

PROGRESS REPORT:
PREVENTION, DETECTION, AND RECOVERY
OF IMPROPER PAYMENTS
IN THE CHILD CARE ASSISTANCE PROGRAM

LOUISIANA DEPARTMENT OF EDUCATION



PERFORMANCE AUDIT
ISSUED JUNE 6, 2018

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF PERFORMANCE AUDIT SERVICES
KAREN LEBLANC, CIA, CGAP, MSW

**FOR QUESTIONS RELATED TO THIS PERFORMANCE AUDIT, CONTACT
KRISTA BAKER-HERNANDEZ, PERFORMANCE AUDIT MANAGER,
AT 225-339-3800.**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Seven copies of this public document were produced at an approximate cost of \$4.20. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 9726 or Report ID No. 40170009 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

June 6, 2018

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Taylor F. Barras,
Speaker of the House of Representatives

Dear Senator Alario and Representative Barras:

This report provides the results of our evaluation of the Louisiana Department of Education's (LDE) progress in addressing issues identified in an April 2012 performance audit on the Child Care Assistance Program (CCAP). During the 2012 audit, CCAP was administered by the Department of Children and Family Services (DCFS). On July 1, 2015, CCAP was transferred from DCFS to LDE. This audit focused on whether LDE addressed the issues identified in the 2012 audit during the first two years it administered CCAP.

Appendix A contains LDE's 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 LDE for their assistance during this audit.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

CCAP 2018

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Progress Report: Prevention, Detection, and Recovery of Improper Payments in the Child Care Assistance Program Louisiana Department of Education

June 2018

Audit Control # 40170009

Introduction

We evaluated the Louisiana Department of Education's (LDE) progress toward addressing issues identified in an April 2012 performance audit on the Child Care Assistance Program (CCAP).¹ The 2012 audit evaluated processes to prevent, detect, and recover improper CCAP payments when it was administered by the Department of Children and Family Services (DCFS). On July 1, 2015, CCAP was transferred from DCFS to LDE as a result of the Louisiana Early Childhood Education Act (Act 3 of the 2012 Regular Legislative Session). In our 2012 audit, we identified approximately \$46,000 in potentially improper payments and made 17 recommendations to assist DCFS in improving its prevention, identification, and recovery of improper CCAP payments. DCFS agreed with 11 of them. In this audit, we evaluated whether LDE addressed the 10 most significant recommendations.

CCAP helps low-income families pay for child care while attending work or school. During fiscal year 2017, LDE paid providers an average of \$210 per child per month for child care assistance.

CCAP pays eligible providers² up to 100% of child care tuition for eligible children under the age of 13 or disabled children under the age of 18. The federal Child Care Development Fund (CCDF) provides 100% of CCAP's funding. In fiscal year 2017, providers received \$59.1 million in CCAP subsidies on behalf of 23,478 children. Exhibit 1 summarizes CCAP statistics for fiscal years 2016–2017. The amount of benefits paid and the number of children receiving CCAP assistance increased because of changes to the program, including the following:

Exhibit 1 CCAP Statistics Fiscal Years 2016 - 2017			
Fiscal Year	Total Benefits Paid*	Total No. of Children**	No. of Providers
2016	\$32,355,546	20,359	1,289
2017	\$59,148,940	23,478	1,122

* Does not include grant and bonus payments.
**Includes all children who participated in CCAP at any point during the year.
Source: Prepared by legislative auditor's staff using information from LDE.

¹ Our 2012 performance audit on CCAP can be found on our website at [https://app.lla.state.la.us/PublicReports.nsf/263FE0C97F24C010862579E4006179EA/\\$FILE/00029886.pdf](https://app.lla.state.la.us/PublicReports.nsf/263FE0C97F24C010862579E4006179EA/$FILE/00029886.pdf)

² Eligible providers include: Type III Early Learning Centers (day care center, Early Head Start center, Head Start center, or pre-kindergarten not attached to a school), Family Child Care Providers (care for children in provider's home), In Home Child Care Providers (care for children in children's home), Public/Non-Public School Child Care Centers, and Military Child Care Centers.

- In January 2016, LDE increased subsidies for participants and changed program policy to allow families to keep receiving CCAP assistance regardless of certain changes in work or school, including loss of a job.
- In February 2017, LDE changed eligibility requirements, which allowed more families to qualify for CCAP, including decreasing the number of hours recipients had to work or attend school to qualify for assistance from 30 hours per week to 20.

As a result of the increased enrollment, LDE began placing new CCAP applicants on a waiting list in July 2017. There are currently 4,899 children on the waiting list.³ However, families with certain groups of children, including homeless children or children in foster care, are given priority and not placed on the waiting list.

LDE uses the Tracking of Time Services (TOTS), which is an electronic child care attendance tracking system first implemented by DCFS in August 2010. This system records 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 (school-based and in-home providers only). TOTS replaced a manual payment system in which parents or guardians signed an attendance log and providers sent in paper invoices with children's attendance.

