



Department of Health and Human Services
OFFICE OF INSPECTOR GENERAL



**MORE EFFORT IS NEEDED TO PROTECT
THE INTEGRITY OF THE CHILD CARE
AND DEVELOPMENT FUND
BLOCK GRANT PROGRAM**

OEI-03-16-00150
JULY 2016

AT A GLANCE

CCDF PROGRAM STATISTICS

- Fiscal year (FY) 2015 Federal grant funds: \$5.4 billion; FY 2015 State funds: \$2.2 billion
- Third-largest block grant program administered by the Federal government
- Number of children receiving care: Nearly 1.5 million every month
- Number of child care providers: Approximately 330,000

CCDF PROGRAM INTEGRITY

- States vary substantially in the degree to which they conduct program integrity activities
- Not all States perform important antifraud activities
- Many States report no results or do not know the results of their program integrity efforts
- States identified payment error rates between 0.03 percent and 36 percent; almost half did not expect to recover any of these improper payments
- States report limitations in technology, resources, and coordination as challenges to program integrity
- ACF oversight of State programs focuses more on technical assistance than compliance

WHAT IS CCDF?

The Child Care and Development Fund (CCDF) is a partnership between the Department of Health and Human Services' (HHS) Administration for Children and Families (ACF) and States. CCDF provides eligible low-income families with help paying for child care at a provider of their choice.¹ Nearly 1.5 million children receive a child care subsidy from the CCDF program every month.

HOW IS CCDF ADMINISTERED?

CCDF is administered through block grants to States. Block grants allow the Federal Government to provide States with a specified amount of funding to assist them in addressing broad purposes, such as the provision of child care. As with other block grants, States have flexibility, within certain broad parameters, in managing CCDF funds and determining the internal controls and fraud prevention activities they will use to ensure program integrity.

Under the CCDF block grant, States also have flexibility to establish their own eligibility criteria and select subrecipients to administer all or part of the program in accordance with Federal requirements and guidelines.² In addition, States have the flexibility to determine the payment mechanism for providing child care assistance to eligible families. States may provide this assistance through vouchers and/or contract directly with providers to have child care slots available to families who participate in the CCDF program.³

CCDF VULNERABILITIES IDENTIFIED BY OIG

To address fraud, waste, and abuse in the CCDF program, the Office of Inspector General (OIG) uses a multidisciplinary approach, including a rigorous program of audits, investigations, and evaluations. OIG also is undertaking an initiative to address challenges common to HHS grant programs through indepth, targeted efforts. This initiative focuses on internal controls, program effectiveness, and prevention of fraud, waste, and abuse in grant programs. OIG will continue to examine CCDF as part of this initiative.

In its past body of work on CCDF, OIG has identified fraud, found improper payments, and exposed health and safety concerns at child care facilities. An OIG investigation resulted in the recent conviction of a CCDF provider who fraudulently billed the State nearly \$1 million for children who either did not meet eligibility requirements or did not actually receive

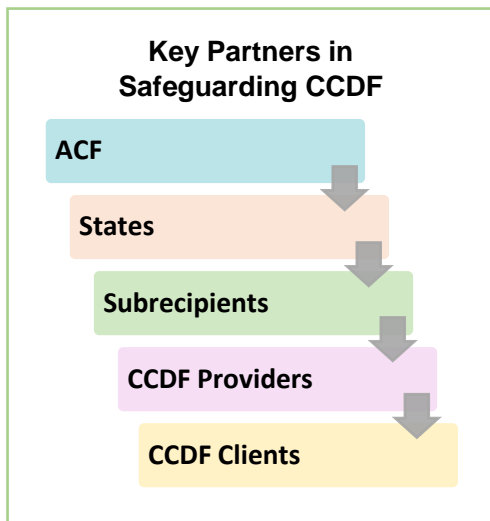
child care services. In a separate series of audits, OIG has identified weaknesses in some States' fiscal controls that put CCDF funds at risk.⁴ In addition, CCDF has been identified as an HHS program that is susceptible to significant improper payments, with an estimated \$311 million in improper payments identified for Federal fiscal year (FY) 2015 (hereinafter referred to as 2015).^{5,6}

Protecting the financial integrity of the program is important, but there also is a critical need to ensure that CCDF-funded care is delivered in safe, high-quality child care centers or home settings. However, OIG audits conducted in 10 States found that 96 percent of CCDF child care providers visited had at least one health and safety violation.⁷ Given the CCDF program's susceptibility to fraud and improper payments, as well as recent health and safety concerns, it is critical for ACF and States to employ effective measures to ensure the integrity of their CCDF programs.


This evaluation focuses on how States and ACF ensure the integrity of the CCDF block grant program and the results of States' program integrity activities.⁸ For this report, OIG collected and analyzed information from States and ACF. Appendix A provides a description of our methodology.

CCDF PROGRAM INTEGRITY

CCDF program integrity activities are necessary to ensure provider and program quality and maintain financial accountability.⁹ As a block grant, CCDF is designed to provide maximum flexibility to the



States, including how the States oversee the integrity of their programs. While these flexibilities allow States to use funds to meet their unique needs, block grants also may pose Federal oversight challenges with regard to program accountability and effectiveness. Current Federal oversight of CCDF is done largely through review of State plans. ACF requires States, every 3 years, to submit for its approval a comprehensive plan describing how the State will administer its CCDF program.¹⁰ State plans are the primary mechanism by which ACF determines compliance with Federal CCDF requirements. The plans describe the program integrity and accountability measures the States will implement to protect their CCDF programs from intentional and unintentional program violations and administrative errors (hereinafter referred to as program violations and errors).¹¹



Types of Child Care Providers

Centers – Care provided in a center-based setting, including programs in schools or churches.

Group Home Providers – Care provided by two or more individuals in a private residence other than the child's own residence.

Family Home Providers – Care provided by one individual in a private residence other than the child's own residence.

Child Home Providers – Care provided by a caregiver in the child's own home.

BALANCING PROGRAM INTEGRITY WITH CCDF BLOCK GRANT REAUTHORIZATION REQUIREMENTS

In November 2014, the Child Care and Development Block Grant Act of 2014 (2014 Reauthorization Act) reauthorized the CCDF program with changes in a number of critical program areas, including measures to strengthen health and safety requirements for child care providers and expand families' eligibility periods. Specifically, the reauthorization established a 12-month eligibility redetermination period for CCDF families, irrespective of changes in income (as long as income does not exceed the

Federal threshold of 85 percent of State median income) or temporary changes in participation in work, training, or education activities.¹² Previously, if a State's income eligibility limit was below the Federal threshold, the State could disenroll a client for an increase in income above the State's limit. As States implement changes to comply with new program requirements, ACF has reemphasized that States' program integrity efforts should be balanced with ensuring access to child care for eligible families.

To complement this report, OIG has published an interactive map containing State-by-State CCDF program characteristics and selected program integrity information. The interactive map is available at <http://oig.hhs.gov/oei/maps/ccdf/>

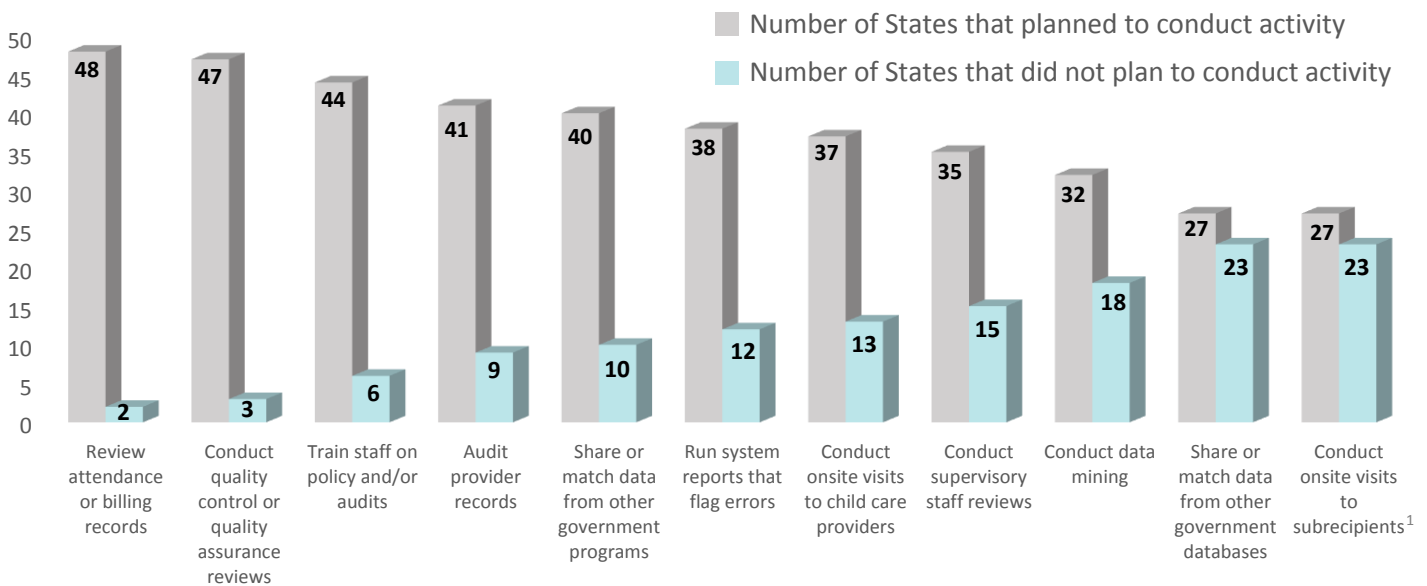
STATES DIFFER IN THE SCOPE OF THEIR PROGRAM INTEGRITY ACTIVITIES

ACF provides States with a CCDF plan template that includes a list of activities States may undertake to ensure program integrity. In the plan template, ACF instructs States to select which activities they plan to conduct. The activities listed are options from which States may choose; ACF does not require States to perform these specific program integrity activities. States have the flexibility to determine which program integrity and antifraud activities they will undertake to protect their CCDF programs.

To ensure the integrity of CCDF, States planned to conduct a number of different program integrity activities in 2015. However, States differed both in the number and types of activities that they planned to conduct in 2015. Some activities were more hands-on—such as conducting onsite visits to providers and subrecipients—while other activities were more automated—such as running system reports to flag errors.

States planned to conduct between 4 and 11 program integrity activities for 2015—with 6 States planning to conduct 11 activities and 7 States planning to conduct 6 or fewer activities. As shown in Figure 1, almost all States planned to review providers’ attendance or billing records as part of their program integrity efforts in 2015. Most States also planned to conduct quality control or quality assurance reviews, such as reviews of high-risk cases, contract files, and provider invoices. However, almost half of States did not plan to match their CCDF data against other government databases,¹³ and more than one-third of States did not plan to conduct data mining. Additionally, more than a quarter of States did not plan to conduct onsite visits to providers for program integrity purposes. Appendix B contains information on each State’s planned program integrity activities for 2015.

