

# **COUNTY OF VENTURA AUDITOR - CONTROLLER**

## **Audit Report on Contract Administration and Performance of Child Development Resources of Ventura County**

*Submitted by*

**TCBA**

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**THOMPSON, COBB, BAZILIO & ASSOCIATES, PC**

*Certified Public Accountants & Management Systems and Financial Consultants*

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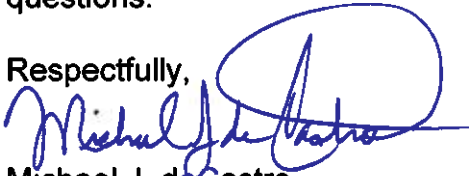
Dear Ms. Cohen:

Thompson, Cobb, Bazilio & Associates, PC (TCBA) is pleased to present the attached report on our Contract Administration and Performance Audit of Child Development Resources of Ventura County, Inc. (CDR). We believe the recommendations contained in this report, which have been agreed to by CDR management and the Ventura County's Human Services Agency (HSA), will improve the operational efficiency and effectiveness of the CDR, if implemented.

We would like to express our sincere appreciation for the cooperation provided to us throughout the audit by CDR management and staff. CDR's willingness to embrace the recommendations contained in this report is a positive first step towards continued operational improvement.

Please feel free to call me anytime at 310 792-4640 if you should have any questions.

Respectfully,



Michael J. de Castro  
Principal

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## EXECUTIVE SUMMARY

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Stage One Child Care is a California Work Opportunities and Responsibilities to Kids (CalWORKs) program administered by the County of Ventura and supervised by the State Department of Social Services. Stage One offers child care services to parents who are receiving cash aid, and who need child care services to participate in Welfare-to-Work activities. The intent of CalWORKs Stage One Child Care is to provide eligible Participants with local and dependable child care services on a timely basis.

Stage One Child Care is funded by Federal funds that pass-through the California Department of Social Services (CDSS). The County of Ventura administers Stage One Child Care through the County's Human Services Agency (HSA). HSA contracts with Child Development Resources of Ventura County, Inc. (CDR or Contractor) to administer and manage the Stage One Child Care program. Stage One Child Care program eligibility determinations are made by HSA.

CDR is a private non-profit corporation that receives County, State and Federal contracts to administer a variety of child care services and programs. Other programs administered by CDR include: Child Care Resource & Referral, Subsidized Child Care Services, Head Start/Early Head Start, State Preschool Programs, and CalWORKs Stage Two and Three Child Care Programs.

CDR has administered the Stage One Child Care program for HSA since 1998. The maximum amount of the Stage One Child Care program contract for FY 2006-07 was \$10 million. In FY 2006-07, CDR served a monthly average of 1,256 children under the Stage One Child Care program. As of October 1, 2007, CDR provided oversight of approximately 1,093 active licensed and licensed-exempt child care Providers. CDR submits expenditure claims to the County on a monthly basis and receives reimbursement of actual costs, not to exceed the contract maximum. The CDSS reimburses the County for all costs related to administering the Stage One Child Care program, resulting in no net cost to the County.

The contract requires that CDR maintain a staffing level of nine Child Care Outreach Specialists. Child Care Outreach Specialists are positioned at each of HSA's Job and Career Centers (JCCs) and at CDR headquarters. A Child Care Outreach Specialist's primary responsibility is to enroll families in CalWORKs child care and assist them in selecting the proper child care for their child. CDR contracts with and oversees licensed and license-exempt child care Providers, and provides Resource and Referral services to CalWORKs clients. CDR also makes payments to contracted child care Providers and maintains program data for HSA.

The County of Ventura Auditor/Controller contracted with Thompson, Cobb, Bazilio & Associates, PC (TCBA) to conduct an audit of the administration and performance of the contract between the County of Ventura and CDR. Our fieldwork began on August

1, 2007 and was completed on October 31, 2007. The scope of our work encompassed CDR's administration and performance of the Stage One Child care program in the fiscal year of 2006-07. Our audit focused on Service Provisions and Fiscal Provisions of the Contract. Under Service Provisions, our audit determined whether CDR's service levels and quality of services were properly managed, and complied with contract provisions. Under Fiscal Provisions, our audit determined whether payments made to CDR were reasonable, supported with proper documentation, and complied with FY 2006-07 contract provisions.

## **SUMMARY OF SIGNIFICANT FINDINGS**

Overall, we found CDR was in substantial compliance with the fiscal and compliance provisions of the Contract, but we identified some internal control improvements that are needed relating to the Provider payment process. Below we provide a brief summary of our significant findings and recommendations. A more detailed discussion on these and other findings is presented in the body of this report.

### **Review of Service Provisions**

**CDR review and oversight over the completion of timesheets and the input of Stage One Child Care Provider timesheet data into the KinderTrack payment system needs improvement.**

In FY 2006-07, approximately 1,396 Stage One timesheets per month were processed by CDR. One timesheet represents child care service provided to one Participant for one month. However, Participants will receive more than one timesheet per month if changes to their schedule or status are processed during the course of the month. CDR's Provider Services Department provides oversight of the timesheet review and payment process. Payment Specialists are responsible for entering timesheet data into the KinderTrack (KT) system. The KT system then automatically calculates the payment given the parameters previously entered into the KT system.

As part of the audit procedures for testing Provider payments, 20 out of 156 timesheets were sampled for input accuracy and compliance with program policies. Of the 20 timesheets, 9 appeared to have times filled in by the Provider rather than the parents as required by program policies and 8 of the 20 timesheets showed errors in the input of data that resulted in inaccurate payments. These input errors resulted in 6 overpayments and 2 underpayments. The overpayments ranged from \$5.40 per timesheet to \$49.54 per timesheet. The 2 underpayments totaled \$243.20 and \$48.64 per timesheet. However, the KT system controls limit the amount of overpayments above the approved payment parameters. CDR procedures for handling payment errors include 1) for underpayments, sending the Provider a check on the next check run, and 2) for overpayments, deducting the overpayment amount from the Provider's next check or giving the Provider the option of writing a check for the overpayment.

Subsequent to the processing dates of the timesheets examined, CDR has since implemented new procedures for the management and oversight of incomplete and erroneous timesheets. These new procedures call for Payment Specialists to route timesheets with errors to either Parent Services or the Provider Services Coordinator to follow up on timesheet errors, counsel Providers or parents, and document the errors and corrective actions.

Although, we found these new procedures to be positive improvements, we believe that further improvements to the internal review process could be made. Currently, Stage One Child Care timesheets are among several programs administered by CDR that are sampled for review at the end of the month. Approximately 25 timesheets per Payment Specialist are selected at random for review. The number of Stage One Child Care timesheets selected for review can vary from month to month, with no guarantee that a minimum number of Stage One Child Care timesheets will be selected for review. We believe that CDR should target a select number of Stage One Child Care timesheets to be reviewed on a monthly basis.

### **Recommendation**

CDR should strengthen and increase its review of Stage One Child Care timesheets on a monthly basis. Also, newly implemented procedures should be formally documented and incorporated in CDR's policies and procedures. Lastly, we recommend that given the high error rate found in our sample review of 20 timesheets, CDR should consider conducting a more thorough review on the accuracy of timesheet data input for previously inputted timesheets.

### **Improvements in the Reconciliation of Stage One Child Care Provider Timesheets to Payments is Needed.**

In our review of the 20 sampled timesheets, we also found that 10 timesheets did not adequately support the final payment made to the Provider. Five (5) of the 10 payments were not supported by the timesheets because of the input errors discussed above. The other 5 were not supported because of adjustments made by the KT system during timesheet and payment processing. The KT system calculates the final payment based on the times inputted for the month and other parameters entered into the KT system during the course of managing Providers and parents. We found that the adjustments made by the KT system could result in unexplained differences between the final payment and the supporting timesheets of up to a full day's pay.

Because timesheets serve as the supporting documentation for Provider payments, we believe that the timesheets should be modified or have notes attached explaining any adjustments made to the final payment. This would ensure that supporting documentation adequately explains the difference between Provider payments and supporting timesheets and would help create an accurate audit trail.

### **Recommendation**

Timesheets should be adequately reconciled to the final payments made to Providers. Timesheets should be modified or have notes attached explaining any adjustments made to the final payment.

**The Stage One Child Care program contract clause regarding Participant ineligibility overpayment procedures and responsibilities are not accurately stipulated in the Contract and should be amended.**

An overpayment can occur when a Participant continues to receive child care services even though a change in the Participant's work schedule or status had occurred that makes a Participant ineligible to receive child care services. Overpayments resulting from Participant ineligibility are mostly due to Participants' not reporting their eligibility change in status to HSA in a timely manner. The Participant is solely responsible for the timely notification to HSA of any change to their eligibility status. Overpayments to Providers as a result of a Participant not notifying HSA of their eligibility change in status is the responsibility of the Participant.

The Contract states that CDR shall maintain monthly ledgers of all program overpayment receivables and repayment recoupment records for each Participant and for each Provider. However, we confirmed with HSA officials that HSA is responsible for Stage One Child Care overpayments due to Participant ineligibility. We obtained written policies and procedures from HSA to confirm this responsibility. These written policies and procedures state that HSA is required to document and attempt to collect any Stage One Child Care overpayments, and that CDR's responsibility is to assist HSA. We inquired with an HSA official in regards to the Stage One Child Care overpayment levels and activity. We were informed that HSA has not actively pursued overpayments because the individuals who they would be seeking payments from are on welfare and the chances of recovery would be minimal. As for the amounts of overpayments, HSA stated that they believe the overpayments are minimal, but they have not quantified the amounts.

### **Recommendation**

HSA should begin tracking the amount of overpayment activity due to Participant ineligibility to quantify the amount of overpayments so that a more informed decision could be made on whether to seek recovery of such overpayments. In addition, the contract clause regarding program overpayment responsibilities should be amended to more accurately reflect actual program procedures and responsibilities of CDR and HSA.



