

May 1, 2008

**Internal Audit Report 2008-7
Child Care Assistance Program
Health and Human Services**

Introduction. The Department of Health and Human Services received \$1,075,000 from the State of Alaska Division of Public Assistance to administer the Child Care Assistance Program (CCAP) for fiscal year 2007 and \$1,278,081 for fiscal year 2008. This program subsidizes child 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. Thirteen positions are currently funded at Health and Human Services to administer the program. CCAP 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 child care providers. As of December 2007, the CCAP had about 2,171 active clients.

Objective and Scope. The objective of this audit was to determine whether CCAP staff were complying with grant requirements, including determining client eligibility and maintaining required documentation in client files. Our audit included a random selection of 93 active client files. Specifically, we reviewed the files and electronic documents in the Integrated Child Care Information System (ICCIS) to determine if appropriate actions were taken timely on applications. We also reviewed each sampled file to determine if a family's contribution amount was calculated correctly based on the supporting documents.

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 during the period of December 2007 through January 2008. The audit was requested by the Administration.

Overall Evaluation. CCAP staff did not always comply with applicable provisions of the State of Alaska's Child Care Assistance Policy and Procedure Manual issued in April 2007. Specifically, client income was not always calculated correctly, the specified application process was not always followed, and client files did not always contain State-required backup documentation. Additionally, formal monitoring review of case files had not been conducted by management since February 2007, and State-approved forms were not always used to determine client eligibility.

FINDINGS AND RECOMMENDATIONS

1. **Client Files Had Incorrect Income Calculations.**

- a. **Finding.** CCAP staff did not always calculate income correctly, in accordance with the Child Care Assistance Policy and Procedure Manual, for clients seeking child care assistance. Specifically, 30 of 93 (32%) sampled client files contained incorrect income calculations. Calculating income correctly is important because the amount of child care assistance to be provided by the State and the contribution amount to be paid by the client is based on the client's income. When the income was recalculated for these thirty clients, the monthly amount contributed increased for 11 clients and decreased for 10 clients. Some common mistakes in calculating monthly income were related to errors in child support payments, gross pay, and income frequency. For example, because of an error in calculating child support payments, one client paid an extra \$143 per month for child support. In another case, because an incentive award was excluded from the parent's income, the client underpaid by \$34 per month for child support.

- b. **Recommendation.** The Program Manager should ensure that CCAP staff calculates families' income accurately in accordance with the Child Care Assistance Policy and Procedure Manual.

- c. **Management Comments.** Management concurred and stated, “Training has been conducted on the identified items during staff meetings on 1/31/08, 2/27/08, and 3/26/08. A major program challenge has been the absence of an Assistant Program Manager from August through December due to funding issues, one position on Family Medical Leave since July, 2007, and training of two new staff.”

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

2. **Application Process Not Always Followed.**

- a. **Finding.** The application process specified in the Child Care Assistance Policy and Procedure Manual was not always followed by CCAP staff. Adherence to the application process is important to help prevent fraud and miscalculation of benefits. Our review and testing of 93 randomly selected files revealed that interviews were not always conducted by staff, actions were not taken timely on submitted applications, files with expired authorizations were not closed, and forms were not always signed by parents.
 - 1) ***Interviews Not Always Conducted*** - After reviewing actual client files and electronic records in ICCIS, we found that 26 of 93 (28%) client cases had no proof that an interview was conducted by staff prior to issuing a child care authorization. The interview is important to verify information such as earned and unearned income, the child care schedule, child custody, and household size. Per the Policy and Procedure Manual, Section 305, *Application and Responsibilities*, “The application process must include at least one interview between the administrator and the applicant. . . . Prior to the final determination, a parent must complete the family interview process

before the family can receive a child care authorization. The interview must be done to complete the eligibility process.”

- 2) ***Action Not Taken Timely on Submitted Applications*** - Fifty-two of 93 (56%) files had no action taken within 30 calendar days from the application submittal date. Eleven of these 52 files had no action taken for over 60 days. The Policy and Procedure Manual, Section 305, states that “The administrator must take action (approve, deny, or pend) the application within 30 calendar days from the application submittal.”

- 3) ***Files With Expired Authorizations Not Closed*** - Nine of 93 (10%) files should have been closed because parents failed to renew their expired child care authorizations, despite reminder letters being sent out in many cases. For example, the child care authorizations for four clients expired in August 2007, but the files have not been closed. We also examined the first four drawers in the filing cabinets where active files were stored and noted 43 additional files with expired authorizations. Although these clients did not receive benefits, good management practices require that files be properly maintained. Per the Policy and Procedure Manual, Section 305, “A family’s case can close for reasons such as their household income changes to exceed eligibility limits, they fail to renew timely, or they are not participating in eligible activities.”

- 4) ***Forms Not Always Signed*** - Our review revealed that 5 of 93 files had forms that were not signed by parents as required. Specifically, two files had unsigned child care assistance applications, and three files had unsigned forms authorizing the release of information. The Policy and Procedure Manual, Section 305, states that “The application must be signed by the parent who certifies, under penalty of perjury, the truth of the information

contained in the application.” It further states, “In two-parent families, both parents must sign if they are unmarried to each other If married, only one parent needs to sign the application. However, both parents need to sign the Release of Information form.”

- b. Recommendation.** The Program Manager should ensure that the child care application process specified in the Child Care Assistance Policy and Procedure Manual is followed by CCAP staff.