Figure 1: States’ Planned Program Integrity Activities, 2015



Source: OIG analysis of States’ responses to OIG survey on CCDF program integrity, 2016.

¹ Some States do not use subrecipients for their CCDF programs.

Some States could not provide any information on the number of providers and clients they reviewed






States could not always provide information on the extent to which they conducted their planned program integrity activities in 2015. As Figure 2 shows, 22 of the 48 States that reviewed providers' attendance or billing records did not know the percentage of providers whose records were reviewed in 2015. Moreover, while 40 States planned to share or match data with other government programs, more than one-third did not know the extent to which they conducted this activity. Nine States did not know how many providers they had visited to review attendance and enrollment documentation, and 10 States did not know the number of providers they had audited.

Several States provided an explanation for why they did not know the extent of their program integrity activities. Four States reported that the data were maintained only at the local or county level. Another three States did not track data for an activity, could not access the data in their database easily, or could not provide the data within OIG's requested timeframe.

States varied substantially in the degree to which they conducted specific program integrity activities

States that provided data on the extent of their program integrity activities performed these activities to varying degrees. As shown in Figure 2, of the States that reviewed providers' attendance or billing records, the percentage of providers reviewed ranged from less than 1 percent to 100 percent. Seven States reviewed records for 100 percent of their providers—another 10 States reviewed attendance or billing records for less than 10 percent of their providers. Also, the States that performed data matches with other government programs or databases performed matches for between 16 and 100 percent of their CCDF clients, with many performing matches for all of their clients.

Figure 2: Extent of States' Selected Program Integrity Activities, 2015

				
Review Providers' Attendance or Billing Records	Share or Match Data from other Government Programs	Share or Match Data from other Government Databases	Audit Provider Records	Onsite Visits to Review Attendance and Enrollment Documents
Planned to conduct: 48 States	Planned to conduct: 40 States	Planned to conduct: 27 States	Planned to conduct: 41 States	Planned to conduct: 37 States
26 reviewed records Range of providers reviewed: 0.12% to 100% Median: 16%	21 shared/matched data Range of clients matched: 16% to 100% Median: 100%	17 shared/matched data Range of clients matched: 16% to 100% Median: 100%	28 audited records Range of providers audited: 7 to 6,151 Median: 61	27 conducted visits Range of providers visited: 1 to 7,362 Median: 173
22 did not know extent of activity 0 planned to conduct, but did not 0 did not provide data	16 did not know extent of match 2 planned to conduct, but did not 1 did not provide data	10 did not know extent of match 0 planned to conduct, but did not 0 did not provide data	10 did not know extent of audit 3 planned to conduct, but did not 0 did not provide data	9 did not know extent of visits 0 planned to conduct, but did not 1 did not provide data
Did not plan to conduct: 2 States	Did not plan to conduct: 10 States	Did not plan to conduct: 23 States	Did not plan to conduct: 9 States	Did not plan to conduct: 13 States

Source: OIG analysis of States' responses to OIG survey on CCDF program integrity, 2016.

Of the nearly 30 States that provided information on the number of providers audited or visited onsite, the number of providers audited ranged from 7 to more than 6,000, and the number visited ranged from 1 to more than 7,000. Nearly all States have more than 1,000 providers, and some have more than 10,000 providers. However, of the States that audited providers, half audited fewer than 62 providers. Of the 27 States with data for onsite visits, almost one-third visited fewer than 100 providers.

NOT ALL STATES PERFORM IMPORTANT ANTIFRAUD ACTIVITIES

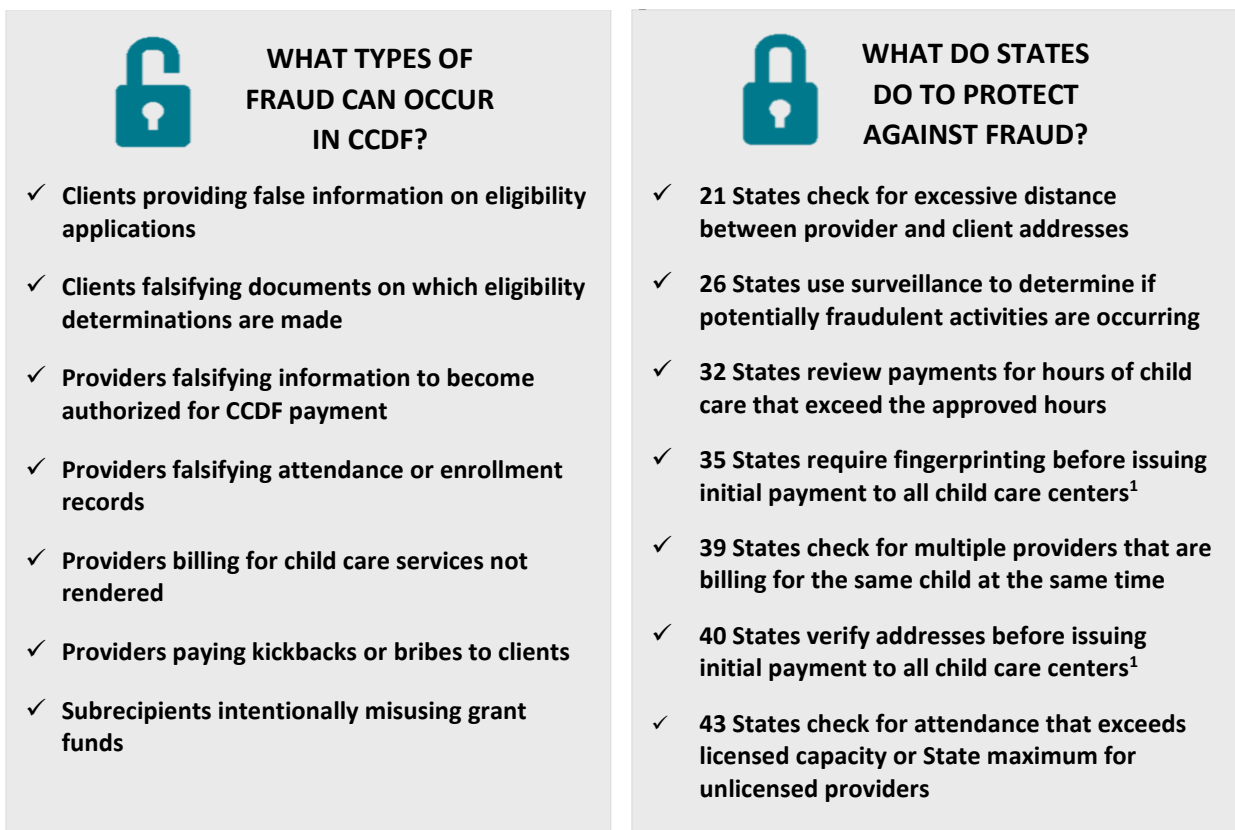
Nearly half of States did not have any staff dedicated solely to identifying CCDF fraud

Twenty-three States reported having at least 1 staff person dedicated solely to identifying fraud in the CCDF program. Several States had a larger number of staff dedicated to identifying fraud, with 5 of the 23 States reporting 10 or more dedicated staff. The State with the largest dedicated staff made the most referrals to law enforcement in 2015 as a result of its program integrity activities. One State specifically noted that while it did not have staff dedicated solely to identifying CCDF fraud, it did have staff dedicated to identifying fraud across all of its State benefit programs.

Some States did not perform important antifraud activities, and few States notified ACF or other States about suspected fraud

To protect against the many types of fraud that can occur in the CCDF program, States employ a variety of antifraud activities. As Figure 3 shows, 43 States review attendance data to see whether the number

Figure 3: Examples of CCDF Fraud and States' Activities to Protect Against Fraud



Source: OIG analysis of States' responses to OIG survey on CCDF program integrity, 2016.

¹States perform this activity less often for other provider types. One State did not provide information on this activity.

of children in care exceeds the licensed capacity of the provider. However, some States are not performing targeted data analyses and antifraud activities that could aid in their detection of fraud. More than one-third of States do not review payments for excessive hours of care or check for excessive distance between the provider and client addresses. Twenty-four States do not use surveillance to determine whether potentially fraudulent activities are occurring at provider locations.

States can perform verification checks of providers, such as fingerprinting and verifying addresses, prior to initial payment. However, 14 States do not require fingerprinting before issuing initial payments to all child care centers, and 9 States do not verify the addresses of all child care centers before issuing payments. Even more States do not require these verification checks for all of their group, family, and child home providers. Appendix C contains additional information regarding verification checks that States conduct for each provider type.

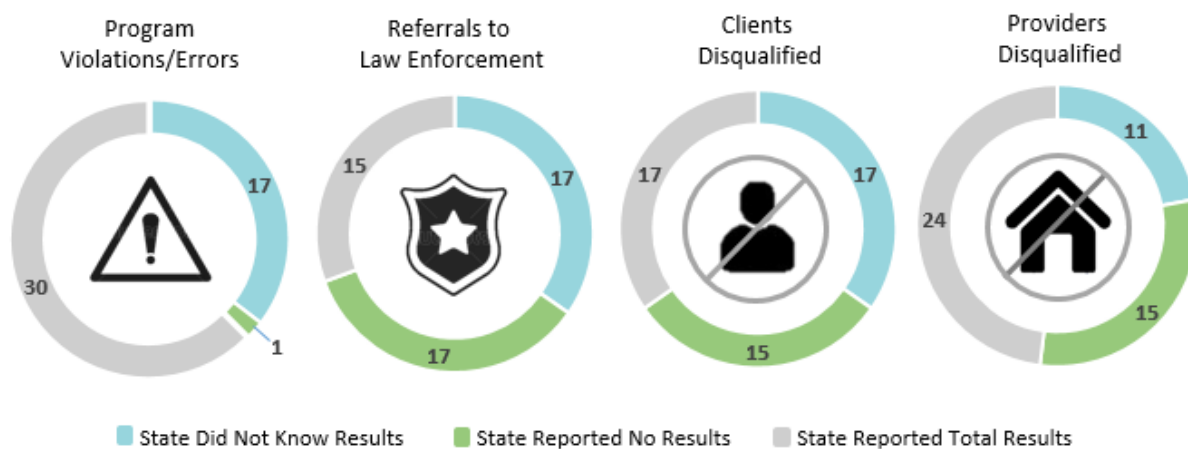
Although not all States conduct important antifraud activities, most States have a process in place for staff to report suspected CCDF program fraud. In addition, all but two States reported that they have a system in place, such as a website or hotline, for individuals to report suspected CCDF program fraud to the State.

