



CHILD CARE SUBSIDY PROGRAM OVERPAYMENT REPORT 2025



Washington State Department of
CHILDREN, YOUTH & FAMILIES

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CHILDREN, YOUTH & FAMILIES

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Introduction

The Washington State Department of Children, Youth and Families (DCYF) submit this Report outlining Child Care Subsidy Programs (CCSP) Overpayment data and trends for FY 2018–2025, detailing efforts to identify root causes for overpayments and enhance program integrity.

This annual report complies with [ESSB 5167 Section 236\(4\)\(d\)](#), which states:

“On July 1st of each fiscal year, the department, in collaboration with the department of social and health services, must report to the governor and the appropriate fiscal and policy committees of the legislature on the status of overpayments in the working connections child care program. The report must include the following information for the previous fiscal year:

- (i) A summary of the number of overpayments that occurred;
- (ii) The reason for each overpayment;
- (iii) The total cost of overpayments;
- (iv) A comparison to overpayments that occurred in the past two preceding fiscal years;
- and
- (v) Any planned modifications to internal processes that will take place in the coming fiscal year to further reduce the occurrence of overpayments.”

Background

CCSP includes Working Connections Child Care (WCCC) and Seasonal Child Care.¹ Washington Administrative Code (WAC), [Chapter 110-15](#) sets forth rules governing CCSP. Child care subsidies assist low-income families by:

1. Providing children with a stable, nurturing, high-quality learning environment supporting the child’s healthy development and school-readiness; and
2. Enabling parents to work and pursue employment with the goal of creating financial stability and self-sufficiency.

The federal Child Care and Development Fund (CCDF), reauthorized in 2024, encodes the above goals. The CCDF sets policy to reduce barriers for working families with children, helping them transition from poverty to self-sufficiency.

Overview of the CCSP eligibility processes and systems

Families apply for child care online, by phone through the DCYF contact center, by paper application delivered by mail, fax, or in person at local Department of Social and Health Services (DSHS) Community Service Offices (CSO). DCYF public benefits specialists (PBS) complete

¹ Seasonal Child Care (SCC), Chapter 110-15 WAC Part III, is state funded for families seasonally employed in agricultural work created when WCCC was capped. While SCC remains called out in WAC, Seasonal Child Care is currently unfunded and all families eligible under Seasonal Child Care are eligible under WCCC.

eligibility determinations in the DSHS Barcode electronic system. The Barcode system tracks current and historical eligibility information, manages family communications, and interfaces with the DCYF payment system. DCYF accesses the Barcode system through a service level agreement (SLA) with DSHS. CCSP pays providers through the Social Service Payment System (SSPS). SSPS notifies providers the amount of care authorized, sends provider invoices to claim payment, and sends payment for services claimed by providers. DCYF is responsible for ensuring program integrity of both consumer eligibility and provider payment.

Consumer Quality Assurance and Continuous Quality Improvement (QA/CQI) Overview

In 2024, DCYF conducted approximately 29,000 audits and case reviews as part of its CCSP quality assurance (QA) efforts. These activities included random and targeted audits to ensure program integrity and compliance

DCYF uses audit findings to improve policies and procedures, staff training, and automated system updates. The focus is to improve customer service, increase accuracy of eligibility determinations, identify fraud, and potential fraud, and reduce payment errors. Identified overpayments are referred to the DSHS Office of Financial Assistance (OFA) for repayment collection. Cases are referred to the DSHS OFR for investigation and possible prosecution if fraud is suspected.

Provider QA Overview

In 2024, the CCSP Quality Assurance unit conducted approximately 1,440 annual audits of child care provider payments, covering licensed or certified child care centers, family child care homes, and license-exempt family, friend, and neighbor (FFN) caregivers serving subsidized families. Audits verify provider billing against attendance records, with most providers selected randomly via the SQL Server Reporting Services Provider Report. Additional audits are initiated by referrals from licensing or eligibility staff when billing discrepancies are identified.

Providers must maintain accurate attendance records and submit them to DCYF upon request as a condition of receiving subsidy payments. DCYF offers a free Electronic Attendance System (EAS) for providers to track attendance. Alternatively, providers may use one of over 50 approved third-party EAS platforms, bearing any associated costs. Identified overpayments are documented and referred to the DSHS OFA for repayment collection.

Office of Fraud and Accountability (OFA)

DCYF refers potentially fraudulent cases to OFA for investigation, which may result in prosecution. DCYF continues to partner with the DSHS OFA to investigate consumer and provider fraud. OFA processes reports of potential fraud submitted to them by the public,

DSHS, and DCYF. At the conclusion of the investigation, OFA refers substantiated cases of fraud to county prosecutors. Identified overpayments not referred for prosecution are processed by the OFA team or referred to DCYF to complete.

Office of Financial Recovery (OFR)

DCYF partners with DSHS OFR to manage overpayment collection efforts. OFR has authority to recover overpayments using a variety of efforts including repayment agreements, wage garnishments, and liens.

