

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**NOT ALL OF KANSAS'S  
CONTROLS FOR ITS  
CHILD CARE SUBSIDY PROGRAM  
CLAIMS WERE EFFECTIVE**

*Inquiries about this report may be addressed to the Office of Public Affairs at  
[Public.Affairs@oig.hhs.gov](mailto:Public.Affairs@oig.hhs.gov).*



**Gloria L. Jarmon  
Deputy Inspector General  
for Audit Services**

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# *Office of Inspector General*

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## EXECUTIVE SUMMARY

*Kansas did not always have effective controls for its Child Care Subsidy Program. We identified at least 1 control deficiency in 75 of 100 childcare claims reviewed and estimated that, as a result, the costs affected by these control deficiencies totaled \$40.9 million (\$26.1 million Federal share).*

### WHY WE DID THIS REVIEW

Subsidized childcare services are available to assist 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. The services are administered by each State and are funded in part by the Child Care and Development Fund (CCDF) Federal program. A previous Government Accountability Office review revealed vulnerabilities in the administration of the CCDF program in selected States.

The objective of this review was to determine whether the Kansas Department for Children and Families' (State agency) controls for client and provider eligibility determinations and for claims processing for the Child Care Subsidy program were effective.

### BACKGROUND

Each State must develop, and submit to the Administration for Children and Families (ACF) for approval, a State plan that identifies the purposes for which CCDF funds will be expended for two grant periods (i.e., 2 Federal fiscal years (FYs)) and that designates a lead agency responsible for administering childcare programs. In Kansas, the State agency is the lead agency and is responsible for administering the CCDF program at the State level, which is known as the Child Care Subsidy program. As the lead agency, the State agency is required to oversee the expenditure of funds by contractors, grantees, and other agencies of the Kansas State government to ensure that the funds are expended in accordance with Federal requirements.

The State agency paid childcare claims totaling \$66,876,601 for FY 2011 (October 1, 2010, through September 30, 2011).

### WHAT WE FOUND

The State agency's controls for claims processing and for client eligibility determinations were not always effective. Of the claims processing controls we tested, the State agency's controls for preventing payment to providers that had not maintained adequate client attendance records were not effective. However, the State agency's controls for preventing payment to providers who were caring for their own children, for preventing payment to providers in excess of amounts established by the State, and for documenting supervisor approval of excess rates and excess units were effective. Of the client eligibility controls we tested, the State agency's controls for verifying client age and client citizenship were not effective because the controls relied largely on self-declarations by applicants of citizenship and age eligibility. The State agency's controls

for verifying family income and for verifying need-for-service eligibility were effective. All of the State agency's controls for provider eligibility that we tested were effective. We tested the controls for the performance of provider background checks, for the maintenance of required provider forms, and for the completion of provider rate agreements.

The State agency required the applicant to declare his/her citizenship and age. Unless the information provided in the application about citizenship status or age was questionable, State policy required the agency to accept the applicant's statement. Eligibility policies for citizenship and age that rely on self-declarations and do not require that an applicant present documentary evidence present a greater potential for false claims. Moreover, the State agency did not exercise sufficient oversight over claims processing because it did not ensure that providers maintained attendance records to support childcare claims payments. Without sufficient written policies and procedures and oversight, the State agency's Child Care Subsidy program is vulnerable to fraud, waste, and abuse.

Of the 100 claims reviewed, we determined that 75 claims showed evidence of ineffective controls for claims processing and for client eligibility. We estimated that \$40,859,722 (\$26,105,276 Federal share) of the Child Care Subsidy program claims could have had one or more of the control deficiencies we identified. These deficiencies left the Child Care Subsidy program vulnerable to fraud, waste, and abuse.

## **WHAT WE RECOMMEND**

We recommend that the State agency improve its controls for client eligibility determinations and for claims processing to ensure that payments for the Child Care Subsidy program are made for eligible clients. Specifically, the State agency should take steps to:

- ensure that providers maintain accurate attendance records to support the childcare payment amounts that they claim for reimbursement by the State agency,
- require that citizenship and qualified alien status of all applicants be verified and documentation of that verification be maintained in all case files, and
- require that the age of all clients be verified and documentation of that verification be maintained in all case files.

## **STATE AGENCY COMMENTS**

In written comments on our draft report, the State agency concurred with our recommendations and described procedures that it had implemented or planned to implement to strengthen the control weaknesses identified.

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## INTRODUCTION

### WHY WE DID THIS REVIEW

Subsidized childcare services are available to assist 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. The services are administered by each State and, under the provisions of the Child Care and Development Block Grant Act and section 418 of the Social Security Act, are funded in part by the Child Care and Development Fund (CCDF) Federal program.

A previous Government Accountability Office (GAO) review 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 for unregulated relative providers, leaving the program vulnerable to fraud and abuse.

For the current audit, we reviewed the Kansas Department for Children and Families' (State agency) controls for three interrelated aspects of its childcare assistance program: client eligibility, provider eligibility, and claims processing.<sup>1</sup>

### OBJECTIVE

Our objective was to determine whether the State agency's controls for client and provider eligibility determinations and for claims processing for the Child Care Subsidy program were effective.

### BACKGROUND

#### Childcare Services Funded by Child Care and Development Fund

At the Federal level, the U.S. Department of Health and Human Services, Administration for Children and Families (ACF), administers the CCDF program. 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 two grant periods (i.e., 2 Federal fiscal years (FYs)) and that designates a lead agency responsible for administering childcare programs.

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

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<sup>1</sup> 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.

safety; and certain minimum levels of health and safety training, as well as any requirements needed for State licensing, unless the provider is exempt from the licensing requirements.

### **Kansas's Child Care Subsidy Program**

In Kansas, the State agency is the lead agency and is responsible for administering the CCDF program at the State level, which is known as the Child Care Subsidy program. As the lead agency, the State agency is required to oversee the expenditure of funds by contractors, grantees, and other agencies of the Kansas State government to ensure that the funds are expended in accordance with Federal requirements.

Kansas's Child Care Subsidy program is funded with Federal CCDF funds and State general funds. The Kansas Economic and Employment Services Manual (KEESM) establishes the requirements, policies, and procedures used in administering the Child Care Subsidy program regardless of the funding source (Federal CCDF funds or State general funds).

Under Kansas's Child Care Subsidy program, the childcare subsidy<sup>2</sup> may be provided to children in income-eligible families in which parents<sup>3</sup> are absent for a portion of the day because of employment or participation in academic, vocational, or on-the-job training. The subsidy may also be available for parents who are participating in the work program for the Temporary Assistance for Families program or the Food Assistance Education and Training program. In addition, the subsidy may be available to children who are placed in foster care or who need care in certain family crisis situations.

Approved childcare providers include, but are not limited to, (1) licensed childcare centers, (2) licensed childcare homes, (3) registered homes,<sup>4</sup> (4) in-home providers (i.e., within the child's own home), and (5) out-of-home relative providers. For this report, we refer to the first three categories of approved providers as "licensed providers" and the latter two categories as "nonlicensed providers."

### **HOW WE CONDUCTED THIS REVIEW**

We reviewed 100 paid childcare claims using a stratified random sample. We selected this sample from 151,526 paid childcare claims totaling \$66,876,601 (which included both Federal and State funds) for FY 2011 (October 1, 2010, through September 30, 2011). We interviewed State officials and reviewed applicable Federal and State laws, regulations, and available guidance to obtain an understanding of the policies and procedures used to determine client and provider eligibility and claims processing. We did not review the State agency's overall internal control structure. We reviewed only those controls that pertained to our objective.