Very little information about suspected fraud is being shared across States. Few States notify ACF when instances of suspected fraud have been identified, and only two States have systems in place to notify other States about CCDF providers or clients who are suspected of fraud. Additionally, only two States have systems in place to notify other States about CCDF providers or clients who have been disqualified from their program or convicted of fraud.

MANY STATES REPORT NO RESULTS OR DO NOT KNOW THE RESULTS OF THEIR CCDF PROGRAM INTEGRITY EFFORTS

As a result of their CCDF program integrity activities, States may identify program violations and errors, refer cases of suspected fraud to law enforcement, and disqualify clients and providers from their CCDF programs. As shown in Figure 4, many States' program integrity activities generated no results or the States did not know the results of their activities for 2015.

Figure 4: States' Reporting of Program Integrity Results, 2015¹



Source: OIG analysis of States' responses to OIG survey on CCDF program integrity, 2016.

¹ Two States did not respond regarding the number of program violations/errors, and one State did not respond regarding the number of referrals to law enforcement and the number of clients disqualified.

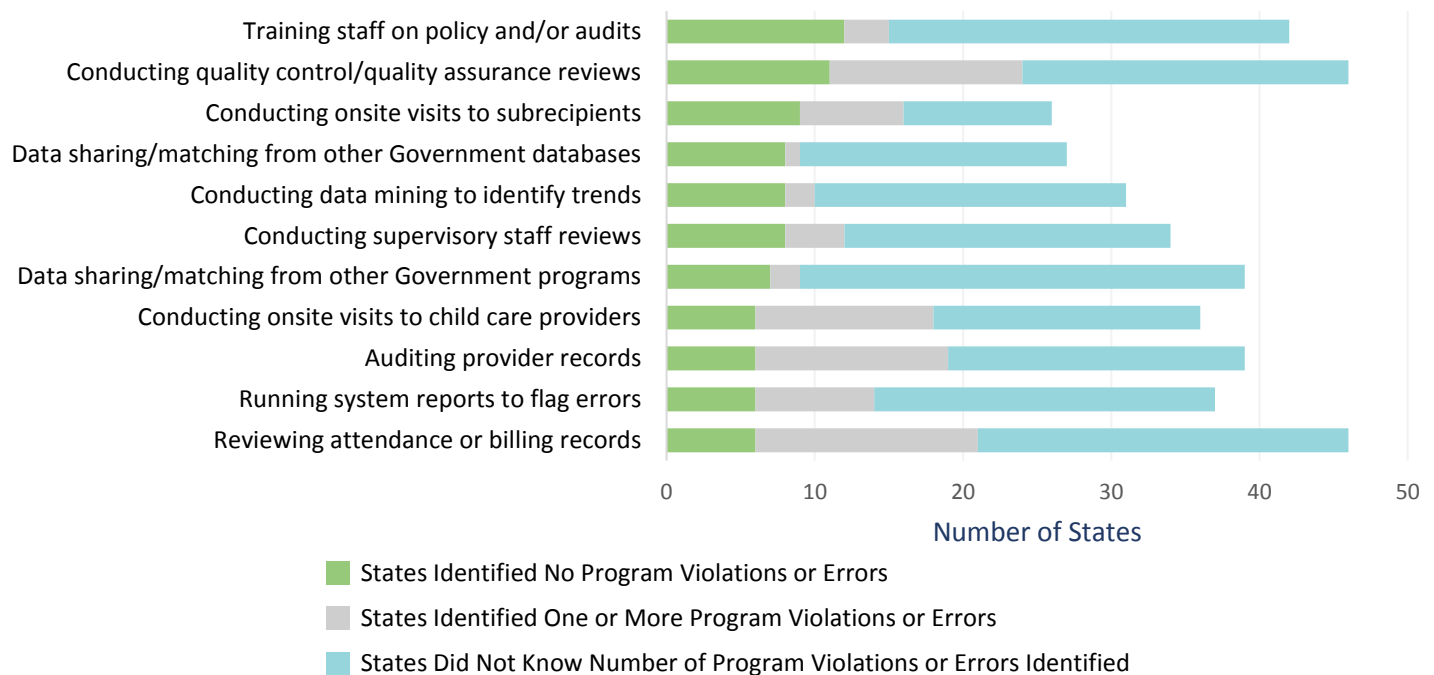
ACF does not collect from States, or require States to track, any information on the number of program violations and errors, provider or client disqualifications, or law enforcement referrals that States identify as a result of their CCDF program integrity activities.

Less than half of States disqualified child care providers (24), disqualified clients (17), or made referrals to law enforcement (15), as shown in Figure 4. Eighteen States identified no program violations or errors, or were unable to provide their total number of program violations and errors. For the four selected program integrity outcomes, eight States reported no overall results or stated that they did not know the results. Appendix D provides individual program integrity results for each State.

One State did not identify any CCDF program violations or errors, and another 17 States did not know the total number of program violations or errors. States identify violations and errors through activities such as reviewing attendance or billing records and conducting onsite visits to providers, as listed in Figure 5.

Thirty-one States could provide a total number of program violations and errors that were identified in 2015. Twelve of these States each identified fewer than 100 program violations and errors. These 12 States received nearly \$900 million in Federal CCDF funding in 2015. Combined, the 31 States identified 59,081 program violations and errors. These States reported between 0 and 21,343 violations and errors, with a median of 236.

Figure 5: States’ Identification of Program Violations and Errors by Program Integrity Activity, 2015¹



Source: OIG analysis of States’ responses to OIG survey on CCDF program integrity, 2016.

¹ Two States did not respond regarding total program violations or errors for some of their planned program integrity activities.

For 7 of the 11 program integrity activities displayed in Figure 5, more than half of States that conducted the activity did not know the total number of program violations or errors identified as a result of the specific activity. In addition, Figure 5 depicts the number of States that identified no program violations or errors for a particular program integrity activity in 2015. By activity, the number of States that did not identify any program violations or errors ranged from 6 States for reviewing attendance or billing records, running system reports to flag errors, auditing provider records, and conducting onsite visits to providers, to 12 States for training staff on policy and/or audits.

More than two-thirds of States made no CCDF referrals to law enforcement or did not know how many referrals were made.¹⁴ Seventeen States made no CCDF referrals to law enforcement in 2015. Another 17 States did not know how many referrals were made. Some of these States noted that referrals to law enforcement are determined by local or county-level CCDF program administrators, and that the State does not maintain or track any data on these referrals.¹⁵ Fifteen States referred 1,366 cases involving child care providers and/or clients to local, State, or Federal law enforcement in 2015 as a result of their CCDF program integrity activities.

Nearly two-thirds of States did not disqualify any CCDF clients or did not know how many clients were disqualified. According to their State plans, most States intended to use program disqualification to sanction clients committing program violations. However, only 17 States disqualified clients as a result of their CCDF program integrity activities in 2015. Combined, these States disqualified 860 clients. Fifteen States did not disqualify any clients, and another 17 States did not know how many CCDF clients were disqualified from their program in 2015. One State noted that client sanctions are determined at the local agency level, not the State level.

More than half of States did not disqualify any CCDF providers or did not know how many they had disqualified. Twenty-four States disqualified a total of 984 providers as a result of their CCDF program integrity activities. In contrast, more than half of States did not disqualify any providers from the CCDF program in 2015 (15 States) or did not know how many providers had been disqualified (11 States) as a result of their program integrity activities. Some States also reported that they used other types of provider sanctions in 2015, such as corrective action plans and repayment agreements.

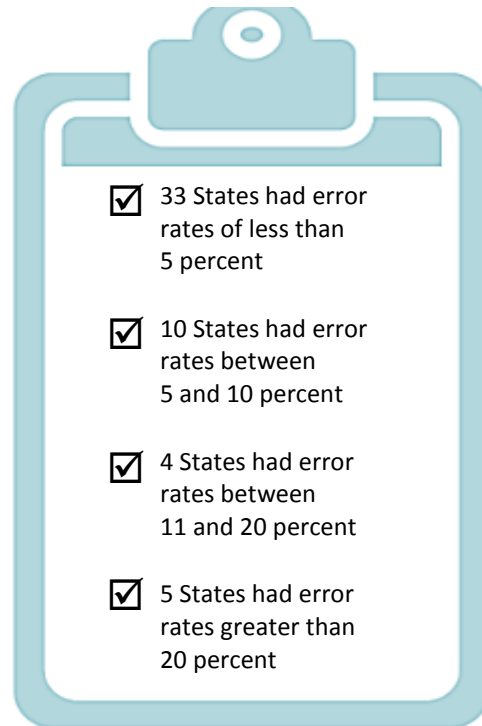
ALTHOUGH STATES IDENTIFIED PAYMENT ERROR RATES RANGING FROM LESS THAN 1 PERCENT TO 36 PERCENT, ALMOST HALF DID NOT EXPECT TO RECOVER ANY IMPROPER PAYMENTS

While States have flexibility in determining their program integrity activities, States must complete the Error Rate Review process. To reduce vulnerabilities in CCDF, Federal regulations require States to conduct error rate reviews to detect and reduce errors associated with eligibility determinations. States' most recent reviews identified error rates ranging from 0.03 percent to 36.43 percent.¹⁶

On a 3-year cycle, States perform standardized reviews of a sample of case records to assess whether client eligibility determinations were made in accordance with State rules. States submit the results of their reviews to ACF using Error Rate Reports.¹⁷ According to ACF staff, other than the program integrity activities that States describe in their CCDF plans, the Error Rate Reports are the only program-integrity-specific reporting that ACF requires of States. On the basis of States' latest Error Rate Reports, ACF reported a national CCDF payment error rate of 5.74 percent or \$311 million in the HHS FY 2015 financial report.¹⁸ ACF's target payment error rate for CCDF was 5.6 percent for 2015.

Overall, States expected to recover less than a quarter of the total overpayments identified through error rate reviews. Twenty-four did not expect to recover any improper payments as a result of their error rate reviews. The most common reason these States cited for not recovering improper payments was that the overpayments identified in the error rate reviews were due to caseworker or agency error, not to fraud. For example, one State noted that its *Child Care Policy Manual* provides an exception for collecting any overpaid benefits when the overpayment was not the fault of the applicant. States have the flexibility to determine whether they will seek to recover improper payments that are the result of errors. However, Federal rules require States to recover improper payments that result from fraud.¹⁹

In contrast to States that did not expect to recover any improper payments, 13 States expected to recover the total amount of overpayments identified in their error rate reviews. Appendix E provides specific information from each State’s Error Rate Report.



