

California Department of Education

**Report to the Governor and the Legislature:
Administrative Errors in Alternative Payment, CalWORKs, and General Child Care
Programs for Fiscal Year 2012–13**



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Description: Administrative Errors in Alternative Payment, CalWORKs, and General Child Care Programs for Fiscal Year 2012–13

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California Department of Education

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**Report to the Governor and the Legislature:
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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 2012. 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: (1) eligibility, (2) need, (3) family fee, and (4) provider reimbursement. Provision 6(b) requires the CDE to report estimated error rates annually to the Governor and the Legislature. In implementing Provision 6(b), the CDE also used federal regulations implementing the Improper Payments Information Act as guidance.

The CDE created the Alternative Payment Monitoring Unit (APMU) in 2006 as required by Provision 6(b). The Center-Based Monitoring Unit (CMU) was created in 2009 in response to federal regulations extending error rate requirements to full-day centers. The APMU has previously reviewed each of California's Alternative Payment contractors at least once. For Fiscal Year (FY) 2012–13, contractors were selected for APMU reviews based on their prior error rate and the time elapsed since the last review. In FY 2012–13, the 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 FY 2012–13 had an average estimated error rate of 4.33 percent compared to the average error rate previously estimated for these same contractors of 34 percent. This decrease is consistent with the reduction in the statewide error rate estimated during the federally required review in 2010.

The contractors receiving initial reviews by the CMU had an estimated error rate of 32.7 percent. The CDE predicts that over time, the CMU reviews will yield a reduction in center-based error rates similar to the reduction in Alternative Payment error rates. 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 the finding of an administrative error does not indicate a family was factually ineligible or received services for which they were not entitled. Frequently, errors indicate insufficient evidence was present in the file to support the decisions made by the contractor.

You can find this report on the CDE State Administrative Errors 2014 Web page at <http://www.cde.ca.gov/sp/cd/re/lrlegrptadminerrors1213.asp>.

Introduction

This report is submitted in compliance with Provision 6(b) of Item 6110-001-0890 of the Budget Act of 2012. 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 administrative errors in four different categories: (1) eligibility, (2) need, (3) family fee, and (4) provider reimbursement. Provision 6(b) also requires the CDE report estimated error rates annually to the Governor and the Legislature.

Provision 6(b) was added to Item 6110-161-0890 in response to Legislative hearings and budget change proposals submitted by the CDE. Provision 6(b) includes an appropriation, as well as position authority and directive language. Pursuant to this language, the CDE created the Alternative Payment Monitoring Unit (APMU) and the Center-Based Monitoring Unit (CMU).

In implementing the Budget Act language, the CDE has also designed the review process to conform to federal requirements contained in regulations implementing the Improper Payments Information Act (IPIA).¹ The federal regulations require the CDE to report to the Department of Health and Human Services every three years based on a statewide sample.

The requirements of both state and federal reviews are designed to identify administrative errors. An administrative error does not indicate a family was factually ineligible or received services for which they were not entitled. Errors often indicate that insufficient evidence was present in the file to support the decisions made by the contractor or the contractor misinterpreted program rules.

Background for the 2012–13 Reviews

During FY 2012–13, the APMU conducted reviews of 18 contractors, and the CMU conducted reviews of 35 contractors. At the request of contractors, the majority of APMU staff time in FY 2012–13 was dedicated to providing training and technical assistance.

In addition, during FY 2012–13 the APMU and the CMU staff conducted several statewide hands-on training sessions on the Review Guide, a Child Development Division (CDD) quality assurance instrument and database. The purpose of disseminating the Review Guide was to assist contractors in completing a self-review using the CDD's family file sampling procedures and review standards. The CDD team worked closely with the participants to ensure they understood how to use the Review Guide and to answer any questions.

¹ Public Law 107-300, enacted in 2002

Consistent with the approach taken in FY 2011–12, in FY 2012–13 the APMU directed its reviews to contractors whose previous reviews indicated high error rates, to contractors whose first review occurred several years ago, and to contractors required to complete a formal Error Rate Reduction Plan (ERRP).² Each of these contractors received technical assistance and advice in lowering their error rates from their assigned Field Services Consultant, the APMU team, or both.

