerable to fraud, waste, and abuse.

Of the 200 claims that we reviewed, we identified 57 claims that had client eligibility documentation deficiencies, 45 claims that had provider eligibility documentation deficiencies, and 27 claims that had claims processing documentation deficiencies (some claims had documentation deficiencies in more than one category) as identified above. We estimated that the costs affected by these documentation deficiencies totaled approximately \$15.8 million (approximately \$10.6 million Federal share).

In addition, the KinderTrack system allowed claims to be paid even when at least two significant data fields—“provider type” and “paid date”—had entries of zero. Specifically, 4,669 paid claims had entries of zero in the data field for “provider type,” and 31,045 paid claims had entries of zero in the data field for “paid date.” Payments associated with these incomplete claims totaled approximately \$5.9 million (approximately \$4.0 million Federal share).

CLIENT ELIGIBILITY DOCUMENTATION DEFICIENCIES

Federal and State Requirements

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) established that the CCDF program is considered a Federal public assistance program. Title IV, section 401, of PRWORA requires that in order to receive Federal public benefits, clients must be citizens or qualified aliens. Furthermore, Title IV, section 432, of PRWORA requires that the Lead agency verify that each client is a citizen or qualified alien.

Federal regulations (45 CFR § 98.16(c)(1)) require that a State Lead Agency's CCDF plan contain a description of how the CCDF program will be administered and implemented.

Federal regulations (45 CFR § 98.20(a)) state that to be eligible for childcare assistance, a child shall:

- (1) (i) Be under 13 years of age; or,
 - (ii) At the option of the Lead Agency, be under age 19 and physically or mentally incapable of caring for himself or herself, or under court supervision;
- (2) Reside with a family whose income does not exceed 85 percent of the State's median income for a family of the same size; and
- (3) (i) Reside with a parent or parents ... who are working or attending a job training or educational program; or
 - (ii) Receive, or need to receive, protective services and reside with a parent or parents ... other than the parents(s) described in paragraph (a)(3)(i) of this section.

The Iowa CCDF State plan specifies that the State agency's administrative rules and procedures are to be used for the childcare assistance program.

State regulations (441 IAC 170) document the departmental requirements concerning the implementation of the childcare assistance program. The IAC:

- requires that all applicants shall attest to the child's citizenship or alien status and states that childcare assistance payments shall only be made for a child who (1) is a citizen or national of the United States or (2) is a qualified alien as defined at 8 U.S.C. section 1641 (441 IAC 170.2(2)d);
- requires that for the child to be eligible for services, the child's parent, guardian, or custodian must (1) attend an approved academic or vocational training, (2) be employed working 28 hours a week or an average of 28 hours per week over a month, (3) have

protective needs for childcare, (4) have medical absence or incapacity, or (5) be seeking employment (441 IAC 170.2(2)b);

- establishes the threshold for financial eligibility for families, which sets the limits for the maximum monthly income by family size to be eligible for services and which requires that gross monthly income of the family be verified to establish eligibility (441 IAC 170.2(1)); and
- states that “[c]hild care shall be provided only to children up to age 13, unless they are children with special needs, in which case child care shall be provided up to age 19” (441 IAC 170.2(2)a).

Inadequate Documentation for Client Eligibility

The State agency did not have adequate documentation to support its determinations for client eligibility. Of the 200 claims that we reviewed, we identified 57 claims that were not supported by required documentation.⁵

- For 42 claims, the case file contained no citizenship verification or Social Security number. Only U.S. citizens and qualified aliens are eligible for childcare assistance. In cases when citizenship or qualified-alien status is not documented, childcare assistance can potentially be provided and paid for noneligible participants. (We noted that for 151 of the 200 claims, the State agency had not verified citizenship but had documented Social Security numbers.)
- For 12 claims, there was no evidence in the case file that documented that the client was eligible for services.
- For 10 claims, either the case file contained no documentation to support the income verification or the income verification was not completed in accordance with CCA manual provisions.
- For 4 claims, the client was over the age of 13 and there was no documentation in the case file that the child had special needs or protective needs.

