

ATTACHMENT D  
STATE OF COLORADO



Colorado Department of Human Services  
*people who help people*

1575 Sherman Street  
Denver, Colorado 80203-1714  
Phone 303-866-5700  
[www.cdhs.state.co.us](http://www.cdhs.state.co.us)



Bill Ritter, Jr.  
Governor

Karen L. Beye  
Executive Director

February 24, 2009

Representative Dianne Primavera, Chair  
Legislative Audit Committee  
200 East 14<sup>th</sup> Avenue  
Denver CO 80203-2211

Dear Representative Primavera:

This letter is written to provide an update to Recommendations 19 and 20 found in the Colorado Child Care Assistance Program Performance Audit dated November 2008. The Department committed to assessing the impact of the state auditors recommendations regarding the TANF transfer to the Child Care Development Fund, and the impact this would have on county reserves in relation to the implementation of SB 09-177. The Department also committed to work with the counties in regard to the Maintenance of Effort to develop a process to ensure equitable county contribution.

The Executive Director has asked the Policy Advisory Committee (PAC) to make recommendations to her no later than May 2009 in regard to the issues stated above. The purpose of the PAC is to address policy issues brought before it through collaboration, cooperation and effective communication on a statewide basis to improve the process of delivery of services for children, families, and adults across the state of Colorado. The PAC consists of six directors representing geographical regions identified as Northwest, Southwest, San Luis Valley, Southeast, Northeast and Metro Area plus the Colorado Social Services Director Association President and the Executive Management Team of the Department.

The Department will provide a final update to the Audit Committee in June 2009 in regard to Recommendations 19 and 20. If the committee would like further information, please contact Jenise May, Deputy Executive Director, at 303-866-2773.

Respectfully,

A handwritten signature in black ink that reads 'Karen L. Beye'.

Karen L. Beye  
Executive Director

## STATE OF COLORADO



Colorado Department of Human Services

*people who help people*

CHILDREN, YOUTH AND FAMILIES  
George J. Kennedy, Deputy Executive Director

1575 Sherman Street  
Denver, Colorado 80203-1714  
Phone 303-866-4426  
FAX 303-866-4214  
[www.cdhs.state.co.us](http://www.cdhs.state.co.us)



Bill Ritter, Jr.  
Governor

Karen L. Beye  
Executive Director

June 22, 2009

Representative Dianne Primavera, Chair  
Legislative Audit Committee  
200 East 14<sup>th</sup> Avenue  
Denver CO 80203-2211

Dear Representative Primavera:

This letter is written to provide an update to Recommendations 19 and 20 found in the Colorado Child Care Assistance Program Performance Audit dated November 2008. The Department of Human Services (Department) committed to assessing the impact of the state auditors recommendations regarding the TANF transfer to the Child Care Development Fund, and the impact this would have on county reserves in relation to the implementation of SB09-177. The Department also committed to work with the counties in regard to the Maintenance of Effort (MOE) to develop a process to ensure equitable county contribution.

The issues were referred to the Policy Advisory Committee (PAC) for recommendation to the Executive Director. The purpose of the PAC is to address policy issues brought before it through collaboration, cooperation and effective communication on a statewide basis to improve the process of delivery of services for children, families and adults across the state of Colorado.

The recommendations that came from the PAC were as follows:

Recommendation # 19 – This recommendation was referred to the Self-Sufficiency and Finance Sub-PACs for consideration. A task group, consisting of County Directors and/or their delegates from geographical regions throughout the state, considered this issue on May 29, 2009. The group unanimously agreed that the inequity of MOE should not be addressed based on expenditures, as this is after the fact and counties cannot adjust budgets retroactively. It was decided that equitable county contribution should be addressed in context of the child care allocation, which will be attended to through Recommendation # 17 and in conjunction with other audit recommendations that are being considered through a state/county committee. By adjusting the allocation factors, it is assumed that the corresponding changes to the amount a county receives in the allocation will proportionately align the MOE, or county contribution.

Recommendation # 20 – The PAC did an initial review of Recommendation # 20 and is in agreement with the Department's original response to the recommendation. The PAC will review a formal position paper on July 1st for adoption and will subsequently forward the final recommendation to the Executive Director.