### **Internal controls over KT access rights could be improved.**

Security administration for the KT system can be strengthened with the implementation of a few system security best practices. Specifically, we noted that access rights are not periodically reviewed and certified, and that employee access rights assigned to an employee are not specifically documented.

#### **Recommendation**

Management should perform semi-annual reviews of KT access rights to ensure that access rights assigned are current given the job duties of the employee. Additionally, the security access request form should be revised to document the specific KT system application access right(s) assigned to an employee.

### **HSA and CDR were in non-compliance with the contract requirement to process Notice of Actions (NOA) at least 10 calendar days before the effective date of action.**

The Contract states that CDR shall issue NOAs to Participants when instructed by the County to do so or when changes affect the Participant's child care services, such as when changes are made to the service agreement with the Participant. The Contract also states that CDR shall issue NOAs to Participants on behalf of the County at least 10 calendar days prior to the effective date of eligibility changes affecting their child care support services.

We found that in 26 of the 31 Participant files examined, there were one or more NOAs that did not meet the requirement of being processed 10 calendar days before the effective date of the action. CDR and HSA officials stated that the realities and constraints of the program necessitated the need to differentiate between the types of actions and their notice requirements and that this necessity was supported by CalWORKs program regulations.

Our research of CalWORKs program regulations found that there is an allowance for the differences between the timely notice of an adverse action and the adequate notice of other types of actions. Thus, we concur that the CalWORKs regulations allow for the flexibility to differentiate between types of actions and their notice requirements. Thus, we believe that the Contract clause requiring all NOAs be issued 10 days prior to the effective date be amended to allow for more flexibility in the issuance of positive and neutral action NOAs.

#### **Recommendation**

The Contract clause requiring all NOAs be issued 10 days prior to the effective date should be amended to allow for more flexibility in the issuance of positive and neutral action NOAs.



## **Review of Fiscal Provisions**

**CDR was found to be in compliance with maintaining adequate supporting documentation for costs claimed for reimbursement.**

The Contract requires CDR to maintain and submit all documents required to support claims and invoices for payment. Based on the procedures we performed, we verified that CDR attached the General Ledger to each Expenditure Claim. We also verified that each invoice was reviewed, properly approved, properly coded and recorded, and costs were reasonable and allowable under CalWORKs regulations, OMB Circular A-122 and Exhibit A, Section V (D), (F), (I), (J); Exhibit B of the Contract.

**CDR program expenditures were charged to proper categories and met category cost restrictions.**

Per the Contract, CDR administrative and non-administrative costs must not exceed 25% of the actual net reimbursable program costs, and Administrative Costs must not exceed 15% of the actual net reimbursable program costs. In addition, CDR's direct payments to Providers must not be less than 75% of the net reimbursable program costs. We verified without exception that CDR's costs charged to Stage One Child Care program cost categories were within the contractual stipulated percentages.

**CDR was found to be in compliance with General Contract Conditions regarding budget line item requirements.**

According to the General Contract Conditions of the Contract, any change to Contract Budget line items in excess of 20% or \$5,000, whichever is less, is not permitted without modification of the Contract. Based on our analysis, we verified that Budget line items were not exceeded; thus, no prior written approval was required.

**CDR's Cost Allocation Plans were adequately supported, and rationales and assumptions used were reasonable.**

The Contract states that "If Contractor [CDR] uses an Indirect Rate, Contractor must maintain a Cost Allocation Plan and make such plan available for review by County on request." In addition, the Indirect Cost Rate must not include any non-reimbursable costs.

Based on our discussion with CDR management we learned that CDR's Indirect Cost Allocation Rate was reviewed and approved by the Department of Health and Human Services (DHHS) of the Federal Government. We obtained and reviewed the DHHS approved cost allocation plan and found that CDR's cost allocation plans are adequately supported, and that rationales and assumptions used were reasonable.

## CHAPTER 1: REVIEW OF SERVICE PROVISIONS

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As administrators of the Stage One Child Care program, CDR is responsible for the enrollment of parents for child care services, informing them of child care options and resources and helping them to determine the proper child care for their child. CDR is also responsible for managing, screening, and overseeing licensed and license-exempt child care Providers. Lastly, CDR is also responsible for maintaining adequate accounting system controls that ensure timely and correct payments to child care Providers.

The level and quality of services that CDR provides are stipulated in the service provisions of the Contract with the County. The purpose and scope of this section of the audit was to determine whether CDR properly managed and complied with FY 2006-07 contract provisions.

### A. STAFFING LEVELS/SERVICES

#### Objective

Verify that CDR provided full time equivalent (FTE) Child Care Outreach Specialist (CCOS) staff at each of the County's Human Services Agency's (HSA's) Job and Career Centers (JCCs) and provided services/administered the program as outlined in Exhibit A, Section II of the contract.

#### Methodology

1. Conducted interviews with CDR management to obtain an understanding of the management controls and processes in place to ensure that each JCC provided a minimum of nine full time equivalent (FTE) Child Care Outreach Specialist (CCOS) staff onsite in space provided by the COUNTY at each JCC (currently six sites).
2. Obtained time records and/or payroll registers for at least two consecutive pay periods to verify that staffing met contract requirements.
3. Visited all six JCC locations, observed staffing and operations, interviewed selected CCOS and supervisor.

#### Results

**Finding No. 1** - CDR was found to have provided the staffing requirement of nine full time equivalent (FTE) Child Care Outreach Specialists (CCOSs) servicing six Ventura County Job and Career Centers (JCCs).

The Contract states that CDR shall provide a minimum of nine full time equivalent (FTE) Child Care Outreach Specialists (CCOSs) onsite in space provided by the County at each of the six County JCCs.

We verified through time records, payroll registers and site visitations that CDR employed a staff of nine full time equivalent (FTE) CCOSs. There is one CCOS positioned at each of the County's six JCCs. The Ventura JCC is staffed with two CCOSs because of the high caseload demand. Two back up CCOSs are positioned at CDR headquarters and are deployed to the various JCCs as staffing needs dictate. There is also one CCOS Supervisor who is in charge of overseeing, supervising and supporting the CCOSs. The Supervisor's office is stationed at CDR headquarters.

Through verification of time records and payroll registers we verified the full time employment status of the nine CCOSs. We visited all six JCC locations, observed staffing and operations, interviewed selected CCOSs and the CCOS supervisor.

## **B. STAFFING QUALIFICATIONS**

### **Objective**

Verify that CCOSs working under the FY 2006-07 contract met the staff qualifications outlined in Exhibit E.

### **Methodology**

We examined personnel files of all nine CCOSs to verify that the personnel standards and qualifications outlined in the Child Care Outreach Specialist Job Description, Exhibit E of the contract have been met.

### **Results**

**Finding No. 2 – CCOS job qualification standards required by the Contract have been met.**

The Contract specifies education and work experience for the position of CCOS. The Contract states that there is a minimum requirement of an Associate Degree in Sociology, Child Development, Human Services, or related field or a minimum of 30 completed college units with a condition to complete an Associate Degree in Sociology, Child Development, Human Services, Psychology or related field within two years. A minimum of two years paid work experience in a position involving community or social work, which includes interviewing clients and caseload management is also required. However, a Bachelor of Arts Degree may substitute for the two years of the required paid work experience.

We examined the personnel records of all nine CCOSs to verify that each individual met the personnel standards for education and work experience outlined in the Contract.

Based on our examination, we found that all nine CCOSs either met or exceeded the work and education qualifications stipulated in the Contract. Six of the nine CCOSs had obtained Bachelor's Degrees, one had earned an Associates Degree and two had met the minimum education qualifications with qualifying units towards an Associates Degree. We verified that all nine CCOSs sufficiently met the work experience qualifications listed in the Contract.

## **C. CHILD CARE PROVIDER SCREENING**

### **Objective**

Verify that CDR properly managed the screening and maintenance of child care Providers, including verifying qualifications, meeting face-to-face with prospective child care providers, conducting regular site visits of licensed and unlicensed facilities, and maintaining a file for each individual Provider.

### **Methodology**

1. Conducted interviews with CDR management to obtain an understanding of controls and processes in place to ensure adequate child care Provider screening, maintenance and monitoring.
2. Selected a sample of 25 child care Provider files, verified the Provider's status as licensed or license-exempt and examined whether CDR performed the following:
  - Face-to-face meetings with the prospective childcare Provider.
  - Maintained hard copy and electronic file for each individual Provider with required documentation.

We verified that Provider files contained the following required documentation:

- Cross-reference to each Participant served by the Provider.
- Copy of the contract between the Provider and CDR.
- If licensed, copies of the facility license showing the authorized capacity, Trustline Registry, and Health and Safety Self-Certification.
- If license-exempt, proof of Provider's age, legal right to work, and any other documentation required by the HSA.
- Evidence that face-to-face meeting with the prospective child care Provider occurred.

If license-exempt, we verified if CDR:

- Initiated the process to apply for Trustline registration through the application and fingerprint process (Form BCIA 4063) within 14 days (aunts, uncles, and grandparents who are child care Providers under this contract are considered to be license-exempt and are not required to be Trustlined)
- Required license-exempt Providers to complete Health and Safety Self-Certification form (Form CCP4).

- Required license-exempt Providers to complete a Declaration of Exemption from Trustline Registration and Health and Safety Self-Certification form (Form CCP1) in order to be eligible for payment from CDR.
3. Obtained and reviewed home visit logs for FY 2006-07. Verified if regular site visits of licensed and unlicensed facilities took place.