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<sup>2</sup> We will refer to the subsidy payments for the Child Care Subsidy program as "childcare."

<sup>3</sup> 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* ...."

<sup>4</sup> Kansas has elected to no longer use this provider type; however, the State allowed providers that were already using this provider type to continue using it until they renewed their provider status or stopped providing childcare.

Within the areas of client and provider eligibility and claims processing, we tested the controls that the State agency had in place to help prevent fraud, waste, and abuse. For client eligibility, we determined whether the State agency had controls in place to help ensure that all clients met the eligibility requirements related to citizenship or qualified alien status, age, family income, and need for service. For provider eligibility, we determined whether the State agency had controls in place to help ensure that all providers met the eligibility requirements related to background checks, required forms, and provider rate agreements. For claims processing, we determined whether the State agency had controls in place to help ensure that all claims processed met the requirements related to providers and clients who live at the same address, supervisory approval of excess units of childcare provided (units) and excess rates paid, units and rates paid compared with the State agency's authorized amounts, and the maintenance of adequate attendance records.

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 A contains details of our audit scope and methodology, Appendix B contains details of our statistical sampling methodology, Appendix C contains details of our calculation of the aggregate Federal share percentage, Appendix D contains our sample results and estimates, Appendix E contains our summary of sampled items, Appendix F provides Federal and State criteria related to the CCDF program, and Appendix G lists the State agency's controls that we tested and found to be effective.

## FINDINGS

The State agency's controls for claims processing and for client eligibility determinations were not always effective.<sup>5,6</sup> Of the claims processing controls we tested, the State agency's controls for preventing payment to providers that had not maintained adequate client attendance records were not effective. However, the State agency's controls for preventing payment to providers who were caring for their own children, for preventing payment to providers in excess of amounts established by the State, and for documenting supervisor approval of excess rates and excess units were effective. Of the client eligibility controls we tested, the State agency's controls for verifying client age and client citizenship were not effective because the controls relied largely on self-declarations by applicants of citizenship and age eligibility. The State

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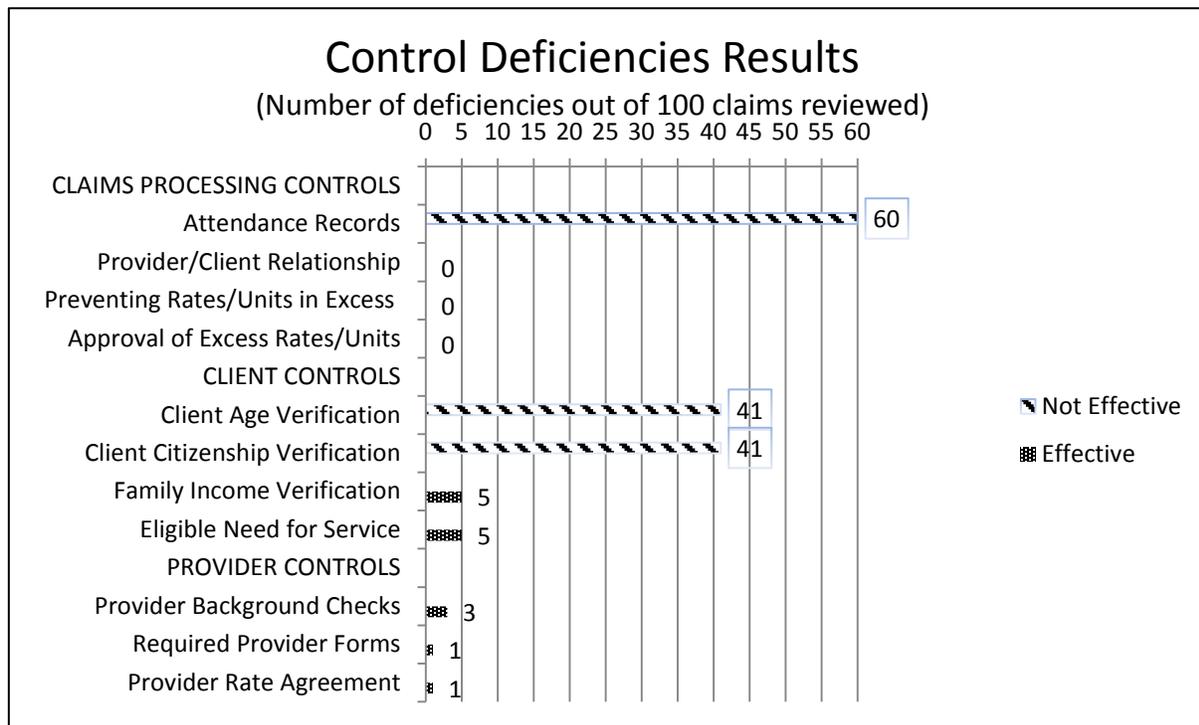
<sup>5</sup> A determination that a control is ineffective does not necessarily mean that we have made a determination that improper payments have been made. Instead, an ineffective control means that the risk of improper payments is greater. Likewise, a determination that a control is effective does not mean that an improper payment cannot be made; it just means that the risk of one is lower.

<sup>6</sup> For each of the 100 randomly selected paid claims, we reviewed 11 specific controls for effectiveness. We considered a control with 6 or more deficiencies (out of the 100 paid claims reviewed) as evidence of ineffective controls and a control objective with 5 or fewer control deficiencies as evidence of effective controls. We equally weighted all controls and made no determination that some controls were more important than others.

agency’s controls for verifying family income and for verifying need-for-service eligibility were effective. All of the State agency’s controls for provider eligibility that we tested were effective. We tested the controls for the performance of provider background checks, for the maintenance of required provider forms, and for the completion of provider rate agreements.

The State agency required the applicant to declare his/her citizenship and age. Unless the information provided in the application about citizenship status or age was questionable, State policy required the agency to accept the applicant’s statement. Eligibility policies for citizenship and age that rely on self-declarations and do not require that an applicant present documentary evidence present a greater potential for false claims. Moreover, the State agency did not exercise sufficient oversight over claims processing because it did not ensure that providers maintained attendance records to support childcare claims payments. Without sufficient written policies and procedures and oversight, the State agency’s Child Care Subsidy program is vulnerable to fraud, waste, and abuse.

Of the 100 claims reviewed, we determined that 75 claims showed evidence of ineffective controls for claims processing and for client eligibility. We estimated that \$40,859,722 (\$26,105,276 Federal share) of the Child Care Subsidy program claims could have had one or more of the control deficiencies we identified. These deficiencies left the Child Care Subsidy program vulnerable to fraud, waste, and abuse.<sup>7</sup> The graph below shows the number of control deficiencies we identified for each of the areas that we reviewed.<sup>8</sup>



<sup>7</sup> We used the ineffective control deficiencies identified in our sample in our estimate of affected cost amounts.

<sup>8</sup> Some of the individual claims reviewed had more than 1 control deficiency, resulting in a total of 75 claims with a total of 156 control deficiencies.

## **CLAIMS PROCESSING CONTROLS**

### **Control Design and Testing for Provider Attendance Records**

The State agency should have internal controls in place to ensure that providers maintain accurate attendance records to support the childcare payment amounts that the State agency pays to providers. Appendix F provides criteria related to the documentation of client attendance.

#### *Control Design*

The State agency required each provider to complete daily attendance records and have them signed by the client's parents. The State agency also required each provider to maintain the attendance records for a period of 3 years and to make those records available to the State agency on request.