Sincerely,

Karen L. Beye  
Executive Director

**SAO CCCAP Performance Audit November 2008 - June 2009 Status Update**

Rec #	Recommendation Summary (full text within body of report)	Agency Response	Implementation Date	Status - June 30, 2009
1	Standardize Colorado Child Care Assistance Program (CCCAP) eligibility requirements by (a) setting statewide or regional income eligibility limits, (b) mandating education and job training as eligible activities, (c) determining whether "grandfathering" clients is a good policy, (d) considering a mandate on cooperation with child support enforcement, and (e) seeking statutory or regulatory change as necessary to implement statewide standards.	Partially Agree	May 2010	Not Implemented - State/County Committee to be convened by July 2009
2	Improve CCCAP eligibility determinations by (a) clarifying that three months of income documentation are necessary for verifying irregular income, (b) ensuring counties maintain complete documentation to support income and parental fee calculations, (c) developing a standard income and parental fee calculation form, (d) strengthening Department and county monitoring and supervisory systems, and (e) implementing a rule requiring verification of county residence for applicants.	<p>a. Agree</p> <p>b. Agree</p> <p>c. Agree</p> <p>d. Agree</p> <p>e. Agree</p>	<p>a. July 2009</p> <p>b. July 2009</p> <p>c. July 2009</p> <p>d. July 2009</p> <p>e. April 2009</p>	<p>Partially Implemented - Rule Eff. 4.01.09 - 3.919, (I), (1) Applicants may be employed full or part time. Applicants must submit written verification of employment and wages within thirty (30) calendar days of application. Owners of LLC's and S-Corporations, because they have limited personal liability for the debts and actions of the business, are considered employees of the corporation. This verification must be three months of pay stubs if ongoing employment or an employment verification letter if it is a new employment. Agency Letter is pending</p> <p>Fully Implemented - Eff. 4.01.09 - 3.913, (V) The county shall document changes in child care eligibility on the State prescribed system (provider/case note screens). Agency Letter CC-09-05-P (Eff. 4/20/09)</p> <p>Not Implemented - Agency Letter is pending</p> <p>Partially Implemented - Monitoring, as described in CDHS Response continues on quarterly basis. SB09-259 Long Bill Appropriation gave authority for 2 FTE @.75 for SFY 2009-10 for this work. Division of Child Care plans to fill positions by October 1, 2009.</p> <p>Partially Implemented - Eff. 4.01.09 - 3.913, (EE) The counties or their designee shall verify the residence of any applicant for Child Care Assistance to ensure that they live in the county where they are applying for assistance. Agency letter is drafted pending approval</p>

## SAO CCCAP Performance Audit November 2008 - June 2009 Status Update

Rec #	Recommendation Summary (full text within body of report)	Agency Response	Implemen- tation Date	Status - June 30, 2009
3	<p>Improve controls related to eligibility overrides by (a) developing rules on acceptable reasons for overrides and documentation required to support them, (b) requiring counties to establish supervisory review and approval for overrides, (c) training county staff on override use, (d) building automatic override controls into the CHATS replacement system, (e) monitoring overrides through system reports and following up on trends and irregularities, and (f) following up on information provided to the Department from our audit on the high rate of overrides within one county.</p>	a. Agree	a. June 2009	Partially implemented - Proposed rule has been vetted to counties and stakeholders; is in pre-rule status, and will have first hearing by CDHS State Board in Aug, 2009.
		b. Agree	b. July 2009	Not Implemented - Effective after adoption of rule change
		c. Agree	c. July 2009	Not Implemented - Effective after adoption of rule change
		d. Agree	d. August 2010	Not Implemented - CHATS Replacement Pilot counties timeline - May, 2010, phased implementation to all counties - August - October, 2010
		e. Agree	e. April 2009	Partially Implemented - Monitoring, as described in CDHS Response continues on quarterly basis. SB09-259 Long Bill Appropriation gave authority for 2 FTE @.75 for SFY 2009-10 for this work. Division of Child Care plans to fill positions by October 1, 2009.
		f. Agree	f. Implemented	<b>Fully Implemented</b>
4	<p>Determine the most cost-effective policies for redeterminations and reporting changes in circumstances by (a) performing a workload analysis, (b) analyzing data from Denver County's annual redetermination waiver, (c) evaluating results from the Denver waiver and from part "a" and determining either to require all counties to go to an annual redetermination period or require Denver to return to a six-month redetermination period, and (d) considering setting a minimum threshold for reporting changes in circumstances affecting parental fees.</p>	Agree	December 2009	<p>Not Implemented - State/County Committee to be convened by July 2009</p> <p>Not Implemented - State/County Committee to be convened by July 2009 (Additionally - Division is vetting a "Changes in circumstance" policy through rule change to counties and stakeholders; is in pre-rule status, and if agreed to by counties and stakeholders, will have first hearing by CDHS State Board in Aug, 2009 if . (increase to &gt;\$50.00 income must be reported instead of having to report every change)</p>

