Report to the Washington State Legislature
Working Connections Child Care Quality Control Measures

Washington State Department of
CHILDREN, YOUTH & FAMILIES

December 2019

Washington State Department of
CHILDREN, YOUTH & FAMILIES

Contents

Introduction

The Washington State Department of Children, Youth & Families (DCYF) submits this final report to detail quality control measures in the Working Connections Child Care (WCCC) program.

Following the Working Connections Child Care Quality Control Measures Report for 2019, this is a follow-up report required by Substitute Senate Bill (SSB) 5883, Section 615(4)(c), which requires the submission of:

- A detailed narrative of the procurement and implementation of an improved time and attendance system, including a detailed accounting of the costs of procurement and implementation.
- A comprehensive description of all processes, including computer algorithms and additional rule development, that DCYF and the Department of Social and Health Services (DSHS) plan to establish prior to and after full implementation of the time and attendance system. At a minimum, processes must be designed to:
  - Ensure the department's auditing efforts are informed by regular and continuous alerts of the potential for overpayments;
  - Avoid overpayments to the maximum extent possible and expediently recover overpayments that have occurred;
  - Withhold payment from providers when necessary to incentivize receipt of the necessary documentation to complete an audit;
  - Establish methods for reducing future payments or establishing repayment plans in order to recover any overpayments;
  - Sanction providers, including termination of eligibility, who commit intentional program violations or fail to comply with program requirements, including compliance with any established repayment plans;
  - Consider pursuit of prosecution in cases with fraudulent activity; and
  - A description of the process by which fraud is identified and how fraud investigations are prioritized and expedited.

A companion report, DSHS Child Care Subsidy Programs Quality Control Efforts, was published in 2018 by DSHS and required under SSB 5883 (207)(1)(d)(ii).[1] The report addresses additional quality control efforts in WCCC participant eligibility and details system automation enhancements and changes in processes and procedures.

DCYF also prepares an annual overpayment report as required under SSB 5883 (615)(4)(d). The July 2019 report is available online and the next report is due in July 2020.

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[1] Substitute Senate Bill 5883, Section 207 (d)(ii) "The department, within existing appropriations, must ensure quality control measures for the working connections child care program by maximizing the use of information technology systems and the development or modification of the application and standard operating procedures to ensure that cases are:

(A) Appropriately and accurately processed; and (B) Routinely monitored for eligibility in a manner that is similar to processes and systems currently in place for regular monitoring in other public assistance programs. Eligibility criteria routinely monitored must include, at a minimum: (I) Participation in work or other approved activities; (II) Household composition; and (III) Maximum number of subsidized child care hours authorized. The department must submit a preliminary report by December 1, 2017, and a final report by December 1, 2018, to the governor and the appropriate fiscal and policy committees of the legislature detailing the specific actions taken to implement this subsection.

The overpayment report includes the following information for the previous fiscal year:
- A summary of the number of overpayments that occurred.
- The reason for each overpayment.
- A comparison to overpayments that occurred in the preceding two fiscal years.
- Any planned modifications to the internal process that will take place in the coming fiscal year to further reduce the occurrence of overpayments.

The report detailed overpayment reasons for SFY 2019 by type:

Consumer Overpayments	Provider Overpayments
1) Unreported Household Members 2) Failure to Start Activity 3) Split Copayments 4) Unreported or Underreported Income 5) Department Errors 6) Income More Than 85% of State Median Income 7) Failure to Provide Verification of Income for Self-Attested New Employment 8) Other Reporting Errors	1) Failure to Provide Attendance Records 2) Overbilled Units or Days 3) Incorrect Rate or Copayment Authorized 4) Not Eligible for Fees or Bonus 5) Preschool Child Transitioning to School-Aged Child 6) Other

Background

Working Connections Child Care (WCCC) and Seasonal Child Care (SCC)[2] are collectively referred to as the Child Care Subsidy Programs (CCSP). The goals of CCSP are to assist low-income families by (1) providing children with a stable, nurturing and high-quality learning environment that supports the child's healthy development and school readiness and (2) enabling parents to work and pursue employment with the goal of creating financial stability and self-sufficiency. These goals are embodied in the 2014 reauthorization of CCSP's federal funding authority, the Child Care Development Block Grant Act.[3] This federal act has put forth policies to support working families who are balancing efforts to leave poverty with the challenges of raising young children. Some of these policies focus on reducing administrative barriers to obtaining child care and early learning services.

