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*Governor*

**NEW YORK STATE**  
**OFFICE OF CHILDREN & FAMILY SERVICES**  
52 WASHINGTON STREET  
RENSSELAER, NY 12144

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*Commissioner*

## Local Commissioners Memorandum

<b>Transmittal:</b>	11-OCFS-LCM-14
<b>To:</b>	Local District Commissioners
<b>Issuing Division/Office:</b>	Division of Child Care Services
<b>Date:</b>	December 22, 2011
<b>Subject:</b>	<b>Child Care Fraud Prevention and Detection Incentive Program</b>
<b>Contact Person(s):</b>	<p>Rhonda Duffney (518) 474-3775 <a href="mailto:Rhonda.Duffney@ocfs.state.ny.us">Rhonda.Duffney@ocfs.state.ny.us</a></p> <p>Ed Conway (Regions 1 – 5) 1-800-343-8859, ext 4-7549 <a href="mailto:Edward.Conway@otda.state.ny.us">Edward.Conway@otda.state.ny.us</a></p> <p>Michael Simon (Region 6) 212-961-8250 <a href="mailto:Michael.Simon@otda.state.ny.us">Michael.Simon@otda.state.ny.us</a></p>
<b>Attachments:</b>	<p>A: Application For The Child Care Fraud Prevention and Detection Incentive Program</p> <p>B: Child Care Fraud Prevention and Detection Incentive Program: Point Distribution</p>
<b>Attachment Available Online:</b>	No

### I. Purpose

The purpose of this Local Commissioners Memorandum is to inform local social services districts (“districts”) of the availability of funds for the Child Care Fraud Prevention and Detection Incentive Program, including how districts may apply for such funding. The

Child Care Fraud Prevention and Detection Incentive Program is a competitive grants program, the purpose of which is to provide districts some of the resources they need for detecting, prosecuting, and preventing child care subsidy fraud.

## II. Background

National estimates are that anywhere from 10% to 40% of child care subsidy dollars are spent fraudulently. It is imperative that funds are directed to those who are eligible and intended to receive services. The New York State Office of Children and Family Services (OCFS) has taken a proactive approach to better understand the obstacles to preventing, identifying, or prosecuting fraud. In October 2010, the New York State Office of Children and Families Services (OCFS) hosted a roundtable discussion, “Making Every Dollar Count,” at which more than 90 local district staff, fraud investigators, local county prosecutors, child care advocates, and others discussed what changes were needed in current law, regulations, policies, and procedures, and what would be needed to make those changes. One of the recommendations made by the group was to create a financial incentive for districts to engage in fraud prevention and detection activities. This LCM presents the OCFS Child Care Fraud Prevention and Detection Incentive Program, which provides funding to districts for child care fraud prevention and detection programs.

### Funding Availability

The Child Care Fraud Prevention and Detection Incentive Program is a 12-month initiative, starting March 1, 2012. OCFS is allocating \$500,000 for the Child Care Fraud Prevention and Detection Incentive Program in State Fiscal Year (SFY) 2011-12. If funds are available in SFY 2012-13, OCFS plans to allocate an additional \$500,000. Districts will have the option of expending awarded funds at any time in the 12-months starting March 1, 2012.

OCFS has developed budget caps for each district. These are listed below. OCFS will not consider funding an application from a district that proposes a budget that exceeds the applicable cap set for that district; unless the district intends to use local tax dollars in addition to the grant funds towards its Child Care Fraud Prevention and Detection Program. OCFS developed the following categories by ranking districts according to the number of children ages 0-14 in each district,<sup>1</sup> and has identified the breaks. Then, based on population, budget caps were developed for each category.

**High Child Population Counties** (more than 150,000 children ages 0-14) – up to \$100,000 per award in this category – Erie, Monroe, Nassau, New York City, Suffolk, Westchester

**Medium Child Population Counties** (25,000 – 150,000 children ages 0-14) – up to \$60,000 per award in this category – Albany, Broome, Dutchess, Niagara, Oneida, Onondaga, Orange, Rensselaer, Rockland, Saratoga, Schenectady, Ulster

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<sup>1</sup> Source: U.S. Department of Commerce, Census Bureau, American Community Survey 2005-2009, Table B01001, Sex by Age.