The creation of an ERRP involves intensive technical assistance by CDD staff to identify local procedures that are the source of errors. Contractors are expected to develop quality assurance systems to measure and track implementation of the ERRP. Contractors are also expected to demonstrate an improved administrative error rate in the subsequent review.

Consistent with the approach taken in FY 2011–12, in FY 2012–13 the CMU directed its reviews to large contractors for whom error rates had not been previously estimated. Each of the contractors received technical assistance throughout the review, and contractors with high estimated error rates completed a formal ERRP. In FY 2013–14, all contractors with an estimated error rate in excess of the new federal threshold of 10 percent will be required to complete an ERRP.

As in previous legislative reports, the APMU and the CMU are required to estimate an error rate for each contractor. To do this, an “error” is defined as a decision by a contractor’s representative that is both inconsistent with an applicable statute or regulation and that has a material impact on the program. Examples of material errors include the miscalculation of family income when the correct calculation would have led to a different (higher or lower) family fee, the lack of sufficient documentation in the file to determine eligibility, or the lack of sufficient documentation in the file to support the amount of child care being subsidized by the contractor.

Decisions that are inconsistent with 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 the 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 family fee or eligibility.

² Consistent with new federal rules requiring states with error rates in excess of 10 percent to implement corrective action plans, the CDE requires contractors with error rates in excess of 10 percent to implement Error Rate Reduction Plans.

Part 1: Estimated Error Rates For Alternative Payment Programs

During FY 2012–13, the APMU reviewed 18 contractors and estimated an average error rate of 4.33 percent. The same 18 contractors had an average estimated error rate of 34 percent in previous reviews. The FY 2012–13 reviews indicate that these contractors, subsequent to receiving technical assistance by CDD staff, reduced their previous rate of errors by an average of 88 percent. Appendix A provides the Alternative Payment Programs Tables.

This reduction in estimated error rates in FY 2011–13 is consistent with the reductions measured in previous fiscal years. The predominance of low error rates in California's Child Development programs is also reflected in the results of the statewide review conducted in FY 2010–11 which found an average error rate of approximately 5.7 percent. The next federally mandated review will examine files from federal fiscal year 2013. Results will be available in June 2014.

Based on the 18 reviews in FY 2012–13, Alternative Payment and CalWORKs contractors have areas in which administrative improvements could still be effective in reducing errors. Below is a brief analysis of each area for which the CDD is required to estimate errors which includes a brief description of areas that CDE will focus on for improvement.

1. Need Errors

In FY 2012–13 reviews, need errors were estimated at 2.2 percent of all dollars expended on services and 43.26 percent of all errors.

The errors were generally caused by insufficient documentation in the file to support the family's need or because verification of the information did not occur. Occasionally, when the parent was participating in vocational training, the files lacked documentation indicating the parent's vocational goal.

2. Provider Payment Errors

In FY 2012–13 reviews, provider payment errors were estimated at 1.4 percent of all dollars expended on services and 28.36 percent of all errors.

The majority of provider payment errors were due to the contractor miscalculating the total payment for the month by not including a partial week in the payment. Occasionally, the contractor did not use the appropriate adjustment factor when reimbursing for evening and weekend care.

In a few instances, the reimbursement to providers exceeded the selected ceiling or was more than the amount the provider charged unsubsidized families.

3. Eligibility Errors

In FY 2012–13 reviews, eligibility errors were estimated at 1.3 percent of all dollars expended on services in the sample cases and 25.44 percent of all errors.

The most common error was the parent(s) not providing sufficient documentation of the family's total countable income and/or the contractor not verifying the income documentation received. Another issue contributing to the eligibility errors was lack of documentation regarding family size.

4. Family Fee Errors

In FY 2012–13 reviews, family fee errors were estimated at 0.1 percent of all dollars expended on services and 2.94 percent of all errors.

