

**REPORT TO THE LEGISLATURE**

**DSHS Child Care Subsidy Programs Quality Control Efforts**

As required by SSB 5883 (207) (1) (d) (ii) (2017 session biennial budget proviso)

December 1, 2018

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## Executive Summary

This report describes efforts by the Department of Social and Health Services (DSHS) to strengthen quality controls and other program integrity initiatives for child care subsidy programs. The report focuses on enhancements to automated systems and changes in procedures and practices. It complies with a reporting requirement in the 2017-2019 operating budget for the DSHS Economic Services Administration (ESA).<sup>1</sup>

A companion report, prepared by Department of Children, Youth and Families (DCYF) in collaboration with DSHS, describes the role that rule changes and implementation of an electronic child care attendance tracking system will play in strengthening program integrity.

DSHS and Department of Early Learning (DEL), now part of DCYF, both submitted preliminary versions of these reports in December 2017<sup>2</sup>.

In addition, DCYF collaborates with DSHS to prepare an annual report of the number of overpayments to child care providers and clients, as well as the status of ongoing efforts to reduce them. DCYF submitted the first of these reports in July 2018.

## Brief Overview of Washington State Child Care Subsidy Programs

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<sup>1</sup> Substitute Senate Bill 5883, Section 207 (d)(ii) “The department, within existing appropriations, must ensure quality control measures for the working connections child care program by maximizing the use of information technology systems and the development or modification of the application and standard operating procedures to ensure that cases are:

- (A) Appropriately and accurately processed; and (B) Routinely monitored for eligibility in a manner that is similar to processes and systems currently in place for regular monitoring in other public assistance programs. Eligibility criteria routinely monitored must include, at a minimum: (I) Participation in work or other approved activities; (II) Household composition; and (III) Maximum number of subsidized child care hours authorized. The department must submit a preliminary report by December 1, 2017, and a final report by December 1, 2018, to the governor and the appropriate fiscal and policy committees of the legislature detailing the specific actions taken to implement this subsection.

<sup>2</sup> DEL Preliminary Report 2017:

[https://www.dcyf.wa.gov/sites/default/files/pdf/reports/2017\\_DEL\\_Prelim\\_Report\\_on\\_the\\_Quality\\_Control\\_Measures\\_WCCC.pdf](https://www.dcyf.wa.gov/sites/default/files/pdf/reports/2017_DEL_Prelim_Report_on_the_Quality_Control_Measures_WCCC.pdf)

Washington state Child Care Subsidy Programs (CCSP) – which include Working Connections Child Care (WCCC) and the similar, smaller Seasonal Child Care – are extremely important to the families who are served. The average monthly benefit per household, \$883 in SFY 2018,<sup>3</sup> is significantly higher than either cash or food assistance.<sup>4</sup> While cash and food benefits are paid to the family or individual client, child care assistance goes directly to the child care provider business.

Receiving support for child care plays a dual role in assisting families in poverty: (1) It enables parents to work, providing financially for their children and moving toward stability and self-sufficiency; and (2) It provides children with a stable, nurturing, and enriching environment that supports healthy development and school-readiness. These dual goals are embodied in the 2014 reauthorization of the federal funding authority, the Child Care Development Block Grant Act (42 USC 9858)<sup>5</sup>, which directs states to set policies that reduce administrative barriers to obtaining services for families facing the stress of simultaneously raising young children and working toward financial independence.

In order to meet the needs of working families (87 percent of the WCCC caseload in SFY 2018) and families preparing for work through the Temporary Assistance to Needy Families (TANF) program (13 percent of SFY 2018 caseload), both licensed facilities and license-exempt Family, Friends and Neighbors (FFN) caregivers may be paid via the subsidy system. FFN providers typically care for children from only one or two families, and are particularly important for families that work nights or weekends, as most licensed facilities do not operate during these times. They also play an important role in communities where licensed providers who accept subsidies may be scarce.