**Small Child Population Counties** (fewer than 25,000 children ages 0-14) – up to \$40,000 per award in this category – Alleghany, Cattaraugus, Cayuga, Chautauqua, Chemung, Chenango, Clinton, Columbia, Cortland, Delaware, Essex, Franklin, Fulton, Genesee, Greene, Hamilton, Herkimer, Jefferson, Lewis, Livingston, Madison, Montgomery, Ontario, Orleans, Oswego, Otsego, Putnam, Schoharie, Schuyler, Seneca, St. Lawrence, Steuben, Sullivan, Tioga, Tompkins, Warren, Washington, Wayne, Wyoming, Yates

In order to compete for these funds, districts must complete the attached application (see Attachment A). Completed applications will be ranked according to their final average scores from highest to lowest. At least one application from each population category will be funded.

Districts awarded funds through this initiative will enter into a Memorandum of Agreement (MOA) with OCFS. The term of the MOA will be one year, beginning March 1, 2012.

### **Eligible Applicants**

All districts in the State of New York are eligible to apply. A district may join another agency or office within its geographical catchment area to develop and implement a fraud detection and prevention strategy. In particular, as described below, partnerships with law enforcement, especially District Attorneys, are strongly encouraged. Signed partnership agreements must include provisions for the proportionate cost for each agency (including in-kind, as applicable), manner of employment of personnel, and clear designation of the district as the lead in terms of being responsible for the use and claiming of the monies made available through the Child Care Fraud Prevention and Detection Incentive Program.

### **Allowable Uses of Funds**

The purpose of the Child Care Fraud Prevention and Detection Incentive Program is to provide districts some of the resources they need for detecting, prosecuting, and preventing child care subsidy fraud. In some instances, funds may serve as a means to launch an approach to fraud detection and prevention. In other cases, in which fraud detection/prevention work is already underway, these resources may support an expansion of the existing efforts, or provide the impetus to take the work in a new direction.

Just as the sources of child care subsidy fraud are varied, so are the strategies a district may choose to employ to identify and prevent fraud. OCFS believes that each district knows its local circumstances better than anyone else, and is best positioned to develop the optimal approach to minimizing child care subsidy fraud on the local level. Thus, OCFS is not prescribing the strategy a district may choose, although OCFS strongly encourages a partnership with law enforcement.

Activities that may be reimbursed through this program include, but are not limited to, the following:

1. The identification and investigation of indicators that raise suspicions about the legitimacy of provider claims (e.g., providers billing for 24-hour shifts, claims that exceed program capacity);
2. Local data matching across systems (e.g., BICS, WMS);
3. Creation of a database solution to aid in the identification of potential fraud cases;
4. Development and implementation of a protocol for more systematic information sharing within the district (e.g., between eligibility workers and fraud investigators) and/or with the staff of other agencies (e.g., with staff working with the Child and Adult Care Food Program [CACFP]);
5. Hiring staff (a consultant, a retired police officer, etc.) to investigate suspected fraud;
6. Aggressive referral of documented fraud cases to local law enforcement; and
7. A public education campaign about the drain of scarce resources to fraud, and the district's "zero tolerance" for fraud of any kind.

### **Guidelines for Completion of a Funding Application**

The application to request funding from the Child Care Fraud Prevention and Detection Incentive Program can be found in Attachment A, Application For The Child Care Fraud Prevention and Detection Incentive Program. Completed applications should be **limited to no more than 10 pages**.

