

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 2013–14**



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Executive Summary

This report is submitted in compliance with Provision 5(b) of Item 6110-001-0890 of the Budget Act of 2013. Provision 5(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 5(b) requires the CDE to report estimated error rates annually to the Governor and the Legislature. In implementing Provision 5(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 5(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) 2013–14, contractors were selected for APMU reviews based on their prior error rate and the time elapsed since the last review. In FY 2013–14, the CMU conducted baseline 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 2013–14 had an average estimated error rate of 4.89 percent compared to the average error rate previously estimated for these same contractors of 16.56 percent. This decrease is consistent with the reduction in the statewide error rate estimated during the federally required review in 2010.

The contractors receiving baseline reviews by the CMU had an estimated error rate of 26.2 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 that 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/lrlegrptadminerrors1314.asp>.

Introduction

This report is submitted in compliance with Provision 5(b) of Item 6110-001-0890 of the Budget Act of 2013. Provision 5(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 5(b) also requires the CDE report estimated error rates annually to the Governor and the Legislature.

Provision 5(b) was added to Item 6110-161-0890 in response to Legislative hearings and budget change proposals submitted by the CDE. Provision 5(b) includes an appropriation as well as position authority and directive language. Pursuant to this language, the CDE has operated the Alternative Payment Monitoring Unit (APMU) since 2006 and the Center-Based Monitoring Unit (CMU) since 2009.

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 Elimination and Recovery Act (IPERA).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 2013–14 Reviews

During FY 2013–14, the APMU conducted reviews of 9 contractors and based on prior reviews, provided training and technical assistance to 15 contractors. The APMU led the statewide triennial IPERA federal review, which consisted of analyzing a statistically valid random sample of 276 cases to estimate California's statewide error rate prior to June 2014. The additional workload necessary to complete the federal report reduced the time available for field reviews for the APMU staff. The CMU conducted reviews of 34 contractors and participated in reviewing the 276 cases for the IPERA.

Consistent with the approach taken in FY 2012–13, in FY 2013–14 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 who are

¹ Public Law 107-300, enacted in 2002

required to complete a formal Error Rate Reduction Plan (ERRP).² The APMU worked with 7 contractors, each of whom received technical assistance and advice in lowering their error rates from their assigned Field Services Consultant, the APMU team, or both based on their ERRP. In addition, the APMU staff conducted follow-up reviews of 15 contractors regarding Management Bulletins (MB) 12-17 and 12-18. The purpose of these MBs was to ensure the completion of the Attendance Records and to ensure child care providers receive timely payment for services. These MBs were created to meet the regulatory requirements of the *California Code of Regulations* and Title 5.

The creation of an ERRP involves intensive technical assistance by the Early Education and Support Division (EESD) 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 2012–13, in FY 2013–14 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 were 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 2013–14, the APMU reviewed 9 contractors and estimated an average error rate of 4.89 percent. The same 9 contractors had an average estimated error rate of 16.56 percent in previous reviews. The FY 2013–14 reviews indicate that these contractors, subsequent to receiving technical assistance by EESD staff, reduced their previous rate of errors by an average of 70 percent. Appendix A provides the Alternative Payment Programs tables.

This reduction in estimated error rates in FY 2013–14 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 results of the federally mandated triennial IPERA report were submitted to the Department of Health and Human Services (HHS) at the end of June 2014.

Based on the 9 reviews in FY 2013–14, 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 EESD is required to estimate errors which includes a brief description of areas that the CDE will focus on for improvement.

1. Need Errors

In FY 2013–14 reviews, need errors were estimated at 2.3 percent of all dollars expended on services and 43.77 percent of all errors.

The errors were generally caused when the parent participated in vocational training and the files lacked documentation indicating the parent's vocational goal. Additionally, in other files there was insufficient documentation in the file to support the family's need (parent cannot self-certify their need).

2. Provider Reimbursement Errors

In FY 2013–14 reviews, provider reimbursement errors were estimated at 1.5 percent of all dollars expended on services and 27.39 percent of all errors.

The majority of provider reimbursement errors were due to the contractor utilizing an incorrect Regional Market Rate ceiling. 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 2013–14 reviews, eligibility errors were estimated at 1.2 percent of all dollars expended on services in the sample cases and 22.92 percent of all errors.

The most common error was a lack of documentation regarding family size. Contractors did not collect sufficient documentation when establishing family size.

