

**California Department of Education**

**Annual Report to the Governor, Legislature, and the Joint Legislative Budget  
Committee: Administrative Errors in Alternative Payment, CalWORKs, and  
General Child Care Programs for Fiscal Year 2010–11**



**Prepared By:**

**California Department of Education  
Instruction and Learning Support Branch  
Child Development Division**

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**Table of Contents**

Executive Summary.....	1
Background for the 2010–11 Reviews.....	2–3
Estimated Error Rates in Fiscal Year 2010–11.....	3–11
Alternative Payment Monitoring Unit Reviews Conducted in Fiscal Year 2010–11.....	3–7
Center-Based Monitoring Unit Reviews Conducted in Fiscal Year 2010–11.....	8–12

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**Executive Summary**

This report is submitted in compliance with Provision 6(b) of Item 6110-001-0890 of the Budget Act of 2010. Provision 6(b) requires the California Department of Education (CDE) to select a statistically valid sample of family data files from contractors offering full-day child care and development programs and analyze these sample files to estimate rates of administrative errors in four different categories (eligibility, need, family fee, and reimbursement). Provision 6(b) requires the CDE to report estimated error rates annually to the Legislature and the Governor. In implementing Provision 6(b), the CDE also used federal regulations implementing the Improper Payments Information Act (IPIA) as guidance.

The CDE created the Alternative Payment Monitoring Unit (APMU) in 2006 and the Center-Based Monitoring Unit (CMU) in 2009 to conduct the reviews required by Provision 6(b). Because the APMU has previously reviewed each of California's Alternative Payment contractors at least once, the APMU only conducted follow-up reviews in 2010–11. Contractors were selected for APMU reviews based on their prior error rate. In 2010–11, the recently created CMU conducted initial reviews of center-based contractors. Contractors were selected for initial reviews based on their size and compliance history.

The contractors reviewed by the APMU during 2010–11 had an average estimated error rate of 10.1 percent, compared to the average error rate previously estimated for these same contractors of 57.8 percent. This decrease is consistent with reductions in error rates estimated during fiscal year 2009–10 and with the significant reduction in the statewide error rate estimated by the 2010 federal review.

The contractors receiving initial reviews by the CMU averaged an estimated error rate of 32.3 percent. The CDE believes that over time the CMU reviews will produce a reduction in center-based error rates similar to the reduction in Alternative Payment error rates achieved by the APMU. We anticipate substantial reductions in error rates when these same contractors receive technical assistance and follow-up reviews.

In conducting both state and federal reviews, the CDE notes that the finding of an administrative error does not indicate that a family was factually ineligible or received services they were not entitled to. Frequently, errors indicate only that insufficient evidence was present in the file to support the decisions made by the contractor.

You may find this report on the CDE State Administrative Errors 2011 Web page at <http://www.cde.ca.gov/sp/cd/re/lrlegrpt2012ipia2.asp>. If you need a copy of this report, please contact Greg Hudson, Administrator, Southern Field Services, by phone at 916-323-1300 or by e-mail at [ghudson@cde.ca.gov](mailto:ghudson@cde.ca.gov).

## Background for the 2010–11 Reviews

During 2010–11, the APMU conducted reviews of 15 contractors and the CMU conducted reviews of 27 contractors. Both units had anticipated conducting a higher number of reviews. However, the delay in enacting the State Budget postponed staff travel until November 2010, reducing the time available for field work by one third. In addition, pursuant to federal requirements, staff had to select and analyze a sample of cases and complete the federal report estimating California's statewide error rate<sup>1</sup> prior to June 2011. The additional workload necessary to complete the federal report further reduced the time available for field reviews.

Prior to November, while staff was unable to travel, the APMU and the CMU completed a quality assurance instrument that will be used by the contractors to select a random sample of cases and complete their own self-reviews. In addition, a database was developed to record the results of case reviews and calculate error rates. Webinars were used to train contractors on the use of these new tools. Introduction of the review instrument and database will allow individual contractors to replicate APMU or CMU reviews and identify improved procedures for reducing errors.

