

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General



Inspector General

August 9, 2016

Laura Zeilinger
Director
D.C. Department of Human Services
64 New York Avenue, N.E., 6th Floor
Washington, D.C. 20002

Hanseul Kang
State Superintendent of Education
Office of the State Superintendent of Education
810 First Street, N.E., 9th Floor
Washington, D.C. 20002

Dear Director Zeilinger and Superintendent Kang:

This letter is to inform you of the results of the Office of the Inspector General's (OIG) *Special Evaluation of the Department of Human Services Child Care Services Division, Child Care Subsidy Program* (OIG No. 16-I-0073).

The following sections summarize the evaluation's objectives, background, scope and methodology, and findings and recommendations.

Evaluation Objectives

The OIG conducted this special evaluation with the following objectives to: (1) assess the Department of Human Services (DHS) Child Care Services Division's (CCSD) administration and oversight of child care subsidy eligibility determinations; and (2) identify possible process and procedure enhancements that could be implemented to reduce the likelihood that an ineligible child care subsidy applicant receives District benefits.

This evaluation's first objective resulted in three findings and the second objective resulted in six recommendations to enhance CCSD's ability to reduce the likelihood that an ineligible applicant receives a child care subsidy. These results are presented in detail in the Findings and Recommendations section of this evaluation.

Evaluation Background

This evaluation was prompted by OIG investigations of ineligible individuals who received child care subsidies. Several such cases of fraud over the last few years resulted in sentences requiring restitution amounts ranging from \$25,000 to \$42,000.

The Office of the State Superintendent of Education (OSSE) manages the District of Columbia Child Care Subsidy Program (Subsidy Program), which provides subsidized child care to eligible low-income families based on an assessment of need, income, and family size. The Subsidy Program serves parents who have children ranging in age from birth to 12 years. Applicants must submit documentation proving that they qualify for a subsidy under one of 22 eligibility categories.

With funds provided by OSSE, DHS'¹ CCSD is responsible for making timely initial eligibility determinations in accordance with criteria established in OSSE's *Office of Early Childhood Education Eligibility Determination Policies for Subsidized Child Care* (Sept. 2009), and maintaining accurate eligibility case records.

CCSD's main office is located at 4001 South Capitol Street, S.W., Washington D.C. 20032, and is open from 7:30 a.m. to 4:45 p.m.² Eligibility workers meet with walk-in applicants Monday through Wednesday on a "first-come first-served" basis, and by appointment on Thursdays and Fridays. Eligibility workers review applicants' documentation and interview them to determine whether they meet the requirements for one of the eligibility categories. Applicants who possess all required eligibility documentation may receive a child care admission form³ that same day. Applicants who do not have all required documents must provide them to the CCSD within 30 days of their application or the application will be denied.

Evaluation Scope and Methodology

The scope of this special evaluation consisted of CCSD initial eligibility determinations made during the first quarter of fiscal year (FY) 2015 (October – December 2014).

The OIG conducted fieldwork from May through September 2015. Fieldwork included: reviewing applicable laws, regulations, policies and procedures; observing work practices and interviewing CCSD employees; and conducting a case file review.

The OIG reviewed CCSD case files to evaluate whether CCSD eligibility workers issued child care admission forms in accordance with OSSE's Eligibility Determination Policies for Subsidized Child Care. When unable to reconcile conflicting information from CCSD officials regarding the number of child care subsidy applications CCSD received during our scope period, the OIG requested a list of 300-500 clients from the scope period from which we would select a sample. CCSD provided a list of 336 clients and the OIG reviewed a sample of 47 files.⁴

¹ "The mission of the Department of Human Services (DHS), in collaboration with the community, is to . . . provide assistance to low-income families and individuals while helping them maximize their potential for economic security and self-sufficiency." [Http://dhs.dc.gov/page/about-dhs](http://dhs.dc.gov/page/about-dhs) (last visited May 20, 2016).

² CCSD employees are also stationed at the Virginia Williams Family Resource Center and the Taylor Street Service Center.

³ The child care admission form specifies the child who is to receive child care services, the service provider, the beginning date of services, and payment amounts for OSSE and the parent(s). The child care provider must then sign and return the form to CCSD.

⁴ CCSD provided a list of 340 clients that visited the Division during the scope period, and the team removed 4 clients because they were duplicate files. The team requested 179 of the 340 files to review; CCSD initially provided 109. The team reviewed the 109 case files and found that only 47 of those files fell within our scope

When reviewing each file, the OIG documented whether the eligibility worker completed a required case file checklist⁵ that confirms receipt of required documents prior to issuing the child care admission form, and copies of all required documents were in the file as noted on the file checklist.⁶

Of the 47 files reviewed, the OIG found that 41 (87%) contained all required eligibility documentation, while 6 files (13%) contained errors:

- 3 files lacked intake eligibility checklists,
- 2 files lacked proof of residency, and
- 1 file contained another applicant's Parent Fee change form.