## SAO CCCAP Performance Audit November 2008 - June 2009 Status Update

Rec #	Recommendation Summary (full text within body of report)	Agency Response	Implemen- tation Date	Status - June 30, 2009
5	Strengthen the county waiver process by (a) implementing standards and criteria for requesting and approving waivers, (b) implementing reporting standards requiring sufficient evidence to demonstrate results and benefits of the waiver, and (c) maintaining documentation of the waiver process and reviewing and analyzing waiver results.	Agree	July 2009	Fully Implemented - (See attached documentation including comparison of processes document) The Department has strengthened the county waiver process by (a) implementing standards and criteria for requesting and approving waivers, (b) implementing reporting standards requiring sufficient evidence to demonstrate results and benefits of the waiver, and (c) maintaining documentation of the waiver process and reviewing and analyzing waiver results.
6	The Department should seek a legal opinion to determine whether statute needs to be clarified to grant the Department authority to require background checks for individuals receiving Colorado Child Care Assistance Program funds who care only for children related to them.	Agree	January 2009	Not Implemented - The Department is seeking a legal opinion from the AG's Office on whether statute allows the Department to require background checks for individuals providing child care services and receiving public funds who only care for children related to the individual. A previous opinion rendered did not address the provider-child relationship. The current request was sent to the AG's office on June 30, 2009.
7	Improve the CCCAP market rate survey used to certify rates to the federal government and ensure equal access by (a) developing policies and procedures for ensuring the survey produces accurate, reliable, and useful results, (b) monitoring the market survey process, and (c) reevaluating the county designation formula.	Agree	July 2009	Partially Implemented - The Department improved the Market Rate Survey which was conducted in January 2009 and will be adopted June 2009. See attached document. The Exec. Summary and Methodology worksheet within the document describes the process used. (c) will be considered in context of State/County committee work as it has implications for the child care allocation.

## SAO CCCAP Performance Audit November 2008 - June 2009 Status Update

Rec #	Recommendation Summary (full text within body of report)	Agency Response	Implementation Date	Status - June 30, 2009
8	Ensure that counties properly authorize CCCAP child care by (a) promulgating rules clarifying that authorizations can only be for the amount of child care needed, (b) improving counties' internal control systems, (c) improving monitoring of county operations by revising its case file review process to make it more risk-based and to determine why counties make errors, and (d) requiring counties to submit corrective action plans to address any problems identified in case file reviews.	a. Agree	a. June 2009	Partially implemented - Proposed rule has been vetted to counties and stakeholders; is in pre-rule status, and will have first hearing by CDHS State Board in Aug, 2009.
		b. Agree	b. June 2009	Not Implemented - Effective after adoption of rule change
		c. Agree	c. June 2009	Partially Implemented - Monitoring, as described in CDHS Response continues on quarterly basis. SB09-259 Long Bill Appropriation gave authority for 2 FTE @.75 for SFY 2009-10. for this work. Division of Child Care plans to fill positions by October 1, 2009.
		d. Agree	d. July 2009	Partially Implemented - Monitoring, as described in CDHS Response continues on quarterly basis. SB09-259 Long Bill Appropriation gave authority for 2 FTE @.75 for SFY 2009-10. for this work. Division of Child Care plans to fill positions by October 1, 2009.
9	Ensure that counties do not pay CCCAP providers higher rates than those charged to privatepay customers by (a) developing policies and procedures for checking whether providers are charging higher rates to CCCAP than they charge to private-pay customers and (b) requiring counties to follow up with providers at risk of receiving overpayments to determine if recoveries are necessary.	Agree	April 2009	<p>Rule effective 4.1.09 - 3.913 COUNTY RESPONSIBILITIES MM. Prior to approving a fiscal agreement with any provider, the county shall compare the provider's private pay rates to the county's rates to ensure that county payments do not exceed private pay rates. NN. Counties shall review a fiscal agreements on a random basis at least twice yearly to ensure that the provider's current private pay rates are not less than the agreed upon county rates. If private pay rates are found to be less than the agreed upon county rates, a new fiscal agreement shall be negotiated and a recovery established against the provider.</p> <p>Not Implemented - Agency Letter is pending</p>

