

DEPARTMENT OF CHILDREN AND FAMILY SERVICES -  
PROCESSES TO PREVENT, IDENTIFY, AND RECOVER  
IMPROPER PAYMENTS IN THE  
CHILD CARE ASSISTANCE PROGRAM



PERFORMANCE AUDIT  
ISSUED APRIL 18, 2012

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

April 18, 2012

The Honorable John A. Alario, Jr.,  
President of the Senate  
The Honorable Charles E. "Chuck" Kleckley,  
Speaker of the House of Representatives

Dear Senator Alario and Representative Kleckley:

This report provides the results of our performance audit on the Department of Children and Family Services' (DCFS) processes to prevent, detect, and recover improper payments in the Child Care Assistance Program (CCAP).

The report contains our findings, conclusions, and recommendations. Appendix A contains DCFS' response to this report. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of DCFS for their assistance during this audit.

Sincerely,

A handwritten signature in blue ink that reads "Daryl G. Purpera".

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

DGP/ch

DCFS-CCAP

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Department of Children and Family Services - Processes to Prevent, Identify, and Recover Improper Payments in the Child Care Assistance Program

April 2012

Audit Control # 40100022

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### Objectives and Overall Results

This report provides the results of our performance audit on the Department of Children and Family Services (DCFS). The purpose of the audit was to determine if DCFS has established sufficient processes to prevent, identify, and recover improper payments in the Child Care Assistance Program (CCAP). We focused on this program because it has historically had improper payments and has recently implemented an automated time and attendance system called Tracking of Time Services (TOTS) to reduce them.

Appendix A contains DCFS' response and Appendix B contains our scope and methodology. The audit objectives and results of our work are as follows:

#### **Objective 1: Does DCFS have a comprehensive process to prevent improper CCAP payments?**

**Results:** In August 2010, DCFS implemented an electronic attendance and payment system called TOTS to help prevent improper payments. However, DCFS also allows certain manual payment and scanning processes that increase the risk of improper payments. According to DCFS, these manual processes are necessary to give providers and CCAP recipients flexibility due to human error, technical issues, and various other reasons.

Preventing ineligible recipients and providers from receiving benefits is an important control in preventing improper payments. An essential component to this is requiring sufficient documentation to verify that all eligibility requirements are met. However, we found that DCFS either does not have sufficient procedures or does not follow required procedures when determining some aspects of eligibility for CCAP. Specifically, we identified the following issues:

- DCFS caseworkers do not consistently follow procedures that require them to check addresses of recipients and in-home providers<sup>1</sup> during the eligibility process. We identified approximately \$27,000 in improper payments to 15 in-home providers who cared for children living with them at the same residential address. We also identified 32 providers who share

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<sup>1</sup> For the purposes of this report, we define Class R and Class U providers as in-home providers since care is either provided in the child's home or the provider's home.

the same mailing address as the children they care for. These providers received approximately \$134,000 in CCAP funds in FY 2011. While this is not a program violation, it is possible that these mailing addresses could be incorrect and actually be the residential address because DCFS does not verify addresses unless caseworkers have a reason to suspect that the address is incorrect.

- DCFS does not have sufficient procedures related to authorizing individuals to scan children in and out of care. These individuals, called household designees, are selected by the child's parent. However, we identified 116 providers who were the household designee for 251 children, which is against policy. Although these providers were erroneously authorized to scan these children in and out of care, we did not find any instances where this occurred.
- In addition, policy prohibits household designees from living at the same house as providers who provide care in their own homes. However, there are no procedures which require caseworkers to verify the addresses of household designees.
- DCFS policy allows providers to receive manually authorized payments outside of the TOTS automated process. These payments do not have sufficient oversight and edit checks to ensure payments to providers are adequately supported and properly authorized. As a result, we identified approximately \$19,000 in duplicate payments to providers.
- DCFS policy allows parents to scan in children for previous days' attendance, which increases the risk of improper payments. Approximately 22% of parents "back-scanned" their children 50% or more of the time.

## **Objective 2: Does DCFS have a comprehensive process to identify improper CCAP payments?**

**Results:** DCFS has not established comprehensive processes to identify improper CCAP payments. Identification of improper payments is primarily the responsibility of the Fraud and Recovery Unit (FRU); however, this unit does not proactively conduct data analysis to help identify potential improper payments. Most of FRU cases are the result of complaints and referrals from parish offices. In FY 2010, FRU identified approximately \$2 million in improper CCAP payments, which represents about 2% of all CCAP payments for that year.

DCFS has established a quality control system whereby parish supervisors review CCAP cases to ensure sufficient documentation exists to support payments. However, DCFS has not charged anyone with oversight of this system to ensure it is operating effectively and in accordance with policy. As a result, we found that parishes were not conducting

the required number of reviews, that most reviews were not comprehensively evaluating all errors, and that the system was not reducing overall error rates in the program.

**Objective 3: Does DCFS have a comprehensive system to track and recover improper CCAP payments?**

**Results:** DCFS does not have a comprehensive system to investigate and recover improper CCAP payments. Because DCFS has data in five different data systems which are not interfaced, DCFS could not provide us with data on how much it has identified and recovered for all CCAP cases involving improper payments. DCFS could only provide us with summary data on cases involving provider non-fraud. For these cases, DCFS has only collected approximately 35% from FY 2009 to FY 2011 of what it identified as improper payments for those years.

In addition, DCFS has not developed sufficient methods to recover outstanding balances. DCFS paid 11 providers \$266,828 in FY 2011 in CCAP funding even though these providers owe a total of \$15,846 in outstanding balances due to improper payments back to DCFS.

## Background

This report examines improper payments in the CCAP. DCFS administers and oversees CCAP, which was established to help low-income families pay for child care while working, attending school, or both. DCFS' responsibilities include ensuring that only eligible participants receive child care assistance and that improper payments are prevented, detected, and recovered.

*Improper payments are payments to ineligible recipients, payments for ineligible services, duplicative payments, and payments for services not received.*

**Source:** Improper Payments Elimination and Recovery Act of 2010.

For five consecutive years, the Louisiana Legislative Auditor financial audits have found that DCFS did not comply with federal and state requirements for CCAP, such as establishing internal controls to help ensure that expenditures are supported by adequate documentation and eligibility criteria are met. In August 2010, DCFS implemented a new electronic child care attendance tracking system to create a more efficient payment system and help prevent fraudulent billings. Louisiana is one of the first states to implement an automated system.

### CCAP Overview

DCFS funds CCAP through a combination of federal and state sources. The majority of CCAP funding comes from the federal Child Care Development Fund (CCDF) with the state match at approximately 30%. CCAP pays up to 100% of child care tuition to providers who care for children under the age of 13<sup>2</sup> up to the current state daily rate which varies by age of child and day care type.

CCAP is administered by both the Economic Stability Section and the Child Development and Early Learning Section. Caseworkers in parish offices are responsible for processing applications and determining if applicants meet various eligibility requirements. Eligible participants in CCAP include Family Independence Temporary Assistance Program (FITAP) recipients who are satisfactorily participating in the DCFS Strategies to Empower People (STEP) program and other low-income families not receiving FITAP cash assistance.

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<sup>2</sup> Children under 18 are also eligible if they are disabled.

## CCAP Recipients and Providers

In FY 2011, approximately 2,800 child care providers in Louisiana received \$86.6 million for over 33,000 CCAP recipients. Exhibit 1 summarizes the amount of CCAP benefits paid and number of children who received assistance from FY 2007 - FY 2011.