The OIG conducted this special evaluation in accordance with standards established by the Council of the Inspectors General on Integrity and Efficiency. As a matter of standard practice, OIG special evaluations pay particular attention to the quality of internal control.⁷

Findings and Recommendations

The first objective of this evaluation resulted in three findings pertaining to CCSD's administration and oversight of the child care subsidy program. The second objective of this evaluation resulted in six recommendations to update CCSD procedures, provide additional employee training, and establish a quality assurance process.

period; the remaining 62 clients were served outside of the scope period. The team decided to limit its review to the 47 files identified as being within the scope period. Based on our review, the OIG was reasonably assured that CCSD properly administered the eligibility determination process for those 47 cases. However, CCSD's apparent inability to provide the OIG with all requested case information and files indicates that DHS must strengthen its program administration processes. Similarly, an August 2014 assessment conducted by OSSE's Eligibility Monitoring Unit identified a number of problems with case files, such as unsigned documents and applications that lacked documentation proving eligibility. OSSE's assessment also noted that of the 210 eligibility records requested by OSSE for review, 42 were "missing."

⁵ "Each folder shall contain an eligibility checklist specific to the eligibility category of the family. The Eligibility Worker shall utilize one (1) of 22 checklists to verify eligibility for the applicant." OFFICE OF EARLY CHILDHOOD EDUCATION ELIGIBILITY DETERMINATION POLICIES FOR SUBSIDIZED CHILD CARE, 15 (Sept. 2009).

⁶ Aside from initially monitoring new hires' work, CCSD supervisors only conduct monthly spot checks of several files. CCSD relies on audits by OSSE, such as the August 2014 assessment, to identify problems with CCSD eligibility determinations and case files. The OIG recommends that CCSD establish a case quality review process of its own so that it can identify potential problems in a more thorough and timely fashion, and comply with the terms of its MOU with OSSE.

⁷ "Internal control" is defined by the U.S. Government Accountability Office (GAO) as comprising "the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity" and is not one event, but a series of actions that occur throughout an entity's operations. Furthermore, internal control is a process that provides reasonable assurance that the objectives of an entity will be achieved, serves as the first line of defense in safeguarding assets, and is an integral part of the operational processes management uses to guide its operations. STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT, at 5-6 (Sept. 2014).

Finding 1: DHS has not provided CCSD employees with instructions to address cases in which applicants may attempt to fraudulently obtain benefits.

Condition: The fraud referral policy that CCSD currently follows is located in OSSE's *Eligibility Determination Policies for Subsidized Child Care*, but this alone does not sufficiently document how CCSD should report fraud suspicions. Namely, the policy does not reference completing a referral form, submitting supporting documentation, or how OSSE will notify CCSD of the outcome of the fraud referral. Both CCSD and OSSE said that when CCSD suspects fraud, CCSD should complete a referral form and send the accompanying case file to OSSE, but there were inconsistencies in employees' understanding of who within OSSE receives the referral. Some believed that it is sent to OSSE's Compliance and Integrity Division (CID) whereas others said that OSSE's Eligibility Monitoring Unit receives the referral. OSSE reported that it notifies CCSD of an investigation's outcome, but CCSD said it does not track referrals and their outcomes.

Criteria: Section 600.2 of OSSE's *Eligibility Determination Policies for Subsidized Child Care* states:

All suspected cases of fraud must be referred to the Office of the State Superintendent, Office of Early Childhood Education, Compliance and Integrity Division (CID). If ECE/CID determines that fraud has occurred, further action may be taken such as collection from the parent/guardian of funds improperly spent on child care or referral to the Office of the Attorney General for possible criminal prosecution.

An applicant whose fraudulent behavior has been confirmed through investigation will be permanently barred from receiving child care subsidy services through the District's subsidy program.

Cause: OSSE's *Eligibility Determination Policies for Subsidized Child Care* have not been updated since 2009. At present, policy changes are communicated by word of mouth, and are not consistently communicated to employees.

Effect: Without a clear and consistent understanding of when and how they are expected to respond to potentially fraudulent documentation or activity, CCSD employees are ill-equipped to perform their jobs properly. Furthermore, a written policy for submitting, tracking, and communicating fraud referral outcomes would help mitigate the risk that applicants whose fraudulent behavior was previously investigated by OSSE receive new child care benefits for which they are not eligible.