The objective of this audit was to:

Determine whether LDE addressed issues identified in the April 2012 performance audit on improper payments in the Child Care Assistance Program.

Overall, we found that LDE fully implemented nine recommendations and partially implemented one recommendation as of June 30, 2017, which has reduced the amount of potentially improper payments we identified to approximately \$24,000. However, we identified two areas where LDE could improve its use of data to strengthen its oversight of the program. LDE's progress toward implementation and our additional recommendations are summarized on the following pages. Appendix A contains LDE's response to the report, and Appendix B details our scope and methodology. Appendix C provides a list of the recommendations included in this report and whether each was implemented, partially implemented, or not implemented.

³ As of March 31, 2018.

Objective: Determine whether LDE addressed issues identified in the April 2012 performance audit on improper payments in the Child Care Assistance Program.

Overall, we found that LDE fully implemented nine recommendations and partially implemented one recommendation as of June 30, 2017, which has reduced the amount of potentially improper payments we identified to approximately \$24,000. Specifically, we found the following:

- **LDE has implemented procedures during the eligibility process to prevent providers from caring for children who reside with them, which is a violation of program rules.** We analyzed provider and recipient data for fiscal year 2017 and identified only three cases in which the provider and children they cared for shared the same residential address. These providers received approximately \$21,011 in CCAP funds for these children.
- **LDE has implemented procedures during the eligibility process to prevent providers from being authorized as household designees to scan children in and out of care on behalf of parents.** However, electronically collecting household designees' information, including addresses, would allow LDE to more efficiently verify that only appropriate individuals are authorized to scan children in and out of care for all CCAP cases. The agency is in the beginning stages of implementing a new data system that will have this capability.
- **Although the percent of payments outside the automated process, known as manual payments, have increased by 1.8% since our 2012 audit, LDE has implemented review procedures to ensure these payments are reviewed and supported.** Manual payments are often needed when the child begins attending day care but the household designees have not completed the process to scan the child's attendance using TOTS. According to LDE, the increase in manual payments is due to the numerous changes to the program in the past two years, which allowed more families to qualify to participate in CCAP. We only identified approximately \$1,000 in duplicate manual payments, which is a 95% decrease from the 2012 audit.
- **While LDE has developed a monthly report that flags instances of excessive back scanning of children's attendance, a more automated process of reviewing these cases would be less resource intensive and strengthen LDE's oversight of the program.** LDE staff review a sample of cases listed in monthly excessive back scanning reports, but this manual process only allows LDE to identify and investigate a small percentage of instances of excessive back scanning.

- **LDE has implemented a centralized tracking system to track improper payments and recovery.** In fiscal years 2016 and 2017, LDE identified \$74,967 in improper payments and has recovered \$40,565 (54%) as of April 5, 2018. LDE automatically recoups improper funds for active providers in the current fiscal year. For other cases, they enter into a repayment agreement with the responsible party. LDE also entered into an agreement with the Department of Revenue's Office of Debt Recovery to recoup improper payments for cases in which LDE cannot.

These issues and recommendations on how LDE could further use data to strengthen its oversight of the program are summarized in more detail in the sections below.

LDE has implemented procedures during the eligibility process to prevent providers from caring for children who reside with them, which is a violation of program rules.

LDE policy prohibits providers from caring for children who reside with them. In our 2012 audit, we identified 15 providers who received approximately \$27,000 in CCAP payments for children who lived with them because DCFS was not effectively monitoring this program rule. DCFS required caseworkers to check for matching addresses between the provider and child during eligibility; however, there were several instances where caseworkers failed to identify them.

LDE requires caseworkers to compare the provider's address to the child's address during the certification (eligibility) process. If they find a match, LDE requires that the recipient find a new provider in order to receive CCAP assistance. LDE has also implemented a new review process to identify when caseworkers may not have performed this match. After certification, each CCAP supervisor is required to review randomly chosen cases to verify that caseworkers ensured the provider and child do not share the same address. According to LDE, the five supervisors each average 72 reviews a month. In addition, Quality Control Program Specialists are required to re-review a minimum of two case reviews for each supervisor each month.⁴ Since 2015, LDE has identified only two instances where the provider and child lived together, and both of the providers were receiving CCAP assistance when the program transferred from DCFS. LDE discovered during the recertification process that the two providers were caring for their own children or children living at the same residential address and had received a total of \$6,751 in improper CCAP payments. CCAP staff referred both cases to LDE's Fraud Management Unit (FMU) which, as of April 5, 2018, had recouped \$5,231 (78%) of these improper payments.

