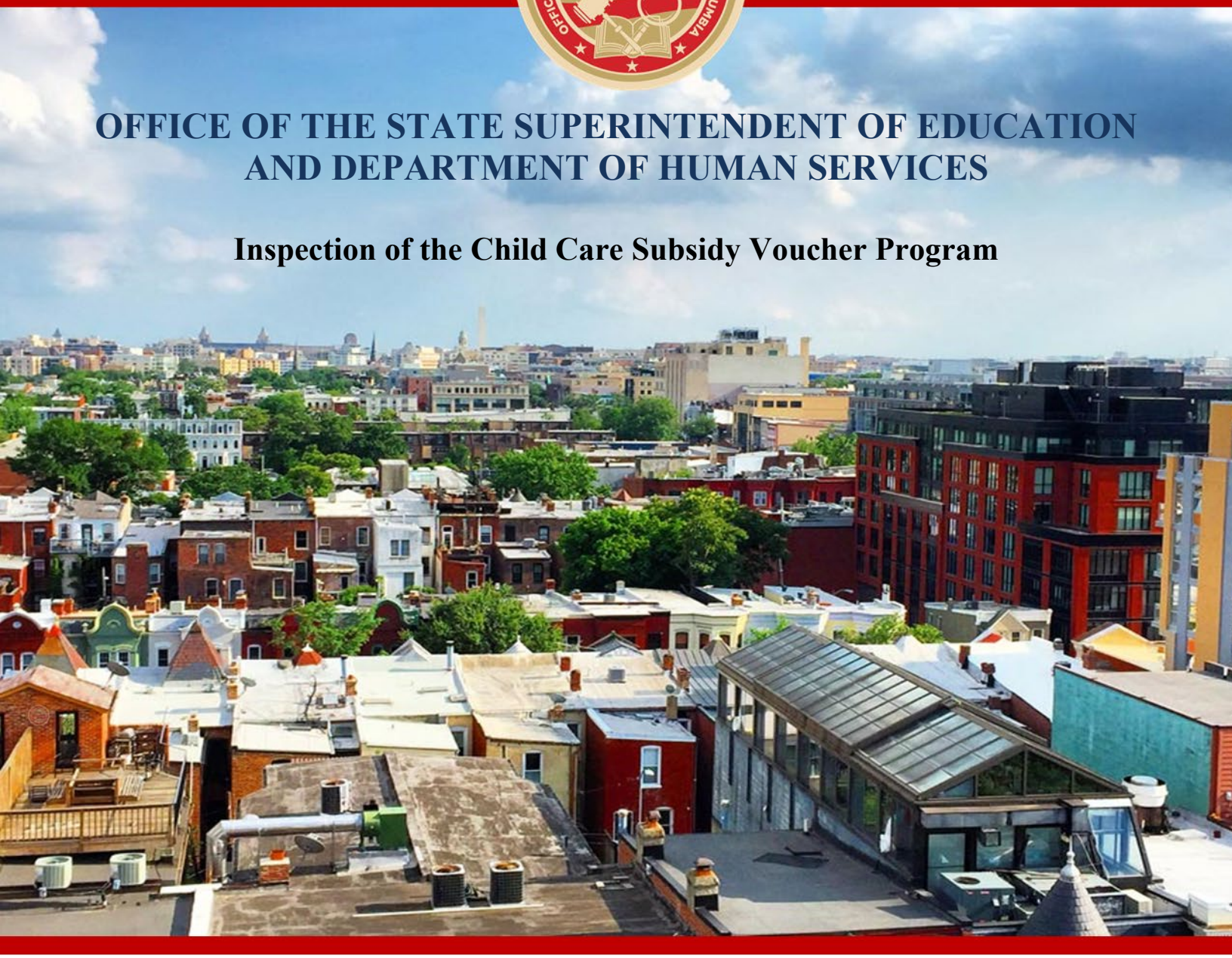
DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 21-I-01JA

February 2021



OFFICE OF THE STATE SUPERINTENDENT OF EDUCATION AND DEPARTMENT OF HUMAN SERVICES

Inspection of the Child Care Subsidy Voucher Program

Guiding Principles

*Workforce Engagement * Stakeholders Engagement * Process-oriented * Innovation * Accountability * Professionalism * Objectivity and Independence * Communication * Collaboration * Diversity * Measurement * Continuous Improvement*

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- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

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Core Values

Excellence * Integrity * Respect * Creativity * Ownership * Transparency * Empowerment * Courage * Passion * Leadership

EXECUTIVE SUMMARY

WHY WE DID THIS INSPECTION

The OIG conducted this inspection due to the significance and value of child care to program participants; the District's commitment to making affordable, quality child care accessible to as many eligible families as possible; and the risk of fraud, waste, and abuse of program resources.

OBJECTIVES

The objectives of this inspection were to evaluate:

1. Changes made to the Office of the State Superintendent of Education's (OSSE) Child Care Subsidy eligibility determination process, with a particular focus on changes implemented since the publication of the OIG's August 2016 special evaluation; and

2. The effectiveness of internal controls designed to prevent subsidy payments to ineligible or unlicensed child care providers.

WHAT WE FOUND

As the lead agency for the Child Care Subsidy Program (CCSP) in the District, OSSE has improved the Child Care Subsidy eligibility determination process. Also, OSSE's internal controls designed to prevent subsidy payments to ineligible or unlicensed child care providers appear effective. However, the Department of Human of Services (DHS) Child Care Subsidy Division (CCSD), which is responsible for making timely initial eligibility determinations in accordance with criteria established by OSSE, has not implemented three recommendations from the 2016 OIG special evaluation (OIG No.16-I-0073). The OIG's recommendations were related to establishing processes to track referrals sent to OSSE for potentially fraudulent activity, and disseminating subsequent information to CCSD eligibility workers; creating processes to review CCSD procedures formally and continuously; and providing OSSE with information summarizing findings of CCSD's internal quality assurance reviews. This inspection also found that process errors at CCSD have necessitated underpayment corrections.

EXECUTIVE SUMMARY

WHAT WE RECOMMEND

To correct the deficiencies found, the OIG makes six recommendations. Implementing the recommendations will help OSSE and DHS communicate better about potentially fraudulent activity, identify and improve processes concerning underpayments, and share information about internal quality assurance reviews to resolve problems associated with initial eligibility determinations and program documentation.

MANAGEMENT RESPONSE

OSSE and DHS agreed with each recommendation made to their respective agencies.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

February 8, 2021

Shana Young
Interim State Superintendent of Education
Office of the State Superintendent of Education
1050 First Street, N.E.
Washington, D.C. 20002

Laura Zeilinger
Director
Department of Human Services
64 New York Avenue, N.E.
Washington, D.C. 20002

Dear Interim State Superintendent Young and Director Zeilinger:

Enclosed is our final report, *Office of the State Superintendent of Education and Department of Human Services: Inspection of the Child Care Subsidy Voucher Program* (OIG Project No. 21-I-01JA). We conducted this inspection under standards established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE), and assessed OSSE's and DHS' internal controls using the Government Accountability Office's (GAO) Standards for Internal Control in the Federal Government.[1]

We sent the draft report to OSSE and DHS on November 5, 2020, and requested the agencies review the draft report and indicate they "agree" or "disagree" with the draft report's recommendations. OSSE's response, dated December 4, 2020, is quoted in the body of the report and presented in its entirety in Appendix D. OSSE agreed with the two recommendations the OIG made with respect to their program operations. DHS did not provide a written response to the OIG's draft report. In subsequent conversations between OIG and DHS staff, DHS' staff informed the OIG that it agreed with the four recommendations presented in the draft report and provided no additional comments.

We appreciate the cooperation and courtesies extended to our staff during this inspection. If you have any questions concerning this report, please contact me or Edward Farley, Assistant Inspector General for Inspections and Evaluations, at (202) 727-2540.

Sincerely,

Daniel W. Lucas
Inspector General

DWL/ef

Enclosure

cc: See Distribution List

[1] U.S. GOV'T ACCOUNTABILITY OFFICE, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT, GAO-14-704G (Sept. 2014), https://www.gao.gov/products/GAO-14-704G (last visited Jan. 11, 2021).

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BACKGROUND

The District of Columbia's Child Care Subsidy Program (CCSP) assists eligible families who live in the District with child care costs by paying part or all of the families' costs directly to their child care provider. The program serves eligible children under 15 years old, and children with disabilities may qualify for benefits up to the age of 19.[2] Under the terms of a Provider Agreement with the Office of the State Superintendent of Education (OSSE), the District pays a qualified child care provider after receiving and verifying the provider's authorized admission forms and monthly Online Attendance Tracking System (OATS) report. When applicable, qualified child care providers receive co-payments from parents/guardians.

