



NATIONAL CENTER ON
Subsidy Innovation and Accountability



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

What is the Child Care and Development Fund?

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.



<https://www.acf.hhs.gov/occ/resource/fy-2019-ccdf-allocations-based-on-appropriations>

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

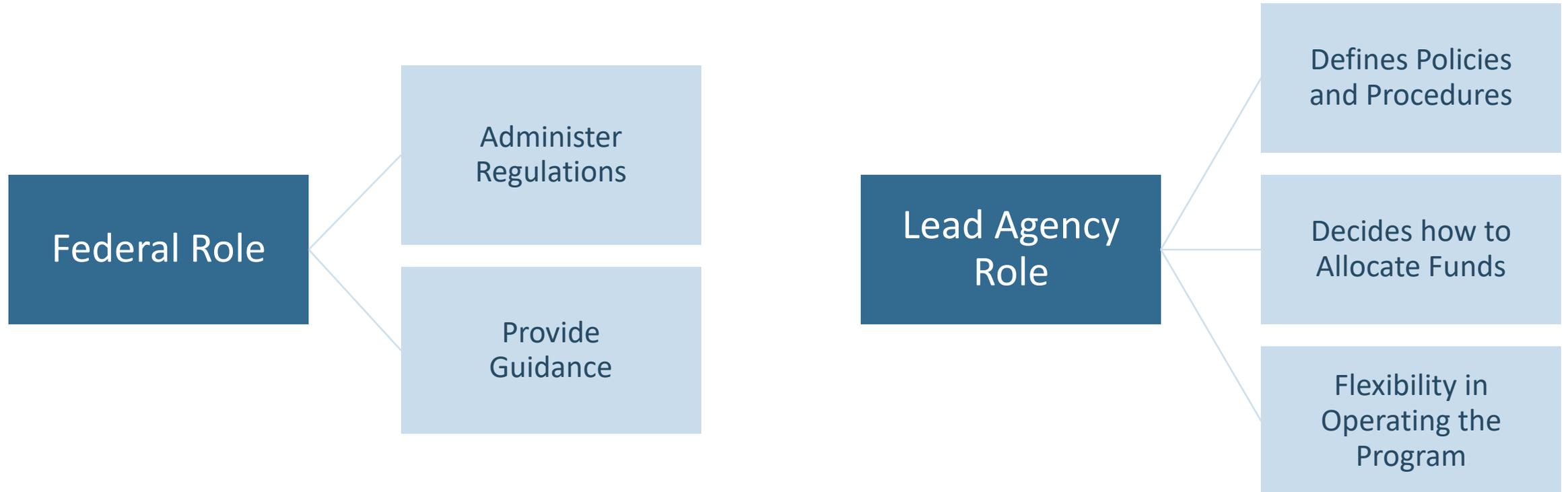
Promote continuity of access to subsidy for low-income families

Better inform parents and the general public about the child care choices available to them

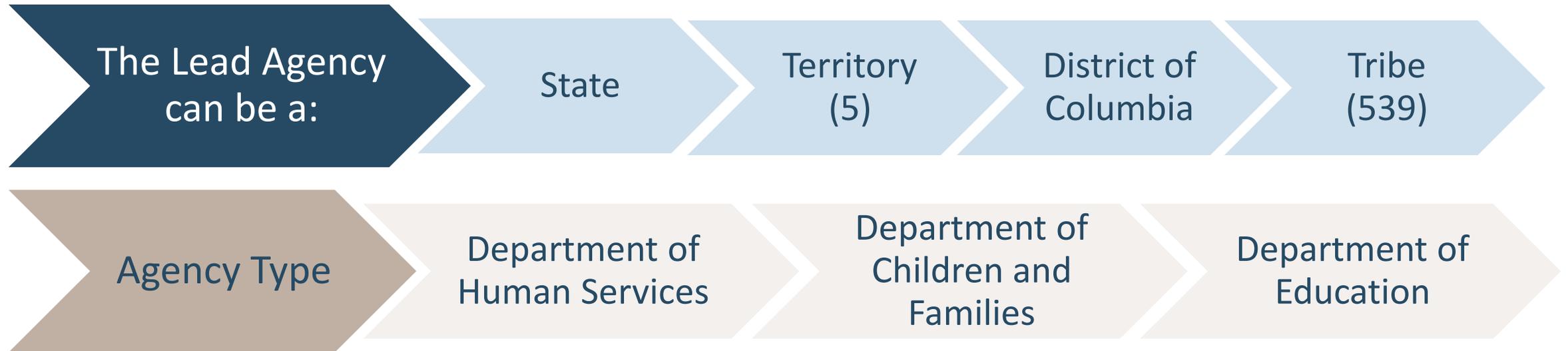
Improve the overall quality of early learning and after school programs