To evaluate the effectiveness of LDE's review, we analyzed provider and recipient data for fiscal year 2017 and identified three cases in which the provider and children they cared for shared the same residential address. These providers received approximately \$21,011 in CCAP

⁴ LDE implemented the case review system in July 2016. According to LDE, it conducted 2,089 case reviews and re-reviews in fiscal year 2017.

funds for these children. LDE has referred these cases to its FMU for further review. We also identified 11 other cases in which the child's mailing address matched the provider's residential address. The providers for these 11 cases received approximately \$40,806 in CCAP funds. While this is not a program violation – because it may occur in instances of homeless or transient families – there is a risk that the mailing address is incorrect and is actually the residential address. Such instances should be reviewed closely.

LDE has implemented procedures to prevent providers from being authorized as household designees and scanning children in and out of care on behalf of parents.

LDE policy prohibits providers, an employee of the provider, or someone living in the home of the provider from being designated as the household designee.⁵ Household designees are individuals that are authorized by the parent or guardian to scan children in and out of care. Each CCAP case can have up to four household designees, which includes the parent or guardian and three other individuals. It is important that the provider and the household designee not be the same person since there is a risk that providers may scan a child in when the child is actually absent. In our 2012 audit, we identified 116 providers who violated policy by being designated as household designees for 251 children. This occurred because DCFS did not have any procedures that required caseworkers to request or verify the address of household designees.

Since CCAP was transferred, LDE has implemented procedures that require household designees to submit their addresses on the Household Designee Statement form during the certification process so that caseworkers can compare their addresses to the providers' residential addresses.⁶ The agency also requires that both the household designee and the head of household attest to the fact that the household designee is not the CCAP child care provider, an employee at the provider's center, and does not live in the home of a provider. In addition, CCAP supervisors and Quality Control Specialists compare household designee addresses to the providers' addresses during case reviews and re-reviews.⁷ According to LDE, it has not identified any household designees who reside with providers since CCAP was transferred to LDE.

Because LDE does not capture household designee information electronically, the only way to get the information is to review each case file. Electronically collecting household designees' information, including addresses, would allow LDE to more efficiently verify that only appropriate individuals are authorized to scan children in and out of care for all CCAP cases. According to LDE, its current data system is unable to electronically store household designee information, but the agency is in the beginning stages of implementing a new data system that will have this capability. This will allow the agency to create reports that will flag cases where the child and provider's addresses match.

⁵ LDE policy allows one exception to this policy. If the parent or guardian works at the same child care facility where the child attends care, they may be the household designee and check the child in and out of care.

⁶ Applicants must also list each household designee's residential address on their CCAP application.

⁷ LDE implemented the case review system in July 2016. According to LDE, it conducted 2,089 case reviews and re-reviews in fiscal year 2017.

Recommendation 1: LDE should electronically collect the addresses of household designees in order to efficiently verify that the household designees for all CCAP cases are not the child care provider, an employee of the provider's center, or live in the home of the provider.

Summary of Management's Response: LDE agrees with this recommendation and states that it is designing a new data system that will capture information to ensure household designees for all CCAP cases are not the child care provider, an employee of the provider's center (excluding heads of household), or live in the home of the provider. See Appendix A for LDE's full response.

Although the percent of payments outside the automated process, known as manual payments, have increased by 1.8% since our 2012 audit, LDE has implemented review procedures to ensure these payments are reviewed and supported.

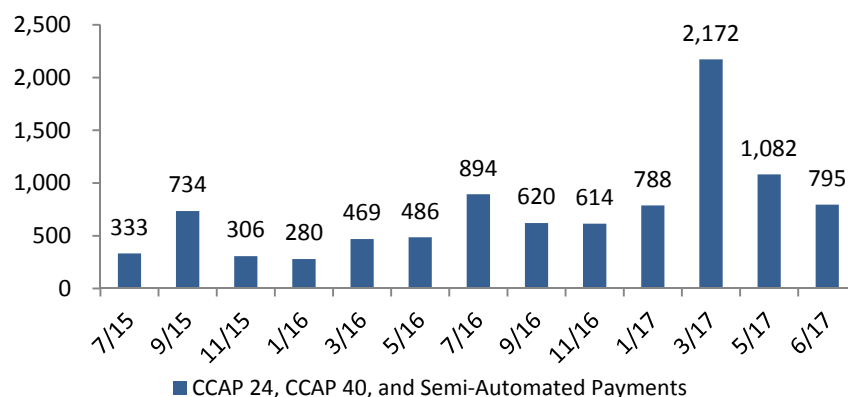
When payment authorizations are not captured in the Childcare Assistance Payment System (CAPS)⁸ because of issues such as TOTS equipment malfunctions and provider changes, LDE pays providers outside of the normal automated payment process.⁹ In our 2012 audit, we found that although manual and semi-automated payments only represented 1% of total CCAP payments, they increased the risk of improper payments because they are outside of the normal payment process.