Source: OIG analysis of States’ Error Rate Reports from 2012-2014.

STATES FACE CHALLENGES IN PROTECTING THE CCDF PROGRAM

States reported technological limitations, inadequate resources, and lack of coordination and communication within and across States as the top challenges to ensuring CCDF program integrity

Figure 7: States’ Top Challenges, by Number of States



Source: OIG analysis of States’ responses to OIG survey on CCDF program integrity, 2016.

Nearly a third of States reported all of the following challenges with technology—technology/software limitations, nonintegrated data systems, and/or access to data. Some States specifically cited old or outdated hardware and software. Other States highlighted the need for enhancements or improvements to their information technology systems—such as implementing an electronic time and attendance system or integrating data from multiple sources—to improve their ability to monitor potential fraud. States also reported that access to program data in other States would help them in their program integrity efforts.

In addition to technological challenges, 29 States reported challenges related to funding and/or staffing levels, as shown in Figure 7. Some States reported that additional funds and staffing, especially staff to support their efforts to detect and investigate potential fraud, would be helpful.

Twenty-six States reported that communication and coordination, within or across State lines, was a challenge. For example, one State reported that communication with its county-level agencies can be difficult because of each county’s chain of internal communication. Some States also reported that no clear policies or procedures are in place to facilitate communication and coordination across States. One State suggested that to facilitate coordination, it would be helpful for bordering States to provide a list of debarred clients and providers to one another.

Some States raised program integrity concerns regarding reauthorization requirements

In addition to challenges related to technological limitations, inadequate resources, and lack of coordination and communication, 15 States raised concerns about implementing CCDF block grant reauthorization requirements while maintaining program integrity. For example, one State noted that it is “working on finding a balance between having strong internal controls, including reporting requirements, in place while allowing the flexibility that CCDF requires during the 12-month eligibility certification periods.” Six States reported that the new requirement may decrease the detection of fraud in the CCDF program, with one State noting that the lack of frequent monitoring may delay the discovery of fraudulent activities. However, other States noted that they had no program integrity concerns related to the new reauthorization requirements.

ACF OVERSIGHT FOCUSES MORE ON TECHNICAL ASSISTANCE THAN COMPLIANCE

ACF Oversight of CCDF Program Integrity

- ✓ Central office and regional offices review and approve States’ CCDF plans
- ✓ Central office, regional offices, and the National Center on Child Care Subsidy Innovation and Accountability (Subsidy Center) work with States to conduct the Error Rate Review process
- ✓ Regional offices and the Subsidy Center provide technical assistance to States on program integrity issues
- ✓ Central office and the Subsidy Center prepare program integrity guidance documents for States

ACF is responsible for overseeing States’ efforts to protect the CCDF program from fraud and abuse and ensuring that limited CCDF funds are used only to fulfill critical program goals. However, ACF does not have a process in place to ensure that States carry out the program integrity activities they specify in their CCDF State plans. ACF does not collect any information from States regarding the frequency or intensity with which States actually conduct activities to protect their CCDF programs from fraud and abuse, nor does it track suspected or proven fraud across States’ programs. In fact, when OIG compared the program integrity activities States had outlined in their CCDF plans against the activities States conducted in 2015, we found that six States had not conducted at least one of their planned activities. ACF staff noted that ACF has “tried to push the envelope to try to do the best we can to make sure we are good stewards of these funds” but that it would need greater resources to conduct more robust oversight of States’ program integrity efforts.²⁰

ACF has focused on providing technical assistance and guidance to States on CCDF program integrity issues. A State may request and receive program integrity technical assistance through its ACF regional office or through the National Center on Child Care Subsidy Innovation and

Accountability. ACF's program-integrity technical assistance efforts have included regional office meetings with and visits to States, conference calls that include States' CCDF administrators and related agency staff across States, onsite visits targeted to States with high eligibility error rates, and Error Rate Review training webinars. ACF also has produced guidance documents that States may use to strengthen their CCDF program integrity efforts, including an internal controls self-assessment instrument and an annual best practices document to help reduce eligibility errors.²¹

According to ACF staff, the 2014 Reauthorization Act did not address CCDF program integrity; however, ACF recognized the importance of States' program integrity efforts when it issued its December 2015, Notice of Proposed Rulemaking.²² In this notice, ACF proposed adding a program integrity section to the CCDF regulations. The regulations currently do not contain a program integrity section. The proposed addition would formalize changes ACF already made to the CCDF State plan template based on the new reauthorization requirements. Although the new CCDF State plan template does not add program integrity activities to the list of activities in the previous State plan template, it requires States to have processes in place to identify fraud or other program violations. According to ACF staff, the agency expects to finalize the CCDF program regulations before the end of FY 2016.

CONCLUSION AND RECOMMENDATIONS: THE FUTURE OF CCDF PROGRAM INTEGRITY

This report shines a spotlight on the substantial differences in the scope and results of program integrity activities across States and the limited data available to monitor the effectiveness of States' program integrity efforts. Variations in the number of activities implemented across States and the extent to which States perform these activities raise concerns about whether adequate safeguards are in place to protect the CCDF program.

These findings—along with OIG work that identified vulnerabilities related to States' health and safety monitoring of CCDF child care providers and the use of CCDF block grant funds—highlight the need for stronger ACF and State oversight to protect the program and ensure that safe, high-quality care is provided to CCDF-eligible children.

States and ACF face a significant challenge—balancing the need to strengthen CCDF program integrity activities and oversight efforts with the goal of ensuring access to safe, high-quality child care for eligible children. With the reauthorization of CCDF, ACF and States are tasked with ensuring that States' programs reflect many new statutory requirements. In this changing environment, new and different program vulnerabilities may emerge, reinforcing the need for States' and ACF's continued vigilance in ensuring that CCDF funds are used as intended.

We recommend that ACF:

➤ **Request that States examine the effectiveness of their program integrity and fraud fighting activities**

ACF and States could jointly examine the extent to which a State's activities have been effective in detecting and preventing program violations, errors, and fraud. This examination could help each State and ACF determine whether its approach is sufficiently safeguarding the CCDF program.

➤ **Examine with States the benefits of expanding program integrity and fraud fighting activities**

ACF and States could jointly examine the costs and benefits associated with expanding the types of program integrity and antifraud activities they use to protect their CCDF programs.

➤ **Establish routine communication to share program integrity and fraud fighting best practices**

ACF should establish regular, formalized communication channels between the central office, regional offices, technical assistance centers, and States regarding program integrity methods, potential fraud schemes, and program disqualifications. Establishing such channels would allow States to share techniques and approaches they have used to address information technology limitations and data access challenges. This also would enable ACF central office and regional office staff to target guidance materials and technical assistance to States' most pressing program integrity concerns.

➤ **Determine the feasibility of requiring all States to report information about the results of their program integrity and fraud fighting activities**

Collecting data—such as the number of disqualifications or fraud referrals—would be an important step in ACF's monitoring of States' efforts to safeguard the CCDF program.

AGENCY COMMENTS

ACF concurred with all four recommendations in our report. ACF stated that since its inception, the Child Care and Development Block Grant has allowed States great flexibility in the ways they operate their programs, including their program integrity efforts. ACF noted that it has mobilized its technical assistance network—including technical assistance centers and regional offices—to support States' efforts to balance policies that support high-quality services for children and families while at the same time ensuring policies and practices are in place to prevent improper payments. ACF explained that the technical assistance includes targeted work with States on fraud prevention, detection, and recovery. In addition, ACF noted that it continues to conduct onsite visits to States with improper payments that exceed the 10 percent compliance threshold to assist States in their efforts to reduce improper payments.

In response to our first and second recommendations, ACF stated that in FY 2017, the Office of Child Care (OCC) plans to use the *Grantee Internal Controls Self-Assessment* instrument to assist States in examining the effectiveness of their program integrity and fraud fighting efforts. ACF noted that the self-assessment may be conducted onsite or completed remotely via online interactive meetings. In both cases, facilitated dialogue will engage States to examine policies and procedures for efficacy in their program integrity efforts. ACF reported that the self-assessment process includes targeted discussions to consider the costs and benefits and overall success of States' efforts.

In response to our third recommendation, ACF stated that OCC plans to reinstate the National Program Integrity Conference Call series in FY 2017. ACF noted that these quarterly calls will allow States to share promising practices as they develop and implement new policies and procedures. Additionally, ACF stated that information on data matching, red flag reports, front-end detection, cross-program information sharing, and other efforts are available on the OCC website.

In response to our fourth recommendation, ACF stated that OCC will look at the feasibility of requiring States to report information about the results of their program integrity and fraud fighting activities. ACF stated that OCC recently created a new Oversight and Accountability Division, which will increase its efforts to monitor State compliance with CCDF requirements, including program integrity efforts. ACF noted that OCC will also consider adding the collection of data on program integrity and fraud fighting results in the State CCDF plans for the FY 2019 to FY 2021 plan cycle. Appendix F contains the full text of ACF's comments.

APPENDIX A: METHODOLOGY

OIG collected, reviewed, and analyzed data from States' CCDF plans for the period that covered FYs 2014-2015. We reviewed CCDF plans for 50 States, the District of Columbia, and Puerto Rico ("States"). Our analysis focused on Section 1.3 of the State plans entitled "CCDF Program Integrity and Accountability," which contains information regarding States' program integrity activities.

OIG collected from ACF the most recent Error Rate Reports for all States. Because of the 3-year rotational submission of Error Rate Reports, the most current year of data varies according to each State's submission cycle. Of the 52 Error Rate Reports in our analysis, 17 States completed the Improper Authorizations for Payment Report (ACF-402) for FY 2012, 18 States completed the Improper Payments Report (ACF-404) for FY 2013, and 17 States completed the ACF-404 for FY 2014. The reports differ because ACF revised the error rate methodology in FY 2014 to measure improper payments rather than improper authorizations for payment.

OIG requested that States complete a self-administered online survey regarding their program integrity activities and antifraud measures as well as the results of their CCDF program integrity efforts for 2015. At the time of data collection, States were completing their 2016-2018 CCDF plans for submission to ACF. We want to acknowledge the effort States made to respond to our survey. Fifty States completed the OIG survey, but two States—Hawaii and Wyoming—did not. However, these two States provided OIG with the number of children their CCDF programs served and the number of CCDF providers in their State for 2015.

Finally, OIG interviewed ACF Office of Child Care staff about ACF's oversight of States' program integrity efforts, including how ACF determines States' compliance with their program integrity plans.

Limitations

The survey data collected from States were self-reported. States' responses were not independently verified; however, we reviewed responses for consistency and possible data entry errors.

Standards

This study was conducted in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.