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

CCDF: Federal and State Roles



CCDF Lead Agencies



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

Program Integrity in CCDF

45 CFR 98.68 Program Integrity

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.

Sound fiscal management

Identify areas of risk

Train providers and staff about program requirements and integrity

Regular evaluation of internal control activities

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

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

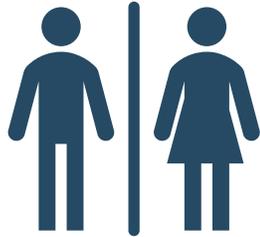
Information organized systematically and available so that individuals, in whatever role played in the agency's operational structure, can find what they need to assist in fighting fraud efficiently and effectively



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

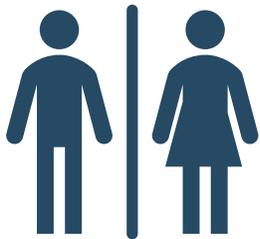


Participant/Provider Collusion



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

Internal/External Administrative Fraud



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.



Providing staff and providers with forums to discuss program requirements or policy changes.



Conducting ongoing monitoring activities and/or follow-up technical assistance with providers.



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

Prevention: 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

Provider/Participant Address/Phone/DOB Match	Disproportionate eligibility worker authorization	Driving distance
Payments sent to a PO box	Worker overrides	Same child billed at multiple locations
Perfect attendance	Application processing delay	Checks mailed to correctional facility
Provider never closes	Provider rate or copayment discrepancy	Inconsistent demographics
Expired license	Attempt to end eligibility prior to 12 months	Parent employed by provider
Payments exceed threshold	Attendance exceeds license capacity	Care received after hours

Prevention: Data Sharing

- 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

Fraud
Hotline

Posters

Media

Newsletters

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

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

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.