Manual payments totaled approximately \$2.5 million, or 2.8% of total CCAP payments for fiscal years 2016 through 2017. These payments totaled \$760,739 in fiscal year 2016 (2.4% of total payments), but increased to \$1,781,630 in fiscal year 2017 (3.0% of total payments). Exhibit 2 shows the number of total manual payments every other month for the two fiscal years. According to LDE, the increase in manual payments was due to the numerous changes to the program in the past two years, including changes to subsidy amounts and provider rates, and changes to eligibility requirements which allowed more families to qualify to participate in CCAP. With new CCAP participants, manual payments are often needed when the child begins attending day care but the household designees have not completed the process to scan the child's attendance using TOTS. Although manual payments were necessary during this time, the need for manual payments should decrease since there have not been any significant changes to CCAP recently.

⁸ CAPS is a database that contains CCAP provider payment information.

⁹ There are three types of manual payments. For CCAP 24 and CCAP 40 manual payment transactions, LDE staff complete a physical invoice and authorize payment in CAPS. For the third type, LDE staff creates an electronic invoice in CAPS and authorize payment. These are called semi-automated payment transactions.

Exhibit 2
Number of Manual Payments, by Month
Fiscal Years 2016 - 2017



Source: Prepared by legislative auditor’s staff using information provided by LDE.

LDE has implemented procedures to review and ensure sufficient support exists for manual payments. LDE requires staff to obtain attendance logs from providers for all manual payment requests in order to verify that the child was in the provider’s care for the time requested. LDE staff also review case information to ensure a manual payment is necessary and the payment amount is accurate. According to LDE, to further help prevent overpayments, staff submits manual payment requests with the supporting documentation to LDE’s FMU for review before it goes for a final review by CCAP management and payment is authorized.

We identified only \$1,000 in duplicate manual payments, which is a 95% decrease from the 2012 audit. In the 2012 audit, we identified \$19,000 in overpayments in the form of duplicate manual payments. For fiscal years 2016 through 2017, we identified only \$2,856 in overpayments, which is less than 1% of total CCAP payments for this period. Of this amount, \$1,036 was due to duplicate manual payments.

While LDE developed a monthly report that flags instances of excessive back scanning of children’s attendance, a more automated process of reviewing these cases would be less resource intensive and strengthen LDE’s oversight of the program.

CCAP recipients and their household designees may scan children’s attendance for previous days using TOTS for up to six days after a child attended day care. This is referred to as “back scanning” and is necessary in cases where TOTS was not working, or for children in part-time care who are often dropped off or picked up by school transportation and cannot be immediately scanned in or out. While necessary, back scanning of children’s attendance significantly increases the chances of improper payments since parents may accidentally or

purposely scan children’s attendance when they are not actually in care.¹⁰ Children in full-time care and not in school should rarely be back scanned unless there is a TOTS machine malfunction. In our 2012 audit, we found that DCFS did not monitor the frequency of back scanning, which increased the risk of potentially improper payments. Specifically, we found that more than 22% of children’s attendance was back scanned more than half the time, and 2% of children’s attendance was always back scanned.

The percentage of children’s attendance being back scanned more than half the time has increased since our 2012 audit. For fiscal years 2016 and 2017, the attendance for 26% of children age four or younger and attending child care on a full-time basis was back scanned more than half the time. This is an increase from the 22% in our 2012 report.¹¹ Exhibit 3 summarizes our analysis of the frequency of back scanning.

Exhibit 3				
Frequency of Back Scans for Children in Full-Time Care*				
Fiscal Years 2016 - 2017				
Frequency	Fiscal Year 2016		Fiscal Year 2017	
	Number	Percent	Number	Percent
100% of the time	35	.39%	28	.24%
75% to 99%	766	8.56%	913	7.79%
50% to 74%	1,561	17.44%	2,114	18.03%
1% to 49%	6,429	71.83%	8,423	71.83%
0%**	159	1.78%	248	2.11%
Total	8,950	100.00%	11,726	100.00%*
* Only includes children in full-time care who are age four or younger.				
** The attendance for these children was never back scanned.				
Source: Prepared by legislative auditor’s staff using data from TOTS.				

LDE identified approximately \$54,000 in improper payments based on its manual review of excessive back scanning reports. LDE developed a monthly report that flags instances of excessive back scanning for children receiving full-time care based on whether the frequency meets the following criteria:

- The household back scanned attendance four or more times in one week; or
- The household back scanned attendance 10 or more times in a month.

¹⁰ We received an allegation that a day care owner told a perspective parent that the owner would allow that parent to back scan their children’s attendance on days they were absent. This would allow the parent to not have to pay for care when their children were absent more than five days a month. We could not verify the allegation but did notify LDE for further investigation.

¹¹ In the 2012 report, we only included children labeled as full-time in the TOTS data. For this report, we only included children age four or younger and labeled as full-time, because the data labeled some school-aged children as full-time, which would have skewed the data analysis results.

