ACF Administration for Children and Families	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
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	4. Key Words: Child Care and Development Fund (CCDF), Program Integrity, Financial Accountability, Access to Child Care	

PROGRAM INSTRUCTION

To: Lead Agencies administering child care programs under the Child Care and Development Block Grant (CCDBG) Act of 1990, as amended, and other interested parties.

References: The CCDBG Act (42 USC § 9858 et seq); Section 418 of the Social Security Act (42 USC § 618); 45 CFR Parts 98 and 99; Executive Order 13520, *reprinted in* 74 Fed. Reg. 62201 (Nov. 25, 2009).

Subject: To remind Lead Agencies of program integrity and financial accountability provisions under the Child Care and Development Fund (CCDF) program and provide recommendations and resources for ways to strengthen program accountability.

Background: Lead Agencies administering the CCDF program must meet several regulatory requirements established to support program integrity and financial accountability. These requirements are aimed at reducing errors in payment and minimizing waste, fraud and abuse to ensure that funds are being used for allowable program purposes and for eligible beneficiaries. The purpose of this guidance is to remind Lead Agencies of their roles and responsibilities in preserving program integrity and provide recommendations to assist Lead Agencies in strengthening accountability while continuing to preserve access for eligible children and families.

Program integrity efforts can help ensure that limited program dollars are going to low-income eligible families for which assistance is intended; however, it is important to ensure that integrity efforts do not inadvertently impair access for eligible families. The Administration has emphasized that efforts to reduce improper payments and fraud must be undertaken with consideration for impacts on eligible families seeking benefits. In November 2009, the President issued Executive Order 13520, which underscored the importance of reducing improper payments in Federal programs while

protecting access to programs by their intended beneficiaries. (74 Fed. Reg. 62201 (Nov. 25, 2009))

Guidance: The Child Care Bureau (CCB) defines program integrity comprehensively as mechanisms necessary to ensure provider and program quality, to meet the developmental needs of children, support parents in employment or education, and maintain financial accountability. This guidance is specific to the fiscal aspects of this larger view of program integrity and accountability. It is important to have a strategic and intentional planning process to formalize mechanisms to promote program integrity and financial accountability while balancing quality and access for eligible families. A foundation for accountability should be policies and procedures that help low-income parents access child care assistance to support their work and training and promote children's success in school. Once a Lead Agency has established policy and procedures in line with this mission, steps should be taken to implement the program with fidelity and to include a variety of checks to detect areas both where there may be vulnerability to error or fraud and areas in which the system is failing to serve families well. CCB recommends that Lead Agencies articulate planning and implementation practices as well as demonstration of infrastructure such as training, databases, and monitoring activities that will allow for effective enforcement in the biennial CCDF Plan.

Supporting Program Integrity and Financial Accountability

Lead Agency Responsibilities:
There are several Federal requirements outlining Lead Agency responsibilities for ensuring CCDF funds are spent in accordance with the CCDBG Act and regulations. These include the following:

- *CCDF Plan* – Submission of the biennial CCDF Plan (ACF-118) includes reporting of Lead Agency actions to prevent, measure, reduce and collect improper payments. Lead Agencies must have systems in place to document that CCDF funds have been spent in compliance with the law and the approved Plan.
- *Error Rate Reporting* – CCDF regulations at 45 CFR § 98.100 require Lead Agencies to conduct case records reviews to detect and reduce errors associated with eligibility determination to ensure that families receiving subsidies are eligible. Lead Agencies are required to submit error rate reports indicating percentage of cases with an error and estimated annual amount of improper authorizations for payments.
- *Audits* – Lead Agencies are required to have an audit conducted at the close of each program period in accordance with OMB Circular A-133 and CCDF regulations at 45 CFR § 98.65. The

Lead Agency must report findings to the HHS Office of the Inspector General (OIG).