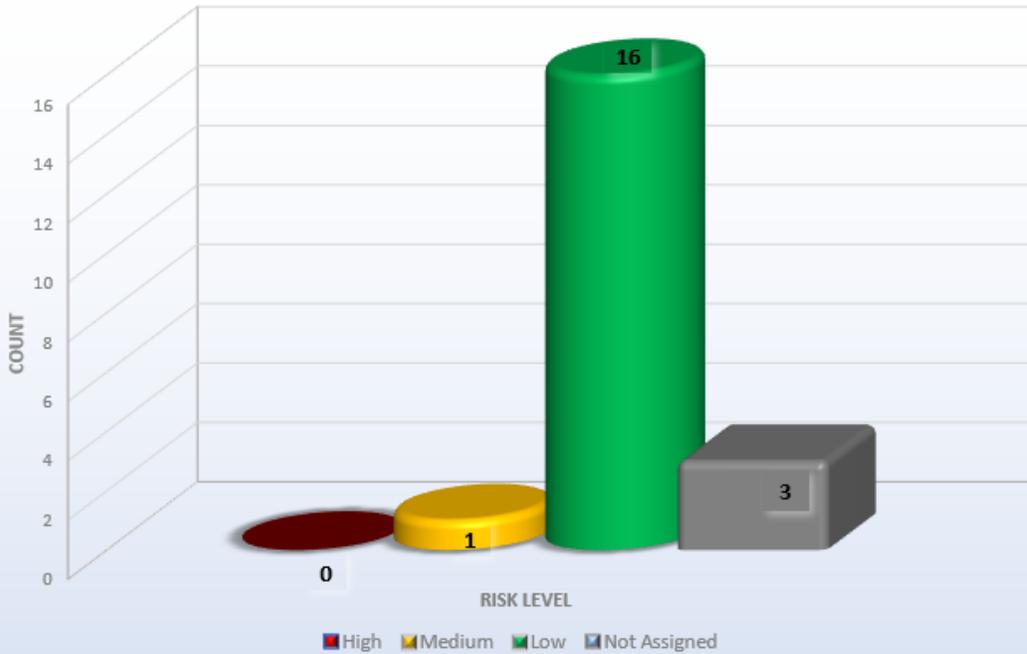


<https://childcareta.acf.hhs.gov/resource/fraud-risk-assessment-tool-instructions>