**SAO CCCAP Performance Audit November 2008 - June 2009 Status Update**

Rec #	Recommendation Summary (full text within body of report)	Agency Response	Implementation Date	Status - June 30, 2009
10	Improve reviews of provider attendance records by (a) verifying that counties are conducting the reviews properly, (b) providing guidance to counties on provider sample selection for reviews, and (c) revising regulations to require counties to implement a risk-based approach for reviews.	a. Agree	a. July 2009	Not Implemented - Rule change was put through and adopted by State Board, but based reviews on random sample method to determine cases to review, not a risk-based approach. Rule effective 4.01.09 - 3.913 J. County business offices shall complete at least a random monthly review of sign in/out sheets received from the provider(s) compared to the billing sheets submitted. If the review indicates: 1. Unexplained, frequent absences and/or consistent absences, the county shall take action to correct the problem or terminate the placement. 2. That the provider(s) may have submitted an inaccurate report of attendance. Counties shall contact the provider(s) and parent(s) to resolve the inaccuracy. 3. That either the parent or the provider has attempted to defraud the program or receive benefits to which they were not eligible. The county department or its designee shall report that information to the appropriate legal authority as set forth in Section 3.820.
		b. Agree	b. April 2009	Not Implemented - Agency Letter will be drafted after adoption of rule change
		c. Agree	c. June 2009	Not Implemented - The Department will submit a rule change to State Board in September 2009 for first hearing to address the risk-based approach.
11	Improve oversight of county-owned child care providers to ensure an arm's-length bargaining relationship and to provide assurance that payments are reasonable and necessary by (a) reviewing and approving negotiated rates, (b) requiring Prowers County to renegotiate their current slot contract with its county-owned child care center to ensure it is necessary and reasonable, and (c) considering increasing audit coverage of Prowers County until its problems have been resolved.	a. Agree	a. July 2009	Not Implemented - Agency Letter is pending
		b. Agree	b. January 2009	<b>Fully Implemented</b>
		c. Agree	c. July 2009	Not Implemented - CDHS Audit Division will audit Prowers County as resources are available; however, YTD Prowers has not been audited.

## SAO CCCAP Performance Audit November 2008 - June 2009 Status Update

Rec #	Recommendation Summary (full text within body of report)	Agency Response	Implemen- tation Date	Status - June 30, 2009
12	<p>Improve controls over county slot contracts by (a) revising the method for measuring slot usage to better reflect the amount of care being provided, (b) establishing methods for paying providers multiple slot rates, and (c) following current policy to review and approve county slot contracts to ensure reasonable and proper rates.</p>	a. Agree	a. July 2009	Not Implemented - This recommendation will be fully implemented at the time that CHATS Replacement is implemented due to lack of IT resources to produce new reports during development of new system - CHATS Replacement Pilot counties timeline - May, 2010, phased implementation to all counties - August - October, 2010
		b. Agree	b. August 2010	Fully Implemented - See attached Contract for Slots Worksheet
		c. Agree	c. January 2009	Fully Implemented - See attached Contract for Slots Worksheet
13	<p>Improve oversight of counties' quality initiative spending by (a) instituting regular reviews of a sample of quality initiative transactions to ensure compliance with requirements, (b) auditing Denver County's \$2.8 million transaction identified as a potential questioned cost, (c) requiring counties to institute processes for granting quality initiative funds to providers and reviewing these processes, (d) ensuring adequate guidance is given to counties on allowability of quality initiative expenditures, and (e) clarifying the appropriateness of using quality initiative funds for administrative and other programs' expenses.</p>	a. Agree	a. June 2009	Fully Implemented - April, 2009 (In order to effectively review quality transactions, the Division is implementing a tiered audit system using a risk-based assessment model. Transfers are categorized by initial transaction amount into a "low-risk", "moderate-risk", or "higher-risk" category. The Financial Manager for the Division will be tasked with randomly auditing at least 6 quality initiatives each quarter - with three coming from the higher risk areas, 2 from the moderate, and at least 1 from the lower. Reports of the audit findings/recommendations will be provided to the county reviewed. In addition to the new audit system, the Division has also implemented a method to track expenditures and compare the data against the quarterly reports submitted by each county. Should there be any discrepancy, the county transaction will be reviewed in addition to those randomly selected.)
		b. Agree	b. June 2009	Partially Implemented - Audit is being finalized and a preliminary report will be issued by 6/30
		c. Agree	c. April 2009	Not Implemented - Agency letter in draft form. Will move through process for approval by July 31, 2009.
		d.- e. Agree	d. April 2009	Not Implemented - Agency letter in draft form. Will move through process for approval by July 31, 2009.