DCYF is responsible for establishing rules and ensuring compliance with federal and state requirements. Under House Bill (HB) 2816 effective July 1, 2019, CCSP eligibility responsibilities transferred from DSHS to DCYF. Consolidating all child care subsidy functions into one agency will help achieve the following:
- Centralize policy, training, billing, implementation and audit functions in one agency;
- Support increased fiscal integrity to address persistent federal audit risks, which potentially expose DCYF to large federal fines and repayments; and
- Continue simplifying and streamlining subsidy rules and processes, which is essential for continuity of care and funding for children, families and providers.

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[2] SCC, Chapter 110-15 WAC Part III, is similar to WCCC, but is a smaller program. Eligibility is limited to families working in agricultural-based industries who are not receiving temporary aid for needy families (TANF) and who reside in Adams, Benton, Chelan, Douglas, Franklin, Grant, Kittitas, Okanogan, Skagit, Walla Walla, Whatcom or Yakima counties.
[3] 42 USC 9859.

Current Quality Assurance Practices

Auditing of Eligibility Determination and Payment Amounts

The DCYF Eligibility Supports team is responsible for determining accurate eligibility and authorization. This includes conducting a review of an applicant's income and household information. Many applicants applying for CCSP also receive other benefits such as supplemental nutrition assistance program (SNAP), medical and/or cash assistance, all of which are administered by DSHS. It is important to note that while the bulk of the WCCC program operations and administrative service delivery moved to DCYF from DSHS in 2019, the Working Connections Automated Program, an application within the Barcode system, still resides at DSHS. DCYF is dependent on this system for child care subsidy case management and eligibility determination. The eligibility team utilizes program integrity and audit functions that are proven effective with these other benefit programs to assist with CCSP. Through June 30, 2019, DSHS ensured staff was properly trained and the automated systems, forms and letters were updated timely to reflect changes to CCSP policy and rules.

Billing issues may result in an underpayment or overpayment to the consumer and/or providers. DSHS, through the Office of Financial Recovery (OFR), manages the collection efforts for overpayments, including enforcement of unpaid amounts through financial remedies such as making a payment plan or garnishing wages. For disputes related to overpayments, consumers and providers may request administrative hearings, which DSHS also administers and coordinates.

Audits and reviews of procedures are conducted to ensure that eligibility workers are making accurate eligibility determinations and authorizing an appropriate amount of subsidized care consistent with program policy. Audits include:

- A random sample of eligibility determinations.
- Focused audits that review situations identified by prior audits as prone to error.

As set in the DCYF-DSHS Service Level Agreement (SLA), DSHS was required to audit at least 1% of the caseload to identify errors in eligibility determination and authorization. These caseload audits continue under DCYF. From January 1, 2018, through December 2018, a total of 4,571 audits were completed to meet the 1% requirement. In the same year, 10,647 focused audits were completed concentrating on various areas of increased risk each month. Focused audit areas in 2018 included reviewing the accuracy of case actions such as application/reapplication determinations, calculation of income, denials and terminations, household composition and overpayment determinations. Identified errors may be addressed by establishing an overpayment or underpayment, as appropriate.

The agency routinely reviews potential overpayment cases identified by staff or algorithms and audits all of the eligibility work of new employees until competency standards are met. When audit findings show error trends, the eligibility supports team works with the policy team to identify root causes and develop clear and consistent guidance for eligibility staff to maintain program integrity. Potential payment errors are immediately addressed upon discovery in order to prevent an unnecessary overpayment. Staff refer situations demonstrating possible client fraud to the DSHS Office of Fraud and Accountability (OFA) for investigation and provider fraud to the DCYF Quality Assurance (QA) team. The DCYF QA team reviews the providers' payments and refers potential fraud cases to OFA.

Provider Payment Accuracy

DCYF's quality assurance efforts begin with program oversight, including rule and policy development and approval of eligibility staff procedures. DCYF is responsible for quality assurance efforts relating to provider payment accuracy. DCYF has a quality assurance team of six staff who conduct random audits of licensed centers, licensed homes and licensed-exempt providers. The DCYF QA team also conducts focused audits with potential billing issues identified by DSHS, the Social Service Payment System (SSPS) and potential-risk reports.

The DCYF QA team audit process, as detailed in the preliminary report, has continued this past year with one significant change. The DCYF QA team now provides technical assistance to providers when they identify billing issues. Technical assistance is a coaching strategy that connects providers with information and resources to prevent and eliminate future improper billing. This practice started in November 2018.

The DCYF QA team will increase the number of focused audits completed in 2019 with the development of risk reports in Phase 2 of the Electronic Attendance System.

Electronic Attendance System

The inability to provide attendance records for children receiving subsidy is cited as the primary reason for continued State Auditor's Office (SAO) audit findings and provider overpayments. The electronic attendance system supports providers by simplifying the attendance documentation and submission process. With the implementation of the required electronic attendance system, DCYF anticipates a decrease over the next several years in overpayments written due to a provider having no attendance records.