Types of Overpayments

Consumer overpayment occurs when:

- Eligibility information is not reported accurately on the application;
- Consumers fail to report changes required in [WAC 110-15-0031](#) during the eligibility period; or
- Eligibility staff failed to act on reported information correctly, applied rules erroneously, or input data incorrectly into the eligibility or authorization systems.

A provider overpayment occurs when:

- The provider bills improperly. Examples are:
 - Claiming more care than allowed by program rules or failing to provide attendance records to support their billing.
 - Billing for a fee that is not in their handbook, which is a program violation.
 - Billing for a reimbursement without a receipt to verify payment.
- Licensed family home (LFH) or licensed or certified child care center providers do not accurately report their non-billable closure days; or
- Staff authorize the incorrect rate, incorrect fee, incorrect copay amount, incorrect start date, or amount of care.

Annual Overpayment Totals FY18-25²

The table below displays the total number and dollar value of overpayments identified by DCYF for consumers and providers by state fiscal year (FY). These numbers do not reflect the amount recovered, which may be adjusted during an administrative hearing process. Continuous quality improvement efforts through program, QA, practice improvement, simplification and clarification efforts, have resulted in a steady decrease in overpayments. A slight increase in 2021- 2022 may be explained by the pandemic, which resulted in emergency rules that were put into place. These emergency rules supported continued family access to child care and payment continuity for providers through strategies including enrollment-based pay, waived copays for families, etc.

² Data for FY25 pulled prior to end of the fiscal year. FY25 Data contains July 1, 2024 – March 31, 2025.

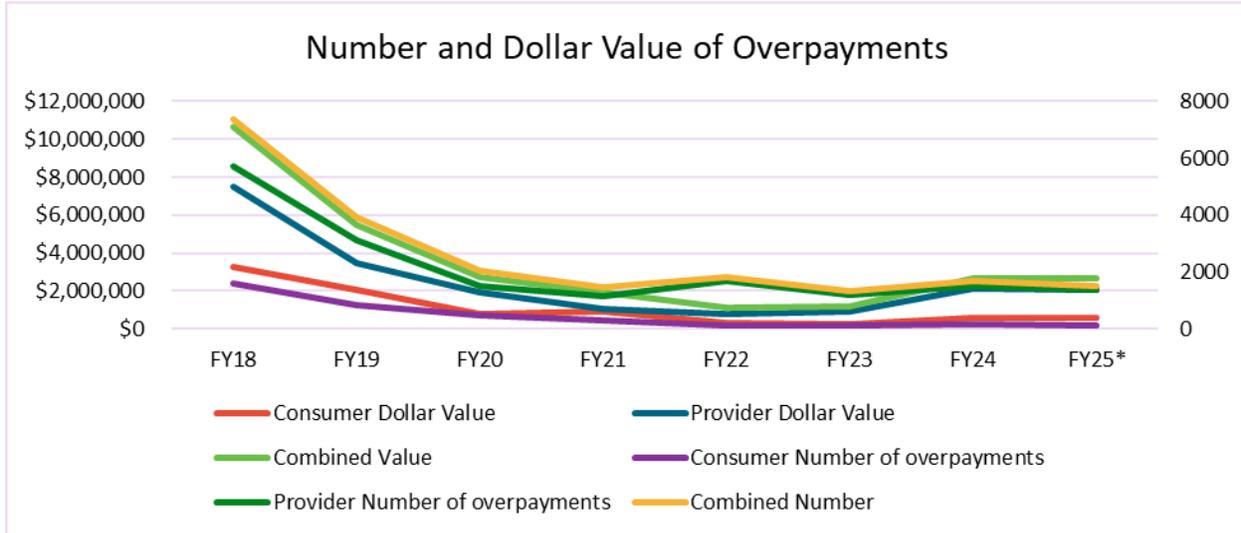
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CHILD CARE SUBSIDY PROGRAM OVERPAYMENT REPORT

Exhibit 1

FY 2018 – 2025 NUMBER AND DOLLAR VALUE OF OVERPAYMENTS *



Data source: DSHS Barcode and Office of Financial Recovery Overpayment Management Systems (2025).

* FY25 through Mar 31, 2025, DSHS OFA completes the investigation of potential overpayment fraud for DCYF.

OFA efforts resulted in one criminal conviction of consumers and zero providers for child care fraud in FY25. The total restitution for this conviction is \$20,474. OFA writes overpayments on behalf of DCYF when the case circumstances do not meet the threshold for criminal prosecution. OFA submits overpayments to OFR for recovery.