#### *Control Testing*

We obtained the providers' client attendance records and calculated the number of hours of care provided to each client reflected in those records. We then compared the calculated hours with the hours for which the provider was actually paid to ensure that the provider did not receive payment for more hours of care than supported by the daily attendance records.

### **State Agency Controls for Provider Attendance Records Were Not Effective**

Of the 100 childcare claims that we reviewed, we identified 60 claims for which the client attendance records were not adequate. For 51 of the 60 claims, the provider either did not respond to the State agency's record request or the provider indicated that it did not keep attendance records. For 6 of the 60 claims, the records lacked the daily attendance detail necessary to calculate the hours of care provided. For 2 of the 60 claims, the providers were paid more than 50 hours over the actual hours of care supported by the daily attendance records. For 1 of the 60 claims, the provider stated that it never provided care to the client even though the provider received payment on behalf of the client.

Without ensuring that providers maintain detailed and complete attendance records, there was an increased risk that the State agency overpaid providers for childcare services. The extent of these deficiencies indicated that the State agency's controls for attendance records were not effective.

## **CLIENT ELIGIBILITY CONTROLS**

### **Control Design and Testing for Client Age Verification**

To minimize fraud, the State agency should have internal controls in place that prevent childcare payments to providers on behalf of clients who exceed the legal age requirements. Appendix F provides criteria related to client age.

### *Control Design*

The State agency required each client to be either (1) 12 years old or younger or (2) 18 years old or younger and physically or mentally incapable of self-care or under court supervision. State agency policy permitted applicants to assert in the childcare subsidy application the birth date of each applicant. State agency policy did not mandate verification of the age of every client. State agency policy required caseworkers to verify age only in instances when questionable information was provided. Information provided about an applicant's age was considered questionable if it was inconsistent with other information on the application or on previous applications or was inconsistent with other information received by the State agency. Case files were required to contain documentation to support the determination to approve or deny program benefits. According to State agency policy, if the caseworker determined that no questionable information was provided, the caseworker was required to accept the client's self-declaration of age.

### *Control Testing*

We obtained access to the client files from the State agency. If the file contained documentation of the client's age, such as a birth certificate or passport, we verified whether each sampled client met the age requirements and calculated the client's age at the time of payment.

### **State Agency Controls for Client Age Verification Were Not Effective**

Of the 100 claims that we reviewed, we identified 41 claims for which the case files contained no evidence beyond the self-declaration of age that the child met the Federal and State age requirements or that the State agency had verified client age.

Without a requirement that the client's age be verified and without a requirement that some documentation of the verification be maintained, including documentation from the Vital Statistics system, there was an increased risk that childcare was being provided to clients who were not eligible.<sup>9</sup> As a result of the identified deficiencies, we determined that the State agency's controls for client age verification were not effective because self-declarations of age increase the risk of fraudulent applications.

### **Control Design and Testing for Client Citizenship Verification**

To minimize fraud, the State agency should have internal controls in place that prevent childcare payments to providers on behalf of clients who are not U.S. citizens or qualified aliens. Appendix F provides criteria related to client citizenship.

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<sup>9</sup> "The Office of Vital Statistics receives and preserves vital records for events (births, deaths, marriages, and divorces) which occur in Kansas." See <http://www.kdheks.gov/vital/> (accessed March 3, 2014).

### *Control Design*

The State agency required each client to be a U.S. citizen or qualified alien. State agency policy permitted applicants to assert in the childcare subsidy application that they were citizens, and the applicants were required to attest under penalty of perjury that the answers in their applications for childcare benefits were correct and complete to the best of their knowledge. State agency policy did not mandate verification of the citizenship of every client. State agency policy required caseworkers to verify citizenship only in instances when questionable information was provided. Citizenship information on the application was considered questionable if it was inconsistent with other information on the application or on previous applications or was inconsistent with other information received by the State agency. In these instances, the caseworker was required to ask the applicant to provide acceptable verification of citizenship. Case files were required to contain documentation to support the determination to approve or deny program benefits. According to State agency policy, if the caseworker determined that no questionable information was provided, the caseworker was required to accept the client's self-declaration of citizenship. If the applicant asserted in the application that he or she was a noncitizen, the State agency required caseworkers to verify that the applicant was in a qualified alien status.

State agency officials told us that in instances when the State agency obtained citizenship documentation directly from the client, the State agency maintained a copy of the documentation in the client's file. State officials also told us that a State agency's caseworker could manually verify a client's citizenship using the Kansas Vital Statistics system to determine that the client was born in Kansas, and the State agency considered this action to constitute documentation of citizenship (as it was proof that the individual was born in Kansas).

### *Control Testing*

We obtained access to the client files from the State agency. We verified whether each sampled file contained documentation of citizenship verification by looking in the case file for a copy of any documentary evidence of citizenship or immigration status.

### **State Agency Controls for Client Citizenship Verification Were Not Effective**

Of the 100 claims that we reviewed, all applicants declared that they were U.S. citizens, and we identified 41 claims for which the case files contained no evidence that the State agency had verified client citizenship.

Without a requirement that citizenship be verified and without a requirement that some documentation of the verification be maintained, including documentation from the Vital Statistics system, there was an increased risk that childcare was being provided to clients who were not eligible. As a result of the identified deficiencies, we determined that the State agency's controls for client citizenship verification were not effective because self-declarations of citizenship increase the risk of fraudulent applications.

## **STATE AGENCY DID NOT ALWAYS HAVE SUFFICIENT WRITTEN POLICIES AND PROCEDURES OR EXERCISE SUFFICIENT OVERSIGHT**

The State agency did not require eligibility workers to verify client age and client citizenship for all applications. Instead, State policy required workers to accept self-declarations of age and citizenship and required verification only if the information provided in the application was considered questionable. Moreover, the State agency did not exercise sufficient oversight over claims processing because it did not ensure that providers maintained attendance records to support childcare claims payments.

Although Federal law does not require documentary verification of citizenship or age for the Child Care program, self-declarations of eligibility present a greater potential for false claims. A strong system of internal control decreases the risk of false claims. Sufficient written policies and procedures and oversight are key elements in a strong system of internal control. The lack of sufficient written policies and procedures and oversight contributed to the ineffective application of the controls we tested. Sufficient and clearly written policies and procedures can serve as a tool to help staff understand the appropriate steps to performing critical tasks that ensure consistent adherence to Federal and State laws and regulations and minimize the risk of fraud. Furthermore, sufficient oversight can help ensure that providers follow the State agency's policies and procedures regarding the maintenance of client attendance records. Without sufficient written policies and procedures and oversight, the State agency's Child Care Subsidy program is vulnerable to fraud, waste, and abuse.

## **COSTS ASSOCIATED WITH DEFICIENCIES**

We estimated that \$40,859,722 (\$26,105,276 Federal share)<sup>10</sup> of the Child Care Subsidy program claims could have had one or more of the control deficiencies identified in this report.

## **RECOMMENDATIONS**

We recommend that the State agency improve its controls for client eligibility determinations and for claims processing to ensure that payments for the Child Care Subsidy program are made for eligible clients. Specifically, the State agency should take steps to:

- ensure that providers maintain accurate attendance records to support the childcare payment amounts that they claim for reimbursement by the State agency,
- require that the citizenship and qualified alien status of all applicants be verified and documentation of that verification be maintained in all case files, and
- require that the age of all clients be verified and documentation of that verification be maintained in all case files.