FTK – Overall Fraud Risk Assessment Tool

Overall Fraud Risk Assessment Summary

Risk Assessment Summary



OVERALL RISK COUNT BY RISK LEVEL

RISK LEVEL	COUNT
High	0
Medium	1
Low	16
Not Assigned	3

OVERALL RISK SCORE /RATING

RISK SCORE	RISK RATING
22%	Low
1% - 29%	Low
30% - 59%	Medium
60% - 100%	High

Category Based Risk Summary

Systems/Software

RISK LEVEL	COUNT
High	0
Medium	0
Low	5
Not Assigned	0

Staff Training

RISK LEVEL	COUNT
High	0
Medium	0
Low	5
Not Assigned	0

Provider Training

RISK LEVEL	COUNT
High	0
Medium	0
Low	2
Not Assigned	0

Management / Communication

RISK LEVEL	COUNT
High	0
Medium	1
Low	1
Not Assigned	0

Collections

RISK LEVEL	COUNT
High	0
Medium	0
Low	0
Not Assigned	1

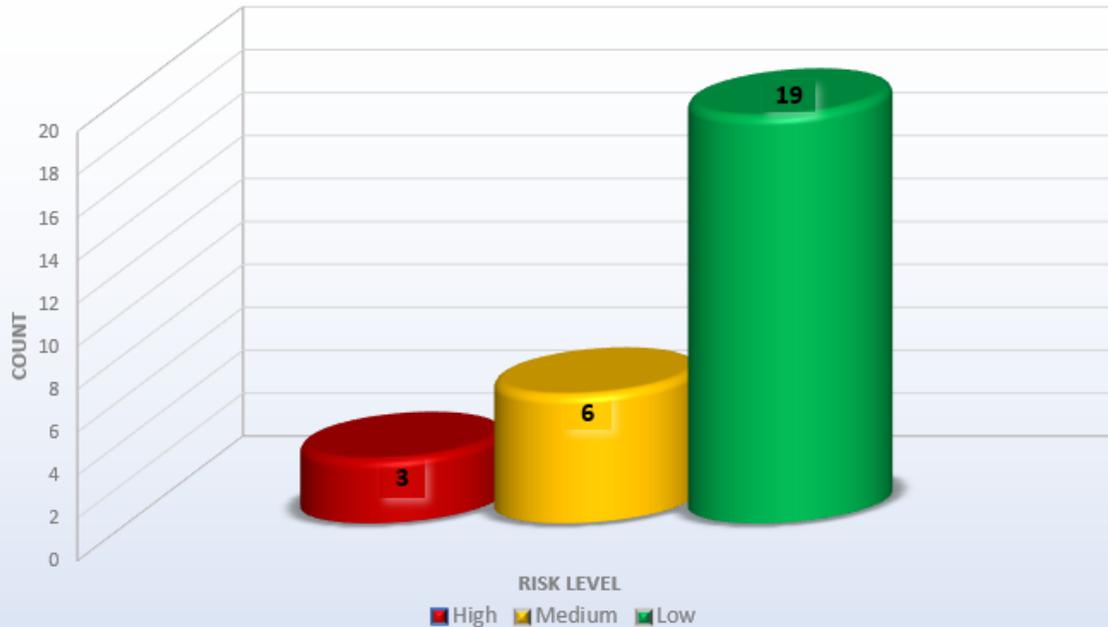
Procedures for Suspected Fraud

RISK LEVEL	COUNT
High	0
Medium	0
Low	3
Not Assigned	2

FTK – Fraud Prevention Assessment Tool

Fraud PREVENTION Risk Assessment Summary

Risk Assessment Summary



OVERALL RISK COUNT BY RISK LEVEL

RISK LEVEL	COUNT
High	3
Medium	6
Low	19

Category Based Risk Summary

Program Administration

RISK LEVEL	COUNT
High	2
Medium	5
Low	6

Case Management Training and Support

RISK LEVEL	COUNT
High	0
Medium	0
Low	5

IT Related

RISK LEVEL	COUNT
High	0
Medium	0
Low	5

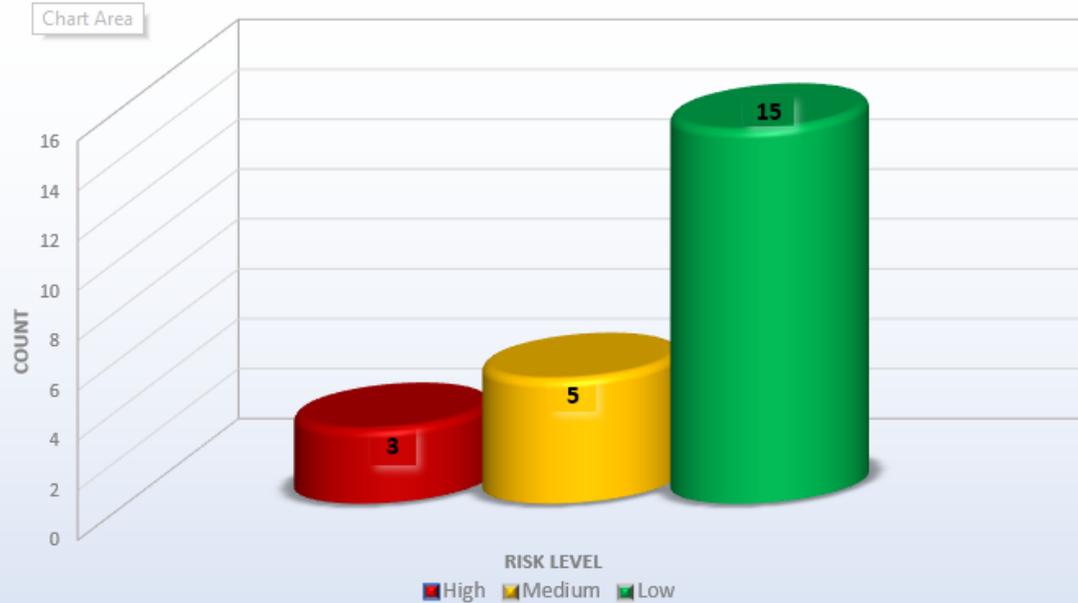
Verification

RISK LEVEL	COUNT
High	1
Medium	1
Low	3

FTK – Fraud Detection Assessment Tool

Fraud DETECTION Risk Assessment Summary

Risk Assessment Summary



OVERALL RISK COUNT BY RISK LEVEL

RISK LEVEL	COUNT
High	3
Medium	5
Low	15

Category Based Risk Summary

Fraud Hotline

RISK LEVEL	COUNT
High	0
Medium	1
Low	2

Data Usage

RISK LEVEL	COUNT
High	1
Medium	2
Low	5

Public Websites

RISK LEVEL	COUNT
High	0
Medium	0
Low	1

Provider Audits

RISK LEVEL	COUNT
High	0
Medium	0
Low	3

Fiscal Management

RISK LEVEL	COUNT
High	0
Medium	0
Low	1

Fraud Investigations

RISK LEVEL	COUNT
High	2
Medium	2
Low	3

Let's talk about it.

- Any questions for us?
- Any questions for your peers?





Georgia's Risk Assessment



Bright from the Start: Georgia Department of Early Care and Learning

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Georgia Department of Early Care and Learning

Bright from the Start: Georgia Department of Early Care and Learning

www.dec.al.ga.gov

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?