In 2019, 8,605 families received child care subsidies, and 11,589 children received care from center-based providers in the District.

Total Service Providers by Type

The CCSP offers families five types of child care options with various schedules that enable families to choose the setting that best meets their needs. The types of child care providers are described below.

- **Level I Child Development Center-Based Provider**: Accepts children referred for subsidized care after eligibility determination and intake at the Department of Human Services (DHS), Child Care Services Division (CCSD).

- **Level II Child Development Center-Based Provider**: Conducts child care eligibility determination as well as intake on behalf of OSSE using OSSE eligibility requirements. Level II Center-Based Providers are located throughout the District.

- **Child Development Home-Based Provider:** Accepts children referred for subsidized child care after eligibility determination and intake at DHS.

- **Relative Care Provider**: Parent or guardian selects the relative to provide care in the relative's home. Eligibility determination and intake must be performed by DHS.

- **In-Home Care Provider**: Parent or guardian selects the provider to care for the child in the child's home. Eligibility determination and intake must be performed by DHS.

[2] 5A DCMR § 201.1(a). Effective January 25, 2019, this DCMR section is amended and the CCSP now serves eligible children "under thirteen (13) years old, or under nineteen (19) years old if the child has special needs." *Id*.

Table 1 shows the number of each type of provider in the District during fiscal year (FY) 2019 and FY 2020:

Table 1. Total Service Providers by Type

	FY 2019	FY 2020
Number of Level I Providers	109	117
Number of Level II Providers	64	67
Number of Home and Expanded Home[3] Providers	49	51
Number of Relative Care Providers (license-exempt)	5	3

Source: OSSE

CCSP Funding Sources

The Child Care and Development Fund (CCDF), also known as the Child Care and Development Block Grant, is a federal program that provides child care assistance for low-income families.[4] The federal government contributes a fixed amount of funding to the CCDF and states must contribute a minimum amount of additional funding.[5] During this inspection, OSSE provided information about funding for the CCSP in the District. According to the 2019 memorandum of understanding (MOU) between DHS and OSSE, Temporary Assistance for Needy Families (TANF) program funds were transferred to OSSE "to subsidize child care services for low income families, so that they may participate in work related activities and reduce their dependence on public benefits, and carry out the purposes set forth in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996[.]"[6] OSSE also received funding assistance to enable persons receiving Supplemental Nutrition Assistance Program (SNAP) benefits "who participate in work or work-related activities to receive subsidized child care services pursuant to Title XII of the Food and Nutrition Act of 2008[.]"[7] Also, Social Service Block Grant (SSBG) funds were transferred to OSSE "to support child care subsidy services provided to child development facilities pursuant to Title XX of the Social Services Act of 1975[.]"[8]

According to OSSE, for FY 2018 and FY 2019, the funding breakdown consisted of the following:

[3] According to OSSE, an expanded home provider is a Child Development Home in which child care is provided by 2 or more Caregivers for up to 12 children.
[4] As set forth in the Code of Federal Regulations: "Child Care and Development Fund (CCDF) means the child care programs conducted under the provisions of the Child Care and Development Block Grant Act, as amended. The Fund consists of Discretionary Funds authorized under section 658B of the amended Act, and Mandatory and Matching Funds appropriated under section 418 of the Social Security Act[.]" 45 C.F.R. § 98.2 (Lexis current through Sept. 9, 2020 issue of the Federal Register).
[5] HEATHER HAHN, MONICA ROHACEK & JULIA ISAACS, IMPROVING CHILD CARE SUBSIDY PROGRAMS: FINDINGS FROM THE WORK SUPPORT STRATEGIES EVALUATION 2 (Feb. 2018) (URBAN INSTITUTE RESEARCH REPORT), https://www.urban.org/sites/default/files/publication/96376/improving_child_care_subsidy_programs.pdf.
[6] Memorandum of Understanding between the D.C. Department of Human Services and the Office of the Superintendent of Education for Fiscal Year 2019, Modification Number One, § I (May 16, 2019).
[7] *Id*.
[8] *Id*.

Table 2. CCSP Funding Sources

	FY 2018	FY 2019
CCDF	$6,605,089	$15,820,557
Local Funds	$44,454,509	$58,455,897
TANF (DHS MOU)	$36,947,695	$36,947,685
SSBG (DHS MOU)	$229,251	$229,251
SNAP (DHS MOU)	$25,500	$25,500
Total	**$88,262,044**	**$111,478,900**

Source: OSSE

Program Administration

At the federal level, child care assistance is administered by the Administration for Children and Family Services (ACF) in the U.S. Department of Health and Human Services (HHS). Federal guidelines, precisely 45 C.F.R. Part 98, give states considerable flexibility to establish policies and processes for administering the funds.[9] As explained in the Urban Institute research report:

> States decide how much, if any, state funding to invest in the program beyond the federally-required minimum. Although the federal government sets basic parameters, states have considerable latitude in determining who is eligible for assistance, how much parents must pay, and providers will be paid, which providers parents can use, and the quality standards providers must meet. States also develop their own implementation practices. As a result, child care subsidy programs vary greatly across states [internal citation omitted].[10]

OSSE is the District's designated lead agency with primary responsibility for the planning and administration of child care subsidies funded by the CCDF.[11] Within OSSE, the Division of Early Learning (DEL) manages the CCSP. DEL's mission is "to provide leadership and coordination to ensure that all District children, from birth to kindergarten entrance, have access to high-quality early childhood development programs and are well prepared for school."[12]

The DHS Economic Security Administration's (ESA) Child Care Subsidy Division (CCSD) staff and Level II child development facility staff are responsible for making timely initial eligibility determinations for a family and child in accordance with criteria established in OSSE's Eligibility Determinations for Subsidized Child Care Policy Manual and maintaining accurate eligibility case records. According to the policy manual, eligibility decisions are based on adherence to the following federal and local laws including, but not limited to:

[9] 45 C.F.R. § 98.1(a)(1).
[10] URBAN INSTITUTE RESEARCH REPORT, *supra* note 6.
[11] OFFICE OF THE STATE SUPERINTENDENT OF EDUCATION, CHILD CARE AND DEVELOPMENT FUND PLAN FOR DISTRICT OF COLUMBIA FFY 2019-2021, § 1.1.1 (Jan. 4, 2019) (CCDF FFY 2019-2021 plan), https://osse.dc.gov/publication/dc-child-care-and-development-fund-state-plan-ffy-2019-21 (last visited Sept. 11, 2020).
[12] OSSE website, https://osse.dc.gov/service/early-learning (last visited Sept. 11, 2020).

- The Child Care and Development Block Grant Act and the implementing regulations, 45 C.F.R. Part 98;
- The Day Care Policy Act of 1979, effective September 19, 1979 (D.C. Law 3-16, D.C. Official Code § 4-401 et seq.) (Day Care Act);
- District of Columbia's CCDF State Plan, current version;
- Chapter 2 of Title 5-A of the District of Columbia Municipal Regulations (5-A DCMR § 200 et seq.); and
- Any other relevant OSSE policy issuances.[13]

Inspection Approach

The OIG assessed the following processes at OSSE: Child Care Subsidy eligibility determination process, Early Learning Provider licensing process, and Child Care Provider monitoring and inspection process. Also, the OIG assessed changes to OSSE's child care eligibility determination processes implemented since 2016. In response to the outbreak of the COVID-19 pandemic, which occurred during our inspection fieldwork, OSSE activated the District-Wide Child Care Disaster Response Plan (Disaster Response Plan) on March 20, 2020. Therefore, this report also includes information and a recommendation pertaining to the Disaster Response Plan.

The objectives of this inspection and the scope and methodology that the OIG used are provided in Appendix A. The OIG conducted this inspection under the standards established by the *Council of the Inspectors General on Integrity and Efficiency* (CIGIE). The OIG used the Government Accountability Office (GAO) Standards for Internal Control in the Federal Government (GAO-14-704G) (Green Book) to evaluate the effectiveness of internal controls used at OSSE, specifically, monitoring to prevent subsidy payments to ineligible or unlicensed child care providers. The Green Book sets internal control standards for federal entities and may be adopted by state and local entities as a framework for an internal control system.[14]

Internal control is "a process used by management to help an entity achieve its objectives."[15] Further, internal control helps assure accurate financial reporting and helps to prevent fraud, waste, and abuse. The Green Book explains that "[m]anagement is directly responsible for all activities of an entity, including the design implementation, and operating effectiveness of an entity's internal control system."[16] The internal control system is comprised of five components that "must be effectively designed, implemented, and operating, and operating together in an integrated manner, for an internal control system to be effective."[17]

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[13] OFFICE OF THE STATE SUPERINTENDENT OF EDUCATION, ELIGIBILITY DETERMINATIONS FOR SUBSIDIZED CHILD CARE POLICY MANUAL 4 (rev. Sept. 2019) (2019 OSSE Subsidized Child Care Policy Manual), https://osse.dc.gov/publication/eligibility-determinations-subsidized-child-care-policy-manual (last visited Sept. 11, 2020).