- *Financial and Administrative Reporting* – Lead Agencies must submit quarterly ACF-696 Financial Reports indicating the status of expenditures and uses of funds. Lead Agencies also submit administrative data reports on the number of children served and the characteristics of services and recipients (ACF-801 & ACF-800). Regional grants staff review financial reports and confirm compliance with CCDF statutory and regulatory requirements, such as obligation and liquidations periods; minimum quality spending requirements; and limitations on administrative costs.
- *Record Retention* – CCDF regulations at 45 CFR § 98.90 require that Lead Agencies retain documentation showing they have expended funds in compliance with CCDF law for at least three years or until complete resolution of any litigation or similar legal action involving records and make documents available to the Federal government upon request.
- *Monitoring Subrecipients* –Lead Agencies that use other governmental or non-governmental subrecipients to administer the program must have written agreements in place outlining roles and responsibilities for meeting CCDF requirements. CCDF Regulations at 45 CFR § 98.11 require the Lead Agency to oversee the expenditure of funds by sub-grantees, monitor programs and services, and ensure that sub-grantees that determine individual eligibility operate according to rules established by the program.
- *Recovery in Cases of Fraud* – CCDF Regulations at 45 CFR § 98.60(i) require Lead Agencies to recover child care payments that are determined to be the result of fraud. Payments are to be recovered from the party responsible for the fraud.
- *Disallowances* – Expenditures not made in accordance with the CCDBG Act, implementing regulations, or the approved CCDF Plan are subject to disallowance, pursuant to CCDF Regulations at 45 CFR § 98.66(a). In accepting the CCDF grant award, the Lead Agency agrees to comply with the terms and conditions of the grant award, including administrative requirements, financial and program progress reporting, and requirements for sub-recipients and vendors. Failure to comply could result in the loss of Federal funds, penalties, and disqualification from receipt of further CCDF funding.

Lead Agency Roles:
CCDF provides Lead Agencies with significant flexibility to establish policies and procedures for administering the program within the above-stated responsibilities and requirements. Therefore, Lead Agencies have an important role to play to ensure policies appropriately support program integrity and financial accountability. These roles include:

Verifying and Documenting Child and Family Eligibility
Lead Agencies are responsible for ensuring that all children served in CCDF are eligible for the program and receiving care from eligible child care providers. This includes instituting procedures to ensure eligibility is appropriately verified, including monitoring State, local, and non-governmental agencies directly engaged in eligibility determination. CCDF requirements pertaining to child eligibility are found at 45 CFR § 98.20. In order to be eligible for services a child must be under 13 years of age (or at the option of the Lead Agency be under age 19 and physically or mentally incapable of caring for himself or herself, or under court supervision); reside with a family whose income does not exceed 85 percent of the State median income for a family of the same size; and reside with a parent or parents who are working or attending a job training or educational program, or receive or need to receive protective services.

Lead Agencies should, at a minimum, verify and maintain documentation of the child's age, family income, and require proof that parents are engaged in eligible activities. Income documentation may include pay stubs, tax records, child support enforcement documentation, alimony court records, government benefit letters, and receipts for self-employed applicants. Documentation of participation in eligible activities may include school registration records, class schedules, or job training forms. In addition, electronic recordkeeping practices can be utilized to reduce paperwork.

Monitoring Child Care Providers
Lead Agencies are responsible for ensuring that CCDF funds are used to access child care services with legally operating providers. CCDF regulations at 45 CFR § 98.40 require that States have in effect licensing requirements applicable to child care services provided within the State. CCDF regulations at 45 CFR § 98.41 also require that child care providers serving children who receive subsidies meet requirements pertaining to prevention and control of infectious diseases, building and physical premises safety, and basic health and safety training for providers. The Lead Agency or its subcontractors also must have procedures in place to ensure that child care providers serving subsidized children comply with all applicable State and local health and safety requirements.

Monitoring of child care providers may involve requiring background checks of providers and other adults in the child care setting, visiting the provider to check for health and safety compliance, or conducting mandatory health and safety training sessions a provider must complete before receiving CCDF funds. CCB recommends a combination of announced and unannounced on-site visits and encourages Lead Agencies to partner with State and local entities responsible for child care licensing to allow for information sharing regarding compliance with licensing regulations and proper use of CCDF funds. Enhanced communication and

information between licensing systems and subsidy systems can simultaneously improve child care quality and program integrity. For example, a linked database could be used to check that providers are not receiving subsidies for more children than they are licensed to serve and flag providers who are at risk for fraud or abuse.

