



# BEST PRACTICES FOR PROGRAM INTEGRITY: (FRAUD PREVENTION)

PRESENTED BY:

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# WORKSHOP OBJECTIVES

- Learn what red flags to look for to prevent fraud.
- Learn about best practices for your staff to maintain program integrity & fraud prevention and mitigation.
- Brainstorm, share fraud prevention solutions, and create a plan of action to take back to your agency.





# WHAT IS CHILDCARE FRAUD?

Generally speaking, fraud occurs when someone knowingly misrepresents a fact and accepts benefits knowing he/she is not entitled to such benefits. Childcare fraud includes:

1. \*Knowingly, and with intent, making a false statement or representation to obtain benefits, obtain a continuance or increase of benefits, or avoid a reduction of benefits.
2. \*Knowingly, and with intent, failing to disclose a fact, which if disclosed could result in denial, reduction, or discontinuance of benefits.
3. \*Accepting benefits knowing he/she is not entitled thereto, or accepts any amount of benefits knowing it is greater than he/she is entitled to.
4. Staff (\*\*Occupational Fraud) – using one's occupation for personal enrichment through the deliberate misuse or misappropriation of the organization's resources or assets.

Sources:

\*All County Letter 00-53 (08/29/2000)

\*\*Association of Certified Fraud Examiners (ACFE)



# WHY DO WE CARE ABOUT CHILDCARE FRAUD?

## Financial Impact:

- Fraud hurts the organization:
  - Loss of funds and resources.
  - Diverts funds from those who need it most – our program participants.

## Reputational/Trust/Program Integrity:

- Fraud creates a negative image/reputation.
- Our funders and community, want to trust our ability to safeguard public funds.
- Lowers employee morale and trust.

# FRAUD PREVENTION RED FLAGS







# PARENT - RED FLAGS

- Pattern of frequently changing providers.
- Questionable employment:
  - County database reflects that he/she is not working, but reports employment to childcare agency.
  - Inconsistent employment information (e.g. start date, employer's contact information, address, and salary).
- Child not in the home:
  - According to the County's database child is not in the home.
  - Immunization records are not updated.
  - Child's school is not near parent's home.
- Parent fails to show up for his/her recertification appointment, constantly reschedules, or does not provide all requested documents.



# PROVIDER - RED FLAGS

- Childcare not provided:
  - Provider receives payment for services rendered by another.
  - Hours on attendance records do not match certified hours.
  - Receives a 1099, but never provided care, or receives a 1099 which overstates their income.
- Multiple families with the same provider are claiming evening/weekend care on attendance records.
- Returned mail and:
  - Provider has a pattern of frequently changing addresses or
  - Provider's forwarding address in another state.
- Multiple families work for the same provider or employer.
- Signatures appear to be the same for both parent and provider on attendance records.
- Childcare reimbursements are substantially large amounts.