PROVIDER ELIGIBILITY DOCUMENTATION DEFICIENCIES

Federal and State Requirements

Federal regulations (45 CFR § 98.40(a)(1)) require that a Lead Agency certify that it has put in effect licensing requirements applicable to childcare services provided within the area served by the Lead Agency.

⁵ Some claims were missing more than one type of required documentation.

State regulations (441 IAC 170) require:

- licensed providers, registered providers, and nonregistered providers, including in-home providers, to pass a required background check, and that an evaluation be performed on individuals when a potential transgression has been identified (441 IAC 109.6(6), 110.7(3), and 170.4(3)h);
- childcare providers to complete various eligibility forms (441 IAC 170.4(3)); and
- childcare providers to complete a provider agreement with the State agency (441 IAC 170.4(7)).

Inadequate Documentation for Provider Eligibility

The State agency did not have adequate documentation to support its determinations for provider eligibility. Of the 200 claims that we reviewed, we identified 45 claims that were missing documentation supporting provider eligibility:⁶

- For 32 claims, the provider file did not have documentation to support that all of the required background checks were performed or that the required evaluation in cases of potential transgressions had been undertaken.
- For 19 claims, the provider file did not contain all of the necessary eligibility forms.
- For 10 claims, the provider file did not contain a completed provider agreement with the State agency (part of which includes the provider rates approved by the State agency).

CLAIMS PROCESSING DOCUMENTATION DEFICIENCIES

Federal and State Requirements

The CCA manual requires supervisory approval for billings in excess of 2 units of service per 24-hour period.⁷

State regulations (441 IAC 170.9) state that all childcare assistance overpayments are subject to recoupment.

Furthermore, the CCA manual requires that when a childcare provider receives a duplicate payment or a payment greater than allowed, the amount of the overpayment must be recovered.

⁶ Some claims were missing more than one type of required documentation.

⁷ According to the CCA manual, a “unit of service” is “a half day, which is defined as up to 5 hours of service during a 24-hour period. The number of units of service approved each day is based on the hours the parent performs an activity that meets the definition of a need for service including travel time.”

Inadequate Documentation for Claims Processing

The State agency did not have adequate documentation to support its determinations for claims processing. Of the 200 claims that we reviewed, we identified 27 claims that were missing documentation supporting supervisory approval for exceptions to policy and claims processing:⁸

- For 18 claims, the client case file did not document supervisory approval for payments made in excess of 2 units of service per day.
- For two claims, the number of units of service billed and paid exceeded the number of units of service approved by the State agency.
- For nine claims, the provider’s address and the client’s address were the same. In cases when the provider and the client live at the same address and their relationship is not documented, childcare assistance can potentially and incorrectly be paid for cases in which parents are watching their own children.

INCOMPLETE CLAIMS

During the period of our review, the State agency used the KinderTrack system to process childcare assistance claims. During our reconciliation of the claims data, we determined that the “provider type” field and the “paid date” field were not always completed for all of the paid claims.

The “provider type” field identifies the type of provider for which each claim is paid. We identified 4,669 paid claims, totaling approximately \$754,000,⁹ that had a zero—an invalid entry—in the “provider type” field. We also identified 31,045 paid claims, totaling approximately \$5.1 million,¹⁰ that had a zero in the “paid date” field.

These errors indicate that the State agency did not have adequate procedures in place to ensure that the childcare assistance claims were properly and fully completed before it made payments to providers.

COSTS ASSOCIATED WITH DEFICIENCIES

The documentation deficiencies described above indicate that the State agency’s childcare assistance program may be vulnerable to fraud, waste, and abuse. We estimated that the costs affected by the eligibility and claims processing documentation deficiencies totaled approximately \$15.8 million (approximately \$10.6 million Federal share). In addition, payments

⁸ Some claims were missing more than one type of required documentation.

⁹ The paid claims with a zero in the “provider type” field were excluded from the population from which we drew our sample.

