STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

MAURA CORRIGAN
DIRECTOR

February 16, 2011

The Honorable Bruce Caswell, Chair
Senate Appropriations Subcommittee on DHS
Michigan State Senate
Lansing, Michigan 48933

The Honorable David Agema, Chair
House Appropriations Subcommittee on DHS
Michigan House of Representatives
Lansing, Michigan 48933

Dear Senator Caswell and Representative Agema:

Section 674 of 2010 Public Act No. 190 (Enrolled House Bill No. 5882) requires the Department of Human Services to continue administrative efforts to reduce waste, fraud, and abuse within the child day care program and to report to the legislature on estimated impact of efforts to reduce inappropriate payments through the child day care program. The department report is attached.

If you have any questions about the attached material, please contact Susan Kangas, chief administrative officer, at 373-7787.

Sincerely,

for Maura Corrigan

Maura Corrigan

c: Senate and House Appropriations Subcommittees on DHS
Senate and House Fiscal Agencies
Senate and House Policy Offices
State Budget Director

2010 Public Act No. 190
Section 674
Report to the Legislature

When the Child Development and Care (CDC) program was put into place in 1992 it was designed as a work support program. As such, the goal was to offer as many avenues as possible for clients to receive child care assistance so that child care was not an obstacle to work participation. DHS has realized the necessity to make fundamental changes in the CDC program to enhance the integrity of the program. These changes will ultimately help the department meet the following goals:

- Improving the quality of child care received by our children.
- Improving the safety of the children in care.
- Improving the financial integrity of the program.

Enhancing the integrity of the program is critical to the overall success of the department and the program. In recognition of this, the department has developed a plan involving the implementation of a combination of policy changes, technological innovations, and enhanced internal controls. These program improvements are aimed at increasing efficiency and effectiveness, making them critical to the success and continued funding of the program. It is important to realize, however, that these changes will be phased in over several years.

DHS's comprehensive seven-point plan to reform the program addresses errors, program noncompliance and fraud. The plan links process changes, enhanced oversight through the use of measurable performance indicators, and a system for continued feedback from our child care partners. Most importantly, the plan reflects a department-wide collaborative commitment to strengthen policy and procedures that will support program integrity and provide for continuous monitoring to ensure accountability. The plan is detailed below.

Conduct Comprehensive Background Checks

The department requires all child care center directors, licensees and licensee designees to have an FBI fingerprint check prior to licensure in addition to regularly conducting follow-up checks. In addition, the department requires every licensed center to conduct a criminal background check on their employees prior to employment. Adult household members of licensed child care homes are also required to submit to a criminal background check prior to issuance of a license. Regular follow-up checks are also conducted on child care home licensees and adult household members.

In April 2007, the department began to widen the scope of background checks for unlicensed providers. Prior to this time, background checks consisted of weekly Central Registry checks and monthly Internet Criminal History Access Tool checks, and were conducted for the provider only. Effective April 2007, the checks were required prior to enrollment and were expanded to include four additional databases --- Offender Tracking Information System for incarceration and parole information; Public Sex Offender Registry for public sex offender registry information; and National Public Sex Offender Registry for national sex offender registry information; and Federal Inmate Locator, for federal crimes and incarceration information. Additionally, this comprehensive pre-enrollment background check is now conducted on all identified members of the provider's household prior to the provider's enrollment.

In addition to the aforementioned pre-enrollment background checks, the department continues to conduct subsequent daily Central Registry checks and monthly automated criminal background checks on the unlicensed enrolled providers.

The department took another step in November 2008 when inactive providers were added to the automated criminal background checks, thus enabling us to ensure that inactive providers are coded appropriately to prevent re-enrollment when appropriate.

Currently the department is creating an automated criminal background check interface process through the Bridges application. This application will reduce the workload for local office staff by automatically conducting the initial background checks on both unlicensed providers and adult household members prior to enrollment without the local office staff having to go to six different criminal background check websites. The criminal background check interface is expected to be operational in August 2011.

Improve Payment and Billing Verification to Strengthen Internal Controls and Reduce Fraud

In April 2009, the department expanded our internet billing system and telephone billing system to help ensure payment accuracy. The new requirements call for parents to report their child care need hours and the total number of hours their child(ren) were in care each pay period while providers report daily hours of care per child in order for a comparison of the reports for verification.

In December 2009 the department began impacting provider payments when no parent report exists. The Central Reconciliation Unit gathers information from both the parent and the provider and reconciles the two reports before releasing the payment to the provider. During FY10, the department monitored the billings of nearly 3,500 providers. As a result of these efforts:

- Recoupment in the amount of $204,313.80 was established.
- 61 fraud referrals were generated and sent to the Office of Inspector General for further investigation.
- 302 providers were disenrolled for non-compliance with program rules.

In FY10, the department added the capability for both parents and providers to reset their personal identification numbers (PIN) without the assistance of a DHS staff member. This effort to increase the number of parents and providers who utilize the Internet reporting system proved valuable as 11,666 providers and 17,115 parents created the security profile necessary to utilize this function in the first month.