<b>Exhibit 1</b>		
<b>CCAP Benefits and Number of Children Served in Louisiana</b>		
<b>FY 2007 - FY 2011</b>		
<b>Year</b>	<b>Total Benefits Paid</b>	<b>Average Number of Children per Month</b>
<b>2007</b>	\$96,922,671	37,299
<b>2008</b>	110,982,634	39,745
<b>2009</b>	112,260,347	39,381
<b>2010</b>	109,677,122	38,207
<b>2011</b>	86,590,153	33,441
<b>Source:</b> Prepared by legislative auditor's staff using information provided by DCFS.		

DCFS pays CCAP subsidies directly to child care providers. Child care providers must apply to participate in the program. Exhibit 2 summarizes the types of child care providers and the average monthly number of providers in FY 2011.

<b>Exhibit 2</b>		
<b>Description of Provider Types and Average Monthly</b>		
<b>Number of Providers</b>		
<b>Fiscal Year 2011</b>		
<b>Provider Type</b>	<b>Description</b>	<b>FY 2011 Monthly Average</b>
Class A	Day Care Centers	1,178
Class E	Public/Non-Public School Programs	73
Class R	Family Child Day Care Provider (care for children in provider's home)	1,166
Class U	In Home Provider (care for children in children's home)	409
Class M	Military Day Care Centers	1
<b>Source:</b> Prepared by legislative auditor's staff using information from DCFS.		

**Tracking of Time Services (TOTS)**

TOTS is an electronic child care attendance tracking system implemented statewide by DCFS in August 2010. The system records child care attendance and automatically pays providers based on this attendance data. Parents or their household designees electronically check their child in and out of care by either scanning their finger into a POS (point of service) device or using a dedicated landline to check in by phone, depending on the type of child care provider.

TOTS replaced a manual payment system in which parents signed an attendance log and providers sent in paper invoices with children's attendance to DCFS. According to DCFS, the goal of TOTS is to provide efficient and more accurate payments to child care providers and to reduce improper payments.

Affiliated Computer Systems (ACS), the third-party service vendor for TOTS, charges \$4.75 per active child per month for equipment installation/maintenance, training, data security, and a provider help desk. According to DCFS, it pays ACS an average of \$150,000 per month for TOTS.

## Objective 1: Does DCFS have a comprehensive process to prevent improper CCAP payments?

In August 2010, DCFS implemented an electronic attendance and payment system called TOTS to help prevent improper payments. However, DCFS also allows certain manual payment and scanning processes that increase the risk of improper payments. According to DCFS, these manual processes are necessary to give providers and CCAP recipients flexibility due to human errors, technical issues, and other reasons.

We also found that DCFS either does not have sufficient procedures or does not follow required procedures when establishing eligibility for CCAP. Specifically, we identified the following issues:

- DCFS caseworkers are not consistently following procedures that require them to check addresses of recipients and in-home providers<sup>3</sup> during the eligibility process. We identified approximately \$27,000 in improper payments to 15 in-home providers who cared for children living with them at the same residential address. We also identified 32 providers who share the same mailing address as the children they care for. These providers received approximately \$134,000 in CCAP funds in FY 2011. While this is not a program violation, it is possible that these mailing addresses could be incorrect and actually be the residential address because DCFS does not verify addresses unless caseworkers have a reason to suspect that the address is incorrect.
- DCFS does not have sufficient procedures related to authorizing individuals to scan children in and out of care. These individuals, called household designees, are selected by the child's parent. However, we identified 116 providers who were the household designees for 251 children, which is against policy. Although these providers were erroneously authorized to scan these children in and out of care, we did not find any instances where this occurred. In addition, policy prohibits household designees from living at the same house as providers who provide care in their own homes. However, DCFS does not collect the addresses of household designees so it cannot determine whether this is occurring.
- DCFS policy allows providers to receive manually authorized payments outside of the TOTS automated process. These payments do not have sufficient oversight and edit checks to ensure payments to providers are adequately supported and properly authorized. As a result, we identified approximately \$19,000 in duplicate payments to providers.

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<sup>3</sup> For the purposes of this report, we define Class R and Class U providers as in-home providers since care is either provided in the child's home or the provider's home.

- DCFS policy allows parents to scan in children for previous days' attendance, which increases the risk of improper payments. Approximately 22% of parents "back-scanned" their children 50% or more of the time.

These issues are summarized in more detail in the sections below.

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### **Some in-home providers were paid for children who lived with them.**

DCFS policy prohibits providers from caring for children who reside with them. DCFS procedures also require that caseworkers review provider and recipient information to ensure providers are not caring for children who live with them. However, we identified 15 providers who are caring for children who reside at the same residential address. These providers received approximately \$27,000 in funds for these children in FY 2011. We also identified 32 providers who share the same mailing address as the children they care for. These providers received approximately \$134,000 in CCAP funds in FY 2011 for these children. Recipients who share the same mailing address as their provider is not a program violation. However, there is a risk that the mailing address is incorrect and could actually be the residential address because DCFS does not verify a recipient's address during the eligibility process unless DCFS has reason to suspect that the address is incorrect.

Verification of addresses would be easier if the three databases housing CCAP data were interfaced or linked. Caseworkers must manually go into the file or system to view applicant information and provider information. Interfacing data systems within DCFS for all of its programs, including Supplemental Nutrition Assistance Program and Family Independence Temporary Assistance Program, would make the eligibility process for all programs more efficient. In addition, when systems are not interfaced, data inconsistency poses a high risk and applicants may be allowed to claim different eligibility factors for different programs to receive more assistance. In addition, caseworkers are not immediately alerted of changes to recipient data so there could be a lag period between the change in another program and when the CCAP caseworker identifies the change.

**Recommendation 1:** DCFS should compare recipients' addresses to those of providers to help ensure that providers are not being paid to care for children who reside with them.

**Summary of Management's Response:** DCFS agrees with this recommendation and states that it has implemented various measures, such as monthly reports and enhanced provider enrollment packets, to help prevent these instances.

**Recommendation 2:** DCFS should include interfaces among its various data systems to help increase the efficiency and accuracy of the eligibility process.

**Summary of Management's Response:** DCFS agrees with this recommendation and states that it is currently implementing CAFÉ (Common Access Front End), which will have interfaces among all eligibility systems.

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**DCFS does not have sufficient procedures to authorize appropriate individuals to scan children in and out of child care.**

DCFS policy prohibits providers from being designated by parents as the household designee who can scan their children in and out of care. A household designee is an adult who is designated by the CCAP recipient to check a child in and out of child care from an eligible CCAP provider. A CCAP recipient can choose up to three individuals to act as their household designees. However, DCFS has not established procedures for caseworkers to use to ensure that providers are not also authorized to be a child's designee. As a result, we found 116 providers who were the household designees for 251 children. Although we did not find any occurrences where these providers actually scanned children in and out of care, having providers authorized as designees is against policy and increases the risk that providers may scan children in when they are actually not there.

In addition, DCFS policy prohibits a household designee from residing at the same address as providers who provide care in their homes (Class R providers). However, DCFS does not have any procedures that require caseworkers to verify the address of household designees. Currently, DCFS collects only the name and date of birth for the designees. When household designees come to the parish office to get their fingers imaged, DCFS only checks their identification cards or driver's licenses to ensure the names match. However, because DCFS does not collect the household designee's address, it cannot ensure that the designee is not also residing at the same address as the provider.