# SAO CCCAP Performance Audit November 2008 - June 2009 Status Update

Rec #	Recommendation Summary (full text within body of report)	Agency Response	Implemen- tation Date	Status - June 30, 2009
14	Discontinue the practice of allowing counties to use their CCCAP allocation for quality initiative expenditures.	Agree	July 2009	Not Implemented - Will be included in SFY 2009-10 Budget Agency Letter July 2009
15	Develop a system to assess program performance in meeting objectives and demonstrating accountability by (a) developing measurable goals to be included in performance contracts between the Department and counties and (b) formalizing a process for collecting and analyzing performance data and using this analysis to identify and follow up on indicators that objectives are not being met.	Agree	December 2009	Not Implemented - State/County Committee to be convened by July 2009
16	Implement policies and procedures for ensuring that prioritized populations receive priority for services when county waitlists or freezes exist.	Agree	April 2009	Not Implemented - Agency letter is drafted pending approval
17	Improve the CCCAP allocation methodology by (a) developing a more accurate, reasonable, and defensible estimate of the population in need, (b) incorporating valid calculations of the 75th percentile rates into the allocation model, (c) reevaluating the allocation methodology and determining how much should be based on population in need and costs of serving the population, (d) considering incorporating incentives to encourage performance improvement, and (e) evaluating the allocation model on an ongoing basis to ensure it meets the purposes set forth in statute and reduces over- and under expenditures.	Agree	July 2009	Not Implemented - State/County Committee to be convened by July 2009 (any changes to CCCAP allocation methodology will be implemented in SFY 2010-11)
18	Ensure the closeout process redistributes funds in accordance with the purposes of the allocation model by (a) implementing a process for determining why counties overspend and (b) establishing criteria for receiving closeout funds and ensuring these criteria prioritize counties with unexpected caseload increases over counties with increased administrative costs.	Agree	June 2010	Not Implemented - State/County Committee to be convened by July 2009

## SAO CCCAP Performance Audit November 2008 - June 2009 Status Update

Rec #	Recommendation Summary (full text within body of report)	Agency Response	Implemen- tation Date	Status - June 30, 2009
19	Ensure that counties bear an equal proportion of maintenance-of-effort (MOE) payments by basing the MOE on a county's proportionate share of actual CCCAP expenditures.	Disagree	None	Not Implemented - Disagree (SS Sub_PAC task group - Convened 5.29.09 Task Group voted to disagree with Recommendation #19 based on the fact that actual expenditures require a state fiscal year to be closed and MOE should not be changed after the fact as counties cannot budget for it. The Task Group agreed to assess the Child Care Allocation Formula (Recommendation #17) in the context of all recommendations that require a state/county committee to determine the best policies for the program. By reassessing the formula to determine how better to allocate the funds to counties at the beginning of each state fiscal year, the MOE will be more closely aligned with actual expenditures that are covered through the allocation.)
20	Improving the effectiveness of Temporary Assistance to Needy Families (TANF) funds used in CCCAP by (a) annually determining at the beginning of the fiscal year whether to designate that all or a portion of the TANF funds available for transfer to CCCAP will be transferred to CCCAP, (b) requesting that the General Assembly appropriate to CCCAP any funds designated for use in CCCAP in line with part "a", and (c) allocating TANF funds appropriated for use in CCCAP based on the counties' proportionate CCCAP needs.	Disagree	None	Not Implemented - Disagree - Referred to Policy Action Committee (On March 4, PAC did initial review of Rec. #20 and is in agreement with the Department's original response to the recommendation. The PAC will review a formal position paper on July 1 to adopt and subsequently forward to the Executive Director.