

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MISSISSIPPI NEEDS TO IMPROVE
OVERSIGHT OF ITS CHILD CARE
PAYMENT PROGRAM**

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Office of Inspector General

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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Report in Brief

Date: April 2020

Report No. A-07-18-04111

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

Subsidized childcare services are available to assist low-income families, families receiving temporary public assistance, and families transitioning from public assistance to obtain child care so that family members can work or attend training or education. The services are funded partly by the States and partly by the Child Care and Development Fund (CCDF) Federal program and are administered by the States.

Previous audits and evaluations identified vulnerabilities in several States' administration of the CCDF program. For the current audit, we reviewed Mississippi's Child Care Payment Program for Federal fiscal years (FYs) 2016 and 2017.

Our objective was to determine whether Mississippi complied with Federal and State requirements when making payments under its Child Care Payment Program for FYs 2016 and 2017.

How OIG Did This Audit

We reviewed a simple random sample from 165,368 child service months with childcare payments totaling more than \$45 million (which included both Federal and State funds) for FYs 2016 and 2017. (A child service month includes all days paid to a provider for a single month of service.) We selected 200 child service months and reviewed client attendance records.

Mississippi Needs To Improve Oversight of Its Child Care Payment Program

What OIG Found

Mississippi did not always comply with Federal and State requirements when making payments under its Child Care Payment Program for FYs 2016 and 2017. Client attendance records were not adequately documented for 186 of the 200 child service months in our random sample; childcare payments made for claims in those 186 child service months were therefore unallowable.

Mississippi did not exercise sufficient oversight over its Child Care Payment Program. Specifically, Mississippi relied on attendance documentation that was maintained by providers and whose completeness and accuracy were not always verified by the client's parents or guardians or by the parent's authorized representative. In addition, Mississippi did not have sufficient policies and procedures to ensure that it obtained attendance records from providers that were no longer in business.

On the basis of our sample results, we estimated that at least \$22.3 million (Federal share) did not comply with Federal and State requirements.

What OIG Recommends and Mississippi's Comments

We recommend that Mississippi refund the estimated \$22.3 million of Child Care Subsidy Program payments to the Federal Government. We also recommend that Mississippi strengthen its controls and oversight activities to ensure that providers maintain required attendance documentation to support the amounts that they claim for reimbursement, and that it develop policies and procedures to ensure that attendance documentation is maintained and provided to the State when a provider closes.

Mississippi concurred with our second and third recommendations and described corrective actions that it had taken or planned to take. Mississippi did not agree with our first recommendation and said that it is unreasonable to extrapolate the sample errors to all of the State's childcare payments for the 2 FYs in our audit period.

We acknowledge the corrective actions that Mississippi said it has implemented or initiated to address our findings and recommendations but maintain that all of our findings and the associated recommendations remain valid. Federal courts have consistently upheld statistical sampling and extrapolation as a valid means to determine overpayment amounts in Medicare and Medicaid.

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INTRODUCTION

WHY WE DID THIS AUDIT

Subsidized childcare services are available to assist low-income families, families receiving temporary public assistance, and families transitioning from public assistance to obtain child care so that family members can work or attend training or education. The services are administered (and funded in part) by each State and, under the provisions of the Child Care and Development Block Grant Act of 1990 (CCDBG Act) and section 418 of the Social Security Act, are funded in part by the Child Care and Development Fund (CCDF) Federal program. At the Federal level, the U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), administers the CCDF program.

A Government Accountability Office (GAO) audit revealed vulnerabilities in the administration of the CCDF program in select States. Previous audits and evaluations conducted by the Office of Inspector General (OIG) have also identified vulnerabilities in States' oversight of the CCDF program and a national CCDF payment error rate of 5.74 percent¹ (including a 36.43-percent payment error rate that Mississippi reported to ACF for Federal fiscal year (FY) 2014).² Appendix B contains a list of related OIG reports.

OBJECTIVE

Our objective was to determine whether the Mississippi Department of Human Services (State agency) complied with Federal and State requirements when making payments under its Child Care Payment Program for FYs 2016 and 2017.

BACKGROUND

Childcare Services Funded by the Child Care and Development Fund Program

The CCDF program is authorized by the CCDBG Act, as amended (42 U.S.C § 9858 *et seq.*), and by section 418 of the Social Security Act (42 U.S.C. § 618). Under this 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 three grant periods³ (i.e., 3 FYs) and that designates a

¹ *Department of Health and Human Services Fiscal Year 2015 Agency Financial Report*, p. 205, Nov. 13, 2015.