[14] "Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of [an] entity. Internal control serves as the first line of defense in safeguarding assets. In short, internal control helps managers achieve desired results through effective stewardship of public resources." *Id.* § OV1.03 at 5.

[15] Id. Title Page.

[16] Id. § OV2.14 at 12.

[17] Id. § OV2.04 at 7.

Due to the COVID-19 pandemic, fieldwork was limited in that the OIG was unable to review payment adjustment data (which includes personal identifiable information) secured at OSSE. This data pertained to the under/overpayment for services from licensed provider facilities.

FINDINGS

OSSE HAS IMPROVED THE CHILD CARE SUBSIDY ELIGIBILITY DETERMINATION PROCESS, BUT DHS HAS NOT IMPLEMENTED THREE RECOMMENDATIONS FROM THE OIG'S 2016 SPECIAL EVALUATION (OIG. NO. 16-I-0073)

OSSE has improved the child care eligibility determination process. In collaboration with DHS, OSSE has done the following:

- Developed and documented policy for referring potential fraudulent activity and related documentation, which is in the OSSE Eligibility Determinations for Subsidized Child Care Policy Manual (OSSE Manual), section 600.2

- Evaluated and added additional on-the-job training for eligibility workers to ensure they are adequately prepared before conducting intake interviews and issuing child care admissions forms. OSSE now provides eligibility workers with technical assistance, brown bag meetings, and eligibility determination refresher training. Also, OSSE has adjusted its Eligibility Training Institute and created smaller sessions.

- Implemented monitoring and audit tools for eligibility determinations, attendance at child care facilities, and under/overpayments to providers.

- Developed and implemented a procedure for performing internal quality assurance reviews of eligibility determinations at service centers to ensure that eligibility workers obtain the proper documentation to make accurate eligibility determinations.

The District is required to report error rates every 3 years to HHS. Due to OSSE's efforts in collaboration with DHS to improve the child care eligibility determination process, the District saw a reduction in improper payment errors in FY 2015 and 2018. The following table shows data concerning the District's improper payment error measures for FY 2015 and FY 2018.

Table 3. Improper Payment and Error Measures Data

Error Measures[18]	FY 2015	FY 2018
Percentage of cases with an error	24.64%	13.41%
Percentage of cases with an improper payment[19]	11.96%	3.62%
Average amount of improper payment	$662	$109
Estimated annual amount of improper payments	$1,081,245	$332,853

Source: U.S. Department of Health and Human Services Administration for Children and Families Office of Child Care State Improper Payments Report (ACF-404) OMB Clearance No.: 0970-0323 Expiration Date: 10/31/2021

According to the data, the District met and exceeded all federal target error measures for the review cycle.

Despite improvements to the eligibility determination process, the DHS CCSD did not implement three recommendations from the **OIG's 2016 special evaluation (16-I-0073)** that they agreed to implement. The recommendations were designed to improve communication between DHS and OSSE substantially, such as implementing regular reports that summarize findings from CCSD internal quality assurance review processes and track potential fraudulent activity referrals. There was also a recommendation to disseminate information about the referrals to CCSD eligibility workers. CCSD also did not implement a recommendation that stemmed from inconsistent reviews of eligibility determination procedures.

DHS did not implement a formal and consistent process to review CCSD procedures.

In their responses to the 2016 special evaluation, OSSE and DHS said they would implement a process to review DHS's CCSD procedures annually. However, according to CCSD management, CCSD procedures "are reviewed during the year as needed…. [T]he review of procedures [is] not … formal." According to another member of CCSD management, "[t]here is

[18] As set forth in 45 C.F.R. Part 98, an "error" "shall mean any violation or misapplication of statutory, contractual, administrative, or other legally applicable requirements governing the administration of CCDF grant funds, regardless of whether such violation results in an improper payment." 45 C.F.R. § 98.100(c).

[19] In accordance with 45 C.F.R. Part 98, "improper payment":

> **(1)** Means any payment of CCDF grant funds that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements governing the administration of CCDF grant funds; and
> **(2)** Includes any payment of CCDF grant funds to an ineligible recipient, any payment of CCDF grant funds for an ineligible service, any duplicate payment of CCDF grant funds and payments of CCDF grant funds for services not received. Because a child meeting eligibility requirements at the most recent eligibility determination or redetermination is considered eligible between redeterminations as described in § 98.21(a)(1), any payment for such a child shall not be considered an error or improper payment due to a change in the family's circumstances, as set forth at § 98.21(a) and (b).

45 C.F.R. § 98.100(d).

no set time that DHS CCSD has to go over OSSE Eligibility Determination Policy Manuals with their staff. Meetings about eligibility determination policies are as needed." As of the conclusion of OIG's fieldwork, CCSD did not have plans to change how they review their procedures.

DHS does not provide OSSE with regular reports summarizing the findings of CCSD's quality assurance reviews.

CCSD has a quality assurance review process that is implemented through an "internal audit status report" and "checklist for case record review." Both are used to track whether eligibility workers have obtained the documentation necessary to determine child care eligibility in accordance with the OSSE Manual. The quality assurance review process is also used to identify eligibility determination mistakes and fix case record problems.

In their responses to the 2016 special evaluation report, DHS agreed to provide OSSE with regular reports summarizing the findings of CCSD's quality assurance reviews. However, when asked whether CCSD provides these reports regularly, CCSD management stated, "DHS CCSD does not provide OSSE with regular reports summarizing the findings of the quality assurance reviews." The OIG also asked OSSE management within the DEL whether they had received regular reports summarizing findings of CCSD's quality assurance reviews. A DEL manager did not know if OSSE received reports summarizing the findings of DHS CCSD's quality assurance review. As of the conclusion of fieldwork, CCSD did not have plans to share regular reports summarizing the findings of CCSD's quality assurance reviews.

DHS has not implemented a process to track potential fraud referrals sent to OSSE and the corresponding outcomes, and to disseminate the information to CCSD eligibility workers.

In their responses to the 2016 special evaluation report, DHS agreed to implement a process to track referrals sent to OSSE and the corresponding outcomes and disseminate the information to DHS CCSD eligibility workers. However, DHS CCSD management has not implemented a process to track referrals for potential fraud sent to OSSE and the corresponding outcomes found from OSSE follow-up activities and investigations. Also, CCSD does not disseminate the information to CCSD eligibility workers. When asked whether they are informed of outcomes from referrals sent to OSSE concerning potential fraudulent activity, an eligibility worker stated they were not aware of referrals being tracked. In addition, the worker indicated that he/she was "not informed of the outcomes of referrals." A second eligibility worker stated that they have "not referred a case for investigation but based on colleagues ['] experiences, they have not heard about the status of a referral after submission to [CCSD management] and OSSE."

OSSE's attendance and error report review processes were not documented.

The OIG reviewed the steps that the DEL uses to process attendance reports submitted by Level I and Level II providers and the error reports, which Child Development Facilities use and submit

to dispute discrepancies[20] to the DEL. However, when the OIG initially requested this information, DEL management said they needed to document it before they could send it to us.

The OIG recommends the Director, DHS:

(1) Implement a process to regularly review and update CCSD procedures to ensure they accurately reflect current child care subsidy eligibility requirements and CCSD work processes.

Agree ____DHS_____ Disagree _____

(2) Provide OSSE with regular reports summarizing the findings of CCSD quality assurance reviews.

Agree ____DHS_____ Disagree _____

(3) Implement a process to: (a) track referrals sent to OSSE and the corresponding outcomes that are found from OSSE follow-up activities and investigations; and (b) disseminate the information to CCSD eligibility workers.

Agree ____DHS_____ Disagree _____

The OIG recommends the State Superintendent of Education:

(4) Create and distribute a guide to staff that describes all steps to review and process attendance reports and error reports.

Agree ____OSSE_____ Disagree _____

OSSE's December 2020 Response to Recommendation 4:

OSSE agrees with this recommendation and has updated the standard operating procedures for Error Reporting and Payment Adjustments. OSSE is currently drafting an attendance processing manual, with a target completion date during the second quarter of FY21.

[20] According to an untitled and undated document from OSSE management to the OIG, which describes the steps for processing error reports, "[e]very child care provider that participates in the OSSE/DEL subsidy program is responsible for promptly reviewing the monthly payment statement from OSSE/DEL. Each child for whom payment is missing or whose payment is incorrect must be reported on the Payment Summary Error Report. Upon receipt of the Error Report, the assigned worker will review the report and accompanying documents and will authorize payment adjustments as appropriate."