Exhibit 2

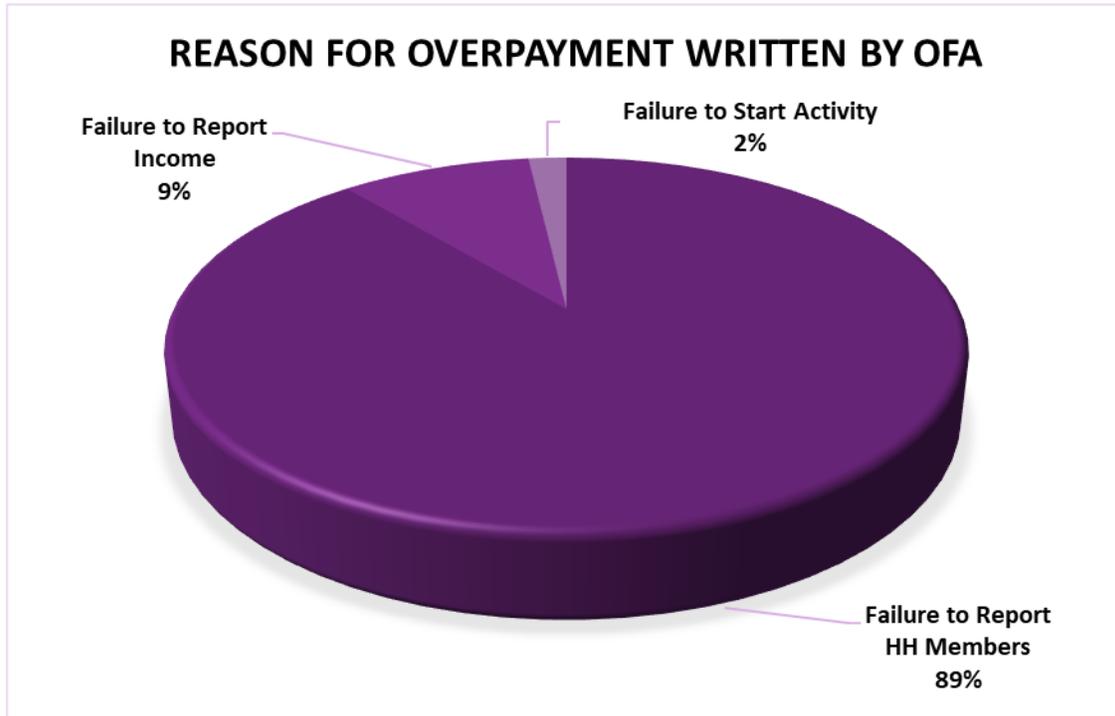
NUMBER AND AMOUNT OF OVERPAYMENT WRITTEN BY OFA, NOT INCLUDED IN EXHIBIT 1

Overpayments written by OFA	Number of cases	Dollar value
FY19	174	\$1,911,155
FY20	182	\$2,909,267
FY21	159	\$2,805,952
FY22	108	\$1,724,222
FY23	116	\$1,752,512
FY24	102	\$1,477,448
FY25 (July1-March 31)	54	\$728,895

Data source: DSHS Barcode and Office of Financial Recovery Overpayment Management Systems (2018-2025).

Exhibit 3

REASON FOR OVERPAYMENT WRITTEN BY OFA, NOT INCLUDED IN EXHIBIT 1



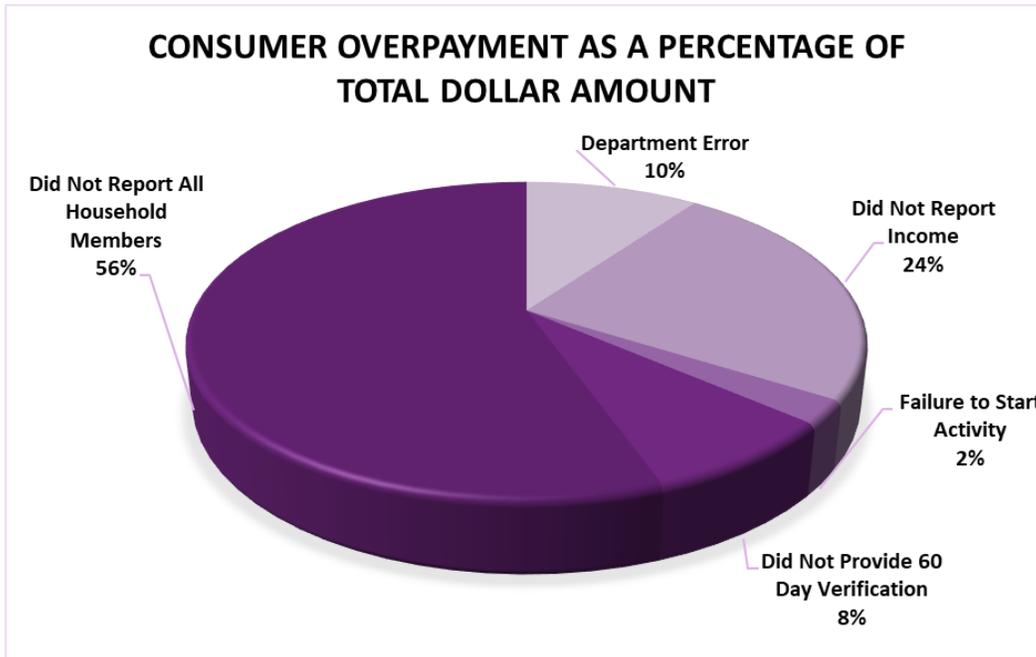
Data source: DSHS Barcode and OFA Recovery Overpayment Management Systems (2025).

