Child Care Subsidy: Fraud Prevention, Detection and Investigation

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Introductions

National Center on Subsidy Innovation and Accountability

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Agenda

- What is CCDF?
- Child Care Fraud Prevention and Detection Strategies
- Fraud Risk Tools
- Georgia’s Risk Assessment Tool
- Q&A and Open Discussion
The Child Care and Development Fund (CCDF) is an $8.1 Billion block grant program that provides funding to States, Territories, and Tribes to provide low-income families with access to child care services and improve the quality of child care.

Overview: Child Care and Development Fund

On November 19, 2014, the Child Care and Development Block Grant Act (CCDBG) of 2014 was enacted into law. The law reauthorized the Child Care and Development Fund (CCDF) program for the first time since 1996 and made changes to:

- Protect the health and safety of children in child care
- Promote continuity of access to subsidy for low-income families
- Better inform parents and the general public about the child care choices available to them
- Improve the overall quality of early learning and after school programs

States, Territories, and Tribes use CCDF to administer the child care subsidy program for low-income families.
CCDF: Federal and State Roles

Federal Role:
- Administer Regulations
- Provide Guidance

Lead Agency Role:
- Defines Policies and Procedures
- Decides how to Allocate Funds
- Flexibility in Operating the Program
The Lead Agency can be a:

- State
- Territory (5)
- District of Columbia
- Tribe (539)

Agency Type:

- Department of Human Services
- Department of Children and Families
- Department of Education
Lead Agency Responsibilities

In Accepting the CCDF, the Lead Agency:

- Complies with CCDF Regulations
- Defines Policies, Procedures, Rules
- Submits a Plan to OCC every 3 years
- Changes to the Plan must be submitted as an Amendment

- Describes how CCDF is administered
- Must be made public through public hearings and posting on website.
Example of How Child Care Subsidy Payments Work

Parent → Eligible child → Certificates/Vouchers and family contribution → Eligible Provider → Provider and child
Lead Agencies are required to have in place effective internal controls to ensure integrity and accountability, while maintaining continuity of services, in the CCDF program.

Lead Agencies are also required to have processes in place to:

- Identify fraud or other program violations
- Investigate and recover fraudulent payments and to impose sanctions on clients or providers in response to fraud

**45 CFR 98.68 Program Integrity**

- Sound fiscal management
- Identity areas of risk
- Train providers and staff about program requirements and integrity
- Regular evaluation of internal control activities
Importance of Program Integrity

What is Program Integrity?

- Quality
- Internal Controls
- Fiscal Accountability
- Eligible Families
- Continuity
- Fraud
- IPV
- UPV
- Recovery
- Sanctions
- Monitoring

- Data
- Training
- Risk Assessment
- Processes
- Red Flags
- QC Reviews
- § 98.68
- Prevention
- Investigation
- Policy & Procedure
Discussion and Questions

- Are your SNAP, MA, and child care programs under the same Department?
- How many folks investigate child care fraud?
- Questions so far?
Fraud Prevention Strategies
Fraud Prevention Strategies

Fraud prevention strategies may include:

- An overview of the types of fraud likely to be encountered by the agency
- Training and encouraging of program integrity
- Current tools that can be used, without delay, to help in the fight against subsidy fraud

- Access to fraud-fighting resources including and not limited to procedures, protocols, websites, posters and papers on identifying and preventing fraud
- Information organized systematically and available so that individuals, in whatever role played in the agency’s operational structure, can find what they need to assist in fighting fraud efficiently and effectively

Communication and Collaboration across programs!
Prevention: Know the Types of Child Care Fraud Cases Likely to be Encountered

- Participant Fraud
- Provider Fraud
- Internal/External Administrative Fraud
- Participant/Provider Collusion
Prevention: Know the Types of Child Care Fraud Cases Likely to be Encountered

Participant Fraud

- Failure to include all income (earned and/or unearned) on CCDF application
- Household composition (failure to include spouse)
- Providing false information on CCDF application (ex. child not the responsibility of the applicant)
Prevention: Know the Types of Child Care Fraud Cases Likely to be Encountered

Provider Fraud

- Billing for ineligible child care services (ex. outside of operating hours)
- Invoice altering
- Credentialing or Licensing schemes
- Double dipping - receiving double payments
Prevention: Know the Types of Child Care Fraud Cases Likely to be Encountered

- Theft/Misuse of CCDF funds
- Misuse of property
- Inappropriate contracts, eligibility determinations
- Vendor Fraud - contract violations
Prevention: Know the Types of Child Care Fraud Cases Likely to be Encountered