In 2010–11, the APMU focused its reviews on contractors who previously had high estimated error rates. Each of these contractors received technical assistance and advice on how to lower their error rates from either their assigned Child Development Field Consultant, the APMU team, or both. Some of these contractors had been required to complete formal Error Rate Reduction Plans (ERRPs) subsequent to their original review.

The creation of an ERP involves intensive technical assistance by Child Development Division (CDD) staff to identify local procedures that are the source of errors. Contractors are expected to develop quality systems to track and evaluate implementation of the ERP. Contractors are also expected to demonstrate an improved administrative error rate in the subsequent review.

The CMU monitoring process was new to child care contractors during fiscal year (FY) 2009–10. The CMU developed protocols and resource tools that mirrored the APMU review process. In 2010–11, the CMU focused its initial reviews on large contractors that had full-day child care and development programs. Each of the contractors received technical assistance throughout the review. Contractors that had an estimated error rate greater than 20 percent were required to complete a formal ERP.

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<sup>1</sup> Federal regulations implementing the Improper Payments Information Act of 2002 require that every three years states analyze a random sample of child care cases subject to federal rules and identify errors in those cases pursuant to a federally-mandated methodology. California's second report pursuant to these regulations was due in June 2011. It is available on the CDE State Improper Authorizations for Payment 2010 Web page at <http://www.cde.ca.gov/sp/cd/re/lrlegrpt2011ipia.asp>.

The APMU and the CMU are required to report the estimated error rate for each contractor reviewed. An “error” is defined as a decision by the contractor’s staff that is both inconsistent with an applicable statute or regulation and that has a material impact on the program. Examples of administrative errors include the miscalculation of family income when the correct calculation would have led to a higher or lower family fee, the lack of sufficient evidence in the file to determine eligibility, or the lack of evidence to support the amount of child care being subsidized by the contractor.

Contractor decisions that are inconsistent with the law or regulations, but do not have a material impact on the program, are not included in the error rate estimated by the APMU and CMU. An example of a non-material program error is the miscalculation of family income, when the correct calculation would not have resulted in a change in parent fee or eligibility.

## **Estimated Error Rates In Fiscal Year 2010–11**

### **Alternative Payment Monitoring Unit Reviews Conducted in Fiscal Year 2010–11**

During FY 2010–11, the APMU rereviewed 15 contractors and estimated an average error rate of 10.1 percent. (The average error rate for these contractors as a percentage of total payments in the sample cases is also reported in the chart on page 6.) The same 15 contractors had an average estimated error rate of 57.8 percent when previously reviewed. The 2010–11 reviews indicate that on average each of these contractors, subsequent to receiving technical assistance by CDD staff, reduced their previous rate of errors by over 82 percent.

This reduction in errors continues trends measured by the APMU during previous fiscal years. The predominance of low error rates in California’s Child Development programs is also reflected in the results of the federally required review and report conducted in 2010–11, which was previously transmitted to the Legislature and Administration and is posted on the CDE State Improper Authorizations for Payment 2010 Web page at [www.cde.ca.gov/sp/cd/re/lrleqrpt2011ipia.asp](http://www.cde.ca.gov/sp/cd/re/lrleqrpt2011ipia.asp).

Based on the 2010–11 reviews, contractors have areas in which administrative improvements could be effective in reducing errors. Below is a brief analysis of each area for which the APMU estimates errors pursuant to Budget Act language. Tables and charts follow the analysis.

#### **1. Eligibility Errors**

In the 2010–11 reviews, eligibility errors were estimated at 5.9 percent of all dollars expended on services in the sample cases and 44.2 percent of all administrative errors.

A number of errors in eligibility were attributed to a lack of supporting documentation regarding the number of children counted in the family size and/or the presence or absence of the second parent. Other issues contributing to the eligibility error rate were insufficient data accompanying a family transferring from Stage 1 to Stage 2 and delays in recertifying families.

## **2. Need Errors**

Need errors were estimated at 1.6 percent of all dollars expended on services and 11.7 percent of all administrative errors.

The errors found in the area of need were generally caused by the contractor inaccurately certifying the hours of need or not updating certified hours of care as the parent's need changed.

## **3. Family Fee Errors**

Family fee errors were estimated at .7 percent of all dollars expended on services and 5.1 percent of all administrative errors.