Applications for funds from the Child Care Fraud Prevention and Detection Incentive Program should include the following information:

1. District goals in combatting child care subsidy fraud
  - a. Timeline for achieving those goals
  - b. Specific one-year objective(s): March 1, 2012 – February 28, 2013;
2. Analysis of need for the Child Care Fraud Prevention and Detection Incentive Program;
3. Prior experience, if applicable, in detecting child care subsidy fraud, including whether the district was able to recapture fraudulently spent subsidy funds; or if the district has a track record of fraud detection in other program areas, such as Food Stamps or Medicaid;
4. Whether or not the district has a partnership agreement with local law enforcement;
5. Proposed activity(ies);
6. Proposed budget, including a budget narrative, that explains how the proposed budget supports the proposed program plan;
7. Proposed staffing;
8. Description of how each proposed activity will achieve the one-year fraud detection/prevention objective(s);
9. Justification of why the specific activity(ies) was/were chosen;
10. Projected outcome(s); and
11. How outcome(s) will be measured.

Applications are due at OCFS no later than **5:00 pm** on Monday, **January 23, 2012**. Please submit applications electronically to the **OCFS mailbox** at:

[ChildCareFraudDetection@ocfs.state.ny.us](mailto:ChildCareFraudDetection@ocfs.state.ny.us). Please enter **“Child Care Fraud Prevention and Detection Incentive Program: Application”** in the subject field.

### **Cost Avoidance Calculations for the Program Integrity Initiatives**

Districts should calculate any cost savings or cost avoidance achieved either through the Fraud Prevention and Detection Incentive Program and/or through the district's eligibility and investigative efforts. Districts may opt to use cost avoidance figures found in the New York State Office of Temporary and Disability Assistance (OTDA) Informational Letter 11-INF-05, Cost Avoidance Calculations for Program Integrity Initiatives, or may prefer to use figures that reflect their district's averages, rather than statewide averages.

The cost avoidance calculations estimates in OTDA 11-INF-05 may also be helpful when considering necessary eligibility and investigative staffing levels or when projecting budgetary savings against the cost of these positions.

### **Evaluation of Applications**

See Attachment B, Fraud Prevention and Detection Incentive Program: Point Distribution, for the list of how evaluation points will be allocated. The maximum number of points an applicant can earn is 55. Forty percent (40%) of the points pertain to the proposed activity(ies), including the applicant's proposed staffing, proposed budget, and projected outcomes and their measurements. OCFS recognizes that districts have very different baselines for child care fraud detection. Thus, projected outcomes will be considered relative to each applicant's goals for fraud detection and prevention. For example, an appropriate goal for one district may be identifying a target number of fraud cases to be investigated; for another, it may be recovering a certain amount or percentage of funding that was discovered to have been inappropriately spent; for yet another, it may be the successful prosecution of a fraud case.

In addition to awarding evaluation points for the proposed program itself, the point structure takes into account selected district-specific demographic characteristics (the number of children in the district who received child care subsidies during Federal Fiscal Year [FFY] 2009-10, and the percentage of children living in poverty), total district child care claims in FFY 2009-10, and prior successful experience in detecting fraud. Prior successful experience will receive additional points if the district was able to recapture fraudulently spent funds, or if the district has a track record in other program areas, such as Food Stamps or Medicaid.

While OCFS is not prescribing the target (families, providers) or strategy a district chooses, OCFS believes that a partnership with the local District Attorney's office is important, and will score accordingly. For example, if a district wants to prosecute a fraud case, having a solid working relationship with the local District Attorney's office

will enable the district to know what the local District Attorney's office needs in terms of proof in order to move forward with an investigation. Fraud is illegal, and engaging in it is a criminal act. Although the majority of child care fraud cases do not involve large sums of money, the dollars add up and, in the aggregate, are keeping many families from accessing the care they need and deserve.

### **Questions about the Application**

Questions about the Child Care Fraud Prevention and Detection Incentive Program or its application should be directed to the **OCFS mailbox** at:

[ChildCareFraudDetection@ocfs.state.ny.us](mailto:ChildCareFraudDetection@ocfs.state.ny.us). Please enter "**Child Care Fraud Prevention and Detection Incentive Program**" in the subject field to facilitate directing the e-mail to the appropriate office.

