

Child Care Improper Payments Data Collection Instructions

**OMB Information Collection Request
0970 - 0323**

Supporting Statement Part A - Justification

January 2025

Type of Request: Revision

Submitted By:
Office of Child Care
Administration for Children and Families
U.S. Department of Health and Human Services

Summary

This request is for a revision to the Child Care Improper Payments Data Collection Instructions and an extension of approval for an additional three years beyond the current expiration date of January 31, 2025. The proposed revisions do not change the data collection methodology, but instead update the forms and instructions to provide additional guidance and clarification to respondents. Ongoing feedback from respondents during the current data collection cycle has informed these revisions. The Office of Child Care has also thoughtfully considered the comments received from the public in response to a notice published in the Federal Register and made a technical correction to the document in response. The instructions include four reports: *the Sampling Decisions, Assurances, and Fieldwork Preparation Plan, the ACF-403 Record Review Worksheet, the ACF-404 State Improper Payments Report, and the ACF-405 State Improper Payments Corrective Action Plan*. To allow sufficient time for states to implement changes to the ACF-404, due on June 30, 2025, the updated version of the ACF-404 will go into effect for 2026 reporting; the currently approved version will be used in 2025.

1. Circumstances Making the Collection of Information Necessary

Section 2 of the Payment Integrity Information Act of 2019 (PIIA) requires federal agencies to review their programs and activities to identify those that may be susceptible to significant improper payments, publish improper payment estimates for those programs and activities, and submit a report on actions taken to reduce improper payments. 45 CFR Part 98 Subpart K requires states to prepare and submit a report of errors occurring in the administration of Child Care and Development Fund (CCDF) grant funds once every three years and directs states to follow the methodology outlined in the Child Care Improper Payments Data Collection Instructions (DCI). The DCI provides instructions and forms to states to implement the required CCDF error rate review methodology.

The Office of Child Care (OCC) first implemented the error rate methodology in 2007 and is currently completing the sixth 3-year cycle of case record reviews to meet the requirements for error rate reporting under the PIIA. The current data collection forms and instructions expire on January 31, 2025 and must be renewed. As part of the renewal process, OCC has revised the forms and instructions with minor changes that do not change the error rate methodology, but instead provide respondents with additional guidance and clarification to facilitate complete and accurate data submissions. To allow states time to implement changes prior to the submission deadline for the ACF-404 State Improper Payments Report (one of the four reports included in the DCI), the new version of the ACF-404 will be effective for the June 2026 reports. The currently approved version of the ACF-404 will be used in 2025.

See Attachment B for the revised Data Collection Instructions.

2. Purpose and Use of the Information Collection

OCC reports CCDF error rate estimates annually to the Department of Health and Human Services (HHS) as part of the Agency Financial Report (AFR) required under the PIIA. OCC uses information collected from states through the reporting forms in the DCI to meet this reporting requirement. OCC also uses the information collected to identify actions to reduce CCDF improper payments and inform training and technical assistance provided to states.

The DCI provides instructions to states to implement each step of the error rate review process and includes four data collection forms:

- *Sampling Decisions, Assurances, and Fieldwork Preparation Plan (SDAP)*: The SDAP includes a series of questions about how the state plans to sample cases and conduct case reviews, including the frequency of collecting samples, the state's review team and project leadership composition, and how the state ensures inter-reviewer consistency. OCC reviews and approves the state's SDAP prior to the state drawing their first sample of case records.
- *ACF-403 Record Review Worksheet (RRW)*: The RRW provides a standardized template for states to review their case records to evaluate whether CCDF eligibility was correctly determined and whether the subsidy payment was made in the correct amount. Because states may establish eligibility conditions in addition to the CCDF federal requirements, states customize the RRW template to include their state's regulations, policies, and procedures. After the RRW template is reviewed and approved by OCC, the state uses the approved RRW template to review a sample of 276 case records (for a total of 276 completed RRWs).
- *ACF-404 State Improper Payments Report*: States use the *State Improper Payments Report* to report their error rate and improper payments findings and analysis from their completed case reviews. OCC uses the aggregate information and data collected from the *State Improper Payments Reports* to calculate the CCDF national error rate and prepare data for the annual AFR submitted to HHS. OCC also reviews individual state reports to determine whether the state's reported CCDF improper payment rate is above the established 10% threshold. Finally, OCC uses the results of the reports to identify additional technical assistance and training needs.
- *ACF-405 State Improper Payments Corrective Action Plan (CAP)*: Any state with an improper payment rate above 10% as reported on the *State Improper Payments Report* must complete the CAP to address the root causes of their improper payments and the action steps, milestones, and timelines to address the errors over a 12-month period. OCC uses the CAP data to conduct oversight and identify technical assistance and training needs to help the state reduce their improper payment rate. If a state's improper payment rate continues to exceed 10% after 12 months, the state must submit a new CAP, for a total of *up to* three CAP submissions per error rate review cycle.

CCDF grantees from states, the District of Columbia, and Puerto Rico are required to submit the SDAP, RRW, and State Improper Payments Report once every three years. Only states with an improper payment rate that exceed the 10% threshold are required to submit the CAP.