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<sup>10</sup> To calculate the Federal share, we multiplied the \$40,859,722 point estimate (Appendix D) by the 63.89 percent aggregate Federal share percentage (Appendix C).

## **STATE AGENCY COMMENTS**

In written comments on our draft report, the State agency concurred with our recommendations and described procedures that it had implemented or planned to implement to strengthen the control weaknesses identified.

The State agency's comments appear in their entirety as Appendix H.

## **OTHER MATTERS**

The State agency did not have procedures to ensure that providers were paid only for childcare that was provided to clients during approved hours based on needs of service. Specifically, we found that the State agency did not track or consistently maintain documentation that identified what days and times clients were approved for childcare and what days and times providers actually provided the care. Because the State agency did not track or consistently maintain this information, we could not test the extent to which this control deficiency may have contributed to childcare payment amounts being paid in excess of the State's established maximum amounts. Without ensuring that the reimbursed childcare occurred during the client's approved schedule based on needs of service, there was an increased risk that the State agency overpaid its providers for childcare services provided.

## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

We reviewed the State agency's controls for client and provider eligibility determinations and for claims processing for FY 2011 (October 1, 2010, through September 30, 2011). We did not review the State agency's overall internal control structure. We reviewed only those controls that pertained to our objective. For our audit period, the State agency paid childcare claims totaling \$66,876,601.

We conducted fieldwork at the State agency in Topeka, Kansas, from June to December 2012.

### 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 Kansas CCDF State plans related to the Child Care Subsidy program for FYs 2010 and 2011;
- reviewed the State agency's ACF-696 reports<sup>11</sup> and supporting documentation for FY 2011 to determine the amount of childcare payments that were included in that FY's 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 claims were reported, and what documentation the State agency maintained to support these claims;
- interviewed State agency staff to obtain an understanding of the policies, procedures, and guidance used to determine childcare client and provider eligibility and claims processing;
- interviewed State agency staff to obtain an understanding of the State agency's specific controls for
  - client eligibility (citizenship, age, family income, and need for service),

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<sup>11</sup> 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 agency used for childcare assistance expenditures.

- provider eligibility (background checks, required forms, and provider rate agreements), and
- claims processing (providers and clients living at the same address, supervisor approval of excess units provided and excess rates paid, units and rates paid compared with the State agency’s established amounts, and provider-maintained attendance records to support paid childcare);
- obtained the paid claims data from the State agency for FY 2011;
- reconciled paid claims data with the State agency’s accounting system and the ACF-696 reports to ensure that the childcare paid claims population that we used to perform the tests of controls represented the amounts that the State agency claimed for Federal reimbursement;
- divided the claims paid during our audit period into 2 strata by provider type (1 stratum for licensed provider types<sup>12</sup> and 1 stratum for nonlicensed provider types<sup>13</sup>) and randomly selected 50 claims from each stratum, totaling 100 claims reviewed;
- reviewed the 100 randomly selected paid claims’ case files (electronic or paper) to evaluate the adequacy of the State agency’s controls for client eligibility determinations, and specifically
  - determined whether each case file contained the completed application, citizenship documentation, and verification of family income and hours worked, and
  - recomputed the child’s age based on 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 100 randomly selected paid claims to evaluate the adequacy of the State agency’s controls for provider eligibility determinations, and specifically determined whether each provider file contained documentation of the required background checks and evaluations, the required provider forms, and an approved provider application;
- reviewed the 100 randomly selected paid claims to evaluate the adequacy of the State agency’s controls for claims processing, and specifically (1) determined whether billing of more than the approved units of service per service period had supervisor approval and whether paid claims exceeded the approved number of units, (2) determined whether the

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<sup>12</sup> Licensed provider types include childcare centers, childcare homes, and registered homes.

<sup>13</sup> Nonlicensed provider types include in-home providers who provide care in the child’s home and out-of-home relative providers.

client attendance records supported the amount paid, and (3) analyzed instances in which the provider address and client address were the same;

- used the results of the claims review to determine the impact of the deficiencies in the ineffective controls identified using the variable appraisal;
- applied the aggregate Federal share percentage (see Appendix C) to the point estimate (see Appendix D) to estimate the Federal share of the impact of the deficiencies in the ineffective controls; and
- discussed the results of our review with State agency officials on July 25, 2013.

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: STATISTICAL SAMPLING AND MATHEMATICAL CALCULATION METHODOLOGY**

### **POPULATION**

The population consisted of the paid childcare claims in the State of Kansas for FY 2011 (October 1, 2010, through September 30, 2011).

### **SAMPLING FRAME**

The sampling frame was a database of 151,526 paid childcare claims totaling \$66,876,601.

### **SAMPLE UNIT**

The sample unit was a paid childcare claim.

### **SAMPLE DESIGN**

We used a stratified sample consisting of two strata, based on the grouped provider types.

Stratum 1 consisted of 132,723 paid claims totaling \$58,217,143 paid to licensed providers.

Stratum 2 consisted of 18,803 paid claims totaling \$8,659,458 paid to nonlicensed providers.

### **SAMPLE SIZE**

We selected 50 paid childcare claims per stratum for a total of 100 paid childcare claims.

### **SOURCE OF RANDOM NUMBERS**

We generated the random numbers with the Office of Inspector General, Office of Audit Services (OIG/OAS), statistical software.

### **ESTIMATION METHODOLOGY**

We used the OIG/OAS statistical software to estimate the costs associated with the control deficiencies in total. Because the paid childcare payments included both Federal and State paid claims, we developed an aggregate percentage to identify the approximate Federal share of the total cost associated with the control deficiencies. We calculated the aggregate percentage by determining the amount of childcare paid claims that were reported on each quarterly ACF-696 report for each fund type (Federal funds, State funds, and matching funds) and divided the total Federal funds by the total paid childcare claims for the audit period (see Appendix C for the calculation).

**APPENDIX C: AGGREGATE FEDERAL SHARE PERCENTAGE**

**ALLOCATION OF PAID CHILDCARE CLAIMS ON ACF-696 REPORT**

<b>Quarter</b>	<b>Mandatory (100% Federal)</b>	<b>Matching (FMAP Federal and State)</b>	<b>Discretionary (100% Federal)</b>	<b>Maintenance of Effort (100% State)</b>
10/1/2010– 12/31/2010	\$683,530	\$6,722,973	\$5,700,378	\$3,336,480
1/1/2011– 3/31/2011	660,691	6,722,975	5,387,230	3,592,399
4/1/2011– 6/30/2011	978,667	7,673,664	5,154,888	2,757,597
7/1/2011– 9/30/2011	101,660	5,921,362	8,559,041	3,651,340
<b>Total</b>	<b>\$2,424,548</b>	<b>\$27,040,974</b>	<b>\$24,801,537</b>	<b>\$13,337,816</b>

**FEDERAL PORTION OF MATCHING**

<b>Quarter</b>	<b>FY 2011</b>
10/1/2010– 12/31/2010	\$6,722,973
1/1/2011– 3/31/2011	6,722,975
4/1/2011– 6/30/2011	7,673,664
7/1/2011– 9/30/2011	5,921,362
<b>Total</b>	<b>\$27,040,974</b>
FMAP rate	59.05%
<b>Federal portion</b>	<b>\$15,967,695</b>

**FEDERAL SHARE PERCENTAGE**

	<b>Total</b>	<b>Federal</b>
Mandatory	\$2,424,548	\$2,424,548
Matching	27,040,974	15,967,695
Discretionary	24,801,537	24,801,537
Maintenance of effort	13,337,816	0
Total childcare claims	67,604,875	43,193,780
<b>Aggregate Federal Share</b>		<b>63.89%</b>