Consumer Overpayment: Breakdown by Cause

Of the 1,510 overpayments for FY 2025, DCYF wrote 138 to consumers (families), accounting for \$588,423.00 of the total dollar amount. This does not include overpayments written by OFA. Analysis of the data resulted in the identification of five reasons for consumer overpayment. These reasons are: (1) Department error; (2) The consumer did not report all household members; (3) The consumer did not report income; (4) The consumer did not provide 60-day verification; and (5) The consumer failed to start their reported approved activity.

Exhibit 4

CONSUMER OVERPAYMENT AS A PERCENTAGE OF TOTAL DOLLAR AMOUNT BY REASON FY25

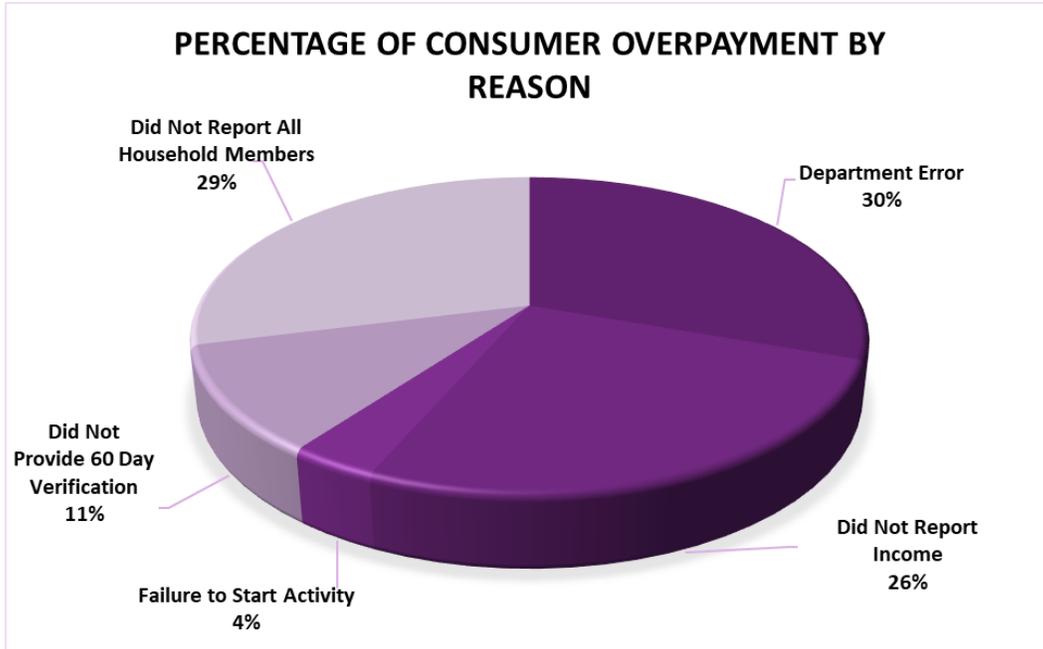


Data source: DSHS Barcode system (2025).