These errors contributed little to the error rates measured in dollars because the average family fee is small. Most of the family fee errors were attributable to arithmetic mistakes in determining a family's average monthly income. Occasionally, a family fee error occurred when a contractor assessed a family fee for a day in which the child was not certified.

Part 2: Estimated Error Rates For Center-Based Programs

During FY 2012–13, the CMU conducted reviews of 35 contractors. Contractors were selected for reviews based on a combination of their size and the CDD’s assessment that an error rate review might lead to a measurable improvement in the contractor’s administrative procedures. As with the APMU reviews, error rates for these center-based contractors were expected to be high during initial reviews. However, it is also expected that technical assistance, along with formal ERRPs where appropriate, would lead to significant reductions in error rates in future reviews. Appendix B provides the Center-Based Programs Tables.

The average estimated error rate for these 35 contractors was 31.4 percent. Below is a brief analysis of common errors found by the CMU during FY 2012–13 which includes a brief description of areas that will be the focus for improvement.

1. Eligibility Errors

In FY 2012–13 reviews, eligibility errors were estimated at 24.4 percent of all dollars expended on services and 74.6 percent of all administrative errors.

The most common error was the lack of sufficient documentation in a file to support the family’s eligibility, often because verification of the information was insufficient.

2. Need Errors

In FY 2012–13 reviews, errors in need determinations were estimated at 5.0 percent of all dollars expended on services and 15.4 percent of all errors.

The errors were generally caused by the contractor inaccurately certifying the hours of need based on the documentation in the file. Examples included both hours of care that were inconsistent with the supporting documentation in the file and hours of care that were not updated as the parents’ need changed.

3. Attendance Errors

In FY 2012–13 reviews, contractor errors were estimated at 2.7 percent of all dollars expended on services and 8.3 percent of all administrative errors.

The errors were generally caused by parents and/or contractor staff not documenting the reasons for absences.

4. Family Fee Errors

In FY 2012–13 reviews, family fee errors were estimated at 0.6 percent of all dollars expended on services and 1.7 percent of all errors.

Most errors in this area were attributed to miscalculations of monthly income or family size.

Appendix A

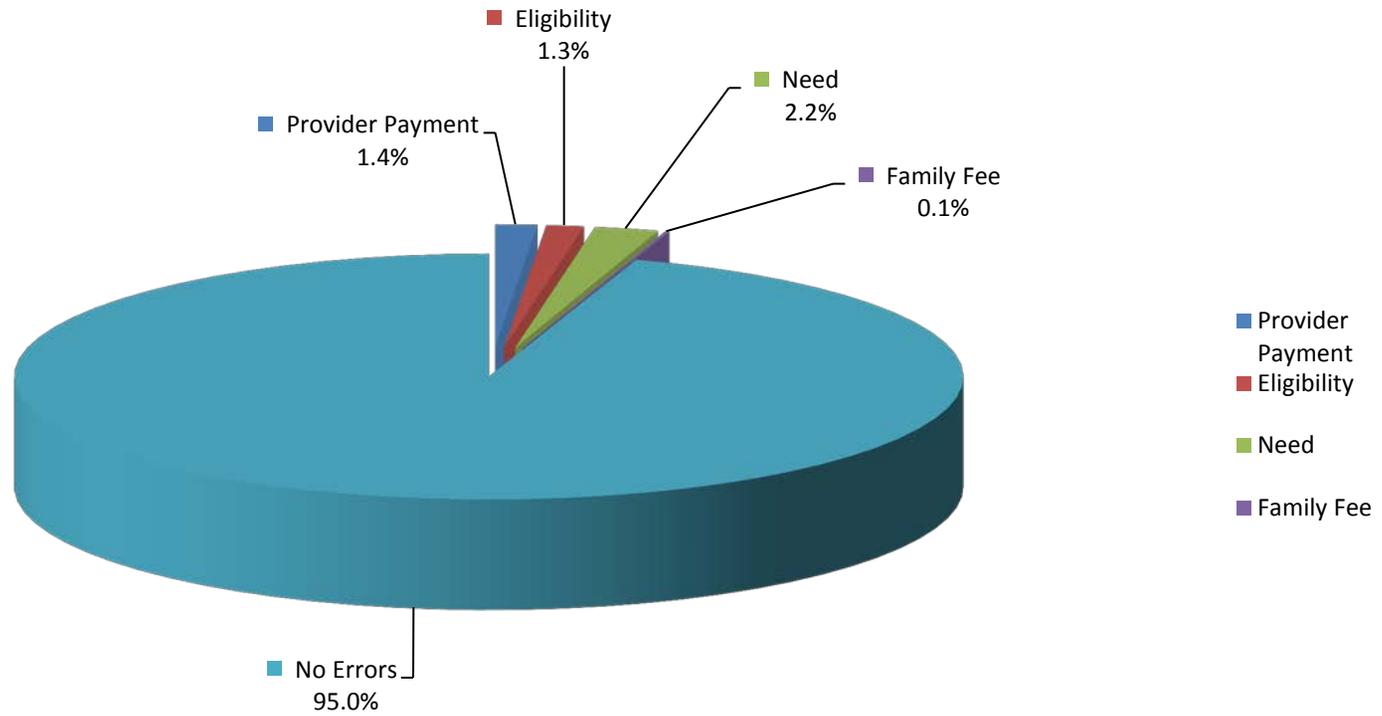
Error Rates for Alternative Payment Programs By Contractor (FY 2012–13)

