

The Supporting Statement
For the Child Care and Development Fund (CCDF)
Improper Authorizations for Payment Data Collection Instructions

Department of Health and Human Services
Administration for Children and Families
Office of Family Assistance
Child Care Bureau

A. Justification

1. Circumstances Making the Collection of Information Necessary:

Section 2 of the Improper Payments Act of 2002 provides for estimates and reports of improper payments by Federal agencies. Subpart K of 45 CFR, Part 98 will require States to prepare and submit a report of errors occurring in the administration of CCDF grant funds once every three years.

The Child Care Bureau (CCB) is completing the first 3-year cycle of case record reviews to determine improper authorizations for payment and meet the requirements for reporting under IPIA. For States that have completed the first cycle of reviews, the Child Care Bureau plans to promulgate guidance for programs to assess those cases found to be in error in the authorization determination to determine if actual improper payments were made. Guidance is pending regarding any potential disallowances made as a result of actual improper payments. In the event that improper payments identified through the case review process are recovered, 45 CFR 98.60 (g) provides that such payments shall (1) if received by the Lead Agency during the applicable obligation period (described in 45 CFR 98.60(d) and (e)), be used for activities specified in the Lead Agency's approved plan and must be obligated by the end of the obligation period; or (2) if received after the end of the applicable obligation period, be returned to the Federal government.

The CCB has conducted ongoing evaluation of the case record review process to determine if "improper authorizations for payment" remains a suitable proxy for actual "improper payments." In some cases authorizations for payment represented the same figure as actual payments; in other cases authorizations for payment has represented a figure as much as 20% higher than actual payments. Many States reported errors found during the desk audit review process that were due to missing or insufficient documentation or other misapplication of policy, but found that families were determined to be eligible for services and that the actual payment authorized was correct. Other States reported regulatory barriers in State law which prohibits recovery of over-authorization or over-payment as the result of agency error. The CCB plans to pursue a revision to the methodology in the future that will assess errors in eligibility determinations that will compare the amount authorized for payment with the actual payment.

2. Purpose and Use of Information:

The aggregate information received through receipt of *State Improper Authorizations for Payment Reports*, with the data source being case-specific *Record Review Worksheets* and *Data Entry Forms*, will be used to prepare the annual Agency Financial Report (AFR) and will provide information necessary to identify actions to reduce improper authorizations for payment and to offer technical assistance to grantees.

3. Use of Improved Information Technology and Burden Reduction:

States electronically submit *State Improper Authorizations for Payment Reports*. States are encouraged to enter all data fields from each *Record Review Worksheet* and *Data Entry Form* into a data base for computation of data inserted into their *State Improper Authorizations for Payment Reports*. States have the option to submit the *State Improper Authorizations for Payment Reports* directly into the web-based Online Data Collection system or via an email attachment.

4. Efforts to identify Duplication and Use of Similar Information:

This data is not already available from any other source. While other programs produce error rate measures, their procedures are not compatible with provisions of the Child Care and Development Block Grant of 1990.

5. Impact on Small Businesses or Other Small Entities:

This data collection effort does not involve small businesses or other small entities.

6. Consequences of Collecting the Information Less Frequently:

The Improper Payments Act of 2002 requires Federal agencies to annually report error rate measures. ACF has obtained approval from OMB for each State, the District of Columbia and Puerto Rico to collect data and report findings once every three years. Without this information collection, HHS will be unable to report information in the Performance and Accountability Report (PAR).

7. Special Circumstances Relating to the Guidelines of 5 CFR 1320.5:

This data collection effort conforms to guidance provided by the Office of Management and Budget. There are no special circumstances requested for this information collection.

8. Comments in Response to the Federal Register Notice and Efforts to Consult outside the Agency:

In preparation for this data collection effort, the methodology was tested during two pilots with a total of nine States. Implementation of the Error Rate Review methodology began in October 2007. States have completed reviews utilizing the current approved *Data Collection Instructions* which are set to expire in August 2010. There has been continuous dialog and feedback provided from all the States as they have participated in the review process. In addition, CCB has held two group webinars on the specific modifications that are found in the renewal of the *Data Collection Instructions*. All participating States seemed to agree with the renewal items that have been incorporated. Several responders discussed their hopes for broader changes to the methodology, but those cannot be addressed through the renewal process. The CCB has been in consultation with and will continue to explore possibilities for such a change in the future. But as to the current renewal, the following are comments that can be addressed.

