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TO: Joint Legislative Council – Special Committee on Public Assistance Program Integrity

FROM: Reggie Bicha
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RE: Presentation by the Department of Children and Families

Senator Jauch, Representative Hintz, Committee members, thank you for inviting me to testify today on program integrity efforts at the Department of Children and Families. It is a privilege to provide you with an overview of DCF's activities to prevent and detect fraud in our public assistance programs; share key strategies that we are pursuing to advance program integrity; and offer recommendations on ways that Wisconsin can further prevent fraud, waste and abuse in our public assistance programs.

In creating the Department of Children and Families, Governor Doyle directed me to restructure, retool and reprioritize our state programs and services to address the realities of families living and parenting in a new generation.

At the center of all we do and every decision we make is how DCF can better protect, strengthen and support Wisconsin's Children and Families. We believe strongly that any dollar which is spent fraudulently, wastefully or in error is a dollar that is diverted from a parent in need of employment, or a child in foster care, or a woman trying to survive a violent relationship. As such, a key component in building the Department was ensuring that taxpayer money is being spent as intended to protect children, strengthen families and build communities.

As you begin to understand program integrity in public assistance programs, I ask you to consider a couple of factors. First, there is a difference between fraud, waste and errors. They all have in common taxpayer dollars that are misspent and diverted from their intended uses. But, efforts to prevent, detect, and correct each are often unique and should be independently pursued.

Second, there is an important balancing act that we must weigh in public assistance integrity. On one side, we must ensure that sufficient and vital controls and oversight are in place to minimize fraud, waste and errors. These must be at all levels, be comprehensive and fool-proof. At the same time, we must make certain that the public has ready access to these programs in a manner

that is easy to reach, understandable and attainable. Many families that must avail themselves to public assistance have multiple challenges to overcome; they have limited resources (financially, socially, and/or emotionally). Too many controls or hurdles that the public must endure to obtain access or eligibility to these supports can become undue barriers that also deter the program from their intended purpose. It is our responsibility to achieve the public's confidence that their taxpayer dollars are used wisely at the same time make certain that the services are available and accessible when the public needs them.

Preventing and Detecting Fraud in DCF Public Assistance Programs

Pursuant to Wisconsin Chapter 49, the Department of Children and Families administers eight public assistance programs including Wisconsin Shares (child care subsidy), child support, Wisconsin Works (W-2), Kinship care, Community Service Block Grant, Transitional Jobs and Domestic Abuse grants. Today, I will address the largest programs under Ch.49, beginning with Wisconsin Shares.

Wisconsin Shares

Created in 1995 and first implemented in 1997, Wisconsin Shares provides financial child care assistance to low-income parents who are working or are preparing to enter the workforce.

The Department of Workforce Development administered the program until July 1, 2008, when Wisconsin Shares and nearly all other Temporary Assistance for Needy Families (TAN-F) programs transferred into the Department of Children and Families. Local W-2 agencies and county or tribal human service agencies determine eligibility and authorize service hours for Wisconsin Shares participants.

The problems with Wisconsin Shares have been well-documented and reported. Over the past two years, we have identified and – in close partnership with the Legislature – imposed sweeping reforms to Wisconsin Shares. In fact, the Legislature passed and the Governor enacted five new laws to keep children safe and strengthen the integrity of the Wisconsin Shares program.

In less than two years, we have effectively rebuilt the foundation and structure of the State's early care and education programs; achieving great progress in rooting out fraud in the Wisconsin Shares program; and are beginning to implement YoungStar, our State's quality rating and improvement system. The approaches we have taken to fight fraud in Wisconsin Shares have been diverse and extensive. Quite frankly, there have been more efforts than I can fully cover in today's testimony. However, there are several key initiatives that are especially worthy of your consideration.

1. Program, Policy and Contract Alignment

Before the creation of the Department of Children and Families, child care regulation and oversight were divided between two agencies. Licensing was conducted by the Department of Health and Family Services. Certification and Shares administration was the responsibility of the Department of Workforce Development. Licensing of child care is performed by state employees, while Wisconsin counties are directed by statute to conduct certification of small child care providers.