County	Agency	Error Rate	Cases In Sample		Errors By Category			
			Payment Amount	Error Amount	Eligibility	Need	Family Fee	Provider Payment
Calaveras	The Resource Connection of Calaveras	3%	\$9,453.18	\$277.39	\$0.00	\$170.92	\$57.75	\$48.72
Del Norte	Del Norte Child Care Council	11%	\$12,247.04	\$1,379.87	\$973.94	\$125.00	\$9.50	\$271.43
Inyo	Inyo County Superintendent of Schools	2%	\$8,624.06	\$202.52	\$0.00	\$0.00	\$26.00	\$176.52
Los Angeles	Crystal Stairs	7%	\$27,912.91	\$2,041.64	\$773.75	\$778.25	\$60.75	\$428.89
Marin	Marin Child Care Council	11%	\$19,147.92	\$2,158.67	\$0.00	\$816.74	\$116.25	\$1,225.68
Mendocino	North Coast Opportunities	6%	\$16,544.50	\$990.49	\$294.15	\$610.32	\$0.00	\$86.02
Modoc	Training Employment & Community Help, Inc.	7%	\$4,555.54	\$296.83	\$51.58	\$190.35	\$54.90	\$0.00
Nevada	Sierra Nevada Children's Services	3%	\$10,566.92	\$367.24	\$159.96	\$0.00	\$0.00	\$207.28
Orange	Orange County Office of Education	4%	\$18,297.69	\$781.81	\$0.00	\$534.12	\$0.00	\$247.69
Riverside	Riverside County Dept. of Public Social Services	6%	\$15,679.39	\$992.49	\$716.35	\$0.00	\$0.00	\$276.14
San Diego	Child Development Associates	4%	\$10,857.34	\$424.73	\$0.00	\$383.45	\$0.00	\$41.28
San Francisco	Children's Council of San Francisco	0%	\$16,088.73	\$52.90	\$0.00	\$0.00	\$0.00	\$52.90
San Francisco	Human Services Agency	6%	\$22,612.52	\$1,441.40	\$0.00	\$1,391.73	\$0.00	\$49.67
San Luis Obispo	Community Action Partnership of San Luis Obispo	1%	\$14,152.39	\$200.33	\$0.00	\$165.68	\$34.65	\$0.00
Santa Cruz	Santa Cruz County Parent's Association	0%	\$11,537.42	\$55.41	\$0.00	\$0.00	\$0.00	\$55.41

Error Rates for Alternative Payment Programs By Contractor (FY 2012–13)