APPENDIX B: PLANNED PROGRAM INTEGRITY ACTIVITIES BY STATE, 2015

Review attendance or billing records	Quality control/assurance reviews	Train staff on policy and/or audits	Audit provider records	Share or match data from other government programs	Run system reports that flag errors	Conduct onsite visits to providers	Conduct supervisory staff reviews	Perform data mining	Conduct onsite visits to sub-recipients	Share or match data from other government databases
Alabama			Federal Funding: \$86,652,072				Children Served: 40,458			
●	●	●		●	●	●	●		●	
Alaska			Federal Funding: \$12,526,901				Children Served: 8,639			
●	●	●	●	●		●	●		●	●
Arizona			Federal Funding: \$117,672,719				Children Served: 49,449			
●	●	●	●	●	●	●	●	●	●	●
Arkansas			Federal Funding: \$50,630,358				Children Served: 19,109			
●	●	●	●	●		●	●	●		
California			Federal Funding: \$566,006,154				Children Served: 278,675			
●	●		●			●			●	
Colorado			Federal Funding: \$69,369,095				Children Served: 30,181			
●	●	●	●		●		●	●		
Connecticut			Federal Funding: \$51,636,332				Children Served: 31,994			
●	●	●	●	●	●	●	●	●		●
Delaware			Federal Funding: \$16,211,723				Children Served: 20,023			
●	●	●	●	●	●	●	●	●	●	●
District of Columbia			Federal Funding: \$11,043,631				Children Served: 7,023			
●	●	●	●	●	●	●	●	●	●	
Florida			Federal Funding: \$273,745,303				Children Served: 213,176			
●	●	●	●	●	●	●		●	●	
Georgia			Federal Funding: \$194,314,485				Children Served: 97,300			
●	●	●	●	●	●	●	●	●	●	
Hawaii¹			Federal Funding: \$20,950,922				Children Served: 12,129			
NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR
Idaho			Federal Funding: \$27,081,348				Children Served: 13,828			
●	●	●	●	●			●	●		●

Continued on next page

Review attendance or billing records	Quality control/assurance reviews	Train staff on policy and/or audits	Audit provider records	Share or match data from other government programs	Run system reports that flag errors	Conduct onsite visits to providers	Conduct supervisory staff reviews	Perform data mining	Conduct onsite visits to sub-recipients	Share or match data from other government databases
Illinois			Federal Funding: \$211,391,481				Children Served: 257,547			
●	●		●	●	●	●			●	●
Indiana			Federal Funding: \$118,493,652				Children Served: 49,972			
●	●	●	●	●	●	●	●	●	●	●
Iowa			Federal Funding: \$46,032,306				Children Served: 28,496			
●	●			●						●
Kansas			Federal Funding: \$48,877,098				Children Served: 23,335			
●	●	●	●	●	●	●	●	●		●
Kentucky			Federal Funding: \$82,139,640				Children Served: 31,303			
●	●	●	●	●	●	●	●	●	●	
Louisiana			Federal Funding: \$82,461,058				Children Served: 15,124			
●	●	●		●	●		●			●
Maine			Federal Funding: \$16,408,669				Children Served: 4,312			
●	●	●	●			●	●			
Maryland			Federal Funding: \$83,820,493				Children Served: 30,079			
●	●					●	●			●
Massachusetts			Federal Funding: \$105,752,338				Children Served: 75,181			
●	●	●	●		●	●		●	●	
Michigan			Federal Funding: \$156,268,909				Children Served: 56,450			
●	●	●	●	●	●	●		●		●
Minnesota			Federal Funding: \$85,587,327				Children Served: 47,704			
●	●	●	●	●	●	●		●		●
Mississippi			Federal Funding: \$57,131,513				Children Served: 29,771			
●	●	●	●	●	●				●	
Missouri			Federal Funding: \$102,463,637				Children Served: 61,576			
●		●	●	●			●		●	
Montana			Federal Funding: \$15,330,383				Children Served: 8,357			
●	●	●	●		●	●	●		●	

Continued on next page

Review attendance or billing records	Quality control/assurance reviews	Train staff on policy and/or audits	Audit provider records	Share or match data from other government programs	Run system reports that flag errors	Conduct onsite visits to providers	Conduct supervisory staff reviews	Perform data mining	Conduct onsite visits to sub-recipients	Share or match data from other government databases
Nebraska			Federal Funding: \$35,059,021				Children Served: 29,823			
●	●	●		●		●			●	●
Nevada			Federal Funding: \$39,669,186				Children Served: 12,230			
●	●	●	●	●			●	●		●
New Hampshire			Federal Funding: \$15,958,226				Children Served: 9,363			
●		●	●	●	●		●	●		●
New Jersey			Federal Funding: \$115,811,009				Children Served: 90,543			
●	●	●	●	●	●	●	●	●	●	●
New Mexico			Federal Funding: \$40,572,624				Children Served: 27,589			
	●	●		●	●	●	●	●		
New York			Federal Funding: \$308,900,648				Children Served: 207,251			
●	●	●	●	●	●	●		●	●	
North Carolina			Federal Funding: \$203,596,047				Children Served: 113,477			
●	●	●	●			●	●		●	
North Dakota			Federal Funding: \$10,235,533				Children Served: 4,541			
●	●	●	●	●	●			●		
Ohio			Federal Funding: \$213,326,415				Children Served: 177,774			
●	●	●	●	●	●	●		●	●	●
Oklahoma			Federal Funding: \$81,827,238				Children Served: 58,604			
●	●	●	●	●	●	●	●	●		●
Oregon			Federal Funding: \$66,431,501				Children Served: 26,909			
●	●	●	●	●	●					●
Pennsylvania			Federal Funding: \$188,344,536				Children Served: 154,107			
●	●	●	●	●	●	●	●	●	●	●
Puerto Rico			Federal Funding: \$31,434,813				Children Served: 11,327			
●	●	●	●		●	●	●	●	●	
Rhode Island			Federal Funding: \$17,187,478				Children Served: 14,198			
●	●	●		●	●	●	●			

Continued on next page

Review attendance or billing records	Quality control/assurance reviews	Train staff on policy and/or audits	Audit provider records	Share or match data from other government programs	Run system reports that flag errors	Conduct onsite visits to providers	Conduct supervisory staff reviews	Perform data mining	Conduct onsite visits to sub-recipients	Share or match data from other government databases
South Carolina			Federal Funding: \$77,090,922				Children Served: 22,190			
●	●	●	●	●	●	●	●	●		●
South Dakota			Federal Funding: \$12,612,786				Children Served: 7,804			
●	●	●	●	●	●	●	●	●	●	
Tennessee			Federal Funding: \$126,816,127				Children Served: 46,384			
●	●	●	●	●	●	●	●	●	●	●
Texas			Federal Funding: \$477,938,028				Children Served: 182,645			
●	●	●		●	●	●		●	●	●
Utah			Federal Funding: \$62,435,382				Children Served: 20,654			
	●	●		●	●	●	●	●		●
Vermont			Federal Funding: \$9,863,172				Children Served: 12,682			
●	●	●	●	●	●	●	●	●	●	
Virginia			Federal Funding: \$110,542,960				Children Served: 40,852			
●			●		●		●			
Washington			Federal Funding: \$121,192,624				Children Served: 89,292			
●	●	●	●	●	●		●			●
West Virginia			Federal Funding: \$32,369,936				Children Served: 20,177			
●	●	●	●				●			
Wisconsin			Federal Funding: \$91,612,423				Children Served: 76,490			
●	●		●	●	●	●		●	●	●
Wyoming¹			Federal Funding: \$9,199,272				Children Served: 6,629			
NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR

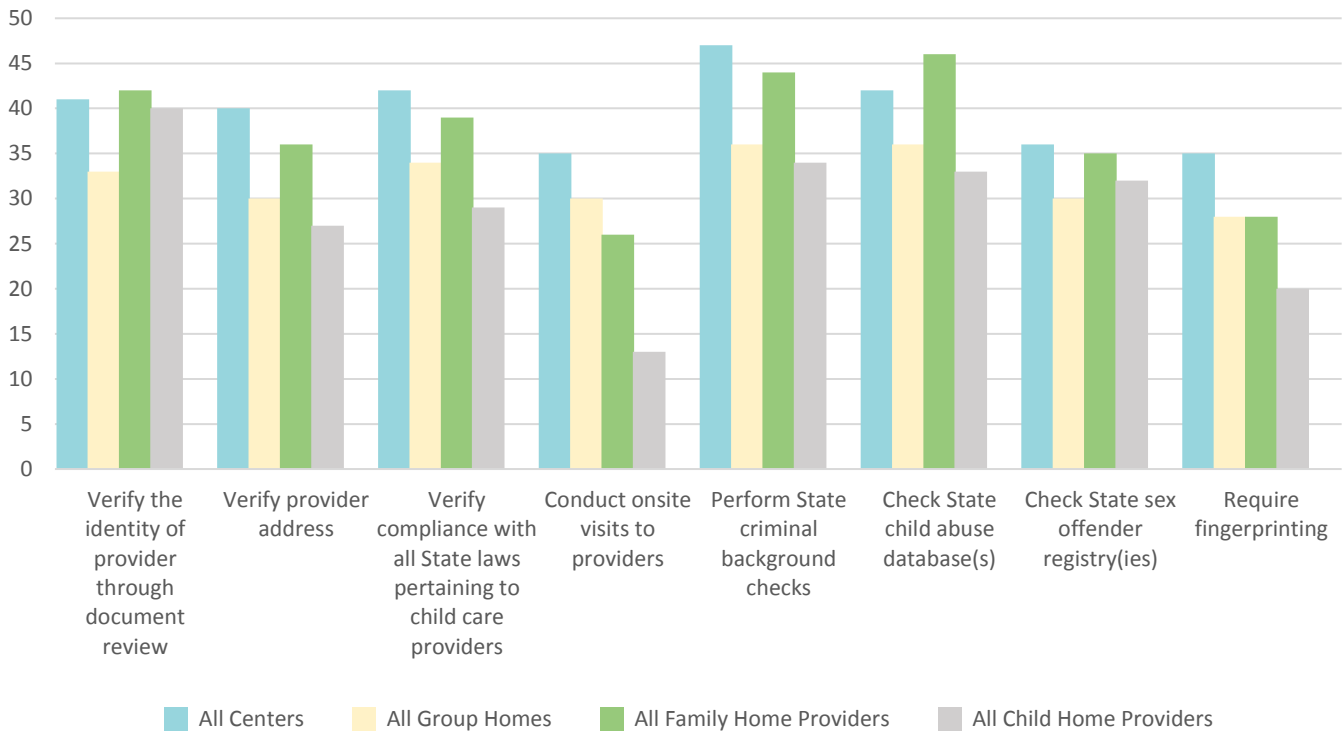
Sources: ACF, Office of Child Care, *FY 2015 CCDF Allocations*; and OIG analysis of States' responses to OIG survey on CCDF program integrity, 2016.

