

CHILD CARE IMPROPER PAYMENTS INITIATIVE
GRANTEE INTERNAL CONTROL SELF-ASSESSMENT INSTRUMENT
PILOT STUDY

INTRODUCTION

The Office of Child Care (OCC) has taken a systematic approach to addressing the issue of improper payments in childcare. Since 2007, once every 3 years all States, including Puerto Rico and the District of Columbia, measure, calculate and report improper authorizations for payments (IAP) in the Child Care Development Fund (CCDF) and identify strategies for reducing future IAPs. The OCC is now examining the feasibility of implementing a Grantee Internal Control Self-Assessment Instrument (*Instrument*) that could assist in reviewing and documenting the adequacy of policies and procedures for program integrity monitoring in the CCDF program. To accomplish this, the OCC is proposing to pilot test this draft *Instrument* and continue to develop the *Instrument* with grantees in several of the ACF Regions in the coming year. Once the pilots are completed, the OCC will be able to recommend the most effective approach possible to continue support of the self-assessment process.

OVERVIEW

The *Instrument* is designed to assist grantees in assessing how well their policies and procedures meet the CCDF regulatory requirements for supporting 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. This *Instrument* can be used to help grantees determine how well their internal controls are designed and functioning, and help them to determine what, where, and how improvements can be made.

This *Instrument* is based on the *State Self Assessment of Internal Controls Instrument* developed and piloted in the CCDF in ten States in 2007. Based on State feedback, this *Instrument* was modified to better correspond to the regulatory requirements established to support program integrity and financial accountability in the CCDF, as outlined in the CCDF-ACF-Program Instruction 2010-06, issued on August 26, 2010.

The goal is for this *Instrument* to assess grantees' internal controls as they relate to program integrity objectives. The *Instrument* will allow the grantee to identify areas of concern, and provide a documented way of addressing those concerns. Ultimately, this *Instrument* can help grantees become more effective and efficient in their internal controls. This *Instrument* may also be useful in identifying issues with respect to preventing improper payments caused by mistakes, inadequate controls, fraud, waste, or abuse. The OCC views the *Instrument* as a promising tool for grantees. The *Instrument* can provide the OCC, Regional Offices, and grantees with a systematic method for reviewing and documenting the adequacy of a grantee's internal control system; identifying internal control weaknesses; and providing documentation of findings and possible corrective actions. Completed internal control assessments are living documents, which are revised as circumstances, conditions, and risks change.

BENEFITS OF THE *INSTRUMENT*

Based on the feedback provided by the grantees participating in the initial pilot, the OCC anticipates that the self-assessment process can yield the following benefits:

- Allows grantees to monitor progress toward reducing errors and improper payments which must be reported in the biennial CCDF Plan.

- Allows grantees and Regional Office managers to provide systematic oversight and support for the CCDF program integrity objectives.
- Helps grantees and Regional Office staff identify areas for technical assistance that could be addressed individually or in regional meetings with the grantees.
- Identifies best practices to be shared within and across Regions.
- Helps both grantees and Regional Offices be better prepared and informed regarding fraud, waste or abuse issues that may arise.

PILOT GRANTEES: TBD

We propose to pilot the *Instrument* with several partner grantees to participate in the review, modification, and initial pilot test of the *Instrument*.

A Federal team consisting of staff from the Regional Office, the OCC, and Walter R. McDonald & Associates, Inc. (WRMA) will conduct a 3 day site visit to each pilot grantee. The Federal team will meet with the State designated team to conduct a self assessment of potential areas of concern in their child care program. The goal of the review process is to tailor the *Instrument* to identify and define specific areas of concern in the grantee's program. Once these areas are identified and agreed upon, the Federal and State teams will design mitigation strategies to address the identified concerns and benchmarks for assessing progress.

Initial pilot observations and recommendations will then be shared with the OCC before implementing the self-assessment process with all interested grantees.

PILOTS IN REMAINING REGIONS

The OCC proposes to pilot the *Instrument* with grantees in several ACF Regions. A description of the process is below.

Task 1: Finalize Partner Grantees

The OCC and Regional Offices will finalize the roster of partner grantees that will conduct pilots and establish the dates for the site visits.

Task 2: Create Grantee and Regional Teams and Conduct Site Visit

Following the pilot model, each Regional Office will create a Federal team that will support the grantee teams. A site visit will be held with each pilot grantee, during which the Federal team will conduct an on-site visit to support the pilot grantees in the self-assessment process. The Federal and State teams will conduct a self-assessment process that will identify and define areas of risk and develop mitigation strategies and benchmarks for the grantee and Federal Team to monitor progress in reducing risk over time.

WRMA will provide ongoing support to Federal and grantee teams through this process. Conference calls will be held, as needed, with each grantee. Partner grantee conference calls will also be held throughout the process to keep all grantees informed and to communicate issues, problems, and successes.

Task 3: Ongoing Debriefing

Throughout the process, key grantee team representatives will debrief with the Federal team and others, as appropriate. The purpose of the debriefing calls will be to continue to tailor to the *Instrument* as it is implemented with other grantees and to share best practices and results in order to continuously improve the *Instrument*.