**Recommendation 3:** DCFS should develop additional procedures that require caseworkers to collect additional information, such as current addresses, from household designees. Caseworkers should check this information against provider information to ensure that providers are not designees and that designees do not reside with providers.

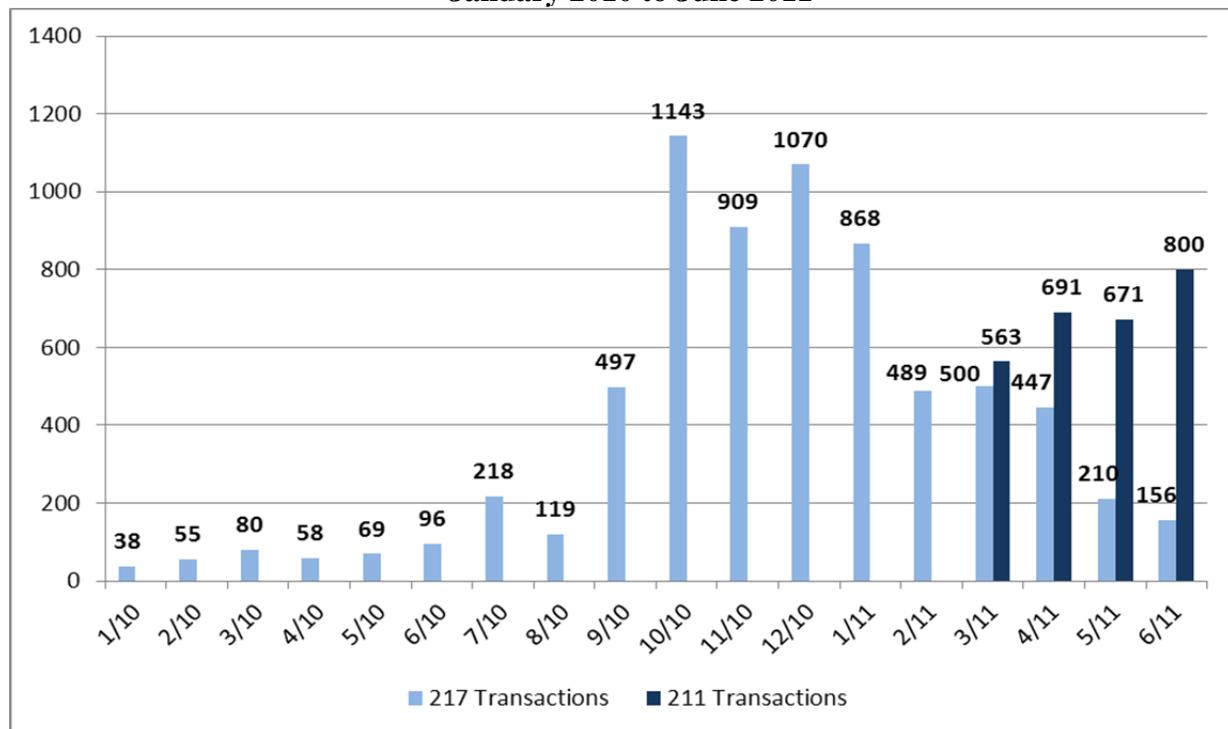
**Summary of Management's Response:** DCFS agrees with this recommendation and states that it is revising policy to ensure that providers are not the household designees for the children they are authorized to care for.

## Allowing providers to receive manually authorized assistance payments increases the risk of improper payments.

DCFS policy allows providers to receive manual payments instead of through the automated payment process. Manual payments may be issued for a variety of reasons, such as TOTS equipment failure, agency error, and changing providers. There are two types of manual payments. For the first, parish caseworkers complete a physical invoice at the request of a provider and authorize the payment in the Childcare Assistance Program System (CAPS). These are referred to as “217 transactions.” In the second type, caseworkers create an electronic invoice in CAPS and authorize the payment (referred to as “211 transactions”). DCFS began using these semi-automated payments in February 2011. However, both types of transactions occur outside of the normal automated payment process.

In FY 2011, both types of manual payments totaled \$1,045,608 or 1% of total CCAP payments. Although the amount of manual payments is low, these payments are outside of the normal payment process and increase the risk of improper payments. Exhibit 3 shows the total number of both types of manual payments from January 2010 to June 2011.

**Exhibit 3**  
**Number of Manual Payments by Month and Type**  
**January 2010 to June 2011**



Source: Prepared by legislative auditor's staff using data from CAPS.

According to DCFS, the manual payment process is necessary to allow providers and recipients some flexibility to adjust to the new automated system. While it may be necessary to allow flexibility, this process does not have sufficient controls to ensure that only proper payments are made. Issues related to manual payments are summarized below.

**Manual payments do not have sufficient edits to ensure that providers do not get paid multiple times.** For the manual payments that use the paper forms, there are no edit checks in CAPS to prevent caseworkers from entering amounts that exceed the maximum number of units a child can receive. We analyzed these payments in FY 2011 and identified approximately \$19,000 in duplicate payments to providers.

In addition, the manual payment screen in CAPS does not have edit checks to ensure that children's identification numbers are entered accurately. For example, a child not associated with the provider can be entered. Without sufficient edit checks with manual payments, there is no assurance that providers are paid for children who actually attend that daycare. According to DCFS, since February 2011 caseworkers are required to use a semi-automated invoice which does have edit checks to prevent the examples above from occurring. However, as shown in the previous exhibit, DCFS is still using manual payments as well.

**Until recently, manual payment authorizations in CAPS did not require supervisory review to ensure data was entered correctly.** According to DCFS, various parish staff, including clerical staff, were entering and authorizing manual payments in CAPS. However, while supervisors were required to approve the manual payment form, they were not required to review data entry to ensure the payments were entered correctly. This is likely another reason why we found duplicate payments. In August 2011, DCFS implemented a policy that changed who is authorized to enter manual payments. Currently, the regional program coordinator is the only staff person who has the required security level to enter these payments.

**DCFS did not require that providers submit supporting documentation for manual payment requests.** Before August 2011, DCFS management did not require parish workers to obtain documents, such as signed day care attendance logs, to verify the need for a manual payment. Signed attendance logs would help ensure that children were actually in attendance on the days for which payment is requested. In a review of 21 cases with manual payments that occurred in FY 2011, we found that 19 or 90% did not contain documentation to support the reason for the request. In August 2011, DCFS revised its policy to require that parish workers obtain attendance documentation.

**DCFS does not track the reasons for manually authorized payments.** As mentioned earlier, manually authorized payments can be issued for a variety of reasons, such as equipment failure, agency error, a change in providers, etc. However, DCFS does not track the reasons for manually authorized payments. As a result, it cannot determine what improvements, if any, could be made to prevent them from occurring. According to DCFS, since September 2011 they have required that regional offices track the reasons for manual payments and submit these to state office for review.

**Recommendation 4:** DCFS should discontinue its use of 217 manual payments. If it is impossible to discontinue its use, DCFS should ensure that the manual payment process has sufficient controls, such as edit checks and management review, to prevent improper payments.

**Summary of Management's Response:** DCFS disagrees with this recommendation and states that manual payments are a business necessity and that necessary procedures have been implemented.

**Recommendation 5:** DCFS should ensure that parish caseworkers obtain sufficient documentation before issuing payment in cases where a semi-automated invoice is used (211 transaction).

**Summary of Management's Response:** DCFS agrees with this recommendation and states that it has issued bulletins that provide procedures for documenting the reason, verification, and approval requirements to process both manual and semi-automated payments.