¹State did not respond to the OIG survey but provided data to OIG regarding the number of children served in 2015.

APPENDIX C: STATES' VERIFICATION CHECKS OF NEW CCDF PROVIDERS

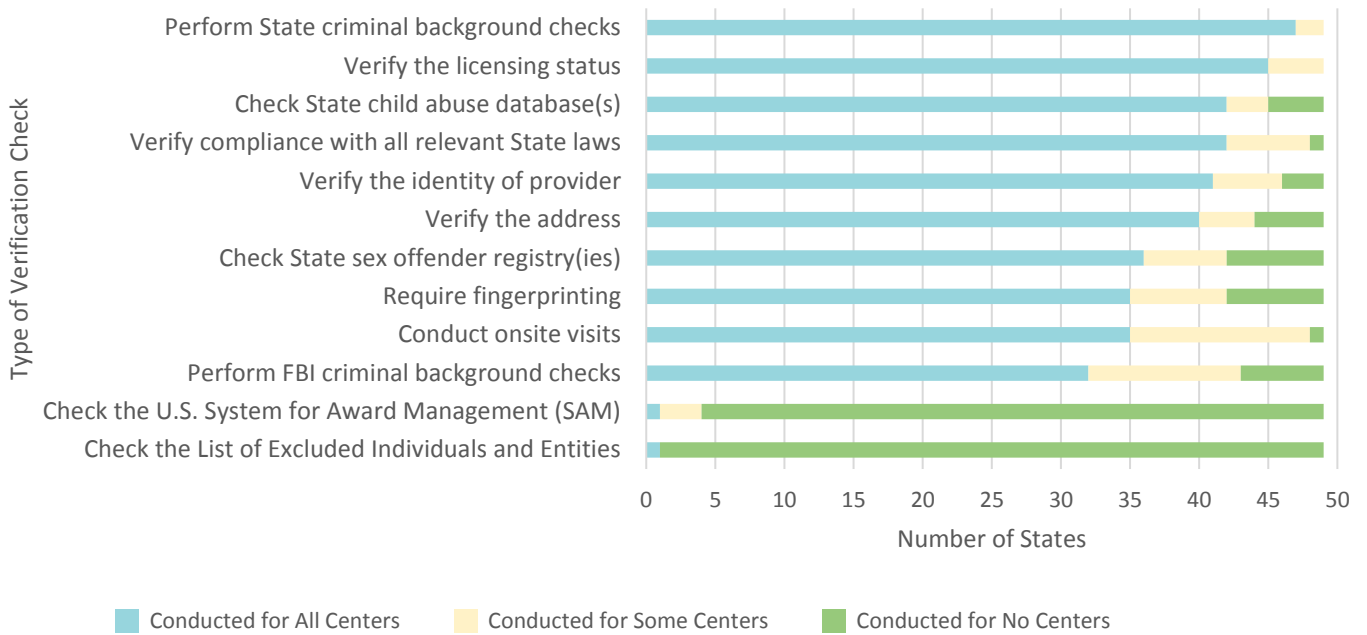
The tables below contain data regarding verification checks that States conduct for all, some, or none of their new CCDF providers prior to issuing payments. Figure C1 displays the number of States that conducted eight verification checks for four types of CCDF providers—child care centers, family homes, group homes, and child homes.²³ Figures C2 through C5 display data for 12 verification checks by each of the provider types.

Figure C1: Number of States Performing Verification Checks of New Providers, by Provider Type



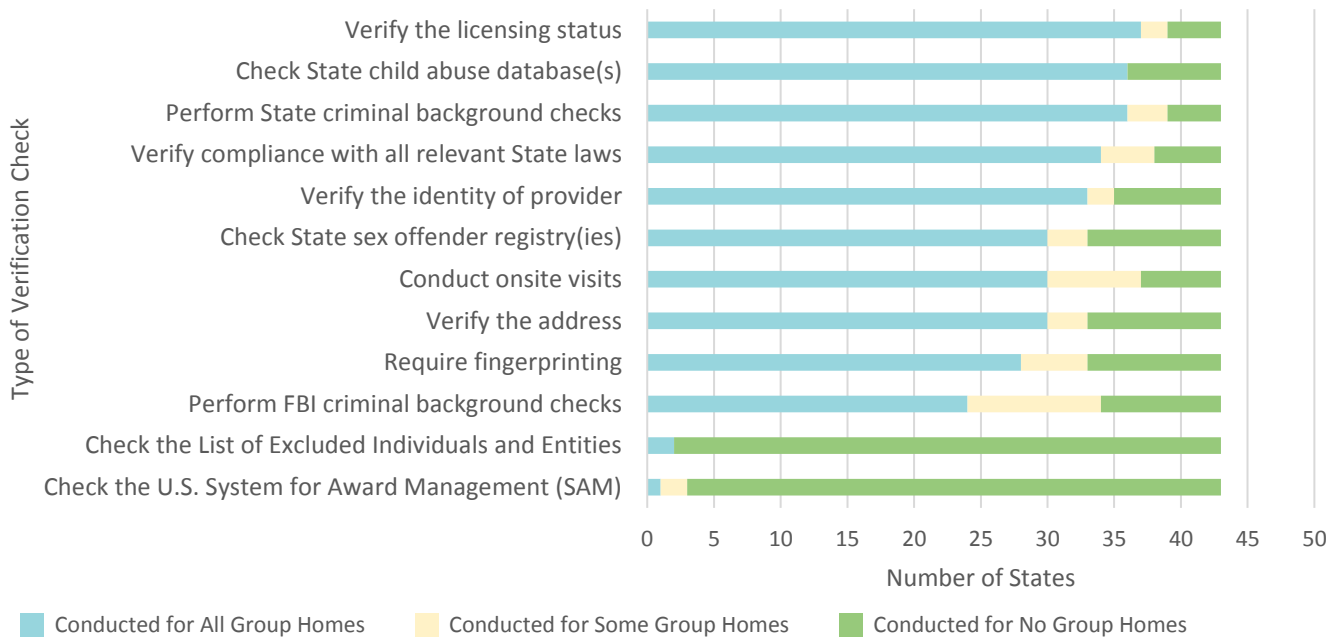
Source: OIG analysis of States' responses to OIG survey on CCDF program integrity, 2016.

Figure C2: Number of States that Conducted Checks on New Centers (n=49)



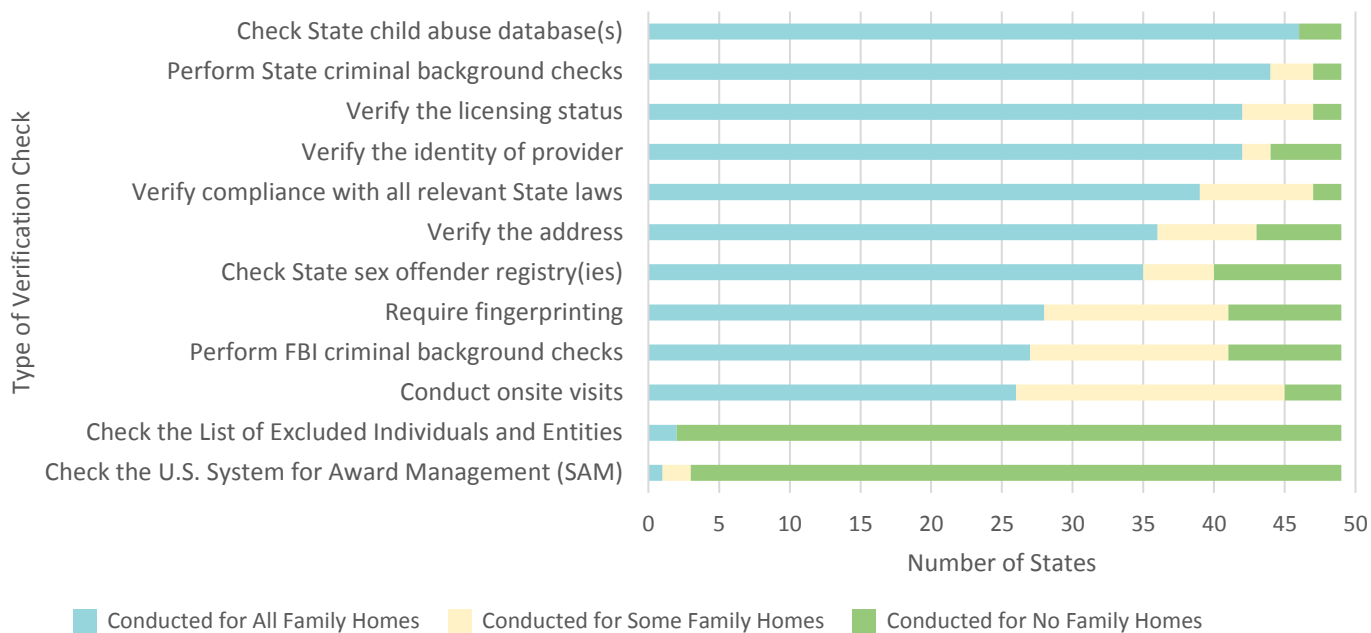
Source: OIG analysis of States' responses to OIG survey on CCDF program integrity, 2016.