Family Fee Errors

In FY 2013–14 reviews, family fee errors were estimated at 0.3 percent of all dollars expended on services and 5.93 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, which affected the family fee assessed. 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 2013–14, the CMU conducted reviews of 34 contractors. Contractors were selected for reviews based on a combination of their size and the EESD’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 baseline 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 34 contractors was 26.2 percent. Below is a brief analysis of common errors found by the CMU during FY 2013–14 which includes a brief description of areas that will be the focus for improvement.

1. Eligibility Errors

In FY 2013–14 reviews, eligibility errors were estimated at 18.3 percent of all dollars expended on services and 69.88 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 2013–14 reviews, errors in need determinations were estimated at 6.6 percent of all dollars expended on services and 25.28 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 2013–14 reviews, contractor errors were estimated at 1.1 percent of all dollars expended on services and 4.16 percent of all administrative errors.

The errors were generally caused by the certified hours of care not corresponding with the attendance records.

4. Family Fee Errors

In FY 2013–14 reviews, family fee errors were estimated at 0.2 percent of all dollars expended on services and 0.68 percent of all errors.

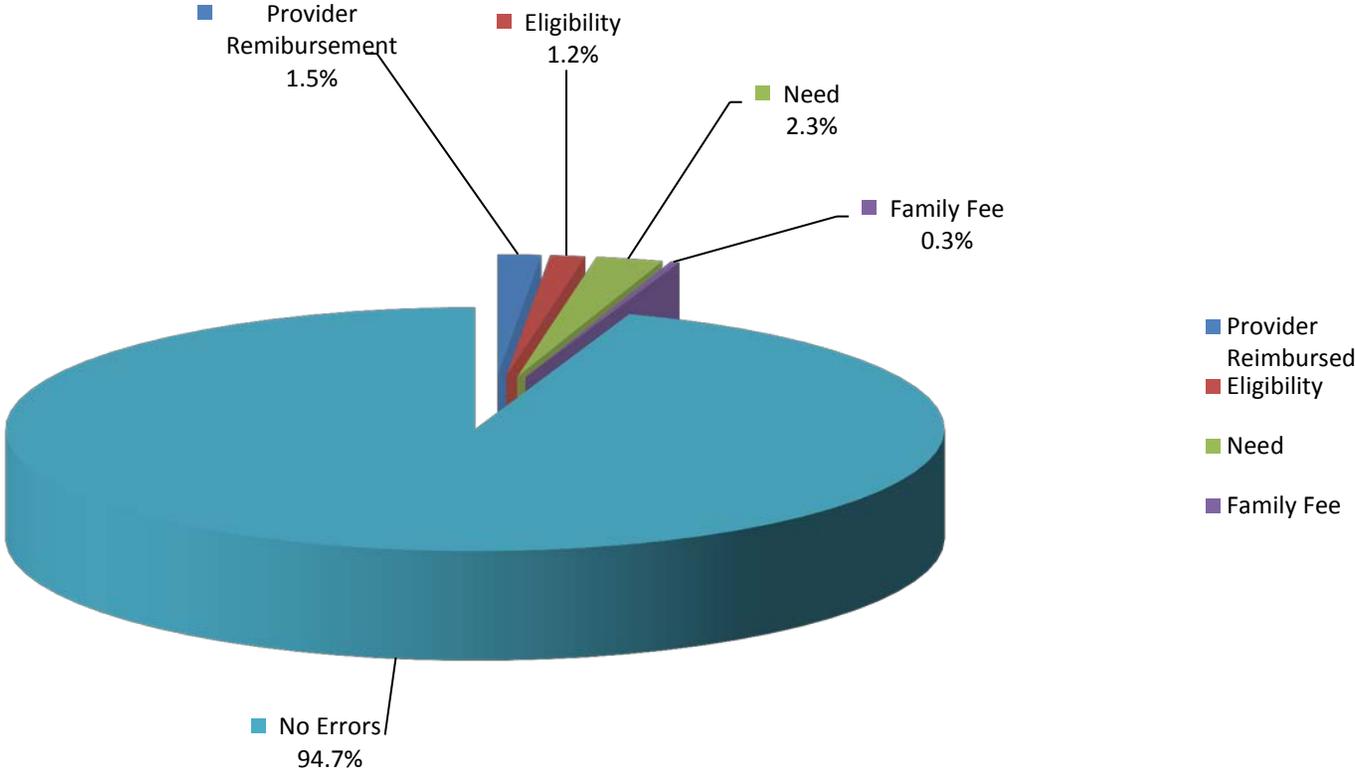
Most errors in this area were attributed to miscalculations of monthly income or family size.

