

## Using the Pooling Factor in the CCDF Error Rate Review

The purpose of this brief is to assist Lead Agencies in understanding the pooling factor as it relates to the Child Care and Development Fund (CCDF) error rate review. The first section includes a description of the pooling factor and how it is used in the error rate review. Then, guidance is provided to assist in completing the pooling factor item in the *Sampling Decisions, Assurances, and Fieldwork Preparation Plan* (SDAP). The next section includes a description of how the pooling factor is used in the ACF-404 *State Improper Payments Report*. Finally, resources are given for Lead Agencies seeking additional information about the pooling factor.

### What is the Pooling Factor, and Why is it Important in the Error Rate Review?

Many state and territory child care subsidy programs are funded both by the CCDF and by dollars from other sources. The pooling factor is the percentage of total direct service costs that are paid for with CCDF funds for a federal fiscal year. Lead Agencies provide information about pooled funds and pooling factors in their ACF-800 *Annual Aggregate Child Care Data Report* and their ACF-801 *Child Care Monthly Case Record Form*.

The ACF-404 report includes the results from Lead Agencies' error rate reviews. Several items on this report ask for dollar amounts. If non-CCDF funds are included in these figures, then OCC will not have an accurate indication of CCDF dollars that were improper payments. Additionally, Lead Agencies' error rates may be over- or underestimated. Therefore, it is important that these figures in the ACF-404 report reflect CCDF dollars only.

### Completing the Pooling Factor Item in the SDAP

The SDAP contains Lead Agencies' plans for conducting the error rate review. It includes one question on the pooling factor found in Item 3e, which reads as follows:

*Describe how the Lead Agency identifies whether to apply a pooling factor and how they determine what the pooling factor will be on the State Improper Payments Report.*

To answer this item, Lead Agencies should not simply state whether they use a pooling factor. Rather, they should discuss *how* they will gather information about the pooling factor in order to determine whether they need to apply one, and what it will be. For example, Lead Agencies can give the name of the person or unit responsible for tracking fiscal data and completing the ACF-800 and ACF-801 reports. They may also wish to share the types of non-CCDF funds included in the pool, if known. The actual percentage need not be given in the response.

If the Lead Agency will not be employing a pooling factor, they should still provide information about how this was determined.

## Using the Pooling Factor in the ACF-404 Report

As previously stated, the pooling factor should be applied to several items in the ACF-404 *State Improper Payments Report* so that figures reflect CCDF funds only. Each of these items is determined by summing amounts that were recorded in the *Record Review Worksheets*. Simply multiply the result by the pooling factor percentage before entering the item in the ACF-404 report.

Below is a list of the ACF-404 items where the Lead Agency will apply the pooling factor:

- 7B. Total dollar amount of potential improper payments resulting from MID errors
- 8B. Total dollar amount of MID potential improper payments that was mitigated using AI
- 10. Total amount of payments for the sampled cases
- 11A. Total amount of underpayments for the review period
- 11B. Total amount of overpayments for the review period

For example, suppose the pooling factor was 80% (i.e., 80% of the child care subsidy payments were funded with CCDF). Item 10 in the ACF-404 report asks for the total amount of payments for the sampled cases. This is calculated by summing the amounts recorded in Element 500, Column 2, #5 of the *Record Review Worksheet*. Suppose the Lead Agency calculated this figure to be \$100,830. They would multiply \$100,830 by 0.80 to get \$80,664. They would then enter \$80,664 as their response for Item 10.

Item 15 in the ACF-404 report asks for additional information about the pooling factor. If no pooling factor was used, the Lead Agency should check box “a.” If the pooling factor from the ACF-800 report was used, check box “b” and indicate the number and percentage of cases that used pooled funds. If a different pooling factor was used, check box “c,” give the pooling factor percentage, describe its derivation, and indicate the number and percentage of cases that used pooled funds.

## Additional Resources

For more information on calculating the pooling factor, refer to the Office of Child Care’s [ACF-800](#) and [ACF-801](#) resources. [Technical Bulletin #1r-v6](#) contains detailed guidance on the pooling factor. [Appendix A](#) for this bulletin includes the “Pooling Factor Calculation Worksheet.”

The [Child Care Improper Payments Data Collection Instructions](#) details the error rate methodology and includes forms and instructions for all required submissions, including those discussed here.

For technical assistance on calculating the pooling factor, Lead Agencies should contact their regional office.