**Recommendation 6:** DCFS should continue to track the reason for all semi-automated payments and use these reasons to evaluate what procedures may need to be changed to decrease the use of such payments.

**Summary of Management's Response:** DCFS agrees with this recommendation and states that it has issued bulletins that provide procedures and a standardized reporting tool for tracking these payments.

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### **Allowing parents to scan in children for previous days increases the risk of improper payments.**

DCFS allows recipients and their household designees to conduct previous check-in and check-outs, also known as “back scanning,” for up to seven days (current day plus six days in the past) they attended day care but forgot or could not scan in/out, or for times when TOTS was not functioning. Allowing back-scanning is necessary for children in part-time care who are often dropped off or picked up by school transportation and cannot be scanned in by their parents. However, children in full-time care should rarely be back-scanned unless there is a TOTS malfunction. Back-scanning increases the risk of improper payments because parents could be scanning children in and out when children were not actually there.

We analyzed TOTS data on children attending child care on a full-time basis from January 2011 to April 2011 and found over 22% of children back-scanned over half of the time. In addition, approximately 2% only back-scanned and never scanned in through the automated system. Exhibit 4 summarizes our analysis of the frequency of back-scanning.

<b>Exhibit 4</b>		
<b>Frequency of Back-Scans for Children in Full-Time Care</b>		
<b>January 2011 to April 2011</b>		
<b>Frequency</b>	<b>Number</b>	<b>Percent</b>
100% of the time	444	1.98%
75% to 99%	1,860	8.28%
50% to 74%	2,656	11.82%
Less than 49%	17,786	79.13%
<b>Total</b>	<b>22,746</b>	
<b>Source:</b> Prepared by legislative auditor's staff using data from TOTS.		

Although the policy allows back-scanning only in cases where children were in attendance on those days, there is significant risk that parents are back-scanning on days children were absent. For example, a parent may be coming in on Friday to scan her children in for Monday through Thursday. In addition, this practice may result in providers allowing parents to scan in absent children because providers will not be paid for children who are absent more than five days a month. While some flexibility regarding back-scanning is necessary, DCFS should monitor the frequency of this and look for patterns of excessive back-scanning in recipients and providers.

**Recommendation 7:** DCFS should monitor the frequency of back-scanning by developing a report that is generated periodically to show cases where back-scanning occurs at an excessive rate.

**Summary of Management's Response:** DCFS agrees with this recommendation and states that it is developing a report to track this. DCFS will also develop a tolerance for back-scanning and will investigate recipients when they exceed this tolerance.

## Objective 2: Does DCFS have a comprehensive process to identify improper CCAP payments?

DCFS has not established comprehensive processes to identify improper CCAP payments. Identification of improper payments is primarily the responsibility of the Fraud and Recovery Unit (FRU); however, this unit does not proactively conduct data analysis to help identify potential improper payments. Most of FRU cases are the result of complaints, allegations, and referrals from parish offices. In FY 10, FRU identified approximately \$2 million in improper CCAP payments, which represents about 2% of all CCAP payments for that year.

In addition, while DCFS has established a quality control system to ensure sufficient documentation exists to support payments, DCFS has not charged anyone with oversight of this system to ensure it is operating effectively and in accordance with policy.

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### **DCFS does not analyze child care data to monitor or identify potentially improper payments.**

The role of information and technology is critical in detecting improper payments. In a survey of state agencies around the country that oversee child care assistance programs, the use of information technology was listed as one of the top methods that states use to detect improper payments. However, DCFS does not conduct data analysis or data mining to analyze child care data for patterns, trends, or outliers that could help identify improper payments. According to DCFS management, they are planning on performing data mining with TOTS data and creating reports that flag unusual occurrences.

DCFS captures CCAP provider and recipient data in three internal systems. CAPS contains CCAP applicant, recipient, and provider data. The Tracking Information and Payment System (TIPS) contains provider eligibility, license and CCAP authorization (whether a child is authorized to attend a certain provider) information. TOTS captures child care attendance data such as who scans a child in and out of care and the exact time a child is checked in and out of care.

**DCFS does not conduct any data analysis or data mining to identify patterns or outliers that may indicate potential improper payments.** Data mining refers to extracting large volumes of data from multiple systems, transforming it into a common format, and analyzing it to identify anomalies or patterns which may indicate improper status. Arkansas uses a data mining tool called the Decision Support System to identify potential errors such as the following:

- Participation in multiple programs with conflicting eligibility requirements
- Inconsistencies in reported demographic information
- Overuse of services across programs

Other state agencies, like Louisiana's Department of Health and Hospitals (DHH) use data mining to identify overutilization and anomalies within the Medicaid program. In FY 10, approximately 58% of cases involving potential improper Medicaid payments were opened as the result of data mining efforts.

**In addition to data mining, DCFS could also create ad hoc or red flag reports to identify error-prone circumstances, or fraud indicators.** Such reports could help summarize the large amounts of data contained in CAPS, TIPS, and TOTS to highlight unusual and possible fraudulent activity. For example, as mentioned in the first objective, the department does not monitor for excessive back-scanning by recipients and their household designees. However, according to parish workers, back-scanning can lead to errors and to manual payments. Excessive back-scanning may also be a sign of fraud.

According to DCFS, it has developed some standard reports using INFOPAC which can be accessed and reviewed by DCFS staff. However, these reports are not systematically produced as a means of monitoring CCAP.

Monitoring providers and recipients by analyzing data either through data mining or outlier reports is especially important since no onsite monitoring of CCAP providers other than licensing visits is currently conducted by DCFS. The agency could use data analysis to pinpoint unusual circumstances and potential issues to further investigate through onsite visits. This would also aide the agency in more efficiently using its limited resources. We identified the following situations in which DCFS could perform analysis and monitoring procedures to identify potential improper payments:

- Review payment data for duplicate payments for the same time period. As shown previously, we found approximately \$19,000 in potentially duplicate payments.
- Review payment data for anomalies such as large increases in amount paid or for those providers who only have manual payments. We found six providers that only had manual payments.
- Compare CCAP child care providers' and CCAP recipients' names and addresses to help determine whether family day care providers and in-home providers are caring for relatives/children who reside with them. As shown previously, we found approximately \$27,000 in payments made to providers who were caring for children that shared the same address.

**Recommendation 8:** DCFS should develop data mining techniques to evaluate data from all of its systems to help identify anomalies and other patterns that could indicate potential improper payments.

**Summary of Management's Response:** DCFS agrees with this recommendation and states that it will assess data mining techniques based on infrastructure and resource availability to the department.

**Recommendation 9:** DCFS should develop reports that will help it identify error-prone and unusual circumstances and use these reports systematically to help identify improper payments.

**Summary of Management's Response:** DCFS agrees with this recommendation and states that it is developing reports to help identify these circumstances.

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### **Because the DCFS' case review system lacks sufficient oversight, its effectiveness is limited.**

In April 2009, DCFS implemented an online case review system that allows different levels of management to monitor the accuracy of recipient eligibility for DCFS' programs, including CCAP. By analyzing case files, management can assess if proper procedures were followed in determining eligibility and help identify improper payments. Having a comprehensive system to monitor caseworkers is important because DCFS' most recent federal Quality Assurance review in 2008 resulted in a 33% improper authorization for payment error rate in CCAP. Approximately 75% of those errors were due to missing or insufficient documentation. However, DCFS is not as effective as it could be because management has not charged anyone with overseeing the entire case review system. DCFS does have regional coordinators and administrators; however, these staff are only responsible for their regions. As a result, no one is ensuring that the case review system is being used appropriately and effectively. Because of this, we identified the following issues:

- **Most parish supervisors did not meet their quota of files to review.** DCFS policy generally requires parish supervisors to perform 18 CCAP case reviews and regional coordinators to perform 30 CCAP case reviews per quarter. DCFS management told us that parish managers are responsible for ensuring that case reviews are completed. However, we found that reviewers are not always meeting their quota of cases to review. Exhibit 5 summarizes the number and percent of reviewers not meeting their quota of 18 by each quarter.