Below is SFY 2018 data on the proportion of child care payments that went to each category of provider and the fraction of children receiving subsidy that they served.<sup>6</sup>

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<sup>3</sup> Latest available complete child care payment data is May 2018, so this is an 11-month average. Source; <http://emaps.esa.dshs.wa.gov/DataWebObj/Default.aspx>

<sup>4</sup> By comparison, the SFY 2018 average monthly household cash benefit from Temporary Assistance for Needy Families (TANF) and State Family Assistance is \$411 and the average monthly household Supplemental Nutrition Assistance Program food benefit is \$215. Source: <http://emaps.esa.dshs.wa.gov/DataWebObj/Default.aspx>

<sup>5</sup> <https://www.acf.hhs.gov/occ/ccdf-reauthorization>

<sup>6</sup> SFY 2018 payment data is 11 month average due to lags in payment. Percentages of spending do not total to 100 due to rounding error. Percentages of children exceed 100 because some children are in more than one form of care. Source: OFM forecasting working files, WCCC\_mos\_wi\_HGP\_201807.xls.

	Child Care Centers	Licensed Family Homes	FFNs
Spending	54%	29%	16%
Children Served	55%	24%	21%

While the majority of children are cared for in licensed settings, small license-exempt FFN providers are the most numerous: In SFY 2018 there were a monthly average of 1,430 (17 percent) child care centers, 1957 (23 percent) licensed family child care providers and 4,987 (60 percent) FFN providers paid through the child care subsidy system.<sup>7</sup>

The average monthly paid caseload for WCCC in SFY 2018 was 29,908 households with a total of 51,527 children, down slightly from SFY 2017 averages. Spending for WCCC during this period was \$337 million, of which \$77 million came from federal Child Care Development Fund (CCDF), \$190 million from the federal TANF block grant, and nearly all the remaining from state CCDF matching and state TANF maintenance-of-effort funds.<sup>8</sup>

## Continuous Change and Quality Control Efforts

DSHS and DCYF collaborate to routinely assess and continuously improve the quality of child care subsidy programs, within the dynamic context of frequent regulatory and other changes.

**A Dynamic Environment.** Legislative and federal direction has guided DEL/DCYF and DSHS’s work on child care subsidies over the past five years – including multiple changes required under the Early Start Act of 2015, the 2014 Child Care Development Fund reauthorization, budget provisos, and recommendations from the 2012 Aclara Report<sup>9</sup> commissioned by the Legislature. The two agencies have worked together to improve services to families, pilot-test new approaches to blending funding sources, manage spending and caseload to fit within budget limits, and work continuously for quality improvement.

Most changes require all of the following:

- Development of new administrative rules, policies, and staff procedures;

<sup>7</sup> By comparison, in SFY 2016 the monthly average paid providers were: 1,439 (17 percent) child care centers, 2,253 (26 percent) licensed family child care providers and 4,907 (57 percent) FFN providers.

<sup>8</sup> [1] In SFY 2017- SFY 2018 only, a total of \$2.5 million in federal Basic Food Employment and Training funds available on a one-time basis were also used for WCCC.

<sup>9</sup> Final Report: Washington Department of Early Learning, Child Care Eligibility System, October 31, 2012 Submitted by: Aclara Group, LLC

- Changes to automated systems, forms and letters; and
- Training for the nearly 190 field staff who determine family eligibility and authorize payments to providers.

Many changes also require communication with parents, providers, SEIU 925, and other stakeholders. *When there are significant changes to policies and practices, parents, providers, and staff are more likely to make unintentional errors as they work to learn and apply the new rules.*

**Quality Control.** Quality control efforts in child care subsidy programs have two focuses: families receiving assistance in covering the cost of child care and providers who receive payment for providing it. In this context, quality control efforts work to strengthen systems in place to ensure that:

- Only families eligible for child care benefits are approved to receive them.
  - Factors affecting eligibility, including income and family composition, are determined based on rules contained in Chapter 110-15 WAC (formerly Chapter 170-290 WAC) and supporting guidance;
  - The benefit level (part-time, full-time, overtime) is based on the amount of care the child needs; and
  - The correct co-payment requirement is established based on income and family size.
- Child care providers are paid correctly.
  - Only licensed and certified child care facilities and FFN providers who have completed the required background checks are paid; and
  - Providers are paid based on invoices that reflect the children they have cared for each month.

In addition, DSHS, DCYF, and the Office of Child Care (Region X) have met to address the State Auditor's Office findings regarding internal controls, as well as gain a shared understanding of federal expectations for balance in areas where there is tension between maintaining family-friendly policies and strict verification requirements. These fruitful discussions have included exploring policies and practices used by other states to address similar areas of vulnerability and improved documentation of extant internal controls.