² *More Effort Is Needed To Protect the Integrity of the Child Care and Development Fund Block Grant Program* (OEI-03-16-00150), Jul. 12, 2016.

³ Section 658E(b) of the Child Care and Development Block Grant Act of 2014, P.L. No. 113-186 (enacted Nov. 19, 2014), changed this requirement from a 2-year grant period. The 3-year grant period became effective for FYs 2016 through 2018 State plans.

lead agency responsible for administering childcare programs. In addition, States are required to report expenditures on the quarterly Child Care and Development Fund ACF-696 Financial Report,⁴ which is a cumulative report for the FY. States provide subsidized childcare services to eligible families through vouchers (called “certificates” in this report) or through grants and contracts with providers.⁵ Parents may select a childcare provider that satisfies applicable State and local requirements.

In its State plan, the lead agency must assure that upon approval, it will have a program in effect that complies with the plan and that is administered in accordance with the program’s authorizing legislation and all other applicable Federal laws and requirements (45 CFR § 98.15(a)(1)). Federal regulations also require that a State’s fiscal control and accounting procedures be sufficient to allow for the tracing of funds to a level of expenditures adequate to establish that funds were used in accordance with applicable Federal regulations (45 CFR § 98.67(c)(2)). In addition, the State is to expend and account for CCDF funds in accordance with its own laws and procedures for expending and accounting for its own funds (45 CFR § 98.67(a)).

Mississippi’s Child Care Payment Program

In Mississippi, the State agency is the lead agency and is responsible for administering the CCDF program at the State level, where it is known as the Child Care Payment Program. As the lead agency, the State agency is required to ensure that Child Care Payment Program funds are expended in accordance with Federal requirements.

Mississippi’s Child Care Payment Program is funded with Federal CCDF funds and State general funds. The *Mississippi Child Care Payment Program Policy Manual* (CCPPPM) contains the program rules for the administration of the State’s CCDF program.⁶ The CCPPPM establishes the policies and procedures required in the administration of the Child Care Payment Program regardless of the funding source (Federal CCDF funds or State general funds).

⁴ 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 agency used for childcare assistance expenditures.

⁵ After the State agency reviews a childcare application and verifies that the parent or guardian meets the eligibility requirements, the State agency issues a certificate that specifies the number of childcare days allowed per month and whether the parent or guardian must make a copayment to the provider.

⁶ The CCDF State plans cite the CCPPPM as the relevant policy manual.

Under Mississippi’s Child Care Payment Program, the childcare subsidy⁷ may be provided to children in income-eligible families⁸ in which parents⁹ are absent for a portion of the day because of work, education, or a job training program. The childcare payment may also be available for parents who are participating in the work program for the Temporary Assistance for Needy Families program, children who are homeless, children served by the Mississippi Department of Child Protection Services, and children served by the Healthy Homes Mississippi home visitation program.

Under Mississippi’s Child Care Payment Program, the State agency enters into agreements with approved childcare providers. The agreements authorize those providers to offer services to eligible children and their families. Approved childcare providers include, but are not limited to, (1) licensed childcare centers, (2) family childcare homes, and (3) in-home childcare providers. We focused our audit on licensed childcare centers, which we refer to as “providers.”

Child Care Payment Program Invoicing and Payments

Payment Ledger Process

Providers must submit payment ledgers to bill for services provided (which includes the number of days and the payment rate) electronically through the State agency’s Child Care Payment System (CCPS) once a month and can submit ledgers in one of two payment cycles. Providers receive one payment per month from the State agency for childcare services rendered.

Attendance Documentation

The State requires providers to maintain a record of accurate attendance and absences on attendance documentation and on daily class rolls for each child to support the billed services. Providers must retain the attendance documentation for 3 years. The attendance documentation must show the child’s first and last name (as listed on the certificate that the State agency issued), the full name of the parent or guardian or the parent’s authorized representative, the time the child is signed in with the signature of the person signing the child in each day, and the time the child is signed out with the signature of the person signing the child out each day (CCPPPM section 9.5.1).

⁷ We will hereafter refer to the subsidy payments for the Child Care Payment Program as “childcare payments.”

⁸ 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.

⁹ 45 CFR § 98.2 defines a “parent” as “a parent by blood, marriage or adoption and also means a legal guardian, or other person standing *in loco parentis*”

State Agency Measures for Review and Oversight of the Child Care Payment Program

As part of its oversight function, the State agency has monitoring procedures that consist of annual inspections and record reviews (CCPPPM section 9.7). The annual inspection of a provider focuses on safety issues, such as sanitation, buildings, and grounds, at the provider's facility(ies).