## **Results**

**Finding No. 3 - CDR properly managed the screening and maintenance of child care Providers, including verifying qualifications, meeting face-to-face with prospective child care Providers, conducting regular site visits, and maintaining files for each individual Provider.**

The Contract states that CDR will maintain a file on each child care Provider. The Provider file shall contain a copy of the contract between the individual Provider and CDR. The Provider file shall also contain copies of the facility license showing authorized capacity, Trustline Registry, and Health and Safety Self-Certification. If license-exempt, proof of Provider's age, legal right to work, and any other documentation required by the HSA must be included. The Contract also requires CDR to perform regular site visits of licensed and unlicensed facilities.

Child care services provided by CDR begin with the receipt of an official child care referral from the Ventura County Human Services Agency (HSA). HSA determines the eligibility of parents to receive child care services and their need for services. With the assistance of CDR the parent selects the child care Provider of their choice. If the parent selects a Provider who already has an active license or license-exempt contract with CDR, services can begin as soon as a Notice of Action (NOA) is prepared, which authorizes the services. If a parent selects a Provider who does not have a current contract, services will not be authorized until a Provider contract has been finalized.

New child care Provider applicants are given a contract packet, which must be completed, submitted and processed. The Provider is required to complete all of the items in the packet and meet with a Provider Contract Specialist (PCS) for an orientation meeting. The PCS schedules a face-to-face interview/orientation appointment within 10 days after the CCOS gives the contract packet to the potential Provider. The purpose of the orientation is to review the Provider's completed contract forms, submit the required supporting documents and provide an opportunity for a CDR representative to witness the signing of the Provider contract. The CCOS is notified when this process is complete at which time they will prepare a Notice of Action (NOA) authorizing child care services and payments. The CCOS enters this information in the KinderTrack (KT) database, which creates an electronic file for the Provider and tracks Provider information. CDR establishes and maintains both a hard copy and electronic file for each Provider.

In our review of Provider files and visitation logs, we found that CDR was compliant with child care screening, maintenance and Provider documentation requirements. All selected files requested were accounted for and required documents were properly signed and filed. Provider visitation logs showed that Provider site visitations took place throughout FY 2006-07 and were well documented.

## **D. CHILD CARE PROVIDER PAYMENTS**

### **Objective**

Verify that CDR properly managed payments to child care Providers, including the verification of child care attendance logs against Participant timesheets and Participant documented hours in excess of employment hours (e.g., travel time between job and child care facility).

### **Methodology**

1. Conducted interviews with CDR management to obtain an understanding of the proper managed payments to child care Providers, including the timeliness of payments to the Providers.
2. Obtained a ledger of payments to the Providers for the FYE 6/30/07 from CDR and randomly selected a sample of 50 payments for testing.
3. Traced payments to monthly attendance logs and to participant timesheets and Participant documented hours in excess of employment hours, such as travel time between facilities.
4. Examined a randomly selected sample of timesheets for input accuracy and compliance with program policies.
5. Ensured that CDR makes timely payments to the Providers.

### **Results**

**Finding No. 4 – CDR review and oversight over the completion of timesheets and the input of Stage One Child Care Provider timesheet data into the KinderTrack payment system needs improvement.**

Contract stipulations regarding payment to Providers require CDR to 1) ensure that Providers maintain a sign-in and sign-out attendance record that verifies attendance of children serviced and that the service actually occurred, and 2) ensure that Providers submit attendance verifications on a monthly basis in accordance with the terms specified in the contract between the Participant and CDR.

In FY 2006-07, approximately 1,396 Stage One timesheets per month were processed by CDR. One timesheet represents child care service provided to one Participant for one month. However, Participants will receive more than one timesheet per month if changes to their schedule or status are processed during the course of the month. CDR's Provider Services Department provides oversight of the timesheet review and payment process. Payment Specialists are responsible for entering timesheet data into the KinderTrack (KT) system. The KT system then automatically calculates the payment given the parameters previously entered into the KT system. Currently, there are eight Payment Specialists on staff. Stage One Child Care timesheets are distributed evenly to the Payment Specialists for processing each month.

As part of the audit procedures for testing Provider payments, 20 out of 156 timesheets were sampled for input accuracy and compliance with program policies. Of the 20 timesheets, 9 appeared to have times filled in by the Provider rather than the parents as required by program policies. And 8 of the 20 timesheets showed errors in the input of data that resulted in inaccurate payments.

In the cases of the payment inaccuracies, 8 of the 20 timesheets examined showed errors that were inputted during timesheet processing and were not detected in the internal review process. These input errors resulted in 6 overpayments and 2 underpayments. The overpayments ranged from \$5.40 per timesheet to \$49.54 per timesheet. The 2 underpayments totaled \$243.20 and \$48.64 per timesheet. The KT system controls limited the amount of overpayments above the approved payment parameters. For example, if a time period is erroneously inputted as 8 hours of child care for a given day, but the Provider is approved for only 3 hours per day, the KT system will allow payment for the 3 approved hours. However, the KT system will allow payments made in error under the approved amount. If a Provider is approved for 6 hours and provided only 3 actual hours of service, the KT system will not prevent an erroneous payment of 4 to 6 hours. CDR procedures for handling payment errors include 1) for underpayments, sending the Provider a check on the next check run, and 2) for overpayments, deducting the overpayment amount from the Provider's next check or giving the Provider the option of writing a check for the overpayment.

To correct input errors and other Provider timesheet issues, CDR relies on their timesheet processing and internal review procedures. Subsequent to the processing dates of the timesheets we examined, CDR has since implemented new procedures for the management and oversight of incomplete and erroneous timesheets. These new procedures call for Payment Specialists to route timesheets with errors to either Parent Services or the Provider Services Coordinator to follow up on timesheet errors, counsel Providers or parents, and document the errors and corrective actions.

We believe that these new procedures are positive and will strengthen the processing of timesheets at CDR. However, as of the writing of this report, these procedures have not been formally written and documented in CDR's policies and procedures manual. CDR management informed us that the new policies and procedures would be documented in the revised policy and procedure manual, which is currently being updated.



Although the new timekeeping review procedures is a positive step in improving controls, we believe that further improvements to the internal review process could be made. Currently, Stage One Child Care timesheets are among several programs administered by CDR that are sampled for review at the end of the month. Approximately 25 timesheets per Payment Specialist are selected at random for review. The number of Stage One Child Care timesheets selected for review can vary from month to month, with no guarantee that a minimum number of Stage One Child Care timesheets will be selected for review. We believe that CDR should target a select number of Stage One Child Care timesheets to be reviewed on a monthly basis.

### **Recommendation**

CDR should strengthen and increase its review of Stage One Child Care timesheets on a monthly basis. Also, newly implemented procedures should be formally documented and incorporated in CDR's policies and procedures. Lastly, we recommend that given the high error rate found in our sample review of 20 timesheets, CDR should consider conducting a more thorough review on the accuracy of timesheet data input for previously inputted timesheets.

### **Finding No. 5 – Improvements in the Reconciliation of Stage One Child Care Provider Timesheets to Payments is Needed.**

CDR's internal policy and procedures require the Provider to submit one separate Child Care timesheet for payment per child for each calendar month in which services are rendered. Timesheets are designed to include a sign-in and sign-out attendance record. Timesheets must be completed, signed and dated in ink at the bottom of the form with full signatures by both the parent and the Provider.

The Finance Department processes and prepares the actual payments to be sent to the Providers. The Finance Department conducts a cursory review of 20 randomly selected Provider timesheets per month to verify that all signatures are present to justify payment.

In our review of the 20 timesheets sampled for input accuracy, we found that 10 timesheets did not adequately support the final payment made to the Provider. Five (5) of the 10 payments were not supported by the timesheets because of the input errors discussed above. The other 5 were not supported because of adjustments made by the KT system during timesheet and payment processing. As discussed above, the KT system will calculate the final payment based on the times inputted for the month and other parameters entered into the KT system during the course of managing the Providers and parents. For example, if a Provider has obtained a License to provide child care, they are programmed within the KT system to receive payment when a child is reported sick whether or not the child attends child care. This is because Licensed Providers are making their services available regardless of the circumstances and would be available if the child became well enough to attend. In the instance where the

child is reported sick and does not attend child care, the Provider will receive payment for what they were scheduled and approved for in the KT system even though the corresponding timesheet will indicate no service provided.

The payment to the Licensed Provider on the child sick day results in an unexplained difference of up to a full day's pay between the final payment and the timesheet. Because timesheets serve as the supporting documentation for Provider payments, we believe that the timesheets should be modified or have notes attached explaining any adjustments made to the final payment. This would ensure that supporting documentation adequately explains the difference between Provider payments and supporting timesheets, and would help create an accurate audit trail. We also believe that the adequate reconciliation of timesheets would help expose any input errors made in timesheet processing.

### **Recommendation**

Timesheets should be adequately reconciled to the final payments made to Providers. Timesheets should be modified or have notes attached explaining any adjustments made to the final payment.

## **D. CHILD CARE PROVIDER PAYMENTS (continued)**

### **Objective**

Verify that CDR maintains monthly ledgers of all overpayment receivables and repayment recoupment records for each Participant and Provider.

### **Methodology**

1. Requested monthly ledger reports of all overpayment receivables and repayment recoupment records for each Participant and for each Provider.
2. Interviewed both CDR and HSA officials in regards to overpayment procedures.
3. Requested and reviewed HSA written procedures in regards to program overpayments.

### **Results**

**Finding No. 6 – The Stage One Child Care program contract clause regarding Participant ineligibility overpayment procedures and responsibilities are not accurately stipulated in the Contract and should be amended.**

The Contract states that CDR shall maintain monthly ledgers of all program overpayment receivables and repayment recoupment records for each Participant and for each Provider. Such ledgers must be in the form of a line item listing Participant

name, erroneous/overpayment amount, month(s) of erroneous payment, actual amount recouped, and amount outstanding. CDR shall submit to HSA a summary report of such ledgers by the twelfth (12<sup>th</sup>) calendar day following the end of the report month.