Below are the changes that DSHS is making in automation and practices to strengthen these systems.

## Changes to Automated Systems

ESA is taking the following steps to maximize use of our current information technology (IT) systems for quality control.

**Checks of Other DSHS Systems to Confirm Household Composition.** A key factor in eligibility determination is household composition – information about the number and relationships of adults and children in the home. While rules regarding what constitutes a household vary across programs, information in other systems can be used for comparison to verify accuracy in what families report. To increase our ability to verify accuracy, DSHS has:

- Provided eligibility staff a user-friendly automated link to compare the household composition a family reports when applying for CCSP against the household composition they report to other programs within DSHS Community Services Division (CSD) (completed, February 2017). Staff have been trained on the new system and are required to take action to inquire further and document the reason for any difference detected. (Effective March 1, 2018)
- Developed online (Learning Management System) staff trainings<sup>10</sup> on how to use three different DSHS IT systems that child care staff can check as part of the process for confirming case accuracy. (Completed August 2017)  
These trainings include:
  - Electronic Jobs Automation System (eJAS) for Child Care Subsidy Programs staff: The eJAS system outlines the activities of TANF WorkFirst parents and can be used to confirm their schedules and care needs.
  - Automated Client Eligibility System (ACES): ACES is the eligibility system for cash, food and medical benefits and can be used to confirm household composition, income and other eligibility criteria.
  - Support Enforcement Management System (SEMS) Basics: SEMS contains records related to child support cases and can be used to verify single-parent status and child support income.

**Benefit Level Automation.** Automation of routine changes, double checks, and reminders enable staff to focus their time on customer service and reduce errors and omissions associated with manual processes. DSHS has made the following IT system upgrades that support quality assurance:

- Automated changes to the amount of licensed care authorized for school age children in summer versus during the school year. DSHS automatically reduces school age authorizations when school starts in the fall. (Completed July 2017)
- Automated changes to the amount of care authorized for license-exempt FFN providers for school age children in summer versus during the school year

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<sup>10</sup> Learning Management System Trainings number 140602, 140592 and 140621

(completed October 2017). Most school age children's authorizations are being reduced to 115 hours from 230.

- Developed a monthly report that identifies children authorized for greater than full-time care for which the required supervisory approval has not yet been completed. (Reports completed July 2017)
- Developed an automated notice to new clients reminding them to send in requested wage information in situations where this information is not immediately available and clients are given 60 days to provide it. The option to make a family provisionally eligible based on client statement when wage stubs are not yet available helps families get child care necessary to start a new job. However, when clients fail to provide the back-up verification, DSHS closes their case and they are liable for repaying benefits. (Completed August 2017)

## Standard Operating Procedures

ESA has adopted a number of procedures, reviews and staff training aimed at strengthening quality control for child care subsidy processes. In many cases, these changes involve adapting practices used successfully in DSHS's eligibility determination processes for cash, food, and medical benefits. These include:

- **Staff Training on Interviewing for Eligibility Determination.** CSD has developed the curriculum for a second part of the core training for child care subsidy eligibility staff that focuses on eligibility interviewing techniques. This two-day, in-person training is for staff that have completed basic training and are working with clients under close supervision. The training uses videos, scripted practices, and shared experience to help staff learn to ask the right questions to correctly determine eligibility and care needs, including how to follow up if information provided is inconsistent or unclear. Interview training is part of the core curriculum for cash, food and medical eligibility staff. (Completed December 2017)
- **Additional Staff Training on the Social Services Payment System (SSPS).** CSD has designed supplementary training on using the SSPS system to aid staff in correctly entering service codes used for payment authorization. Staff receive an overview of SSPS in their introductory training that this new curriculum will reinforce and expand on. (Completed December 2017)
- **Quality Monitoring using the Workforce Optimization system.** CSD implemented the use of recorded phone calls and IT system case actions to monitor the quality of eligibility determination interactions for the child care



team, as well as for customer service contact center staff who determine eligibility for other programs. Supervisory staff evaluate interactions for adherence to CSD procedures as well as customer service competencies, and meet with the worker to review the recorded call and identify areas for improvement or best practices. The information provides managers and core staff with comprehensive data to provide targeted coaching and support to increase accuracy, efficiency, and consistency. The Quality Monitoring team will use trend information to identify best practices and make recommendations to enhance CSD procedures, statewide training curriculum and statewide IT systems. Early results include a slight increase in the time taken to complete an eligibility interview, indicating staff are taking more time to be attentive to accuracy. As more trend data is available from statewide implementation, specific improvement opportunities will be identified and strategies will be developed. (Phased implementation: November 2017 - August 2018)

