

June 30, 2004

**Internal Audit Report 2004-9  
Child Care Assistance Program  
Department of Health and Human Services**

**Introduction.** The Department of Health and Human Services received \$1,005,748 from the State of Alaska Division of Public Assistance to administer the Child Care Assistance Program (CCAP) for fiscal year 2004. This program subsidizes day care costs for low income families if each parent in the family is working or seeking work, or is attending school with the intent of improving employability. CCAP staff (consisting of eight case workers, two supervisors and three support staff) determine parent eligibility and the level of assistance, while the state pays the subsidized child care costs on behalf of participating parents to the licensed or approved day care provider. As of April 2004, the CCAP had approximately 1,500 active clients.

**Objective and Scope.** The objectives of this audit were to determine whether CCAP staff were complying with grant requirements, including determining client eligibility and maintaining required documentation in client files. Specifically, we randomly selected 100 client files from fiscal year beginning July 1, 2003, and verified that file documents complied with grant requirements. We also verified that file information matched entries in the Child Care Management Information System. In addition, we determined if confidentiality of client information complied with grant requirements. Finally, we verified that CCAP staff provided program information to interested families.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed in April 2004.

**Overall Evaluation.** CCAP staff did not always comply with the grant agreement. Specifically, client files were sometimes missing documents such as valid photo identifications, tax forms, and proof of income as required by the grant agreement. CCAP staff used forms other than state-approved forms to help determine family eligibility. Also, client files were not secured to ensure confidentiality. Finally, we found various errors affecting payments or client information.

## FINDINGS AND RECOMMENDATIONS

### 1. Client Files Missing Required Documents.

- a. **Finding.** Client files did not always contain appropriate backup documents required by the state. The lack of appropriate backup documents could potentially lead to fraud and miscalculations of benefits. Our review and testing of 100 randomly selected files revealed the following missing documentation: valid identification, proof of child support, and proof of income.
  - 1) **Identification Missing** - Sixteen of 100 files lacked a valid, government-issued photo identification, making it impossible to clearly identify the program participant. The Child Care Assistance application requires clients to submit a copy of a valid, government-issued photo identification.
  - 2) **Child Support Backup Missing** - Five of 100 files did not contain backup documentation for child support payments received by the client. The Child Care Assistance application requires proof of all income received by the client, including child support.
  - 3) **Proof of Income Missing** - One client file lacked proper proof of income, resulting in an overpayment of benefits for the client according to CCAP staff. 4 Alaska Administrative Code (AAC) 65.281 states, “ . . . a family is eligible to participate in the program if the family’s monthly income is at or

below the maximum monthly income allowed under the program . . . .”

According to CCAP staff, the client did not meet eligibility requirements since the client’s income exceeded the maximum monthly income allowed. CCAP management told us this case was sent to the state for review and a determination was made by the state. However, the client file did not contain any documentation showing the file had been sent to the state, nor that the state had made a determination. Thus, we were not able to clearly determine the current status of this case file.

- b. **Recommendation.** The Director of Health and Human Services should ensure that required documentation is included with each client application.
- c. **Management Comments.** Management concurred and stated,
  - “a. **Identification Missing:** Our regular monitoring identified files missing valid government-issued photo identification. We updated our case file checklist on 2/19/04 to include this item. Parents are required to renew their eligibility twice a year, and client files were being checked for missing documents each renewal time. Two temporary employees were hired in June to assist with file maintenance and insure this identification is requested if missing.
  - “b. **Child Support Backup Missing:** The State Child Care Assistance application requires proof of all income. The State’s Family Policy & Procedure Manual allows as acceptable verification ‘a child support affidavit form completed and signed by the parent.’ The form we were using was not approved by the State. We sent the State our form and on April 9, 2004, the State requested we use the term ‘declaration’ in place of ‘affidavit.’ We updated our form accordingly and are now in compliance.

- c. Proof of Income Missing:** Documentation has been prepared for the State reflecting the client did not report income based on two jobs. On April 27, 2004, staff training was conducted to insure that any person who views a client file will be able to determine what action occurred, why it occurred, who took the action, and when it was taken.”
- d. Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.
- 2. State-Approved Forms Not Always Used.**
- a. Finding.** State-approved forms were not always used by CCAP staff to determine client eligibility. Specifically, 38 of 100 client files we reviewed lacked the new state-approved program application form revised in July 2003. The grant agreement, Appendix A, Special Conditions states, “Only state-approved forms are [to] be utilized per 4 AAC 65.” According to CCAP management, the new program applications were received in August 2003 from the state, but the CCAP section ran out of these forms. Additional program applications were not received until December 2003. However, according to the state, the new program application form was available on the web in July 2003 for client use. Finally, CCAP staff used several internally created forms such as the “Child Support Affidavit” form without approval from the state.
- b. Recommendation.** The Director of Health and Human Services should ensure that only state-approved forms are used to help determine family eligibility.
- c. Management Comments.** Management concurred and stated, “We sent the State current forms we are using for approval in April. They requested changes to some forms at that time and others are still under review. The state-approved program application form has been used for all new clients. When the eight page, pre-printed

forms were temporarily unavailable from the State, we used a shorter renewal form for on-going clients. Two temporary employees were hired in June to mail out the State's approved program application to those clients that do not have the revised July, 2003 form on file.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.
- 3. **Client Files Not Secured to Ensure Confidentiality.**
  - a. **Finding.** Client files were not properly secured to prevent unauthorized access. We found five of the eight case workers did not secure their client files at night to ensure confidentiality of client information. As a result, unauthorized individuals could have access to confidential information such as full names, birthdays, and social security numbers. Section C of the grant's Scope of Work states that the grantee (CCAP) needs to “Ensure confidentiality of information relating to a family's participation in the program including, but not limited to, case files and interview information.” Despite an October 27, 2003, management directive instructing case workers to lock their file cabinets each evening, some case workers stated they were either unclear about the directive or did not have the necessary keys to lock their file cabinets.
  - b. **Recommendation.** All client files should be secured in locked cabinets to prevent unauthorized access and ensure confidentiality.
  - c. **Management Comments.** Management concurred and stated, “All staff has the necessary keys to lock their file cabinets, and management has and will conduct regular monitoring to insure compliance.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Errors Affecting Payments or Client Information.**

- a. **Finding.** Miscellaneous errors affecting payments or client information were found for 8 of 100 of the files we tested. For example, we found one instance where net income had been entered into the Child Care Management Information System instead of gross income as required by program regulations. As a result, child care assistance benefits were miscalculated and the client was overpaid. We also found six other data entry errors, such as incorrect addresses and social security numbers. In addition, we found one instance where two clients, with nearly identical first and last names, were mixed up in one file. We brought these errors to the attention of CCAP staff for correction. If not corrected, some of these errors could make it difficult to properly identify the client.
- b. **Recommendation.** Client information should be correctly entered into Child Care Management Information System so that benefits are accurately calculated and clients are properly identified.
- c. **Management Comments.** Management concurred and stated, "Regular monitoring of client files and data system input is conducted. A monitor of a client file includes over 20 key items. In addition to the regular work during this time period, we also did a partial conversion to a new State automated system. This required dual input into two systems. At the same time, we had an unexpected staff shortage for several months and weathered the termination of six accounting positions due to State takeover of the provider payment function. In summary, under the circumstances, we feel staff did a remarkable job of maintaining the quality and quantity of service to the public."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

**Discussion With Responsible Officials.** The results of this audit were discussed with appropriate Municipal officials on May 21, 2004.

Audit Staff:  
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