Eligibility determination (for parents) was done by W-2 agencies, while authorization (hours of child care) was determined by counties. Fraud investigation resources in Wisconsin Shares for

both Provider and Parent allegations were contracted by DWD to DHS who then contracted these responsibilities back to counties as part of a comprehensive income maintenance fraud initiative. There were virtually no state resources dedicated to fraud prevention or detection in the over \$300 million per year Wisconsin Shares program.

As a result there were *two* Departments trying to promote program integrity through *three* separate contracts with *two* sets of local administrators – 72 counties and more than 30 W-2 agencies. This was a structure that was ripe for communication delays, misalignment of focus, human error, separate information systems that could not share data and other impediments that made it possible for the focus on program integrity to drift.

Now, only one state Department is involved – DCF. All child care related programs are now under a single organizational structure within the Department– the Division of Early Care and Education. Child care licensing integrated Wisconsin Shares enforcement responsibilities into their ongoing functions. Further, we have taken steps to streamline the eligibility and authorization process at the local level. By January 2011, all counties will be solely responsible to determine eligibility and authorize hours of care. They will do so under contract with and funding from the Department of Children and Families. Further, we have added new resources to local fraud investigation efforts and have worked with the legislature to change laws, allowing counties to keep a portion of the fraudulent funds they collect.

2. A centralized, state-administered Fraud Detection and Investigation Unit

We have a dedicated Fraud Detection and Investigation unit that works closely with regulators, information technology staff, and legal staff as well as counties and other state agencies to pursue credible fraud leads. Staff resources are devoted to tracking down those defrauding the Shares program.

We have developed new alliances, as well. In Milwaukee, Racine, and Kenosha Counties, the Department worked with local law enforcement to create Child Care Anti-Fraud Task Forces. Each task force includes representatives from District Attorneys' Offices (such as Dave Feiss from the Milwaukee County DA's Office), local Police and Sheriffs' Departments, the Federal Bureau of Investigation, and the U.S. Attorney's Office. We have had tremendous leadership from officials at the local level, especially Milwaukee District Attorney John Chisholm, and County Executives Bill McReynolds of Racine County and Jim Kreuzer of Kenosha County. The tasks forces are sharing information and resources to pursue payment suspensions, revocations of child care licenses and criminal prosecutions. We also are sharing our findings with other state agencies, including the Department of Health Services and the Department of Revenue.

3. State Assumes Responsibility for Shares Administration in Milwaukee County

On January 1, 2010, DCF assumed responsibility for child care operations in Milwaukee County. For the past six months, we have been working to analyze and redesign the process for approving child care authorizations, prevent and investigate fraud, and determine eligibility.

Over the past year, we have uncovered fraudulent activity with child care providers and parents all across the state; but, what we have uncovered in Milwaukee County is beyond egregious. There is no other way to describe the administration of Wisconsin Shares by Milwaukee County leadership than sheer neglect. When we took over in January, there were 65 positions in

Milwaukee County DHS dedicated to the Shares program, but 29 of them were vacant. In our review of historical operating procedures, we found that Milwaukee County had never asked applicants for key information that could have identified suspicious behavior. Moreover, we found that workers authorizing child care never systematically reviewed information about providers – like whether the provider already had 300 authorizations in a facility licensed to serve 100 children – when granting additional authorizations. With the Milwaukee Early Care Administration under DCF operation, we will reverse these disturbing practices and bring integrity to the Shares program.

In July, we introduced a new process for processing child care authorizations in Milwaukee County. For the first time, child care authorization workers will look for common elements of fraud – including parents employed at child care centers where their children attend, self-employed parents, and parents working second and third shift jobs – with greater scrutiny *before* the authorization is granted. The Department does not intend to unnecessarily slow the authorization process for honest working families in need of child care, but we will use an “error prone matrix” to identify those cases that will require further research and/or documentation.

We also believe that the redesigned process will lead to more accurate authorization determinations in terms of the number of hours and the differentiation between enrollment-based and attendance-based authorizations. Today, in Milwaukee County, close to 80% of authorizations are enrollment-based (in which the provider is paid a set amount no matter how many hours the child stays in care), compared to 45% in the balance of state. And, in Milwaukee County, the average enrollment-based authorization is for 34.86 hours per week, whereas in the balance of state, it is 30.99. If the numbers in Milwaukee County become more aligned with those in the balance of state, as we expect them to, the Shares program will realize millions of dollars of additional savings. This is not fraud prevention, but it is prevention of wasteful spending.