- **Job Coaching Guide and Training.** CSD is strengthening the coaching role of lead child care eligibility staff who work with new employees, using methods that have been successful in building skills among cash, food, and medical benefit eligibility staff. The division developed and disseminated a Child Care Subsidy Program Coaching Guide for staff and 27 staff completed coaching training. (Begun early 2018)
- **Overpayments Review.** From 2011-2016, CSD consistently had a backlog of potential child care overpayments; resource limitations during the recession and the priority of implementing successive legislative and other mandatory program changes prevented staff from keeping up with the significant work needed to assess these cases. In 2017, after 12-month eligibility was implemented, CSD had the bandwidth to undertake a special effort to eliminate this backlog. The backlog had been worked by a small specialized team in the past and consisted of cases that were referred prior to 12-month eligibility rules taking effect. All child care eligibility staff were trained on how to identify, review, and validate new overpayments in the program under the 12-month eligibility rules. A special team of 25 employees was assigned to review the backlogged referrals and establish any actual overpayments that existed. CSD did additional in-depth training with a specialized review team and this team reviewed all the overpayments established by the backlog team for accuracy. Issues and findings from these reviews were used by the program trainers, policy staff, and DCYF staff to clarify policy and training materials to enhance program accuracy and efficiency. (Late 2017-mid 2018)
- **Integrity Reviews.** CSD adopted an additional internal control in which lead staff review a sampling of child care eligibility determination or payment authorization made by a front-line worker in a situation where the case was not assigned to the worker through the automated workload assignment

system. They confirm that there was a legitimate reason for the worker to have worked the case outside the typical system. (Begun July 2018)

- **Enhanced Quick-Check Resources for Staff.** Determining eligibility and authorizing payment in a complex program with frequent policy changes is challenging for staff. DSHS has worked to enhance quick access guides for staff to supplement training and assist with consistent interpretation of policy, including:
  - Convening a Procedures Subject Matter Experts (SME) workgroup composed primarily of front-line staff to improve the CCSP procedures and develop new how-to guidance for policy changes. Similar workgroups for cash, food, and medical eligibility determinations have been effective in building shared understanding and consistent application of policy. The procedures workgroup started February 2017 and has met at least bi-monthly since then, taking a lead role in procedures development for all policy changes since then.
  - Adding a clarification section to the CCSP SharePoint site to enable staff to reference child care policy guidance. This site is continually updated as DSHS and DCYF staff address requests for clarifications from field staff. It has also become a reference for highlighting where WAC needs to be updated.
  - Updating and combining the DCYF and DSHS policy manuals to provide a single point of guidance for CCSP staff on their questions related to eligibility determination. (October 2018)
  - Developing a new verification [desk-aid](#) to assist CCSP staff in making accurate eligibility determinations in situations where information provided by a client is inconsistent or outdated. (June 2017)
- **Case Audits.** The child care subsidy program devotes significant staff resources to field audits. In SFY 2018 CCSP audited an average of 1,161 cases per month, or 3.9 percent of total caseload.<sup>11</sup> This is well above the one-percent of caseload audit required in the DCYF-DSHS service level agreement that governs the two agencies co-management of child care subsidies. CSD continues to use review of audit trends to inform staff training and coaching, as well as recommendations for policy clarification or change.
- **Application Process Changes.** Based on rules DEL/DCYF adopted in response to legislative direction, DSHS significantly modified the

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<sup>11</sup> Centralized random and focus-area audits recorded in Audit 99 and Audit Plus systems (Source: Barcode Audit 99 and Audit Plus). In addition, all case actions taken by new employees are audited until they reach proficiency.

application process beginning in March 2018. Applicant families are asked to attest to household composition under penalty of perjury. If single-parent status cannot be verified by checking other DSHS systems (ACES and SEMS), families must provide the name and location of the absent parent and a collateral contact must confirm that there is just one parent in the household. If the name or address of the absent parent is unknown or if the applicant parent fears harm from reporting it, this requirement is waived, but the collateral contact is still required. This significant change addresses the always-complex issue of determining household composition. Comparison of the months before and after this change show no significant change in the proportion of applications and reapplications denied, or in the average number of days to process cases to approval or denial.