3. Use of Improved Information Technology and Burden Reduction

States submit the SDAP, the *State Improper Payments Report*, and the CAP into the web-based Grants Solutions Online Data Collection system (OLDC). The use of electronic data collection provides a system that tracks and stores submissions and creates historical documentation. When appropriate, report questions and functions are built to ease burden on respondents and increase data accuracy. Examples include replacing lengthy narrative with checkboxes, pre-populating existing information from prior reports, building formulas to auto calculate data responses, and including error messages and warnings that prevent incomplete submissions. OCC plans to build these reports in an internal OCC data system, the Child Care Automated Reporting System (CARS), to better support users and data collection. As part of these efforts, ACF may conduct usability testing. If updates beyond just de minimus updates are made to the reports as a result of usability testing, ACF will submit the updates as a nonsubstantive change request. Testing would likely take place with the type of respondents described above. If the efforts are subject to the Paperwork Reduction Act, they will be submitted for review and approval under an existing umbrella generic.

The RRW is not collected in a data system, but rather, provided to states as a template. States customize the RRW template with state-specific policies, regulations, and citations. This option allows states the flexibility to use the RRW to conduct case reviews in their preferred format, such as Excel files, fillable PDFs, or Word documents. Some states have automated their RRW completion using in-house databases to facilitate data collection, analysis, and completion of the *State Improper Payments Report*.

4. Efforts to Identify Duplication and Use of Similar Information

The data in this information collection are not duplicative of any other sources of information and are not available from any other source. While other federal programs may collect error rate information from state grantees, their procedures do not collect information about CCDF.

5. Impact on Small Businesses or Other Small Entities

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

6. Consequences of Collecting the Information Less Frequently

HHS is required to report annual improper payment estimates in the AFR as part of PIIA compliance. Without this information collection, HHS will be unable to report improper payment estimates for the CCDF program. To minimize burden on states, the CCDF error

rate methodology is designed to require states to collect and report data triennially, with one-third of states (“cohorts”) reporting each year. OCC updates one-third of the state data each year and combines it with the state data from the prior two years. This cohort approach allows OCC to meet our requirement to calculate and report an annual national CCDF error rate without requiring states to complete the SDAP, RRW, and State Improper Payments reports annually.

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

The CCDF regulations at Subpart K of 45 CFR, Part 98, require states to maintain all records related to the Improper Payments Error Rate Review for five years.

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

In accordance with the Paperwork Reduction Act of 1995 (Pub. L. 104-13) and Office of Management and Budget (OMB) regulations at 5 CFR Part 1320 (60 FR 44978, August 29, 1995), ACF published a notice in the Federal Register announcing the agency’s intention to request an OMB review of this information collection activity. This notice was published on November 11, 2024, Volume 89, Number 221, pages 90294 - 90295, and provided a sixty-day period for public comment. During the notice and comment period, two comments were received, which are attached (Attachment A). One comment stated that the changes add clarity to the instructions and noted a technical error, which OCC corrected. The second comment provided feedback on OCC’s proposal to standardize the root causes of errors in the *ACF-404 State Improper Payments Report*.

In addition, during the 60-day public comment period, OCC notified external stakeholders about the publication of this information collection in the Federal Register through an OCC Announcement and shared the information with staff from the ten ACF regional offices and technical assistance contractors who work directly with states.

9. Explanation of Any Payment or Gift to Respondents

No payments or gifts are provided to respondents.

10. Assurance of Confidentiality Provided to Respondents

This information collection does not collect information of a confidential nature and therefore does not require any assurance of confidentiality.

11. Justification for Sensitive Questions

This data collection does not include questions of a sensitive nature.

12. Estimates of Annualized Burden Hours and Costs

Estimated Burden Hours

CCDF Lead Agencies from all states, the District of Columbia, and Puerto Rico are required to complete the error rate review every three years on a rotational cycle, including submission of the reports included in this information collection (SDAP, RRW, *State Improper Payments Report*, and the CAP as applicable). The public reporting burden estimates for this information collection include time for Lead Agencies to review instructions, gather and maintain the data needed, and complete and submit the reports to OCC.

OCC proposes to revise the estimated burden hours for this data collection based on the results of a survey conducted with CCDF grantees in spring 2024. The current burden hours have not been revised for several years and many factors have changed since states first began completing CCDF error rate reviews, such as increased use of technology to collect and report data and greater capacity at the state level to conduct reviews. For this reason, OCC created and distributed a voluntary survey (OMB #0970-0401) to gather information from states about their experiences completing the error rate reports, including the estimated burden hours to complete each report.