According to LDE, staff review a minimum of 90 children listed in the monthly report. LDE staff verifies that the household did not have authorization or disposition issues preventing them from scanning properly and whether all household designees have been added to the case. LDE then sends a letter to both the provider and household advising them of the excessive back scanning, including when it occurred. The letters may request that the provider submit attendance information for the children in question or that the provider and parent contact LDE concerning the issue. In cases where the back scanning is because someone dropping off or picking up children is not a household designee and cannot use TOTS to scan the children's attendance, LDE sends a household designee form to the parent to have this person added as a household designee.

If a child is flagged for excessive back scans for three consecutive months, the case is referred to the FMU for further investigation. This investigation includes requesting provider attendance logs to verify that the child was in care during the times attendance was back scanned for. According to LDE, CCAP staff referred 12 instances of excessive back scanning as a result of these reviews to its FMU in fiscal years 2016 and 2017. The total amount of improper payments from these 12 cases totaled \$53,723, and LDE has recovered \$26,417 (49%) of the amount as of April 5, 2018. For one of the cases, the provider was suspended from participating in CCAP for 24 months.

Because LDE's current manual process does not review all instances of excessive back scanning, a more automated process would strengthen its oversight of the program. While LDE staff reviewed approximately 1,100 cases of excessive back scanning each year,¹² our analysis of TOTS back scan data for fiscal years 2016 and 2017 shows that the attendance for more than 14,000 children, age four or younger and in full-time care, was excessively back scanned for at least one month during this time.¹³ This represents 87% of this group of children during this time period. Exhibit 4 summarizes our analysis of children flagged for excessive back scanning.

Although LDE's current process helps identify improper payments due to back scanning, this manual process is resource intensive and only allows LDE to review a small percentage of instances of excessive back scanning. Implementing an automated process that would detect all cases of excessive back scanning each month would be more efficient and strengthen LDE's oversight of the program. In addition, LDE should develop processes that would deter and prevent excessive back scans, including possible sanctions. Currently, nothing happens to recipients when their children's attendance is continuously listed on the excessive back scan report but LDE determines the payments were proper. However, this wastes LDE staff time. Prevention or deterrence of excessive back scans would decrease the possibility of improper payments and reduce LDE staff time spent reviewing these cases.

¹² According to LDE, a minimum of six LDE staff each pull a random sample of 15 children listed in the monthly report. They also check to see if any these children were in the previous month's report. According to LDE, other staff may assist in these reviews so the number of children reviewed may fluctuate on a monthly basis.

¹³ Because these children are not school-aged and are in full-time care, their attendance should rarely be back scanned.

Exhibit 4 Children Flagged for Excessive Back Scanning* Fiscal Years 2016 - 2017							
Fiscal Year	Total Children*	Ten or More Times in One Month		Four or More Days in One Week		Total Children Flagged	
		Number	%	Number	%	Number	%
2016	9,140	6,690	73.2%	7,898	86.4%	7,918	86.6%
2017	12,163	8,723	71.7%	10,346	85.1%	10,369	85.3%
Unduplicated Total	16,837	12,533	74.4%	14,681	87.2%	14,712	87.4%

* Only includes children in full-time care who are age four or younger.
Source: Prepared by legislative auditor's staff using data from TOTS.

LDE should also investigate when back scanning is done outside of normal business hours. For fiscal years 2016 and 2017, 129 providers provided care outside of normal business hours (between 9:00 p.m. and 4:00 a.m.) in order to accommodate persons who work during the evening or overnight. However, we identified 878 providers with back scans of children's attendance during these hours. We identified the five providers with the highest number of back scans outside of their normal business hours and forwarded the information to LDE. LDE investigated these back scans and found many were due to parents accidentally selecting the wrong time period when they scanned their children's care; however, LDE is still investigating two families for possible program violations. In addition, LDE determined one of the providers received approximately \$3,000 in improper payments because they allowed households to scan attendance for times their children were not in care.¹⁴

Recommendation 2: LDE should develop processes to deter or prevent excessive back scanning, including possible sanctions for repeat offenders. This would decrease the possibility of improper payments and reduce LDE staff time spent reviewing these cases.

Summary of Management's Response: LDE disagrees with this recommendation and states that it has processes and policies in place to prevent excessive back scanning. LDE further states it began monitoring for excessive back scanning in December 2016 and referred participants who were in violation to the FMU for investigation and possible sanctions. See Appendix A for LDE's full response.

LLA Additional Comments: Our analysis shows that LDE's processes during the scope of the audit did not *prevent or deter* excessive back scanning by participants. We found that 3,055 (26%) of children in full-time care and age four or younger had their attendance back scanned more than half the time during fiscal year 2017, but CCAP staff referred only 12 cases for further review and possible sanctions during fiscal years 2016 and 2017. LDE sanctioned providers in these cases, but not the actual persons who back scanned the children's attendance. Furthermore, during fiscal years 2016 and 2017,

¹⁴ According to LDE staff, they were already investigating this child care provider when we alerted them to the back scans outside of normal business hours.