- **Vendor Overpayment Webform (VOW) Upgrades.** VOW (now known as the On-line Overpayments System) is an application that allows for electronic entry of child care subsidy overpayments into the Collections and Accounts Receivable System (CARS) that the Office of Financial Recovery (OFR) uses to manage provider debts. Prior to VOW, implemented in 2015 with continuous upgrades since then, OFR employees entered overpayments into CARS manually, one at a time, which required research and a check to ensure that the referral was not a duplicate. VOW allows automatic and error-free batch processing, freeing up OFR accountants for other work addressing overpayments. VOW is also a benefit for CSD and DCYF child care staff as the system runs a check to “error proof” the overpayment referral. VOW also stores the history of overpayment referrals along with status and collection history for reporting purposes. Upgrades made in 2018 provide for enhanced reporting as well as capacity to modify overpayments that have been previously submitted in the system. Planned for early 2019 are a web-form for submitting overpayments to clients in the same manner as those to child care providers and clear descriptions of the reasons for overpayments to provide data that is more useful for guiding policy and practice changes.

## Independent Third-Party Review

The Division of Program Integrity (DPI) within ESA implemented a child care process review panel (PRP), based on the highly-successful and established model that, in recent years has contributed to an average federal Basic Food/SNAP accuracy rate in the 95 – 99 percent range. Beginning in March 2018, the DPI child care quality team has reviewed approximately 45 child care cases each month, selected based on statistically valid methodology. They verify case circumstances and arrive at quality control determinations about whether each sampled case has been correctly determined in accordance with federal

and state policy and procedure. For the five month period, March-July, DPI found the following:

Of 222 cases reviewed:

- 37 (16 percent) had an error that impacted payment to a provider. The payment errors were relatively small, with the 37 errors leading to a total of less than \$20,000 in overpayments.
- An additional 43 (19 percent) had a procedural error that did not result in an incorrect payment.

Of the cases with errors, the following were found to be root causes:<sup>12</sup>

- Over half (41 of 80) were incorrect data entry, incorrect manual calculations or failure to apply the correct income calculation. Examples: typing \$25 instead of \$28, calculating wages paid twice monthly as if they were paid every two weeks, treating a one-time lump sum payment as if it were on-going.
- 15 were failure to use the proper procedure.
- Six resulted from a lack of clear documentation in the case notes.
- Eight were workers' applying independent judgment in situations where there was not clear procedure and the decision was deemed not reasonable.
- Eight were a failure to accurately verify information from a separate DSHS database – either Automated Client Eligibility System (ACES) or Support Enforcement Management System (SEMS).

In six cases, errors clearly shed light on automation systems, WAC, policy and procedure problems that are being reviewed for needed correction. Other early uses of DPI findings to strengthen field auditing, coaching and training include:

- Review of DPI findings are a standing agenda item on monthly meetings of lead workers, with the expectation that leads will use common errors to inform auditing and 1:1 coaching of front-line staff.
- Review of DPI findings is also a standing agenda item for monthly supervisor meetings with the expectation that informal staff training that takes place in unit meetings will focus on strategies for minimizing common errors.
- Routine field audits will focus on problem situations highlighted in DPI findings.

Although DSHS and DCYF are both concerned about the relatively high error rate, the DPI process has already demonstrated value in setting a baseline. The high rate of data entry and manual calculation errors was a surprise and demonstrates the complexity of the child care subsidy eligibility process and, thus, the work front line staff are asked to do. (Begun March 2018)

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<sup>12</sup> Note that some case errors had more than one cause.

In addition, DPI conducts specialized Focused Accuracy Reviews (FAR) based on specific child care elements to identify factors that contribute to errors and/or potential errors. The reviews identify root cause errors, error trends, potential system changes or training needs, and any other improvements necessary to improve accuracy. The FAR also addresses consistency within the program, offers recommendations, and recognizes best practices in child care eligibility.

In February, CSD and DCYF requested that the first FAR review address the new Single Parent Household requirement that went into effect March 1, 2018. The DPI team implemented the FAR review in August and finalized the reviews in mid-September. A total of 527 cases were reviewed, the results of which are not yet available for inclusion in this report. The final FAR review report will be shared with DCYF and CSD upon completion.