**APPENDIX D: SAMPLE RESULTS AND ESTIMATES**

**TOTAL DEFICIENCIES**

<b>Stratum</b>	<b>Frame Size</b>	<b>Frame Value</b>	<b>Sample Size</b>	<b>Value of Sample</b>	<b>Number of Claims With Control Deficiencies</b>	<b>Amount of Claims With Control Deficiencies</b>
1	132,723	\$58,217,143	50	\$22,267	30	\$11,282
2	18,803	8,659,458	50	31,846	45	29,014

**ESTIMATES OF CONTROL DEFICIENCIES**

*(Limits Calculated for a 90-Percent Confidence Interval)*

	<b>Total Estimated Costs Associated With Control Deficiencies</b>
Point estimate	\$40,859,722 <sup>14</sup>
Lower limit	31,218,898
Upper limit	50,500,547

<sup>14</sup> As discussed in footnote 10, to calculate the \$26,105,276 Federal share shown in “Costs Associated With Deficiencies,” we multiplied this \$40,859,722 point estimate by the 63.89 percent aggregate Federal share percentage (Appendix C).

**APPENDIX E: SUMMARY OF SAMPLED ITEMS**

Sample Claim Information			Client Eligibility Missing				Provider Eligibility Missing			Claim Processing Missing			
Sample Order	Paid Claim Amount	Deficient Claim Amount	Client Citizenship Verification	Eligible Need for Service	Family Income Verification	Client Age Verification	Provider Background Checks	Required Provider Forms	Provider Rate Agreement	Preventing Rates/Units in Excess	Approval of Excess Rates/Units	Attendance Records	Provider/Client Relationship
LS1	\$764.84	\$0.00											
LS2	110.00	0.00											
LS3	53.42	53.42										X	
LS4	589.28	589.28	X			X							
LS5	288.00	288.00										X	
LS6	40.00	40.00										X	
LS7	140.00	140.00	X			X							
LS8	835.70	835.70	X			X						X	
LS9	721.40	0.00											
LS10	294.00	0.00											
LS11	46.75	0.00											
LS12	462.60	462.60	X			X						X	
LS13	50.00	50.00										X	
LS14	255.90	0.00											
LS15	266.00	0.00											
LS16	752.00	752.00	X			X							
LS17	180.00	180.00										X	
LS18	75.00	75.00										X	
LS19	1,182.50	0.00											
LS20	688.00	688.00										X	
LS21	481.20	0.00											
LS22	320.00	320.00										X	
LS23	748.64	748.64	X	X	X	X							
LS24	183.00	0.00											
LS25	273.00	0.00											
LS26	281.80	281.80										X	
LS27	537.00	537.00	X			X							
LS28	100.00	0.00											

Sample Claim Information			Client Eligibility Missing				Provider Eligibility Missing			Claim Processing Missing			
Sample Order	Paid Claim Amount	Deficient Claim Amount	Client Citizenship Verification	Eligible Need for Service	Family Income Verification	Client Age Verification	Provider Background Checks	Required Provider Forms	Provider Rate Agreement	Preventing Rates/Units in Excess	Approval of Excess Rates/Units	Attendance Records	Provider/Client Relationship
LS29	\$400.00	\$400.00	X			X						X	
LS30	168.00	168.00	X			X							
LS31	1,200.00	1,200.00	X	X	X	X						X	
LS32	599.00	0.00											
LS33	1,003.75	0.00											
LS34	200.00	200.00	X			X							
LS35	607.00	607.00	X			X						X	
LS36	85.00	85.00										X	
LS37	10.00	10.00	X			X							
LS38	585.00	0.00											
LS39	350.00	350.00										X	
LS40	172.00	172.00										X	
LS41	1,208.85	0.00											
LS42	71.00	0.00											
LS43	802.00	802.00	X			X							
LS44	823.00	0.00											
LS45	1,870.00	0.00											
LS46	391.30	391.30	X			X							
LS47	145.00	0.00											
LS48	235.36	235.36	X			X							
LS49	308.00	308.00	X			X						X	
LS50	312.32	312.32	X			X							
NLS1	544.00	544.00										X	
NLS2	184.22	0.00											
NLS3	263.80	263.80	X			X						X	
NLS4	443.76	443.76	X	X	X	X						X	
NLS5	758.54	0.00											
NLS6	1,003.00	1,003.00										X	
NLS7	441.00	441.00	X			X						X	
NLS8	4,460.84	4,460.84					X	X	X			X	

Sample Claim Information			Client Eligibility Missing				Provider Eligibility Missing			Claim Processing Missing			
Sample Order	Paid Claim Amount	Deficient Claim Amount	Client Citizenship Verification	Eligible Need for Service	Family Income Verification	Client Age Verification	Provider Background Checks	Required Provider Forms	Provider Rate Agreement	Preventing Rates/Units in Excess	Approval of Excess Rates/Units	Attendance Records	Provider/Client Relationship
NLS9	\$196.00	\$196.00	X			X						X	
NLS10	527.00	527.00										X	
NLS11	178.00	178.00										X	
NLS12	738.72	738.72										X	
NLS13	571.04	571.04	X			X							
NLS14	668.00	668.00	X			X						X	
NLS15	544.17	544.17										X	
NLS16	700.00	700.00										X	
NLS17	116.94	116.94	X			X						X	
NLS18	223.60	223.60										X	
NLS19	173.70	173.70	X			X						X	
NLS20	690.30	0.00											
NLS21	606.15	606.15	X	X	X	X						X	
NLS22	756.60	756.60										X	
NLS23	84.84	84.84	X			X							
NLS24	1,100.00	1,100.00										X	
NLS25	373.10	373.10	X			X						X	
NLS26	168.80	168.80										X	
NLS27	1,480.00	1,480.00										X	
NLS28	170.00	170.00										X	
NLS29	550.20	550.20	X			X						X	
NLS30	2,855.56	2,855.56										X	
NLS31	469.10	0.00											
NLS32	1,200.00	1,200.00	X			X						X	
NLS33	612.00	612.00										X	
NLS34	775.00	775.00	X			X						X	
NLS35	87.20	87.20										X	
NLS36	48.43	48.43	X			X						X	
NLS37	158.16	158.16	X			X							
NLS38	383.92	383.92					X					X	

Sample Claim Information			Client Eligibility Missing				Provider Eligibility Missing			Claim Processing Missing			
Sample Order	Paid Claim Amount	Deficient Claim Amount	Client Citizenship Verification	Eligible Need for Service	Family Income Verification	Client Age Verification	Provider Background Checks	Required Provider Forms	Provider Rate Agreement	Preventing Rates/Units in Excess	Approval of Excess Rates/Units	Attendance Records	Provider/Client Relationship
NLS39	\$729.60	\$0.00											
NLS40	143.42	143.42	X			X	X					X	
NLS41	736.35	736.35	X			X						X	
NLS42	38.32	38.32										X	
NLS43	131.00	131.00										X	
NLS44	426.40	426.40	X			X						X	
NLS45	260.00	260.00	X			X						X	
NLS46	287.06	287.06	X			X						X	
NLS47	2,312.94	2,312.94	X			X						X	
NLS48	1,034.24	1,034.24	X			X						X	
NLS49	260.00	260.00										X	
NLS50	180.70	180.70		X	X							X	
<b>Total</b>	<b>\$54,112.33</b>	<b>\$40,296.38</b>	<b>41</b>	<b>5</b>	<b>5</b>	<b>41</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>60</b>	<b>0</b>

X: Claims with a control deficiency.