The Department’s actions are having a substantial impact on the Wisconsin Shares program. Since September 2009, with new tools granted to us by the Wisconsin Legislature, the Department has suspended payments to 179 child care providers where we reasonably suspected fraud. Criminal charges have been filed in at least seven cases already in Milwaukee County as a result of the efforts of the Joint Anti-Fraud Task Force, led by DCF and the Milwaukee County District Attorney’s office, and several more have been filed by the Racine County District Attorney.

Our efforts saved more than \$46 million in the fiscal year that ended June 30, without cutting eligibility levels or creating a waiting list. We anticipate that our continued actions will result in at least another \$60 million in savings this fiscal year.

It is important to note, however, that some of our most formidable initiatives to eliminate fraud and assure accurate payments in this program are still in the works. This fall, the Department will launch the automated attendance and tracking system. This system will automatically log entry and exit times and link those times to payments in the Wisconsin Shares program. We believe that this automated attendance system, when operational, will save the state millions of dollars in improper payments.

As a result of our aggressive and effective actions, DCF is currently being touted as the national example on fraud prevention in the child care subsidy program. We have been contacted by countless states looking for advice on how to establish a program integrity initiative. Deputy Secretary Henry Wilde was recently featured in a national conference call held by the Federal Children's Bureau to report to other states the innovative actions that DCF has taken to fight fraud in the Shares program. Wisconsin is not the only state with fraud in the child care subsidy program. But, we are among the first to take action that is netting tremendous results.

Child Support

The child support program is a cooperative local, state, and federal effort designed to ensure that both parents support their children. The child support program helps families become independent and remain self-sufficient. The program helps families by establishing paternity and by obtaining and enforcing court orders for child and medical support. In 2009, the Wisconsin Child Support program provided full case management services to 358,000 families and provided financial management services to an additional 113,000 families.

Wisconsin is a national leader in the collection of child support. In 2008, Wisconsin ranked fourth in the percentage of court-ordered current support that was collected. Wisconsin ranked eighth in collections per full-time child support employee, collecting \$595,362 per worker. The national average was \$422,390.

The Department of Children and Families has taken significant steps in the past few years to eliminate opportunities for fraud in the child support system.

First, prior to establishing the direct deposit initiative, child support staff could manipulate the paper checks and deposit the funds in different accounts than intended. Now 99% of child support payments are direct deposited and there is little ability to manipulate those payments. Current participants must submit a child support direct deposit application form that includes their full name, SSN or KIDS PIN, address, signature, and voided check. Any forms with questionable or inconsistent information are sent to the contract monitor for further review and follow up.

For the 1% of payments that are still paid by a paper check DCF has put a safety net in place to ensure that checks that are manipulated are not cashed. DCF utilizes "positive pay" which is a process that the bank uses to verify all paper checks prior to action.

The only case of fraud in child support we are aware of took place a few years ago and the employee was immediately terminated. A contract employee took advantage of a mentally disabled alimony recipient, set up a bank account in the individual's name online and routed the person's checks into this account. The contractor was caught when the individual reported that she was not receiving her checks and did not have an account at the online bank. The police were able to gather video of the contractor using the ATM with the online bank's debit card.

DCF now has in place a strict monitoring process which is overseen by DCF employees. All individuals that work with child support payments must report their reconciliations daily, weekly and monthly. As a result we can ensure that the funds are allocated correctly every single day.

Wisconsin Works

Wisconsin Works (W-2) replaced the Aid to Families with Dependent Children (AFDC) program in September 1997. W-2 is based on work participation and personal responsibility. Under W-2, there is no entitlement to assistance, but there is a place for everyone who meets eligibility requirements and is willing to work to their ability. The program is available to low-income parents with minor children. Each W-2 eligible participant meets with a Financial and Employment Planner (FEP), who helps the individual develop a self-sufficiency plan and determine his or her place on the W-2 employment ladder.

The W-2 program ensures appropriate use of W-2 funds primarily through two different mechanisms: (a) W-2 agency requirements and (b) information system data exchanges.

