



Legislative Post Audit Compliance & Control Audit Report Highlights

Child-Care Assistance: Determining Whether SRS' Procedures Limit the Risk of Improper Payments

Report Highlights

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Audit Concern

This work is part of the ongoing compliance and control audit work authorized by the Legislative Post Audit Committee to address the risk of fraud, waste, abuse, or noncompliance.

Other Relevant Facts & Findings

Child-care assistance is a joint federal-State program to help certain low-income families afford child care.

During fiscal year 2008, SRS spent \$78.1 million on child-care assistance for about 11,000 families and 21,000 children.

Parents or other relatives receiving the assistance must be working or in a job-training or educational program, and must have an income that's less than 85% of the State's median income (depending on family size). Federal regulations give states considerable flexibility.

**Estimated Cost Savings as a Result of This Audit:
Up to \$1.8 million a year if SRS tightens eligibility requirements**

AUDIT QUESTION: *Do SRS' practices reasonably limit the risk of inappropriate payments from the State's Child-Care Assistance Program?*

AUDIT ANSWER and KEY FINDINGS:

- SRS generally has established reasonable and well-designed procedures to help prevent or detect improper payments in the Program.

We found a few potentially improper payments that SRS' system hadn't caught, and noted that the agency's system for following up on improper payments needed to be strengthened.

We also identified 10 reciprocal child-care arrangements involving \$13,000 in benefits that may be contrary to program rules—an area SRS doesn't test for. We also noted some minor errors, such as incorrect birth dates, in the Program's databases.

- SRS has adopted eligibility criteria that allowed 571 families whose incomes were significantly above income-eligibility limits to receive \$1.8 million in child-care assistance in 2007. Those included 30 families whose incomes topped \$100,000 in 2007, who received an average of \$3,400 in child-care benefits each. In many of these situations, the child is being cared for by a non-custodial (not legally responsible) party, such as a grandparent or aunt/uncle.

We Recommended

- To address potentially improper payment situations, SRS should search for and follow up on reciprocal child-care arrangements, and review its current method for identifying payments by clients to themselves.
- To ensure that Program data are accurate, SRS should check the integrity of data in its KSCARES system.
- To ensure that Program moneys are used only to help those in financial need, SRS should report to specified legislative committees on its rationale for allowing certain high-income families to participate in the Program, and the fiscal impact of that decision.

Agency Response: *In general, SRS agreed with the report and our recommendations, and outlined steps it is taking or plans to take to address the issues we pointed out. Regarding the benefits paid to high-income families, the Department responded that its policy for the Child-Care Assistance Program was consistent with other benefit programs SRS administers, and that it strengthens the role of the family as set forth in the federal act.*

**Other Relevant
Facts & Findings**
(continued)

in determining eligibility for the Program, including the ability to waive income requirements on a case-by-case basis.

Under SRS' eligibility criteria; if a child became eligible for Temporary Assistance to Families because the parent is absent and the child is being cared for by a non-legally responsible party such as grandparents or an aunt or uncle, SRS only counts the child's income in determining eligibility for child-care assistance. In those cases, the grandparents or aunt/uncle could have very high incomes and still receive child-care assistance.

Three of 5 states we contacted follow similar rules, while two states tended to count family members' income more often.

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IMPROVED GOVERNMENT EFFICIENCY OR COST SAVINGS?**

If you have an idea to share with us, send it to ideas@lpa.ks.gov, or write to us at the address shown. We will pass along the best ones to the Legislative Post Audit Committee.