PROCESS ERRORS IN FY 2019 AT DHS LED TO UNDERPAYMENTS; OVERPAYMENTS IDENTIFIED INCREASED FROM FY 2018 TO FY 2019

OSSE has several audit processes in place focused on eligibility determinations, attendance at child care facilities, and error reports to correct discrepancies when providers review and reconcile monthly pay statements against the attendance report submitted to OSSE to ensure the accuracy of payment (under/overpayments) to providers. In the "Child Care and Development Fund (CCDF) Plan for District of Columbia FFY 2019-2021" that OSSE submitted to HHS, OSSE describes how it monitors the subsidy program. In the plan, OSSE notes that:

> [t]hree percent of DHS records are audited annually by the lead agency [i.e., OSSE] . . . [and] 100 percent of Level II records are audited annually by OSSE for providers with less than 30 records. [Fifty] percent of Level II records are audited annually by OSSE for providers with 31-100 records, and 30 percent of Level II records are audited annually by OSSE for providers with more than 100 records.[21]

OSSE provided the OIG with the following data, which shows how often OSSE performed audit functions in FY 2018 and FY 2019:

[21] CCDF FFY 2019-2021 plan *supra* note 13, § 8.1.3.

Table 4. OSSE Audit Data

Audit Data	FY 2018	FY 2019
Eligibility determination audits conducted[22]	60	61
Overpayments identified[23]	329	420
Money recovered from overpayments identified	$333,721	$399,573
Underpayment corrections	1614 (includes late submissions of attendance)	1188
Money paid due to underpayment corrections	$2,289,189	$2,055,535
Number of times that the recoupment policy was executed	3	3

Source: OSSE

Based on a comparison of the data from FY 2018 to FY 2019, OSSE recovered approximately $66,000 more from provider overpayments. The number of times that OSSE used its recoupment policy remained the same from FY 2018 to FY 2019.

As for underpayments, OSSE completed 426 fewer underpayment corrections from FY 2018 to FY 2019. The amount of money paid to providers due to underpayment corrections decreased by $233,654.61 from FY 2018 to FY 2019. Despite reducing payments to providers in FY 2019, underpayment corrections still resulted in $2,055,535.33 paid to providers in FY 2019.

The OIG asked DEL management about the need for underpayment corrections, and management noted that "process errors" at CCSD in FY 2019 resulted in such corrections. DEL management identified two primary types of errors in FY 2019: DHS CCSD eligibility workers

[22] The CCDF FFY 2019-2021 plan states on page 345: "Eligibility determinations for subsidized child care are conducted by DHS CCSD and designated child care providers (referred to as Level II providers). Eligibility determinations are reviewed and approved by the DHS CCSD supervisor for new employees until the employee demonstrates proficiency in the eligibility determination process. The lead agency reviews and approves eligibility records for new Level II providers until the Level II provider demonstrates proficiency in the determination process. The Eligibility Monitoring Unit [at OSSE DEL (lead agency)] conducts annual audits to ensure the accuracy of the eligibility determinations." *Id*.

[23] On page 353, the CCDF FFY 2019-2021 plan states: "Any improper payment greater than $100 is recovered by the lead agency through the recoupment process. The lead agency has a recoupment policy that is described in the annual provider agreement and also as an attachment to the agreement. Providers are required to review monthly pay statements and report any over or under payments to the lead agency within three months to receive a payment adjustment. For overpayments, providers are able to enter into a repayment plan depending on the amount of the recoupment." *Id*. § 8.1.5.

assigned incorrect services during intake, and DHS CCSD was accepting late admission forms. Discussion of the process errors that necessitated underpayment corrections is below.

DHS CCSD eligibility workers assigned incorrect services during intake.

CCSD eligibility workers are responsible for determining a family's eligibility for subsidized child care services. According to the OSSE Eligibility Determinations for Subsidized Child Care Policy Manual, the eligibility determination process begins with a prescreening. Eligibility workers review the application process with parents/guardians and assess six eligibility factors: age of the child, relationship, citizenship, legal status, residency, need, and income threshold. Subsequently, a parent/guardian is required to complete an application. The application serves as the signed statement of the applicant's residency, family size, composition, and total income. After a parent/guardian submits an application, a face-to-face intake interview between the eligibility staff and client is required for determinations. According to the policy manual, during the intake interview, eligibility staff shall:

> 1. Explain D.C.'s subsidized child care program, eligibility requirements and the applicant's rights and responsibilities […];
> 2. Verify the applicant's identity by reviewing their government issued photo identification, which may include a D.C. driver's license or a passport […];
> 3. Explain that the application is not complete until the application form is filled out and all supporting documents have been received as required;
> 4. Ensure the *Application for Subsidized Child Care Services* … is completed, signed and dated;
> 5. Review documentation submitted by the applicant, which includes but is not limited to, resolving any issues related to unclear or incomplete information, and authenticating all documents received during the visit;
> 6. Record key eligibility factors in the [Subsidy Eligibility Assignment System] (SEA);
> 7. Place a copy of all documentation in the paper case record;
> 8. Provide a copy of all relevant application documents to the parent(s) or guardian(s) for their records;
> 9. Inform the applicant of the types of child care available; and
> 10. Discuss the needs of the family, including:
> (A) The type of child care needed (i.e. center based, family home, relative home or in-home);
> (B) When child care is needed (i.e., full-day, before and after school, non-traditional hours including nights and weekends); and
> (C) Possible special needs or special health care needs of the child.[24]

[24] 2019 OSSE Subsidized Child Care Policy Manual *supra* note 15, § 300.2.

According to DEL management, eligibility workers have assigned incorrect services during the intake interview stage, requiring OSSE to correct underpayments. DEL management noted that "[e]ligibility workers assign a child's service type manually in the system, so if [services] are assigned incorrectly, it will lead to a payment adjustment."

DHS CCSD was accepting late admissions forms.

According to the OSSE Eligibility Determinations for Subsidized Child Care Policy Manual:

> [D]uring the eligibility determination stage, when a family has met all eligibility criteria from an eligibility worker(s), and after DHS identifies a vacancy at a specific child care provider, the eligibility staff shall issue an admission form to the parent(s) or guardian(s) with instructions to have it completed by the provider and returned to the CCSD in order for the provider to be paid for child care services…. The provider must enter the date the child started at the facility and sign and date the form. The provider shall return the admission form via email to the Intake and Continuing Services Unit, CCSD, within 24 hours after the child is enrolled at the facility to ensure that the child started services at a provider's facility.[25]

However, according to DEL management, another process error that necessitated underpayment corrections has been CCSD's practice of accepting late admissions forms. DEL management noted that admission forms must be accepted by DHS within 30 days in order for the child care provider to receive payment. According to DEL management, "[c]hild care provider [facilities] must send an admission form to DHS for acceptance into the system, so if the facility sends it late or DHS does not accept [the form] before payroll is processed, it will lead to a payment adjustment."

The OIG recommends that the Director, DHS, collaborate with the State Superintendent of Education to:

(5) Fix process errors at CCSD that result in underpayments to child care providers:

Agree ____DHS_____ Disagree _____

[25] 2019 OSSE Subsidized Child Care Policy Manual § 300.6.

INTERNAL CONTROLS DESIGNED TO PREVENT SUBSIDY PAYMENTS TO INELIGIBLE OR UNLICENSED CHILD CARE PROVIDERS APPEAR EFFECTIVE

The OIG used the Government Accountability Office (GAO) Standards for Internal Control in the Federal Government (GAO-14-704G) (Green Book) to evaluate the effectiveness of internal controls used at OSSE, specifically, monitoring to prevent subsidy payments to ineligible or unlicensed child care providers. The Green Book sets internal control standards for federal entities and may be adopted by state and local entities as a framework for an internal control system.[26]

Internal control is "a process used by management to help an entity achieve its objectives."[27] Further, internal control helps assure accurate financial reporting and helps to prevent fraud, waste, and abuse. The Green Book explains that "[m]anagement is directly responsible for all activities of an entity, including the design implementation, and operating effectiveness of an entity's internal control system."[28] The internal control system is comprised of five components that "must be effectively designed, implemented, and operating, and operating together in an integrated manner, for an internal control system to be effective."[29]

According to 5A DCMR § 102.1, "[e]xcept as otherwise provided in [Chapter 1. Child Development Facilities: Licensing], no person shall either directly or indirectly operate a Child Development Facility without first obtaining a license issued by OSSE, or its successor agency."[30] When followed, the District regulations serve as a way to prevent subsidy payments to ineligible or unlicensed child care providers because they establish requirements for licensure and inspection that child development facilities must complete before they can operate in D.C. as a child care service provider. In addition, 5A DCMR § 102.6 provides:

> OSSE shall issue the following types of licenses:
>
> (a) Initial license. An initial license may be issued by OSSE to an applicant who is not currently licensed;
> (b) Renewal license. A renewal license may be issued by OSSE to a current Licensee demonstrating substantial compliance with this chapter that applies for renewal before the expiration of the current license; or
> (c) Restricted License. A restricted license may be issued by OSSE as an alternative to suspending or revoking an existing license when a Facility has one or more deficiencies.