¹⁰ The paid claims with a zero in the “paid date” field were included in the population from which we drew our sample.

associated with the incomplete claims totaled approximately \$5.9 million (approximately \$4.0 million Federal share).

The State of Iowa does not currently have a waiting list for childcare assistance, but the potential exists to initiate one in the future. If that measure becomes necessary, the deficiencies described in this report could prevent eligible clients from receiving childcare assistance benefits.

RECOMMENDATIONS

We recommend that the State agency:

- use the results of this review to establish policies and procedures to help ensure compliance with the Federal and State requirements—to include requirements that relate to the maintenance of adequate documentation—for the childcare assistance program;
- determine the current eligibility of all clients and providers identified in this review with documentation deficiencies and ensure that further childcare assistance payments are denied for those clients and providers who are ineligible; and
- improve the processing of the childcare assistance claims within the KinderTrack system to ensure that the claims are complete.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our first and second recommendations and the associated findings and described corrective actions that it planned to implement.

The State agency did not concur with our third recommendation or with its associated finding. Regarding that recommendation, the State agency said:

There was a problem with the report [the State agency] provided to [the Office of Inspector General] that inaccurately showed “zero” in the provider type and paid date fields. The providers in the system contain the proper codes and payments were made accurately. We know that the process now works well and payments are made as they should be; it is the report that does not reflect this.

The State agency added that it would make the necessary report corrections to the KinderTrack system.

The State agency’s comments appear in their entirety as Appendix D.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing the State agency’s comments regarding the data fields with entries of zero, we maintain that this finding and recommendation remain valid. The State agency provided us with

claims data only, not with reports. The data fields with entries of zero appeared in the claims data. We recognized that, by the end of our audit period, the number of claims with entries of zero in the “paid date” data field had been substantially reduced. However, the number of claims with entries of zero in the “provider type” data field had not been significantly reduced; moreover, there were still claims with entries of zero in both data fields. The claims can not be considered complete unless they are accurately reported by the State agency’s system.

APPENDIXES

APPENDIX A: SUMMARY OF SAMPLED ITEMS

Sample Order	Paid Claim Amount	Deficient Claim Amount	Client Eligibility Missing Documentation				Provider Eligibility Missing Documentation			Claims Processing Missing Documentation		
			Citizenship w/ SSN	Need For Service	Income Verification	Over 13	Background Checks	Required Forms	Provider Agreement	Units in Excess of Two	Units Not Approved	Same Address
LJS1	204.00	204.00							No			
LJS2	250.00	0.00										
LJS3	300.39	300.39	No					No				
LJS4	144.00	144.00						No				
LJS5	250.00	250.00	No					No				
LJS6	572.00	0.00										
LJS7	343.20	343.20	No	No	No	No						
LJS8	300.39	0.00										
LJS9	371.80	0.00										
LJS10	257.40	0.00										
LJS11	337.92	94.86							No	No		
LJS12	221.00	221.00						No				
LJS13	127.50	0.00										
LJS14	246.84	246.84							No	No	No	
LJS15	172.00	0.00										
LJS16	127.50	127.50	No		No							
LJS17	229.50	229.50			No							
LJS18	204.00	0.00										
LJS19	252.46	0.00										
LJS20	140.25	140.25							No			
LJS21	63.75	63.75						No				
LJS22	157.95	157.95						No				
LJS23	63.24	63.24		No	No							
LJS24	400.40	400.40			No			No				
LJS25	267.20	267.20						No				