In addition, the Central Reconciliation Unit worked to create multiple tools (available in English, Spanish and Arabic) to assist parents and providers in using the Internet billing system. These tools included not only instructional handouts, but a narrated instructional webinar.

The unit has played a vital role in addressing parent and provider concerns. Between October 1, 2009 and September 30, 2010, staff in the unit handled 139,693 calls. Additionally, the unit resolved 2,971 inquiries, many of which originated at the governor's or legislative offices.

Review High Risk Child Development and Care Cases

In May 2008, the department initiated a case review project to help improve case record documentation. By October 2008, the department expanded the effort across the state. This project was implemented to measure accurate and complete documentation in the client and provider CDC case record file. Each local office was required to develop a corrective action plan that outlined how they will address their individual office errors. All corrective action plans were approved by a team comprised of representatives from DHS Field Operations and the Office of Early Education and Care. Follow-up reviews were conducted in order to ensure progress and compliance with the corrective action plans.

In order to finalize the baseline data, the unit focused on follow-up case reviews in fiscal year 2010 and streamlined the review process to ensure consistency with federal review requirements. The unit reviewed a total of 1,858 cases with the error rate being reduced in 83% of the counties. In order to ensure that we are addressing high error areas, the local office receives a preliminary finding which they must review and address within an allotted time frame. Review findings become final after the review period. In addition, the unit became a correction action resource for the local offices in order to facilitate corrections and the reduction of errors.

In FY10 the department conducted an additional 278 case reviews to meet federal Improper Payment Act requirements. In July 2010 we submitted our required federal report and outlined our new statewide corrective action plan that will continue to address root causes related to errors, program non-compliance and fraud.

The results of these case reviews continue to support ongoing program improvement including revised procedures, policy clarifications, and related staff training. For example, in FY10 the Field Operations Administration worked with the Office of Early Education and Care to require field staff to complete at least five of the nine CDC training modules created to address the most common errors to help improve the accuracy of authorizations.

Investigate Improper Payment Cases and Seek Prosecution

The DHS Office of Inspector General (OIG) is a integral part of the department's seven point plan. In FY10, approximately 34 percent of the OIG's investigative hours were spent on the Child Development and Care program. Prosecution referrals dropped nearly 23 percent since FY09.

The chart below demonstrates the investigative performance of the Office of Inspector General related to the CDC program in fiscal years 2008 through 2010:

Child Development and Care Investigations	FY08	FY09	FY10
Number of referrals accepted during the period	1,911	1,650	1,146
Investigative dispositions during the period	1,805	1,878	1,269
Amount of alleged fraud found	$9.6M	$11.4M	$9.6M
Referred for prosecution	960	895	691
Amount of restitution ordered	$8.6M	$7.8M	$6.8M

Please note: Completed investigations are those where all actions have been taken by the OIG agent and include cases where fraud has and has not been found. Investigations initiated in one fiscal year may ultimately be completed in a subsequent fiscal year.

All figures include both provider and client investigations. Referrals include OIG generated and other referrals.

Provider Time and Attendance Record Review

Since March 2007, the OIG Office of Monitoring and Internal Controls has reviewed time and attendance records of unlicensed enrolled aide and relative care providers to determine if providers followed the requirements detailed in the Child Development and Care Handbook and reporting instructions for child care providers. In general, time and attendance records maintained by the providers reviewed did not meet these requirements.

In total, 14,500 time and attendance records have been reviewed. In FY10, 5,323 records were requested. It was determined that:

Providers	%	Category
1,989	37.4%	Maintained adequate records.
2088	39.2%	Did not respond to request for records.
1093	20.5%	Inadequate/no records.
126	2.4%	Undeliverable mail.
27	0.5%	Provider requested closure.
5,323	100%	Total reviews

It is estimated that in FY10 these reviews generated $6.63 million dollars in cost avoidance for the department.

Terminate Inactive Providers to Prevent Improper Billing

The department continues to conduct automatic closures of provider cases should they remain inactive for a four month period. Once the inactive provider is closed, any cases attached to that provider would be notified and asked to select a new provider. If the department does not receive a response within 10 days, the specialist is alerted to close the client case as well.

The department is also exploring automatic closures for client cases that have been inactive for a set period of time. This change is expected in FY 2011.

Amend Program Administrative Rules

The current administrative rules for the CDC program, R400.5001 et seq., have been amended and the department held five public forums across the state in the spring of 2010 to provide an opportunity for discussion on the proposed changes. The proposed rules will define the administrative process for DHS to impose penalties and disqualifications on child care providers or clients receiving child care funds through program non-compliance or fraud. Uniform sanctions will be assigned for providers and clients found to be in non-compliance. DHS has posted a public hearing notice for the rules and four public hearings will be held across the state in January 2011. DHS hopes to have the rules promulgated by July 2011 with the rules taking effect six months after promulgation.

DHS is committed to focusing on improving eligibility determination and payment accuracy to ensure public dollars reach those who truly need them.