[26] "Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of [an] entity. Internal control serves as the first line of defense in safeguarding assets. In short, internal control helps managers achieve desired results through effective stewardship of public resources." *Id.* § OV1.03 at 5.
[27] Id. Title Page.
[28] Id. § OV2.14 at 12.
[29] Id. § OV2.04 at 7.
[30] 5A DCMR § 102.1.

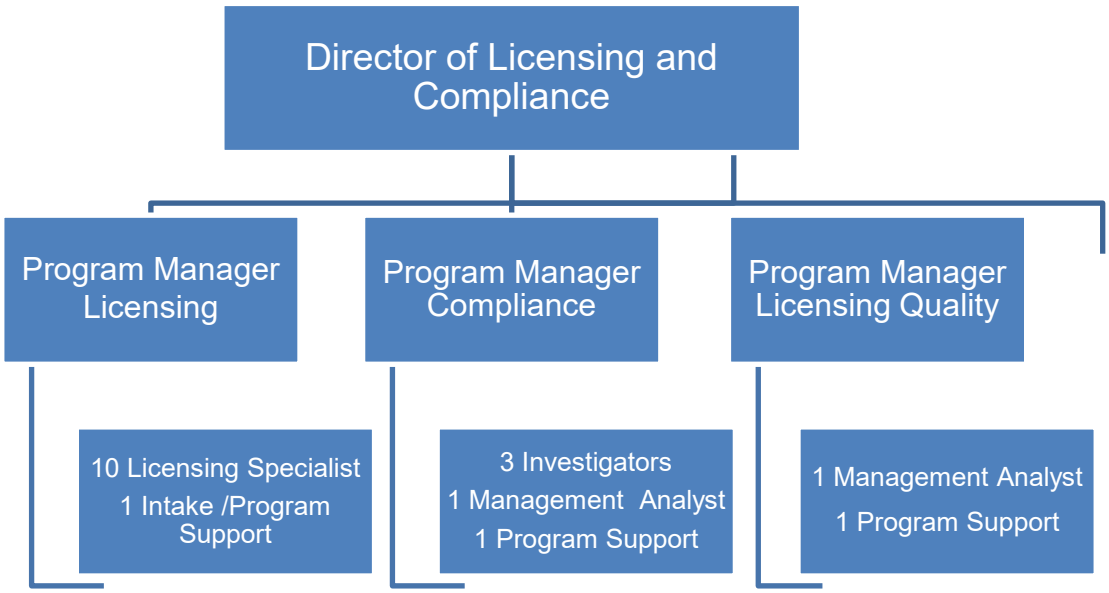
Title 5A DCMR §102.6(b) serves as an additional tool to prevent subsidy payments to ineligible and unlicensed child care providers because it requires providers to renew their license.

OSSE has implemented certain aspects of the Green Book monitoring principles through its Licensing and Compliance Unit (LCU), which serves as the primary mechanism by which OSSE monitors and prevents ineligible or unlicensed child care providers' receipt of child care subsidy payments. The LCU consists of a licensing team, a compliance team, and a licensing quality team.

According to an LCU manager, "the Licensing Quality team is responsible for making sure that OSSE has systems in place to ensure that inspections and investigations that are complete, thorough, and well documented. The team also inspects the licensing applications that have been completed to ensure that they were completed correctly…. [T]he Licensing team is responsible for conducting inspections, maintaining data on all licensed facilities, and issuing licenses." When the OIG asked an LCU manager if there was a way that an unlicensed provider could be a subsidy provider in D.C., the manager stated, "there is no way because to obtain subsidy a provider must be a licensed provider."

Key entities in OSSE's organizational structure involved in the administration of the Early Learning Provider Licensing Process and the Child Care Provider Monitoring and Inspection Process are briefly described below:

Figure 1. OSSE Licensing and Compliance Unit Organizational Chart



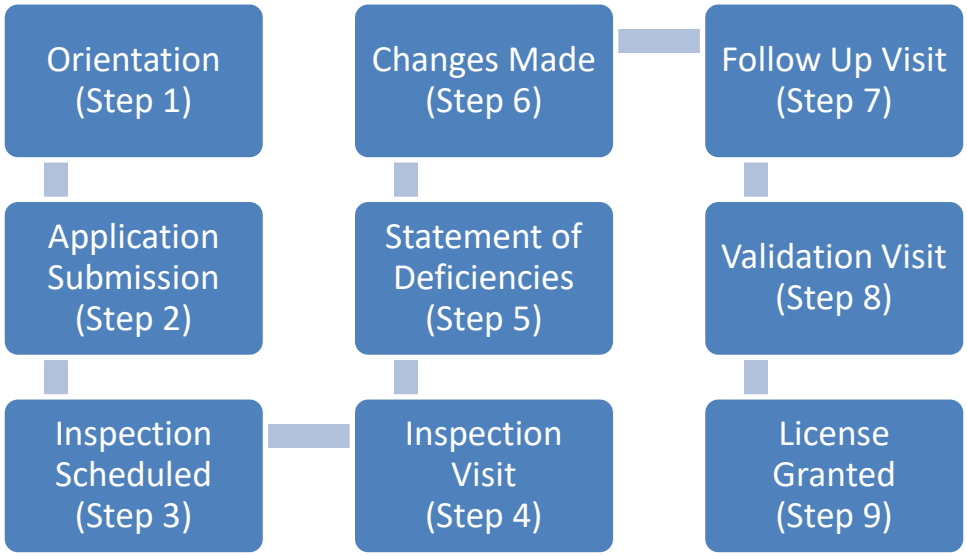
Source: OSSE

The Licensing Team is responsible for facility licensing and inspections to ensure the health, safety, and welfare of children, adults, and the general public; the Compliance Team is responsible for complaints and unusual incident investigations, and the Licensing Quality Team is responsible for quality assurance reviews.

Early Learning Provider Licensing Process

To operate in the District, a Child Development Facility must undergo the Early Learning Provider Licensing Process, which the LCU Licensing Team conducts. The process for a facility to become licensed is described below:

Figure 2. OSSE Early Learning Licensing Process Flow



Source: OSSE

> Child Development Facilities are required to attend an orientation, which gives a provider the information and instructions for submitting an application to OSSE for licensure. Subsequently, providers submit an application, an application fee, and other required materials (such as a criminal background check). When the application is submitted to a licensing specialist on the Licensing team at OSSE, the licensing specialist will schedule an inspection visit. During the visit, a licensing specialist will inspect the child development center or home. If the provider does not pass the inspection, the licensing specialist gives the provider a list of things to change or improve. This is called a statement of deficiencies. The provider has 60 days to make changes. If the provider requires assistance, the licensing specialist will provide guidance and advice if needed. After a provider has made changes, the licensing specialist will schedule a follow-up visit. At the visit, the specialist checks that all improvements have been made. If so, the provider passes the inspection. When a provider has passed, the licensing specialist and a licensing supervisor shall conduct a final visit. This is called the validation visit. After the validation visit, the provider will receive a license.[31]

[31] OSSE website, https://osse.dc.gov/service/licensing-process-child-care-providers (last visited Sept. 28, 2020).

According to 5A DCMR § 102.7, the initial license and each renewal license may be valid for a three (3) year period beginning on the date of issuance.

Child Care Monitoring and Inspection Process

The Green Book states that "[m]anagement should establish and operate monitoring activities to monitor the internal control system and evaluate the results."[32] OSSE management has applied Attribute 16.01 of Principle 16 in the Green Book. Specifically, LCU management has established and operated monitoring activities to monitor the internal control system and evaluate the results. The LCU Compliance team ensures that the Licensing team follows standards on how to conduct inspections and monitoring activities. During the 3 years that a Child Development Facility's OSSE license is valid, the facility will undergo a Child Care Monitoring and Inspection Process from the Licensing team. The Child Care Monitoring and Inspection Process is described below.