			Client Eligibility Missing Documentation				Provider Eligibility Missing Documentation			Claims Processing Missing Documentation		
Sample Order	Paid Claim Amount	Deficient Claim Amount	Citizenship w/ SSN	Need For Service	Income Verification	Over 13	Background Checks	Required Forms	Provider Agreement	Units in Excess of Two	Units Not Approved	Same Address
LSS20	156.80	0.00										
RJS1	229.60	229.60	No				No	No	No			
RJS2	247.20	82.40								No		
RJS3	205.60	205.60	No		No							
RJS4	45.92	11.48								No		
RJS5	385.56	385.56	No				No					
RJS6	275.40	0.00										
RJS7	275.40	0.00										
RJS8	224.40	224.40				No	No					
RJS9	360.00	360.00							No	No		No
RJS10	229.60	229.60					No					
RJS11	135.00	0.00										
RJS12	244.80	244.80					No					
RJS13	229.60	0.00										
RJS14	43.12	43.12	No									
RJS15	206.64	0.00										
RJS16	110.16	36.72								No		
RJS17	63.24	63.24							No			
RJS18	244.80	244.80					No					
RJS19	725.00	725.00							No			
RJS20	73.44	73.44	No									
RJS21	91.84	91.84					No					

Sample Order	Paid Claim Amount	Deficient Claim Amount	Client Eligibility Missing Documentation				Provider Eligibility Missing Documentation			Claims Processing Missing Documentation		
			Citizenship w/ SSN	Need For Service	Income Verification	Over 13	Background Checks	Required Forms	Provider Agreement	Units in Excess of Two	Units Not Approved	Same Address
URSS2	57.64	0.00										
URSS3	143.80	0.00										
URSS4	73.60	73.60					No					
URSS5	143.80	43.14								No		
URSS6	94.80	0.00										
URSS7	132.48	0.00										
URSS8	206.64	0.00										
URSS9	163.80	0.00										
URSS10	71.90	71.90	No									
URSS11	93.47	93.47					No	No				
URSS12	57.52	0.00										
URSS13	80.96	0.00										
URSS14	71.90	71.90	No									
URSS15	35.95	0.00										
URSS16	103.04	103.04		No						No		
URSS17	117.76	117.76										No
URSS18	115.38	115.38	No									
URSS19	122.85	0.00										
URSS20	143.80	0.00										
Total			42	12	10	4	32	19	10	18	2	9

APPENDIX B: SELECTION OF 200 CHILDCARE ASSISTANCE PAID CLAIMS AND THE ESTIMATION METHODOLOGIES

SELECTION OF 200 CHILDCARE ASSISTANCE CLAIMS

We selected 200 childcare assistance (CCA) claims by splitting the CCA claims into four populations by provider type (licensed centers, registered homes, in-home, and non-registered family homes and exempt-from-licensing providers). We judgmentally selected 30 CCA claims for each provider type. For the judgmentally selected CCA claims, we selected:

- two CCA claims for each month in our audit period and
- the 6 remaining claims from any of the 12 months in our audit period.

We then selected a random sample of 20 CCA claims from the sample frame for each provider type from the remaining claims (549,501 less the 120 judgmentally selected claims).

ESTIMATION OF THE COSTS AFFECTED BY DOCUMENTATION DEFICIENCIES FOR THE CHILDCARE ASSISTANCE PROGRAM

We used the results of the 200 CCA claims reviewed to determine whether the Iowa Department of Human Services (State agency) maintained documentation to support its determinations for client and provider eligibility and for claims processing. In addition, we used these results to estimate the costs affected by eligibility and claims processing documentation deficiencies for the CCA program from April 1, 2010, to March 31, 2011.

In total, there were 549,501 CCA claims totaling \$87,316,621¹ for the audit period. After the selection of the judgmental CCA claims, the remaining CCA claims were as follows by the four provider types (sample frame):

- licensed centers: 226,532 CCA claims totaling \$39,229,688;
- registered homes: 226,502 CCA claims totaling \$36,351,530;
- in-home providers: 3,051 CCA claims totaling \$1,637,499; and
- non-registered family homes and exempt-from-licensing providers: 93,296 CCA claims totaling \$10,061,810.