The Department of Children and Families currently has contracts with 37 agencies across the state for W-2 benefits and services. Our W-2 contracts require agencies to adhere to statute, administrative rules and W-2 policy. The W-2 agencies are required to have a fraud plan as a part of their contract with the state. Agency fraud plans must include front-end verification, fraud investigation, and overpayment recovery efforts. Counties are provided an allocation to assist in the costs of fraud investigations.

The Department has several information system data exchanges in place to detect fraud attempts and ensure that certain information provided by the applicant in order to determine eligibility is accurate. Citizenship and birth dates can be verified through the birth query process in CARES with vital records for individuals born in Wisconsin. Social security numbers, SSI receipt, and SSI benefit amounts are verified with the federal Social Security Administration. Receipt and benefit amounts of unemployment compensation are verified through a weekly data exchange with DWD's Unemployment Insurance program. When new hire data enters the UI system there is a weekly data exchange with CARES that informs the worker of the new hire and sends the participant a form to verify their employment information.

Kinship Care

Kinship Care is a program designed to help support a child who resides outside of his or her own home with a relative. In Wisconsin, program eligibility also requires that a child is "at-risk" of maltreatment in his or her own home. Kinship Care is a nationally accepted model for meeting the needs of children who are living with a relative, in lieu of their birth parents in order to alleviate family stress or temporary familial problems, rather than being placed in a more formal type of out-of-home placement. Kinship care relatives who provide care and maintenance for one or more children and who meet the Federal program eligibility guidelines may receive a kinship care payment of \$215 per month for each qualified child. These payments are provided to defray some of the costs of care and to reduce the likelihood that a child would need to be placed away from their extended family solely for financial reasons. There are 2 kinds of kinship care placements, those that are court-ordered placements and those that are voluntary family placements made without any formal child welfare or court involvement.

In December of 2009, there were 10,942 Wisconsin children placed with relatives under the kinship care program. Of these, 2,783 were court-ordered. In court ordered Kinship care cases, an ongoing worker visits the home monthly to check on the child's safety and assure they are placed in the home.

As noted, however, the vast majority (75%) of Kinship care providers are NOT court-ordered. These are relatives who offer a safe home for their minor family members who can not be cared for by their parents. These Voluntary Kinship Care providers pose the greatest vulnerabilities with regard to fraud because there is no ongoing supervision of the home to ensure that an eligible child remains in the home, or that the household continues to meet the eligibility guidelines. We must rely on largely on self-reporting of the kinship care provider or the birth parent to notify the county of a change in circumstance, such as a child returning to the birth parent's care.

In order to address this vulnerability the Department has implemented a cross-system analysis of payments made to the name and address of all Voluntary Kinship providers throughout the state. The analysis was developed to detect any inconsistencies in information between cases reported to our KTCS (kinship tracking) and CARES systems. We have determined that roughly 80% of our Voluntary Kinship families also are represented as receiving at least one CARES benefit.

When an inconsistency is identified, the county kinship worker is alerted and takes responsibility for contacting staff involved with the CARES programs and for determining whether or not there is a cause for concern. When there is evidence of fraud or a lesser concern that information is shared with the DCF kinship coordinator for corrective actions. Thus far, we have detected only a handful of cases of overpayment and those in small amounts.

Advancing Program Integrity at DCF

Over the past two years, we have made great progress in reducing fraud, waste and abuse in our Department's public assistance programs – but we are not done yet. We must be adaptable and evolve as patterns of fraud change. We must and will continue to make strategic decisions regarding our organizational design, resources, policies, information and complexity to ensure that taxpayer money is being spent appropriately.

Since the creation of DCF we have promoted several organizational changes that have greatly increased our ability to focus on program integrity: 1) increased the total amount of resources devoted to program integrity 2) strengthened our use of data and technology; and 3) we created KidStat to measure and monitor the quality and efficiency of our work. We have found that the skill sets, competencies and even mind sets for doing these crucial functions are often different and difficult to conduct by the same individuals.

Resources – financial, time, and talent - matter

When DCF was created there were eleven staff members responsible for all things related to Wisconsin Shares eligibility, authorization, quality and program integrity. *One portion of one* person was dedicated to fraud at the state level - in a program with expenditures exceeding \$300 million. To date, we have expended nearly \$3 million dollars on our Shares fraud initiatives and have saved over \$46 million. It is clear that the return on investment on the resources we have invested to date have been considerable.