Recommendations: We recommend that the Director, DHS:

- (1) In coordination with OSSE, develop and document a policy and corresponding procedures for referring potentially fraudulent activity and documentation to OSSE.

Agree X⁸ Disagree

- (2) Implement a process to (a) track referrals sent to OSSE and the corresponding outcomes, and (b) disseminate the information to CCSD eligibility workers.

Agree X Disagree

- (3) Implement a process to review CCSD procedures annually, and update them as necessary to ensure that they accurately reflect current child care subsidy eligibility requirements and CCSD work processes.

Agree X Disagree

Finding 2: CCSD employees do not receive sufficient refresher training to supplement the annual 1-day OSSE training.

Condition: CCSD management provides on-the-job training to new employees that includes reviewing procedure and job shadowing, and OSSE provides formal eligibility determination training to CCSD employees once each year. OSSE provided training on May 28, 2015, which was approximately 6-7 months after some employees began working for CCSD.

A 1-day training may not provide sufficient time to cover the training curriculum⁹ and address staff questions. More frequent refresher training may also be helpful so that employees can obtain clarification on recent policy updates and changes to eligibility determination processes.

Criteria: The District's FY 2014-2015 Child Care Development Fund Plan states that as an internal control, eligibility workers are trained by OSSE Eligibility Monitors on a yearly basis and are provided with an established policy manual.

Effect: Because OSSE provides training only once per year, eligibility workers rely on peer-to-peer and on-the-job training to develop an understanding of eligibility determination requirements and procedures until they receive training from OSSE. As a

⁸ DHS and OSSE's full response to the draft report is attached. In it, they state they are "collaborating to develop a more comprehensive policy and process for referring potentially fraudulent activity and documentation to the appropriate divisions at DHS, OSSE, Office of the Attorney General (OAG), and other appropriate oversight agencies." Instances of known or suspected fraud should also be referred promptly to the OIG, and a process for doing so should be included in the updated policy.

⁹ OSSE's formal eligibility training covers topics such as: completing the application, collecting and authenticating documents, calculating applicable income, checking proof of residency and paystubs, obtaining training referrals, and processing applicants referred by other District agencies.

result, some eligibility workers may work for months before receiving the OSSE training. Some employees said that before receiving the OSSE training they felt unprepared to be make eligibility determinations.

Recommendation:

The OIG recommends that the Director, DHS collaborate with the State Superintendent of Education to:

- (4) Evaluate CCSD's on-the-job training and OSSE-provided training to determine whether modifications are necessary to ensure that child care eligibility workers are properly prepared before they conduct intake interviews and issue child care admissions forms.

Agree X Disagree

Finding 3: DHS has no defined quality assurance process and relies on annual OSSE audits to identify problems with initial eligibility determinations and program documentation.

Condition: CCSD lacks procedures for conducting quality assurance reviews; however, supervisors do perform reviews on some eligibility case files. CCSD managers said they review new employees' cases prior to issuance of an admission form, checking the files to ensure they are in the required order and that the eligibility documents in the file comport with the corresponding eligibility checklist. The duration of such monitoring depends on how quickly the new worker appears to learn the eligibility determination process.

CCSD supervisors only informally review more senior workers' cases. For example, a file may be reviewed in the event that there is an issue that comes to management's attention via an audit, or a question or complaint from a customer or child care provider. CCSD does not conduct routine quality assurance reviews.

Criteria: The *Bi-Lateral Memorandum of Understanding Between [the] District of Columbia Department of Human Services and the Office of the State Superintendent for Education for Fiscal Year 2013*, Section III.B.2, states that DHS shall “ensure [the] accuracy of eligibility data entry and case records” and “ensure that case records are properly managed ...” DHS is also required to “[c]onduct random quality assurance reviews of customer records including the database to ensure accuracy; and prepare reports of such findings for OSSE[.]” *Id.* Section III.B.15.

Effect: CCSD sees approximately 100 clients per day and many child care admission forms are issued on the same day on which the clients apply. Given that OSSE audits, which appear to occur approximately once per year,¹⁰ are the only mechanism to identify

¹⁰ The two most recent OSSE audits occurred on August 25-26, 2014, and June 29 – July 3, 2015.

potential eligibility determination errors, months may pass before an OSSE auditor identifies a problem with a CCSD worker's eligibility determination, if it is detected at all.

Recommendations:

The OIG recommends that the Director, DHS:

- (5) Instruct CCSD to develop and implement a procedure for performing quality assurance reviews.