Family fee errors contributed little to the error rates because the average family fee is relatively small. Most of the family fee errors were attributable to mistakes in determining a family's average monthly income, e.g., confusion in determining the pay period (semi-monthly or bi-weekly). Occasionally, family fee errors occurred when the contractor did not update the fee based on changes in family income. There were also mistakes in converting California's part-time and full-time daily fees to a monthly amount.

## **4. Provider Payment Errors**

Provider payment errors were estimated at 5.2 percent of all dollars expended on services and 39 percent of all administrative errors.

A large number of errors in provider payments involved a lack of adherence to federal limitations regarding providers exempt from licensure. Federal rules require that lead agencies adopt policies to ensure that in-home providers are reimbursed at an amount not less than the prevailing minimum wage. The federally recommended method involves establishing minimum numbers of children in the provider's care necessary to earn minimum wage. California has adopted the recommended federal approach. Some contractors reviewed in 2010–11 are not following this policy when authorizing reimbursement to in-home providers. Additionally, in a few cases the exempt provider files lacked trustline clearance or documentation regarding exemption from trustline requirements.

In a few cases, contractors selected reimbursement ceilings based on the provider's requested rate rather than on the parent's need for care. Title 5, *California Code of Regulations*, Section 18074.2 states that the appropriate criteria for the selection of Regional Market Rate ceiling are (1) the age of the child; (2) the type of facility requested; and (3) the parent's approved need for care.

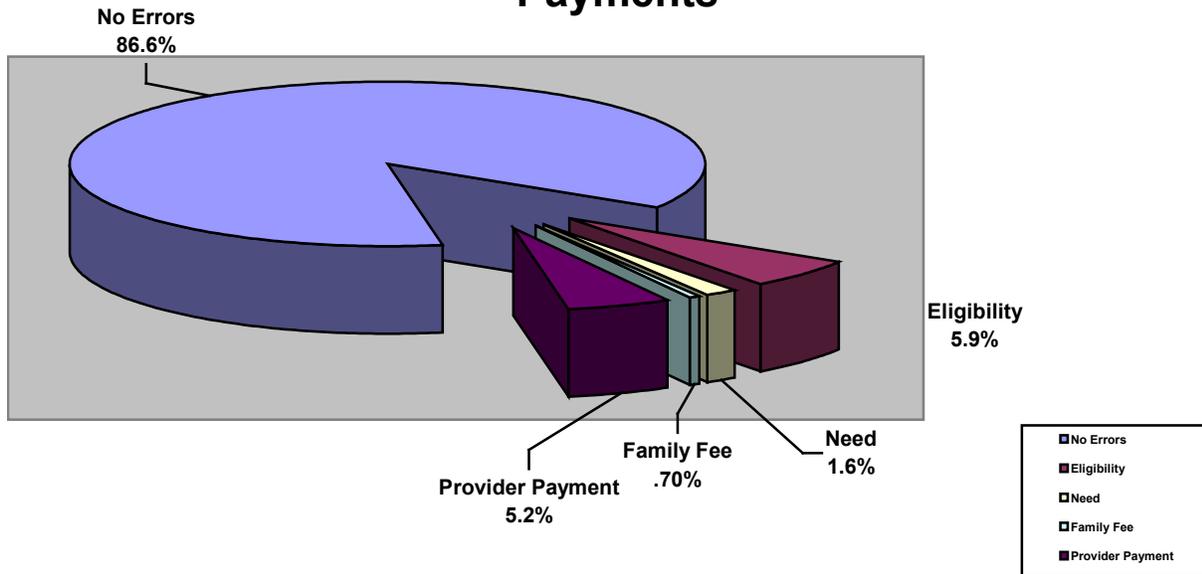
Occasionally, the reimbursement to providers exceeded the selected ceiling or was more than the amount the provider charged unsubsidized families.

Statutory clarification for selecting daily ceilings reduced provider payment errors and the CDD has provided consistent training in this area.