### **III. Claiming and Reporting Instructions**

Districts must claim their child care fraud prevention and detection expenditures as F17 functional costs and reported on the Schedule D "DSS Administrative Expenses Allocation and Distribution by Function and Program" in the F17 column. These costs are carried to the RF17 claim package for special project claiming. These costs should be reported as program costs under the project label "Child Care Fraud Prevention and Detection" on the LDSS-4975A "RF17 Worksheet, Distribution of Allocated Costs to Other Reimbursable Programs" and the LDSS-923B Summary-Program "Schedule of Payments for Expenses Other Than Salaries for Other Reimbursable Programs (Summary-Program)." Administrative costs may be claimed up to 5 percent (5%) of the child care fraud prevention and detection grant.

When claims include expenditures made to contractor(s), please use an appropriate object of expense on the LDSS-923B, if available. If an appropriate object of expense code is not available districts may utilize the comment field on the Package Information page of the RF17 claim package. This field is limited to 50 characters.

For each district, the expenditures reported for Child Care Fraud Detection and Prevention combined will be reimbursed by the State up to the amount of the district's grant.

To receive reimbursement, claims for expenditures of Child Care Fraud Detection and Prevention funds for the period March 1, 2012, through February 28, 2013, must be submitted by the district by March 31, 2013.

An annual report must be submitted to OCFS within 90-days of the end date of the MOA. The report should include a description of their Child Care Fraud Prevention and Detection Program, summary of the outcomes and any cost savings or cost avoidance achieved. The report should be mailed to OCFS, Division of Child Care Services, 52 Washington Street, 309S, Rensselaer, N.Y. 12110.

To receive reimbursement, claims for expenditures of Child Care Fraud Detection and Prevention funds for the period March 1, 2012, through February 28, 2013, must be submitted by the district by March 31, 2013.

An annual report must be submitted to OCFS within 90 days of the end date of the MOA. The report should include a description of their Child Care Fraud Prevention and Detection Program, summary of the outcomes and any cost savings or cost avoidance achieved. The report should be mailed to OCFS, Division of Child Care Services, 52 Washington Street, 309S, Rensselaer, N.Y. 12110.



*/s/ Janice M. Molnar, Ph.D.*

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**Issued By:**

Janice M. Molnar, Ph.D.  
Deputy Commissioner  
Division of Child Care Services

**Attachment A**

**APPLICATION FOR THE CHILD CARE  
FRAUD PREVENTION AND DETECTION INCENTIVE PROGRAM**

**I. APPLICANT INFORMATION**

Name of District \_\_\_\_\_

**Partner Agency(ies) (if applicable).** Check if one or more signed Partnership Agreements are included with this application. The Partnership Agreement must include the proportionate cost for each agency (including in-kind, as applicable), manner of employment of personnel, and clear designation of the district as the lead in terms of being responsible for the use and claiming of the monies made available through the Child Care Fraud Prevention and Detection Incentive Program. The Agreement should be signed by the authorized lead person of the partnering agency.

Name of Partner Agency/Office: \_\_\_\_\_

Primary Contact: \_\_\_\_\_  
Name Title

Contact Information: \_\_\_\_\_  
Address  
\_\_\_\_\_  
City Zip  
\_\_\_\_\_  
Phone E-mail

Name of Partner Agency/Office: \_\_\_\_\_

Primary Contact: \_\_\_\_\_  
Name Title

Contact Information: \_\_\_\_\_  
Address  
\_\_\_\_\_  
City Zip

\_\_\_\_\_  
Phone E-mail

## **II. LOCAL DISTRICT GOALS**

### **a. Long-term goals**

Outline the service district's long-term goal(s) for eliminating, or substantially reducing, child care subsidy fraud, including a timeframe for achieving these goals.

### **b. Specific one-year objective(s): March 1, 2012 - February 28, 2013**

Describe the district's one-year objectives for reducing child care subsidy fraud.

