

June 15, 2009

**Internal Audit Report 2009-07**  
**Child Care Assistance Program**  
**Department of Health and Human Services**

**Introduction.** The Department of Health and Human Services (HHS) received \$1,278,081 from the State of Alaska Division of Public Assistance (State) to administer the Child Care Assistance Program (CCAP) for fiscal year 2008 and \$1,396,440 for fiscal year 2009. This program subsidizes child care costs for low income families if each parent in the family is working, seeking work, or attending school with the intent of improving employability. Fourteen positions are currently funded at HHS to administer the program. CCAP staff determines parent eligibility and the level of assistance. The State pays the subsidized child care costs on behalf of participating parents to the licensed or approved child care providers. As of February 2009, CCAP had about 1,673 active clients.

**Objective and Scope.** The objective of this audit was to determine whether CCAP staff complied with grant requirements, including determining client eligibility and maintaining required documentation in client files. Our audit included a random sample of 75 active client files and 37 closed client files from the current grant period. Specifically, we reviewed the files and electronic documents in the Integrated Child Care Information System (ICCIS) to determine if applications for child care assistance were processed timely. 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 February 2009 through April 2009. The audit was requested by the Administration.

**Overall Evaluation.** The Department has made improvements in administering CCAP since our previous audit in May 2008. The Department implemented two of the five findings and partially implemented three findings from our 2008 audit report. However, there are still areas that need to be improved. Specifically, this audit disclosed that CCAP staff did not always calculate income correctly. In addition, the specified application process was not always followed, including continuing problems with timely action on submitted applications and incomplete in-home care documentation.

## **FINDINGS AND RECOMMENDATIONS**

### **1. Client Files had Incorrect Income Calculations.**

- a. Finding.** CCAP staff did not always calculate income correctly and in accordance with the Child Care Assistance Policy and Procedure Manual (Policy and Procedure Manual), for clients seeking child care assistance. Specifically, 40 of 75 (53%) sampled client files contained incorrect income calculations with 27 of the 40 (68%) files basing the calculations on information that did not match the documentation provided by the clients.

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 income. When the income was recalculated for these forty clients, the monthly amount contributed increased for 12 clients, decreased for 17 clients, and remained unchanged for 7 clients. The remaining four clients had insufficient information to calculate their income. Some common mistakes in calculating monthly income included mathematical errors, using an incorrect factor rate, not including all of the income received by the clients, or the use of the wrong method to calculate income. For example, one client paid an extra \$272 per month because CCAP staff used the wrong method to calculate income. In another case, a client underpaid \$18 per month because tips and commissions were incorrectly excluded from the income calculation.

- b. **Recommendation.** The Program Manager should ensure CCAP staff calculates families' income accurately and in accordance with the Child Care Assistance Policy and Procedure Manual.
  
- c. **Management Comments.** Management concurred and stated, "Management is in the process of hiring new staff to assist with the quality control. A new internal process of checking every income determination before release to the participants was implemented in late 2008. Individual employee performance plans have been implemented based on the issues found in file reviews and on-going training has been conducted.  
  
"The error rate reflected by the audit could be reduced to 28% if a method supported by the State is used. The State Policy and Procedure Manual outlines one practice, however, the State Child Care Program Office provided instructions that allow the additional method we used of supporting income."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

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

- a. **Finding.** Applications for child care assistance were not always processed properly. Our review and testing of 75 randomly selected files revealed that actions were not taken timely on submitted applications, the Parent Responsibilities Form was not always signed, and CCAP staff issued authorizations for in-home care even though incomplete applications were submitted by clients. In addition, our review and testing of 37 closed files revealed that files with expired authorizations were not closed timely. Our audit revealed the following problems:
  - 1) **Action Not Taken Timely On Submitted Applications** – Nine of 75 (12%) files had no action taken within 30 calendar days from the application submittal date. Three of the nine files had no action taken for over 45 days.

The Policy and Procedure Manual, Section 305, *Application and Responsibilities*, states that “The designee must take action (approve, deny, or pend) the application within 30 calendar days from the application submittal.”

- 2) **Required Document Not In File** – Three of 75 client files did not contain the required Parent Responsibilities Form. Also, one of the 75 client files was missing a copy of the applicant's photo ID.
- 3) **In-Home Care Authorization Issued Without Completed Form** – All 10 in-home care family files had an incomplete Parent/In-Home Provider Agreement. This form is important because it is used to verify that the in-home care provider is currently employed by the family. For example, the forms were missing the contract date, length of employment, rate of pay, the employee's responsibilities, or the employer's tax ID number.
- 4) **Files Not Closed Timely In ICCIS** - Ten of 37 client files were not closed in ICCIS within 10 days. The Policy and Procedure Manual, Section 305 states that “The ICCIS cases files may remain open for no longer than 10 days after a family's case closes.” For example, two case files had their eligibility periods end on February 28, 2009 and December 31, 2008. However, their ICCIS case files were never closed and the cases were still open as of March 25, 2009.

- b. **Recommendation.** Although the application process has improved since our 2008 audit, additional steps need to be taken to ensure the application process in the Child Care Assistance Policy and Procedure Manual is followed by CCAP staff. Adherence to the application process is important to help prevent fraud and miscalculation of benefits. The Program Manager should ensure 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:

- “1) **Action Not Taken Timely On Submitted Applications:** Individual caseloads were implemented in February, 2009, prior to this audit, to streamline the timely required action. Regular monitoring is being conducted by the Assistant Program Manager on the volume of applications and the timeframe needed for completion. We had one eligibility vacancy during this time.
- “2) **Required Document Not in File:** The hiring of a new staff to assist with the quality control should insure all required documents are on file.
- “3) **In-Home Care Authorization Issued without Completed Form:** Monitoring of the Parent/In-Home Provider Agreement form will be conducted to insure the necessary information is completed. Although the form has a space for the employer’s tax ID number, the State does not require it to be entered for the form to be considered complete.
- “4) **Files Not Closed Timely in ICCIS:** The implementation of individual caseloads makes completing this case management function easier. Timely reminders are issued to complete this process, and follow-up by the Quality Control position should insure stronger internal controls.”

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 4, 2009.

Audit Staff:  
Scott Lee