**Fiscal Year 2010–11 ALTERNATIVE PAYMENT MONITORING UNIT ERROR RATES BY CONTRACTOR**

County	Agency	Error Rate	Payments in Sample Cases	Error Amount in Sample Cases	Errors by Category			
					Eligibility	Need	Family Fee	Provider Payment
	<b>Average Error Rate for All Agencies</b>	10.1%						
Contra Costa	Contra Costa Child Care Council	6%	\$ 15,345.21	\$ 848.76	\$ 275.76	\$ 248.12	\$ 117.80	\$ 207.08
El Dorado	Choices for Children	8%	\$ 9,652.29	\$ 761.45	\$ 0	\$ 35.53	\$ 26.00	\$ 699.92
Fresno	Supportive Services	10%	\$ 9,408.68	\$ 902.21	\$ 0	\$ 0	\$ 123.20	\$ 779.01
Los Angeles	International Institute of Los Angeles	1%	\$ 18,913.47	\$ 169.59	\$ 0	\$ 0	\$ 144.90	\$ 24.69
Los Angeles	Child Care Information Services	11%	\$ 15,564.68	\$ 1,663.41	\$ 0	\$ 368.25	\$ 280.70	\$ 1,014.46
Los Angeles	Drew Child Development Corporation	2%	\$ 12,113.82	\$ 241.86	\$ 0	\$ 241.86	\$ 0	\$ 0
Madera	Community Action Partnership of Madera	14%	\$ 10,820.01	\$ 1,547.72	\$ 0	\$ 1,154.81	\$ 16.00	\$ 376.91
Placer	Placer County Superintendent of Schools	1%	\$ 8,550.87	\$ 97.65	\$ 0	\$ 0	\$ 97.65	\$ 0
San Francisco	San Francisco Human Services Agency	24%	\$ 38,510.78	\$ 9,127.29	\$ 6,012.40	\$ 56.07	\$ 0	\$ 3,058.82
San Francisco	Children's Council of San Francisco	17%	\$ 25,017.97	\$ 4,300.63	\$ 558.02	\$ 417.26	\$ 361.20	\$ 2,964.15
San Mateo	Child Care Coordinating Council of San Mateo	1%	\$ 13,865.04	\$ 90.37	\$ 0	\$ 0	\$ 0	\$ 90.37
Santa Clara	Go Kids	45%	\$ 21,254.41	\$ 9,497.45	\$ 6,339.12	\$ 747.04	\$ 255.45	\$ 2,155.84
Sonoma	River to Coast Children's Services	3%	\$ 10,149.75	\$ 344.44	\$ 217.54	\$ 0	\$ 126.90	\$ 0
Sonoma	Community Child Care Council of Sonoma	4%	\$ 11,395.37	\$ 469.38	\$ 0	\$ 61.80	\$ 0	\$ 407.58
Tuolumne	Infant/Child Enrichment Services	4%	\$ 6,624.81	\$ 262.04	\$ 0	\$ 229.29	\$ 0	\$ 32.75
<b>TOTALS</b>			<b>\$ 227,187.16</b>	<b>\$ 30,324.25</b>	<b>\$ 13,402.84</b>	<b>\$ 3,560.03</b>	<b>\$ 1,549.80</b>	<b>\$ 11,811.58</b>
<b>Errors as % of Payments in Sample Cases</b>				<b>13.3%</b>	<b>5.9%</b>	<b>1.6%</b>	<b>0.7%</b>	<b>5.2%</b>
<b>Errors as % of all Errors</b>				<b>100%</b>	<b>44.2%</b>	<b>11.7%</b>	<b>5.1%</b>	<b>39.0%</b>

## Errors by Category as a Percentage of Total Payments



## Comparison Of Alternative Payment Monitoring Unit Error Rates: Baseline vs. Rereview

County	Agency	Baseline Error Rate	Rereview Error Rate
Contra Costa	Contra Costa Child Care Council	33%	6%
El Dorado	Choices for Children	33%	8%
Fresno	Supportive Services	34%	10%
Los Angeles	International Institute of Los Angeles	53%	1%
Los Angeles	Child Care Information Services	72%	11%
Los Angeles	Drew Child Development Corporation	43%	2%
Madera	Community Action Partnership of Madera	63%	14%
Placer	Placer County Superintendent Of Schools	62%	1%
San Francisco	San Francisco Human Services Agency	87%	24%
San Francisco	Children's Council of San Francisco	87%	17%
San Mateo	Child Care Coordinating Council of San Mateo	46%	1%
Santa Clara	Go Kids	61%	45%
Sonoma	River to Coast Children's Services	100%	3%
Sonoma	Community Child Care Council of Sonoma	36%	4%
Tuolumne	Infant/Child Enrichment Services	57%	4%
<b>Average Error Rate</b>		58.6%	10.1%