An overpayment can occur when a Participant continues to receive child care services even though a change in the Participant's work schedule or status had occurred that makes a Participant ineligible to receive child care services. Overpayments resulting from Participant ineligibility are mostly due to Participants' not reporting their eligibility change in status to HSA in a timely manner. The Participant is solely responsible for the timely notification to HSA of any change to their eligibility status. Overpayments to Providers as a result of a Participant not notifying HSA of their eligibility change in status is the responsibility of the Participant.

We requested from CDR both monthly ledgers and summary reports of all program overpayments for FY 2006-07. However, CDR was only able to provide an annual G/L report showing a zero balance for Stage One Child Care overpayments. The G/L report showed no activity for FY 2006-07. Upon further inquiry, we learned that HSA performs all activity in regards to overpayments for the Stage One Child Care program.

We confirmed with HSA officials that they are responsible for Stage One Child Care overpayments due to Participant ineligibility. We obtained written policies and procedures from HSA to confirm this responsibility. These written policies and procedures state that HSA is required to document and attempt to collect any Stage One Child Care overpayments from the participants, and that CDR's responsibility is to assist HSA. We inquired with an HSA official in regards to the Stage One Child Care overpayment levels and activity. We were informed that HSA has not actively pursued overpayments because the individuals who they would be seeking payments from are on welfare and the chances of recovery would be minimal. As for the amounts of overpayments, HSA stated that they believe the overpayments are minimal, but they have not quantified the amounts.

Given the above described responsibilities, we found that the Contract clause referring to CDR overpayment responsibilities is inconsistent with actual program procedures and responsibilities. Thus, the Contract clause should be amended accordingly.

### **Recommendation**

HSA should begin tracking the amount of overpayment activity due to Participant ineligibility to quantify the amount of overpayments so that a more informed decision could be made on whether to seek recovery of such overpayments. In addition, the contract clause regarding program overpayment responsibilities should be amended to more accurately reflect actual program procedures and responsibilities of CDR and HSA.

## **E. CHILD CARE RATES/HOURS**

### **Objective**

Verified that CDR's accounting system controls prevented child care Providers from receiving rates that exceeded the Regional Market Rate (RMR) and from receiving payment for more hours of child care than approved by HSA.

### **Methodology**

1. Conducted interviews with CDR management to obtain an understanding of the CDR's accounting system controls in preventing child care Providers from receiving rates that exceeded the RMR and from receiving payment for more hours of child care than approved by HSA.
2. Tested the CDR accounting system to verify whether it is programmed to prevent the input of child care Provider rates that exceed the RMR.
3. Tested the CDR accounting system to verify whether it is programmed to prevent the payment for child care Provider hours that exceed the hours approved by HSA.
4. Evaluated appropriateness of logical access to the CDR accounting system's RMR table(s).
5. Evaluated the input/output verification procedures that ensure the integrity of payment rate and hour data entered into the CDR accounting system.
6. Evaluated the appropriateness of user access rights to CDR accounting system payment transactions. This assessment focused upon ensuring access is restricted/limited based upon job function and user transaction access complies with segregation of duties principals.
7. Ascertained that access to CDR accounting system payment transactions is reviewed and approved by CDR management (i.e., certified) on a periodic basis.
8. Selected a sample of five payments to Providers and verified rates paid to Providers agreed with contracted rates and were within the established Regional Market Rates (RMR).

### **Results**

**Finding No. 7** – Internal system controls over the KinderTrack (KT) system to prevent child care Providers from receiving rates that exceed the Regional Market Rate (RMR) and from receiving payment for more hours of child care than approved by HSA were found to be adequate. However, controls over KT access rights could be improved.

The Contract states that CDR shall maintain a database system acceptable to the County that maintains all reporting elements required for State and federal reports. CDR has implemented the KinderTrack (KT) database system. The KT database system was designed by a third party vendor specifically for the administration of child care programs. CDR utilizes the KT system in most of its major Stage One business processes including the administration of Participants, child care Providers, the processing of timesheets and the development of reporting elements and reports.

We found no functionality deficiencies with the KT system. We noted that the KT system maintains adequate Data Integrity Controls, has logical security controls designed to enforce segregation of duties, is programmed to prevent CDR from paying Providers amounts that exceed the Regional Market Rates (RMR), and prevents CDR personnel from changing the RMR table; only the KT vendor can modify the RMR table.

However, we believe the security administration for the KT system can be strengthened with the implementation of a few system security best practices. Specifically, we noted that access rights are not periodically reviewed and certified, and that employee access rights assigned to an employee are not specifically documented.

### **Recommendation**

Management should perform quarterly reviews of KT access rights to ensure that access rights assigned are current given the job duties of the employee. Such a review should be documented and retained by department supervisors as evidence of their approval. Additionally, the security access request form ("New Hire/Promotional Staff Workstation Set Up or Current Employee Relocation Request") should be revised to document the specific KT system application access right(s) assigned to an employee.

## **F. Cost/Benefit**

### **Objective**

Evaluate whether the share of program costs CDR allocated to HSA was commensurate with the child care services provided to HSA.

### **Methodology**

Obtained a copy of the CDR Cost Allocation Plans for qualified expenses and analyzed the methodologies used to determine whether costs allocated to HSA were reasonable in comparison to costs allocated to other programs.

## **Results**

### **Finding No. 8 – Cost allocation plans were found to be reasonable and commensurate with child care services provided to HSA.**

CDR has cost allocation plans for other qualified expenses that are allocated to funding sources such as HSA. These expenses include corporate audit costs, costs associated with the central offices, rent, insurance costs and website costs. These plans are developed internally and are based on accepted cost allocation principles. The percentages are generally computed each corporate fiscal year and adjusted periodically as required. The Director of Finance must approve all distribution plans. Before approval, all plans must include a description of the methodology used to determine the allocation of the costs of services to the various funding sources, a basis for allocating costs, and a description of how expenditures within the major cost categories will be apportioned and recorded in the accounting system.

We obtained and reviewed a copy of the CDR Cost Allocation Plans for other qualified expenses that are allocated to HSA. We found that the methodologies for allocating these costs were reasonable and commensurate with child care services provided to HSA.

## **G. COMPLIANCE REQUIREMENTS**

### **Objective**

Verify that CDR complied with Participant record keeping requirements per Exhibit A, Section II, 22 of the Contract.

### **Methodology**

Judgmentally selected a sample of 31 Participant files from the current list of Participants and verified whether it contained required documentation per Contract requirements, and whether these documents were properly signed.

## **Results**

### **Finding No. 9 - CDR was found to be in compliance with Participant record-keeping requirements.**

Per Exhibit A, Section II, 22 of the Contract, CDR is required to maintain a hard copy and/or electronic file for each Participant, containing the following:

1. A signed Participant's application for Stage One Child Care.
2. Documentation of Participant's eligibility for Stage One Child Care.
3. A dated record of all contacts made between CDR and Participant.

4. Documentation of Resource and Referral activities in CDR's Resource and Referral Department's electronic files
5. A signed agreement between CDR and Participant specifying the type of child care Provider, whether Provider is licensed or license-exempt, name, address, CalWORKs program of aid (AFDC-FG or AFDC-U), telephone number, rate calculations, schedules of payment, and hours of service.
6. Family fee agreements.
7. Records of complaints (this may be kept in a separate binder maintained by CDR)
8. Copies of referrals for Stage Two and Stage Three Child Care Services.

We noted that CDR keeps and maintains individual files for all Participants. Participant hard copy files are located at the JCC locations and are maintained by the CCOS positioned at the JCC. Electronic files are maintained in the KT database system. Required documents are maintained in English and Spanish.

We judgmentally selected a sample of Participants from each of the JCC locations we visited. We examined a total of 31 Participant files and verified whether Participant files contained the required documentation, and that documentation was properly signed.

Based on our review, we found that CDR is in compliance with Participant record-keeping requirements. We found that the required documentation was maintained either in the hard copy file or electronically. We found no material exceptions in our testing.

## **G. COMPLIANCE REQUIREMENTS (continued)**

### **Objective**

Verify that CDR complied with data reporting requirements per the Contract.

### **Methodology**

We selected two of the following four reports to verify whether CDR has completed and submitted them to HSA on a timely basis:

1. State Child Care Monthly Report (Form CW115 and CW115 A) on or before the 18<sup>th</sup> following the report month.
2. State Stage One Child Care 24-Month Eligibility Biannual Report (Form 2197) on or before the 10<sup>th</sup> of the months of January and July.
3. Child Care Utilization Projections on a monthly basis.
4. Quarterly Cumulative Performance Report on or before the 15<sup>th</sup> after the end of each quarter.



## **Results**

### **Finding No. 10 - CDR was found to be in compliance with reporting requirements outlined in the Contract.**

The Contract states that CDR shall supply all child care statistical and expenditure data required to meet all federal, state and COUNTY reporting requirements relative to the Stage One Child Care Program and information related to the eligibility and transfer of eligible Stage One Participants into Stage Two and Three Child Care Programs.

Per our scope of work, we verified and followed up on the following two reports:

- State Child Care Monthly Report (Form CW115 and CW115A), filed on or before the 18<sup>th</sup> following the report month.
- Quarterly Cumulative Performance Reports are filed on or before the 15<sup>th</sup> after the end of each quarter.

We requested copies of all reports issued in FY 2006-07 and reviewed them for completeness. We verified with an HSA official that these reports were submitted on a timely basis. No exceptions were noted.

## **G. COMPLIANCE REQUIREMENTS (continued)**

### **Objective**

Verify that CDR complied with the performance measurement requirement per the Contract related to the number of eligible children provided child care.

### **Procedures**

Verified that CDR provides child care services to an average of 1,215 eligible children per month, per the Contract Exhibit C.

