

# Bulletin

September 22, 2008

Minnesota Department of Human Services -- P.O. Box 64941 -- St. Paul, MN 55164-0941

## OF INTEREST TO

- County Directors
- County Supervisors and Staff
  - Child Care
  - Child Support
  - Fiscal
  - Fraud
  - Income Maintenance
  - Social Services
- County Child Care Administrative and Client Access Contacts
- Child Care Resource and Referral Agencies
- Employment Service Providers
- Tribal Representatives

## ACTION/DUE DATE

Please read and take appropriate action.

## EXPIRATION DATE

September 22, 2010

## Child Care Assistance Program Case Reviews

### TOPIC

Overview of the Child Care Assistance Program (CCAP) case reviews.

### PURPOSE

Provide county agencies, employment and training service providers, child care resource and referral agencies and tribal social service agencies information about the CCAP case reviews that will be conducted in compliance with the Improper Payments Information Act of 2002 and information on an upcoming videoconference.

### CONTACT

For questions regarding the information in this bulletin please contact your CCAP technical liaison.

CCAP Technical Liaisons  
Minnesota Department of Human Services  
P.O. Box 64951  
St. Paul, MN 55164-0951

### SIGNED

---

CHARLES E. JOHNSON  
Assistant Commissioner  
Children and Family Services

## **I. Background**

In 2002, Congress passed the Improper Payments Information Act (IPIA). This legislation requires federal agencies to identify programs that are vulnerable to improper payments. The Child Care Development Fund (CCDF), which provides a block grant to states to support state child care subsidies, was included in the list of federal programs that must comply with the IPIA. The Administration of Children and Families (ACF), an agency within the U.S. Department of Health and Human Services, issued the final error rate methodology rule to implement the IPIA requirements. This rule was effective on October 1, 2007.

States are required to submit to ACF the Improper Authorizations for Payment Report which will identify the state's error rate every three years and the actions they are taking to reduce errors. The states were randomly assigned to year 1, year 2 or year 3 of the reporting cycle which dictates the review period that cases (children) were authorized to receive child care assistance. A case is defined as a child for whom a child care subsidy was authorized for payment during a sample review month. The terms "case" and "child" are used interchangeably in this bulletin. Minnesota is assigned to year 3 and our sampling time frame is federal fiscal year 2009, which is October 1, 2008 – September 30, 2009. States are required to randomly select cases for review during their sampling time frame to gather information to complete this federally required report. Minnesota's first report is due to ACF by June 30, 2010 and again in 2013, 2016 and every three years thereafter.

ACF has released specific instructions and forms for the review process. These, along with the federal rule, can be found at <http://www.acf.hhs.gov/programs/ccb/law/guidance/current/pi2007-08/pi2007-08.htm>.

The Minnesota Department of Human Services (DHS) has started planning for the sampling process, case reviews and development of the report. Additional information about this effort follows.

## **II. Building the Sample Frame**

The error rate methodology provides instructions regarding sampling to ensure that the sample is based on those cases with an authorization for services during the review month. While it is the first preference to adhere to the requirements of the methodology, if a state lacks this information due to a systems limitation or other limitation, there are other permissible options.

The MEC<sup>2</sup> Integrated system includes authorization information which DHS will use to build the sample frame once all counties have completed conversion to this system. However, some of the systems currently used by counties do not contain authorization information. Due to systems' limitation, ACF has granted permission to Minnesota to use payment information to draw the sampling frames for the first report. Note that authorization amounts will still need to be determined for the entire sample and used for conducting the reviews. ACF has provided two methods for determining total statewide authorization amounts, both of which are manageable methods for Minnesota.

DHS must build one statewide list of all active children, organized by county, for whom a child care subsidy was paid during each month of the sampling time frame (October 1, 2008 – September 30, 2009). DHS currently receives payment information from almost all counties, through the original MEC<sup>2</sup> system, the Integrated system or from counties that currently submit monthly payment information to DHS' Reports & Forecasts Division. These counties will not need to take further action at this time. DHS will use the existing information to build the list.

Other counties that have not completed conversion by October 1, 2008 will need to use other methods to compile the individual county listing of children that received payments. If a system cannot generate a list based on children paid, then the list will need to be manually generated by county staff. This listing will need to be generated on a monthly basis until all cases are converted to the Integrated system. This list must only include children whose payments were not made through the Integrated system, the original MEC<sup>2</sup> system, or reported in the monthly payment data sent to DHS' Reports & Forecasts Division. At a minimum it will need to include county name, a unique child ID number and the sample month. The unique child ID is necessary so the child can be tied to it's case in the event the child's record is randomly selected for review. The unique child ID cannot contain identifying information; rather it is linked to a county or state data system. Please contact your technical assistance liaison if your county does not use a system or if the system does not generate a unique child ID. DHS will contact affected counties directly to discuss their MEC<sup>2</sup> Integrated system conversion plan or how they will generate a list of children that have received child care assistance payments.

Example of a County's List (information shown is fictional):

Unique Child ID	County	Sample Month
12345	Aitkin	October 2008
54545	Aitkin	October 2008
3467	Aitkin	October 2008

DHS will use the payment information received from all counties to build the statewide list of children that received child care assistance payments made during each month of the sampling time frame. This statewide list will be used to randomly select cases for review. During 2009, DHS will be selecting 23 cases and 3 replacement cases for each month of the sampling time frame. In total, 276 cases that received child care assistance payments during federal fiscal year 2009 will be reviewed.

