

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

**Department of Health and Human Services
Administration for Children and Families
Office of Child Care**

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 requires States to prepare and submit a report of errors occurring in the administration of CCDF grant funds once every three years.

The Office of Child Care (OCC) is completing the second 3-year cycle of case record reviews to meet the requirements for reporting under IPIA which will conclude with States reporting in 2013. This information collection indicates two main changes: a revision to the methodology and a requirement that a Corrective Action Plan be submitted by grantees reporting an improper payment rate that exceeds 10 percent. The revised methodology assesses the accuracy of subsidy payment amounts rather than authorizations for payment. A review including actual payments provides greater precision and will provide more accuracy in determining potential improper payments. The OCC has conducted ongoing evaluation of the case record review process to determine if “improper authorizations for payment” remained a suitable proxy for actual “improper payments.” It is OCC’s determination that in some cases authorizations for payment were as much as 20% higher than actual payments.

The addition of a required Corrective Action Plan (CAP) will ensure that OCC is meeting the requirements under the Improper Payments Information Act (IPIA) and Improper Payments Elimination and Recovery Act (IPERA) which require agencies at risk for improper payments to provide an annual estimate of improper payments and to meet an error rate threshold of 10%. States reporting an error rate in excess of the threshold will be required to complete a CAP within 60 days of the submission of their error rate review report. The CAP requires, at a minimum, detailed action steps, milestones, a timeline, targets for reductions and annual progress updates.

2. Purpose and Use of Information:

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

3. Use of Improved Information Technology and Burden Reduction:

States electronically submit *State Improper Payment Reports*. States are encouraged to enter all data fields from each *Record Review Worksheet* into a data base for computation of data inserted into their *State Improper Payment Reports*. States will submit the *State Improper Authorizations for Payment Reports* directly into the web-based Online Data Collection system. Many States have automated the Record Review Worksheet which has enhanced their review process and report compilation.

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 the Office of Management and Budget (OMB) for each State, the District of Columbia and Puerto Rico to collect data and report findings once every three years, with one-third of grantees reporting each year. Without this information collection, HHS will be unable to report information in the Agency Financial Report (AFR).

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:

Implementation of the original Error Rate Review methodology began in October 2007. States have completed the second cycle of reviews utilizing the current *Data Collection Instructions*. There has been continuous dialog with and feedback from all States during the Error Rate Review process. Based on feedback from the States, the OCC consulted with and received OMB approval to revise the methodology with an effective date of October 2012.

The First Federal Register notice of the proposed revision was posted January 9, 2012. In addition, all grantees were sent a draft copy of the Data Collection Forms and Instructions and request for comment via email. Comments were received from one organization and 5 States. Most were in favor of the proposed changes to the methodology and the move to greater consistency and accuracy in the reviews. One comment addressed the CAP. Responses to the comments are outlined below.

Some comments raised the question of allowing collateral contacts as part of the review. The current or proposed methodology does not include collateral contacts; contacts that include such things as calls to employers to verify employment, calls to landlords to verify residency and checking with school registrars to verify school registration and attendance to verify the accuracy of information. The methodology for the review *does* allow the reviewers to obtain missing case record materials that were collected by the eligibility worker but were not placed in the file that was submitted for the case record review. Contacting the eligibility office to retrieve the missing documentation is permissible. The *Data Collection Instructions* have been modified to clarify that, for purposes of this review additional information may be gathered from the eligibility office if there is missing documentation in the case record. The eligibility worker may not seek to recreate or otherwise obtain a document that was not part of the original file.

One comment was concerned that the methodology would require additional burden and work on the part of the reviewers to obtain attendance and other records as part of the review. The instructions for the review do not include attendance or billing information as these are not part of the eligibility determination. The burden estimate includes time for grantees to plan, prepare and implement the case record review activities for all required components of the methodology.

One comment expressed concern that the burden estimate for the Corrective Action Plan (CAP) was too low as it did not reflect time to implement a CAP. The burden estimate for the CAP only takes into consideration time for planning, development and submission of the document as part of the information collection and does not include implementation.

Comments were received about ensuring that the flexibility of state policy and procedure are incorporated in the methodology. The revised methodology did not take away or reduce State flexibility. States will continue to conduct case reviews against State policies. Training on the implementation of the methodology will include working with grantees on the incorporation of their state policies and procedures into the review process. States have the flexibility to determine those areas that constitute an error in the implementation of the CCDF program based on individual State policies and procedure.

Several comments were received that requested that the methodology establish a threshold for identifying an amount below which an overpayment or underpayment would not be considered. OCC is not pursuing establishment of a threshold for a dollar amount that would not be considered as part of the overall review. The methodology considers all dollar errors to be included in the review data. States should note however, that not all errors result in improper payments.

A comment was received that requested that States be allowed to focus on fraud prevention, detection and recovery rather than minor administrative error. While OCC supports all efforts to identify, prevent and eliminate fraud and abuse, the Improper Payments Information Act requires that agencies report an estimate of potential errors. The Error Rate Review methodology is a desk review of administrative error and does not encompass fraud. However, the CCDF regulation requires the States to recover misspent funds that are the result of fraud.

A few comments were submitted that were primarily technical in nature. In one instance, confusion regarding terminology around the use of the terms “full” and “maximum” subsidy payments. The terms were removed. Other edits and typographical errors were also addressed and corrected.

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 *Sampling Decisions, Assurances and (optional) Fieldwork Preparation Plan* (Attachment 1), *Record Review Worksheet* (Attachment 2) are organization and planning, developing sampling assignments and activities, customizing the record review worksheet, preparation and training, completing the record review process, and consolidation of data and other support activities. The tasks resulting in completion of the *State Improper Payment Report* (Attachment 3) are calculation of the error rate findings, analysis of error causes and action steps to correct errors, and report preparation and electronic submission. Tasks required for completing the *Corrective Action Plan* (Attachment 4) include the planning, development and submission of the document. Staff time for each task was divided into categories according to job classification to allow for differing salary ranges for reporting. The burden estimate has been greatly reduced as the process has continually been streamlined and the completion of the *Data Entry Form* has been eliminated altogether. Many States have refined automation processes during the completion of the first 2 cycles of reviews which has provided for additional burden reduction.

Annual Burden Estimates

Instrument	Number of Respondents	Number of Responses per Respondent	Average Burden Hours per Response	Total Burden Hours
<i>Sampling Decisions, Assurances and Fieldwork</i>	17	1	106	1802

Preparation Plan (Appendix B)				
Record Review Worksheet (Attachment 1)	17	276	6.33	29,700.36
State Improper Payment Report (Attachment 2)	17	1	639	10,863
Corrective Action Plan (Attachment 3)	8	1	156	1248

Estimated Total Annual Burden Hours:

43,613.36

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:

The burden estimate has been greatly reduced as the process has continually been streamlined and the completion of the *Data Entry Form* has been eliminated altogether, as it provided little information for the data collection. Many States have refined automation processes during the completion of the first 2 cycles of reviews which has provided for additional burden reduction. Program changes were made to respond to the need to refine the methodology and more accurately represent improper payments. States have provided input from the onset of the Error Rate Review process regarding the desire to measure payment error more accurately. While maintaining the review as a case record review of eligibility determinations with a review of payments, this methodology will achieve that goal. This is why the burden estimate has been reduced by such a large margin.

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

CCDF annual error rates will be posted on the OCC 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 form.

18. Exceptions to Certification for Paperwork Reduction Act Submissions:

There are no exceptions to this form.