### **Results**

### **Finding No. 11 - CDR was found to have met the Contract performance requirement to serve an average of 1,215 eligible children per month.**

Exhibit C, of the Contract stipulates CDR Stage One Contract FY 2006-07 Performance Indicators. The Contract states that CDR shall provide child care services to an average of 1,215 eligible children per month. This shall be based on child care statistical report (CW115 & CW115A) or other agreed upon child care reports.

CDR uses the PO9 report to show that CDR served an average of 1,256 eligible children per month. The PO9 report differs from the CW115 & CW115A in that it allows for and includes late reporting submissions from Providers. We confirmed with an HSA official that they had agreed upon the use of this report for supporting the performance indicator. We also performed testing on the report to prove reliability. We accepted the PO9 reports as a reliable and a valid source documentation report. Based on our review, we verified without exception that CDR served an average of 1,256 eligible children per month in FY 2006-07.

## **G. COMPLIANCE REQUIREMENTS (continued)**

### **Objective**

Verify that CDR complied with performance measurement requirements per the Contract related to home visitations.

### **Methodology**

Ascertain that CDR conducted 10% (based on FY 06-07 average monthly caseload) of Stage One Child Care Provider caseload home visits annually.

- Obtained and reviewed home visit logs for FY 2006-07.
- Selected sample of home visits, examined supporting visit checklists and notes.
- Verified and recalculated total number of visits required for FY 2006-07.

### **Results**

**Finding No. 12 - CDR was found to be in compliance with Contract requirements regarding child care Provider stipulations.**

Per Exhibit C of the Contract, CDR is required to conduct site visits of 10% of Stage One Child Care Providers annually. The percentage of visits throughout the County should proportionally reflect the Provider caseload at each Job and Career Center.

We obtained and reviewed home visit logs for FY 2006-07. We selected a sample of home visits and examined supporting visit checklists and notes. We confirmed that CDR performed 91 visitations for FY 2006-07 as follows:

<b>Period</b>	<b>No. of Visitations</b>
1 <sup>st</sup> Quarter	19
2 <sup>nd</sup> Quarter	27
3 <sup>rd</sup> Quarter	22
4 <sup>th</sup> Quarter	23
<b>Total</b>	<b>91</b>

The average monthly caseload of active Stage One Child Care Providers was 650 for FY 2006-07. Thus, the total number of visitations required was 65. CDR completed 91 visitations for FY 2006-07, exceeding the amount of required visitations by 26 visits.

#### **G. COMPLIANCE REQUIREMENTS (continued)**

##### **Objective**

Verify that CDR complied with performance measurement requirements per the Contract regarding annual parent satisfaction surveys.

##### **Methodology**

Verified that CDR completed annual Stage One parent satisfaction surveys conducted for all active Stage One parents at a point in time.

##### **Results**

**Finding No. 13** - CDR was found to be in compliance with the Contract requirement to complete an annual Stage One parent satisfaction survey.

Exhibit C of the Contract states that CDR shall complete an annual Stage One parent satisfaction survey conducted for all active Stage One parents at a point in time. Content of the survey was to be approved by the CalWORKs Child Care Coordinator and may include pre-survey focus groups with parents and HSA staff. Survey results are to be compiled in a report with findings and recommendations for service delivery improvement as needed. Goal is 85% satisfaction rate of those responding to the survey.

CDR completed the parent satisfaction survey for FY 2006-07. Surveys were mailed to all Participant parents and 93 surveys were returned directly to CDR by the deadline of April 13, 2007. CDR then sent the results to HSA on May 23, 2007. We confirmed with an HSA official that they had received the surveys and that they were complete and timely. However, to strengthen controls over the survey results reported by CDR, we believe that parent satisfaction surveys should be sent directly to HSA for initial review and recording. The surveys can then be forwarded to CDR for report preparation.

We reviewed the responses to the survey questions and found that answers were within a satisfaction rate in excess of 90% in the areas surveyed. Thus, CDR was found to be in compliance with the satisfaction survey requirements.

##### **Recommendation**

Parent satisfaction surveys should be sent directly to HSA for initial review and recording. Surveys can then be forwarded to CDR for report preparation.

## **G. COMPLIANCE REQUIREMENTS (continued)**

### **Objective**

Verify that CDR complied with record keeping, data reporting, and performance measurement requirements.

### **Methodology**

Verified that CDR delivered and installed seven SeePoint VantagePoint Kiosks at the JCCs and CDR Central offices and implemented the Centralized Eligibility List (CEL) Client Assess software by November 30, 2006.

### **Results**

**Finding No. 14 - CDR has installed and implemented four of the seven SeePoint VantagePoint Kiosks at the required JCC and CDR locations. Logistical problems at the remaining locations may prevent CDR from installing the last three Kiosks by the November 2007 deadline set in the revised implementation schedule.**

Per the contract, CDR was to deliver and install seven SeePoint VantagePoint Kiosks at the JCC locations and CDR Central offices and implement the Centralized Eligibility List (CEL) Client Access software by November 30, 2006.

Per a Stage One Child Care Services and Fiscal Compliance Monitoring Report dated April 2007, CDR was found to be in non-compliance with their contractual commitment to have all seven kiosks installed at the JCC and CDR locations by November 30, 2006. In the management response to the report, CDR provided a revised implementation schedule to the County. This schedule stated that CDR would install the first kiosk by the end of May 2007 and then one per month thereafter. Deployments of all the kiosks would be completed on or before November 2007.

We verified this performance requirement by visiting each location and observing whether the kiosk has been installed. We found that CDR had installed four of the seven required kiosks. As of the writing of this report, three kiosks remain to be installed. These locations are Ventura JCC, Santa Paula JCC and Oxnard JCC.

CDR management informed us that the three remaining JCC locations have logistical problems, which may prevent the installation of the remaining three kiosks by the revised deadline of November 2007. These logistical issues include the scheduled relocation of the Ventura JCC to a different site, the scheduled remodeling of the Santa Paula JCC and the inability to obtain DSL service at the Oxnard JCC. We confirmed these issues with an HSA official.

## **H. FOLLOW-UP ON CONCERNS**

### **Objective**

Verify that CDR took appropriate actions regarding child abuse/neglect reporting, fraud detection/referrals, and complaints against child care Providers.

### **Methodology**

Obtained and reviewed the log of complaints against licensed Providers and the log of complaints of license-exempt Providers. We selected a sample of seven cases to verify whether CDR took appropriate follow up action. Our sample included four parental complaints against licensed Providers, one fraud allegation, and two cases of Trustline investigation cancellations.

We verified whether CDR properly followed up and took action in these cases. In the case of fraud, we followed up to determine if CDR provided an opportunity for the Provider to properly respond to allegations.

### **Results**

**Finding No. 15 - Based on our review of a sample of complaints and subsequent CDR actions, we found that CDR has performed adequate follow up action to complaints against Providers.**

The Contract states that CDR shall maintain a log of complaints against licensed Providers reported by Participants. CDR shall refer Participants with complaints to the State's Community Care Licensing Division (CCL). This is a California State division that oversees and monitors Family Child Care Homes and Child Care Centers. CDR shall update its child care database to signify a "hold" status whenever Community Care Licensing provides information to CDR that a provider's license has been revoked, temporarily suspended, or that all placement should cease pending an investigation. CDR shall cease making referrals to any such Provider until such time as Community Care Licensing clears the Provider for continued placement. CDR shall also maintain a log of complaints against license-exempt Providers reported by Participants. CDR shall notify the license-exempt Provider of the receipt of the complaint and provide an opportunity for the Provider to respond in writing.

CDR's written policies and procedures state that CDR will actively pursue the recovery of funds paid out for child care services on a fraudulent basis. Any fraudulent, false or misleading information provided to CDR regarding employment, income, status as a student, enrollment in a training program, eligibility relating to medical incapacitation or any other eligibility or need factor will be grounds for termination and will be cause for CDR to recover funds. Fraud procedures include the documentation of the allegation, the scheduling and performance of a Clarification Interview, where the parent or

Provider will have an opportunity to respond to the allegation in writing, and the forwarding of the Child Care Fraud Investigation Referral form to HSA.

In FY 2006-07, there were eight parent complaints against licensed Providers and no parent complaints against licensed-exempt Providers. There were five fraud referrals submitted to HSA from CDR. We selected a sample of four parental complaints to verify whether CDR took appropriate follow up action. We also followed up on one fraud allegation, and two cases of Trustline investigation cancellations to verify appropriate follow up. Based on our review of a sample of complaints and subsequent CDR actions, we found that CDR has performed adequate follow up action to complaints against Providers.

## **I. TIMELY ACTION**

### **Objective**

Verify that CDR responded promptly to HSA's requests to terminate Participants or to move participants from Stage One to Stage Two Child Care, and issued Notices of Action (NOA) 10 days prior to the effective date of changes to the Participant's eligibility or child care arrangements.

### **Methodology**

We judgmentally selected a sample of Participant's files and examined the NOAs filed in within them. We determined whether CDR had processed the NOAs in a timely manner and issued all NOAs in compliance with the Contract stipulation that they are processed at least 10 calendar days before the effective date of the action.

### **Results**

**Finding No. 16** - CDR was found to have promptly responded to HSA's requests and submittal to terminate Participants or to move Participants from Stage One to Stage Two Child Care. CDR issued NOAs in a timely manner upon receiving directives from HSA. However, HSA and CDR were not compliant with the contract requirement to process NOAs at least 10 calendar days before the effective date of action.

The Contract states that CDR shall issue NOAs to Participants when instructed by the County to do so or when changes affect the Participant's child care services, such as when changes are made to the service agreement with the Participant. Such changes may include, but are not limited to, denial of Trustline Registration by the Department of Justice for the license-exempt child care Provider selected by the Participant, and increase or decrease in the amount of family fees, an increase or decrease in the amount of services, or termination of services. The Contract also states that CDR shall issue NOAs to Participants on behalf of the County at least 10 calendar days prior to the effective date of eligibility changes affecting their child care support services.