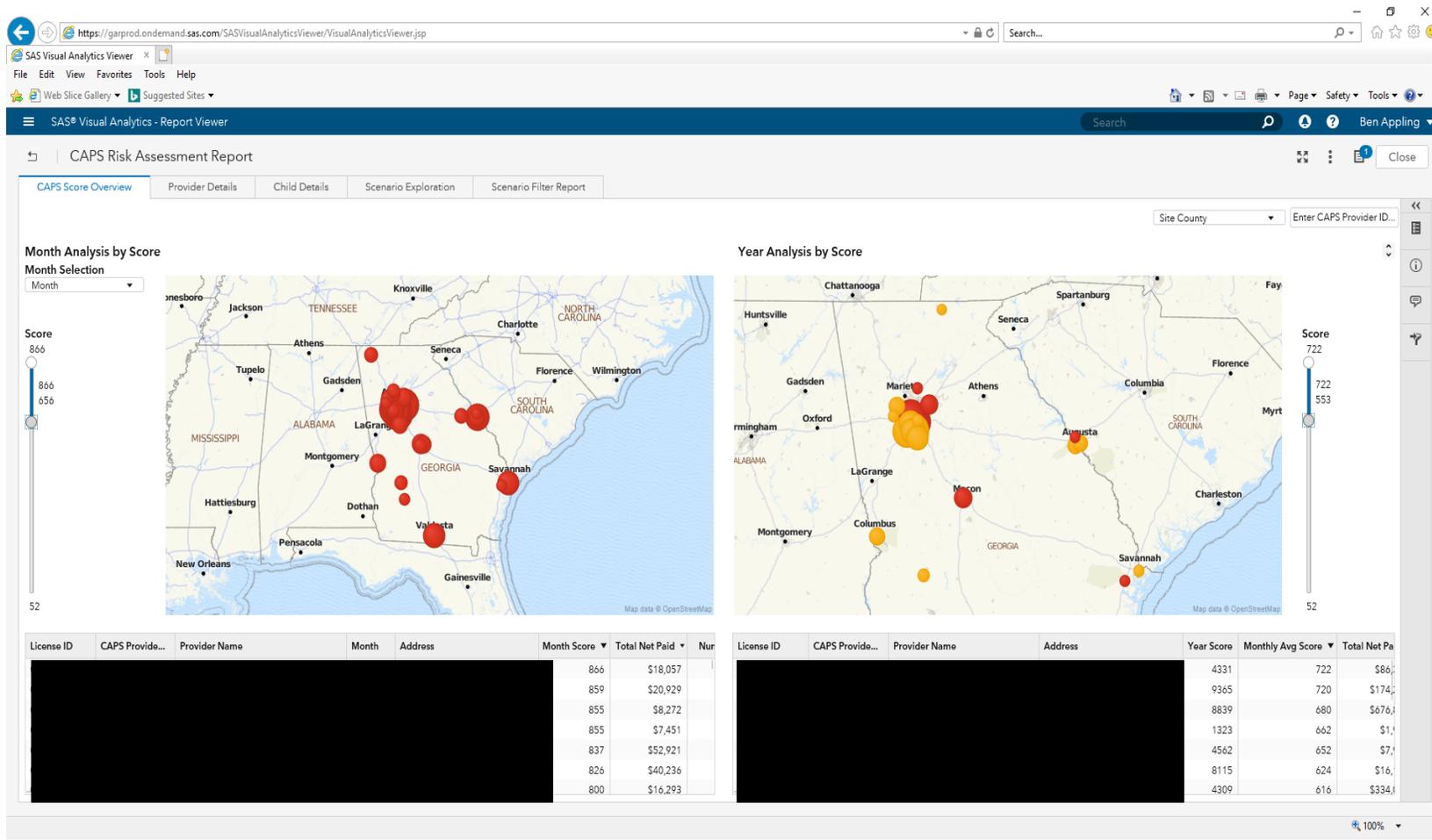
- Development of Risk Assessment
- “Data Rich, Management Information Poor”
 - Payment data
 - Licensing data
 - Compliance data
 - Related program data
- Proactively analyze DECAL data
- Identify “Red Flags”
- Risk Assessment – 1st edition