Record reviews include reviews of case records including attendance documentation (CCPPPM section 9.7.2). The State agency generally performs a record review of a provider only after receiving a referral (through either an online portal or a hot-line phone number, both of which permit individuals to submit confidential reports of suspected fraudulent activity on the part of providers). In practice, the State agency performs only a limited number of these reviews each year.¹⁰ If a provider is not accurately recording attendance, any overpayments shall be recouped.

Previous Audits of the Child Care and Development Fund Program

The GAO audit mentioned earlier revealed vulnerabilities in the administration of the CCDF program in selected States. The GAO report (*Undercover Tests Show Five State Programs are Vulnerable to Fraud and Abuse*, GAO-10-1062, issued September 2010) found that the five States that it tested (Illinois, Michigan, New York, Texas, and Washington) lacked controls for childcare assistance application and billing processes, leaving the program vulnerable to fraud and abuse.

Previous audits conducted by OIG, Office of Audit Services (OAS), also revealed vulnerabilities in States' oversight of client and provider eligibility determinations and for claim processing in their CCDF programs. The OAS reports found that several States' controls for preventing fraud, waste, and abuse in the CCDF program were not effective.

A previous evaluation by OIG, Office of Evaluations and Inspections, found that ACF reported a national CCDF payment error rate of 5.74 percent, or \$311 million, in the HHS FY 2015 financial report. This report also noted that Mississippi reported a 36.43-percent payment error rate in FY 2014. (See Appendix B.)

HOW WE CONDUCTED THIS AUDIT

Our audit covered \$45,199,569 (\$42,222,077 Federal share) in childcare payments made to licensed providers in certain metropolitan areas for FYs 2016 and 2017 (October 1, 2015,

¹⁰ For example, for the period April 1, 2016, through September 30, 2017, the State agency performed 23 record reviews of this nature. The State agency did not have readily available information on the number of record reviews for the entirety of our audit period.

through September 30, 2017).¹¹ These payments were for 165,368 child service months (all days paid to a provider for a single month of service), totaling \$112,876,603 (\$102,943,462 Federal share). We selected a random sample of 200 of these child service months for audit.¹²

We interviewed State agency officials and reviewed applicable Federal and State laws, regulations, and guidance to obtain an understanding of the policies and procedures that the State agency used to determine the allowability of payments for childcare claims.

We did not review the State agency's overall internal control structure. We reviewed only those controls that pertained to our objective.

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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A contains details of our audit scope and methodology, Appendix C contains our statistical sampling methodology and our calculation methodology for the CCDF share of expenditures and the aggregate Federal share percentage, and Appendix D contains our sample results and estimates.

FINDINGS

The State agency did not always comply with Federal and State requirements when making payments under its Child Care Payment Program for FYs 2016 and 2017. Client attendance records were not adequately documented for 186 of the 200 child service months in our simple random sample; childcare payments made for claims in those 186 child service months were therefore unallowable.

The State agency made unallowable payments because it did not exercise sufficient oversight over its Child Care Payment Program. Specifically, the State agency relied on attendance documentation that was maintained by providers and was not always verified by the client's parents or guardians or by the parent's authorized representative. In addition, the State agency did not have policies and procedures to ensure that it obtained attendance records from providers that were no longer in business.

¹¹ We reviewed providers in the Jackson, Gulfport-Biloxi, Hattiesburg, Memphis, and Pascagoula metropolitan areas.

¹² A child service month includes all days paid to a provider for a single month of service.

On the basis of our sample results, we estimated that at least \$24.4 million of the CCDF share of the State agency's Child Care Payment Program payments (at least \$22.3 million Federal CCDF share) did not comply with Federal and State requirements.^{13, 14}

CHILDCARE PAYMENTS NOT MADE IN ACCORDANCE WITH FEDERAL AND STATE REQUIREMENTS

Federal and State Requirements

In its State plan, the lead agency must assure that upon approval, it will have a program in effect that complies with the plan and that is administered in accordance with the program's authorizing legislation and all other applicable Federal laws and requirements (45 CFR § 98.15(a)(1)). Federal regulations also require that a State's fiscal control and accounting procedures be sufficient to allow for the tracing of funds to a level of expenditure adequate to establish that funds were used in accordance with applicable Federal regulations (45 CFR § 98.67(c)(2)). In addition, the State is to expend and account for CCDF funds in accordance with its own laws and procedures for expending and accounting for its own funds (45 CFR § 98.67(a)).