Appendix A

Error Rates for Alternative Payment Programs by Contractor (FY 2013–14)

County	Agency	Error Rate	Cases In Sample		Errors By Category			
			Payment Amount	Error Amount	Eligibility	Need	Family Fee	Provider Reimbursement
Del Norte	Del Norte Child Care Council	9%	\$10,319.65	\$961.99	\$0.00	\$674.60	\$127.40	\$159.99
Fresno	Central Valley Children's Services Network	6%	\$9,673.49	\$601.34	\$0.00	\$580.24	\$21.10	\$0.00
Imperial	Imperial County Office of Education	4%	\$11,265.06	\$475.97	\$0.00	\$0.00	\$0.00	\$475.97
Kings	Kings Community Action Organization	4%	\$11,095.56	\$495.57	\$465.16	\$0.00	\$0.00	\$30.41
Napa	Community Resources for Children	1%	\$6,964.96	\$70.72	\$0.00	\$0.00	\$0.00	\$70.72
Santa Barbara	Santa Barbara County Office of Education	1%	\$10,351.68	\$114.12	\$0.00	\$0.00	\$0.00	\$114.12
Santa Barbara	Santa Barbara Family Child Care Center	1%	\$9,066.25	\$135.84	\$0.00	\$0.00	\$17.25	\$118.59
Santa Clara	Community Child Care Council of Santa Clara	13%	\$10,889.37	\$1,372.60	\$558.01	\$698.88	\$0.00	\$115.71
Siskiyou	Siskiyou Child Care Council	5%	\$5,160.96	\$235.73	\$0.00	\$0.00	\$98.75	\$136.98
TOTALS:	Average Error Rate	4.89%	\$84,786.98	\$4,463.88	\$1,023.17	\$1,953.72	\$264.50	\$1,222.49
ERRORS AS % OF TOTAL PAYMENTS				5.3%	1.2%	2.3%	0.3%	1.5%
ERRORS AS % OF ALL DOLLARS PAID IN ERROR				100%	22.91%	43.77%	5.93%	27.39%

Errors by Category of Percentage of Total Payment



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

County	Agency	Baseline Review Error Rate	Current Error Rate
Del Norte	Del Norte Child Care Council	79%	9%
Fresno	Central Valley Children's Services Network	25%	6%
Imperial	Imperial County Office of Education	20%	4%
Kings	Kings Community Action Organization	8%	4%
Napa	Community Resources for Children	4%	1%
Santa Barbara	Santa Barbara County Office of Education	0%	1%
Santa Barbara	Santa Barbara Family Child Care Center	5%	1%
Santa Clara	Community Child Care Council of Santa Clara	3%	13%
Siskiyou	Siskiyou Child Care Council	5%	5%
Average Error Rate		16.56%	4.89%

Appendix B
Error Rates for Center-Based Programs by Contractor (FY 2013–14)

County	Agency	Error Rate	Cases In Sample		Errors by Category			
			Payment Amount	Error Amount	Eligibility	Need	Family Fee	Attendance
San Francisco	Family Service Agency of San Francisco	24%	\$33,715.17	\$8,239.76	\$2,413.48	\$5,826.28	\$0.00	\$0.00
Santa Clara	Community Child Care Council of Santa Clara	2%	\$24,018.98	\$376.00	\$0.00	\$0.00	\$0.00	\$376.00
Orange	Rancho Santiago Community College	7%	\$19,460.11	\$1,408.03	\$0.00	\$1,323.63	\$84.40	\$0.00
San Mateo	Ravenswood City ESD	50%	\$33,180.23	\$16,485.93	\$12,603.74	\$3,403.63	\$66.00	\$412.56
Orange	Regents of UC Irvine	47%	\$4,902.59	\$2,325.70	\$515.70	\$1,203.30	\$91.00	\$515.70
Santa Clara	Go Kids, Inc.	0%	\$22,877.20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
San Bernardino	San Bernardino City USD	2%	\$20,688.71	\$323.17	\$0.00	\$0.00	\$0.00	\$323.17
Los Angeles	Comprehensive Child Development	0%	\$18,543.19	\$33.60	\$0.00	\$0.00	\$33.60	\$0.00
Los Angeles	Long Beach USD	100%	\$10,960.35	\$10,960.35	\$10,960.35	\$0.00	\$0.00	\$0.00
Humboldt	Hoopa Valley Business Council	0%	\$5,031.53	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Lake	The Learning House	0%	\$12,182.69	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
San Luis Obispo	Paso Robles Joint USD	8%	\$4,704.58	\$395.28	\$359.28	\$0.00	\$15.20	\$20.80