LDE's FMU only investigated two cases of participants improperly scanning attendance in TOTS.

Recommendation 3: LDE should implement an automated process that would efficiently detect all cases of excessive back scanning each month and send out notices to the recipients and providers for these cases. The process should also have the ability to detect cases that are flagged for excessive back scanning three or more consecutive months.

Summary of Management's Response: LDE agrees with this recommendation and states that it is in the process of developing a new system to allow automated detection and flagging of participants who are in violation of LDE's back scanning policy. See Appendix A for LDE's full response.

Recommendation 4: LDE should conduct analysis of back scanning data in order to identify back scans done outside of normal business hours for providers who are not supposed to operate during this time.

Summary of Management's Response: LDE disagrees with this recommendation and states that its Fraud Management Unit currently reviews reports that detect care provided outside of normal business hours. See Appendix A for LDE's full response.

LLA Additional Comments: During the scope of our audit, LDE did not provide any evidence that it specifically analyzed back scanning data to detect care provided outside of business hours. As a result, our analysis showed 878 providers with back scans of children's attendance outside of normal business hours during fiscal years 2016 and 2017, but LDE's FMU only investigated and sanctioned one provider for submitting billing for hours outside of the hours of operation listed in its provider agreement.

LDE has implemented a centralized tracking system to track improper payments and recovery. In fiscal years 2016 and 2017, LDE identified \$74,967 in improper payments and has recovered \$40,565 (54%) as of April 5, 2018.

During our 2012 audit, we found that DCFS did not have an adequate system to track and recover improper CCAP payments. DCFS used five different systems to track the various types of improper payment cases and could not reliably report detailed information on the amount of improper payments identified and amount recovered. At that time, they could only provide us information on the amount of improper payments and collections for one case type: provider non-fraud cases. This information showed that DCFS had recovered only 35% of the overpayments identified for these cases from fiscal years 2009 through 2011.

LDE’s fraud management staff uses a centralized fraud system called Claims Fraud Referral (CFR) to track all improper payment cases. Fraud management staff learns of potential improper payment cases through case reviews, re-reviews, and monitoring reports. When a staff member receives a referral, they enter it into the CFR system and assign the case to the FMU for investigation. All case information including the case type, violation, sanction, improper payment amount, and amount recovered are tracked using CFR. Exhibit 5 summarizes LDE’s CCAP overpayment cases for fiscal years 2016 and 2017.

Exhibit 5					
Identification and Recovery of Improper CCAP Payments					
Fiscal Years 2016 - 2017					
Overpayment Case Type	Number of Cases	Examples	Improper Payments Identified	Improper Payments Recovered*	Percentage of Payments Recovered*
Provider Fraud/Non-Fraud	26	<ul style="list-style-type: none"> • Provider submitting billing for hours outside of provider agreement hours of operation • Provider knowingly allowing participants to back scan children’s attendance for times when children are not in provider care 	\$69,597	\$39,588	57%
Recipient Fraud/Non-Fraud	7	<ul style="list-style-type: none"> • Recipient deliberately omitting from application legal spouse, non-legal spouse, or child’s other parent residing with the family 	4,393	0	0%
Administrative Error	1	<ul style="list-style-type: none"> • Incorrect payment due to a CAPS entry error by LDE staff 	977	977	100%
Total*	34		\$74,967	\$40,565	54%
* As of April 5, 2018.					
Source: Prepared by legislative auditor’s staff using data provided by LDE.					

In fiscal years 2016 and 2017, LDE identified \$74,967 in improper payments for all case types and recovered \$40,565 (54%) of that amount through April 5, 2018. Of the 34 overpayments, eight resulted in the participant or provider being suspended from participating in CCAP for either 12 or 24 months.

LDE has implemented procedures to help ensure the recovery of improper payments. LDE automatically recoups improper funds in the Childcare Assistance Payment System (CAPS) for active providers in the current fiscal year. For other cases, they enter into a repayment agreement with the responsible party. LDE also entered into an agreement with the Department of Revenue’s Office of Debt Recovery in March 2018 to recoup improper payments for cases in which LDE cannot. Per the agreement, the debtor is responsible for paying the debt owed and an additional fee of up to 25% of the total debt. LDE has also turned over to the Office of Debt Recovery all cases of uncollected improper payments that were transferred to LDE from DCFS. When the program was transferred in 2015, there was approximately \$3.7 million in uncollected improper payments.

LDE has implemented procedures to recover improper payments from CCAP providers who change TIPS numbers. A TIPS number is a provider's payment account number. Providers are assigned a new TIPS number for various reasons, including changes in the name of a day care center or changes in ownership. In our 2012 report, we found that the CAPS payment system could not automatically recoup payments from providers who changed their TIPS number, and 28% of all providers had changed their TIPS number at least once. According to LDE, it has implemented a new procedure that places a manual hold on a provider in CAPS when LDE needs to recoup improper funds from the provider. The hold is attached to the provider's unique identification number and, if applicable, tax ID, which stops payments regardless of changes to the provider's TIPS number.