The survey was sent to all CCDF Lead Agency grantees required to submit the error rate reports. OCC received responses from 56 percent of invited participants (29 out of 52 Lead Agencies). Respondents represented a geographically diverse group of states (states from all ten ACF Regions) and ranged in size (defined by the numbers of children and families served by CCDF). There were expected variations in responses which likely reflect differences in states' administrative structures and complexity, staff capacity, reporting technology, interpretation of the survey questions, and other factors. However, even considering the range of responses and any outliers, OCC determined that the burden hours estimates should be lowered to reflect the survey results. In addition, to more accurately account for the work described by survey respondents, OCC further broke out the estimated burden hours for the RRW into two parts: (1) the estimated hours needed for states to customize the standard RRW template to reflect their state's rules, policies, and procedures; and (2) the estimated hours needed for states to use the customized RRW to conduct each of the 276 case reviews. The survey requested feedback on the forms in the current DCI. However, OCC determined that the proposed minor revisions to these forms do not require states to collect additional information, so the survey results were used to inform the estimated burden hours on the revised forms. OCC specifically requested feedback on the revised burden hours during the 60-day public comment period and received no comments on this proposed change.

The cost to respondents was calculated using the Bureau of Labor Statistics (BLS) job code for Social and Human Services Assistants [21-1093] and mean hourly wage data from May

2023, which is \$21.27 per hour. To account for fringe benefits and overhead the rate was multiplied by two which is \$42.54. https://www.bls.gov/oes/current/oes_stru.htm
Estimated Cost to Respondents

Information Collection Title	Total Number of Respondents	Total Number of Responses Per Respondent	Average Burden Hours Per Response	Total Burden Hours	Annual Burden Hours	Average Hourly Wage	Total Annual Cost
Sampling Decisions, Assurances, and Fieldwork Preparation Plan (IC-1 - SDAP)	52	1	35	1,820	607	\$42.54	\$25,822
ACF-403 Record Review Worksheet: <i>template</i> (IC-2 - ACF-403)	52	1	63	3,276	1,092	\$42.54	\$46,454
ACF-403 Record Review Worksheet: <i>case record reviews</i> (IC-2 - ACF-403)	52	276	3.0	43,056	14,352	\$42.54	\$610,534
ACF-404 State Improper Payments Report (IC-3 - ACF-404)	52	1	66	3,432	1,144	\$42.54	\$48,666
ACF-405 State Improper Payments Report Corrective Action Plan (IC-4 - ACF-405)	6	2 ^a	24	288	96	\$42.54	\$4,084
Estimated Annual Burden and Cost Totals:					17,291	-	\$735,559

- a. The total number of responses per respondent over three years ranges from 1-3, depending on how long it takes respondents to reduce the Improper Payment Rate to below the threshold. Respondents submit a *Corrective Action Plan* that covers a one-year period; at the end of each year, if respondents have not reduced the Improper Payment Rate to below the threshold, they submit a new *Corrective Action Plan* for the following year. An average of 2 responses per respondent over a three-year period is used to calculate annual burden estimates.

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

There are no other costs to respondents and record keepers.

14. Annualized Cost to the Federal Government

Task	Estimated Hours	Estimated Rate	Total
DCI Report Review	2064	\$71.34	\$147,246
Total (over 3 years)			\$147,246
Total Annual (Total/3 years)			\$49,082

The estimated hours for DCI report review include the staff time spent reviewing state submissions of the SDAP, RRW, *State Improper Payments Report*, and CAP to ensure submissions adhere to the federal requirements outlined at 45 CFR Part 98 Subpart K.

The estimated hourly rate was calculated using the Office of Personnel Management (OPM) 2024 General Schedule Pay Tables (base) for Grade 12, Step 1, which is \$35.67 per hour. To account for fringe benefits and overhead the rate was multiplied by two which is \$71.34. https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2024/GS_h.pdf

15. Explanation for Program Changes or Adjustments

There are no significant changes to the information collection since the last OMB approval. Minor revisions were made to provide respondents with additional guidance and clarification to facilitate complete and accurate required data submissions.

OCC revised the estimated burden hours for respondents based on feedback collected from states as described in Question 12.

16. Plans for Tabulation and Publication and Project Time Schedule

States complete the error rate review every three years on a rotational cycle. The reporting cycle includes submission of the SDAP, RRW, *State Improper Payments Report*, and CAP (if applicable). Each report has submission deadlines established for each reporting Cohort. The reports are sequential, meaning that the states must submit and receive OCC approval for the SDAP and the RRW prior to the submission of the *State Improper Payments Report*. Each reporting year is based on a review of cases from the prior fiscal year.

Example: Cohort 1

- Case review period: October 1, 2024 – September 30, 2025
- SDAP submission deadline: October 31, 2025
- RRW submission deadline: December 31, 2025
- *State Improper Payments Report* submission deadline: June 30, 2026
- CAP (if applicable): August 30, 2026

OCC reviews, analyzes, and compiles the data collected in the *State Improper Payments Report* to calculate and report the CCDF error measures reported in the HHS Agency Financial Report, published annually in November. Data from the current reporting cohort of states is combined with the data from the prior two years so all states are included in the annual reporting, even though states only submit reports once every three years. To allow sufficient time for state to make changes to their systems to gather and report the requested data, OCC proposes to make the changes to the ACF-404 *State Improper Payments Report* effective with the June 2026 reports (Cohort 1 states).

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

The current expiration date will be displayed in each report.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

No exceptions are necessary for this information collection.