<b>Exhibit 5</b> <b>Number of Reviewers Not Meeting Quota</b> <b>July 2009 to June 2011</b> <b>145 Total Reviewers</b>		
<b>Quarter</b>	<b>Number</b>	<b>Percent</b>
Q3-2009	100	69%
Q4-2009	105	72%
Q1-2010	99	68%
Q2-2010	110	76%
Q3-2010	115	79%
Q4-2010	122	84%
Q1-2011	107	74%
Q2-2011	124	86%
<b>Source:</b> Prepared by legislative auditor's staff using data from DCFS' case review system.		

DCFS policy does allow parish supervisors to reduce their quotas; however, it does not provide acceptable situations in policy that would allow such reductions.

- Policy allows parish supervisors to use their professional judgment in selecting which cases and eligibility factors to review.** CCAP policy provides some general guidance on which cases to include in reviews, such as cases completed by new or error-prone workers, but DCFS staff told us it is generally up to each reviewer to decide which cases/factors to review. This type of methodology increases the risk of reviewers selecting a statistically unrepresentative sample of active cases, a low number of factors or cases, factors with low error rates, or the same cases more than once. Some judgment in the selection process helps to address problematic areas, but policy should provide basic guidelines to help ensure that a statistically representative sample is being used for cases and factors.
- Only 6% of reviews included a comprehensive review of all factors.** CCAP policy allows parish reviewers to choose only certain factors to include in their review (known as slant reviews) as long as they include the top three error factors from the previous quarter. Of 13,754 CCAP case reviews, 12,823 (93.2%) were slant reviews while 908 (6.6%) were full case reviews. Conducting mainly slant reviews does not provide a comprehensive review of all potential errors in cases. In addition, because slant reviews are based on the top errors from the previous quarter, the same factors will be reviewed over and over.
- Re-reviews of cases are seldom conducted.** CCAP policy requires regional coordinators to re-review a portion of parish supervisors' case reviews but does not specify an exact number of re-reviews required. Re-reviews are an important monitoring tool that helps ensure supervisors are conducting file reviews correctly. However, in our analysis of case reviews conducted from April 2009 through June 2011, we found that only 0.2% of case reviews were re-reviews.

- The case review system may not be effective at reducing errors for all factors.** The primary goal of a case review system should be to decrease errors and to identify areas where case workers need additional guidance or training. Ideally, over time the case review system should be reducing overall errors. However, we found that errors for CCAP eligibility factors that reviewers test are not always decreasing. We calculated the percentage of errors for the second quarter of 2009, 2010, and 2011. Exhibit 6 shows that for four of five factors the errors generally increased or stayed the same.

Exhibit 6 Factor Errors Second Quarter - 2009, 2010, and 2011				
Factor	Description	Q2-2009	Q2-2010	Q2-2011
Authorized Units	Maximum number of days/hours that child care can be authorized for payment.	9.8%	10.3%	15.1%
Earned Income-Wages	Income received from employment or self-employment.	19.7%	12.6%	21.3%
SIEVS System Clearances	State Income and Eligibility Verification System (SIEVS) is used to validate income using SSA, LWC, SES, PARIS, and the IRS.	13.8%	4.1%	16.5%
Correct Eligibility Decision - Overall	Determines whether the correct eligibility decision was made. (either "yes" or "no")	2.4%	1.6%	2.4%
Benefit Amount Correct - Overall	Determines whether the benefit amount was correct. (either "yes" or "no")	4.0%	3.4%	3.2%
<b>Source:</b> Prepared by legislative auditor's staff using data from DCFS' case review system.				

As the exhibit shows, only the correct benefit amount decreased over time. The remainder either increased or stayed the same. One reason errors have not decreased is because there is no one person overseeing the entire system from a management perspective. As a result, the case review system is generally used to correct individual or parish cases and not as a means to correct overall behavior through additional training or procedures.

**Recommendation 10:** DCFS should charge someone with the responsibility of overseeing the case review system for all its programs to ensure that parishes are conducting their required number of reviews.

**Summary of Management's Response:** DCFS disagrees with this recommendation and states it has staff charged with the responsibility of overseeing the case review system. DCFS program operations managers, in each DCFS office, are responsible for ensuring the required number of case reviews in their local office is completed.

**LLA's Additional Comments:** Although DCFS has assigned various managers to oversee the case management system in its respective offices, there is no one at the state office level that is overseeing the system as a whole to ensure that required reviews are completed and that the system is operating effectively.

**Recommendation 11:** Instead of predominantly using slant reviews, DCFS should conduct more comprehensive reviews of cases that include all factors to ensure all potential errors are detected.

**Summary of Management's Response:** DCFS disagrees with this recommendation and states that slant reviews are as effective as full reviews but can be completed in significantly less time allowing DCFS to conduct more reviews. In addition, each case review offers two fundamental oversights: accuracy of eligibility determination and benefit issuance. DCFS states that the reviewer must look at the case as a whole to determine if these criteria are met and slant reviews offer this governance.

**LLA's Additional Comments:** According to DCFS policy, slant reviews can consist of any number of factors as long as they include the top three errors from that parish. According to DCFS' response, reviewing only a few factors enables them to determine whether the correct eligibility decision was made and the correct benefit amount was issued. However, since there are 36 different factors included in a full case review of a CCAP case, we question how a reviewer can fully assess whether eligibility and benefit amounts were correct using only a few factors.

**Recommendation 12:** DCFS should ensure that regional coordinators conduct a sufficient number of re-reviews to help evaluate whether parish supervisors are using the case review system appropriately and effectively.

**Summary of Management's Response:** DCFS disagrees with this recommendation and states that it currently has a policy establishing that re-reviews constitute 25% of reviews conducted by program coordinators, therefore offering sufficient oversight for appropriate and effective case review governance.

**LLA's Additional Comments:** At the time of the audit, the policy in place required that a "portion" of the cases be re-reviewed. As stated in the audit, we found that less than 1% of cases have been re-reviewed.

**Recommendation 13:** DCFS should periodically evaluate the case review system as a whole at the state level, including whether errors are decreasing over time, and use this information to develop additional training or procedures to help address the errors.

**Summary of Management's Response:** DCFS disagrees with this recommendation and states that it has developed reports to identify error trends and to assess training needs.

**LLA's Additional Comments:** The reports that DCFS generates to identify training needs is primarily done at the parish or regional level. We recommend that this be done at a higher level to assess the effectiveness of the case management system as a whole.

### Objective 3: Does DCFS have a comprehensive system to track and recover improper CCAP payments?

DCFS does not have a comprehensive system to track and recover improper CCAP payments. FRU is responsible for investigating and recovering improper payments. However, information on CCAP cases involving improper payments is not centralized, which made it difficult to reliably calculate the amount of improper payments it has and has not recovered. Because of this, we identified some providers with outstanding balances owed to DCFS that are currently in business and receiving child care payments.