- c. Management Comments.** Management concurred and stated,

 - “a. **Interviews Not Always Conducted:** Each file completed is now being reviewed to insure an interview has been conducted and the case notes are done. Interviews were conducted for new applicants; however, renewing clients were not consistently completed due to the workload volume.
 - b. **Action Not Taken Timely On Submitted Applications:** Hiring of a new eligibility position is underway due to funding now available. The workload volume has been difficult to manage, for example, in August we set a record for the number of new applicants. We also had three positions vacant during this time and one position in training. Regular monitoring is being conducted by the Assistant Program Manager on the volume of applications and the timeframe needed for completion.
 - c. **Files with Expired Authorizations Not Closed:** We have implemented case management teams so all files will have appropriate action completed.
 - d. **Forms Not Always Signed:** The interview template has been updated to include a check to verify all signatures are complete.”

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

3. 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 miscalculation of benefits. Our review and testing of 93 randomly selected files revealed the following missing documents: approval notices, documentation of age, alien status confirmation, in-home care documentation, child care assistance application, and authorization for release of information. Following are examples of client files with missing documentation:

- 1) ***Approval Notices Missing*** - Twenty-three of 93 (25%) files had no evidence that approval notices were sent to the clients. After further review of electronic records, 19 of these 23 files also had no electronic approval notices created in ICCIS. Per the Policy and Procedure Manual, Section 305, “An Approval Notice must be sent to the family following a determination of eligibility.”
- 2) ***Documentation of Age Missing*** - Three of 93 files had missing birth certificates for six children and did not contain any other records documenting children’s ages. The Policy and Procedure Manual, Section 305, requires that each file contain documentation of age for each child for whom child care assistance is sought.
- 3) ***Alien Status Confirmation Missing*** - Two of 93 files did not contain backup documentation to confirm the clients’ alien status of four dependents. The Policy and Procedure Manual, Section 300, *Eligibility*, states that “Children for whom child care assistance is sought must meet citizenship criteria prior to being found eligible for coverage. Each child for whom assistance is sought must be a citizen or national of the United States or a qualified alien.”

4) ***In-Home Care Documentation Missing*** - Contrary to the Parent/In-Home Provider Agreement, numerous in-home care files lacked various required forms. Specifically, our review of 93 files revealed the following deficiencies: seven files were missing the Application for Employer Identification Number forms, seven files were missing the Alaska Employer Registration Forms, three files were missing the Employment Eligibility Verification forms, three files had incomplete Employment Eligibility Verification forms, seven files were missing the Alaska New Hire Reporting Forms, and six files were missing the Employee's Withholding Allowance Certificate forms.

b. **Recommendation.** The Program Manager should ensure that required documentation is included with each client application.

c. **Management Comments.** Management concurred and stated,

“a. **Approval Notices Missing:** Each file completed is now being reviewed to insure an approval notice is done if required.

b. **Documentation of Age Missing:** The interview template includes this check to verify appropriate documentation is received.

c. **Alien Status Confirmation Missing:** The interview template includes this check to verify appropriate documentation is received. The State policy and procedure was reviewed during a staff meeting on 3/26/08.

d. **In-Home Care Documentation Missing:** A checklist has been developed to insure these documents have been received and reviewed. A request for State clarification has been made on what documents must be kept in the parent's file.”

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

4. Lack of Effective Monitoring Process.

- a. **Finding.** Since February 2007, CCAP management has not conducted any formal monitoring reviews of case files. Even though CCAP management stated that they regularly performed informal monitoring reviews, the review results were not documented and tracked properly. According to the grant agreement, “The Program Manager and/or Assistant Program Manager are responsible for monitoring 18 or more random files for review each month.” Regular monitoring by CCAP management leads to more timely correction of mistakes such as ensuring participant income was properly calculated by CCAP staff.
- b. **Recommendation.** The Director of Health and Human Services should ensure that case files are monitored and reviewed monthly as required by the grant agreement.
- c. **Management Comments.** Management concurred and stated, “Monitoring of staff files is being conducted, documented, and discussed with them. Priority was given to resolving the increase of parent and provider inquiries, managing the workload, and training new staff.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

5. State-Approved Forms Not Always Used.

- a. **Finding.** State-approved forms were not always used by CCAP staff to determine client eligibility. Specifically, CCAP staff were unable to produce written proof that seven internally-created forms were authorized by the State. These seven forms included the following: Income Verification Form, Child Support Declaration Form, Child Support Verification Form, Supplements to the Application Form, Income

Worksheet Form, Child Care Programs Parent Pay Sheet, and Parent Subsidy Rate Schedule. Per the Policy and Procedure Manual, Section 125, *Designee Responsibilities*, “A designee shall use forms prescribed by the department to administer the child care assistance program unless the department authorizes, in writing, the use of another form that provides the same information as the prescribed form.”

- b. **Recommendation.** The Director of Health and Human Services should ensure that only State-approved forms are used to help determine client eligibility.

- c. **Management Comments.** Management concurred and stated, “We are currently using the State’s new application with no other forms created by us to accompany it. In October, 2006 we submitted forms for approval to the State. The forms we created addressed many of the questions for the interview process we are required to conduct. A new State Grants Administrator was hired during this time, and follow-up on the approval of our forms was overlooked as we dealt with workload processing priorities.”

- 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 March 11, 2008.

Audit Staff:
Marina Sapelnik