# STAFF FRAUD - RED FLAGS

## o Lack of internal controls

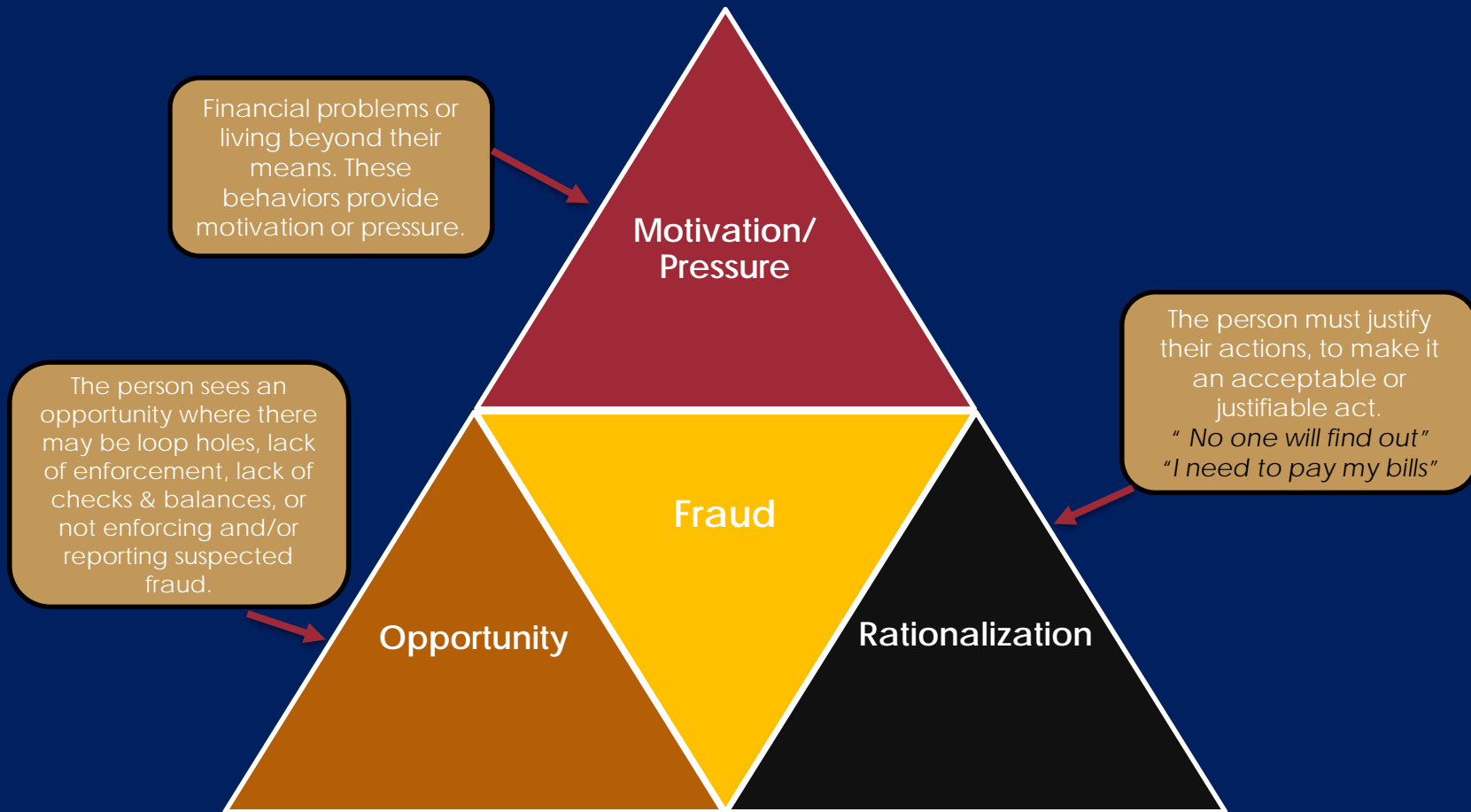
- Technology weaknesses such as:
  - Retroactive authorizations allowed.
  - Case management actions are not reflected in reports.
- No level of security/authority for different staff levels.
- Staff duties are not separated.
- Quality Assurance/Audits not conducted or not meaningful.
- Conflict of Interest/Fraud Policies not in place or not enforced.
- Employees do not disclose interpersonal relationship with clients.

## o Anomalies

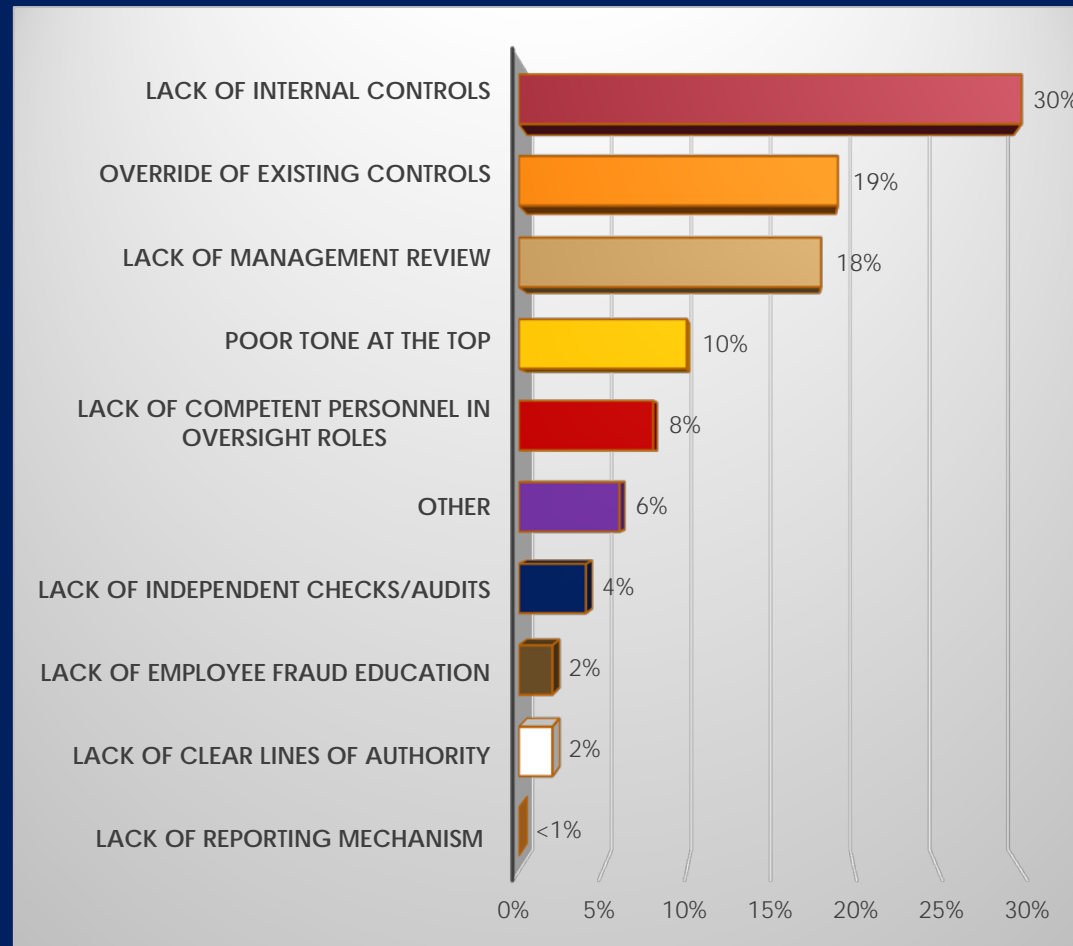
- Missing case notes, missing files, documents, etc.
- Authorizing the same provider for multiple families for evening/weekend hours.
- Accounting reconciliations are not balanced.