CALCULATION OF THE ESTIMATED COST AFFECTED BY DOCUMENTATION DEFICIENCIES

We calculated the documentation deficiency rate identified in the random sample claims for each provider type (see Appendix C for an explanation of the calculation of this rate). We applied this

¹ This amount represents the total claims including the judgmentally selected claims.

rate to each provider type's sample frame to estimate the dollar amount of claims that were subject to the same adverse condition and cause as the judgmentally selected claims (sample frame documentation deficiency). We then calculated the documentation deficiency rate identified in the judgmentally selected sample for each provider type and applied this rate to the sample frame documentation deficiency. Doing so allowed us to estimate the pervasiveness of the adverse condition and cause to determine the costs affected by the documentation deficiency. We added the judgmentally selected documentation deficiency dollar amount to the estimated costs affected by the documentation deficiency to determine the total estimated costs affected by the documentation deficiency for the period. In addition, the CCA claims we reviewed involved a mix of Federal and State funding. We determined the percentage of Federal funding used in the payment of CCA claims (see Appendix C for the estimation results).

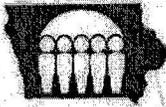
APPENDIX C: ESTIMATION RESULTS

		Licensed Centers	Registered Homes	In-Home	Non-Registered & Exempt-from-Licensing	Total Results
Sample Frame	1/	\$39,229,688	\$36,351,530	\$1,637,499	\$10,061,810	
Random Sample Results	2/					
Total Amount Reviewed		\$3,441	\$3,197	\$10,777	\$2,146	
Documentation Deficiency Amount		\$1,283	\$1,023	\$5,049	\$690	
Documentation Deficiency Rate	3/	37.29%	32.00%	46.85%	32.15%	
Sample Frame with Documentation Deficiency	4/	\$14,627,053	\$11,632,035	\$767,165	\$3,235,158	
Judgmental Sample Results	5/					
Total Amount Reviewed		\$7,215	\$6,229	\$19,029	\$3,621	
Documentation Deficiency Amount		\$3,540	\$3,734	\$12,735	\$1,194	
Documentation Deficiency Rate		49.06%	59.95%	66.92%	32.97%	
Estimated Costs Affected by Documentation Deficiency	6/	\$7,176,683	\$6,972,872	\$513,419	\$1,066,771	
Judgmental Documentation Deficiency		\$3,540	\$3,734	\$12,735	\$1,194	
Estimated Total Costs Affected by Documentation Deficiencies	7/	\$7,180,223	\$6,976,606	\$526,154	\$1,067,965	
Aggregate Percentage	8/	67.30%	67.30%	67.30%	67.30%	
Federal Share of the Estimated Costs Affected by Documentation Deficiencies	9/	\$4,832,290	\$4,695,256	\$354,102	\$718,740	\$10,600,388

Footnotes

- 1/ The sample frame is the total amount of childcare assistance (CCA) claims excluding the judgmentally selected claims.
- 2/ The random sample results are the results of our review of the 20 randomly selected CCA claims for each provider type.
- 3/ The documentation deficiency rate was computed by dividing the documentation deficiency amount (numerator) by the total amount reviewed (denominator). The documentation deficiency amount is the dollar amount of CCA claims with deficiencies.
- 4/ The sample frame with documentation deficiency is the amount of CCA claims with the dollar amount having a documentation deficiency as a result of the random sample results. This was computed by multiplying the sample frame amount by the documentation deficiency rate.
- 5/ The judgmental sample results are the results of our review of the 30 judgmentally selected CCA claims for each provider type.
- 6/ The estimated costs affected by documentation deficiencies were computed by multiplying the sample frame with documentation deficiency by the judgmental sample results documentation deficiency rate.
- 7/ The estimated total costs affected by documentation deficiencies were computed by adding the costs associated with documentation deficiencies to the judgmental documentation deficiency amount identified during our review of the judgmentally selected claims.
- 8/ The aggregate percentage was computed from the Child Care and Development ACF-696 Financial Report provided by the State agency and the supporting documentation. We computed the aggregate percentage by identifying the amount of CCA claims used to expend the Federal funds divided by the total CCA claims paid by the State agency from April 1, 2010, through March 31, 2011.
- 9/ The Federal share of the estimated costs affected by documentation deficiencies is the total costs affected by documentation deficiencies multiplied by the aggregate percentage.