DCYF implemented the first version of rules requiring the use of electronic attendance effective July 1, 2018, and a phased timeline for providers to adopt the use of an approved system. The implementation of the electronic attendance requirement is split into three phases.
- Phase 1- Implementation: The first phase included the rollout of the system and rule changes directing providers to use DCYF's (or a department-approved) electronic attendance system.
- Phase 2- System Improvements: The second phase began in March 2019 when DCYF incorporated improved functionality to the system and report development for the department and providers.
- Phase 3- Data from Approved Third-Party Systems: The third phase will allow third party systems to feed data into the state's attendance system allowing increased reporting capability for all providers receiving subsidy payments.

After completion of the third phase, the electronic attendance system will continue to undergo routine maintenance and updates to improve the usability and accuracy of the information collected.

Phase 1

DCYF implemented Phase 1 of the electronic attendance system in 2018 by releasing the state system, KinderConnect, for use by providers serving families receiving CCSP. The date providers must use an electronic system by is determined by their status as a "new" or "existing" provider. "Existing" providers are all providers who had open CCSP payments, also known as authorization, on Oct. 1, 2018. "New" providers are all providers who were authorized for subsidy after Oct. 1, 2018. All existing licensed

providers were required to use an electronic attendance system to log all transactions by December 2018. New providers authorized for subsidy between Oct. 1, 2018, and July 31, 2019, were required to begin using an electronic attendance system within 90 days of their first subsidy authorization. Effective Aug. 1, 2019, new providers must begin using an electronic attendance system prior to the last calendar day of their third full month following the month of initial authorization.

Existing Family, Friend and Neighbor (FFN) providers had through Nov. 30, 2019, to adopt the use of an electronic attendance system. This requirement aligns with the implementation of the new program requirements for FFN providers related to background checks and health and safety training. As of Sept. 10, 2019, there were 1,448 FFNs authorized with WCCC who were required to adopt the use of an electronic attendance system by Nov. 30, 2019.

The table below shows how many providers serving families receiving subsidy are using, or in the process of getting, an electronic attendance system.

System Adoption by Provider Type as of Sept. 10, 2019

Provider Description	Total # of Providers with Open CCSP Authorization	# of Providers Using the State System or an Approved System	# of Providers Required to Start Using a System
Child Care Center	1,554	1,484	70
Child Care Home	946	909	37
FFN - Existing	1,948	500	1,448
FFN - New	912	597	315
Home and Center	864	854	10
Grand Total	6,224	4,344	1,880

Of the providers using an electronic attendance system, the following table displays the number of providers using the state system and the number using an approved third-party system.

Selected Systems by Provider Type as of Sept. 10, 2019

Provider Type	Using DCYF System	Using Approved Third-Party System
Centers	795	689
Family Homes	784	125
New FFN	592	5
Existing FFN	489	11

Phase 2

Phase 2 of the electronic attendance project has two areas of focus. The first is to improve the usability of the system and the second is to develop a robust reporting system.

DCYF has convened an electronic attendance technical workgroup to assist with system recommendations. The workgroup includes representation and members from Service Employees International Union (SEIU) 925 (licensed family homes and FFN providers) and licensed center providers to discuss ongoing improvements. In March 2019, the following improvements were released in the system:

- Allowing the merging of duplicate child accounts
- Automating the logging of overnight care when care is provided before and after midnight
- Allowing tablets to collect attendance while offline (with upload upon reconnection to internet)
- Adding "Professional Development" to the reasons for absent days

The ability to use tablets while not connected to the internet mitigated a major challenge for providers and families signing children in and out of care in locations with unreliable or inconsistent internet. The updates released also simplified the steps or improved the information being collected by the system.

In an effort to support the proper and consistent use of the state system, the Electronic Attendance System User Manual was created and released in March 2019. The user manual includes policies and step-by-step instructions for KinderConnect, KinderSign, KinderSmart and the Interactive Voice Response.

Reports and algorithms to assist with program integrity are under development as part of Phase 2. Initial planning includes reports to:

- Identify attendance records being collected without signatures
- Compare hours of care provided with billing claims
- Compare hours of care provided with claiming of the non-standard hour bonus
- Compare hours of care to overtime claims
- Identify high-risk cases for focused audits

DCYF has access to attendance data for all providers using the department's electronic attendance system. As of October 2018, DCYF sampled records of some early adopters of the department's electronic attendance system. The initial review showed attendance records matching the provider's claims.