The State agency's CCPPPM requires daily attendance documentation that must, at a minimum, include the name of the child for whom reimbursement is requested, the date(s) the child was in attendance, the full name of the parent or guardian or the parent's authorized representative, the time of the child's arrival and departure each day, and the signature of the person signing the child in and out each day (attendance documentation). The State agency's CCPPPM and childcare provider agreements also require that the attendance records be maintained for 3 years and that they be made available to the State agency on request. Further, the State agency's childcare provider agreements specify that the State agency shall have the right to recover from the provider all funds for which adequate verification and full documentation of expenditures are not maintained (i.e., inadequate or missing attendance records) (CCPPPM section 9.5.1).

Attendance Documentation Requirements Not Met

The State agency did not comply with Federal and State requirements for payments under its Child Care Payment Program for FYs 2016 and 2017. Specifically, client attendance records for 186 child service months did not comply with Federal and State documentation requirements.

¹³ Specifically, we estimated that at least \$24,435,197 of the CCDF share and at least \$22,284,900 (Federal CCDF share) of the payments did not comply with Federal and State requirements. To calculate the Federal CCDF share, we multiplied the \$24,435,197 lower limit of the two-sided 90-percent confidence interval (Appendix D) by the 91.20-percent Federal CCDF share of childcare expenditures.

¹⁴ To be conservative, we recommend recovery of overpayments at the lower limit of a two-sided 90-percent confidence interval. Lower limits calculated in this manner are designed to be less than the actual overpayment total 95 percent of the time.

These child service months had the following errors (some child service months had more than one error):

- the attendance documentation did not support all of the dates the child was reported to be in attendance (150 child service months),
- the attendance documentation did not contain all of the sign-in or sign-out times (54 child service months),
- the provider was unable to locate some or all of the attendance documentation (43 child service months),
- the State agency was unable to obtain some or all of the attendance documentation for providers that were no longer in business (34 child service months), or
- the attendance documentation did not contain the signature of the person signing the child in and out each day (22 child service months).

For example, 1 child service month we reviewed contained 23 days for which the provider was paid for the childcare services. Of the 23 payment days for which we obtained attendance documentation, 1 attendance document did not contain the signature of the person signing the child in or out, 6 did not contain the times of arrival and departure, and 3 did not adequately support the quantity or level of services that were paid to the provider (e.g., the attendance documents supported fewer days or different levels of services than the days and services for which the provider was paid).

INSUFFICIENT OVERSIGHT OVER THE CHILD CARE PAYMENT PROGRAM

Oversight and Policies and Procedures at the State Agency Level Were Insufficient

The State agency made unallowable payments because it did not exercise sufficient oversight over its Child Care Payment Program. Specifically, the State agency relied on attendance documentation that was maintained by providers and was not always verified by the client's parents or guardians or by the parent's authorized representative. In addition, the State agency did not have policies and procedures to ensure that it obtained attendance records from providers that were no longer in business.

Although the State agency had a monitoring program, the inspections and reviews that were part of this program were not adequate to detect noncompliance. Specifically, providers were subject to annual inspections; however, these inspections focused on safety-related issues and did not include reviews of attendance documentation. The State agency's record reviews included an evaluation of attendance documentation, but they were generally conducted only for providers for which the State agency had received a referral.

The State agency also did not have sufficient policies and procedures to ensure that it obtained attendance records from providers that were no longer in business. Specifically, there were no policies or procedures detailing how the State agency could (1) obtain the attendance records from providers that had gone out of business or were about to do so, (2) evaluate those records, and (3) attempt to recoup payments in cases when problems had been identified.

Sufficient oversight is a key element in a strong system of internal control. Furthermore, sufficient oversight can help ensure that providers follow the State agency's policies and procedures regarding the maintenance of client attendance documentation. Without sufficient oversight, the State agency's Child Care Payment Program is vulnerable to fraud, waste, and abuse.

Costs Associated With Payments Not Made in Accordance With Requirements

On the basis of our sample results, we estimated that the State agency claimed Federal reimbursement of at least \$22,284,900 during our audit period for unallowable childcare subsidy claims related to inadequate or missing attendance records. See Appendix C for our statistical sampling methodology and Appendix D for our sample results.