Agree _____ X _____ Disagree _____

- (6) Provide OSSE with regular reports summarizing the findings of CCSD's quality assurance reviews.

Agree _____ X _____ Disagree _____

We appreciate the cooperation and courtesies extended to our staff during this engagement. If you have any additional questions related to this letter, please contact me or Mr. Farley, Assistant Inspector General for Inspections and Evaluations, at (202) 727-2540 or Edward.Farley@dc.gov.

Sincerely,


Daniel W. Lucas
Inspector General

DWL/ejf

DISTRIBUTION:

The Honorable Muriel Bowser, Mayor, District of Columbia, Attention: Betsy Cavendish
(via email)
Mr. Rashad M. Young, City Administrator, District of Columbia (via email)
Mr. Barry Kreiswirth, General Counsel, City Administrator, District of Columbia (via email)
Ms. Brenda Donald, Deputy Mayor for Health and Human Services, District of Columbia
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The Honorable Phil Mendelson, Chairman, Council of the District of Columbia (via email)
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Council of the District of Columbia (via email)
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The Honorable David Grosso, Chairperson, Committee on Education, Council of the District
of Columbia (via email)
Mr. John Falcicchio, Chief of Staff, Office of the Mayor (via email)
Ms. Christina Harper, Interim Director, Office of Communications, Executive Office of the
Mayor (via email)
Ms. Nyasha Smith, Secretary to the Council (1 copy and via email)
The Honorable Kathy Patterson, D.C. Auditor, Office of the D.C. Auditor,
Attention: Candace McCrae (via email)
Mr. Jed Ross, Director and Chief Risk Officer, Office of Risk Management (via email)

ATTACHMENT

Attachment – DHS and OSSE’s July 2016 Response to Draft OIG Report

GOVERNMENT OF THE DISTRICT OF COLUMBIA



SENT ELECTRONICALLY
Edward.Farley@dc.gov

July 22, 2016

Daniel W. Lucas
Inspector General
Office of the Inspector General
Government of the District of Columbia
717 14th Street NW
Washington, DC 20005

Dear Mr. Lucas:

This correspondence serves as the District of Columbia Department of Human Services (DHS) and Office of the State Superintendent of Education’s (OSSE) joint response to the Office of the Inspector General’s (OIG) draft report issued June 8, 2016 on the *Special Evaluation of the Department of Human Services Child Care Services Division, Child Care Subsidy Program*. DHS and OSSE appreciate the OIG’s examination of the issues concerning program integrity in the District’s Child Care Subsidy Program (Subsidy Program).

The OIG draft report noted three findings and six recommendations. DHS and OSSE agree with the findings and recommendations in the draft report and will continue current efforts and consider future actions needed to protect the integrity of the Subsidy Program.

The following provides our collective response to each recommendation under OIG’s three findings:

Finding 1: DHS has not provided CCSD employees with instructions to address cases in which applicants may attempt to fraudulently obtain benefits.

Recommendation 1: In coordination with OSSE, develop and document a policy and corresponding procedures for referring potentially fraudulent activity and documentation to OSSE.

Response: Agreed. Although a policy on fraud detection and prevention has been in place since at least 2009¹, the Child Care Services Division (CCSD) and OSSE are collaborating to develop a more comprehensive policy and process for referring potentially fraudulent activity and documentation to the appropriate divisions at DHS, OSSE, Office of the Attorney General (OAG), and other appropriate oversight agencies. This revised policy will clearly define procedures for how CCSD employees will report potentially fraudulent activity to OAG, OSSE, or other appropriate oversight agencies. Additionally, OSSE and CCSD will continue to discuss fraud detection and prevention during the agencies’ regularly scheduled semi-monthly meetings.

¹ Section 600.2 of OSSE’s Eligibility Determination Policies for Subsidized Child Care, Sept. 2009. Available at: http://osse.dc.gov/sites/default/files/dc/sites/osse/service_content/attachments/DC%20Child%20Care%20Subsidies%20Eligibility%20Policies.pdf

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Recommendation 2: Implement a process to (a) track referrals sent to OSSE and the corresponding outcomes, and (b) disseminate the information to CCSD eligibility workers.

Response: Agreed. DHS and OSSE are committed to their continued collaboration in order to share information that will inform, progress, and dispose of a fraud investigation. As part of this process, OSSE and CCSD are developing an internal fraud tracking policy that includes a process for how CCSD employees consistently track potentially fraudulent activity that has been referred to OAG, OSSE, or other appropriate oversight agencies. The CCSD Program Manager and Supervisor will track, maintain, and provide information to the appropriate CCSD employees regarding the disposition of a fraud investigation and any limitation on a person's future eligibility in the Subsidy Program. DHS and OSSE will establish a process and put in place a system to track the results of the disposition of a fraud investigation and conduct ongoing monitoring. Similar to other federal programs which DHS administers, the system will alert CCSD employees of persons who have been found to commit child care fraud to ensure proper review prior to obtaining benefits.