## **APPENDIX F: FEDERAL AND STATE CRITERIA RELATED TO CHILD CARE AND DEVELOPMENT FUND**

### **CLAIMS PROCESSING CRITERIA**

#### **Federal Regulations**

Federal regulations (45 CFR § 98.11) delegate the overall responsibility for the administration of the CCDF program to the lead agency and specify that the lead agency ensure that all State and local or nongovernmental agencies operate according to the rules established by the program.

Federal regulations (45 CFR § 98.43(a)) require the State to certify that the rates paid to CCDF providers are sufficient to ensure equal access, for eligible clients, to childcare services comparable to those provided to families who are not eligible for CCDF assistance.

#### **State Policies and Program Implementation Guidelines**

State policy (KEESM, section 10240) requires the State agency to establish maximum hourly childcare rates that are based on periodically performed market analysis. Childcare providers are required to charge clients the lower of the State's maximum rates or the provider's private rates. The State's maximum rates vary based on provider type, child age, and geographic region (county).

State policy (KEESM, Appendix C-18) establishes a listing of the maximum hourly childcare rates.

State policy (KEESM, section 10022) requires that in-home providers and out-of-home relative providers receiving childcare funds not be the parent, guardian, or caretaker of the childcare client. In addition, in-home providers may not be a member of the eligible family's cash assistance case<sup>15</sup> or a member of the client's physical household.

State policy (KEESM, section 10034) requires providers to develop recordkeeping policies and documentation of client attendance. These daily client attendance records must be signed by the parent, and the providers must maintain them for a period of 3 years.

The State agency's program implementation guidelines as specified in the childcare provider application packet (KEESM, forms ES-1650, ES-1651, ES-1652, and ES-1654) state that the provider agrees to "... [a]ccurately maintain all records as required" and allow "... access to all such records as may be requested by the [State agency]. All records should be kept for a period of three years, including attendance records."

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<sup>15</sup> The term "cash assistance case" refers to the program known as Temporary Assistance for Needy Families, which provides cash assistance to families while they look for work as long as they meet program requirements.

## **CLIENT ELIGIBILITY CRITERIA**

### **Federal Regulations and Guidance**

Federal regulations (45 CFR § 98.11) delegate the overall responsibility for the administration of the CCDF program to the lead agency and specify that the lead agency ensure that all State and local or nongovernmental agencies operate according to the rules established by the program.

Federal regulations (45 CFR § 98.20(a)(1)) require that a child be under 13 years old, or at the option of the State, be under 19 years old and physically or mentally incapable of self-care, or under court supervision, to be eligible for childcare under the CCDF program.

Federal regulations (45 CFR § 98.20(a)(2)) state that to be eligible for childcare under the CCDF program, a client must reside with a family whose income does not exceed 85 percent of the State's median income for a family of the same size.

Federal regulations (45 CFR § 98.20(a)(3)) state that to be eligible for childcare assistance, a child shall reside with a parent or parents who are working or attending a job training or educational program, or a child shall receive, or need to receive, protective services.

Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, P.L. No. 104-193, as amended, prohibits individuals who are not U.S. citizens or qualified aliens from receiving Federal public benefits. The CCDF is considered a Federal public benefit, and citizenship and immigration status must be verified (63 Fed. Reg. 41662 (August 4, 1998)). A Lead Agency has flexibility to establish procedures for verifying a child's citizenship and immigration status, but its procedures should comply with Department of Justice requirements for verifying eligibility (62 Fed. Reg. 61344 (November 17, 1997)). See also program guidelines at ACYF-PI-CC-98-08 and CCDF-ACF-PI-2008-01.

### **State Policies and Program Implementation Guidelines**

State policy (KEESM, section 2810) provides that any parent of a child who has a need for child care services and resides in Kansas may be determined eligible for childcare for a child 12 years old or under, or up to 18 years old if the child is physically or mentally incapable of self-care or under court supervision.

State policy (KEESM, section 1322.3) requires the eligibility worker to verify all factors of eligibility prior to approval "only if they are questionable and affect the household's eligibility or benefit level. To be questionable, the information on the application must be inconsistent with other information on the application or previous applications or inconsistent with information received by the agency."

State policy (KEESM, section 1322.3.2) provides that when a household's statement that one or more of its members are U.S. citizens is questionable, the household shall be asked to provide acceptable verification, and if verification cannot be provided, the member whose citizenship is questionable shall be excluded from participation.

State policy (KEESM, section 1321.3) requires the state agency to maintain case files that must contain documentation to support the determination to approve or deny program benefits. Documentation means that a written statement regarding the type of verification and a summary of the information obtained has been entered in the case record. Such statements must be in sufficient detail so that a reviewer would be able to determine the reasonableness of the determination. Where verification was required to resolve questionable information, the caseworker must document why the information was considered questionable and how the questionable information was resolved.

State policy (KEESM, section 2140) requires the State agency to provide the Child Care Subsidy only to clients who are citizens or who meet qualified noncitizen status.

State policy (KEESM, section 2145) describes acceptable forms of documentation of citizenship.

The State agency's program implementation guidelines as specified in the application for childcare benefits (KEESM, form ES-3100) direct the applicant to attest to the following statement: "I certify under penalty of perjury that my answers are correct and complete to the best of my knowledge."

State policy (KEESM, section 1321) requires that simplified eligibility verification requirements are to be followed, which is a system by which the agency accepts the applicant's statement as the basis of eligibility.

State policy (KEESM, section 2820) states that to be eligible the client must have a personal need for childcare, which includes employment, attending approved schooling or training, crisis situations, or having a child in foster care when the placement has been made with a relative not licensed for foster care or when the child is an adjudicated juvenile offender.

State policy (KEESM, section 7440) provides that to be eligible for the childcare subsidy, an applicant must not exceed 185 percent of the current Federal poverty guidelines based on the household size. A monthly family share deduction shall be assessed to clients with income at or over 70 percent of the current Federal poverty guidelines based on the household size.

## **PROVIDER ELIGIBILITY CRITERIA**

### **Federal Regulations**

Federal regulations (45 CFR § 98.11) delegate the overall responsibility for the administration of the CCDF program to the lead agency and specify that the lead agency ensure that all State and local or nongovernmental agencies operate according to the rules established by the program.

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.

Federal regulations (45 CFR § 98.41) require that a lead agency certify that it has put in effect provider health and safety requirements that are designed to protect children receiving childcare services. Such requirements shall address the prevention and control of infectious diseases, including immunizations, building and physical premises safety, and certain minimum levels of health and safety training.

Federal regulations (45 CFR § 98.43(a)) require the State to certify that the rates paid to CCDF providers are sufficient to ensure equal access, for eligible clients, to childcare services comparable to those provided to families who are not eligible for CCDF assistance.

## **State Policies**

State policy (KEESM, sections 10020, 10021, and 10022) describes the types of approved licensed and nonlicensed childcare providers.

State policy (KEESM, section 10110) requires the State agency to ensure that licensed providers are not the subject of substantiated reports of abuse and neglect. The State agency requires licensed providers to submit to a Kansas Bureau of Investigation (KBI) criminal history check and a Child Abuse and Neglect Central Registry (Central Registry) check at the time of application and at any time that an individual over the age of 10 begins residing, substituting, working, or volunteering in the licensed facility.<sup>16, 17</sup>

State policy (KEESM, sections 10035 and 10036.3) provides that the State agency cannot enroll a person who is listed as a prohibited person in the Central Registry or is listed in the Kansas Adult Supervised Population Electronic Repository (KASPER).<sup>18</sup> This policy applies to all providers who desire to provide childcare for eligible children.