RECOMMENDATIONS

We recommend that the Mississippi Department of Human Services:

- refund to the Federal Government the estimated \$22,284,900 Federal CCDF share of the Child Care Payment Program claims paid during FYs 2016 and 2017,
- strengthen its monitoring program to ensure that providers maintain required attendance documentation to support the childcare payment amounts that they claim for reimbursement by the State agency, and
- develop policies and procedures to ensure that attendance documentation is maintained and provided to the State agency when a provider closes.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our second and third recommendations and described corrective actions it had taken and planned to take to implement them. The State agency acknowledged that there were problems and said that since our audit period it had implemented improvements, which included the (1) creation of an agency-level Office of Inspector General in August 2018, (2) implementation of a corrective action plan "to resolve the 2014 findings" related to improper payments and the need for improved case file reviews (see footnote 2 for cited OIG report that discusses these findings), and (3) establishment of a "dedicated team of three staff reviewers and one supervisor [that] currently conducts 150 monthly case reviews as part of the standard operating procedure that

commenced in September of 2018.” The State agency added that as a result of these steps, the addition of more staff, and the development of new quality control procedures, its payment error rate had decreased from 36.43 percent for FY 2014 to 5.61 percent for FY 2019.

In addition, the State agency said that it had given indepth training to all providers, which included the policies and procedures on attendance documentation requirements, and added that it has expanded the unit that identifies and recoups improper payments. Furthermore, the State agency stated that it is exploring how to enhance its current electronic system to improve the accuracy of, and facilitate the quality control review of, attendance records.

The State agency did not agree with our first recommendation to refund \$22,284,900. The State agency stated that “it is unreasonable to extrapolate the sample errors to all the State’s child care subsidy payments for the two fiscal years at issue.” The State agency added that to refund the extrapolated amount would cause irreparable harm to the childcare program that it has worked to strengthen since 2018.

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

OFFICE OF INSPECTOR GENERAL RESPONSE

We acknowledge the corrective actions that the State agency said it has implemented or initiated since our audit period to address our findings and recommendations. We maintain, though, that all of our findings and the associated recommendations remain valid. Regarding the State agency’s disagreement with our first recommendation, we believe it is reasonable to extrapolate the sample errors to all the State’s childcare subsidy payments for the 2 FYs at issue—an audit period that ended before the State agency initiated the corrective actions that it described in its comments. Federal courts have consistently upheld statistical sampling and extrapolation as a valid means to determine overpayment amounts in Medicare and Medicaid.¹⁵ To ensure the fairness of our estimate, we calculated the recommended recovery using the lower limit of a two-sided 90-percent confidence interval. This conservative approach results in an estimate that is almost always less than what we would have obtained from reviewing all the claims in our sampling population.

¹⁵ See *Yorktown Med. Lab., Inc. v. Perales*, 948 F.2d 84 (2d Cir. 1991); *Illinois Physicians Union v. Miller*, 675 F.2d 151 (7th Cir. 1982); *Momentum EMS, Inc. v. Sebelius*, 2013 U.S. Dist. LEXIS 183591 at *26-28 (S.D. Tex. 2013), adopted by 2014 U.S. Dist. LEXIS 4474 (S.D. Tex. 2014); *Anghel v. Sebelius*, 912 F. Supp. 2d 4 (E.D.N.Y. 2012); *Miniet v. Sebelius*, 2012 U.S. Dist. LEXIS 99517 (S.D. Fla. 2012); *Bend v. Sebelius*, 2010 U.S. Dist. LEXIS 127673 (C.d. Cal. 2010).

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed the State agency's Child Care Payment Program payments made on behalf of the CCDF program for FYs 2016 and 2017 (October 1, 2015, through September 30, 2017). During this timeframe, the State agency paid childcare claims totaling \$112,876,603 (\$102,943,462 Federal share) to providers. We limited our review to 165,368 child service months for which the State agency made childcare payments totaling \$45,199,569 (\$42,222,077 Federal share) to licensed providers in certain metropolitan areas.¹⁶

From the 165,368 child service months, we used a simple random sample to select 200 child service months and reviewed attendance documentation associated with those child service months. (A child service month includes all days paid to a provider for a single month of service.) We paid particular attention to attendance documentation requirements (that is, provider-maintained attendance records to support paid childcare services).

We did not review the State agency's overall internal control structure. We reviewed only those controls that pertained to our objective.

We conducted fieldwork from July 2018 to August 2019.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, Federal regulations, Mississippi's CCDF State plans, and Federal and State program guidance for the CCDF program;
- reviewed applicable State laws and the approved Mississippi CCDF State plans related to the Child Care Payment Program for FYs 2016 and 2017;
- interviewed State agency staff to obtain an understanding of the policies, procedures, and guidance for the Child Care Payment Program;
- reviewed the State agency's ACF-696 reports (footnote 4) and supporting documentation for FYs 2016 and 2017 to determine the amount of childcare payments that were included in each report and the breakout of the payments charged to each funding source (Federal or State funds);

¹⁶ We reviewed providers in the Jackson, Gulfport-Biloxi, Hattiesburg, Memphis, and Pascagoula metropolitan areas.