We sampled a total of 31 Participant files and examined the NOAs that were filed. We selected our sample from all six JCC locations. We found that CDR processed the NOA's in a timely manner from the time of receiving instructions from HSA. However, we found that in 26 of the 31 Participant files examined, there were one or more NOAs that did not meet the requirement of being processed 10 calendar days before the effective date of the action. We also found examples of NOAs that processed adverse actions retroactively. CDR and HSA officials acknowledged that these NOAs were not processed 10 days before the effective date because of late reporting of changes by the Participants.

In discussions with CDR and HSA officials, we were informed that they had become aware that they were out of compliance in this area and had changed their policies to prohibit the issuance of adverse action NOAs retroactively. However, the Contract states that all NOAs must be issued 10 days prior to the effective date of action. The Contract does not differentiate between positive, neutral or adverse actions. CDR and HSA officials stated that the realities and constraints of the program necessitated the need to differentiate between the types of actions and their notice requirements and that this necessity was supported by CalWORKs program regulations.

Our research of CalWORKs program regulations showed an allowance for the differences between the timely notice of an adverse action and the adequate notice of other types of actions. Thus, we concur that the CalWORKs regulations allow for the flexibility to differentiate between types of actions and their notice requirements. Therefore, in order for the program to remain in compliance with the Contract, we believe that the Contract clause requiring all NOAs be issued 10 days prior to the effective date be amended to allow for more flexibility in the issuance of positive and neutral action NOAs.

### **Recommendation**

The Contract clause requiring all NOAs be issued 10 days prior to the effective date should be amended to allow for more flexibility in the issuance of positive and neutral action NOAs.



## CHAPTER 2: REVIEW OF FISCAL PROVISIONS

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The Contract between the County of Ventura's Human Services Agency (HSA) and CDR details the fiscal provisions and requirements that CDR must comply with. Our overall fiscal provision review audit objective was to determine whether CDR's expenditure claims submitted to the County were reasonable, allowable, adequately supported, and complied with FY 2006-07 contract provisions. Below are the results of our review of CDR compliance with contract fiscal provisions.

### A. CONTRACT PAYMENTS

#### Objective

Verify that the maximum amount of the contract was not exceeded, and that CDR did not request payment in advance of service delivery.

#### Methodology

1. Obtained all monthly Child Care Expenditure Claims submitted to HSA and a revenue ledger received under the FY 2006-07 contract.
2. Prepared a billing summary from the monthly Child Care Expenditure Claims forms submitted.
3. Verified that the total amount billed and paid did not exceed the maximum approved budget.

#### Results

**Finding No. 17 - The maximum dollar amount of the Contract was not exceeded, and CDR did not request payment in advance of service delivery.**

According to the Contract, the County was to reimburse CDR, up to the maximum amount of \$10,000,000 for actual costs that are reasonable and necessary to the performance of the agreement. As of October 17, 2007, 15 Expenditure Claims were submitted to the County. The final Expenditure Claim had been submitted. Per the final Expenditure Claim, CDR had invoiced the County \$9,674,590. Thus, the maximum amount of the contract was not exceeded. In addition, we verified that each Expenditure Claim was supported with the General Ledger, which indicates that CDR did not request nor receive payment in advance of service delivery. (Note: Refer to Part C for procedures performed to verify support for reimbursement claims.)

## **B. SEPARATE FUND**

### **Objective**

To verify that CDR maintained a separate fund for receipt of all reimbursed Stage One Child Care funds.

### **Methodology**

1. Obtained and reviewed CDR's chart of accounts to verify whether CDR has established and maintained a separate Stage One Child Care Development Fund.
2. Obtained and reviewed the general ledger of the Child Care Development Fund to verify whether CDR recorded the receipt of all reimbursed Stage One Child Care funds.

### **Results**

**Finding No. 18 - CDR maintained a separate fund for receipt of all reimbursed Stage One Child Care funds.**

The Contract requires CDR to establish and maintain a separate fund for receipt of Stage One Child Care Funds. Based on our review of CDR's Accounting Policy and Procedures we learned that CDR uses an 18-digit account numbering system where the first three digits represent the fund number. The fund number assigned for Stage One Child Care for FY2006-2007 was 71. We verified that CDR actually used the 18-digit account numbering system by reviewing the chart of accounts and performing detailed testing of General Ledger accounts posted to fund 71. Based on the procedures performed, we verified that CDR maintains a separate fund for receipt of all reimbursed Stage One Child Care funds as required by the Contract.

## **C. REIMBURSEMENT CLAIM SUPPORT**

### **Objective**

To determine whether CDR maintained documented support for costs claimed for reimbursement by the County (e.g., staff time studies, participant attendance data, etc.), and that costs were reasonable and allowable under CalWORKs regulations. Exhibit A, Section V (D), (F), (I), (J); Exhibit B.

### **Methodology**

1. Judgmentally selected a sample of transactions from the record of expenditures, general ledger or cash disbursements journal, and determined if the expenditures:

- a. Are program related and reasonable.
  - b. Incurred within the contract period.
  - c. Are adequately supported with documentation such as canceled checks and invoices.
  - d. Are properly approved.
  - e. Recorded amounts are accurate.
  - f. Are supported by bids for large purchases.
2. For the payroll transactions, we:
- a. Traced total payroll charges from the general ledger to the payroll register for the selected periods.
  - b. Judgmentally selected a sample of employees for the selected periods.
  - c. Verified if timesheets are properly approved by a supervisor and signed by employee.
  - d. Verified if timesheets are properly allocated to program or funding source.
  - e. Verified if number of hours worked agreed to payroll register.
  - f. Verified if hours worked are properly allocated to programs and cost categories.
  - g. Determined if allocation to cost categories per time sheets/activity sheets agrees to invoice/Expenditure Claim Report.
  - h. Determined the breakdown of actual fringe benefits and verified to supporting documentation.

## **Results**

### **Finding No. 19 - CDR was found to be in compliance with maintaining adequate supporting documentation for costs claimed for reimbursement.**

The Contract requires CDR to maintain and submit all documents required to support claims and invoices for payment. Based on the procedures we performed, we verified that CDR attached the General Ledger to each Expenditure Claim. We also verified that each invoice was reviewed, properly approved, properly coded and recorded and costs were reasonable and allowable under CalWorks regulations, OMB Circular A-122 and Exhibit A, Section V (D), (F), (I), (J); Exhibit B of the Contract. We also randomly selected a sample of fifty (50) timesheets for testing as described above.

In our testing of one invoice totaling \$8,000, we noted a 0.18% error in the allocation rate, resulting in an under allocation of \$14.40 to the Stage One Child Care program. We found this amount to be immaterial. This error appeared to be due to a human error, which according to CDR management would have been detected during their quarterly review of the allocation rates. Except for the human error mentioned above, CDR was found to be in compliance with maintaining supporting documentation of costs claimed.

## **D. COST CATEGORIES**

### **Objective**

To determine whether program expenditures were charged to proper categories and met category cost restrictions (i.e., Administrative and Non-Administrative costs did not exceed specified percentages of net reimbursable program costs).

### **Methodology**

1. Determined that the cost categories met the following cost restrictions:
  - Administrative Costs – Not to exceed (15%) of the actual net reimbursable program costs, unless prior written approval is received from HSA. These costs include those line items specified in the budget under cost category I, Administration, which support administrative functions; and allowable indirect costs.
  - Non-Administrative Costs – These costs include those line items specified in the budget under cost category II, Program, which support direct program costs and functions.
  - Direct Payments – Costs to Providers represent no less than (75%) of the net reimbursable program costs. These costs include those line items specified in the budget under cost category III, Direct Child Care Payments.

### **Results**

**Finding No. 20 - CDR program expenditures were charged to proper categories and met category cost restrictions.**

According to the Contract, administrative and non-administrative costs must not exceed 25% of the actual net reimbursable program costs, and Administrative Costs must not exceed 15% of the actual net reimbursable program costs. In addition, CDR's direct payments to Providers must not to be less than 75% of the net reimbursable program costs. Based on our procedures performed in the previous Part C and our analysis of the billing summary under Part A, we verified that program expenditures were charged to proper categories. In addition, we verified that the total Administrative and Non-Administrative Cost was 23.68%, Administrative Cost was 10.75% and Direct Payments to Providers was 76.32% of the actual net reimbursable program costs. Thus, CDR met category cost restrictions.

## **E. BUDGET DEVIATIONS**

### **Objective**

To verify that Budget Cost Categories were not exceeded without prior written approval from the County.

## **Methodology**

Prepared a cost summary by cost line item to determine that the expenditures incurred for each cost line item have not exceeded the budget cost line items without prior written approval from HSA.

## **Results**

**Finding No. 21 - CDR was found to be in compliance with General Contract Conditions regarding budget line item requirements.**

According to the General Contract Conditions of the Contract, any change to Contract Budget line items in excess of 20% or \$5,000, whichever is less, is not permitted without modification of the Contract. Based on our analysis, we verified that Budget line items were not exceeded; thus, no prior written approval was required. Therefore, CDR was found to be in compliance with the budget line item requirement.

## **F. COST ALLOCATION**

### **Objective**

To determine whether CDR's Cost Allocation Plan was reasonable, supported with documented rationale and assumptions, and federally approved, if necessary.

### **Methodology**

1. Obtained a copy of the federally approved CDR Cost Allocation Plan (CAP) for the indirect cost charged to the program.
2. Performed a review of the indirect cost pool for any non-reimbursable costs as stated in the contract Section V(J) and in accordance with OMB Circular A-122.
3. Selected a sample of indirect costs allocated to HSA and verified allowability and adequate supporting documentation.

