Improving oversight of the Child Care Assistance Program

Issues:

- The Child Care Assistance Program, or CCAP, helps low-income families pay for child care so parents can work or go to school. Counties and tribal agencies administer the program.
- The Office of Inspector General at the Minnesota Department of Human Services is responsible for investigating fraud in public assistance programs, including CCAP.
- Investigative capacity is limited. The current contract with the Minnesota Bureau of Criminal Apprehension (BCA) provides two agents to conduct criminal investigations of child care providers.
- Aggregating data from multiple aging information technology (IT) systems would help identify individuals who use technological and financial sophistication to commit fraud.
- DHS licenses and regulates child care centers. Based on 2017 legislation, DHS is adding licensors to conduct one unannounced visit of each child center each year. Licensing visits are more frequent for programs with a history of significant violations. However, the DHS Licensing Division lacks the capacity to visit all newly licensed centers more frequently during their first year to determine whether the centers are ensuring the health and safety of children and to detect potential fraud.
- Reviews of Child Care Assistance Program integrity were conducted this year by the Office of the Legislative Auditor and PFM, an independent consulting firm hired by DHS. Both entities made recommendations to strengthen CCAP integrity and oversight.

Proposal:

Governor Tim Walz’s budget includes these steps:

- Adding eight child care licensing staff for more frequent inspections and monitoring for all new child care centers and centers struggling with compliance. This oversight will include determining whether to refer programs for fraud investigations.
- Adding two data analysts to increase DHS’ capacity to identify, detect and prevent CCAP fraud.
- Contracting with the Bureau of Criminal Apprehension to add two more agents to conduct criminal investigations of CCAP providers.
- Funding the planning work for improvements to provider registration and oversight, including an electronic record-keeping system and registration controls.
Benefits:

- The expanded licensing staff will have the capacity to conduct quarterly visits of newly licensed child care centers, as well as centers with conditions on their licenses and those recently found to be significantly out of compliance with licensing requirements. More frequent visits mean that licensors can provide more technical assistance to help child care centers stay in compliance with licensing standards and monitor them closely to identify and report potential fraudulent activity.
- Greater capacity for data analysis will help identify and detect fraud and focus CCAP investigations on child care centers at most risk for fraud.
- More BCA agents will expand law enforcement capacity for criminal investigations.
- In early 2021, DHS will report recommendations for provider registration and program oversight to the Legislature. Recommendations may include implementing an electronic record-keeping system, eventually linked to billing; requiring electronic billing and direct deposit for registered centers; strengthening tracking and controls for billing with MEC\textsuperscript{2} PRO; moving provider registration and MEC\textsuperscript{2} PRO enrollment to DHS; and strengthening provider registration controls. MEC\textsuperscript{2} is the department’s IT system to determine eligibility, pay providers, support program integrity and track child care expenses.

Fiscal impact:

- $2.1 million in FY 2020-21 and $2.4 million in FY 2022-23 for licensing and data analysis staff and additional BCA agents.
- $153,000 in FY 2020-21 for provider registration and oversight planning.

Related information:

- Child care assistance: facts and figures: https://edocs.dhs.state.mn.us/lfserver/Public/DHS-4745-ENG
- Monitoring licensed child care: https://edocs.dhs.state.mn.us/lfserver/Public/DHS-6385-ENG
- Ensuring integrity in the Child Care Assistance Program: https://mn.gov/dhs/assets/ccap-supplemental_tcm1053-377063.pdf

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