APPENDIX D: STATE AGENCY COMMENTS



Iowa Department of Human Services

Terry E. Branstad
Governor

Kim Reynolds
Lt. Governor

Charles M. Palmer
Director

JUN 28 2012

Patrick J. Cogley
Regional Inspector General for Audit Services
Office of Inspector General
Region VII
601 East 12th Street, Room 0429
Kansas City, MO 64106

RE: *Iowa Lacked Some Documentation for Its Childcare Assistance Program Claims, Draft Report, A-07-11-03164*

Dear Mr. Cogley:

Enclosed please find comments from the Iowa Department of Human Services (DHS) on the June 7, 2012 draft report concerning Office of Inspector General's (OIG) review of the Child Care Assistance Program at DHS.

DHS appreciates the opportunity to respond to the draft report and provide additional comments to be included in the final report. Questions about the attached response can be addressed to:

Jody Lane-Molnari, Executive Officer II
Division of Fiscal Management
Iowa Department of Human Services
Hoover State Office Building, 1st Floor SW
1305 E Walnut Street
Des Moines, IA 50319-0114

Email: jlanelmo@dhs.state.ia.us
Phone: 515-281-6027

Sincerely,

A handwritten signature in black ink, appearing to read "C. M. Palmer".

Charles M. Palmer
Director

cc: Greg Tambke, Audit Manager
Attachments

RE: A-07-11-03164

**IOWA DEPARTMENT OF HUMAN SERVICES
RESPONSE TO OIG DRAFT REPORT:**

**Iowa Lacked Some Documentation for Its Childcare Assistance Program Claims,
Report Number, A-07-11-03164**

Background

The U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), is responsible for promoting the economic and social well-being of children, families, and communities. ACF carries out this responsibility through grants and contracts to State, county, city, and tribal governments, as well as public and private local agencies.

Pursuant to the Child Care and Development Block Grant Act and section 418 of the Social Security Act, the Child Care and Development Fund (CCDF) is a Federal program that assists low-income families, families receiving temporary public assistance, and families transitioning from public assistance to obtain childcare so that family members can work or attend training or education.

States provide subsidized childcare services to eligible families through certificates (vouchers) or through grants and contracts with providers. Parents may select a childcare provider that satisfies applicable State and local requirements.

Under the CCDF program, State Lead Agencies have considerable latitude in administering and implementing their childcare programs. Every 2 years each State must develop, and submit to ACF for approval, a CCDF State plan. The State plan must designate a Lead Agency that has the responsibility to administer and maintain overall responsibility for childcare programs. In Iowa, the Department of Human Services (DHS) is the Lead Agency and is responsible for administering the CCDF and other childcare assistance programs.

OIG Findings and Recommendations

DHS did not always maintain adequate documentation to ensure that the paid claims for the childcare assistance program complied with Federal and State requirements. The documentation deficiencies indicated that the childcare assistance program might be vulnerable to fraud, waste, and abuse.

OIG recommends that DHS:

- Use the results of the review to establish policies and procedures to ensure compliance with the Federal and State requirements, to include requirements that relate to the maintenance of adequate documentation, for the childcare assistance programs;

RE: A-07-11-03164

- Determine the current eligibility of all clients and providers identified in the review with documentation deficiencies and ensure that further childcare assistance payments are denied for those clients and providers who are ineligible; and
- Improve the processing of the childcare assistance claims within the KinderTrack system to ensure the claims are complete.

DHS Response

Please see the discussion for each of the findings and recommendations as detailed below. Following are the corrective actions taken and planned for each finding.