County	Agency	Error Rate	Cases In Sample		Errors By Category			
			Payment Amount	Error Amount	Eligibility	Need	Family Fee	Provider Payment
Solano	Solano Family and Children Services	0%	\$10,628.89	\$23.76	\$0.00	\$0.00	\$0.00	\$23.76
Trinity	Human Resource Network	3%	\$4,455.81	\$143.72	\$143.72	\$0.00	\$0.00	\$0.00
Yolo	City of Davis	4%	\$10,401.01	\$406.63	\$0.00	\$127.95	\$0.00	\$278.68
TOTALS:	Average Error Rate	4.33%	\$243,763.26	\$12,237.83	\$3,113.45	\$5,294.51	\$359.80	\$3,470.07
ERRORS AS % OF TOTAL PAYMENTS				5.00%	1.3%	2.2%	0.1%	1.4%

Errors by Category as a Percentage of Total Amount



**Comparison Of Alternative Payment Error Rates:
Baseline vs. Current Review**

County	Agency	Baseline Review Error Rate	Current Error Rate
Calaveras*	The Resource Connection of Calaveras	21%	3%
Del Norte	Del Norte Child Care Council	79%	11%
Inyo	Inyo County Superintendent of Schools	30%	2%
Los Angeles*	Crystal Stairs	13%	7%
Marin	Marin Child Care Council	7%	11%
Mendocino*	North Coast Opportunities	15%	6%
Modoc	Training Employment & Community Help, Inc.	65%	7%
Nevada*	Sierra Nevada Children's Services	23%	3%
Orange	Orange County Office of Education	16%	4%
Riverside*	Riverside County Dept. of Public Social Services	44%	6%
San Diego	Child Development Associates	9%	4%
San Francisco**	Children's Council of San Francisco	87%	0%
San Francisco**	Human Services Agency	87%	6%
San Luis Obispo	Community Action Partnership of San Luis Obispo	0%	1%
Santa Cruz*	Santa Cruz County Parent's Association	31%	0%
Solano	Solano Family and Children Services	21%	0%
Trinity*	Human Resource Network	55%	3%
Yolo*	City of Davis	9%	4%
Average Error Rate		34.00%	4.33%

* Current error rate based on third review

** Current error rate based on fourth review

Appendix B

Error Rates For Center-Based Programs By Contractor (FY 2012–13)

County	Agency	Error Rate	Cases In Sample		Errors By Category			
			Payment Amount	Error Amount	Eligibility	Need	Family Fee	Attendance
Orange	Irvine Child Care Project	37%	\$12,602.02	\$4,648.07	\$4557.77	\$0.00	\$18.10	\$72.20
Los Angeles	Vista Del Mar	0%	\$11,989.54	\$41.00	\$0.00	\$0.00	\$41.00	\$0.00
Shasta	Shasta County Office of Education	100 %	\$4,099.82	\$4,099.82	\$4099.82	\$0.00	\$0.00	\$0.00
Orange	Orange Unified School District	0%	\$7,821.45	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
San Bernardino	Casa Ramona	55%	\$9,662.49	\$5,277.32	\$5277.32	\$0.00	\$0.00	\$0.00
San Bernardino	ASA Learning Center	5%	\$10,759.22	\$537.45	\$397.09	\$0.00	\$44.10	\$96.26
Los Angeles	Page Learning Academy	0%	\$16,257.28	\$48.00	\$0.00	\$0.00	\$48.00	\$0.00
Yolo	Woodland Unified School District	8%	\$10,918.93	\$922.01	\$739.34	\$0.00	\$9.05	\$173.62
Los Angeles	Burbank Unified School District	72%	\$12,314.95	\$8,817.48	\$5762.11	\$302.54	\$139.93	\$2,612.90
Santa Cruz	Community Bridges	43%	\$20,389.07	\$8,818.40	\$5445.78	\$3,025.43	\$262.10	\$85.09
San Francisco	Economic Opportunity Council of San Francisco	6%	\$19,597.88	\$1,131.01	\$620.55	\$0.00	\$15.20	\$495.26
Los Angeles	Long Beach Community Improvement League	11%	\$19,423.54	\$2,077.31	\$2042.93	\$0.00	\$0.00	\$34.38
Los Angeles	Community Development Center	6%	\$23,750.32	\$1,320.20	\$0.00	\$1,320.20	\$0.00	\$0.00