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#### **DCFS does not have an adequate system to track improper payments and recovery.**

Recovery of ineligible benefits in the programs administered by DCFS is the primary responsibility of the agency's FRU. However, FRU does not centrally and electronically track all improper payment cases (fraud and non-fraud) including the amount of improper payment funds recovered. As a result, the department cannot reliably report how much improper payments it has recovered and how much is still uncollected.

**FRU tracks improper payment cases and recovery in five different systems.** These systems include both databases and spreadsheets maintained by staff. Provider fraud cases are tracked in the Case Management Information System (CMIS). Until January 2011, provider non-fraud cases were informally tracked in separate Excel spreadsheets maintained by two FRU staff. Since then, they are tracked in CMIS. Recipient fraud and non-fraud cases are tracked in the Recovery Account System (RAS). Once a case has been investigated and determined to be an improper payment, the recovery process is tracked in RAS (recipients) or CAPS. None of these systems interface with each other. Since this information is spread across so many different systems, it is difficult to get a clear and accurate picture of FRU's cases and the amount of funds FRU recovered.

**FRU could not reliably report detailed information on how much improper payments they recovered and how much was still uncollected.** The data weaknesses made it difficult or impossible for FRU to respond to our data requests, taking weeks to manually review case files dating back 10 years, providing incomplete data or not having the data necessary to respond at all. Ultimately, FRU could only provide us with a report showing overall CCAP overpayments and collections for Fiscal Years 2009 - 2011 for provider non-fraud cases only, but could not provide us with information on cases involving recipient or provider fraud because CCAP overpayments and collections for these cases are tracked in the RAS data system. According to FRU staff, they have not developed a report they can generate from RAS that shows overpayments recovered for these cases. Exhibit 7 summarizes the amount of improper payments identified in the provider non-fraud cases from FY 2009 to FY 2011.

<b>Exhibit 7</b>			
<b>Identification and Recovery of Improper Payments – Provider Non-Fraud Cases FY 2009 to FY 2011</b>			
	<b>Improper Payments Identified</b>	<b>Improper Payments Recovered</b>	<b>Percentage of Payments Recovered</b>
FY 2009	\$1,055,771	\$363,696	34.45%
FY 2010	\$885,306	\$333,463	37.67%
FY 2011*	\$676,923	\$225,720	33.35%
* Does not include April through June			
<b>Note:</b> We did not test the reliability of these figures.			
<b>Source:</b> Prepared by legislative auditor's staff using FRU's Summary Losses & Collections Report			

**Recommendation 14:** DCFS should develop a centralized tracking system for all types of cases involving improper payments.

**Summary of Management's Response:** DCFS partially agrees with this recommendation and states that it only has three systems and that these systems effectively mitigate the risk of ineffective investigation and recovery of improper payments.

**LLA's Additional Comments:** None of the systems we reviewed contained complete data on FRU cases. Because of this, we could not determine how many cases FRU had and their status. We are recommending that FRU develop a centralized system to track the status of all its cases.

**Recommendation 15:** DCFS should explore methods to recover a higher percentage of its overpayments, including collection agencies.

**Summary of Management's Response:** DCFS agrees with this recommendation and states that it will be conducting research to assess recovery options and practices nationally. This consideration will include collection agencies and return on investment analysis as compared to in-house efforts and costs.

## DCFS does not recover improper payments from CCAP providers who change TIPS numbers.

A TIPS number is a provider's payment account number. DCFS assigns a new TIPS number for various reasons, including when a Class A child care center changes names, changes Tax ID numbers, has their license revoked and the center reapplies rather than pursuing appeal, or changes ownership. The CAPS data system automatically recoups improper payments from a provider's current payments. However, the system cannot recoup improper payments received under a provider's previous TIPS number. In addition, DCFS does not have a manual process to identify these providers. Exhibit 8 summarizes the number and percent of providers who have changed their TIPS numbers.

Exhibit 8 Number of TIPS Numbers and Providers As of March 2011		
TIPS Numbers	Number of Providers	Percent
Changed 1 time	1,014	27.66%
Changed 2 times	383	10.45%
Changed 3 times	202	5.51%
<b>Source:</b> Prepared by legislative auditor's staff using data from CAPS.		

As the exhibit shows, 28% of providers changed their TIPS numbers at least once. Therefore, if these providers had an improper payment identified under a previous TIPS number, DCFS does not recoup these funds. The CAPS data system automatically recoups improper payments from a provider's current payments. However, the system cannot recoup improper payments under a provider's previous TIPS number. In addition, DCFS has not implemented a manual process to identify these providers. DCFS management we spoke with told us that they were not aware of the issue but would work to create a process so that recovery could be made, either through CAPS or manually.

**Recommendation 16:** DCFS should develop the capability in CAPS to recoup improper payments to CCAP providers who change their TIPS numbers. In the meantime, DCFS should develop a manual process to check for this in cases needing recoupment.

**Summary of Management's Response:** DCFS agrees with this recommendation and states that it has implemented a policy enhancement effective February 2012 that will require Social Security Administration verification documentation for all providers when submitting an application for participation in the program.

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**DCFS does not have procedures to ensure recovery of all improper payments.**

FRU policies require that they pursue overpayment or ineligible payment to CCAP recipients and providers unless the claim is non-fraud and meets any of the following criteria:

- Less than \$35 for current CCAP participants
- Less than \$250 for those not currently participating in CCAP
- The recipient or provider cannot be located
- The case is being referred for prosecution

DCFS can recover improper payments through three methods: administrative demand letter, payment reduction, or court order. FRU first attempts recovery of payment through an administrative demand letter. FRU sends out a total of four demand letters over a period of four months. For on-going providers, if repayment is not made in full or a repayment agreement is not set up after the demand letter(s), FRU then recoups the improper payment(s) through deduction from future payments. However, for providers no longer participating in CCAP, FRU has no other way to recover improper payments except through the administrative demand letter. FRU does not take further action if these providers do not repay or set up a repayment plan. DCFS management has not created any policies outlining further procedures to follow up on uncollected repayments. In addition, the agency has not created any monetary penalties for failure to repay.

According to data from FRU, there are 287 CCAP providers who have outstanding balances totaling \$416,914. Approximately 87% of these cases have already closed with no funds recovered. However, we found 11 providers who have outstanding balances totaling \$15,846 who are current providers receiving CCAP funding. These providers received \$266,828 in FY 2011. In two of these cases, the providers changed their TIPS numbers as mentioned above. However, in the other nine cases, it is unclear why DCFS could not collect funds from providers currently participating in the program. However, according to DCFS, it has since recovered balances from all of these providers.

One method DCFS could use to collect delinquent repayments is through a claim of state tax offset which requests the Department of Revenue to collect the debt owed from an individual's state tax refunds. Other states, such as Wisconsin, also collect delinquent payments through levying of wages and bank accounts and liens against real and personal property.

**Recommendation 17:** DCFS should evaluate the possibility of implementing additional measures to recoup funds, including collecting payments from tax refunds.

**Summary of Management's Response:** DCFS agrees with this recommendation and states that it will be conducting research to assess Federal Treasury Offset Program options nationally. Also, FRU's existing processes will be evaluated and compared to national practices to identify opportunities for recovery and process improvement.