Payments to Child Care Providers
Lead Agencies determine how to provide payment for child care services, including whether payments are processed by the Lead Agency or another entity, payment mechanism (electronic transfer, check, payment to the parent), and the type of documentation required for payments. In designing these policies and systems, Lead Agencies should consider how choices may impact the likelihood of waste, fraud, and abuse. For example, Lead Agencies and their subcontractors or grantees may find it easier to track electronic payments to parents and providers. Time and attendance systems can help to track and record children's attendance to ensure appropriate payment.

While Lead Agencies are required to recover payments resulting from fraud, they have discretion to devise the specific processes that will be used. CCB recommends that Lead Agencies implement strategies such as record matching and database linkages, regular staff trainings, and dedicated program integrity staff to both prevent and recover fraudulent payments. Lead Agencies may wish to use a unique identifier to crosscheck information provided by parents and providers across State and national data systems.[1] For example, income reported on the application for child care assistance may be checked with State quarterly wage databases or other benefit programs (i.e. Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Child Support Enforcement (CSE)). Many such data systems can be structured to automatically flag potential improper payments. States should also provide training to caseworkers responsible for eligibility determination and redetermination and make efforts to simplify forms. CCB also recommends that each Lead Agency include staff dedicated to program integrity efforts. These staff should partner with law enforcement as appropriate to address intentional and egregious fraud.

Preserving Access for Children and Families
Efforts to promote program integrity and financial accountability should not compromise child care access for eligible children and families. Once the Lead Agency develops child-centered and family-friendly policies that take into consideration both access to care and quality of care to promote children's health and well-being, the next step is implementation with fidelity to the established policies. Lead Agencies can promote program

[1] State law may restrict some disclosures of personal information. Lead Agencies should consult their State attorneys general and/or information officers to determine what kinds of information may be crosschecked across programs.

integrity by clearly communicating specific State policies to staff, parents, and providers. When policies are easily understood by the public and clearly communicated, parents and providers can better understand reporting requirements and deadlines. Lead Agencies should reconsider policies that are unnecessarily complex or that increase the risk of administrative errors and fraud.

Within the eligibility requirements identified in Federal law, Lead Agencies have broad flexibility in defining child eligibility and re-determination periods in the State Plan. Lead Agencies should carefully review their policies to ensure that they meet the needs of children and families and are easily enforceable to minimize the potential for fraudulent payments.

Technical Assistance and Resources

CCB has several technical assistance tools in place to assist Lead Agencies in assessing efforts to promote program integrity and financial accountability and build towards improvement. Regional offices are also available to provide technical assistance. The online tools below may be useful to improve Lead Agency program integrity efforts:

- State Risk Self Assessment Tool – This tool is based on the U.S. Government Accountability Office (GAO) Internal Control Management and Evaluation Tool[2] and assists Lead Agencies in assessing the adequacy of program governance and internal controls. The CCB tool is designed to help identify issues in overall program integrity including errors in the administration of CCDF and improper payments. The tool is available at: http://www.acf.hhs.gov/programs/ccb/ccdf/ipi/saic/toc.htm.
- Improper Payments Information Technology Guide – This tool identifies ways in which Lead Agencies can use IT and software to prevent improper payments. The tool is available at http://www.acf.hhs.gov/programs/ccb/ccdf/ipi/it/toc.htm.

PARIS – States may participate in the Public Assistance Reporting Information System (PARIS) project to crosscheck CCDF data with other benefit programs. Participating States use PARIS match results to validate client reported circumstances and identify possible erroneous payments based on data provided. All 50 States, the District of Columbia, and Puerto Rico participate in the PARIS match using data from TANF, Medicaid, and Food Stamps. Additional information is available at http://www.acf.hhs.gov/programs/paris/.

Effective Date: This Program Instruction is effective upon issuance.

[2] Available at http://www.gao.gov/new.items/d011008g.pdf

Questions: Direct all inquiries to the Child Care Program Manager in the appropriate ACF Regional Office.

/s/

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