Client Eligibility Documentation Deficiencies

In OIG's evaluation, DHS did not have adequate documentation to support its determination for client eligibility in 57 of the 200 claims reviewed (some claims were missing more than one type of required documentation):

- 42 claims lacked citizenship verification or Social Security numbers;
- 12 claims lacked evidence that the client was eligible for services;
- 10 claims lacked adequate income verification;
- 4 claims lacked special needs or protective needs documentation to support services for clients over the age of 13

Response:

Iowa Department of Human Services concurs with the referenced finding and the recommendation, with limitations based on the following action steps below:

To address this finding, DHS has taken and will take the following actions:

- By July 1, 2013, DHS will review the 57 claims with questioned client eligibility to ensure childcare assistance payments are denied for those clients who are ineligible.
- Based on the results of our review, DHS will revise policies and procedures as needed related to the gathering and maintenance of adequate client eligibility documentation. These policies and procedures will be reviewed with childcare assistance eligibility determination staff by January 1, 2014.
- DHS acknowledges the risk in having 99 separate counties handling case documentation. In response to this concern we centralized CCA operations on July 1, 2010, to improve consistency and standardization of work processes. The audit period occurred prior to the transition to the centralized operation. DHS anticipates greater efficiency and accuracy in determining client eligibility in the future.

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Provider Eligibility Documentation Deficiencies

In OIG's evaluation, DHS did not have adequate documentation to support its determinations for provider eligibility in 45 of the 200 claims reviewed (some claims were missing more than one type of required documentation):

- 32 claims lacked required background checks or required record evaluations;
- 19 claims lacked all necessary provider eligibility forms;
- 10 claims lacked a completed provider agreement.

Response:

Iowa Department of Human Services concurs with the referenced finding and the recommendation, with limitations based on the following action steps below:

To address this finding, DHS has taken and will take the following actions:

- By July 1, 2013, DHS will review the 45 claims with questioned provider eligibility to ensure childcare assistance payments are denied for those providers who are ineligible.
- Based on the results of our review, DHS will revise policies and procedures as needed related to the gathering and maintenance of adequate provider eligibility documentation. These policies and procedures will be reviewed with childcare assistance registration staff by January 1, 2014.
- DHS acknowledges the risk in having 99 separate counties handling case documentation. In response to this concern we centralized CCA operations on July 1, 2010, to improve consistency and standardization of work processes. The audit period occurred prior to the transition to the centralized operation. DHS anticipates greater efficiency and accuracy in determining client eligibility in the future.

Claims Processing Documentation Deficiencies

In OIG's evaluation, DHS did not have adequate documentation to support its determination for claims processing in 27 of the 200 claims reviewed (some claims were missing more than one type of required documentation):

- 18 claims lacked supervisory approval for payments made in excess of 2 units of service per day;
- For 2 claims, the number of units of service billed and paid exceeded the number of units of service approved by DHS;
- 9 claims lacked documentation for the relationship status between a provider and client where both reside at the same address.

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Response:

Iowa Department of Human Services concurs with the referenced finding and the recommendation, with limitations based on the following action steps below:

To address this finding, DHS has taken and will take the following actions:

- By July 1, 2013, DHS will review the 27 claims with questioned claims processing to ensure childcare assistance payments are being calculated and paid correctly.
- Based on the results of our review, DHS will revise policies and procedures as needed related to the gathering and maintenance of adequate claims documentation. These policies and procedures will be reviewed with childcare assistance staff by January 1, 2014.
- DHS acknowledges the risk in having 99 separate counties handling case documentation. In response to this concern we centralized CCA operations on July 1, 2010, to improve consistency and standardization of work processes. The audit period occurred prior to the transition to the centralized operation. DHS anticipates greater efficiency and accuracy in determining client eligibility in the future.

Incomplete Claims

In OIG's evaluation, DHS did not have adequate procedures in place to ensure the childcare assistance claims, processed by the KinderTrack system, were properly and fully completed before payment were made.

- 4,669 paid claims contained a "zero" -- an invalid entry -- in the "provider type" field;
- 31,045 paid claims contained a "zero" in the "paid date" field.

Response:

Iowa Department of Human Services does not concur with the referenced finding and the recommendation. There was a problem with the report DHS provided to OIG that inaccurately showed "zero" in the provider type and paid date fields. The providers in the system contain the proper codes and payments were made accurately. We know that the process now works well and payments are made as they should be; it is the report that does not reflect this.

To address this finding, DHS will take the following actions:

- By July 1, 2013, DHS will make the necessary report corrections in the KinderTrack system.