Error Rates for Center-Based Programs by Contractor (FY 2013–14)

County	Agency	Error Rate	Cases In Sample		Errors by Category			
			Payment Amount	Error Amount	Eligibility	Need	Family Fee	Attendance
San Luis Obispo	San Luis Obispo Child Development Center	1%	\$16,133.12	\$82.70	\$0.00	\$0.00	\$10.50	\$72.20
San Luis Obispo	Associated Students, Calpoly San Luis Obispo	0%	\$6,824.44	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Colusa	Colusa County Office of Education	5%	\$12,210.06	\$563.34	\$397.09	\$0.00	\$166.25	\$0.00
San Francisco	Holy Family Day Home	19%	\$20,344.57	\$3,769.76	\$3,013.40	\$756.36	\$0.00	\$0.00
Monterey	Early Development Services	9%	\$8,088.94	\$718.54	\$718.54	\$0.00	\$0.00	\$0.00
Orange	Hands Together	0%	\$11,176.21	\$45.60	\$0.00	\$0.00	\$45.60	\$0.00
Glenn	Glenn County Office of Education	0%	\$8,865.34	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
San Francisco	Wu Yee	78%	\$13,538.85	\$10,574.43	\$3,788.67	\$5,986.42	\$0.00	\$799.34
San Mateo	San Mateo-Foster City ESD	10%	\$22,738.40	\$2,372.62	\$395.20	\$1,512.73	\$77.90	\$386.79
San Diego	Educational Enrichment Systems, Inc.	21%	\$19,383.43	\$4,134.66	\$653.22	\$2,621.14	\$45.60	\$814.70
Fresno	Hansel & Gretel Day Care, Inc.	1%	\$15,309.41	\$213.34	\$0.00	\$0.00	\$38.00	\$175.34
San Bernardino	San Bernardino TAD	47%	\$30,804.48	\$14,363.96	\$4,331.88	\$9,860.18	\$171.90	\$0.00
Fresno	Kel-Sun Child Care Services	7%	\$14,388.19	\$1,013.30	\$794.18	\$129.33	\$0.00	\$89.79
Butte	Associated Students, CSU Chico	28%	\$11,552.91	\$3,269.00	\$1,614.14	\$1,266.05	\$41.40	\$347.41

Error Rates for Center-Based Programs by Contractor (FY 2013-14)

County	Agency	Error Rate	Cases In Sample		Errors by Category			
			Payment Amount	Error Amount	Eligibility	Need	Family Fee	Attendance
Orange	Coast Community College	0%	\$4,627.54	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
San Diego	Associated Students, CSU San Diego	7%	\$17,024.97	\$1,222.16	\$687.60	\$412.56	\$122.00	\$0.00
Monterey	Mexican American Opportunity Foundation	7%	\$23,427.27	\$1,688.06	\$1,564.29	\$0.00	\$0.00	\$123.77
Fresno	Panda's Environmental Day Care School, Inc.	100%	\$9,928.67	\$9,928.67	\$9,928.67	\$0.00	\$0.00	\$0.00
San Francisco	Companeros Del Barrio	100%	\$29,043.02	\$29,043.02	\$29,043.02	\$0.00	\$0.00	\$0.00
Los Angeles	Long Beach Day Nursery	34%	\$19,634.05	\$6,725.94	\$3,293.60	\$3,059.82	\$16.00	\$356.52
Los Angeles	Options, A Child Care & Human Service Agency	7%	\$31,108.94	\$2,058.85	\$0.00	\$622.92	\$0.00	\$1,435.93
San Diego	Children of the Rainbow	100%	\$17,901.65	\$17,901.65	\$17,901.65	\$0.00	\$0.00	\$0.00
TOTALS:			\$574,319.79	\$150,237.42	\$104,977.70	\$37,984.35	\$1,025.35	\$6,250.02
ERRORS AS % OF TOTAL PAYMENTS				26.2%	18.3%	6.6%	0.2%	1.1%
ERRORS AS % OF ALL DOLLARS PAID IN ERROR				100.00%	69.88%	25.28%	0.68%	4.16%

Errors by Category of Percentage of Total Claims