## **III. NEEDS ANALYSIS**

Describe what is known about child care subsidy fraud in the applicant's district, including modality(ies) of care affected, scope of fraud, and estimated cost. Include sources of cited information.

## **IV. DISTRICT EXPERIENCE AND SUCCESS IN IDENTIFYING CHILD CARE SUBSIDY FRAUD**

Describe the district's prior experience in detecting child care subsidy fraud. Include whether the district was able to recapture fraudulently spent subsidy funds, or if the district has a track record of detecting fraud in other program areas, such as Food Stamps or Medicaid.

## **V. PROPOSED ACTIVITY(IES)**

Provide a detailed description of the proposed activity(ies) that explains what will be done in the 12-month period starting March 1, 2012, and how each proposed activity will contribute to the first-year objectives. Describe the value added by the chosen strategy in terms of efficiency and cost-effectiveness.

## **VI. PROPOSED STAFFING**

Explain how the proposed work will get done. Who will do it? What qualifications will relevant individuals need to have? How will those individuals be identified? If proposed activities are being added to the workload of existing district staff, how will they manage the increased responsibilities? If the work will be contracted out, how will the consultant(s) be selected? If the work is shared with another agency/office, how will respective responsibilities be assigned and supervised?

**VII. PROPOSED BUDGET**

Include a 12-month line-item budget, with an accompanying narrative budget justification that clearly explains what the requested funds will be supporting.

**VIII. PROJECTED OUTCOME(S) AND THEIR MEASUREMENT**

Provide the projected performance outcomes for the district’s proposed strategy, including the relationship of the outcome to the district’s long-term fraud prevention and detection goals and to its one-year objectives. Be as specific as possible about how you will measure district outcomes and how resulting data will analyzed.

**APPROVAL OF LOCAL SOCIAL SERVICES DISTRICT COMMISSIONER**

As Commissioner of the applicant district named on Page 1, I certify that I approve this application for the Child Care Fraud Prevention and Detection Incentive Program.

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Name Title

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Signature Date

## ATTACHMENT B

### CHILD CARE FRAUD PREVENTION AND DETECTION INCENTIVE PROGRAM: POINT DISTRIBUTION

Points	Element
	<b><u>Subsidized Children Served</u></b> <sup>2</sup>
5	Number of subsidized children served $\geq$ 100,000
3	Number of subsidized children served: 5,000 – 99,999
1	Number of subsidized children served: 1 – 4999
	<b><u>Children in Poverty</u></b> <sup>3</sup>
5	Percentage of children in poverty $\geq$ 20%
3	Percentage of children in poverty: 10% - 19.99%
1	Percentage of children in poverty: 0 - 9.99%
	<b><u>Subsidy Claims</u></b> <sup>4</sup>
5	Federal Fiscal Year 2010 child care subsidy claims $\geq$ \$20,000,000
3	Federal Fiscal Year 2010 child care subsidy claims: \$10,000,000 to \$19,999,999
1	Federal Fiscal Year 2010 child care subsidy claims: < \$10,000,000
<b>Up to 5</b>	Analysis of need for Child Care Fraud Prevention and Detection Incentive Program
<b>4</b> + <b>3</b> + <b>2</b>	District experience and success in identifying child care subsidy fraud ... if can specify actual amount of money recovered ... Successful fraud detection in other program areas
<b>4</b>	Partnership Agreement between District and local District Attorney's Office
<b>Up to 10</b>	Program Plan – Proposed activities
<b>Up to 5</b>	Program Plan – Proposed staffing
<b>Up to 2</b>	Program Plan – Proposed budget
<b>Up to 5</b>	Projected outcomes and their proposed measurement

<sup>2</sup> This is the total value of child care subsidy claims in Federal Fiscal Year 2009-2010

<sup>3</sup> This is based on American Community Survey 2005-2009 average estimates. This is the proportion of children below 15 years in poverty.

<sup>4</sup> This is the total value of child care subsidy claims in Federal Fiscal Year 2009-2010.