APPENDIX A: MANAGEMENT'S RESPONSE



LOUISIANA DEPARTMENT OF EDUCATION

May 29, 2018

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

Re: Progress Report: Prevention, Detection, and Recovery of Improper Payments in the Child Care Assistance Program

Dear Mr. Purpera:

The Louisiana Department of Education (LDOE) appreciates the opportunity to submit an official response to the Louisiana Legislative Auditor (LLA) report on Prevention, Detection, and Recovery of Improper Payments in the Child Care Assistance Program (CCAP).

CCAP provides assistance to low income families working 20 hours per week or more and/or that attend school full time. Policies and procedures ensure federal and state compliance, diminish possible fraudulent activities, and ensure consistent eligibility determination practices, while also limiting adverse action against families as they move towards self-sufficiency and as children become ready for kindergarten. The program's continuous internal monitoring practices, along with third party monitoring through Postlethwaite and Netterville, helps program administrators in their quest for high quality services and program integrity. Program management worked to develop systems that addressed recommendations identified in the 2012 Department of Children and Family Services (DCFS) audit. LDOE management will continue to address audit recommendations from the 2018 report quickly in the pursuit of excellence in the delivery of services to the children, families and providers in Louisiana.

Management agrees with strengths outlined in the 2018 performance audit which include the following:

- CCAP has reduced the amount of potential improper payments by fully implementing nine of the 2012 audit recommendations and partially implementing one recommendation.
- CCAP has implemented manual procedures during the eligibility process to prevent providers from caring for children who reside with them in violation of program rules. Upcoming replacement of the current data systems will eliminate manual processes of investigations currently used and ensure a more accurate report to further reduce any occurrence of this infraction.
- CCAP has implemented manual procedures during the eligibility process to prevent providers from being authorized as household designees. The Department is in the process of designing a new data system which will automate many of the current manual processes. Reports will be designed to capture this information and alert staff of a violation.

Louisiana Believes.

- CCAP has implemented a centralized tracking system to identify and recover improper payments. The program staff has recovered 57% of the \$56,000 in improper payments.
- CCAP has attained 95% decrease in duplicate manual payments from the 2012 audit.

The Department acknowledges receipt of the report, and would like to offer clarifications and comments regarding its findings.

Finding 2: LDE has implemented procedures to prevent providers from being authorized as household designees and scanning children in and out of care on behalf of parents

Recommendation 1: LDE should electronically collect the addresses of household designees in order to efficiently verify that the household designees for all CCAP cases are not the child care provider, an employee of the provider's center, or live in the home of the provider.

The Department agrees with this recommendation. The Department is designing a new system which will electronically capture time and attendance, information for heads of household and household designees, and addresses to ensure household designees for all CCAP cases are not the child care provider, an employee of the provider's center (excluding head of Households), or live in the home of the provider.

Finding 4: While LDE developed a monthly report that flags instances of excessive back scanning of children's attendance, a more automated process of reviewing these cases would be less resource intensive and strengthen LDE's oversight of the program.

Recommendation 1: LDE should develop processes to deter or prevent excessive back scanning, including possible sanctions for repeat offenders. This would decrease the possibility of improper payments and reduce LDE staff time spent reviewing these cases.

The Department disagrees with this recommendation as it has processes and policies in place to prevent excessive back scanning and includes sanctions.

In December 2016, the Department began monitoring of excessive back scanning. During monitoring, those participants who were in violation of the excessive back scanning policy were referred to the Fraud Management Unit (FMU) for investigation and possible sanction(s) from CCAP. Effective April 20, 2018 the Department formalized the LDOE's authorization of sanctions in BESE Bulletin. BESE Bulletin 139, Section 519 A states that the Department may terminate or refuse renewal of a household's certification and impose a period of ineligibility on the household for program violations which includes excessive back scanning.

Recommendation 2: LDE should implement an automated process that would efficiently detect all cases of excessive back scanning each month, and send out notices to the recipients and providers for these cases. The process should also have the ability to detect cases that are flagged for excessive backs canning three or more consecutive months.

The Department agrees with this recommendation. The Department is in the process of developing a new system to allow automated detection and flag of those participants that are in violation of the back scanning

Louisiana Believes.

policy within the program. The system notification request will include a notification for review to the Fraud Management Unit.

Recommendation 3: LDE should conduct analysis of back scanning data in order to identify back scans done outside of normal business hours for providers that are not supposed to operate during this time.

The Department disagrees with this recommendation as it currently analyzes back scanning data for outside of hours discrepancies.