### **Results**

**Finding No. 22 - CDR's Cost Allocation Plans were adequately supported, and rationales and assumptions used were reasonable.**

The Contract states that "If Contractor [CDR] uses an Indirect Rate, Contractor must maintain a Cost Allocation Plan and make such plan available for review by County on request." In addition, the Indirect Cost Rate must not include any non-reimbursable costs. Based on our discussion with CDR management we learned that CDR's Indirect Cost Allocation Rate was reviewed and approved by the Department of Health and Human Services (DHHS) of the Federal Government. According to the agreement with

DHHS, "the indirect cost rate was approved in accordance with Office of Management and Budget (OMB) Circular A-122, and should be applied to grants, contracts and other agreements covered by this Circular." We obtained and reviewed the DHHS approved cost allocation plan. Based on our review, we determined that CDR's cost allocation plans are adequately supported, and that rationales and assumptions used were reasonable.

## **G. TIMELINESS OF CLAIM SUBMITTAL**

### **Objective**

To verify that reimbursement claims were submitted in a timely manner and in accordance with the proper basis of accounting for such claims.

### **Methodology**

1. Obtained a copy of the summary of payments report from CDR, which lists the claim delivery dates for all 14 claims.
2. Selected four (4) monthly Child Care Expenditure Claims submitted to HSA and verified that the claimed delivery date on the summary report is correct.
3. Determined that CDR submitted the claim forms six (6) full working days prior to the twenty-fifth (25<sup>th</sup>) day of the month with the final claim form due no later than October 20, 2007.

### **Results**

**Finding No. 23 - CDR's reimbursement claims were submitted in a timely manner and in accordance with the proper basis of accounting for such claims.**

According to the Contract, CDR is required to submit Child Care Expenditure Claims to the County Human Service Agency - Fiscal Division on a monthly basis, six (6) full working days prior to the twenty-fifth (25<sup>th</sup>) day of the month, and the final claim for the current contract cost is due no later than October 20, 2007. Based on our review of selected samples, we verified that CDR submitted the claim forms on or a day before the due dates. The final claim form was also submitted on time.

## **H. REVENUE SOURCES**

### **Objective**

To verify that CDR did not claim reimbursement from the County for any amounts which have been paid by another source of revenue.

## **Methodology**

1. Conducted an interview with CDR management to obtain an understanding of its invoice processing controls, with emphasis on controls over allocating costs to various funding sources.
2. Selected a sample of vendor payments from the general ledger and a sample of payroll payments from the payroll register.
3. Obtained vendor payment package and timesheet for the selected sample.
4. Verified for proper coding of accounts and/or programs.

## **Results**

**Finding No. 24 - CDR did not claim reimbursement from the County for any amounts that have been paid by another source of revenue.**

The Contract states that “[CDR] shall not claim reimbursement from County, or apply sums received from County, with respect to that portion of its obligations, which have been paid by another source of revenue.” Based on discussions with CDR management and results from our detail testing of transactions from Part C, we verified that all invoices were reviewed, authorized by appropriate personnel and were properly coded according to the 18-digit account numbering system mentioned in Part B, which prevents CDR from claiming reimbursement from the County for expenses paid by another source of revenue. Thus, CDR has a proper internal control system in place to prevent claiming reimbursement from the County for any amounts which have been paid by another source of revenue.

### **I. STAGE ONE REIMBURSEMENT**

#### **Objective**

To verify that Stage One Child Care was reimbursed with Stage Two or Three Child Care funds when participants remained in Stage One beyond the time limit.

#### **Methodology**

1. Requested a list of Participants who remained in Stage One beyond the time limit.
2. Conducted interviews with CDR Management and HSA officials to obtain an understanding of the policies and procedures regarding Participants that remained in Stage One beyond the time limit.



## **Results**

### **Finding No. 25 – The transition of Stage One Child Care program Participants to Stage Two Child Care was adequately coordinated and managed.**

Stage One Child Care Participants have a time limit of 60 months, which is tracked by HSA. When a Participant's 60 months is met, HSA is responsible for informing CDR to transition the Participant to Stage Two Child Care. However, Participants could remain in Stage One Child Care beyond the 60-month time limit only for the length of time it takes HSA and CDR to transfer the case to Stage Two Child Care. During this transition period, Stage One Child Care regulations allow for the reimbursement of child care services from Stage One Child Care funds.

Based on our discussions with CDR management and HSA officials, Participants could remain in Stage One beyond their 60-month time limit for the length of time it takes HSA and CDR to transfer the case to Stage Two Child Care. Because of logistical problems, there have been rare cases where the transfer of a Participant has taken more than two months to complete. In these cases, the Participant receives Stage One Child Care services until the transfer is completed.

**Child Development Resources of Ventura County, Inc.**

**Management Response**



# Child Development Resources

of Ventura County, Inc.

February 28, 2008

VIA ELECTRONIC AND OVERNIGHT MAIL

Mr. Michael deCastro, Principal  
**Thompson, Cobb, Bazilio & Associates, PC**  
21250 Hawthorne Boulevard, Suite 500  
Torrance, CA 90503

Re: Formal Response to Stage One CalWORKs Child Care Services Audit Report

Dear Mr. deCastro:

Enclosed please find the response to the draft report from Thompson, Cobb, Bazilio & Associates for the Stage One California Work Opportunities and Responsibilities to Kids (CalWORKs) Child Care Services program administered by the County of Ventura and subcontracted to Child Development Resources of Ventura County, Inc. (CDR).

We would like to thank you for the opportunity to respond and assure you that the results of the report will serve to make our operations even more efficient and effective.

Should you have any questions, please contact me at (805) 485-7878, extension 558.

Sincerely,



Don Henniger  
Executive Director

Enclosure

**Child Development Resources of Ventura County, Inc. (CDR)**  
**Formal Response – Stage One CalWORKs Child Care Services Audit**

The following response focuses on the findings of the full report from TCBA, not the abbreviated Executive Summary. Note however that CDR agrees with the opening statement of the Executive Summary on the intent of the program; the funding source; the County's role in determining client eligibility; the ten year operation of the program by CDR; the 1,256 monthly average of children served; the management of the 1,093 active providers; that this program results in no net costs to the county; and that CDR is in substantial compliance with the fiscal and compliance provisions of the contract.

Further, CDR agrees with TCBA's statement that "... we do not state in the report that we in any way are projecting the results to the total universe of timesheets. Thus, any projection of our results by any party will be erroneous."\*

\*email from "Michael DeCastro" <mdecastro@tcbacal.com> 1/30/2008 11:47 AM

**Chapter 1: Service Provisions Findings**

**Finding No. 1 - CDR was found to have provided the staffing requirement of nine full time equivalent (FTE) Child Care Outreach Specialists (CCOSs) servicing six Ventura County Job and Career Centers (JCCs).**

**RESPONSE:** CDR concurs with the positive finding.

**Finding No. 2 – CCOS job qualification standards required by the Contract have been met.**

**RESPONSE:** CDR concurs with the positive finding.

**Finding No. 3 - CDR properly managed the screening and maintenance of child care Providers, including verifying qualifications, meeting face-to-face with prospective child care Providers, conducting regular site visits, and maintaining files for each individual Provider.**

**RESPONSE:** CDR concurs with the positive finding.

**Finding No. 4 – CDR review and oversight over the completion of timesheets and the input of Stage One Child Care Provider timesheet data into the KinderTrack payment system needs improvement.**

**RESPONSE:** CDR concurs with the Audit finding that in the cases of payment inaccuracies, eight of the 20 timesheets examined showed errors that were input during the timesheet processing and were not detected in the internal review process. These errors resulted in six overpayments and two underpayments.

**CLARIFICATION:** It should be noted that the KinderTrack (KT) database system does have built-in “red flags” that signal if a payment error is about to occur. Relative to this specific finding, State regulations allows for payments made to licensed providers for children on a set schedule even if the child does not attend all hours in a given period.

In reference to the examples reviewed, if a child is enrolled for six hours but only attends three hours on a particular day, the licensed provider would be entitled for reimbursement for the entire six hours and the KT database system is set-up to recognize this type of payment.

On the timesheet sample, TCBA pulled 156 random timesheets processed by eight vendor payment specialists. These timesheets were forwarded to TCBA's client, Christine Cohen, Ventura County Auditor Controller, who selected or caused to be selected, the 20 timesheet sample tested by TCBA from the original 156 timesheets sample. Of the 20 timesheets sample, 16 were found to have errors. Of those 16 timesheets with errors, 10 timesheets were processed by one payment specialist, who has since resigned from employment with CDR. An additional five timesheets with errors were processed by a second payment specialist, and the remaining timesheet with an error was by a third payment specialist, who has since been terminated from employment with CDR. Therefore, these results are not universal to the timesheets processed by all payment specialist and the results do not establish an error rate for the agency.

CDR is not in agreement with the statement that “CDR has since implemented new procedures for the management and oversight of incomplete and erroneous timesheets.” CDR has consistently maintained practices and procedures in the oversight of auditing timesheets to ensure data entry errors are minimized and payments are paid correctly in the KT database system.

**CORRECTIVE ACTION:** As of February 2008, CDR has strengthened our Provider Services internal audit process by increasing the number of timesheets audited from twenty-five to fifty timesheets per payment specialist. Therefore, at minimum four-hundred timesheets will be reviewed per month (8 Payment Specialist x 50 timesheets each). In addition, half or twenty-five of the fifty timesheets per payment specialist will include Stage 1 CalWORKs timesheets randomly audited each month.

Further, as of February 2008, CDR has updated its' audit document form to include specific items to review to ensure timesheets are correct and in compliance with the applicable State rules and regulations.

Beginning in March 2008, the results of the Provider Services Internal Audit documents will be compiled and analyzed by Provider Services management staff to ensure sufficient follow-up is completed and/or staff training needs are met to ensure procedure errors and/or dollar errors are minimized and/or eliminated.

