



Division of Early Care and Education

ADMINISTRATOR’S MEMO

_____ ACTION
 X NOTICE DECE 15-06

ISSUE DATE: 10/12/15

DISPOSAL DATE: None

To: County and Tribal Child Care Program Directors

From: Judy Norman-Nunnery, Ph.D.
Division Administrator

RE: Incentive Program for Local Agencies that Identify Child Care Subsidy Fraud
Committed by Child Care Providers

PURPOSE

This Administrator’s Memo describes updated policies and procedures for the administration of an incentive program for local agencies that identify fraud in the child care subsidy program committed by a child care provider.

BACKGROUND

The Wisconsin Department of Children and Families (DCF) proposed to create an Administrative Rule relating to an incentive program for local agencies that identify child care subsidy fraud committed by child care providers. The Department submitted its plan for the incentive program to the Joint Committee on Finance (JFC) on December 30, 2011. The proposed rule for the incentive program was approved by JFC on January 23, 2012. The permanent rule took effect September 1, 2015.

Policy

Administrative Rule DCF 201.03(6) states: The Department shall provide an incentive payment as specified under s. DCF 201.41 to a local agency for identifying fraud in the child care subsidy program. DCF 201.41 defines a “local agency” to mean a child care administrative agency, excluding an agency in a county having a population of 500,000 or more.

This means Milwaukee County is excluded from receiving this incentive payment due to the size of its population. The DCF Bureau of Program Integrity administers the child care program in Milwaukee County. State entities are not eligible to receive an incentive payment.

Identifying Fraud

The Department shall provide an incentive payment to a local agency, excluding Milwaukee County, for identifying fraud in the child care subsidy program on the part of a child care provider if **all** of the following apply:

- A. The local agency investigates the child care provider by doing any of the following:
 - 1. Conducting site visits;

2. Collecting and reviewing the provider's attendance and billing records;
 3. Interviewing persons of interest; or
 4. Gathering supporting case information.
- B. The local agency's investigation finds that the child care provider intentionally submitted false, misleading, or irregular information to the department or failed to comply with the terms of the child care subsidy program and failed to provide to the satisfaction of the agency or the department an explanation for the noncompliance.
- C. The local agency calculates and establishes the amount of the overpayment made to the provider as a result of the provider intentionally submitting false, misleading or irregular information or failing to comply with the terms of the child care subsidy program and failing to provide a satisfactory explanation to the local agency or department for the noncompliance.
- D. The local agency's actions in the investigation, findings and overpayment calculation result in the Department, in conjunction with the local agency, terminating the provider from the Wisconsin Shares program and withholding payments made to the child care provider under Wisconsin Statutes s.49.155 (7m) (a) 2.
- E. The withholding of payments under s.49.155 (7m) (a) 2 is upheld in the final review by the Division of Hearings and Appeals or the provider does not request a review or appeal.
- F. If directed by the Department, the local agency requests the district attorney to consider criminal prosecution of the child care provider.

Incentive Payment Amount

The Department will review the child care provider terminations established by the local agencies to determine if they have met all of the above criteria. If the criteria are met, a local agency incentive payment will be calculated by using an internal Webi report.

The incentive payment is calculated by multiplying all of the following amounts:

1. The statewide average monthly subsidy payment per child in the preceding fiscal year. The statewide average will be based on the fiscal year in which the local agency operates, thus the county average will be based on a state fiscal year (July 1 – June 30) and the tribal agency average will be based on a federal fiscal year (October 1 – September 30).
2. The average monthly number of children for whom a payment was authorized to the provider in the 12 months before the department in conjunction with the local agency terminated the provider from the Wisconsin Shares program under s.49.155 (7m) (a) 2.
 - a. If payment was not authorized to the provider for all of the preceding 12 months, the average monthly number of children for the number of months that payment was authorized, will be used.
3. By 1.5 months.

An incentive payment earned by a local agency by a single child care provider may not exceed \$25,000 and a local agency may earn more than one incentive payment per year if fraud is identified by more than one child care provider in that year.

Example 1. Provider received an authorization for 12 months prior to being terminated from the Wisconsin Shares program under s.49.155 (7m) (2) and the average monthly number of children was 12. The statewide average subsidy payment per child in the preceding fiscal year was \$323.00. The incentive payment calculated for this provider will be:

$$\$323.00 \times 12 \text{ children} \times 1.5 \text{ months} = \$5,814$$

Example 2. Provider received an authorization for 12 months prior to being terminated from the Wisconsin Shares program under s.49.155 (7m) (2) and the average monthly number of children was 67. The statewide average subsidy payment per child in the preceding fiscal year was \$287.00. The incentive payment calculated for this provider will be:

$$\$287.00 \times 67 \text{ children} \times 1.5 \text{ months} = \$28,843.50$$

This incentive payment will be capped at \$25,000 as instructed by the rule.

Incentive Payment Distribution

The local agency may request the incentive payment be distributed by the Department for any of the following purposes:

- a. The local agency's child care fraud contract for the following year;
- b. The local agency's current child care fraud contract if the request is made in the first half of the contract term;
- c. Any purpose that is consistent with the state plan for the use of federal funds under the Temporary Assistance to Needy Families (TANF) program for the time period when the funding is distributed if the state plan has been approved by the federal administration for children and families (ACF).
- d. If the above do not apply, the funds may be distributed for any purpose for which funds under the TANF program may be used if the federal ACF approves an amendment to the state plan that allows that purpose.

Implementation

According to the final rule, this incentive payment will apply to investigations that were initiated on or after January 1, 2012. The Department will review provider investigations initiated and completed by a local agency on or after January 1, 2012, that satisfies all of the rules for identifying fraud and determine if all criteria is met to receive the incentive payment.

Once the applicable investigations have been identified to receive the incentive payment, the Department will calculate the payment as instructed by the rule and contact the local agency that identified the fraud to determine how they would like the incentive payment distributed.

ACTION SUMMARY STATEMENT

Contact will be made with eligible counties by December 2015.

CONTACT:

Bureau of Program Integrity

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