



North Carolina Department of Health and Human Services

Pat McCrory
Governor

Aldona Z. Wos, M.D.
Ambassador (Ret.)
Secretary DHHS

Adam Sholar
Legislative Counsel
Director of Government Affairs

May 1, 2014

SENT VIA ELECTRONIC MAIL

The Honorable Ralph Hise, Co-Chair
Joint Legislative Oversight Committee on
Health and Human Services
Room 1026, Legislative Building
Raleigh, NC 27603

The Honorable Justin Burr, Co-Chair
Joint Legislative Oversight Committee on
Health and Human Services
Room 307A, Legislative Office Building
Raleigh, NC 27603-5925

The Honorable Mark Hollo, Co-Chair
Joint Legislative Oversight Committee on
Health and Human Services
Room 639, Legislative Office Building
Raleigh, NC 27603-5925

Dear Senator Hise and Representatives Burr and Hollo:

Pursuant to Section 12B.7 of Session Law 2013-360, the Department of Health and Human Services, Division of Child Development and Early Education (DCDEE), is pleased to submit the attached report on the utilization of the administrative allowance for county departments of social services/use of child care subsidy funds for fraud detection to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. This is a progress report. A follow-up report on the use of those funds will be submitted by January 1, 2015.

This report shows that a total of \$249,633 was requested to be set aside from direct service child care allocations by seven (7) counties. Those counties have up to this point submitted one of three required quarterly reports on the use of these funds and \$19,895 has been reported spent. At least two (2) counties report identifying fraudulent eligibility/usage of child care funds, and one (1) county has requested to revert a portion of its fraud detection set aside back to direct service funding in order to fully expend the funds.

Please direct all questions concerning this report to Rob Kindsvatter, Director of the Division of Child Development and Early Education, at 919-527-6530 or Rob.Kindsvatter@dhhs.nc.gov

www.ncdhhs.gov

Tel 919-855-4800 • Fax 919-715-4645

Location: Adams Building/Dix Campus • 101 Blair Drive • Raleigh, NC 27603

Mailing Address: 2001 Mail Service Center • Raleigh, NC 27699-2001

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Sincerely,



Adam Sholar

Cc: Sarah Riser
Kristi Huff
Susan Jacobs
Joyce Jones
Rod Davis
Sherry Bradsher
reports@ncleg.net

Pat Porter
Brandon Greife
Theresa Matula
Pam Kilpatrick
Rob Kindsvatter
Deborah Landry



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SENT VIA ELECTRONIC MAIL

Mr. Mark Trogdon, Director
Fiscal Research Division
North Carolina General Assembly
Room 619, Legislative Office Building
Raleigh, NC 27603-5925


Dear Director Trogdon:

Pursuant to Section 12B.7 of Session Law 2013-360, the Department of Health and Human Services, Division of Child Development and Early Education (DCDEE), is pleased to submit the attached report on the utilization of the administrative allowance for county departments of social services/use of child care subsidy funds for fraud detection to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. This is a progress report. A follow-up report on the use of those funds will be submitted by January 1, 2015.

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Use of Child Care Subsidy Funds for Fraud Detection

Session Law 2013-360, Section 12B.7. provides:

ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES/USE OF SUBSIDY FUNDS FOR FRAUD DETECTION

SECTION 12B.7.(a) The Department of Health and Human Services, Division of Child Development and Early Education, shall fund the allowance that county departments of social services may use for administrative costs at four percent (4%) of the county's total child care subsidy funds allocated in the Child Care Development Fund Block Grant plan or eighty thousand dollars (\$80,000), whichever is greater.

SECTION 12B.7.(b) Each county department of social services may use up to two percent (2%) of child care subsidy funds allocated to the county for fraud detection and investigation initiatives.

SECTION 12B.7.(c) The Department of Health and Human Services, Division of Child Development and Early Education, shall submit a progress report on the use of child care subsidy funds under subsection (b) of this section to the Joint Legislative Committee on Health and Human Services and the Fiscal Research Division no later than May 1, 2014, and submit a follow-up report on the use of those funds no later than January 1, 2015.

Following statewide allocation of child care subsidy funds, seven (7) counties chose to allocate a portion of their overall funding away from direct services and set aside those funds for fraud detection and investigation initiatives. In December 2013, a fund code was established to track funds designated for fraud detection expenses within the DSS subsidy accounting system. As of March 2014, counties are continuing to expend funds. In some situations, counties have determined that they will not be able to utilize the entire fraud detection set aside and have proposed redirecting these funds back to direct services.

The following are the counties that chose to set aside funds and the amounts which were designated and expended for fraud detection and investigation purposes:

County	Amount	Expenditures as of March 2014	Proposing to Revert to Direct Services (Y/N)
Ashe	\$ 8,000	\$ -	
Cabarrus	\$ 98,073	\$ -	
Gaston	\$ 2,000	\$ 327	
Northampton	\$ 20,361	\$ -	
Wake	\$ 36,962	\$ 5,921	
Wilkes	\$ 8,000	\$ 76	Yes
Wilson	\$ 76,237	\$ 13,571	
Total	\$249,633	\$ 19,895	

Fraud detection and investigation initiatives have involved local departments of social services staff time and cost. These activities have included efforts such as investigations of potentially false claims of employment as well as assuring verification of established need for care and hours of care provided.

As a result of these efforts, fraudulent claims and expenditures have been detected in at least two counties (Cabarrus and Gaston). These amounts are being verified, and these costs are in the process of being recovered.

The Division of Child Development and Early Education has received one required quarterly report from counties and will continue to receive reports through the end of the 2013-14 state fiscal year. A follow-up

report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division with more complete information regarding total year expenditures will be submitted no later than January 1, 2015.