**Finding No. 5 – Improvements in the Reconciliation of Stage One Child Care Provider Timesheets to Payments is needed.**

**RESPONSE:** CDR concurs with the finding.

**CORRECTIVE ACTION:** As of February 2008, CDR developed a revised procedure to ensure consistency for each provider payment and payment adjustment. This revised procedure will ensure that anyone reviewing a provider timesheet can easily identify what action was taken.

These revised timesheet documentation procedures for payments and payment adjustments will be updated in the Provider Services section of CDRs' Resource & Referral Department Procedural Manual.

Lastly, on January 20, 2008, all payment specialists received extensive group training from the Provider Services Supervisor regarding the documentation requirements for payment reconciliation. The Provider Services Supervisor will continue to monitor payment specialist reconciliation practices on an ongoing basis.

**Finding No. 6 – The Stage One Child Care program contract clause regarding Participant ineligibility overpayment procedures and responsibilities are not accurately stipulated in the Contract and should be amended.**

**RESPONSE:** CDR concurs with the finding.

**CORRECTIVE ACTION:** The Contract needs to be amended by HSA with concurrence by CDR. CDR recommends that the Contract distinguish between overpayments discovered by CDR versus overpayments discovered by the Human Services Agency (HSA) and that CDR staff only be required to track the amount of overpayment activity due to Participant ineligibility that are discovered by CDR.

**Finding No. 7 – Internal system controls over the KinderTrack (KT) system to prevent child care Providers from receiving rates that exceed the Regional Market Rate (RMR) and from receiving payment for more hours of child care than approved by HSA were found to be adequate. However, controls over KT access rights could be improved.**

**RESPONSE:** CDR concurs that internal system controls to prevent payment of rates that exceed the RMR are adequate. CDR concurs that the controls over KT access rights could be improved.

**CLARIFICATION:** CDR does currently have a security policy in place however it lacks clearly defined roles, security access controls and responsibilities.

**CORRECTIVE ACTION:** In December 2007 CDR developed a KT Security Access Protocol, which clearly defines roles, responsibilities and how the security access

process is implemented. The updated protocol requires review of security access every six months, rather than annually.

**Finding No. 8 – Cost allocation plans were found to be reasonable and commensurate with child care services provided to HSA.**

**RESPONSE:** CDR concurs with the positive finding

**Finding No. 9 - CDR was found to be in compliance with Participant recordkeeping requirements.**

**RESPONSE:** CDR concurs with the positive finding.

**Finding No. 10 - CDR was found to be in compliance with reporting requirements outlined in the Contract.**

**RESPONSE:** CDR concurs with the positive finding.

**Finding No. 11 - CDR was found to have met the Contract performance requirement to serve an average of 1,215 eligible children per month.**

**RESPONSE:** CDR concurs with the positive finding that CDR was in compliance. While we are in agreement with the finding, CDR recommends that this requirement be eliminated as a performance measure in the Contract because CDR cannot control the number of referrals that it receives from HSA for child care services. Therefore, this is not a valid performance measurement.

**Finding No. 12 - CDR was found to be in compliance with Contract requirements regarding child care Provider stipulations.**

**RESPONSE:** CDR concurs with the positive finding.

**Finding No. 13 - CDR was found to be in compliance with the Contract requirement to complete an annual Stage One parent satisfaction survey.**

**RESPONSE:** CDR concurs with the positive finding.

CDR will continue to work with the HSA CalWORKs Coordinator to ensure that the parents are told to return the satisfaction survey form to HSA after completion.

**Finding No. 14 - CDR has installed and implemented four of the seven See Point VantagePoint Kiosks at the required JCC and CDR locations. Logistical problems at the remaining locations may prevent CDR from installing the last three Kiosks by the November 2007 deadline set in the revised implementation schedule.**

**RESPONSE:** CDR concurs with the Audit finding that installation of all seven See Point VantagePoint Kiosks at the required JCC location has logistical problems preventing implementation by November 2007.

**CLARIFICATION:** CDR notes that the construction was completed at the Ventura site and the Kiosk was installed February 11, 2008. We are currently waiting for construction to be completed at the HSA Santa Paula site and necessary Internet access is unavailable at the HSA Oxnard facility.

**CORRECTIVE ACTION:** CDR will have Kiosks ready for installation.

**Finding No. 15** - Based on our review of a sample of complaints and subsequent CDR actions, we found that CDR has performed adequate follow up action to complaints against Providers.

**RESPONSE:** CDR concurs with the positive finding

**Finding No. 16** - CDR was found to have promptly responded to HSA's requests and submittal to terminate Participants or to move Participants from Stage One to Stage Two Child Care. CDR issued NOAs in a timely manner upon receiving directives from HSA. However, HSA and CDR were not compliant with the contract requirement to process NOAs at least 10 calendar days before the effective date of action.

**RESPONSE:** CDR concurs with the finding.

**CLARIFICATION:** While CDR concurs with this finding, it should be noted that corrective action had already begun to take place regarding the timely issuance of NOAs and the non-issuance of retroactive adverse actions.

**CORRECTIVE ACTION:** CDR will issue NOAs at least 10 calendar days before the effective date of adverse actions. The Contract needs to be amended, as suggested from the Auditors, to allow for more flexibility in the issuance of positive and neutral action NOAs.

## Chapter 2: Fiscal Provisions Findings

CDR is pleased to agree with all of the findings of the Fiscal review and notes that in this fund transfer program all fiscal contract provisions have been met.

**Finding No. 17** - The maximum dollar amount of the Contract was not exceeded, and CDR did not request payment in advance of service delivery.

**RESPONSE:** CDR concurs with the positive finding.



**Finding No. 18 - CDR maintained a separate fund for receipt of all reimbursed Stage One Child Care funds.**

**RESPONSE:** CDR concurs with the positive finding.

**Finding No. 19 - CDR was found to be in compliance with maintaining adequate supporting documentation for costs claimed for reimbursement.**

**RESPONSE:** CDR concurs with the positive finding.

**Finding No. 20 - CDR program expenditures were charged to proper categories and met category cost restrictions.**

**RESPONSE:** CDR concurs with the positive finding.

**Finding No. 21 - CDR was found to be in compliance with General Contract Conditions regarding budget line item requirements.**

**RESPONSE:** CDR concurs with the positive finding.

**Finding No. 22 - CDR's Cost Allocation Plans were adequately supported, and rationales and assumptions used were reasonable.**

**RESPONSE:** CDR concurs with the positive finding.

**Finding No. 23 - CDR's reimbursement claims were submitted in a timely manner and in accordance with the proper basis of accounting for such claims.**

**RESPONSE:** CDR concurs with the positive finding.

**Finding No. 24 - CDR did not claim reimbursement from the County for any amounts that have been paid by another source of revenue.**

**RESPONSE:** CDR concurs with the positive finding.

**Finding No. 25 – The transition of Stage One Child Care program Participants to Stage Two Child Care was adequately coordinated and managed.**

**RESPONSE:** CDR concurs with the positive finding.

**Ventura County Human Services Agency**  
**Management Response**

**VENTURA COUNTY  
HUMAN SERVICES AGENCY**

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**M E M O R A N D U M**

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**DATE:** April 3, 2008  
**TO:** Barbara Beatty, Auditor-Controller; David Stoll, CEO Budget Analyst  
**FROM:** Philip Molina, HSA CFO  
**RE:** Corrective action by HSA on CDR audit issues.

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This memo transmits the corrective actions taken by the Human Services Agency in regards to the Child Development Resources, Inc. contract with HSA as recommended by the recent audit report commissioned by your office. We are modifying the contract language to address each of the three issues. The modification is scheduled to be presented to the Board of Supervisors for approval on April 22, 2008.

The responses to each issue are as follows:

**Response #1:** "CONTRACTOR shall maintain monthly records within its KT data base of all adjustments for each provider caused overpayment. Record reports must be in the form of a line item listing including: provider name, overpayment amount, month(s) of overpayment, actual adjustments, and amounts outstanding. CONTRACTOR shall submit to COUNTY a summary report of such reports by the twentieth (20<sup>th</sup>) calendar day following the end of the report month."

Any overpayments due to agency error will be deducted from outstanding provider payments and tracked through its accounting records. CONTRACTOR will make adjustments on future provider payments as needed."

CONTRACTOR will forward a referral of any suspected fraud to COUNTY and maintain a record of all referrals sent. All referrals deemed as fraud by the COUNTY will be tracked by the COUNTY. CONTRACTOR will assist COUNTY with any suspected fraud investigations including providing copies of records and completing payment calculations. CONTRACTOR will not maintain any fraud debt on its accounting records.

CONTRACTOR shall assist COUNTY with Participant caused overpayments. Such assistance shall include CONTRACTOR providing COUNTY copies of ten randomly selected attendance sheet copies from the prior month's claims by the 20<sup>th</sup> of each month for comparison by COUNTY with Participant activity reporting. CONTRACTOR shall also assist COUNTY with overpayment

**VENTURA COUNTY  
HUMAN SERVICES AGENCY**

computation resulting from review of the randomly chosen attendance sheets, and any other COUNTY discovered Participant overpayments.

**Response #2:** "Coordinate with CONTRACTOR in the development of reports, satisfaction surveys, and other information as necessary to evaluate CONTRACTOR's performance under this contract. After the satisfaction surveys have been received, reviewed and recorded by HSA, forward to CONTRACTOR for report preparation."

**Response #3:** "CONTRACTOR shall issue timely notice NOAs to Participants on behalf of COUNTY in accordance with CDSS statute, Eligibility and Assistance Standards Manual (EAS) ss. 22-072 .4 relating to negative actions, and shall issue adequate notice NOAs to Participants in accordance with EAS ss. 22-001 (a) (1) relating to neutral and positive actions.

Please contact me at 477-5401 if you have any questions.