CHILD CARE SUBSIDY PROGRAM OVERPAYMENT REPORT

Exhibit 5

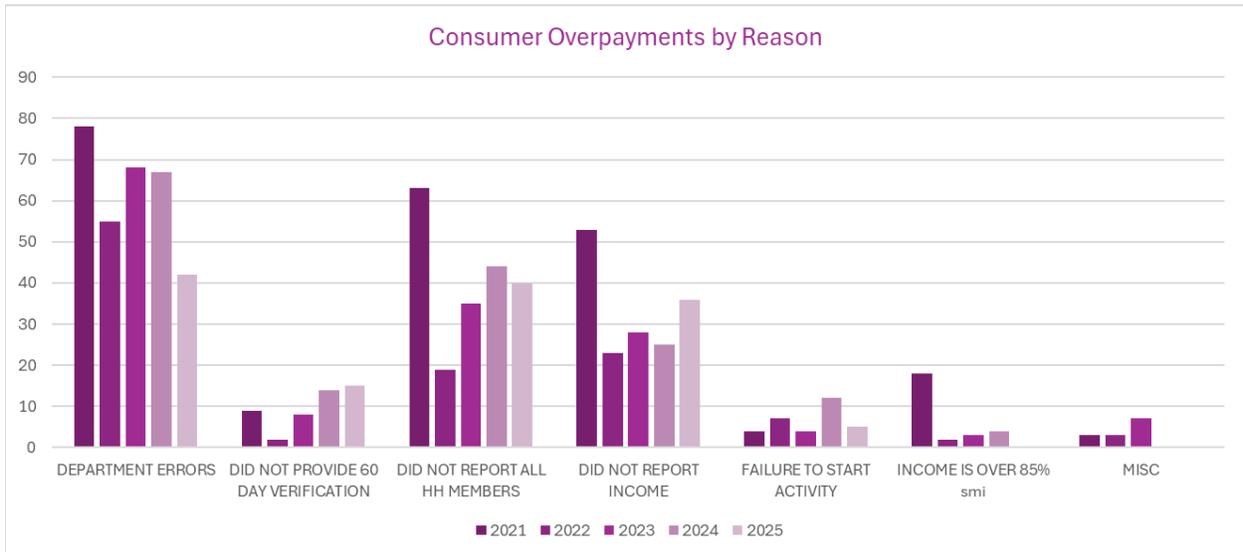
CONSUMER OVERPAYMENT AS A PERCENTAGE OF OVERPAYMENTS BY REASON FY25



Data source: DSHS Barcode system (2025).

Exhibit 6

CONSUMER OVERPAYMENT COMPARISON BETWEEN FY21, FY22, FY23, FY24, FY25



Data source: DSHS Barcode system (2020-2025).

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Reason 1: Department error

A consumer receives overpayment when they receive benefits, they are not eligible for based on an error made by DCYF. Department errors can lead to an incorrect amount of authorized care or an incorrectly assessed copayment for a consumer. These errors result from inaccurate data entry, inaccurate eligibility determination, or a failure to act on a change the consumer is required to report.

Department errors are grouped into four distinct categories:

- 1) Eligibility overpayment occurs when a consumer receives benefits, they were not eligible for due to a child being over-age, not living in Washington, or the department authorizes a child at a Licensed Family Home where the parent is employed.
- 2) Income error overpayment occurs when the department calculates the household's income incorrectly leading to an incorrect copayment.
- 3) Incorrect copayment overpayment occurs when the department records an incorrect copayment amount into the authorization system.
- 4) A multiple provider overpayment is the result of the department incorrectly assigning a copayment to a provider that the consumer is not using, or to a provider to whom the consumer is not paying the copayment. The DCYF authorization system requires consumer copayments be assigned to a single provider even when the consumer uses multiple providers. If the consumer stops using the provider assigned to receive the copayment, an overpayment will occur.

The following table provides DCYF's errors by category, dollar amount, and number of occurrences.

Exhibit 7

DEPARTMENT ERRORS BY REASON FY25.

DEPARTMENT ERRORS	TOTAL AMOUNT	OCCURRENCES
Eligibility	\$38,474.72	13
Income	\$14,339.99	4
Incorrect copay	\$4,285.00	19
Multiple providers	\$1,270.00	6

Data source: DSHS Barcode system (2025).

The department continues to use a multi-pronged approach to identify the cause of errors and address them through adjustments in policy, procedures, automation, audits, and training. This practice improvement approach reduced the administrative overpayments from 78 occurrences in FY 2021 to only 42 occurrences in FY 2025.

Reason 2: Consumer did not report all household members

A consumer receives overpayment when they do not accurately report all household members at the time of application or reapplication. This overpayment may occur when a spouse or co-parent is living in the home, but the consumer fails to report this information on their application or reapplication. Eligibility determination considers the other parent's availability, activity, or income. When the other parent is not included in the eligibility calculation, this may result in approving an ineligible family, establishing an incorrect copayment, or over-authorizing the amount of care. The majority of consumers report household composition accurately. Unreported household members, however, remain the primary reason for the total number and total dollar amount of consumer overpayments.

DCYF strives to balance rigorous household composition verification with the need for prompt CCSP approvals, particularly for families starting new employment or facing crises, such as being unhoused or having other housing insecurities. Delays in approvals can jeopardize job opportunities, leave children without safe care, and hinder families' progress toward self-sufficiency, creating lasting impacts on family and child well-being.

DCYF uses information available in DCYF and DSHS systems to confirm household composition. When information is unavailable, DCYF requests additional verification from the consumer before approving benefits. DCYF refers potential fraud to OFA for investigation. As highlighted in exhibit 3, this is the most common reason for referrals to OFA.

Reason 3: Consumer did not report income

A consumer receives overpayment when they do not report their income accurately at application or reapplication. Examples of unreported income include informal child support agreements or additional employment. Under-reporting income occurs when the consumer reports less income than the actual amount they receive. Examples include reporting and verifying a portion of the tips they earn, failing to report a recent pay increase, failure to report additional employment, or failing to report employment to the Employment Security Department and receiving unemployment compensation benefits while also earning wages.

The eligibility verification process used by staff to establish household composition also provides more accurate household income determinations. Staff identifies unreported income at application, preventing incorrect payments.