Recommendation 3: Implement a process to review CCSD procedures annually, and update as necessary to ensure that they accurately reflect current child care subsidy eligibility requirements and CCSD work processes.

Response: Agreed. DHS and OSSE will implement a process to review CCSD procedures annually; however, it is important to note that CCSD currently reviews child care subsidy policies and procedures, including addressing cases of persons suspected of child care subsidy fraud, during its monthly staff meetings. Case scenarios, including those that have fraudulent or potentially fraudulent implications, are reviewed with those related policies and procedures and discussed and clarified. Additionally, comprehensive policy reviews are conducted annually and as needed, utilizing guidance developed from the OSSE Policy Manual and OSSE Eligibility Institute training guide.

Finding 2: CCSD employees do not receive sufficient refresher training to supplement the annual 1-day OSSE training.

Recommendation 4: Evaluate CCSD's on-the-job training and OSSE-provided training to determine whether modifications are necessary to ensure that child care eligibility staff are properly prepared before they conduct intake interviews and issue child care admissions forms.

Response: Agreed. In terms of classroom training, OSSE and CCSD have re-evaluated the training that is provided to CCSD eligibility staff. As a result of this evaluation, OSSE is increasing the annual one day training to a two-day training. OSSE will also implement a four-hour training specifically for the CCSD Program Manager and Supervisor focused on onboarding new CCSD eligibility staff. All trainings will include a fraud component.

DHS believes the current CCSD on-the-job training approach is robust and effective. CCSD's on-the-job training currently consists of utilizing the OSSE Eligibility Institute training guide to train new CCSD eligibility staff on eligibility determination policies and procedures for subsidized child care before staff conduct intake interviews. New CCSD eligibility staff shadow seasoned colleagues during the intake interview process for at least two weeks. New eligibility staff then progress to closely supervised interviews and case processing for another two weeks, until they eventually perform all duties with a decreased level of side-by-side supervision. However, new CCSD eligibility staff are not permitted to issue an admission form to a qualified person until he or she attends the OSSE Eligibility Institute training, which is facilitated quarterly.

ATTACHMENT

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The CCSD Program Manager and Supervisor also provide ongoing coaching and supervision to new and seasoned eligibility staff, which includes but is not limited to, providing performance improvement guidelines to staff as needed and regular instruction and guidance to staff utilizing the OSSE Policy Manual. For example, in fiscal year 2015, the CCSD Program Manager and Supervisor implemented case scenarios, policy question and answer time, and fact-checking activities into the monthly staff meetings for use as regular practical tools and policy refreshers. Finally, CCSD and OSSE collaboratively evaluate all training materials.

Finding 3: DHS has not defined quality assurance process and relies on annual OSSE audits to identify problems with initial eligibility determinations and program documentation.

Recommendation 5: Instruct CCSD to develop and implement a procedure for performing quality assurance reviews.

Response: Agreed. Prior to the issuance of the June 8, 2016 draft report, CCSD initiated an internal quality assurance case review process in January 2016. The quality assurance case review process requires that the CCSD Program Manager review a random sample of case files using an internally developed audit tool monthly. This case review audit tool is based on the OSSE annual audit and Child Care Development Fund Plan requirements and is used to determine whether all documents necessary to determine eligibility were obtained and complete and whether fees, countable activities, and other eligibility factors were correctly assessed by the CCSD eligibility staff. The results of the quality assurance reviews will be analyzed by CCSD and the aggregated results shared with OSSE quarterly.

Recommendation 6: Provide OSSE with regular reports summarizing the findings of CCSD's quality assurance reviews.

Response: Agreed. CCSD will provide OSSE quarterly summary reports regarding the monthly quality assurance reviews, which will include the number of quality assurance reviews conducted, summation of the type of errors found, and the corrective actions to be taken or that were taken.

Again, DHS and OSSE appreciate the OIG's efforts in this area and look forward to continuing to work with the OIG to improve the integrity of the Subsidy Program. Please direct any follow-up inquiries to

_____ or
_____.

Sincerely,



Laura Zeilinger
Director
DC Department of Human Services



Hanseul Kang
State Superintendent
Office of the State Superintendent of Education

c: Edward Farley, Assistant Inspector General