According to OSSE, every licensed child care provider will receive monitoring visits from OSSE's Licensing Unit to make sure they continue to meet licensing and health and safety requirements. Providers receive at least one announced and one unannounced visit each year. Additional visits can occur at any time. The table below contains data LCU provided the OIG regarding the number of monitoring visits OSSE conducted in FY 2018 and FY 2019:

Table 5. OSSE Monitoring Activities

Type of Activity	FY 2018	FY 2019
Announced Visit	382	460
Unannounced Visit	278	474

Source: OSSE

During monitoring visits, a licensing specialist determines whether the provider has the required documentation for staff, children, and the facility. The licensing specialist also checks to ensure that providers are meeting environmental health and safety requirements. If the licensing specialist finds problems or violations during the visit, he/she gives the provider a list of things to modify or improve and a deadline to make the changes. Areas inspected during the process include:

- Employee records
- Environmental health and safety requirements and equipment
- Policies and procedures
- Program health and nutrition
- Playground safety
- Records of children enrolled at the facility

[32] U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-14-704G, *supra* note 2, § 16.01.

The timeframes for providers to make changes are: less than 30 days for serious violations; 45 days for a license renewal or other inspection; and 90 days for a new license application inspection.

Green Book Attribute 16.02 of Principle 16 states:

> Management establishes a baseline to monitor the internal control system. The baseline is the current state of the internal control system compared against management's design of the internal control system. The baseline represents the difference between the criteria of the design of the internal control system and condition of the internal control system at a specific point in time. In other words, the baseline consists of issues and deficiencies identified in an entity's internal control system.[33]

Green Book Attribute 16.03 of Principle 16 states:

> Once established, management can use the baseline as criteria in evaluating the internal control system and make changes to reduce the difference between the criteria and condition. Management reduces this difference in one of two ways. Management either changes the design of the internal control system to better address the objectives and risks of the entity or improves the operating effectiveness of the internal control system. As part of monitoring, management determines when to revise the baseline to reflect changes in the internal control system.[34]

OSSE's LCU has applied Green Book Attributes 16.02 and 16.03. Precisely, for Attribute 16.02, the Child Care Monitoring and Inspection Process consists of an issue and deficiency identification during the inspection process. Also, LCU management applies Attribute 16.03 during the Child Care Provider Monitoring and Inspection Process by having licensing specialists during the monitoring visit, improve the operating effectiveness of the internal control system by checking that a provider has the required documentation for staff, children, and the facility. If the licensing specialist finds problems or violations during the visit, he or she gives the provider a list of things to change or improve.

OSSE has not established a baseline to monitor their internal control system related to the Child Care Subsidy program; however, they are working to come into compliance with requirements from HHS to implement the U.S. HHS Grantee internal control self-assessment instrument by 2021.

Despite the LCU having applied Green Book Attributes 16.01-16.03 to its Child Care Provider monitoring and inspection process, OSSE has not applied attributes 16.02 and 16.03, with respect to its administration of the Child Care Subsidy program. DEL management has not

[33] *Id*. § 16.02.
[34] *Id*. § 16.03.

established a baseline to monitor its internal control system. However, according to DEL management officials, they will establish the internal control system monitoring process by implementing the U.S. HHS Grantee internal control self-assessment instrument by 2021. The instrument is a requirement for the District and states and assesses how well OSSE's policies and procedures meet the federal Child Care and Development Fund program's regulatory requirements in the areas of program integrity and financial accountability. According to DEL management, they were to begin the self-assessment process during the summer of 2020.

OSSE applies internal control system monitoring consistent with Green Book Principles 16 and 17.

Green Book Attribute 16.04 of Principle 16 states: "management monitors the internal control system through ongoing monitoring and separate evaluations. Ongoing monitoring is built into the entity's operations, performed continually, and responsive to change. Separate evaluations are used periodically and may provide feedback on the effectiveness of ongoing monitoring."[35]

LCU management has applied Green Book Principle 16, Attribute 16.04 through ongoing monitoring and separate evaluations to ensure that providers in the subsidy program obtain initial and renewal licensure. Licensure monitoring activities are built into LCU operations, performed continually, and responsive to change if and when a provider does not adhere to OSSE licensure standards. Specifically, the LCU Licensing team conducts licensure inspections through the Child Care Monitoring and Inspection Process.

Green Book Attribute 16.05 of Principle 16 states:

> Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.[36]

LCU management has applied Green Book Principle 16, attribute 16.05 through the Division of Early Learning Licensing Tool (DELLT) system. DELLT is an internal data software system that gives everyone in the LCU a detailed look into a licensed provider facility regarding licensure and whether the facility is in compliance with licensure requirements. The system is also used to collect and document licensing activities. According to LCU Licensing team management, "[DELLT is used] to help improve the [monitoring] system when needed and that … everyone has access to the same information in the system in real-time…. [R]eports about investigations that have been completed by investigators are shared with the whole Licensing and Compliance [Unit] in [DELLT]." DELLT also stores the following information: child

[35] Id. § 16.04.
[36] Id. § 16.05.

development facility information, applications for licensure, licensure inspection tools, complaints and unusual incidents, and staff information.

Green Book Attribute 16.06 of Principle 16 states:

> Management uses separate evaluations to monitor the design and operating effectiveness of the internal control system at specific time or of a specific function or process. The scope and frequency of separate evaluations depend primarily on the assessment of risks, effectiveness of ongoing monitoring, and rate of change within the entity and its environment. Separate evaluations may take the form of self-assessments, which include cross operating unit or cross functional evaluations.[37]

LCU management applies Principle 16, Attribute 16.06, through separate evaluations to monitor the operating effectiveness of the internal control system at specific times. Specifically, the LCU Licensing team conducts a monitoring and inspection process of licensed providers to ensure they are following applicable child care facility laws and regulations. The LCU Licensing team conducts both announced and unannounced monitoring and inspection visits during different times at provider facilities.

Also, according to an LCU manager, the Licensing Quality Manager "is responsible for all internal unit communications … and ensures that all [inspection paper] forms are completed. [Most importantly, the Licensing] Quality Manager [makes sure] that internal controls are followed as well." Lastly, according to an LCU manager, "the Compliance manager [within the Compliance team,] ensures that all complaints and unusual incidents that warrant investigations are investigated and that the process is completed." The manager stated that "the [investigators within the Compliance team] work [ ] with the Child Protective Services, Metropolitan Police Department, and Youth Rehabilitation Services Agency. The Compliance Manager also manages the background check process for staff in charge of provider facilities."

Green Book Attribute 16.08 of Principle 16 states:

> Management retains responsibility for monitoring the effectiveness of internal control over the assigned processes performed by service organizations. Management uses ongoing monitoring, separate evaluations, or a combination of the two to obtain reasonable assurance of the operating effectiveness of the service organization's internal controls over the assigned process. Monitoring activities related to service organizations may include the use of work performed by external parties, such as service auditors, and reviewed by management.[38]

[37] Id. § 16.06.
[38] Id. § 16.08.

OSSE has applied Principle 16, Attribute 16.08 in regard to monitoring activities of the Child Care Monitoring and Inspection Process. Specifically, management monitors the effectiveness of internal control over the assigned processes performed by Level I and Level II centers, Child Development Home-Based providers, Relative Care, and In-Home providers. Management conducts ongoing monitoring, separate evaluations, or a combination of the two to obtain reasonable assurance of the operating effectiveness of the service organization's internal controls over the assigned processes. Management conducts monitoring and inspections of facilities' adherence to requirements governing employee records, environmental conditions, health and safety, equipment, policies and procedures, program health and nutrition, playground safety, and enrollment records for children at the facility.

Green Book Attribute 16.09 of Principle 16 states:

> Management evaluates and documents the results of ongoing monitoring and separate evaluations to identify internal control issues. Management uses this evaluation to determine the effectiveness of the internal control system. Differences between the results of monitoring activities and the previously established baseline may indicate internal control issues, including undocumented changes in the internal control system or potential internal control deficiencies.[39]

OSSE is applying Attribute 16.09 of Principle 16; specifically, management evaluates and documents the results of ongoing monitoring to identify internal control issues. The LCU uses forms to ensure that results are documented and followed as it pertains to the examination of the provider licensure process, provider agreement adherence with OSSE, and attendance at providers that are OSSE licensed subsidy providers.

Green Book Attribute 16.10 of Principle 16 states:

> Management identifies changes in the internal control system that either have occurred or are needed because of changes in the entity and its environment. External parties can also help management identify issues in the internal control system. For example, complaints from the general public and regulator comments may indicate areas in the internal control system that needs improvement. Management considers whether current controls address the identified issues and modifies controls if necessary.[40]

OSSE applies Attribute 16.10 of Principle 16. Specifically, management identifies change in the internal control system that either has occurred or is needed because of changes in the entity and its environment by having the Licensing team and Compliance teams share information in DELLT and discuss if there are issues with respect to the Child Care Monitoring and Inspection process.

[39] Id. § 16.09.
[40] Id. § 16.10.