## **APPENDIX A: MANAGEMENT'S RESPONSE**



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March 9, 2012

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P.O. Box 94397  
Baton Rouge, LA 70804-9397

Attn: Nicole B. Edmonson, CIA, CGAP, MPA  
Director of Performance Audit Services

RE: DCFS Prevention, Detection, and Recovery of Improper Payments in the Child Care Assistance Program

Dear Mr. Purpera:

The following is submitted in response to your request dated February 28, 2012 in reference to the aforementioned Audit. The Department of Children & Family Services (DCFS) concurs-in-part with regard to the recommendations set forth in the Audit. As such, the following discloses DCFS's concurrences, non-concurrence and corrective actions as applicable:

**Recommendation #1: DCFS should compare recipients' addresses to those of providers to help ensure that providers are not being paid to care for children who reside with them:**

DCFS concurs with this recommendation.

- DCFS has created a monthly report matching provider and children in care of those providers. DCFS Operations - Field Staff are responsible for reviewing said report for policy violations, and making referral to the DCFS Childhood Development & Early Learning Section (CDELS) for appropriate action. Overpayments confirmed by CDELS will initiate recoupment and/or referral to DCFS Fraud & Recovery Unit (FRU).
- DCFS CDELS – CCAP Provider Directory Unit certifies child care provider CCAP eligibility and conducts 'midpoint' eligibility reviews. The Unit Supervisor has delivered staff training for eligibility guidelines and policy enhancements regarding proper certification, address verification, and payment issuance. The Unit Supervisor will also conduct routine review of provider eligibility cases to verify compliance.
- Collateral statements are no longer sufficient to verify residence. The provider must furnish a recent rent, mortgage, phone/utility receipt or some form of correspondence verifying their address.
- DCFS CDELS – CCAP Provider Directory Unit has enhanced the Family Child Day Care Home (FCDCH) Provider Enrollment Packet to clearly identify both provider and child addresses, to eliminate errors and policy violations.
- DCFS Policy has been revised to include certification protocol and policy enhancement for DCFS CDELS – CCAP Provider Directory Unit Staff.

**Recommendation #2: DCFS should include interfaces among its various data systems to help increase the efficiency and accuracy of the eligibility process:**

DCFS concurs with this recommendation. DCFS is currently implementing CAFÉ (Common Access Front End); a web-based front end system. Once fully implemented, all DCFS eligibility systems will interface; offering increased efficiency and accuracy of DCFS programs, including CCAP.



**Recommendation #3: DCFS should develop additional procedures that require case workers to collect additional information, such as current addresses, from household designees. Case workers should check this information against provider information to ensure that providers are not designees and that designees do not reside with providers:**

DCFS concurs with this recommendation. DCFS has taken steps to ensure that providers are not household designees for children they are authorized to care for. CCAP policy is being revised to include:

- CCAP recipients must report within ten days, if their child care provider moves into their home or if the CCAP recipient moves in with their provider.
- The Household Designee (HD) authorization form is being revised to have the client attest that the HD: is not the CCAP provider for the child, does not work at the child care facility where care is provided, and does not live with the household's Family Child Day Care Home (FCDCH) provider.
- A new HD form is being created and will require all HD sign and provide their residential address. The signed form confirms that the HD: is not the CCAP provider for the child, does not work at the child care facility where care is provided, and does not live with the household's FCDCH provider.

**Recommendation #4: DCFS should discontinue its use of 217 manual payments. If it is impossible to discontinue their use, DCFS should ensure that the manual payment process has sufficient controls, such as edit checks and management review, to prevent improper payments:**

DCFS does not concur with this recommendation. Manual (217) payments are established by DCFS Policy as they are business necessity to include: when care is authorized outside the case certification period, when a STEP participant is engaged in activities and care is needed outside the STEP-CC case certification period, when a child is inadvertently included in the wrong case (human error), and when payment must be made to a provider for any month prior to July 2010. Further, DCFS Executive Bulletins, E-2464 issued August 19, 2011 and E-2464-01 issued September 12, 2011 provide procedures for documenting the reason, verifications, and approval requirements to process both manual and semi-automated invoices.

**Recommendation #5: DCFS should ensure that parish caseworkers obtain sufficient documentation prior to issuing payment in cases where a semi-automated invoice is used (211 transaction):**

DCFS concurs with this recommendation. DCFS Executive Bulletins, E-2464 issued August 19, 2011 and E-2464-01 issued September 12, 2011 provide procedures for documenting the reason, verifications, and approval requirements to process both manual and semi-automated invoices.

**Recommendation #6: DCFS should continue to track the reason for all semi-automated payments and use these reasons to evaluate what procedures may need to be changed to decrease the use of such payments:**

DCFS concurs with this recommendation. DCFS Executive Bulletins E-2464 issued August 19, 2011 and E-2464-01 issued September 12, 2011 provide procedures and a standardized reporting tool for tracking all semi-automated payments. As of August 2011, monthly reporting are shared with DCFS Field Operations and Child Development and Early Learning Section to assist in identifying training needs for both DCFS staff and CCAP providers.

**Recommendation #7: DCFS should monitor the frequency of back-scanning by developing a report that is generated periodically to show cases where back-scanning occurs at an excessive rate:**

DCFS concurs with this recommendation. DCFS recognized, prior to implementation of TOTS, it would be necessary to monitor the frequency of back-scanning children into care. As such, TOTS Phase II reporting will have a monthly report that will itemize the number of children that are back-scanned and how often back-scanning (per child) occurs. Once the report is completed, DCFS intends to set a tolerance for back-scanning and will investigate recipients exceeding the tolerance or providers having continuous back-scanning of children. School-aged children will be excluded from this report as they are required to be back-scanned on a regular (sometime daily) basis. A notice is being sent to CCAP providers reiterating their responsibility to ensure parents or household designees are checking children in and out of care using TOTS each time the child is dropped off or picked up from care.



**Recommendation #8: DCFS should develop data mining techniques to evaluate data from all of its systems to help identify anomalies and other patterns that could indicate potential improper payments:**

DCFS concurs with this recommendation: DCFS will assess data mining techniques based on infrastructure and resource availability to the Department.

**Recommendation #9: DCFS should develop reports that will help it identify error prone and unusual circumstances and use these reports systematically to help identify improper payments:**

DCFS concurs with this recommendation. DCFS Executive Bulletins, E-2464 issued August 19, 2011 and E-2464-01 issued September 12, 2011 provide procedures for documenting the reason, verifications, and approval requirements to process both manual and semi-automated invoices; therefore decreasing risk of improper and/or duplicate payments. Additionally, DCFS recognized, prior to implementation of TOTS, it would be necessary to monitor error prone and unusual circumstances. As such, TOTS Phase II reporting will have monthly reporting to identify potential improper payments systematically. Further, DCFS Bureau of Audit and Compliance Services will utilize monthly reporting to assess compliance with TOTS/CCAP payment issuance.

**Recommendation #10: DCFS should charge someone with the responsibility of overseeing the case review system for all its programs to ensure that parishes are conducting their required number of reviews.**

DCFS does not concur with this recommendation. DCFS currently has staff charged with the responsibility of overseeing the case review system. DCFS Program Operations Managers, in each DCFS office, are responsible for ensuring the required number of case reviews in their local office is completed.

**Recommendation #11: Instead of predominantly using slant reviews, DCFS should conduct more comprehensive reviews of cases that include all factors to ensure that all potential errors are detected.**

DCFS does not concur with this recommendation. Slant reviews are completed based on significant error elements; as determined by both case and Quality Control reviews. Slant reviews are as effective as full reviews but can be completed in significantly less time (as documentation requirements less stringent), allowing Supervisors, Regional Program Coordinators, and other reviewers the ability to complete more reviews. Each case review (full and slant) offers two fundamental oversights: accuracy of eligibility decisioning & accuracy of benefit issuance. The reviewer must look at the case as a whole to determine if these two criteria are met; slant reviews offer this governance.

