EXECUTIVE SUMMARY

In response to the Improper Payments Information Act (IPIA) of 2002 and guidance from the Office of Management and Budget (OMB), the Child Care Bureau (CCB) launched the Measuring Improper Payments in the Child Care Program Project. The purpose of this project is to identify and describe methods that could help States identify, measure, and prevent errors in the administration of the Child Care and Development Fund (CCDF).

As a part of an overall strategy to provide information to help States improve payment accuracy, the CCB developed a national survey to collect information about State policies and practices regarding improper payments. Following receipt of Office of Management and Budget (OMB) approval in October 2005[3], the CCB sent the *Improper Payments Information Survey for the CCDF Program* to all States.

This report contains tabulations, rankings, and summaries of State responses to 24 questions about policies and procedures used to identify, measure, and prevent errors in the administration of the CCDF. Twenty-four out of 52 States, including the District of Columbia and Puerto Rico, completed the *Improper Payments Information Survey for the CCDF Program*, representing a 46% response rate.

The 25 State agency responses to this survey indicate a growing trend towards establishing formalized standards, policies and procedures to reduce improper payments. Some of the promising practices highlighted in this report include:

Building the organizational infrastructure necessary to reduce improper payments: As child care costs and expenditures have increased since the enactment of the Family Support Act of 1988, State agencies have responded by building the infrastructure and technology needed to administer the CCDF. Building an adequate infrastructure to detect and recover improper payments requires State agencies to foster collaborative working relationships both within and outside their own agencies. The narrative descriptions and organization charts provided by 20 State agencies point to the establishment of State level administrative units responsible for the oversight and monitoring of improper payments.

Establishing State laws, administrative rules, policies and procedures that formalize the processes necessary to avoid, detect and recover improper payments: All States agencies indicate a trend towards establishing more formalized standards, processes and procedures. With the growth in size of the child care program and the need to collaborate across agency division lines, States have invested considerable resources in coordinating the improper payments activities of the agency. All State agencies report having established policies and regulations for the following areas: steps involved in identifying improper payments, steps involved in verifying an improper payment, establishing claims for improper payments and collecting improper payments. Examples of standards or procedures States find most effective at detecting improper payments include:

[3] In accordance with the Paperwork Reduction Act of 1995, collection of this information has been approved by the Office of Management and Budget (OMB) under OMB Control Number 0970-0290, expiration date 10-31-2008.

establishing standardized eligibility practices for verifying client information, quality control audits or supervisory reviews, computer data matching, ad hoc reporting or third party verification of error-prone circumstances and changes discovered at redetermination.

Developing tools for assessment, monitoring and tracking improper payments: The role of information and technology is critical in reducing improper payments. Collecting information or data on improper payments is an important prevention strategy used by State agencies. Over three-quarters of State agencies report tracking information on sources, types, or causes of improper payments. Tracking the sources, types and causes of improper payments is a key strategy used by States to detect and prevent improper payments. For example, 20 State agencies rate client nonreporting and underreporting of income and provider claiming for services not rendered, as contributing a great or moderate extent to improper payments.

Armed with knowledge of key factors that contribute to payment accuracy, States develop a variety of tools to help identify error-prone circumstances. The top three methods State agencies use to detect improper payments include: training/meetings for providers on rules and responsibilities, training for agency staff on correct implementation of rules and responsibilities, use of information technology and record monitoring reviews.

Using information technology to detect and avoid improper payments: Promising practices in the use of information technology States consider most effective in reducing improper payments include:

- **Accessing online databases**, such as Wage and Unemployment Insurance (UI) databases, Public Assistance, Income Eligibility Verification System (IEVS) Motor Vehicles, Child Support, Social Security Administration records (SSA), Supplemental Security Income (SSI) information and Licensing records;
- **Matching automated computer files**, such as matching child care applicant income information with unemployment insurance wage information;
- **Developing ad hoc or red flag reports that identify error-prone circumstances**, such as out-of-state providers, capacity and extended hours of care; and
- **Developing EBT systems for provider payments,** eliminating the potential for most providers to charge for hours of child care that were not provided.

Conducting record monitoring reviews to improve payment accuracy and initiation of fraud investigations if warranted: State agencies report using a variety of methods to identify the total amount of improper payments, including case record reviews, reviews of service providers or contractors, findings from State and local fraud units, the State's single audit or from State and local auditors. Three quarters of State agencies report conducting program integrity/quality control reviews to improve payment accuracy. All State agencies report initiating a fraud investigation as a key strategy critical to verify the accuracy of payment information.

Thirteen State agencies provide sections of manuals or other State-issued guidance that may be instructive for other States. Where possible and appropriate, sections of manuals and administrative rules are included in the Appendices to this report. One State agency provides an example of a cost benefit analysis of error prevention and recovery activities which is included in Appendix 26. This cost benefit analysis illustrates how information, as highlighted in the data elements of this survey, can be used to estimate if costs of error detection and recovery are offset by amounts recovered. Other guidance that could not be attached to this report, due to length includes: Benefit Errors Procedures, Payment Processing Procedures and Sample Data Integrity Reports and a Training and Monitoring Resource Guide. Copies of these attachments can be obtained by contacting the State representative listed in Appendix 25. Nine State agencies provide Web site addresses to access State manuals or guidance also listed in Appendix 24.