- interviewed State agency staff responsible for preparing the ACF-696 reports to obtain an understanding of how the reports were prepared, how program expenses were allocated to the different funding sources, how the childcare claims were reported, and what documentation the State agency maintained to support these claims;
- interviewed State agency staff to obtain an understanding of the State agency’s specific controls for
 - ensuring that providers maintained attendance documentation to support paid childcare services and
 - claim processing (units and rates compared with the State agency’s established amounts and the amounts invoiced by providers);
- obtained the claim payment data for all childcare payments from the State agency for FYs 2016 and 2017;
- reconciled the paid claim data with the State agency’s accounting system and the ACF-696 reports to verify that the childcare paid claim population in our audit scope represented the amounts that the State agency claimed for Federal reimbursement;
- shared with the State agency details of our proposed methodology for calculating the Federal CCDF share percentages of childcare expenditures;
- removed from the claim payment data (1) payments to non-licensed childcare providers, (2) payments to providers outside of certain metropolitan areas (footnote 16), and (3) payments to well-known day care franchises;¹⁷
- selected a random sample of 200 child service months;
- visited the selected providers to collect the attendance documentation for each child service month in our sample;
- reviewed the 200 randomly selected child service months to evaluate whether the State agency complied with Federal and State requirements when making payments under its Child Care Payment Program for FYs 2016 and 2017 (for each child service month, we calculated an allowable amount based on the number of supported days in that month and compared it to the claimed amount to determine the overpayment amount);
- used the sample results to estimate the overpayment amount associated with the deficiencies identified;

¹⁷ By “well-known day care franchises,” we refer to franchises such as YMCA, YWCA, Kinder Care, Montessori, and La Petite Academy.

- applied the Federal CCDF share percentages (Appendix C) to the lower limit of the estimate of the total costs associated with the identified deficiencies; and
- summarized the results of our audit and discussed these results with State agency officials on August 6, 2019.

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 objectives.

APPENDIX B: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
<i>New York State Claimed Federal Reimbursement for Unallowable Childcare Subsidies Paid to New York City</i>	<u>A-02-17-02010</u>	10/17/2019
<i>States' Payment Rates Under the Child Care and Development Fund Program Could Limit Access to Child Care Providers</i>	<u>OEI 03-15-00170</u>	8/12/2019
<i>Not All of Missouri's Child Care Subsidy Program Payments Complied With Federal and State Requirements</i>	<u>A-07-15-04226</u>	11/30/2017
<i>More Effort Is Needed To Protect the Integrity of the Child Care and Development Fund Block Grant Program</i>	<u>OEI-03-16-00150</u>	7/12/2016
<i>Not All of Kansas's Controls for Its Child Care Subsidy Program Claims Were Effective</i>	<u>A-07-12-03182</u>	7/8/2014
<i>Not All of Nebraska's Controls for Its Child Care Subsidy Program Claims Were Effective</i>	<u>A-07-11-03167</u>	3/25/2014
<i>Iowa Lacked Some Documentation for Its Childcare Assistance Program Claims</i>	<u>A-07-11-03164</u>	8/30/2012

APPENDIX C: STATISTICAL SAMPLING METHODOLOGY

SAMPLING FRAME

The sampling frame was a database of 165,368 child service months with payment amounts totaling \$45,199,569. These payments were made by the State agency under the CCDF program during the audit period. The sampling frame excluded payments to non-licensed childcare providers, to providers outside of certain metropolitan areas, and to well-known day care franchises (footnote 16). It also excluded children for whom the State agency paid less than \$100 for a single month of service.

SAMPLE UNIT

The sample unit was one child service month. (A child service month includes all days paid to a provider for a single month of service.)

SAMPLE DESIGN

We used a simple random sample.

SAMPLE SIZE

We selected 200 sample items.

SOURCE OF RANDOM NUMBERS

We generated the random numbers using the OIG/OAS statistical software.

METHOD OF SELECTING SAMPLE UNITS

We consecutively numbered the payments within the sampling frame. After generating 200 random numbers, we selected the corresponding claims in the frame for our sample.

ESTIMATION METHODOLOGY

We used the OAS statistical software to estimate the total amount of unallowable CCDF payments for which the State agency claimed reimbursement at the lower limit of the two-sided 90-percent confidence interval. We also used the software to calculate the corresponding point estimate and upper limit of the 90-percent confidence interval.