State policy (KEESM, sections 10032, 10033, and 10036) requires applicant licensed providers and nonlicensed providers to fill out a standardized application form before being approved to provide childcare.

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<sup>16</sup> The KBI collects and disseminates criminal history records to public and private agencies for the purpose of promoting public safety and the prevention of crime in Kansas. See <http://www.accesskansas.org/kbi/>.

<sup>17</sup> State law prohibits any persons found responsible for abuse and neglect of a child or vulnerable adult from working, residing, or volunteering in a childcare home or facility regulated by the State. These records are maintained in the Central Registry. See <http://www.dcf.ks.gov/services/PPS/Pages/Child-Abuse-and-Neglect-Central-Registry.aspx>.

<sup>18</sup> The KASPER is a database which contains information about offenders sentenced to the custody of the Kansas Secretary of Corrections since 1980. See <http://www.doc.ks.gov/kasper/about-us>.

## **APPENDIX G: CONTROLS TESTED THAT WERE DETERMINED TO BE EFFECTIVE**

### **CLAIMS PROCESSING**

#### **Provider/Client Relationship**

The State agency should have controls in place to prevent payments to providers for care of their own children.

##### *Control Design*

State agency officials told us that to ensure that the State agency prevented payments to providers who were caring for their own children, caseworkers obtained the provider's and client's addresses during the application process to ensure that they did not reside together. The caseworkers also inquired whether the provider was the parent or guardian of the child.

##### *Test Results*

For all 100 of the claims that we reviewed, we found no errors related to parents providing care for their own children.

#### **Control Design and Testing for Childcare Payment Amounts**

The State agency should have controls in place that prevent childcare payment amounts (rates or units) from being paid in excess of the State's established maximum amounts.

##### *Control Design*

The State agency calculated a client's childcare benefit amount using the lower of the State's market analysis rates or the provider's private pay rate and then applied that rate to the estimated hourly childcare units that were needed by the client during the month. Monthly units provided were limited to 215 hours per month. After calculating the childcare benefit amount, the State agency authorized the amount for the client's electronic benefits transfer (EBT) account. The client then used the EBT card to transfer payment from his or her EBT account to the provider.

Further, the State agency established system edits to help ensure that childcare payment amounts were not paid in excess of established maximum amounts.

##### *Test Results*

For all 100 of the claims that we reviewed, we found no errors related to childcare payment amounts (rates or units) being paid in excess of the State's established maximum amounts.

## **Documentation of Supervisor Approval of Excess Units and Excess Rates**

The State agency should have controls in place to prevent excess payment amounts to providers without proper supervisor approval.

### *Control Design*

State agency officials told us that the State agency allowed enhanced units and/or rates only in instances when the client had been approved for an enhanced rate because of special needs. To ensure that it met the requirements related to supervisor approval of excess units and excess rates, the State agency developed procedures that required the client to fill out request forms that then had to be reviewed and approved by the State agency.

### *Test Results*

For all 100 of the claims that we reviewed, we found no errors related to supervisor approval of excess payment amounts to providers.

## **CLIENT ELIGIBILITY**

### **Family Income Verification**

The State agency should have controls in place to prevent payments to providers on behalf of clients who exceed the State-designated income amounts.

### *Control Design*

State agency officials told us that to ensure that the State agency met the requirements related to preventing payment to providers on behalf of clients who did not meet the State-designated income amounts, the State agency verified income by obtaining documentation from the client's family, including pay stubs and employment verifications signed by the employer. The State agency also checked various systems, including the Work Number, the Kansas Employment Security system (unemployment benefits), the Kansas Enhanced Statewide Support Enforcement Project (child support), and the Electronic Access to Social Security (Social Security benefits), to identify any income that was unreported by the client's family. The State agency also required families to report income changes of more than \$50 of unearned income, and more than \$100 of earned income, per month. In addition, the State agency reviewed each case at a minimum of every 12 months, during which time it ensured that clients still met the State-designated income amounts.

### *Test Results*

Of the 100 claims that we reviewed, we determined that for 95 claims, the documentation demonstrated that clients did not exceed State-designated income amounts. However, we identified five claims for which the case files did not contain the client's family income verification.

## **Need-for-Service Eligibility**

The State agency should have controls in place to prevent payments to providers on behalf of clients who have no eligible need for service.

### *Control Design*

State agency officials told us that to ensure that the State agency met the requirements related to preventing payment to providers on behalf of clients with no eligible need for service, the State agency obtained documentation from the client, to ensure that the client had an eligible need for childcare, and maintained the documentation in the case file. Need-for-service documentation included employment verification letters completed by the client's employer, pay stubs, school schedules, and similar documents.

### *Test Results*

Of the 100 claims that we reviewed, we determined that for 95 claims, the client families' need for service was documented in the case files. However, we identified five claims for which the case files did not contain adequate need-for-service documentation.

## **PROVIDER ELIGIBILITY**

### **Control Design and Testing for Provider Background Checks**

The State agency should have controls in place to prevent payments to childcare providers that are the subject of substantiated reports of abuse or neglect and to protect children from such providers.

### *Control Design*

The State agency was required to conduct background checks of licensed and nonlicensed childcare providers and to maintain this documentation in its files to help ensure that providers were not the subject of substantiated reports of abuse or neglect and to ensure that providers did not have criminal histories. For each *licensed provider*, State agency caseworkers were required to check all of the provider's employees against the Central Registry and the KBI records. For each *nonlicensed provider*, State agency caseworkers were prohibited from enrolling a person who was listed as a prohibited person in the Central Registry and/or listed in the KASPER.

### *Test Results*

Of the 100 claims that we reviewed, we determined that for 97 claims, the background checks were documented in the case files. However, we identified three claims for which the case files did not contain adequate background check documentation.

### **Maintenance of Required Provider Forms**

The State agency should have controls in place to prevent payment to providers that have not completed all of the forms that the State agency requires.

### *Control Design*

The State agency required each provider to complete an application packet so that the State agency could determine the provider's compliance with childcare rules and regulations. State agency officials told us that they maintained scanned copies of the application packet in the provider's file.

### *Test Results*

Of the 100 claims that we reviewed, we determined that the State agency maintained copies of all of the required provider application packets for 99 of the claims. However, we identified one claim that did not have the required provider application packet on hand in the case file.

### **Provider Rate Agreements**

The State agency should have controls in place to prevent payment to providers at rates that exceed the rates agreed upon between the provider and the State agency.

### *Control Design*

The State agency required each provider to use the lower of its private childcare rate or the State's childcare rate, a requirement to which the provider agreed by completing and signing the provider application packet.

### *Test Results*

Of the 100 claims that we reviewed, we determined that the State agency maintained the signed provider rate agreement for 99 of the claims. However, we identified one claim that did not have the required provider rate agreement form on hand in the case file.