Much of our public assistance work in Wisconsin is done by county or private agency personnel. The State has responsibility for policy, funding and oversight, including information systems and training. Yet, over the past 15 years, we have been reducing state personnel assigned to manage local oversight, training and technical assistance. We are reversing this trend at DCF. We are establishing a new Bureau of Regional Operations who will have staff in all program areas

located in every region throughout Wisconsin. By having a larger field presence we are anticipating a much closer alignment of DCF, counties and other partners on policy, procedure and program integrity implementation.

Data Counts and Complexity Matters

Since DCF has been formed we have been very focused at using our data in a much more proactive way. Applying “business analytics” models we were able to “red flag” practices we found to be suspicious which allowed us to more strategically target our “human” follow-up. The “red flag” analysis has been significant in our efforts to detect fraud in Wisconsin Shares. We are using similar approaches in Kinship Care and W-2. As individuals and businesses interact with multiple state units of government, data can be used to create the road map to identify inconsistencies and anomalies that expose improper behavior.

The more complex we design our policy the more likely we are open to errors. At DCF, we are striving to implement the right balance of program controls with ease of administration and simplification. Technology has been a tremendous tool in this effort. We have joined with DHS in adding Wisconsin Shares and W-2 eligibility to the ACCESS program. This initiative has eased access for the public, improved consistency and reduced eligibility costs. The automated attendance and tracking system is another technological advancement that will reduce errors, over reporting and increase consistency with ease of use for families and providers.

KidStat – Focus on Outcomes

We created and are using our KidStat program to see, measure, and track the results DCF is achieving for families as well as to identify specific areas and opportunities for improvement. Launched in July 2009, the Department uses KidStat to manage performance and ensure that we are having a real and lasting impact on the critical issues facing Wisconsin's children and families. KidStat has helped us to eliminate overdue visits to child care centers, increase collections from overpayments and increase establishment of overpayments.

Recommendations

Despite the significant progress that we have made to reduce fraud, waste and abuse, I am happy to offer the following recommendations for your consideration to strengthen program integrity in Wisconsin's public assistance programs.

1. Revise Chapter 49 of the Wisconsin Statutes

Chapter 49 was written when Aid for Families with Dependent Children (AFDC) was originally created. As TAN-F and other programs have developed, they were placed in Ch. 49. The Chapter has become a patchwork of various programs, but no longer has the alignment and fluidity to provide clear program direction and focus. Chapter 49 should be restructured so that each program is in one section with clear program integrity language. We should eliminate any reference to Aid to Families with Dependent Children as this federal program no longer exists. As a part of restructuring Chapter 49, program integrity language should be updated and the process should be clarified. With literally hundreds of thousands of Wisconsin citizens impacted by the programs of this Chapter each year, it is vital that it be relevant and reflect the focus, priorities and intent of the people through its legislature.

2. Independent Focus on Risk Prevention

We believe that a Risk Assessment Officer could be established to have an independent and focused responsibility to consider program integrity issues throughout an agency. A Risk Assessment Officer could help agencies anticipate, identify, and manage risks associated with potential fraud, waste or error within Wisconsin public assistance programs. In addition, this Officer could be a resource for our county partners and contract agencies in preventing, mitigating and detecting fraud at a local level.

3. All Businesses Providing a Service Funded by the State Should be Treated Consistently

Since the creation of Wisconsin Shares, we have treated child care providers as beneficiaries of the program. This distinction and interaction with the State is a disservice to the hard working small business child care operators in Wisconsin. Further, this distinction makes no sense for large child care providers, many of whom earn \$100,000 to over \$1 million annually from the Wisconsin Shares program. Wisconsin laws should be modified to reflect that child care providers earning reimbursement through Wisconsin Shares are businesses providing a contracted service with the State of Wisconsin, such as small clinics and other health care programs are reimbursed by Medical Assistance.

We have made tremendous progress in a short amount of time to ensure children are safe and parents can provide for their families but we are not done yet. We will continue to think creatively about innovative solutions to meet the needs of parents and children. We will continue to root out fraud; implement new ways to reduce waste and error; and ensure that taxpayer money is being spent appropriately to improve the lives of children and families across Wisconsin.

Thank you for the opportunity to speak with you today. I am happy to answer any questions you may have.