We calculated the aggregate Federal CCDF share percentage by determining the amount of childcare paid claims that the State agency reported on each quarterly ACF-696 report for each funding stream (Federal funds, State funds, and matching funds) and divided the total Federal funds by the total paid childcare claims for the audit period. As a result, we calculated that

91.20 percent of all CCDF-paid childcare claims were paid using Federal CCDF funds (Federal CCDF share).

To calculate the Federal CCDF share of costs associated with the identified deficiencies, we multiplied the Federal CCDF share percentage by the lower limit of the estimate of total costs associated with the identified control deficiencies. The lower limit was based on a two-sided interval calculation at the 90-percent confidence level (Appendix D).

APPENDIX D: SAMPLE RESULTS AND ESTIMATES

Sample Details and Results

Frame Size	Value of Frame	Sample Size	Value of Sample	No. of Unallowable Payments	Value of Unallowable Payments
165,368	\$45,199,569	200	\$52,764	186	\$32,390

**Estimated Value of Unallowable Payments
(Limits Calculated for a 90-Percent Confidence Interval)**

Point estimate	\$26,781,666
Lower limit	24,435,197 ¹⁸
Upper limit	29,128,135

¹⁸ As discussed in footnote 13, to calculate the \$22,284,900 Federal CCDF share discussed in “Costs Associated With Payments Not Made in Accordance With Requirements” and for which we are recommending a refund to the Federal Government, we multiplied this \$24,435,197 lower limit of the two-sided 90-percent confidence interval by the 91.20-percent Federal CCDF share of childcare expenditures (Appendix C).

APPENDIX E: STATE AGENCY COMMENTS



STATE OF MISSISSIPPI
Tate Reeves, Governor
DEPARTMENT OF HUMAN SERVICES
Jacob Black
Interim Executive Director

February 21, 2020

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

RE: *Mississippi Needs to Improve Oversight of Its Child Care Payment Program*; Draft Report
Number: A-07-18-04111

Dear Mr. Cogley:

Thank you for giving us the opportunity to provide you with additional information in response to the findings and recommendations in the OIG audit report referenced above. In general, the audit found that Mississippi did not exercise sufficient oversight and did not always comply with Federal and State requirements when making payments under its Child Care Payment Program (CCPP) for FYs 2016 and 2017. Our responses and corrective actions to the recommendations are as follows:

Recommendation #1: The Mississippi Department of Human Services refund to the Federal Government the estimated \$22,284,900 Federal CCDF share of the Child Care Payment Program claims paid during FYs 2016 and 2017.

The lead agency, Mississippi Department of Human Services (MDHS), fails to agree with the methodology in which was utilized for the estimated refund in Recommendation #1. Said recommendation is based on a sample finding in perceived errors in attendance records of child care facilities receiving subsidy payments on behalf of eligible families. The draft audit then extrapolates these errors to all of the State's child care subsidy payments during two fiscal years, which yields an estimate of \$22,284,900 in payments made to child care providers with errors.

The lead agency recognized that there were problems and since FY 2016 and 2017 implemented the improvements in which include but are not limited to: The Division Director that supervised

the Child Care Payment Program during FY 2016 and 2017 was terminated and the program hired a new Division of Early Childhood Care and Development (DECCD) Director in 2018. Additionally, MDHS created the Office of the Inspector General in August of 2018. The new Division Director has worked closely with MDHS's Office of the Inspector General (OIG) to implement additional processes and procedures to more stringently monitor the program. MDHS implemented a Corrective Action Plan to resolve the 2014 findings which in part dealt with improper payments and the need for improved case file reviews. MDHS came into compliance and was released from the corrective action on July 29, 2019 based on new stronger monitoring procedures. DECCD worked with MDHS OIG to establish a dedicated team of three staff reviewers and one supervisor who currently conducts 150 monthly case reviews as part of the standard operating procedure that commenced in September of 2018. Lastly, the OIG quality control team worked with DECCD to develop an additional quality control review focusing on a provider review procedure that focuses on monitoring provider attendance records and copayments. This process involves OIG monitors going onsite to a provider's location to review attendance and copayment records.

MDHS disagrees with the finding as it is unreasonable to extrapolate the sample errors to all the State's child care subsidy payments for the two fiscal years at issue. Moreover, it would cause irreparable harm to refund the extrapolated amount to the child care program in the State of Mississippi that MDHS has worked tirelessly to strengthen since 2018.