DCYF is implementing guidance provided by the federal Office of Child Care's [Family-friendly Application](#) process, and the Program Integrity Self-Assessment tool by adopting procedures to utilize wage information provided by employment security for eligibility determinations. This procedure change will improve program integrity and payment accuracy.

Reason 4: Consumer did not provide 60-day verification

A consumer receives overpayment when they do not provide verification to support their self-attestation of new employment and DCYF is unable to obtain verification using its internal systems. Consumers with new employment can self-attest an estimate of income at application when this information is not available from the employer. This allows consumers to receive care so they can begin their new job. Verification of income is required from the consumer within 60 days. Failure to verify income results in the closure of the case and an overpayment for any care used. In some cases, the consumer's income is higher than reported at the time of application and an overpayment may be established for the difference in copayment amount.

An automated reminder is mailed to consumers when the system identifies income verification has not been received, resulting in an increased consumer response and fewer overpayments. DCYF will implement the new CCDF rule, which went into effect Oct. 1, 2024, that requires families approved under presumptive eligibility to not receive an overpayment unless it is related to fraud or an intentional program violation.

Reason 5: The consumer fails to start their reported approved activity

A consumer may be approved for subsidy prior to starting an approved activity or temporary increase in activity hours (i.e., employment or education). A consumer receives overpayment when they do not begin the approved activity or experience the anticipated increase.

Reason 6: Consumer's income goes over 85 percent of state median income (SMI)

A consumer receives an overpayment when they do not report going over the maximum income eligibility limit. Consumers remain eligible through the end of their eligibility period as long as their permanent annual income stays below 85 percent of the SMI. A consumer's failure to report an increase in income, exceeding 85 percent SMI during their eligibility period results in an overpayment finding. Eligibility thresholds for this past year are listed in Exhibit 8. This specific reason was not observed in overpayments identified in FY25.

Exhibit 8

INCOME ELIGIBILITY TABLE BY HOUSEHOLD SIZE, UPDATED ANNUALLY ON APRIL 1, Current Income Guidelines (10.1.24).

Family Size	Initial eligibility income limit 60 percent SMI	Eligibility limit at re-application 65 percent SMI	Income limit during the 12-month eligibility period 85 percent SMI
2	\$4,455	\$4,827	\$75,749
3	\$5,504	\$5,962	\$93,573
4	\$6,552	\$7,098	\$111,396

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Family Size	Initial eligibility income limit 60 percent SMI	Eligibility limit at re-application 65 percent SMI	Income limit during the 12-month eligibility period 85 percent SMI
5	\$7,601	\$8,234	\$129,219
6	\$8,649	\$9,370	\$147,043
7	\$8,846	\$9,583	\$150,384
8	\$9,042	\$9,796	\$153,726
9	\$9,939	\$10,009	\$157,068

Data source: [DCYF CCSP Family Copayment for Subsidized Child Care Calculation Table](#) (2025).

Federal rule ([CFR § 98.21](#)) prevents DCYF from conducting mid-certification and eligibility look-backs. However, the consumer is required to notify DCYF if the household income increases above 85 percent SMI. Consumers receive a notice from DCYF informing them of the requirement to contact the department when the household income exceeds the limit for their household size. A consumer's case is closed with a 10-day notice when they report that their income exceeds 85 percent SMI.

Provider Overpayment: Breakdown by provider type

DCYF issued 1,372 overpayments to providers for FY 2025 totaling \$2,092,513.00. DCYF has three provider types for child care consumers - Licensed Centers (Centers), LFH), and Family, Friend, or Neighbors (FFN).

Exhibit 9

PROVIDER OVERPAYMENTS BY PROVIDER TYPE FY25.

PROVIDER TYPE	# of Overpayments	Overpayment Amount
Centers	350	\$849,116.00
LFH	294	\$514,586.00
FFN	728	\$728,810.00
Total FY 25 (through March 25)	1,372	\$2,092,513.00

Data source: DSHS Office of Financial Recovery Overpayment Management Systems (2025).