Participant/Provider Collusion

- Ghosting - splitting subsidy payments and child never attends child care center
- Falsifying participant employment at child care center
- Falsifying child age for increased payments or rates
- Provider assist parents in falsifying verification documents
Prevention: Training Staff on Program Requirements and Integrity

Effective state strategies include:

- Providing routine training on program requirements, policy manuals and policy changes.
- Conducting ongoing monitoring activities and/or follow-up technical assistance with providers.
- Providing staff and providers with forums to discuss program requirements or policy changes.
- Making online content on program requirements and policy available to staff and providers for ongoing learning opportunities.
Prevention: Eligibility and Payment Systems

Unique identifiers for individuals and providers cases

Measures to avoid case duplication

- Applicant name, child name, or address searches

Mechanisms to avoid payment duplication

- Back office system coding/logic that will stop payments for services previously paid
Prevention: Eligibility and Payment Systems

Assign staff appropriate levels of access

- Overrides, edits and changes require certain staff credentials for action to be taken
- Disallowing specific actions

System alerts (manual review through automated alert)

Database linkage to other internal systems also known as data mining
Communication requests between integrated or non-integrated systems:

- Eligibility
- Time and Attendance
- Payment
- Licensing/Provider

Use of a data warehouse

Data Mining...

- Assists in discovering patterns or trends in the data
- Create Red Flag Reports
- Identify potential improper payments before release of the payment
## Red Flag Reports

Other common and effective strategies to identify fraud and program violations are Red Flag Reports.

<table>
<thead>
<tr>
<th>Provider/Participant Address/Phone/DOB Match</th>
<th>Disproportionate eligibility worker authorization</th>
<th>Driving distance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments sent to a PO box</td>
<td>Worker overrides</td>
<td>Same child billed at multiple locations</td>
</tr>
<tr>
<td>Perfect attendance</td>
<td>Application processing delay</td>
<td>Checks mailed to correctional facility</td>
</tr>
<tr>
<td>Provider never closes</td>
<td>Provider rate or copayment discrepancy</td>
<td>Inconsistent demographics</td>
</tr>
<tr>
<td>Expired license</td>
<td>Attempt to end eligibility prior to 12 months</td>
<td>Parent employed by provider</td>
</tr>
<tr>
<td>Payments exceed threshold</td>
<td>Attendance exceeds license capacity</td>
<td>Care received after hours</td>
</tr>
</tbody>
</table>
Nuts and bolts of program integrity in government programs
Effective way to verify applicant eligibility requirements
Sources for information can include, but are not limited to:

- TANF, SNAP, and Medicaid
- Public Assistance Reporting Information System (PARIS)
- Head Start, Early Head Start, and Prekindergarten
- Social Security Administration
- Labor and unemployment compensation
- Child support enforcement
- Motor vehicle registration
- Vital statistics
- Internal Revenue Services/Secretary of State
- Non-public organizations/agencies
Prevention: Communication and Collaboration Across Programs

Communication
- Publications
- Posters
- Newsletters
- Fraud Hotline
- Media
- Websites

Collaboration Across Programs
- Licensing and CCDF Provider Certification
- Food and Nutrition Programs: Child and Adult Care Food Program (CACFP), Special Milk Program (SMP), Summer Service Program (SFSP) and others
- SNAP
- Medicaid
- TANF
Fraud Detection Strategies

Fraud detection strategies can include:

- Front-End Detection
- Audits for internal and external fraud
- Effective internal controls with proper oversight
- Data Mining & Analytics
- Red Flag Reports
- Fraud Risk Tools
# Front-End Detection

**Front-end detection for eligibility staff – identifying potential fraud indicators**

- Verification and Fraud Desk Guides

**Training and development of eligibility staff interview skills and techniques**

- Questionable documentation processes and requesting additional documentation
- Remaining unbiased and asking appropriate questions
- Actively listening – writing responses and pausing for a review of the responses

**Regular staff trainings on fraud detection within the agency**

- Incorporating mock cases of new and old fraud schemes
Quality Assurance and Accountability

Monthly ongoing CCDF case reviews
- Utilize error rate methodology for continuous monthly case reviews
- Create a requirement for the agency to review CCDF cases monthly (ex. 10%, 20%, etc.)

Agency contract and budget reviews

Proper and appropriate oversight
- Checks and balances across CCDF
- Separation of job duties within CCDF
Provider Monitoring or Audits

Announced and unannounced provider inspections

- Onsite audits with real-time attendance reviews

Attendance monitoring and reviewing of provider invoices

- Off-site monitoring of provider activities by requesting provider attendance logs to review for:

  - Perfect attendance vs child not attending every day
  - Parent and provider may report attendance to avoid absences and parent payment obligations
  - Holiday care not provided, but billed by the provider
  - Billing for hours outside of the provider’s reported open/closed times

Office of Child Care
National Center on Subsidy Innovation and Accountability
Data Analytics

Data analytics information can include:
- Verification information
- Provider/participant data
- Payment data
- Fiscal data

Simple or sophisticated
- System Reports
- Executive Dashboards
- Predictive Analytics
Let’s talk about it.