## APPENDIX H: STATE AGENCY COMMENTS

Economic and Employment Services  
915 SW Harrison St., Suite 580-W  
Topeka, KS 66612



Phone: (785) 296-3349  
Fax: (785) 296-6960  
www.dcf.ks.gov

Phyllis Gilmore, Secretary

Sam Brownback, Governor

May 21, 2014

Mr. Patrick J. Cogley  
Regional Inspector General for Audit Services  
Office of Inspector General  
Office of Audit Services, Region VII  
601 East 12<sup>th</sup> Street  
Room 0429  
Kansas City, Missouri 64106

Re: Report Number: A-07-12-03182, U.S. Department of Health and Human Services (HHS) Office of Inspector General (OIG) Audit – *Not All of Kansas's Controls for Its Child Care Subsidy Program Claims Were Effective*

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. The audit found, in general, that Kansas did not always have effective controls for preventing payment to providers who failed to maintain adequate client attendance records. Our responses and corrective actions to the recommendations are as follows:

### OIG RECOMMENDATIONS

We recommend the State agency improve its controls for client eligibility determinations and for claims processing to ensure that payments for the Child Care Subsidy program are made for eligible clients. Specifically, the State agency should take steps to:

***Recommendation:*** *Ensure that providers maintain accurate attendance records to support the childcare payment amounts that they claim for reimbursement by the State agency.*

***DCF Response:*** We concur with the recommendation for DCF to provide a corrective action plan to ensure child care providers maintain accurate attendance records to support child care benefits issued to parents for payment to providers.

In September 2005, Kansas changed the way we administer our child care subsidy program statewide. Kansas moved from a retrospective method, based on time sheets completed by providers after the month of service, to a prospective process, based on the service plan created by eligibility workers prior to the month of service. Providers enroll with the Child Care Subsidy Program and then with the EBT contractor in order

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to receive payments electronically. Parents apply for child care assistance and must choose an enrolled provider. If eligible, parents receive an EBT Benefit card to receive and use benefits to pay providers directly.

Benefit amounts issued to families are calculated using their weekly work schedule (including travel time) and the child's school schedule (if applicable). These hours are entered into an electronic Child Care Plan Hours Worksheet (Form W-13) to obtain a reasonable estimate of the monthly hours to be authorized for benefits. The worksheet will calculate the hours of child care to be authorized for school months (September through May), and for summer months (June through August), adding extra hours each month to help cover days out of school (scheduled and unscheduled) for holidays, breaks, teacher in service, etc. The worksheet averages those extra hours for days out of school over the nine school months. For non-school age children, hours will be the same for all months. The worksheet is used to document how the average was determined, the school schedule of the child(ren), and any other factors used in determining the hours of child care needed.

Providers and parents decide how much is owed for services and when payment should be made. The general rule that providers cannot charge parents receiving subsidy benefits more than private pay parents is applied. Providers may charge parents for their child's slot and/or absent days, if this is consistent with the provider's stated private pay policy. Parents are responsible for their family share amount and any additional charges agreed upon between themselves and their child's providers. Parents and providers work out all payment issues under EBT CC. Parents need to make informed choices about care, and providers need to make good business decisions when deciding whom to serve. This allows parents and providers to mirror private sector practices more closely.

Parents then transfer benefits to their Child Care provider based on the schedule they have agreed to with that provider. This may be monthly, weekly, bi-weekly or even daily. Payment is made to the provider by the use of a POS (Point of Sale) device, by calling a toll-free phone number, or by accessing the EBT contractor's web portal.

In reference to overpayments to providers for services, a more accurate description might be that because DCF does not better assure attendance records are kept, it is possible some parents may overpay their providers. Although there may be some instances of overpayment to providers, it is likely that based on the provider's contract with parents, most providers are not overpaid by parents receiving subsidy.

***Corrective action steps currently under way by DCF to ensure providers maintain accurate attendance records include:***

- 1) DCF is currently working with our workforce development contractor in the development of a web based training course for providers enrolling to serve families receiving subsidy. This course will include requirements for enrolling with DCF including the completion and maintenance of accurate timesheets.
- 2) In January 2014, DCF began reviewing Regulated Provider's (Providers licensed by the Kansas Department of Health and Environment) enrollment with DCF every 3 years in order to keep our records up to date on their hours, rates and parental contracts. This enrollment process reinforces DCF requirements, including the completion and maintenance of accurate timesheets.

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- 3) Outlier and other agency reports are being used to prioritize the review of timesheets and auditing of providers due to staff time constraints. In June of 2013, we dedicated and trained one position ½ time on the completion of provider audits, with a goal of 120 providers annually. From 1/1/2014 – 4/15/2014 this staff person was able to complete 45 provider reviews.

**Recommendation:** *Require that the citizenship and qualified alien status of all applicants be verified and documentation of that verification be maintained in all case files.*

**Recommendation:** *Require that the age of all clients be verified and documentation of that verification be maintained in all case files.*

**DCF Response:** We concur that controls could be strengthened in this area.

As the audit report confirms, states have considerable latitude in the implementation and administration of their child care programs. Within the approved CCDF state plan, Kansas policies allow for verification of client age and citizenship through self-declaration by the applicant. Questionable information on the application or previous applications or reported information that is inconsistent with other information received by the agency is required to be verified and documented.

We do recognize, however, that our controls over the verification process for both citizenship and age can be improved. To that end, we plan on expanding our monitoring of child care through more involvement of both central office and field staff. Plans are underway to increase our detection capabilities for false claims. We have recently hired a new individual to serve as a Child Care Overpayment Detection and Prevention Coordinator, whose responsibilities will include determining if overpayments have been made, referring cases to agency attorneys for possible litigation and educating staff, providers and clients on preventing overpayments. In addition, there are plans underway to add additional staff in our field offices to tighten monitoring processes and review of child care to ensure that only eligible applicants obtain services.

We also want to address specifically the cases noted in the audit report. In review of the case files pulled and sampled within this audit, 100% of the children have been or are currently recipients of Medicaid or SSI medical; programs that have a mandatory citizenship and identity verification process. Furthermore, 89% of the children on these same cases were highly likely to have had an IM indicator on their case (system notification) indicating that the documentation of citizenship requirement in KEESM 2145.1 (6) was met, prior to child care being approved by their eligibility worker. This is consistent with our most recent 3 months data, where an average of 89.1% of our current Child Care clients shows concurrent medical assistance participation.

Kansas also recently completed the required Improper Payment Review of the Child Care program for FFY 2013. As discussed with the Office of Child Care and the Office of Child Care Technical Assistance provider (The National Center on Child Care Subsidy Innovation and Accountability (NCCCSIA), the Kansas review was completed based on *authorized* child care benefits rather than *paid* claims to providers. The Sampling Plan was approved by the Office of Child Care prior to implementation of the FFY 2013 Improper Payment Review. No errors were found in the review related to citizenship or age issues.

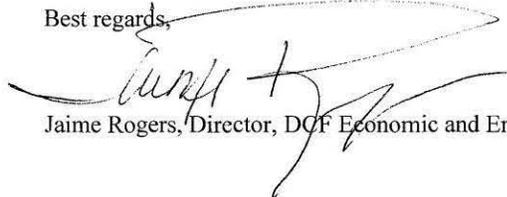
Thank you again for the audit and the professionalism of your staff. In addition to the corrective actions noted in our response, we will be monitoring the implementation of our corrective action plan internally through our

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internal audit department. This should ensure corrective actions remain on schedule. Should you have any questions regarding our response or the status of our implementation actions, please contact Mary S. Hoover at (785) 296-2973 or by email at [Mary.Hoover@dcf.ks.gov](mailto:Mary.Hoover@dcf.ks.gov).

Best regards,



Jaime Rogers, Director, DCF Economic and Employment Services

CC: Kathe Decker, Deputy Secretary, DCF Family Services  
Karen Beckerman, Strengthening Family Services Director, DCF EES  
Mary S. Hoover, Director, DCF Audit Services

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