# The Fraud Triangle



# INTERNAL CONTROL WEAKNESSES THAT CONTRIBUTE TO FRAUD



\*Source: Association of Certified Fraud Examiners (ACFE) 2018 Report to the Nations

# BEST PRACTICES

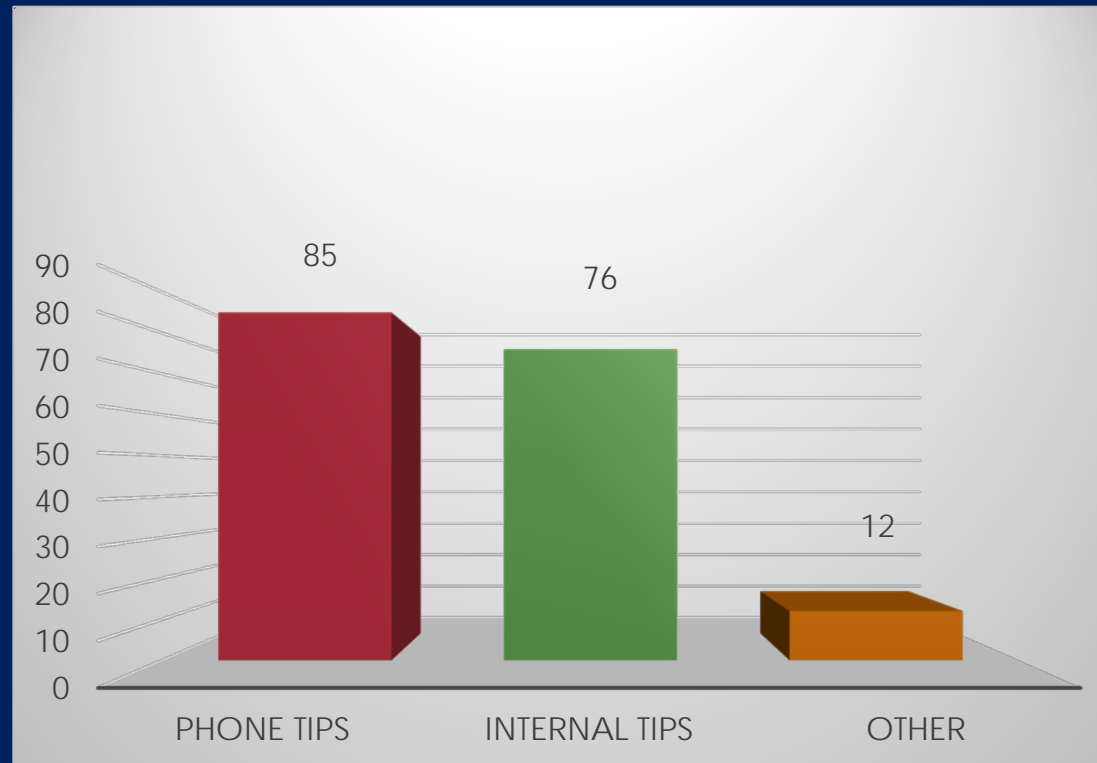




# TOP 4 CHILDCARE FRAUD ALLEGATIONS AT CRYSTAL STAIRS

- Care is not provided.
- Parent submitted false/misleading documents.
- Parent's employment/activity is questionable.
- Provider submitted false information.

# 2017 METHODS FOR REPORTING SUSPECTED CHILDCARE FRAUD AT CRYSTAL STAIRS







# HOW TO PREVENT FRAUD IN GENERAL

- Create an internal reporting system to report suspected fraud.
- Collaborate with your local County Welfare Fraud Division and/or law enforcement.
- Conduct fraud prevention and integrity training to supervisors, managers and line staff throughout the year.
- Require all reimbursements to be transmitted through direct deposit or debit cards.