The electronic attendance project's implementation successfully closed in June 2019. The Post-Implementation Review is available through the Office of the Chief Information Officer's project dashboard.

Phase 3 and Beyond

The next phase of the project focuses on the development of automation to collect attendance data from approved third-party electronic attendance systems, require parent approval of attendance entered into the system by a provider and the transition into stabilization and ongoing maintenance.

Providers can choose to use the state system, KinderConnect, or use an agency-approved third-party system. As of August 2019, there are 36 third-party systems approved by DCYF. The work to build

interfaces for each system started in mid-2019. DCYF anticipates beginning to collect data from approved third-party systems in early 2020.

Updates will be released to the state system to require any attendance entered by a provider to get approval by the family. This change will require that parents/guardians confirm that the attendance is accurate and appropriate. DCYF will work with the state system vendor Controltec to develop an implementation schedule for when this change will take effect in the system.

Once all major project deliverables are complete, the project will shift into stabilization. Changes will continue only as deemed necessary. DCYF will request updates to the system as trends in audit errors or changes in policy result in needing modifications to the system.

Electronic Attendance Budget Detail

INVESTMENT PLAN ALLOCATION

Line Item	Allocation	Actual*	Difference
Phase One			
Development Stage	$ 707,728	$ 707,728	$ 0
Implementation Stage	$ 401,683	$ 401,683	$ 0
Operations and Bargaining Costs SFY18	$ 3,730,000	$ 1,288,914	$ 2,441,086
Vendor Maintenance	$ 435,000	$ 435,450	$ (450)
Total Allotment 1	$ 5,274,411	$ 2,833,775	$ 2,440,636
Phase 2			
Development Stage	$ 612,089	$ 535,577	$ 76,512
Implementation Stage	$ 191,278	$ 191,278	$ 0
Operations and Bargaining Costs SFY19	$ 1,706,000	$* 1,462,282	$ 243,718
Vendor Maintenance	$ 822,156	$* 822,156	$ 0
Total Allotment 2	$ 3,331,523	$* 3,011,293	$ 320,230
Total Phase 1 and Phase 2	$ 8,605,934	$* 5,845,068	$ 2,760,866

Actual – the actual costs are estimates through June 2019
Added $62,155 for Operations and labor bargaining costs and $64,451 for Vendor Maintenance

Policy and Procedural Efforts to Improve Program Integrity

Program Violations

In 2018, DCYF filed rules to more clearly define fraud and program violations, as well as describe penalties that include the prohibition of payment for both providers and consumers convicted of fraud. Additionally, DCYF worked to prioritize the recovery of overpayments within the OFR. This led to collaborative workgroups with SEIU 925 focused on improving the overpayment process and Negotiated Rule Making for the rules regarding program violations.

Provider Program Violations

DCYF and SEIU 925 completed the Negotiated Rule Making process required to improve WAC 110-15-0277 and 110-15-0279 to better define program violations and penalties for continued program violations.

DCYF created a progressive penalty process when a provider's billing is found to have a program violation resulting in an overpayment:

- First Violation: DCYF will notify the provider of the reason for the program violation and overpayment amount. DCYF will also work with the provider through a Technical Assistance process informing the provider of the cause of the overpayment and coaching the providers with instructions to prevent future program violations of the same type.
- Second and Third Violations: In addition to repeating the steps for a first violation, the provider will receive a written Compliance Agreement. Providers must sign the Compliance Agreement agreeing that they understand the reason for the violation and the steps and/or information to prevent it in the future. The Compliance Agreement also confirms the provider understands that another program violation will result in all child care subsidy payments being terminated.
- Fourth Violation: This will result in the termination of the provider's child care subsidy payments. The provider will receive written notice of the reason for their final violation and subsequently, a notice of payment closure for any subsidy authorizations.

This process will allow DCYF and the provider to work together to understand the program violations that arise and allow the provider time and information to correct the issues to prevent them from occurring again. DCYF will begin issuing program violations for errors with payments for services and payments in the month of July 2019 or later.

Consumer Program Violations

DCYF consulted with OFA and the federal Office of Child Care to develop rules for client program violations. Implementing program violation rules for client programs is a national focus. The Office of Child Care recently announced that they extended the contract with the National Center on Subsidy Innovation and Accountability (NCSIA) to Walter R. McDonald & Associates, Inc. to provide technical assistance to states and territories around key subsidy administration components, improper payments work and accountability measures.

In 2019, DCYF created a client program violation policy under WAC 110-15-0278, which prohibits consumers from receiving child care subsidy benefits for five years if convicted of fraudulently obtaining child care benefits.