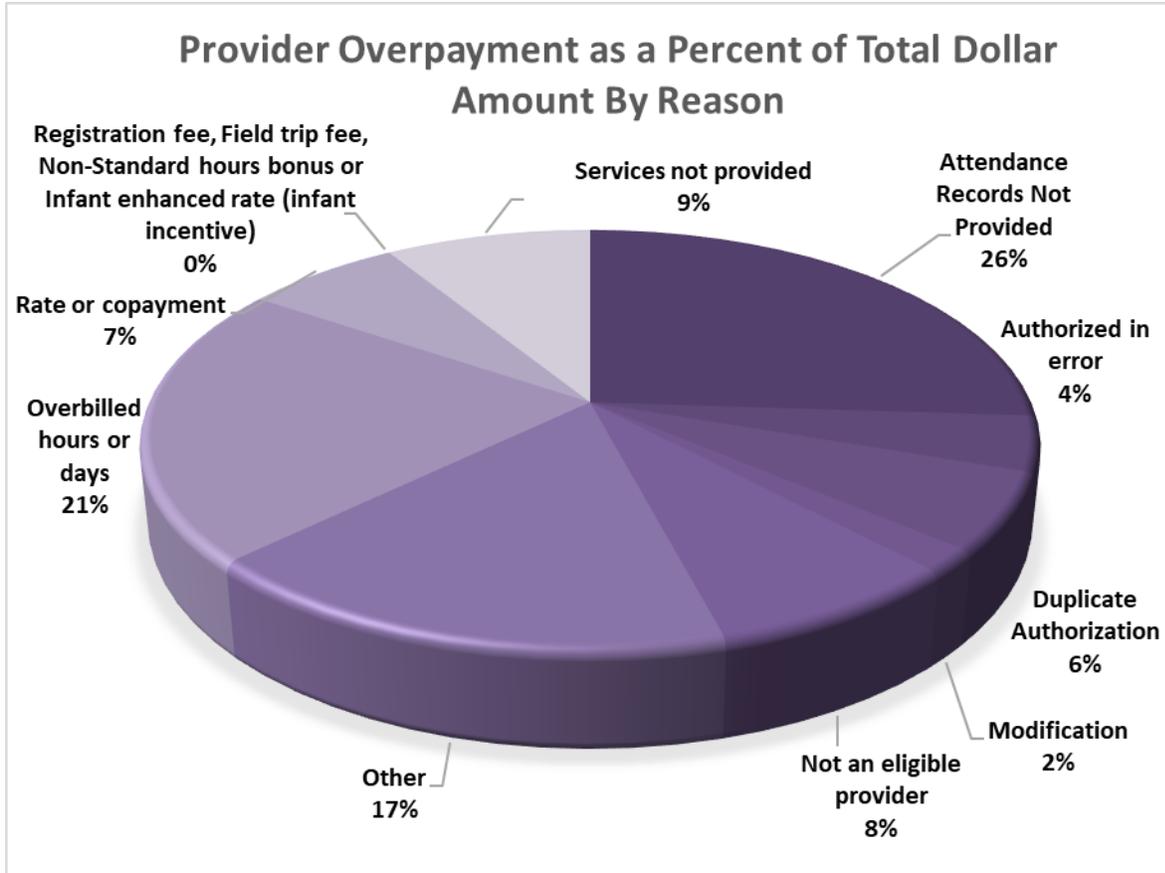
Provider Overpayment: Breakdown by Reasons

Analysis of the data resulted in the identification of five reasons for provider Overpayments. These reasons are: (1) Provider does not provide attendance records; (2) Provider overbilled; (3) Provider fails to provide records for services provided; (4) Department error; and (5) Other.

Exhibit 10

PROVIDER OVERPAYMENT BY REASON FY25.

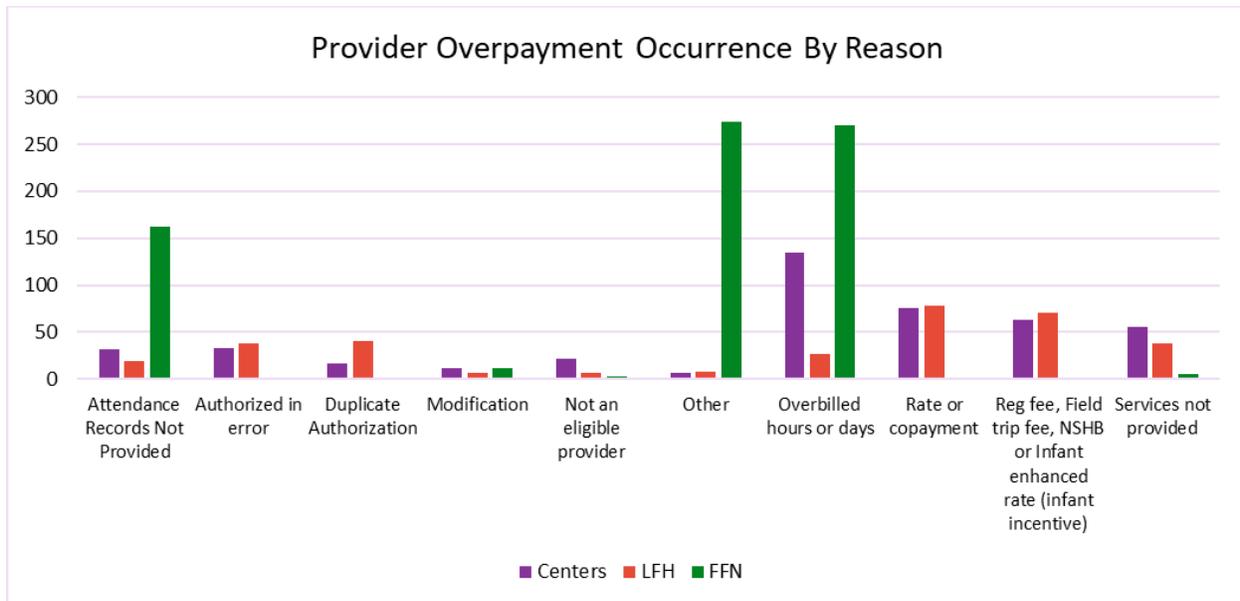
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Data source: DSHS Financial Recovery Overpayment Management Systems (2025).