A Federal Register notice soliciting public comment was published February 9, 2010 as part of the renewal process. Responses addressed questions around the burden estimate and ways to minimize the burden through automation. One State felt that the burden estimate was too high and another felt it was too low based on their previous experiences. Clarification of these items includes: 1) the burden estimates included in the Federal Register notice of February 9, 2010 included information gathered during pilot testing of the Error Rate Methodology. These figures represent the average total amount of time that might be needed for a team to complete the entire process, from initial planning stages, developing customized tools, training the review teams, conducting the reviews, conducting re-reviews (if applicable), aggregating review data, completing and submitting the *State Improper Authorizations for Payment Report*; some programs will need less time, others may need more. 2) the use of automated tools to reduce the burden has also been encouraged since the onset of the review process. All who requested information on database development have been assisted in some manner. Significant support has been provided through technical assistance efforts to help programs develop databases that will yield information needed for the *State Improper Authorizations for Payment Report* as well as to capture any additional information they may desire for program improvement plans. States have shared databases with each other through a variety of means: via the technical assistance contractors, through sharing at annual conferences and through facilitated peer-to-peer connections.

Other comments pertained to very specific technical elements of the methodology.

1. A clarification to a response pertaining to a specific item in the methodology regarding evaluating a residency requirement includes the following: 1) the requirement for verifying residency is addressed by all States based on their individual policies and procedures. Some States require documentation while others require that a client self-certify their status as part of a signed application. Both are considered valid documentation for the Error Rate Review process. Technical assistance to address this question has been provided on an individual basis to all that indicated a question with this issue. 2. An additional responder pointed out an error in the draft Record Review Worksheet (ACF-400) that was corrected shortly

after the FR1 posting. 3. An additional objected to streamlining the error coding. The justification to capture the amount of improper authorization for payment solely at the summary element 410 reflects considerable input and feedback from States as they have completed the first round of reviews. States felt that a confusing and duplicative process in the original methodology required a calculation of improper authorization at each and every element that indicated an error. The actual improper authorization for payment can best be calculated when the review is complete and the summary of information is taken into account. The updated process reflects this. States still have the flexibility to capture details regarding specific errors as they choose, however the case record improper authorization for payment will only be summarized once. 4. An additional comment was made on the specifics of the *Data Collection Instructions* in asking for an example when considering both an overauthorization error and an underauthorization error that may occur during the case record review. The modified summary process in the renewal at Element 410 of the Record Review Worksheet instructs the respondents to recalculate the authorization amount for the sample record which will determine if the case is an over- or underauthorization for payment. Technical assistance will be provided to all respondents as additional clarification when they prepare to complete their reviews. 5. Another suggestion was one of semantics that asked for a further clarification in the instructions. This has suggestion has been added at page 26 under Section VII, Completing the Data Entry Form, #6. It now reads “This information is located on the Record Review Worksheet in column 4 at Element 410.” 6. Another question was regarding the instructions that did not specifically say to write down the authorization amount. However, the instructions denote that reviewers list several items in Element 400, including determination of the authorization amount. 7. One comment requested that Column 3 of the Record Review Worksheet require the complete analysis and calculation of error in each element of the Review Worksheet. Guidance for completing Column 3 Findings at the summary Element 410 has been incorporated into the instructions. States have the flexibility to include additional information at other Elements as they choose, but it is not required. Technical assistance will be provided to guide States through the review process. 8. An additional comment addressed the customization of the worksheet: The Record Review Worksheet is able to be modified to incorporate State-specific policies and statutes. As long as the OMB format is followed, States may include information in both Column 1 and Column 2 to record specific information pertinent to the case record reviews.

Additional comments were concerned with broader policy changes. This renewal does not address any issues related to consideration of a dollar threshold for errors, collateral contacts to verify information in the case records, or a shift from authorizations for payment to a review of actual payments. Any substantial alterations to the methodology would be addressed through a revision process that includes more consultation and pilot testing of any changes.

Note: In addition to changes made in response to public comment, several technical changes were made per proofreading and to make the forms and instructions easier for States to use.

9. Explanation of Any Payment or Gift to Respondents:

Not applicable.