Green Book Attribute 17.01 of Principle 17 states: "management should remediate identified internal control deficiencies on timely basis. The following attributes contribute to the design, implementation, and operating effectiveness of this Principle: reporting of issues, evaluation of issues, corrective actions."[41]

The LCU is applying Attribute 17.01 of Principle 17. Specifically, management has mechanisms within the internal control system to report issues, evaluate issues, and correct issues on a timely basis. Management uses forms to document deficiencies found at providers during inspections and monitoring visits, such as the Licensing inspection form and initial licensing inspection form. The forms are used to document, evaluate, and report issues to the Licensing and Compliance teams. The Compliance team also uses the forms to ensure that issues are reported, evaluated, and corrected. The Licensing Quality team uses the forms also to ensure that both the Compliance and Licensing teams are conducting their work with precision and accuracy.

Green Book Attribute 17.02 of Principle 17 states: "personnel report internal control issues through established reporting lines to the appropriate internal and external parties on a timely basis to enable the entity to promptly evaluate those issues."[42]

OSSE is applying Attribute 17.02 of Principle 17. According to management within LCU, "internal meetings are ways in which necessary changes are communicated. During internal meetings, a review of the issues that investigators, analysts, and specialists have seen are discussed. The internal meetings occur every month. Lastly, emails are another way that the Licensing and Compliance team use to communicate about problems that require solutions with respect to provider licensing."

Furthermore, management has reporting lines for personnel to communicate internal control issues through established methods to the appropriate internal and external parties. Specifically, OSSE has the LCU, which has its own reporting lines concerning licensed providers and whether they are adhering to the Provider Agreement for Subsidized Child Care Services in the District and federal and District laws. In addition, the LCU communicates with the DEL about providers who are currently eligible to participate in the subsidy program and providers who are not eligible. OSSE uses stop placement measures to prevent placement at licensed subsidy providers who are not in compliance with laws, rules, and regulations.

The process to execute a stop placement is set forth in 5A DCMR, Chapter 1, Sections 112 through 117. In particular, the DCMR states:

> A Child Development Facility licensed, required to be licensed, or applying for a license may be subject to any of the following enforcement actions by OSSE, or any other authorized government entity, when that agency or entity has jurisdiction, for violations of Federal or District of Columbia laws or regulations:
>
> (a) Denial of application for initial license;

[41] Id. § 17.01.
[42] Id. § 17.02.

(b) Denial of application for renewal license;
(c) Issuance of a restricted license;
(d) Suspension of a license;
(e) Revocation of a license;
(f) Cease and desist order;
(g) Civil fines;
(h) Summary suspension;
(i) Criminal prosecution; or
(j) Injunction.[43]

LCU officials provided the OIG with the following data concerning how often they employ enforcement actions authorized by 5A DCMR, Chapter 1, Sections 112 through 117:

Table 6. OSSE Enforcement Actions

Enforcement Action	FY 2018	FY 2019
Number of licenses revoked	0	0
Number of licenses suspended	9	24
Number of issuances of restricted licenses	118	20
Number of applications for initial licensure that were denied	0	0
Number of applications for licensure that were denied for renewal licensure	0	0
The number of criminal prosecutions on providers	0	0
The number of injunctions	0	0
The total amount of civil fines issued to providers	$0	$0
The number of civil fines issues to providers	0	0

Source: OSSE

Based on the data, the LCU enforced the suspension of licenses and issuance of restricted licenses in 2018 and 2019. OSSE suspended 15 more licenses in 2019 compared to 2018. In addition, OSSE decreased the amount of restricted licenses issued in 2019; the difference between the total number of restricted licenses issued from 2018 to 2019 was 98.

Green Book Attribute 17.03 of Principle 17 states:

> Personnel may identify internal control issues while performing their assigned internal control responsibilities. Personnel communicate these issues internally to the person in the key role responsible for the internal control or associated process and, when appropriate, to at least one level of management above that individual. Depending on the nature of the issues, personnel may consider reporting certain issues to the oversight body. Such issues may include, issues that cut across the organizational structure or extend outside the entity to service organizations, contractors, or

[43] 5A DCMR § 112.1.

> suppliers and issues that may not be remediated because of the interests of management, such as sensitive information regarding fraud or other illegal acts.[44]

OSSE's LCU is applying Principle 17, Attribute 17.03. Licensing specialists and investigators within the Licensing and Compliance teams can identify internal control issues while performing their assigned internal control responsibilities. Also, the licensing specialists and investigators can communicate these issues internally to their program managers responsible for the internal control or associated process and, when appropriate, to at least one level or management above that individual.

Green Book Attribute 17.04 of Principle 17 states: "Depending on the entity's regulatory or compliance requirements, the entity may also be required to report issues externally to appropriate external parties, such as the legislators, regulators, and standard-setting bodies that establish laws, rules, regulations, and standards to which the entity is subject."[45]

OSSE is applying Principle 17, Attribute 17.04. Specifically, OSSE can report issues externally to appropriate external parties such as the D.C. Office of Attorney General.

Green Book Attribute 17.05 of Principle 17 states:

> Management evaluates and documents internal control issues and determines appropriate corrective actions for internal control deficiencies on a timely basis. Management evaluates issues identified through monitoring activities or reported by personnel to determine whether any of the issues rise to the level of an internal control deficiency. Internal control deficiencies require further evaluation and remediation by management. An internal control deficiency can be in the design, implementation, or operating effectiveness of the internal control and its related process. Management determines from the type of internal control deficiency the appropriate corrective actions to remediate the internal control deficiency on a timely basis. Management assigns responsibility and delegates authority to remediate the internal control deficiency.[46]

OSSE is applying Principle 17, Attribute 17.05. Specifically, management can evaluate and document internal control issues and determine appropriate corrective actions for internal control deficiencies on a timely basis. The LCU evaluates issues through its monitoring activities and reports from personnel to determine whether any of the control deficiencies require further evaluation and remediation by management. If OSSE substantiates a provider-submitted complaint, OSSE will issue a statement of deficiency with a corrective action plan. In instances

[44] Id. § 17.03.
[45] Id. § 17.04.
[46] Id. § 17.05.

of egregious violations, an enforcement action with a corrective action plan may also be issued. The corrective action plan always includes a monitoring component to ensure providers are taking action to comply with licensing regulations.

Green Book Attribute 17.06 of Principle 17 states:

> Management completes and documents corrective actions to remediate internal control deficiencies on a timely basis. These corrective actions include resolution of audit findings. Depending on the nature of the deficiency, either the oversight body or management oversees the prompt remediation of deficiencies by communicating the corrective actions to the appropriate level of the organizational structure and delegating authority for completing corrective actions to appropriate personnel. The audit resolution process begins when audit or other review results are reported to management, and is completed only after action has been taken that (1) corrects identified deficiencies, (2) produces improvements, or (3) demonstrates that the findings and recommendations do not warrant management action. Management, with oversight from the oversight body, monitors the status of remediation efforts so that they are completed on a timely basis.[47]

OSSE is applying Principle 17, Attribute 17.06. Specifically, LCU management documents corrective actions to remediate internal control deficiencies on a timely basis.

OSSE ACTIVATED THE CHILD CARE DISASTER RESPONSE PLAN DUE TO COVID-19

On March 20, 2020, OSSE activated its District-Wide Child Care Disaster Response Plan (CCDRP) based on the Mayor's Order[48] and the public health emergency executive order[49] the Mayor issued during the COVID-19 pandemic.

According to DEL management, if a Child Development facility chooses to close, OSSE will continue to provide payments provided OSSE approved the closure. Providers will be paid based on the children assigned to their child care site in the OATS system; they cannot be paid for any additional children that are not assigned to their site. To receive continuing subsidy payments during the current public health emergency, Child Development Facilities are required to adhere to an Approved Closure Process. Below is a brief description of the process:

> 1. Notify your designated OSSE education service monitor in writing prior to closing to receive approval; and

[47] *Id*. § 17.06.
[48] Mayor's Order 2020-054, § I (Mar. 30, 2020).
[49] *Id*.

2. Follow the existing procedures for filing an Unusual Incident Report indicating the closure is
A) the public health emergency or B) possible exposure to coronavirus (COVID-19)

For all OSSE-approved closures, subsidy payments will continue during the activation of the CCDRP and will not be based on actual attendance as long as the closure is approved pursuant to the process described above. Approved closures during the activation of the CCDRP must be classified as an approved closure (AC) on the monthly attendance submission in the OSSE Attendance Tracking System (OATS). Providers should continue to submit attendance (even if it is zero) by the 5th business day of each month.