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

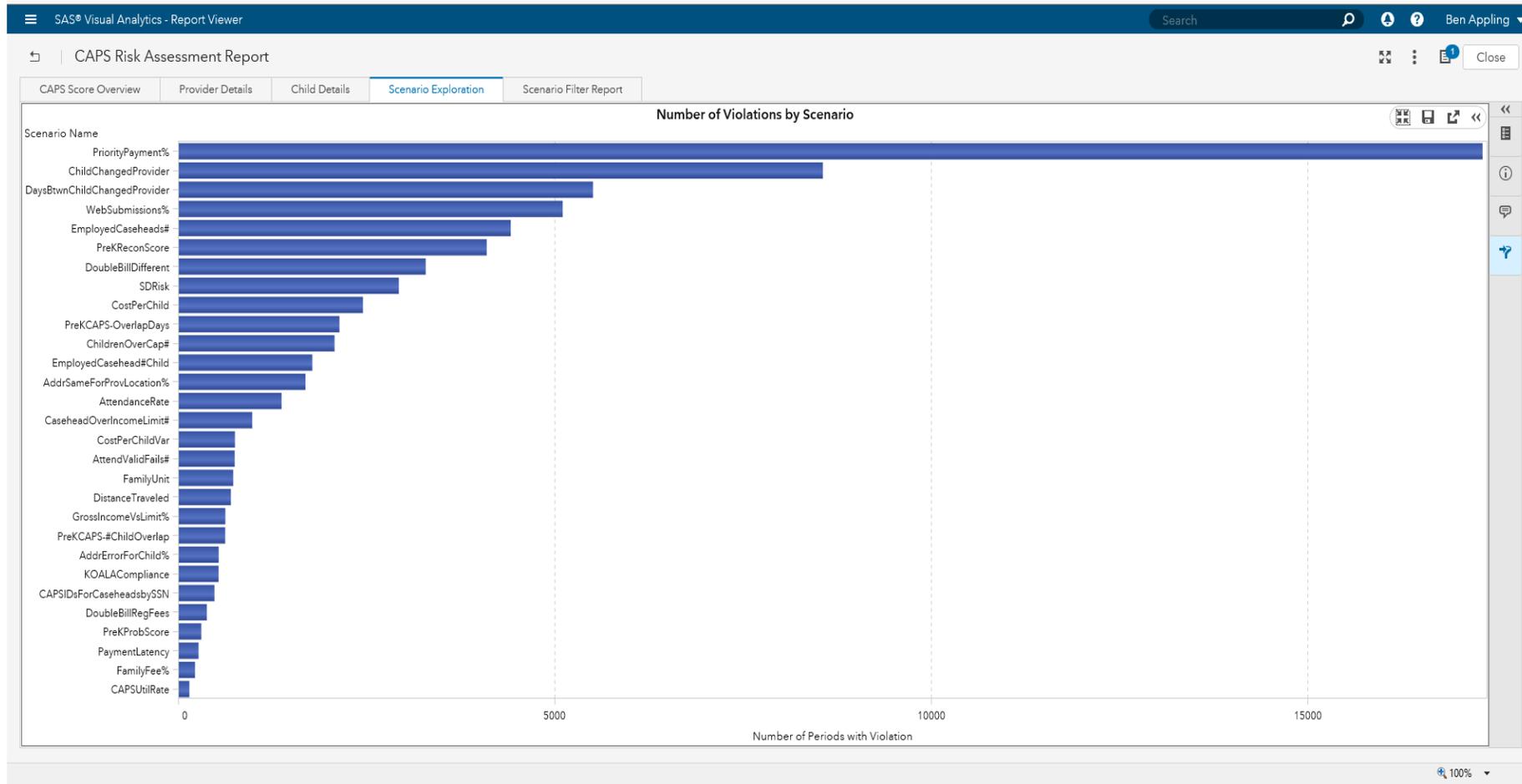
What does the System Look Like?