## **Center-Based Monitoring Unit Reviews Conducted in Fiscal Year 2010–11**

During FY 2010–11, the CMU conducted reviews of 27 contractors. Contractors were selected for initial reviews based on a combination of size and the contractor's history of program compliance. As with the initial APMU reviews, error rates for initial reviews of center-based contractors were relatively high. We expect that technical assistance from the assigned Field Services Consultant and the CMU, along with formal ERRPs, will lead to reductions in the error rates in future reviews.

The average estimated error rate for these 27 contractors was 32.3 percent. (The average error rate for these contractors as a percentage of total dollars claimed in the sample cases—32.5 percent—is also reported in the chart on page 10.) Below is a short analysis, followed by charts and a table, explaining the most common errors.

### **1. Eligibility Errors**

Eligibility errors were estimated at 23.2 percent of all dollars claimed in the sample cases and 71.4 percent of all administrative errors.

The most common error was the lack of sufficient documentation in the file to support the families' eligibility. This does not necessarily indicate that the family was factually ineligible; rather, the data reflected a shortcoming in gathering and/or maintaining sufficient information to determine eligibility.

### **2. Need Errors**

Errors in need determinations were estimated at 7.3 percent of all dollars claimed and 22.3 percent of all administrative errors.

The errors found in need were generally caused by the contractor inaccurately certifying the hours or failing to update certified hours as the parent's need changed.

### **3. Family Fee Errors**

Family fee errors were estimated at 0.3 percent of all dollars expended on services and 1.1 percent of all administrative errors. Most of the family fee errors were attributed to miscalculations of monthly income or family size.

### **4. Attendance Errors**

The errors attributable to attendance records were estimated at 1.7 percent of all dollars claimed and 5.2 percent of all administrative errors.

For center-based programs, attendance records form the auditable basis for claims submitted to CDE for funding. The attendance records errors were generally attributable to inadequate documentation of excused absences.

**Fiscal Year 2010–11 CENTER-BASED MONITORING UNIT ERROR RATES BY CONTRACTOR**

County	Agency	Error Rate	Payments in Sample Cases	Error Amount in Sample Cases	Errors by Category			
					Eligibility	Need	Family Fee	Attendance
	<b>Average Error Rate For All Agencies</b>	32.3%						
Los Angeles	LA Alumni	30%	\$ 9,272.91	\$ 2,822.19	\$ 2,822.19	\$ 0	\$ 0	\$ 0
Los Angeles	Youth Development Partnership	82%	\$ 14,174.19	\$ 11,604.87	\$ 6,543.43	\$ 5,061.44	\$ 0	\$ 0
Orange	Anaheim Family YMCA in Orange	14%	\$ 14,235.38	\$ 1,925.28	\$ 962.64	\$ 962.64	\$ 0	\$ 0
San Joaquin	San Joaquin County Office of Education	49%	\$ 44,471.81	\$ 22,005.73	\$ 17,229.47	\$ 2,616.32	\$ 146.00	\$ 2,013.94
Kern	Community Action Partnership	10%	\$ 31,333.04	\$ 3,098.98	\$ 2,332.68	\$ 538.05	\$ 142.30	\$ 85.95
Monterey	Monterey Peninsula Unified School District	29%	\$ 35,823.96	\$ 10,294.65	\$ 9,901.44	\$ 263.21	\$ 130.00	\$ 0
Alameda	Oakland Unified School District	31%	\$ 37,854.92	\$ 11,849.56	\$ 9,484.84	\$ 1,684.62	\$ 20.00	\$ 660.10
San Diego	North County Community Services	35%	\$ 30,091.53	\$ 10,446.70	\$ 5,881.56	\$ 4,044.27	\$ 369.60	\$ 151.27
Los Angeles	Drew Child Development Corporation	4%	\$ 35,234.01	\$ 1,500.89	\$ 0	\$ 0	\$ 34.00	\$ 1,466.89
Tulare	Tulare County Office of Education	38%	\$ 21,821.95	\$ 8,304.28	\$ 5,053.86	\$ 2,131.56	\$ 157.40	\$ 961.46
Orange	City of La Habra	0%	\$ 5,548.94	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Los Angeles	Redondo Beach Unified School District	10%	\$ 15,821.11	\$ 1,541.00	\$ 790.74	\$ 0	\$ 80.51	\$ 669.75
Yolo	Washington Unified School District	23%	\$ 17,334.40	\$ 4,056.81	\$ 3,125.14	\$ 0	\$ 75.60	\$ 856.07
Merced	Merced County Community Action	34%	\$ 15,254.85	\$ 5,183.47	\$ 2,090.30	\$ 3,001.37	\$ 91.80	\$ 0
Butte	Associated Students - Chico	38%	\$ 9,261.31	\$ 3,488.73	\$ 1,349.42	\$ 2,139.31	\$ 0	\$ 0
San Bernardino	San Bernardino City Unified School District	6%	\$ 13,122.15	\$ 783.70	\$ 770.10	\$ 0	\$ 13.60	\$ 0
Riverside	YMCA of Riverside City and County	12%	\$ 21,532.54	\$ 2,657.98	\$ 1,375.60	\$ 1,263.47	\$ 0	\$ 18.91