Figure C3: Number of States that Conducted Checks on New Group Home Providers (n=43)



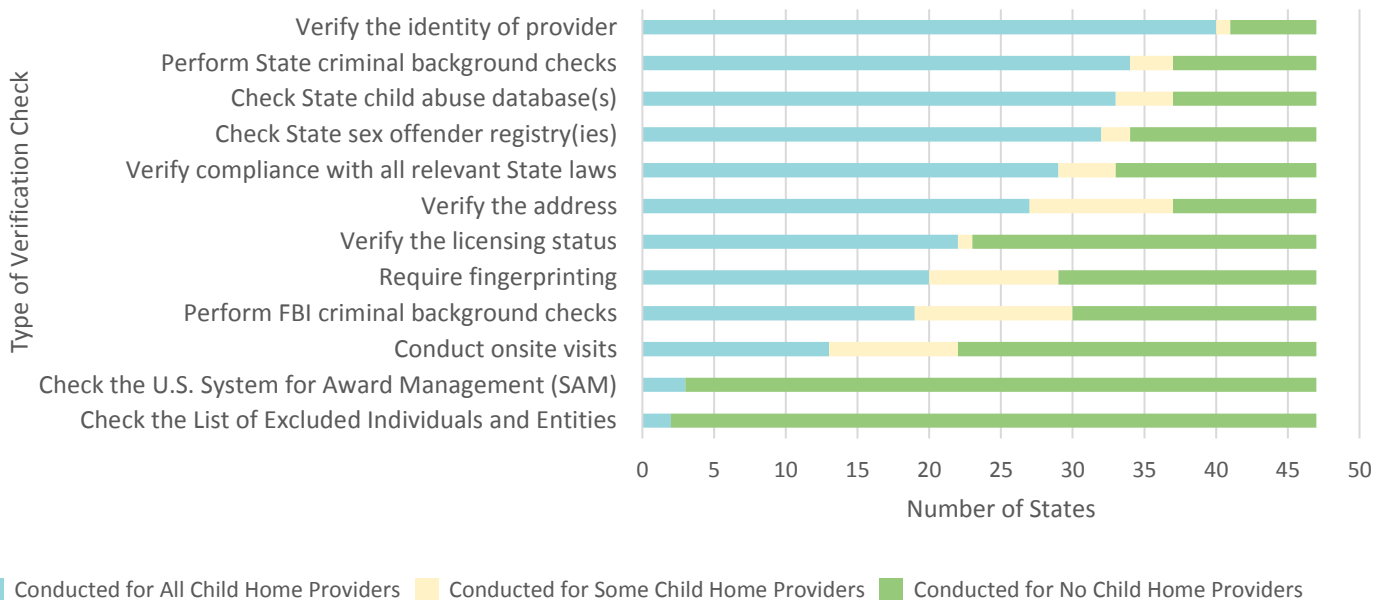
Source: OIG analysis of States' responses to OIG survey on CCDF program integrity, 2016.

Figure C4: Number of States that Conducted Checks on New Family Home Providers (n=49)



Source: OIG analysis of States' responses to OIG survey on CCDF program integrity, 2016.

Figure C5: Number of States that Conducted Checks on New Child Home Providers (n=47)



Source: OIG analysis of States' responses to OIG survey on CCDF program integrity, 2016.

APPENDIX D: PROGRAM INTEGRITY RESULTS BY STATE, 2015¹

State	Total Number of Referrals to Law Enforcement	Total Number of Clients Disqualified	Total Number of Providers Disqualified	Total Number of Program Violations and Errors
Alabama	0	0	0	124
Alaska	0	43	6	351
Arizona	27	0	13	Unknown
Arkansas	1	Unknown	0	Unknown
California	Unknown	Unknown	Unknown	716
Colorado	Unknown	Unknown	9	77 ²
Connecticut	0	7	0	377
Delaware	Unknown	Unknown	Unknown	Unknown
District of Columbia	Not Reported	Not Reported	6	Not Reported
Florida	576	113	106	20,241
Georgia	91	92	5	940
Hawaii	Not Reported	Not Reported	Not Reported	Not Reported
Idaho	Unknown	214	214	11 ²
Illinois	Unknown	Unknown	Unknown	392
Indiana	14	6	95	66
Iowa	0 ³	Unknown	Unknown	86 ²
Kansas	7	0	0	372
Kentucky	0	0	0	1,459
Louisiana	0	0	4	4
Maine	0	Unknown	Unknown	Unknown
Maryland	15	15	0	15
Massachusetts	0	Unknown	0	284 ²
Michigan	91	51	197	Unknown
Minnesota	Unknown	Unknown	0	Unknown
Mississippi	Unknown	1	1	123 ²
Missouri	Unknown	Unknown	Unknown	Unknown
Montana	0	0	0	0
Nebraska	Unknown	0	55	Unknown
Nevada	Unknown	Unknown	Unknown	Unknown
New Hampshire	14	0	0	25
New Jersey	0	Unknown	1	Unknown

Continued on next page

State	Total Number of Referrals to Law Enforcement	Total Number of Clients Disqualified	Total Number of Providers Disqualified	Total Number of Program Violations and Errors
New Mexico	4	4	0	Unknown
New York	Unknown	Unknown	16	Unknown
North Carolina	Unknown	Unknown	Unknown	Not Reported
North Dakota	0	14	0	Unknown
Ohio	0	0	14	90 ²
Oklahoma	4	0	2	97
Oregon	Unknown	0	17	516
Pennsylvania	Unknown	76	147	295 ²
Puerto Rico	0	Unknown	Unknown	Unknown
Rhode Island	Unknown	Unknown	0	Unknown
South Carolina	0	0	0	Unknown
South Dakota	0	5	2	18
Tennessee	Unknown	0	12	16
Texas	13	Unknown	Unknown	Unknown
Utah	8	120	11	236
Vermont	0	0	2	176
Virginia	Unknown	5	18	587
Washington	500	3	Unknown	9,319 ²
West Virginia	0	91	0	725
Wisconsin	1	0	31	725
Wyoming	Not Reported	Not Reported	Not Reported	Not Reported

Source: OIG analysis of States' responses to OIG survey on CCDF program integrity, 2016.

¹“Unknown” means that the State’s response was “Do Not Know” to the OIG survey question regarding program integrity results; “Not Reported” means that the State did not respond to the OIG survey question.

²The State provided an overall total number of program violations and errors, but did not know the specific number for one or more of the types of violations and errors—i.e., intentional, unintentional, and administrative.

³Iowa reported zero for the total number of referrals to law enforcement, but noted that it makes possible fraud referrals directly to the Iowa Department of Inspections & Appeals.

APPENDIX E: IMPROPER PAYMENT INFORMATION AND ERROR RATES BY STATE

The table below contains data States reported to ACF on their most recent Error Rate Reports—the Improper Authorizations for Payment Reports (ACF-402) or the Improper Payments Reports (ACF-404). ACF requires States to complete the Error Rate Review process to assess the accuracy of client eligibility determinations by conducting a standardized case record review of a sample of 271 or 276 cases—i.e., client files—from a 12-month period. ACF uses the information States report to generate a national error rate for the CCDF program. Seventeen States completed the ACF-402 for FY 2012, 18 States completed the ACF-404 for FY 2013, and 17 States completed the ACF-404 for FY 2014. The Payment Error Rate provided in the table is the percentage of the total dollar amount of payments for a State’s sampled cases that were improper payments.

State	Fiscal Year	Payment Error Rate	Percentage of Sampled Cases with a Payment Error	Total Overpayment Amount for Sampled Cases	Amount of Overpayment State Expects to Recover
Alabama	2013	3.37%	10.14%	\$2,170	\$1,961
Alaska	2013	2.83%	12.68%	\$2,986	\$2,508
Arizona	2014	0.07%	1.45%	\$38	\$0
Arkansas	2014	0.03%	2.54%	\$27	\$0
California	2013	5.82%	14.86%	\$8,420	\$0
Colorado	2013	6.65%	13.65%	\$7,096	\$0
Connecticut	2012	3.77%	11.59%	\$2,796	\$0
Delaware	2014	16.35%	21.01%	\$19,308	\$0
District of Columbia	2012	0.41%	5.80%	\$593	\$593
Florida	2014	3.78%	17.75%	\$2,831	\$523
Georgia	2013	3.08%	4.71%	\$2,585	\$2,585
Hawaii	2012	22.78%	36.59%	\$13,865	\$1,386
Idaho	2012	3.50%	15.22%	\$1,504	\$932
Illinois	2013	0.25%	3.26%	\$104	\$50
Indiana	2013	0.52%	0.36%	\$552	\$0
Iowa	2014	5.50%	22.83%	\$5,184	\$1,413
Kansas	2013	4.97%	17.75%	\$3,246	\$1,136
Kentucky	2012	0.20%	2.54%	\$85	\$0
Louisiana	2014	1.35%	3.62%	\$768	\$0
Maine	2012	9.77%	34.78%	\$6,698	\$6,698
Maryland	2012	0.23%	6.52%	\$150	\$150
Massachusetts	2014	2.11%	5.80%	\$3,649	\$3,649
Michigan	2012	30.07%	42.75%	\$24,083	\$4,537

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State	Fiscal Year	Payment Error Rate	Percentage of Sampled Cases with a Payment Error	Total Overpayment Amount for Sampled Cases	Amount of Overpayment State Expects to Recover
Minnesota	2012	18.91%	31.88%	\$24,280	\$3,625
Mississippi	2014	36.43%	42.39%	\$27,375	\$0
Missouri	2012	19.68%	29.35%	\$16,594	\$16,594
Montana	2012	9.67%	21.01%	\$9,254	\$0
Nebraska	2012	17.87%	19.20%	\$45,783	\$0
Nevada	2013	0.73%	2.90%	\$333	\$0
New Hampshire	2013	6.58%	11.23%	\$6,942	\$0
New Jersey	2012	27.42%	29.71%	\$20,006	\$6,000
New Mexico	2012	4.50%	18.12%	\$3,123	\$1,520
New York	2014	7.91%	18.12%	\$11,933	\$10,000
North Carolina	2012	0.42%	1.81%	\$36	\$82
North Dakota	2013	2.71%	5.80%	\$1,882	\$1,882
Ohio	2014	2.70%	10.51%	\$2,792	\$1,396
Oklahoma	2013	4.90%	11.96%	\$2,995	\$0
Oregon	2014	5.94%	22.46%	\$5,693	\$5,693
Pennsylvania	2013	0.34%	2.54%	\$470	\$0
Puerto Rico	2013	2.25%	8.33%	\$1,089	\$1,089
Rhode Island	2014	0.73%	0.72%	\$963	\$963
South Carolina	2012	3.98%	12.68%	\$5,145	\$0
South Dakota	2014	0.04%	0.72%	\$17	\$0
Tennessee	2014	0.54%	0.36%	\$524	\$0
Texas	2013	2.20%	12.32%	\$1,591	\$0
Utah	2014	2.55%	13.04%	\$1,517	\$1,517
Vermont	2013	2.94%	7.61%	\$3,078	\$0
Virginia	2014	7.50%	15.58%	\$7,720	\$0
Washington	2013	0.61%	3.26%	\$596	\$596
West Virginia	2013	9.91%	14.13%	\$4,601	\$0
Wisconsin	2014	2.45%	7.61%	\$2,814	\$1,990
Wyoming	2012	26.42%	43.12%	\$28,302	\$0

Source: States' Error Rate Reports, 2012-2014.