Provider Risk Overview



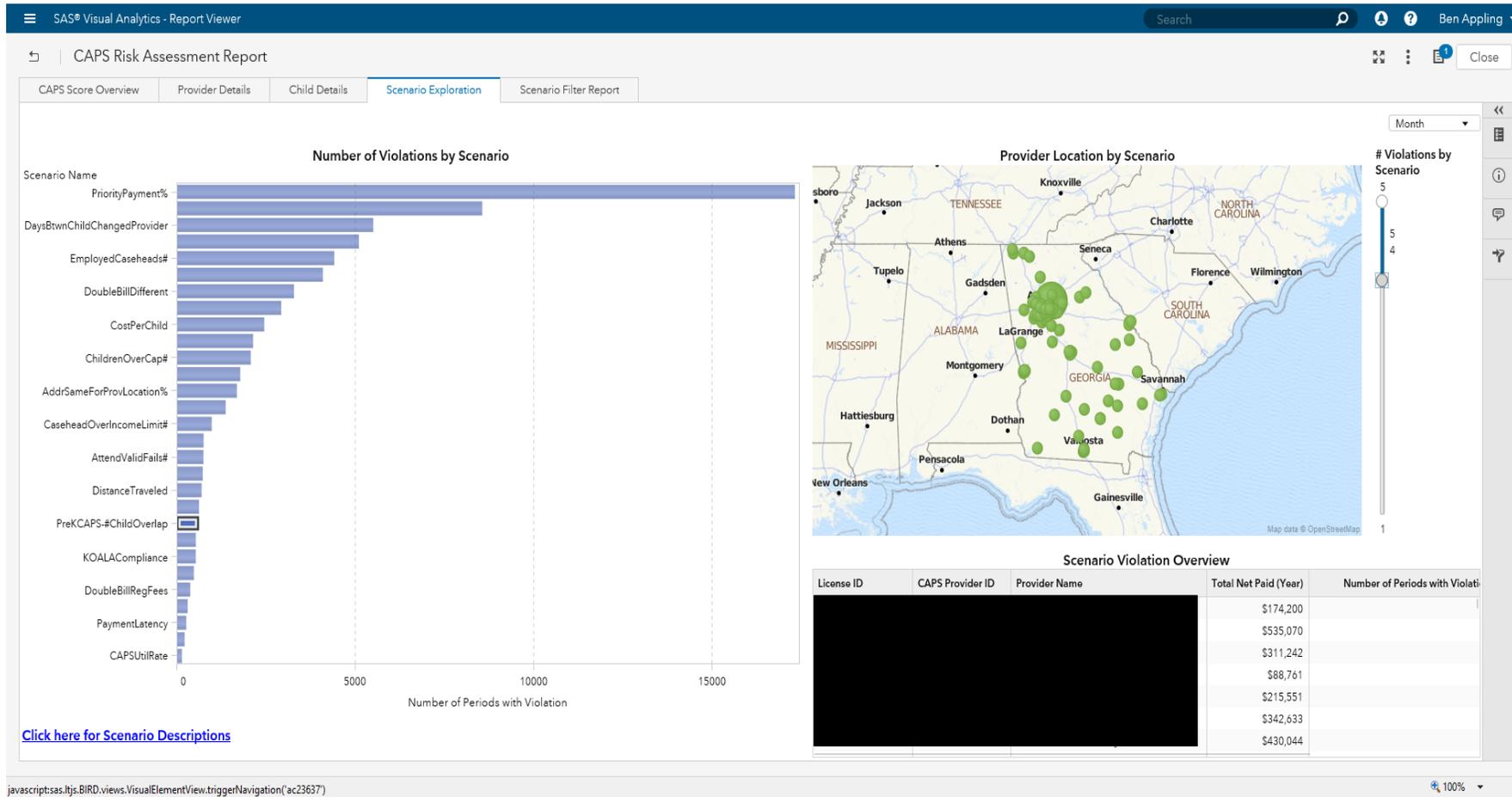
What does the System Look Like?

Displayed by Risk Factor



What does the System Look Like?

Risk Factor Analysis



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





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Thank you!

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