**Fiscal Year 2010–11 CENTER-BASED MONITORING UNIT ERROR RATES BY CONTRACTOR**

County	Agency	Error Rate	Payments in Sample Cases	Error Amount in Sample Cases	Errors by Category			
					Eligibility	Need	Family Fee	Attendance
Marin	Community Action Marin	85%	\$ 15,836.97	\$ 13,436.74	\$ 13,001.83	\$ 434.91	\$ 0	\$ 0
Los Angeles	The Salvation Army	5%	\$ 9,660.79	\$ 483.04	\$ 434.91	\$ 0	\$ 0	\$ 48.13
Siskiyou	Chestnut Preschool	0%	\$ 3,989.80	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Kern	Kern Community College District	50%	\$ 11,610.13	\$ 5,751.78	\$ 2,815.73	\$ 2,936.05	\$ 0	\$ 0
Los Angeles	Covina Development Center	11%	\$ 9,417.56	\$ 1,013.68	\$ 0	\$ 0	\$ 174.80	\$ 838.88
San Bernardino	ASA Learning Centers	100%	\$ 4,046.53	\$ 4,046.53	\$ 3,633.97	\$ 412.56	\$ 0	\$ 0
Sacramento	San Juan Unified School District	3%	\$ 24,787.05	\$ 761.66	\$ 466.26	\$ 51.57	\$ 121.75	\$ 122.05
Santa Cruz	Pajaro Valley Unified School District	52%	\$ 26,253.55	\$ 13,701.79	\$ 11,498.31	\$ 2,203.48	\$ 0	\$ 0
San Diego	San Diego	74%	\$ 26,525.90	\$ 19,579.20	\$ 14,642.44	\$ 4,696.31	\$ 240.45	\$ 0
Los Angeles	Pomona Unified School District	48%	\$ 21,593.91	\$ 10,427.94	\$ 5,686.66	\$ 3,706.51	\$ 33.60	\$ 1,001.17
<b>TOTALS</b>			<b>\$ 525,911.19</b>	<b>\$ 170,767.18</b>	<b>\$ 121,893.52</b>	<b>\$ 38,147.65</b>	<b>\$ 1,831.41</b>	<b>\$ 8,894.57</b>
<b>ERRORS AS % PAYMENTS IN SAMPLE CASES</b>				<b>32.5%</b>	<b>23.2%</b>	<b>7.3%</b>	<b>0.3%</b>	<b>1.7%</b>
<b>ERRORS AS % OF ALL ERRORS</b>				<b>100%</b>	<b>71.4%</b>	<b>22.3%</b>	<b>1.1%</b>	<b>5.2%</b>

## Errors by Category as a Percentage of Total Claims