Exhibit 11

PROVIDER OVERPAYMENT OCCURRENCES BY REASON FY25



Data source: DSHS Office of Financial Recovery Overpayment Management Systems (2025).

Reason 1: Provider does not provide attendance records

A provider receives an overpayment for all child care claimed for a period of time if they fail to provide attendance records when requested by the DCYF. DCYF requests attendance records from providers for Quality Assurance and program integrity processes. Many of the overpayments are modified when a provider submits attendance records through the administrative hearing process.

Reason 2: Provider overbilled

Provider overbilling occurs when:

- Providers bill the maximum authorized amount for a shortened month, or the consumer has a shortened authorization period, and the provider may not bill for the full amount of care authorized. Examples of this include:
 - Providers bill the maximum 23 days per month although operate only Monday through Friday. These providers cannot bill the maximum when there are fewer than 23 weekdays in a month.
 - Provider bills for the authorized 23 full-day units and the child is only expected to attend four days per week. The child's attendance is verified with the provider's scheduled days of attendance and in the electronic attendance records.

The CCSP QA team continues to provide technical assistance to providers that overbill, while pursuing program violations for providers with intentional overpayments.

Reason 3: Provider fails to provide records for services provided

Providers can bill for services in addition to child care base payments including field trip fees, non-standard hours bonuses, and overtime. Providers must have policies that require families who are private pay to pay for these additional services and must provide necessary documentation when requested. The department assesses overpayment when a provider does not have the required policies, does not provide their handbook, or does not provide necessary receipts.

The DCYF now provides technical assistance to providers who make these errors as part of the overpayment process.

Reason 4: Department error

Errors occur when more care is authorized than a consumer is eligible to receive. Federal rule 45.CFR 98.68 does not require repayment of CCDF funds unless the overpayment is a result of fraud. DCYF is continuing to explore options to improve policies related to overpayments created by its own administrative errors.

Reason 5: Other

Other errors occur when a provider's attendance records are missing signatures, providers have no receipts for reimbursements that require receipts, or when the provider does not have policies charging ancillary and overtime fees for families who are paid privately. During the overpayment process, DCYF continues to provide technical assistance for providers who incorrectly claim reimbursements.

Summary

The incremental improvements in total number and dollar amounts of consumer overpayments in FY 2025 are similar to FY 2024. This is attributed to:

- Continuous improvement of family-friendly rules, policies, and procedures.
- Implementation of the Fair Start for Kids Act.
- Improved eligibility verification processes for approving child care rather than post-eligibility referrals to OFA for an investigation.

The total number and dollar amount of provider overpayments for FY 2025 are up from FY 2024. This is attributed to an increase in provider and provider payments overall. DCYF observed an increase of approximately 200 additional FFN providers, 100 additional licensed center providers, and about 400 additional licensed family home providers. We also increased

our overall paid caseload of about 4,000 cases (families) resulting in serving about 6,800 more children per month from FY24 to FY25.

Providers are not providing sufficient records to support billing. DCYF continues to provide technical assistance and implements intentional program violations for providers who do not provide attendance records. In addition, DCYF is exploring additional training for FFN providers, as this population is the highest provider type for overpayments.

- The CCDF federal rules changed on April 30, 2024, requiring DCYF to pay providers prospectively and based on enrollment. DCYF has sought and been granted a waiver on the timeline for implementation. The implementation workplan includes payment practices exploring ways to implement these new requirements to minimize improper payments. Legislation passed in July 2025, that requires implementation that prohibits claiming when a child has not attended at least one day within the authorization period in the previous month.

DCYF remains committed to improving the accuracy of eligibility decisions and provider payments in order to meet our mission to “Protect children and strengthen families so they flourish.” This is reflected in our audit results and the continued decline in overpayments. As we anticipate adjusting to the changing child care landscape, we will continue our program integrity activities.

DCYF continues its efforts to strengthen policy, procedure, and training, and collaboration with Service Employee International Union Local 925 (SEIU 925) and other advisory partners, including the Early Learning Advisory Committee (ELAC) and provider supports, to simplify processes and ensure clear communication with providers. Implementing the new CCDF requirements will continue to support family access to high quality care. The prospective payment requirements benefit providers who will now be paid in the same way their private clients pay for child care. Prospective payment also reduces the administrative burden on providers and simplifies the invoicing process by allowing providers to make attestations regarding attendance and enrollment to continue to receive prospective payment. Providers will have new timelines for claiming payment to meet timelines required under [RCW 43.216.827](#).