### III. Case Reviews

DHS reviewers or their designees will conduct desk record reviews of the cases selected. A desk record review means the paper and electronic files will be reviewed to ensure forms are complete, all necessary documentation is in the file, eligibility has been determined correctly for the family and care has been authorized appropriately for the selected child.

ACF has created a Record Review Worksheet that states must use during the reviews. States are required to customize the worksheet to reflect state policies, county optional policies and procedures. DHS is in the process of developing Minnesota's customized worksheet. ACF must approve the customized worksheet before it can be used in the reviews.

The elements of eligibility and authorization included in the review are:

- Completeness of required forms (i.e. applications, redeterminations, service authorizations, billing forms etc.)
- Priority group placement (i.e. determine if the client was placed in the proper child care assistance program and/or waiting list)
- Qualifying head of household
- Residency
- Parental work / training status
- Qualifying child
- Qualifying care (i.e. determine if number of hours authorized is appropriate)
- Qualifying provider arrangement (i.e. determine if provider is legally operating and eligible to receive child care subsidies)
- Provider requirements (i.e. determine if provider meets regulatory requirements to legally provide child care including registration requirements established under state, local or tribal law)
- Income (i.e. determine if income was documented and annual gross income accurately computed)
- Income eligibility
- Payment amount authorized (i.e. determine the payment amount authorized based on income and family size, copayment and maximum rates)
- Authorizations / computations (i.e. compute if there is a difference between the amount authorized and the amount that should have been authorized)

Documentation is defined as a written or printed statement or copy of a document furnishing information to determine eligibility.

- Documentation may also be information contained on automated systems.
- A case without proper documentation will be considered an error, regardless of its impact on the payment amount.

The reviewers will identify if an error exists for each of the elements reviewed, what caused the error and whether an improper authorization for payment occurred.

An error will be cited when either a case was authorized to receive an incorrect payment amount or there was some other misapplication of policy or procedures, regardless of whether such misapplication results in an improper authorization of payment. An error might result if documentation is missing or insufficient. All documentation necessary to determine eligibility and authorize care must be in the file or verified through another program and/or computer system. The reviewer is not allowed to obtain the missing documentation from another source, such as the family or an employer. This differs from audits conducted in other programs.

An improper authorization for payment is any amount authorized for payment during the client eligibility process that should not have been authorized or was authorized in an incorrect amount under applicable law, regulation or policy. Improper authorizations include both under-authorizations and over-authorizations.

The federal audit does not consider what was paid on the case. If a reviewer identifies an improper authorization, they will also determine if an improper payment resulted. An improper payment is any payment of CCAP funds to an ineligible recipient, for an ineligible service or amount different than authorized based on eligibility. Improper payments include both underpayments and overpayments.

If an error, improper authorization and/or improper payment are identified DHS will develop a corrective action plan. The county will need to take appropriate action based on the type of error, improper authorization and/or improper payment. This may involve issuing underpayments if it is your county's policy to do so, or it may involve citing an overpayment.

To start preparing for the audit, DHS recommends that counties review files at application, redetermination and when processing changes, to ensure documentation is in place to support eligibility determinations and service authorizations. Many counties already conduct their own case reviews. Some counties use their own forms and some are using the new case management review forms issued by DHS in bulletin #08-03-03. DHS recommends implementing a case management review process if one is not already in place in your agency. This helps identify training needs that might exist in your agency and to prepare files for the upcoming DHS audit.

#### **IV. Report Development**

ACF has issued the report template and instructions that states must use to complete it. The report is completed based on the results of the case reviews. DHS will develop the report and submit it to ACF by June 30, 2010. The report includes the following five error measures:

- Percentage of cases with an error
- Percentage of cases with an improper authorization for payment (over and under authorizations)
- Percentage of improper authorizations for payment (% of funds authorized that are improperly authorized)
- Average amount of improper authorization for payment
- Estimated annual amount of improper authorizations for payment on a statewide basis.

The report must also include the following information:

- Description of our fieldwork preparation, sampling methods and record review process
- Estimate of the portion of the percentage of improper authorizations for payment that is attributable to missing or insufficient documentation, including examples of the most frequent types of missing or insufficient documentation
- Description of the actions that will be taken to correct the causes of improper authorizations for payment identified during the review process in order to reduce errors in the future
- The amount of actual improper payments the state expects to recover as a result of the review, based on the total amount of improper over-authorizations for payment for the review period
- Description of the information systems and other infrastructure that assist the state in identifying and reducing improper authorizations and improper payments

- Description of the actions the state will be taking to ensure that DHS and counties will be accountable for reducing improper authorizations and improper payments
- Identify performance targets, based on continual improvement, for the five error rate measures. These targets are performance goals for the next reporting cycle.

ACF will issue a national error rate based on the information in the reports submitted by states. The national error rate will be updated each year as new reports are submitted.

#### **V. Next Steps**

DHS will host a two hour videoconference on Tuesday, October 21, 2008 from 9:00 -11:00 a.m. The session will be repeated from 1:30-3:30 p.m. At the videoconference, DHS will review the information in this bulletin and counties will have the opportunity to ask questions about the process. Please register for this videoconference through TrainLink in the Income Maintenance Learning Center. TrainLink can be accessed through the CountyLink website.

#### **VI. Special Needs**

This information is available in other formats to people with disabilities by contacting Aaron Coonce at 651-431-4048 (voice), or through the Minnesota Relay Service 1-800-627-3529 (TDD), 7-1-1 or 1-877-627-3838 (speech to speech relay service).

#### **VII. Legal References**

Federal Child Care and Development Fund, 45 C.F.R. Part 98 Subpart K – Error Rate Reporting  
Improper Payments Information Act of 2002, 31 U.S.C. §3321