The OIG recommends the State Superintendent of Education:

(6) Instruct OSSE Division of Early Learning management to closely monitor payments to providers during the COVID-19 pandemic to ensure that providers that closed were not paid for services for children who were not on the attendance list when a facility obtained approval for closure.

Agree OSSE Disagree _____

OSSE's December 2020 Response to Recommendation 6:

OSSE implemented several new policies and payment practices to support child care providers during the public health emergency, while also maintaining internal controls and compliance with federal regulations. At the onset of the public health emergency, the Department of Health and Human Services, Administration for Children and Families (ACF), issued guidance that stated, "Lead agencies can use or modify their absence policy to pay providers if programs are closed or children are absent due to COVID-19… (and) pay providers based on a child's enrollment rather than attendance."

On March 13, 2020, OSSE issued subsidy guidance indicating that subsidy child care providers would be paid based on a child's enrollment in the program, not attendance. While the District's child care providers were never mandated to close, many did close during the initial months of the public health emergency. These providers submitted an Unusual Incident Report (UIR) and coded all attendance as an approved closure.

From May through Oct. 2020, all subsidy child care providers (whether open or closed) were paid a pre-determined amount based on the average of their monthly payments from Oct. 2019 through Jan. 2020. Because providers were paid based on these pre-determined amounts, rather than for services to individual children, providers that closed were not paid for service for children who were not on the attendance list when a facility obtained approval for closure.

As of November 1, 2020, OSSE has returned to paying subsidy providers based on attendance, under updated subsidy guidance issued September 21, 2020.

CONCLUSION

This inspection found that although OSSE improved the Child Care Subsidy eligibility determination process, other aspects of the program could be strengthened. As the lead agency for the Child Care Subsidy Program in the District, OSSE will need to work with DHS to implement the three outstanding recommendations from OIG's 2016 special evaluation to minimize the likelihood that an ineligible child care subsidy applicant receives District benefits. In addition, OSSE and DHS should work together to address the errors that necessitate underpayment corrections.

APPENDIX A. OBJECTIVES, SCOPE, AND METHODOLOGY

The OIG conducted this project from October 2019 through June 2020, in accordance with Quality Standards for Inspection and Evaluation (Blue Book) promulgated by the Council of the Inspectors General on Integrity and Efficiency and Standards for Internal Control in the Federal Government (GAO-14-704G) promulgated by the Government Accountability Office (GAO).

Objectives

The primary objectives of this inspection were to evaluate:

(1) changes made to the Office of the State Superintendent of Education's (OSSE) Child Care Subsidy eligibility determination process, with a particular focus on changes implemented since publication of the OIG's August 2016 special evaluation; and

(2) the effectiveness of internal controls designed to prevent subsidy payments to ineligible or unlicensed child care providers

Scope

The scope of this inspection focused on current Child Care Subsidy eligibility determination process and internal controls designed to prevent subsidy payments to ineligible or unlicensed child care providers, and whether agreed-upon recommendations from the OIG's 2016 special evaluation had been implemented.

Methodology

The OIG reviewed and compared OSSE's Eligibility Determinations for Subsidized Child Care Policy Manual (2016 and 2019 versions) to see if there were changes made in OSSE's eligibility determination processes since 2016. In addition, the OIG researched federal law, D.C. Code, and District regulations related to the establishment and administration of the child care subsidy program, eligibility determination requirements, licensing requirements for child care development facilities, and enforcement actions that OSSE can take against non-compliant facilities.

The OIG also reviewed documentation and data from the U.S. Department of Health and Human Services Administration for Children and Families (US HHS ACF), OSSE Division of Early Learning (DEL), and DHS Child Care Subsidy Division. Lastly, the OIG interviewed 11 individuals involved in the child eligibility determination process and the early learning licensing provider process, all of whom comprised of personnel from DHS and OSSE collectively.

APPENDIX B. ACRONYMS AND ABBREVIATIONS

CCSD	Child Care Subsidy Division
CCSP	Child Care Subsidy Program
CCDRP	District Wide Child Care Disaster Response Plan
CIGIE	Council of the Inspectors General on Integrity and Efficiency
D.C.	District of Columbia
DCMR	D.C. Municipal Regulations
DEL	Division of Early Learning
DELLT	Division of Early Learning Licensing Tool
DHS	D.C. Department of Human Services
ESA	Economic Security Administration
GAO	Government Accountability Office
MOU	Memorandum of Understanding
OSSE	D.C. Office of the State Superintendent of Education
OATS	OSSE Attendance Tracking System
OIG	D.C. Office of the Inspector General
SSBG	Social Services Block Grant
SNAP	Supplemental Nutrition Assistance Program
TANF	Temporary Assistance for Needy Families
HHS ACF	U.S. Department of Health and Human Services Administration for Children and Families

APPENDIX C. TABLE OF RECOMMENDATIONS

Responsible Agency	Recommendation	Potential Monetary Benefit	Agency Response
DHS	1. Implement a process to regularly review and update CCSD procedures to ensure they accurately reflect current child care subsidy eligibility requirements and CCSD work processes.		DHS agreed with this recommendation.
DHS	2. Provide OSSE with regular reports summarizing the findings of CCSD quality assurance review.		DHS agreed with this recommendation.
DHS	3. Implement a process to: (a) track referrals sent to OSSE and the corresponding outcomes; and (b) disseminate the information to CCSD eligibility workers.		DHS agreed with this recommendation.
OSSE	4. Create and distribute a guide to staff that describes all steps to review and process attendance reports and error reports to correct discrepancies when providers review and reconcile monthly pay statements against the attendance report submitted to OSSE to ensure the accuracy of payment.		OSSE agreed with this recommendation.
DHS	5. Collaborate to fix process errors at CCSD that result in underpayments to child care providers.		DHS agreed with this recommendation.
OSSE	6. Instruct OSSE's Division of Early Learning management to closely monitor payments to providers during the COVID- 19 pandemic to ensure that providers that closed were not paid for services for children who were not on the attendance list when a facility obtained approval for closure.		OSSE agreed with this recommendation.

APPENDIX D. OSSE RESPONSE TO THE DRAFT REPORT

December 4, 2020

Daniel W. Lucas
Inspector General
District of Columbia Office of the Inspector General
717 14th Street NW, 5th Floor
Washington, DC 20005

Inspector General Lewis:

As requested in your letter dated Nov. 5, 2020, the Office of the State Superintendent (OSSE) has reviewed the Office of the Inspector General's (OIG) Inspection of the District of Columbia Child Care Subsidy Voucher Program inspection draft report. As the lead agency for the Child Care Subsidy Program (CCSP) in the District, we are pleased that the internal controls we have implemented to ensure that subsidy payments are accurate are deemed to be appropriate. Below, we respond to each of the recommendations provided to OSSE in the report.

OSSE's response to recommendations for OSSE or in collaboration with DHS as follows:

The OIG recommends the State Superintendent of Education:

(4) Create and distribute a guide to staff that describes all steps to review and process attendance reports and error reports.

X Agree

OSSE agrees with this recommendation and has updated the standard operating procedures for Error Reporting and Payment Adjustments. OSSE is currently drafting an attendance processing manual, with a target completion date during the second quarter of FY21.

The OIG recommends the State Superintendent of Education:

(6) Instruct OSSE Division of Early Learning management to closely monitor payments to providers during the COVID-19 pandemic to ensure that providers that closed were not paid for service for children who were not on the attendance list when a facility obtained approval for closure.

X Agree

OSSE implemented several new policies and payment practices to support child care providers during the public health emergency, while also maintaining internal controls and compliance with federal regulations. At the onset of the public health emergency, the Department of Health and Human Services, Administration for Children and Families (ACF), issued guidance that stated, "Lead agencies can use or modify their absence policy to pay providers if programs are closed or children are absent due to COVID-19… (and) pay providers based on a child's enrollment rather than attendance."

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APPENDIX D. OSSE RESPONSE TO THE DRAFT REPORT

On March 13, 2020, OSSE issued subsidy guidance indicating that subsidy child care providers would be paid based on a child's enrollment in the program, not attendance. While the District's child care providers were never mandated to close, many did close during the initial months of the public health emergency. These providers submitted an Unusual Incident Report (UIR) and coded all attendance as an approved closure.

From May through Oct. 2020, all subsidy child care providers (whether open or closed) were paid a pre-determined amount based on the average of their monthly payments from Oct. 2019 through Jan. 2020. Because providers were paid based on these pre-determined amounts, rather than for services to individual children, providers that closed were not paid for service for children who were not on the attendance list when a facility obtained approval for closure.

As of November 1, 2020, OSSE has returned to paying subsidy providers based on attendance, under updated subsidy guidance issued September 21, 2020.

Thank you for providing us with the opportunity to respond to your draft report.

Sincerely,

Shana Young
Interim State Superintendent of Education

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