10. Assurance of Confidentiality Provided to Respondents:

This information collection does not require any assurance of confidentiality.

11. Justification for Sensitive Questions:

This data collection does not involve asking questions of a sensitive nature. A unique identification number is required of States to distinguish among cases, however, States do not provide any case level data to the Federal agency.

12. Estimates of Annualized Burden Hours and Costs of Data Collection Burden:

In order to estimate the total burden hours, the cost of conducting each of the separate data consolidation tasks was estimated, based on data from the initial pilot of the methodology. The tasks culminating in completion of the *Record Review Worksheet* (Attachment 1) and *Data Entry Form* (Attachment 2) are preparation and training, record review process, drawing the sample, and consolidation of data and other support activities. The tasks resulting in completion of the *State Improper Authorizations for Payment Report* are calculation of the error rate findings, analysis of causes and decisions about strategies, and report preparation. Staff time for each task was divided into categories according to job classification to allow for differing salary ranges for reporting in Part II Worksheet, # 11. As the methodology has not changed substantially, the burden estimate remains the same and represents an average amount of time that might be expected to conduct the review process.

Annual Burden Estimates

Instrument	Number of Respondents	Number of Responses per Respondent	Average Burden Hours per Response	Total Burden Hours
<i>Record Review Worksheet (Attachment 1)</i>	17	276.38	15.43	72,497.24
<i>Data Entry Form (Attachment 2)</i>	17	276.38	.18	845.72
<i>State Improper Authorizations</i>	17	1	639	10,863

<i>for Payment Report (Attachment 3)</i>				
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Estimated Total Annual Burden Hours:

84,205.96

13. Estimates of Other Total Annual Cost Burden to Respondents and Record Keepers:

There are no required direct monetary costs to respondents to participate in this data collection effort.

14. Annualized Cost to the Federal Government:

States will electronically submit *State Improper Authorizations for Payment Reports*. Oversight of the required data collection process at the Central and Regional level; provision of training and ongoing technical assistance to States in adhering to the data collection methodology; Provision of assistance and training to States, software enhancement for Federal data collection, data analysis and national-level report preparation are estimated to cost \$804,229/year.

15. Explanation for Program Changes or Adjustments:

Program changes were made to remove errata, clarifying instructions and removing duplicative and confusing elements found in the *Data Collection Instructions*

16. Plans for Tabulation and Publication and Project Time Schedule:

The CCDF annual error rates will be posted on the Child Care Bureau web site within three months after the Department's submission of each year's Agency Financial Report (AFR).

17. Reason(s) Display of OMB Expiration Date is Inappropriate:

The current expiration date will be displayed at the top right corner of each of the two forms.

18. Exceptions to Certification for Paperwork Reduction Act Submissions:

There are no exceptions to this form.

B. Statistical Methods (used for collection of information employing statistical methods)

1. Respondent Universe and Sampling:

The 50 States, the District of Columbia and Puerto Rico comprise the respondent universe. Each respondent responds once every three years. The respondent universe was stratified by region (10 total), with the regions randomly ordered. The respondent universe was sorted within regions by caseload, from the most cases to the least cases. Every third respondent on the list was then selected, using a random start number the first and second years. The third year includes those respondents not selected in year one or year two.

2. Procedures for the Collection of Information:

Each of the respondents for each year randomly select a sample of 271 or 276 cases for review, sufficient to achieve the OMB-approved 90% confidence interval +/- 5. Data are entered in case-specific *Record Review Worksheet* and *Data Entry Forms* and then consolidated for entry into the *State Improper Authorizations for Payment Report*. Respondents submit their report on or before June 30 of the reporting year.

3. Methods to Maximize Response Rates and Deal with Nonresponse:

There will be a 100 % response rate to this required collection.

4. Tests of Procedures or Methods to be Undertaken:

A methodology to systematically measure improper payments was piloted in nine States (in two phases). Implementation of the Error Rate Review methodology began in October 2007. All respondents have completed or are finishing their first cycle reviews and have provided continuous feedback and input into the adjustments found in these instructions.

5. Individuals Consulted on Statistical Aspects and Individuals Collecting and/or Analyzing Data:

Ongoing communication and feedback from participant has been incorporated into adjustments for this renewal. In addition, the following have been involved in the statistical aspects and data analysis process for the collection:

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