



New York State Office of Children and Family Services

Child Care Subsidy in New York State: *Making Every Dollar Count* Summary of Roundtable Discussion

INTRODUCTION

On October 27, 2010, the New York State Office of Children and Family Services (OCFS) hosted a Roundtable Discussion to address ways to prevent and eliminate fraud in the child care subsidy program and to maximize the efficient use of limited child care funds. The roundtable was attended by over 100 individuals representing several social services districts and various statewide professional organizations. Participants included social services commissioners, caseworkers, fraud investigators, local county prosecutors, child care advocates, representatives from the federal Office of Child Care, and unions representing child care providers - the United Federation of Teachers and the Civil Service Employees Association.

OCFS Executive Deputy Commissioner, William T. Gettman, Jr. provided the welcome and introductory remarks. The keynote speaker was Jim Bates, Director of the Bureau of Child Care Administration from the state of Wisconsin Department of Children and Families. Mr. Bates provided an overview of the actions Wisconsin took in response to a series of newspaper articles regarding fraud and abuse in its child care subsidy program. The reporter received a Pulitzer Prize for her work in covering this issue.

Following the opening remarks and keynote address, the day was organized into two breakout sessions – the morning session had eight breakout groups and the afternoon session had six breakout groups. The morning breakout session groups were arranged primarily by local social services district so that those working in the same district could problem-solve together. Each group was asked to respond to a scenario that described an example of provider/parent fraud. Then, the groups were asked what they would have done differently to prevent or identify the fraud described in the scenario. Finally, the groups were asked to identify the procedures or policies currently imposed by the federal, State or local governments that are barriers to preventing or detecting child care subsidy fraud in their respective districts.

The afternoon session groups were organized by title and position of the participants, such that local social services district commissioners and district attorneys were grouped together, as were child care subsidy supervisors and fraud investigators. The remaining participants were distributed among the six groups. The activity for each group during this breakout session was to determine the obstacles to preventing, identifying, or prosecuting fraud. Each group was also asked to identify what changes they would make in current law, regulations, policies and/or procedures; who would be responsible for making those changes; and what would be needed to make those changes.





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BACKGROUND

OCFS has oversight responsibilities for the provision of child care subsidies funded under the New York State Child Care Block Grant (NYSCCBG) for over 210,000 children annually. In addition, OCFS oversees the licensing and registration of over 18,000 child care providers and the enrollment of over 50,000 legally-exempt child care providers. Charged with these responsibilities, OCFS has focused during the past four years on ways to promote program integrity in the child care program, eliminate improper child care subsidy payments to families and child care providers, and maintain the health and safety of children in child care.

In concert with OCFS, the State of New York Office of State Comptroller (OSC) released an audit on July 2, 2008 which examined the use of funds to create and preserve child care slots in New York City. The audit covered the period between May 15, 1999 and August 31, 2006, during which time OCFS awarded 205 contracts totaling \$10.7 million for child care slots in New York City. In response to the audit, OCFS took the following actions toward the prevention of waste, fraud and abuse in the child care program:

- Recovered over \$1,000,000 from child care providers that did not create the required number of slots specified in their contracts with OCFS;
- Required State staff to attend training offered by OSC and the New York Welfare Fraud Investigators Association (NYWFIA) to improve skills in the areas of program oversight and monitoring;
- Established scholarships for local social services district staff and State staff to attend NYWFIA's annual workshops;
- Identified funding and developed an automated child care time and attendance system, which is currently being implemented;
- Increased OCFS regional office licensing staff and home office staff ratios to reduce workloads and provide greater technical assistance to child care providers and to agencies receiving State funds;
- Established a formal new subsidy fraud referral process between local social services districts and OCFS regional office licensing staff;
- Performed additional assessments of child care subsidy programs to detect fraud; and
- Mandated that local social services districts establish comprehensive fraud and abuse control activities, including making referrals of child care subsidy applications to the Front End Detection System (FEDS).

Another factor driving OCFS concern with program integrity is the estimate of improper payment rates¹ derived by the United States Department of Health and Human Services, which

¹ Improper is defined as funds going to the wrong recipient, an incorrect amount of funding, or a recipient using the funds in an inappropriate or unauthorized manner.





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estimated that the improper payment rate for the federal Child Care and Development Fund (CCDF) in federal fiscal year 2008 was 11.9 percent. In addition, caretakers and providers have been charged with fraudulently obtaining CCDF funds. Fraudulent payments reduce funds available for qualified families that rely on subsidies for child care and prevent other families from receiving child care assistance.

In September 2010, the U.S. Government Accountability Office (GAO) conducted a test of the vulnerability of state CCDF child care subsidy programs to fraud and abuse. GAO investigators posed as parents in 10 scenarios in the five states: Illinois, Michigan, New York, Texas, and Washington. The GAO issued a report indicating that CCDF programs in four of the five states tested were vulnerable to fraud because the states or localities did not adequately verify the information provided about children, parents, and providers; and lacked adequate controls to prevent fraudulent billing. New York State was one of the four states reported as being vulnerable to fraud and abuse.