Suspected Fraud Referral Process

OFA conducts investigations for suspected fraud for many programs, including child care. OFA has prioritized investigating child care referrals received from the public, DSHS and DCYF. To support this prioritization, DCYF improved the referral process. DCYF eligibility staff now refer potential billing issues to the Quality Assurance Team. This team reviews the case and refers potential fraud claims to OFA. Cases that do not appear to be fraudulent are included in the audit process as "focused audits." These audits will follow the normal quality assurance audit process and will be expanded in scope or referred to OFA if the findings from the audit warrant additional review.

Overpayments

The Annual Overpayment Report demonstrates that the number of overpayments have significantly decreased in the last state fiscal year. The report cites numerous changes as the contributing factors for

the decrease. Continuous process improvement efforts focus on the simplification of policies and procedures to increase the accuracy of eligibility determinations.

Division of Program Integrity

In 2017, the DSHS Division of Program Integrity (DPI) developed a panel to review and improve the accuracy of eligibility determinations for child care subsidy. In August 2019, DPI published the results of their process review panel and focused accuracy reviews. Between January 2018 and June 2019, a total of 943 cases were reviewed. Through joint-agency review panels, subject matter experts analyzed error trends and root causes to identify areas for improvements in policy, training or the eligibility system.

The top error trend results out of 942 reviews:

Earned income budgeting: incorrect method or lack of documentation to support	72
Incorrect copayment	45
Unearned income budgeting: incorrect or omitted child support calculations	30

Additional Efforts to Improve Program Integrity

DCYF continues its commitment to improving payment accuracy and program integrity. Changes were made in the eligibility system to capture the overpayment root causes which will allow DCYF to use data-driven decision making to better mitigate overpayment trends. As a result of identifying error trends faster and more accurately, numerous continuous process improvement efforts were completed.

DCYF updated policies to support closing cases with incomplete information to ensure subsidy payments are open only on eligible cases. WAC 110-15-0110 was updated to allow a case to be terminated when the consumer does not comply with the responsibilities as outlined in WAC 110-15-0030. WAC 110-15-0012 was updated to allow eligibility support staff to deny an application when the information received is unreliable, incomplete or inconsistent.

As of Sept. 1, 2019, a monthly rate structure was implemented for licensed family homes to create alignment with private-pay practices. The simplification of payment structure is anticipated to make it easier for providers to bill correctly for subsidies while significantly reducing the potential for billing errors.

Beginning July 2019, DCYF implemented a new partial day payment rate for licensed family homes who care for school-age children and other children who have a break in care during the day. This rate is paid at 75% of the full day rate, which changes the way DCYF must authorize subsidy. Prior to the addition of a partial day rate, subsidy was authorized in half-day or full-day rates, where half-day rates can be combined to allow for full-day care as needed. The implementation of the new rate simplifies the authorization and claiming processes by eliminating the need to combine half-day rates.

Clearer policy information and documentation was a focus in 2019. DCYF updated and merged the DCYF and DSHS Child Care Policy Manuals into one public-facing manual titled Child Care Subsidy Programs Policy Manual. DCYF drafted and posted 35 different child care policies to add clarity regarding the child care rules. The manual and posted policies provide consistent information for eligibility staff, providers and families. The DCYF policy team started the development of a standardized rubric for special needs

rate determinations. Standardizing the rates paid based on the level of supports needed ensures consistency and fairness within the program.

Collaborative efforts with internal and external stakeholders were executed. Stakeholders were invited to partner on updates and improvements to the Subsidy Billing Guides. The revisions address the areas most prone to improper billing in the past. Continued regular engagement with DSHS resulted in improvements based on the SAO's audit findings and recommendations. The transition of eligibility support staff to DCYF enabled the policy team to more effectively communicate program integrity expectations, priorities, and efforts. This establishes a shared vision across both teams.

Conclusion

DCYF continues to balance family-friendly access to high-quality child care with high program integrity standards. The implementation of the electronic attendance system provides significant opportunities for increased billing accuracy long-term. Through November 2019, the adoption of the system remains the top priority. Providers have to use the system, and use it correctly, in order for DCYF to have data to use for reports and auditing. As providers continue to use their selected electronic attendance system, families and providers increase their level of skill and comfort with logging children in and out of care.

Updates to the child care authorization structure to accommodate the "partial-day" rate, as agreed to under the Collective Bargaining Agreement with SEIU 925, resulted in simplified payment rates that are less error-prone to claim payment for. The changes in 2019 regarding the electronic attendance system, the transition of eligibility staff to DCYF, the implementation of program violations and simplified payment rates are anticipated to increase payment accuracy, decrease overpayments and improve program integrity.