**Recommendation 12: DCFS should ensure that regional coordinators conduct a sufficient number of re-reviews to help evaluate whether parish supervisors are using the case review system appropriately and effectively.**

DCFS does not concur with the recommendation. DCFS currently has policy establishing that re-reviews constitute 25% of reviews conducted by Program Coordinators; therefore offering sufficient oversight for appropriate and effective case review system governance.

**Recommendation 13: DCFS should periodically evaluate the case review system as a whole at the state level, including whether errors are decreasing over time, and use this information to develop additional training or procedures to help address the errors.**

DCFS does not concur with this recommendation. DCFS currently evaluates its case review system periodically. DCFS Regional Administrators and Program Operations Managers have been trained to generate reporting; which identify case review error trends. There are also numerous automated reports, generated monthly; which identify error trends for the case review system. Additionally, DCFS Economic Stability Performance Measures Consultants and Regional Program Coordinators also generate these reports periodically, to assess training needs. Further, Economic Stability Performance Measures Consultants and Regional Administrators hold monthly meetings, in each region, to discuss error trends and identify opportunities for mitigating errors and training needs.



**Recommendation 14: DCFS should develop a centralized tracking system for all types of cases involving improper payments.**

DCFS concurs in part with this recommendation. The audit report sites DCFS Fraud and Recovery Unit (FRU) having five different systems for tracking improper payment cases and recovery. However, DCFS FRU has only three systems: Case Management Information System (CMIS), Recovery Account Systems (RAS), and Child Care Assistance Program System (CAPS). CMIS offers case management governance for all FRU cases, therefore offering administrative oversight. CAPS offers the ability to recoup non-fraud payments from active Child Care Providers. These non-fraud recoupments are attributed to administrative and/or inadvertent errors. RAS offers oversight for both fraudulent and non-fraud recoupment. All recoupment, other than those captured in CAPS, are tracked and recovered via RAS. As the only recovery not captured in RAS is non-fraud recoupment from active Child Care Providers; the dual-system (CAPS & RAS) coalesced with CMIS oversight offers effective governance for FRU case tracking and recovery. While a centralized system would offer operational easy; the current systems effectively mitigate risk of ineffective investigation and recovery of improper payments.

**Recommendation 15: DCFS should explore methods to recover a higher percentage of its overpayments, including collection agencies.**

DCFS concurs with this recommendation. DCFS will be conducting research to assess recovery options and practices nationally. Additionally, DCFS Fraud and Recovery Unit (FRU) existing processes will be evaluated and compared to national efforts to identify opportunities for recovery and process improvement. Consideration will include: recovery percentages by third party collections agencies, resource requirements, and return on investment analysis as compared to in-house efforts and costs.

**Recommendation # 16: DCFS should develop the capability in CAPS to recoup improper payments to CCAP providers who change their TIPS numbers. In the meantime, DCFS should develop a manual process to check for this in cases needing recoupment.**

DCFS concurs with this recommendation. DCFS instituted a policy enhancement, effective February 2012, requiring Social Security Administration verification documentation for all providers, directors and/or owners when submitting an application for participation in the Child Care Assistance Program; and ultimately issuance of a Tracking Information Payment System (TIPS) provider number. Once a TIPS provider number is generated it is relayed to the ProDirect System where all provider information is maintained. This enhancement offers DCFS Child Development & Early Learning – Provider Directory Unit an ability to track providers across TIPS provider numbers; while ensuring the identification of said providers is supported by Social Security Administration verification. Said policy enhancements include referral to DCFS FRU for potential recovery and/or follow-up.

**Recommendation 17: DCFS should evaluate the possibility of implementing additional measures to recoup funds, including collecting payments from tax refunds.**

DCFS concurs with this recommendation. DCFS will be conducting research to assess Federal Treasury Offset Program options nationally. Additionally, DCFS Fraud and Recovery Unit (FRU) existing processes will be evaluated and compared to national practices to identify opportunities for recovery and process improvement. Consideration will include: resource and infrastructure requirements and, return on investment analysis as compared to in-house efforts and costs.

Please advise in the event that additional clarification and/or information are required.

Sincerely,



Richard "Dickie" Howze  
Undersecretary

RDH/KM/GK/dja



- c: Ruth Johnson, Secretary
- Brent Villemarette, Deputy Secretary-Programs
- Sammy Guillory, Assistant Deputy Secretary-Programs
- Denise Fair, Deputy Secretary-Operations
- Connie Wagner, Assistant Deputy Secretary-Operations
- Kaaren Hebert, Policy Advisor
- Amy Colby, Executive Counsel
- Trey Williams, Director, Bureau of Communications & Governmental Affairs
- Del Augustus, Director Bureau of Audit & Compliance Services, DCFS Audit Liaison
- Karen Leblanc, CIA, CGAP, LLA Performance Audit Manager



## APPENDIX B: SCOPE AND METHODOLOGY

We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. Louisiana Revised Statute (R.S.) 24:522 directs the Legislative Auditor to establish a schedule of performance audits to ensure that at least one performance audit is completed and published for each executive department agency within a seven-year period, beginning with the 1998 fiscal year. In accordance with this legislative mandate, we scheduled a performance audit of the Department of Children and Family Services (DCFS) for FY2011. Our audit focused on the prevention, detection, and recovery of improper payments to parents and providers participating in the Child Care Assistance Program (CCAP). Our audit period generally covered FY2011 but in some cases we reviewed data prior to this time frame in order to evaluate patterns and trends.

The audit objectives were to answer the following questions:

1. Does DCFS have a comprehensive process to **prevent** improper CCAP payments?
2. Does DCFS have a comprehensive process to **identify** improper CCAP payments?
3. Does DCFS have a comprehensive system to **track and recover** improper CCAP payments?

We conducted this performance audit in accordance with generally accepted government auditing standards promulgated by the Comptroller General. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. To answer the audit objectives, we reviewed internal controls relevant to the audit objectives and performed the following audit steps:

- Reviewed state laws and administrative code relating to DCFS and CCAP.
- Identified best practices for preventing and monitoring for child care assistance improper payments by reviewing the following sources:
  - Other states' child care assistance audit reports
  - Federal government (GAO and Department of Health and Human Services) reports related to the Child Care Development Fund (CCDF), care assistance programs, and improper payments

- Contacted other states to obtain fraud and recovery information and compared Louisiana policies/practices to those of other states.
- Reviewed CCAP policies and procedures manual, interviewed various DCFS (state and parish) staff, and conducted site visits to child care providers to develop an understanding of program operations and issues relating to the following:
  - Eligibility processes to become a CCAP recipient and provider
  - TOTS system processes
  - CCAP payment processes (automated and manual)
  - Monitoring continuing eligibility of CCAP recipients and providers
  - Monitoring recipient, provider, TOTS and payment data for improper payments
  - Process for recovering improper payments once they are identified
- Identified and obtained CCAP related data from DCFS and ACS (TOTS vendor), then evaluated the controls and reliability of this data.
- Analyzed CCAP related data for the following:
  - General statistics
  - Outliers or unusual circumstances (i.e., parents that have more than 10 children in daycare, data for a recipient does not match in the various data systems, etc.)
  - Manual payments information
  - Duplicate or overpayments
  - Excessive backscanning
- Conducted case file reviews of manual payments at three DCFS Economic Stability parish offices.
- Obtained and analyzed data from the Case Review System from April 2009 – June 2010.