RESULTS OF THE ROUNDTABLE DISCUSSION

The Wisconsin Experience

Following the media expose' of child care subsidy fraud in Milwaukee, it became clear to Wisconsin that action was needed to address fraud and abuse of the child care subsidy program. In response, Wisconsin launched a multi-faceted investigation into the child care subsidy program and found that there was a lack of coordination among State agencies responsible for regulating child care subsidy, licensure, certification and other government services being provided to the same facilities. The State had no ability to independently verify attendance and had to rely on providers to accurately bill for hours of care. There were no data to identify anomalous patterns of provider behavior; thus, Wisconsin had focused its fraud-detection efforts solely on client-based fraud. Additionally, it was found Milwaukee County, where 59 percent of subsidy payments were made, lacked coordination between its local agencies.

During its investigatory work, Wisconsin found the following:

- Attendance records that were fictionalized or embellished;
- Child care centers that employed parents of the children being served in the subsidy program, even while it was often the case that neither the child nor the parent attended or worked at the day care center;
- Non-existent second and third shifts for which providers billed for care; and
- Family and friends that would watch each other's children and then bill the state.





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To combat child care subsidy fraud, Wisconsin:

- Used data to identify “red flags” of suspicious provider activity, e.g., excessive payments to child care providers;
- Increased staffing to identify, detect, and prevent fraud and abuse;
- Created a dedicated Fraud Detection and Investigation Unit;
- Partnered with regulators working specifically with Milwaukee County; and
- Created new legislative statutes that gave Wisconsin more authority to take action against providers involved in fraudulent activity.

The lessons learned by Wisconsin have wide-spread applicability. For example:

- Programs operating in silos do not just impede access – they facilitate fraud;
- Data and technology should be used to prioritize fraud detection efforts;
- Understanding the incentives of the actors involved in the system is crucial;
- The child care market does not function properly without suitable intervention;
- Payment needs to be linked to quality;
- Media makes a tremendous difference; and
- Fighting fraud is a huge financial savings opportunity; not fighting fraud is a huge risk.

Feedback from Participants During Breakout Sessions

Participants were asked to share their perspectives by listing the obstacles and barriers that currently exist to preventing, identifying or prosecuting child care subsidy fraud. The following is a list of key issues and solutions raised during these sessions:

- Focus on front-end prevention of child care subsidy fraud;
- Break down the silos between regulated child care and the child care subsidy program;
- Break down the silos between agencies, including improving communication with fraud investigators and agencies;
- Create an automated system that is capable of data mining;
- Create a centralized data warehouse that integrates various databases to allow sharing of pertinent information in an effort to reduce fraud;
- Give local social services districts the authority to take action when fraud is identified;
- Begin enforcement actions such as suspending and revoking child care licenses when providers are found or suspected of committing fraud;
- Use biometrics, such as finger printing or retinal scanning, to collect child care time and attendance;
- Create a financial incentive for local social services districts that engage in fraud prevention and detection activities;
- Require social security numbers of parents and children;





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- Improve coordination and communication between the local and state levels during a fraud investigation;
- Improve case record keeping across agencies and automate this process to improve efficiency;
- Reinstate the child care support requirement, which some participants report was a deterrent to fraud for low-income families applying for or in receipt of child care assistance;
- Create a higher expectation that clients provide truthful information when applying for benefits and hold them accountable, when necessary and appropriate;
- Revise the law, regulations and/or policies so that agencies, child care providers, and parents are held to a higher standard of accountability;
- Provide more training for agencies and providers in regulations and policies;
- Gain a greater commitment on the part of the local prosecutors and U.S. prosecutors to investigate suspected cases of fraud;
- Achieve more consistency among regions in New York State regarding implementation of State rules and regulations; and
- Dedicate additional resources to investigate fraud given that there are too few staff, caseloads are too high, and conducting investigations are labor intensive.

ACTIONS TAKEN AND NEXT STEPS BY OCFS

Since the Roundtable Discussion held on October 27, 2010, OCFS has taken the following actions:

1. Submitted proposed child care subsidy fraud regulations to the Governor's Office of Regulatory Reform.
2. Conducted an analysis to determine the capabilities of existing benefit eligibility, payment, and regulatory databases (e.g., Welfare Management System, Welfare Reporting and Tracking System, Child Care Facility System, Benefits Issuance and Control Subsystem and others) for the purpose of identifying outlier child care subsidy cases that may warrant further investigation.
3. Identified high-revenue child care providers using current databases.
4. Developed a preliminary pilot "SWAT team" that will investigate these high-revenue providers to determine whether fraud exists.
5. Began exploring a mechanism that would enable local social services districts to receive funds that are recouped from providers as a result of a fraud investigation.
6. Collaborated with the New York State Department of Health Child and Adult Care Food Program to share data and coordinate efforts to address fraud and abuse in the child care system.





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7. Contacted the United States Department of Health and Human Services to better understand the appropriate use of social security numbers.
8. Raised public awareness through the publication of an op-ed piece on child care fraud to be jointly authored with NYWFIA.



For more information, please visit our website at
<http://www.ocfs.state.ny.us/main/Child%20Care%20Subsidy.asp>