Recommendation #2: The Mississippi Department of Human Services strengthen its monitoring program to ensure that providers maintain required attendance documentation to support the childcare payment amounts that they claim for reimbursement by the State agency.

The lead agency, Mississippi Department of Human Services (MDHS), concurs with this recommendation as it applies to FYs 2016 and 2017. The lead agency recognized the problems and implemented the following improvements:

- 1) The Division Director that supervised the Child Care Payment Program during FY 2016 and 2017 was terminated and the program hired a new Division of Early Childhood Care and Development (DECCD) Director in 2018. The new Division Director worked closely with MDHS's Office of the Inspector General (OIG) to implement additional processes and procedures to more stringently monitor the program.
- 2) MDHS implemented a Corrective Action Plan to resolve the 2014 findings which in part dealt with improper payments and the need for improved case file reviews. MDHS came into compliance and was released from the corrective action on July 29, 2019 based on new stronger monitoring procedures.
- 3) DECCD worked with MDHS OIG to establish a dedicated team of three staff reviewers and one supervisor who currently conducts 150 monthly case reviews as part of the standard operating procedure that commenced in September of 2018.

- 4) Also in September of 2018, the OIG quality control team began holding monthly meetings with childcare supervisors to discuss staff errors, missing documentation, and any improper payments.
- 5) The OIG quality control team worked with DECCD to develop an additional quality control review focusing on a provider review procedure that focuses on monitoring provider attendance records and copayments. This process involves OIG monitors going onsite to a provider's location to review attendance and copayment records. The monitoring procedures and the technology needed to support the monitoring process were fully implemented in December 2019. The monitoring was initiated and this process is currently being reviewed to determine how the process can be further scaled to expand the monitoring of providers.

As a result of these steps including adding additional staff and developing new procedures to our quality control program, the payment error rate has decreased from 36.43% in FFY 2014 to 5.61% for FFY 2019. The steady decline in payment error rates indicates that the quality control program has made vast improvements and will continue to do so in the future.

Recommendation #3: The Mississippi Department of Human Services develop policies and procedures to ensure that attendance documentation is maintained and provided to the State agency when a provider closes.

The lead agency, Mississippi Department of Human Services (MDHS), concurs with this recommendation as it applies to FYs 2016 and 2017. It has been and continues to be a part of our Child Care Payment Program (CCPP) Policy Manual and provider trainings that all providers are responsible for retaining daily attendance records and shall make available these records for three years. However, the lead agency recognized the problems and has implemented the following additional improvements:

- 1) The Division Director that supervised the Child Care Payment Program during FY 2016 and 2017 was terminated and the program hired a new Division of Early Childhood Care and Development (DECCD) Director in 2018. The new Division Director has worked to strengthen the policies, procedures, and relationships of the Child Care Payment Program.
- 2) During the implementation of the Standard Designation, all providers received in-depth training which included the policies and procedures on document requirements and retention of records for three years.
- 3) MDHS's Office of the Inspector General (OIG) quality control team worked with DECCD to develop a provider review procedure for monitoring of provider attendance records and copayments. The process involves OIG monitors going onsite to a provider's location to review attendance and copayment records. The monitoring procedures and the technology needed to support the monitoring process were fully implemented in December 2019. The monitoring was initiated and this process is currently being reviewed to determine how the process can be further scaled to expand the monitoring of providers.

- 4) OIG has also expanded the Benefit Recovery Unit to include repayment of any DECCD improper payments. Said division monitors any type of improper payment that may have occurred from unintentional errors or by fraudulent means. OIG establishes recoupment or repayment methods for the providers to ensure any improper payment is returned to MDHS.
- 5) MDHS is presently exploring how the current electronic system can be enhanced to allow providers to upload sign-in/out sheets along with monthly ledgers. The sign in/out sheets would be stored to allow our quality control department to review records and file a claim promptly to either re-coup funds or stop them from being issued when necessary. Once a system is in place for uploading documents, DECCD plans to implement a mandatory policy requiring providers to submit all sign in/out sheets monthly which would guarantee that attendance records are provided and maintained should a provider close.

Thank you again for the audit and the professionalism of your staff. In addition to the corrective actions noted, we will continue to monitor our plans internally through our Office of the Inspector General. Should you have any questions about our response, please contact Hadley Gable Eisenberger at (601) 359-4939 or by email at Hadley.Gable@mdhs.ms.gov.

Sincerely,

DocuSigned by:

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Jacob Black,
Interim Executive Director

p/c: Kristi McHale, Division Director of Division of Early Childhood Care and Development
Hadley Gable Eisenberger, Inspector General