- What fraud prevention and detection strategies are used in your state?
- What agencies or systems share data?
CCDF Fraud Toolkit
The Fraud Tool Kit (FTK)

Will assist Lead Agencies in increasing program integrity and accountability while decreasing potential fraud.

In May of 2018 the Fraud Risk Assessment Tool and Instructions were approved and made available to Lead Agencies.

The various sections of the FTK will guide users through an assessment of program administration, case management and training, IT, and verification strategies.

FTK – Overall Fraud Risk Assessment Tool

Overall Fraud Risk Assessment Summary

Category Based Risk Summary

Risk Assessment Summary

OVERALL RISK COUNT BY RISK LEVEL

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<thead>
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<th>RISK LEVEL</th>
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OVERALL RISK SCORE/RATING

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Provider Training

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Management/Communication

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Collections

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Procedures for Suspected Fraud

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FTK – Fraud Prevention Assessment Tool

Fraud PREVENTION Risk Assessment Summary

![Risk Assessment Summary Graph]

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Category Based Risk Summary

Program Administration

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Case Management Training and Support

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IT Related

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Verification

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FTK – Fraud Detection Assessment Tool

Fraud DETECTION Risk Assessment Summary

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Category Based Risk Summary

**Fraud Hotline**

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**Data Usage**

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**Public Websites**

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**Provider Audits**

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**Fiscal Management**

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**Fraud Investigations**

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Let’s talk about it.

- Any questions for us?
- Any questions for your peers?
Georgia’s Risk Assessment
Who is DECAL?

- Georgia’s early education agency
- CCDF Lead Agency, PreK, USDA food programs, Childcare Licensing, QRIS
- Advantages – data availability, in-house expertise
What is Georgia’s Subsidy Program?

- In Georgia, our CCDF subsidy program is called Childcare and Parent Services Program (CAPS)
- In 2018, CCDF funding in Georgia totaled approximately $300 million
- Served approximately 50,000 children through payments to 3,500 providers
What is the Audits and Compliance Division?

- Created in March 2013
- Provides audit services for all DECAL programs
- Size and structure of CAPS investigative team
- Results:
  - 174 Provider Investigations: $2.8M in Improper Payments
  - 61 Parental Authority Investigations: $418k in Improper Payments
What Does a Review Look Like?

Provider Reviews
- Identify through Referral
- Identify through Risk Assessment
- Ensure SI/SO Sheet Supports Invoices

Parental Authority Reviews
- Identify through Referral
- Identify through Risk Assessment
- Ensure Eligibility Criteria Met

Results of a Review
Why is Proactive Analysis Important?

“Data monitoring/analysis and surprise audits were correlated with the largest reductions in fraud loss and duration (50% reduction in fraud losses”

“...these two controls are among the most useful tools in the fight against fraud”

However, only 37% of victim organization implemented these controls

Source: ACFE 2018 Report to the Nations
Why is Proactive Analysis Important?

Example of Child Care Provider Fraud:

- 3 centers owned by 2 sisters and a daughter
- They have owned 14 centers over the last 12 years that have received $6.1 million from CAPS
- Claiming to Employ Participants
- Improper Billing
- Case Manager Relationship
- $476,000 overpayment
What is the Risk Assessment?

- Development of Risk Assessment
- “Data Rich, Management Information Poor”
  - Payment data
  - Licensing data
  - Compliance data
  - Related program data
- Proactively analyze DECAL data
- Identify “Red Flags”
- Risk Assessment – 1st edition
How did we Automate the Risk Assessment?

- Statewide Assessment on Fraud, Waste and Abuse
- Vendor Engagement to learn about the market
- Process for implementing product
- New Red Flags
- New Scoring System
What does the System Look Like?

Provider Risk Overview
What does the System Look Like?

Displayed by Risk Factor
What does the System Look Like?

Risk Factor Analysis

![Graph showing number of violations by scenario]
What does the System Look Like?

Combining multiple risk factors
What are the other Risk Factors?

- Attendance Rate – High
- Double Bill – Different Providers
- Family Unit Size
- Compliance with other DECAL programs
- Priority Payments (DFCS Custody) - High
What are our Results?

- Went live during December 2018
- Currently working cases
- Three early “victories”
  - $59k overpayment
  - $315k overpayment
  - $102k overpayment
Questions??
Questions and Open Discussion
Thank you!

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