



Minnesota Department of Human Services
Elmer L. Andersen Building
Commissioner Tony Lourey
Post Office Box 64998
St. Paul, Minnesota 55164-0998

March 12, 2019

James Nobles, Legislative Auditor
Office of the Legislative Auditor
Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155

Dear Legislative Auditor Nobles:

Thank you for the opportunity to review and comment on your office's report titled Minnesota Child Care Assistance Program: Assessment of Fraud Allegations. We, at the Department of Human Services ("Department"), appreciate the effort and professionalism of you and your staff as your office worked with us throughout the special review process.

Minnesota's Child Care Assistance Program (CCAP) provides financial assistance that helps families with low incomes pay for child care while parents work or attend school or training programs. CCAP supports the state's broader goal of strengthening the economic self-sufficiency of families and providing all children with quality early childhood programs. It is also a key tool that families in underserved communities can use to help break the cycle of poverty, reducing the need for public assistance.

In your report, you address allegations that arose last year regarding CCAP – specifically, that fraud was in excess of \$100 million a year and that fraudulently obtained CCAP funds were going overseas to support terrorist activities. The report finds no credible evidence to support these allegations.

Findings of fraud are very serious, and we understand we have a great deal of work to do to improve the integrity of CCAP and our investigation processes. Proper oversight of this important program is essential to ensuring that the state's limited resources serve the eligible families in need of child care. The Department has taken steps over the last several years and more recently to improve program integrity in CCAP, including:

- Establishing a CCAP Investigations Unit in 2014;
- Advocating for state investments and changes in state laws in support of efforts to investigate fraud;
- Developing internal policies and procedures focused on fraud investigations by engaging our continuous improvement unit to work with the CCAP Investigations Unit;
- Hiring an external consultant, PFM Group Consulting LLC, to conduct an independent assessment of our process for fraud investigations, which provided valuable insights for improving program oversight;
- Working to better diversify the skillset in the CCAP Investigations Unit, including hiring staff with expertise in financial investigations, such as forensic accountants; and

- Issuing a request for information (RFI) last year for an electronic attendance system, a key step to improving program integrity.

One of the key findings of our external consultant is the need to improve the use of data analytics by the Department's CCAP Investigations Unit. Such improvements will allow us to be more proactive in investigating fraud and monitoring and communicating trends, and to ensure consistency in how decisions are made. This would also provide greater assurance to state officials and the public that Department investigations of child care programs are based on valid and objective data, limiting the influence of any implicit bias in decisions.

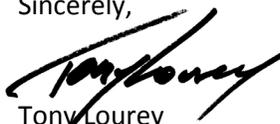
The Walz-Flanagan budget package for this session includes a request to the Legislature for new state investments in a case management system for the CCAP Investigations Unit, already used by the state Bureau of Criminal Apprehension, that would help to improve data collection and analysis. The Walz-Flanagan budget package also includes other important investments and changes critical to moving the state forward on this issue, including proposals to:

- Enhance attendance record-keeping requirements for CCAP;
- Clarify that absent days and holidays must be marked on child care providers' billing forms;
- Establish a uniform method for calculating overpayments related to violations of attendance record-keeping requirements;
- Establish a penalty if providers fail to follow existing attendance-reporting requirements;
- Shorten retroactive eligibility for CCAP from six months to three months;
- Fund a case management and tracking system for CCAP Investigations to track and collect data and report on investigation activity; and
- Increase funding for fraud prevention grants to counties and providing additional training to county staff.

As your report indicates, the issue of fraud in CCAP is a complex problem. We at the Department remain committed to fixing it. To be successful, we must ensure our efforts provide equity and access to the diverse families we serve. This will require both greater state investments and sustained engagement with our local and community partners to ensure we are working together to prevent fraud. We are currently in the process of hiring an equity coordinator and developing new employee trainings for the Office of Inspector General (OIG) that are focused on the use of culturally competent practices in our investigation process. We also plan to establish a community and stakeholder advisory group over the interim to advise the Department on efforts to improve the accessibility and integrity of CCAP. This advisory group will be made up of parents, child care professionals and teachers, county representatives, and other child care provider and advocacy organizations. We also have plans to increase training at the county level to improve cultural competency and make sure there is consistency in practices across the state.

Thank you again for the professional and dedicated efforts of you and your staff during this special review. The Department's policy is to follow up on all findings to evaluate the progress made to resolve them. If you have any further questions, please contact Gary L. Johnson, Internal Audit Director, at (651) 431-3623.

Sincerely,



Tony Lourey
Commissioner