# TIPS TO PREVENT PARENT FRAUD

- Be objective and do not make assumptions.
- Listen carefully to parents.
- Clearly communicate program inconsistencies to clients.
- Review parent's CalWORKs eligibility in the County database.
- Invest in a public records database.
- Verify parent's employment, school/training or other need component, via direct contact with employer, school or third party verification, such as "The Work Number" or DPSS.
- Case-note all actions, contacts, information reported, and staff attestations.
- Implement an internal process to report fraud.
- Review with Parents:
  - Documents that are signed under "***Penalty of Perjury***".
  - Ensure parents understand your agency's expectations and program rules, including Fraud Policy.
- Never tell the parent they are being investigated for fraud



# TIPS TO PREVENT PROVIDER FRAUD

- Providers receive a program handbook on program guidelines and requirements.
- Providers sign an acknowledgement regarding Agency's fraud policy.
- Require proof of address from providers (**Provider is reporting a P.O. Box**).
- Require all reimbursements to be transmitted through direct deposit or debit cards.
- Explain that forms are signed under "***Penalty of Perjury***".
- When speaking with providers by phone, ask them to identify themselves with either their vendor number, SSN, DL #, or Facility #.
- Conduct quality assurance on attendance records.



# TIPS TO PREVENT PARENTS AND PROVIDER COLLUSION

- Check for patterns, such as:
  - Provider claiming evening/weekend care for multiple families.
  - Parents working for the same employer.
  - Provider has dual role as provider and employer.
- Conduct outreach calls to provider to confirm care is being provided.
- Work with your local County Welfare Fraud Division and/or law enforcement.



# TIPS TO PREVENT INTERNAL FRAUD

- Establish a process for reporting fraud and integrity issues (e.g., Fraud Prevention Unit).
- Establish a Conflict of Interest policy for employees:
  - This allows employees to disclose friends and relatives that are on the subsidized program.
- Prohibit employees from enrolling or managing friend's or relative's cases.
- Establish and maintain strong internal controls:
  - Separation of duties, random caseload distribution, good file management, secure payment process and technology enhances fraud prevention.
- Conduct file reviews on new cases.
- Conduct fraud prevention and integrity training for supervisors, managers and line staff through out the year.





# CRYSTAL STAIRS

## FRAUD PREVENTION UNIT

- Maintain a database to track fraud cases.
- Maintain a log of the referrals sent to Welfare Fraud.
- Run exception reports.
- Use public record's database for research.
- The point of contact for all fraud matters.
- Provide fraud prevention best practices training to staff.



# LEGAL ASPECTS OF FRAUD PREVENTION

Agency adopted policies, procedures, parent and provider handbook (must be consistent with governing laws, regulations and FT&Cs).

Policies should:

- Clearly convey the requirements and consequences in writing, before implementation.
- Be reviewed by your agency's legal counsel.
- Be approved by your top management, before they are disseminated and implemented.
- Include the appropriate due process mechanisms- seek legal counsel.
- Fraud Policies should include penalty of perjury statement.



# CDE'S BEST PRACTICES FOR PROGRAM INTEGRITY

- All County Letter No. 00-53

<http://www.cdss.ca.gov/Portals/9/lettersnotices/ACL/2000/00-53.PDF?ver=2018-06-13-043238-000>

- CDE - Best Practices for Program Integrity Report

<https://www.cde.ca.gov/sp/cd/ci/bestpractices2.asp>

- CDE - Fraud Definitions and Indicators (Tables 1-5)

<https://www.cde.ca.gov/sp/cd/ci/bptable1.asp>

# GROUP ACTIVITY





# REVIEW WORKSHEET







# SCENARIO

Case Manager Alicia's files were reviewed. During the file review, the following was discovered:

**File #1 – Parent, Tammy Harris**

Has two children by the name of:

- Kylie Williams
- Travis Williams

Father listed on the children's birth certificates: Andre Williams

Provider: Linda Waters, Exempt Provider (aunt of children)

**File #2- Parent, Antonio Williams**

Has two children by the name of:

- Travis Harris-Williams
- Kylie Harris-Williams

Mother's name listed on the children's birth certificates: Tracy Harris

Provider: Linda Waters, Exempt Provider (grandmother of children)

**Do these facts indicate that fraud is occurring?**

- If so, how?
- What could have been done to prevent the fraud?



# CONCLUSION

- Fraud exists – We must be proactive.
- Denying fraud exists and/or doing nothing, is irresponsible; action should be taken. Fraud schemes only get bigger.
- It is our responsibility to protect public \$\$ for families who truly need our services. That is why we all have some level of responsibility for fraud prevention, mitigation and reporting.
- If you suspect fraud contact, your local County Welfare Fraud Division and/or local law enforcement.
- It is also critical that you identify and address the red flags and implement best practices.



# THANK YOU 😊

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