Error Rates For Center-Based Programs By Contractor (FY 2012–13)

County	Agency	Error Rate	Cases In Sample		Errors By Category			
			Payment Amount	Error Amount	Eligibility	Need	Family Fee	Attendance
Orange	Westminster Elementary School District	1%	\$6,684.02	\$82.15	\$0.00	\$0.00	\$82.15	\$0.00
Santa Clara	Foothill DeAnza Community College	18%	\$11,386.67	\$2,062.80	\$0.00	\$0.00	\$0.00	\$2,062.80
Riverside	Concilio Child Care Center	40%	\$19,915.51	\$7,878.18	\$6356.00	\$652.36	\$0.00	\$869.82
Los Angeles	Inglewood Unified School District	5%	\$16,126.40	\$789.98	\$0.00	\$482.18	\$307.80	\$0.00
Tulare	Golden State YMCA	100%	\$5,947.54	\$5,947.54	\$5947.54	\$0.00	\$0.00	\$0.00
Los Angeles	Los Angeles Unified School District	75%	\$58,665.06	\$58,665.06	\$38,190.25	\$5,619.24	\$131.10	\$68.76
Los Angeles	Ocean Park Child Care Foundation	72%	\$9,143.02	\$6,602.34	\$5,467.80	\$1,058.90	\$0.00	\$75.64
Los Angeles	Westside Children's Center	0%	\$14,857.69	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
San Mateo	City of Pacifica	18%	\$13,715.59	\$2,437.21	\$1,480.40	\$0.00	\$0.00	\$956.81
Riverside	Renu Hope	0%	\$17,097.22	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Los Angeles	LTSC Community Development Corp.	100%	\$10,372.74	\$10372.74	\$10,372.74	\$0.00	\$0.00	\$0.00
Los Angeles	Pathways LA	0%	\$9,794.17	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Santa Clara	East Side Union High School District	0%	\$14,934.64	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Error Rates For Center-Based Programs By Contractor (FY 2012–13)

County	Agency	Error Rate	Cases In Sample		Errors By Category			
			Payment Amount	Error Amount	Eligibility	Need	Family Fee	Attendance
San Francisco	Mission Childcare Consortium	85%	\$25,384.10	\$21,466.16	\$5,839.08	\$13,842.08	\$0.00	\$1,785.00
Sacramento	B.J. Jordan Child Care Project	0%	\$11,689.98	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Los Angeles	Dignity Health	4%	\$12,363.05	\$515.70	\$515.70	\$0.00	\$0.00	\$0.00
Los Angeles	Young Horizons, Inc.	0%	\$17,787.93	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Los Angeles	Montessori Association of Covina	100%	\$9,531.86	\$9,531.86	\$9,531.86	\$0.00	\$0.00	\$0.00
Riverside	Riverside County Office of Education	2%	\$14,374.89	\$223.75	\$0.00	\$0.00	\$0.00	\$223.75
Orange	Easter Seals of Southern California	0%	\$8,993.87	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
San Mateo	Redwood City Elementary School District	36%	\$19,816.58	\$7,206.22	\$718.54	\$0.00	\$1,836.08	\$4,651.60
Butte	Chico Community Children's Center	100%	\$14,201.60	\$14,201.60	\$14,201.60	\$0.00	\$0.00	\$0.00
TOTALS:	Average Error Rate	31.4%	\$522,370.64	\$171,065.65	\$127,564.22	\$26,602.93	\$2,934.61	\$14,263.89
ERRORS AS % OF TOTAL PAYMENTS				32.7%	24.4%	5.0%	0.6%	2.7%

Errors by Category as a Percentage of Total Claims