The Fraud Management Unit currently reviews reports that detect care provided outside of normal business hours. During the audit of the provider's attendance, Department staff review the occurrences established as a result of back scanning. When the review concludes policy has been violated, the provider and participant are notified of the violation in writing, which may result in termination of CCAP.

Sincerely,



Jenna Conway
Assistant Superintendent

c: John White, State Superintendent of Education

Louisiana Believes.

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. Our audit evaluated the Louisiana Department of Education's (LDE) progress toward addressing issues identified in a 2012 performance audit on the Child Care Assistance Program (CCAP). The audit covered fiscal years 2016 and 2017. Our audit objective was to:

Determine whether LDE addressed issues identified in the April 2012 performance audit on improper payments in the Child Care Assistance Program.

At the time of the 2012 audit, CCAP was administered by the Department of Children and Family Services (DCFS). In July 2015, the program was transferred to the Louisiana Department of Education (LDE). This current evaluation determined the implementation status of 10 recommendations we made in our 2012 report. These recommendations were made in order to improve the processes for preventing, detecting, and recovering improper CCAP payments.

We conducted this performance audit in accordance with generally accepted *Government Auditing Standards* issued by the Comptroller General of the United States. 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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. To answer our objective, we reviewed internal controls relevant to the audit objective and performed the following audit steps:

- Interviewed LDE staff and obtained documentation to gain information on the implementation status of the recommendations from the April 2012 report.
- Obtained LDE policies and procedures, as well as other documents, to determine LDE's CCAP recipient and provider eligibility processes and provider payment processes.
- Reviewed procedures and interviewed relevant personnel to outline LDE's processes to monitor continuing eligibility of providers and recipients.
- Analyzed provider and recipient data for fiscal year 2017 in order to identify cases in which the provider and children they cared for shared the same residential address.
- Obtained and analyzed CCAP payment data to identify the number and amount of manual and semi-automated payments in fiscal years 2016 and 2017.

- Analyzed CCAP payment data for fiscal years 2016 and 2017 to identify the following types of overpayments: payments to multiple providers for the same recipient for the same service period, multiple payments made to one provider for the same recipient for the same service period, and payments made for a recipient that totaled more than the allowed amount.
- Obtained and analyzed TOTS' back scanning report to identify excessive back scanning in fiscal years 2016 and 2017.
- Analyzed data from TOTS' back scanning report to identify providers with back scans of children's attendance outside of normal business hours (9:00 p.m.–4:00 a.m.).
- Obtained and analyzed data that contained all TOTS transactions for fiscal years 2016 and 2017 to determine the frequency of back scans for each fiscal year.
- Interviewed staff and obtained documentation, including policies and procedures, to determine LDE's processes for investigation and recovery of improper payments.
- Obtained information on the amount of improper funds LDE's Fraud Management Unit identified and recovered in fiscal years 2016 and 2017.

APPENDIX C: STATUS OF RECOMMENDATIONS

Recommendation	Implementation Status
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.	Implemented. During the certification process, CCAP staff compares recipient and provider addresses. After certification, randomly-chosen cases are re-reviewed by CCAP supervisors and Quality Control Specialists.
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.	Implemented. However, LDE should store the household designee addresses electronically so that it can efficiently verify that the household designees for all CCAP cases aren't the child care provider, an employee of the provider's center, or live in the home of the provider.
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.	Partially Implemented. While LDE discontinued using 217 manual payments, it still uses other manual payment types. However, the agency has implemented multiple layers of review before payment is authorized to help prevent improper payments.
DCFS should ensure that parish caseworkers obtain sufficient documentation before issuing payment in cases where a semi-automated invoice is used (211 transaction).	Implemented. CCAP staff obtains attendance logs from providers in order to verify children were in the providers' care for the time requested.
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.	Implemented. LDE generated a back scanning report to monitor excessive back scanning. However, LDE uses a manual process to review these cases that is resource intensive and only allows it to identify and investigate a small percentage of instances of excessive back scanning.
DCFS should develop reports that will help it identify error-prone and unusual circumstances and use these reports systematically to help identify improper payments.	Implemented. LDE developed multiple reports to monitor program data to help identify potentially improper payments and LDE plans on developing other reports.
DCFS should develop a centralized tracking system for all types of cases involving improper payments.	Implemented. LDE uses a centralized tracking system to track all improper payment cases.
DCFS should explore methods to recover a higher percentage of its overpayments, including collection agencies.	Implemented. LDE entered into an agreement with the Department of Revenue's Office of Debt Recovery to recoup improper payments for cases in which LDE cannot.
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.	Implemented. LDE places a manual hold on a provider's unique identification number and/or tax ID in CAPS when LDE needs to recoup improper funds from the provider.
DCFS should evaluate the possibility of implementing additional measures to recoup funds, including collecting payments from tax refunds.	Implemented. LDE entered into an agreement with the Department of Revenue's Office of Debt Recovery to recoup improper payments for cases in which LDE cannot.