APPENDIX F: AGENCY COMMENTS



ADMINISTRATION FOR **CHILDREN & FAMILIES**

Office of the Assistant Secretary | 330 C Street, S.W., Suite 4034
Washington, DC 20201 | www.acf.hhs.gov

July 6, 2016

Sue Murrin
Deputy Inspector General of Evaluations and Inspections
U.S. Department of Health and Human Services
330 Independence Avenue, SW
Washington, D.C. 20201

Dear Ms. Murrin:

I am writing to provide the Administration for Children and Families' (ACF) final management decision regarding the recommendations in the Office of Inspector General's (OIG) report, "More Effort is Needed to Protect the Integrity of the Child Care and Development Block Grant Program" OEI-03-16-00150, which contains recommendations for ACF regarding the Child Care and Development Fund (CCDF) program. ACF appreciates the OIG's examination of the issues concerning program integrity in the CCDF program.

Since its inception, Child Care and Development Block Grant (CCDBG) has allowed states great flexibility in the ways they operate their programs, including their program integrity efforts. As noted in the OIG report, CCDF Plans collect data on a list of potential program integrity strategies, and states are not required by the law to conduct specific approaches. CCDF agency strategies therefore vary, and some depend on other state agencies for program integrity functions.

The Child Care and Development Block Grant Act of 2014 (the Act) reauthorized the program for the first time in 18 years and made expansive 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, and improve the overall quality of early learning and afterschool programs. The reauthorization provides an opportunity for ACF to focus oversight to ensure full implementation of the Act while at the same time working with states on strengthening program integrity.

ACF recently approved the State and Territory CCDF Plans for fiscal years (FYs) 2016 through 2018 in which states outlined implementation plans to meet the requirements of the Act. ACF has communicated an expectation that requirements will be met by October 1, 2018, the start of the next three-year CCDF Plan period. ACF has mobilized its technical assistance (TA) network to support states in their efforts to balance policies that support high quality services for children and families while at the same time ensuring policies and practices are in place to prevent improper payments. Our regional offices are working closely with our TA providers and states to ensure the TA meets the needs of the states.

ACF also continues to work with states through the Office of Child Care’s (OCC) National Center for Child Care Subsidy Innovation and Accountability (NCCCSIA). The NCCCSIA was funded to specifically provide TA to states on program integrity and accountability. NCCCSIA TA liaisons are assigned to each region and work one-on-one with states to assist programs in the implementation of the CCDF ensuring program integrity. Technical assistance includes targeted work with states on fraud prevention, detection, and recovery and includes peer-to-peer sharing of best practices and the use of written products to support state efforts. States have received information on the use of data analytics, running red flag reports, data sharing and matching across programs, systems upgrades, interoperability efforts in streamlining eligibility, and policy revisions. Many states are currently in the process of updating and promulgating new policies and rules related to reauthorization. The NCCCSIA team has been targeting TA to states with integrated discussion on developing policies and maintaining program integrity.

ACF continues to conduct onsite visits to assist states in their efforts to reduce improper payments. ACF targets states with improper payments that exceed the ten percent compliance threshold set by the Improper Payments Elimination and Recovery Act (IPERA).

ACF has also developed a Joint Case Review process conducted during the states’ improper payments review cycles. This joint review with regional and central office OCC staff, states, and TA liaisons provides additional oversight of the improper payments reviews, allowing a review of the instrument and how states are implementing the instructions. States have been able to correct mistakes and make adjustments to the process of their reviews after these Joint Case Reviews are completed. This hands-on review was begun in the fall of 2015 as a pilot process and will continue moving forward.

ACF concurs with each of the four recommendations in the report and will continue current efforts and consider future efforts needed to protect the integrity of the CCDF Program. The following provides our response to each recommendation.

Recommendations 1 and 2: Request the states examine the effectiveness of their program integrity and fraud fighting activities; and examine with states the benefits of expanding program integrity and fraud fighting activities.

Response: In fiscal year (FY) 2017, OCC plans to use the *Grantee Internal Controls Self-Assessment* instrument to assist states in examining the effectiveness of their program integrity and fraud fighting efforts. Targeted discussion, including considering the costs and benefits and overall success, is built into this process. OCC will use a multi prong approach to implement the Self-Assessment. The Self-Assessment will be completed onsite with a limited number of states, pending the availability of funds. A modification of the Self-Assessment will also be completed remotely via online interactive meetings, reaching more states. In both cases, facilitated dialogue will engage states to examine policies and procedures for efficacy in their program integrity efforts. Areas of risk and mitigation are also identified and follow-up TA will be provided.

Recommendation 3: Establish routine communication to share program integrity and fraud fighting best practices.

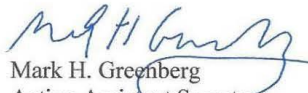
Response: OCC plans to reinstate the successful National Program Integrity Conference Call series in FY 2017. These calls, which OCC will hold quarterly, will allow states to share promising practices with each other as they develop and implement their new policies and procedures. These calls were well attended when they were offered previously and states are very eager to share and learn from each other. Technical assistance will include practices to support fraud prevention, detection, and recovery. Information products on data matching, red flag reports, front end detection, cross-program information sharing, and other efforts are available on the OCC website and shared when requested as part of targeted TA.

Recommendation 4: Determine the feasibility of requiring all States to report information about the results of their program integrity and fraud fighting activities.

Response: OCC will look at the feasibility of requiring all states to report information about the results of their program integrity and fraud fighting activities. OCC recently created a new Oversight and Accountability Division which will increase our efforts to monitor state compliance with the CCDF requirement including program integrity efforts. OCC will also consider adding additional data collection on program integrity and fraud fighting results in the State Plans for the FYs 2019 through 2021 Plan cycle. Any additional data collection would require OMB approval.

Again, ACF appreciates the OIG's efforts in this area and looks forward to continuing to work with the OIG to improve program integrity in the CCDF program. Please direct any follow-up inquiries to our Office of Legislative Affairs and Budget OIG liaison, Scott Logan at (202) 401-4529.

Sincerely,


Mark H. Greenberg
Acting Assistant Secretary
for Children and Families

ENDNOTES

¹ ACF, Office of Child Care, *What We Do*. Accessed at <http://www.acf.hhs.gov/programs/occ/about/what-we-do> on May 4, 2016. 45 CFR 98.2 provides definitions for the types of CCDF child care providers. The regulation uses the term “in-home providers”; however, ACF uses the term “child home providers.” In the current regulation, group home providers are defined as a provider type. However, in ACF’s December 2015 Notice of Proposed Rulemaking, it has proposed to delete the group home designation, see 80 Fed. Reg. 80474, 80569 (December 24, 2015).

² As defined in ACF’s CCDF State plan template for FY 2014-2015, a subrecipient (including a subcontractor and/or subgrantee) is a non-Federal entity that expends Federal awards (contract or grant) received from another entity to carry out a Federal program. It does not include a vendor, nor does it include an individual who is a beneficiary of such a program. For example, a subrecipient may be a local agency that acts as a resource for families and assists with CCDF eligibility determinations.

³ ACF, Office of Child Care, “*FUNDamentals of CCDF Administration*, ch. 4, Section C on “Direct Services Through Certificates and Contracts.”

⁴ OIG’s Office of Audit Services has published a series of reports examining States’ use of CCDF targeted funds. These reports are available at <http://oig.hhs.gov/>.

⁵ A program is classified as susceptible to significant improper payments if it has annual improper payments greater than \$10 million and over 2.5 percent of all payments made under that program. For more details, see *Issuance of Appendix C to OMB Circular A-123*. Accessed at https://www.whitehouse.gov/sites/default/files/omb/assets/omb/circulars/a123/a123_appx-c.pdf on April 28, 2016.

⁶ *Department of Health and Human Services Fiscal Year 2015 Agency Financial Report*, p. 205. Accessed at <http://www.hhs.gov/sites/default/files/afr/fy-2015-hhs-agency-financial-report.pdf> on April 28, 2016.

⁷ OIG’s Office of Audit Services published 19 reports in this series. A link to all 19 reports are available at <http://oig.hhs.gov/oas/child-care/>.

⁸ Throughout this report, we use the term “States” to refer to the CCDF lead agencies for the 50 States, the District of Columbia, and Puerto Rico.

⁹ ACF, Program Instruction CCDF-ACF-PI-2010-06, August 26, 2010. Accessed at <http://www.acf.hhs.gov/programs/occ/resource/pi-2010-06> on May 4, 2016.

¹⁰ Prior to the Child Care and Development Block Grant Act of 2014, States submitted CCDF plans every 2 years, to cover a 2-year CCDF plan period. ACF, Office of Child Care, *CCDF Plans*. Accessed at <http://www.acf.hhs.gov/programs/occ/plans> on May 4, 2016.

¹¹ In the CCDF plan template, ACF defines program violations as intentional and unintentional client and/or provider violations as defined by the State. In the CCDF plan template, administrative errors are defined as areas identified through error rate reviews performed by States.

¹² Section 5 of the Child Care and Development Block Grant Act of 2014, P.L. No. 113-186, amending Section 658E of the Child Care and Development Block Grant Act of 1990.

¹³ Examples of other Government databases that States may match data to include those of the Department of Labor and the Internal Revenue Service. Examples of other Government programs that States may match data to include Medicaid and the Temporary Assistance for Needy Families programs.

¹⁴ One of the 17 States reported that it did not make any CCDF referrals to law enforcement in 2015. Instead, the State made possible fraud referrals directly to the State’s Department of Inspections & Appeals for investigation.

¹⁵ As stated in 80 Fed. Reg. 80475 (December 24, 2015), many States administer the CCDF program through the use of subrecipients that have taken on programmatic responsibilities, including providing services on behalf of the lead agency. For example, some lead agencies operate primarily through a county-based system, while others devolve decision-making and administration to local entities such as workforce boards, school readiness coalitions, or community-based organizations such as child care resource and referral agencies.

¹⁶ OIG’s review of States’ most recent Error Rate Reports included 17 reports for FY 2012, 18 reports for FY 2013, and 17 reports for FY 2014.

¹⁷ States submitted FY 2012 Error Rate Reports using the Improper Authorizations for Payment Report (Form ACF-402) and submitted FY 2013 and FY 2014 reports using the Improper Payments Report (Form ACF-404).

¹⁸ *Department of Health and Human Services Fiscal Year 2015 Agency Financial Report*, p. 205.

¹⁹ 45 CFR § 98.60(i).

²⁰ OIG data collection interview with ACF staff, February 8, 2016.

²¹ The CCDF *Grantee Internal Controls Self-Assessment Instrument* may be accessed online at <http://www.acf.hhs.gov/programs/occ/resource/grantee-internal-controls-self-assessment-instrument>; the most recent best practices document regarding States' strategies to reduce improper payment errors may be accessed online at <https://childcareta.acf.hhs.gov/resource/states-strategies-reduce-improper-payment-errors-ccdf>.

²² 80 Fed. Reg. 80474, 80569 (December 24, 2015).

²³ Not all States recognize group homes as a separate provider type.

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