

**ATTESTATION REPORT
OF THE
NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD CARE NFOCUS AID PAYMENTS
JULY 1, 2023, THROUGH MARCH 31, 2024**

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Issued on July 8, 2024

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Audit Staff Working On This Examination

Pat Reding, CPA, CFE – Assistant Deputy Auditor

Cody Guillot – Auditor-in-Charge

Jennifer Cromwell, CFE – Examiner II

Kyle Hanna – Auditor II

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Nebraska Auditor of Public Accounts

State Capitol, Suite 2303

P.O. Box 98917

Lincoln, Nebraska 68509

Phone: 402-471-2111

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
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BACKGROUND

The Child Care Subsidy program utilizes State and Federal Child Care and Development Block Grant (CCDBG) funds to assist families with the cost of child care. Applicants must meet the eligibility requirements outlined in CCDBG regulations, including, but not limited to, income eligibility and an allowable need for care. Help with child care expenses is available, on a sliding fee scale, to families with children 12 years of age or younger and/or with special needs. Family members must be employed, attend school or training sessions, go to medical or counseling appointments, or be incapacitated.

On May 24, 2021, Governor Pete Ricketts signed into law Legislative Bill (LB) 485 (2021), resulting in Neb. Rev. Stat. § 68-1206 (Supp. 2021) to increase the child care subsidy initial Federal poverty level (FPL) from 130% of the FPL to 185% of the FPL. That same legislation also provided for a redetermination to increase the child care subsidy from 185% of the FPL to 200% of the FPL for the period of August 28, 2021, through September 30, 2023. Two years later, the Nebraska Unicameral Legislature passed LB 227 (2023), creating Neb. Rev. Stat. § 68-1206 (Supp. 2023) to extend the expanded income requirements until October 1, 2026.

The following monthly income guidelines became effective on October 1, 2023:

Household Size	100% FPL	130% FPL	185% FPL	200% FPL
2	\$1,644	\$2,136	\$3,041	\$3,287
3	\$2,072	\$2,693	\$3,833	\$4,144
4	\$2,500	\$3,250	\$4,625	\$5,000
5	\$2,929	\$3,807	\$5,418	\$5,857
6	\$3,357	\$4,364	\$6,210	\$6,714
7	\$3,785	\$4,921	\$7,003	\$7,570
8	\$4,214	\$5,477	\$7,795	\$8,427

Upon being approved for the child care subsidy, a household will then be eligible at each subsequent 12–18-month redetermination period as long as household income does not surpass 200% of the FPL, and all other eligibility requirements are met.

A household whose gross income limit exceeds 100% of the FPL will be required to pay a family fee that totals 7% of its gross income. The family fee is paid directly to the child care provider as an upfront cost before the provider can request payment from the child care subsidy. The enrolled provider is not allowed to charge a household the difference between its subsidy rates and private pay rates.

In Nebraska, a person may operate child care for three or fewer children without having a license issued by the department. Anyone who provides child care to four or more children from different families, however, must be licensed as a child care provider.

There are five license types:

Family Child Care Home I: This type of program is in the home of the provider. The maximum capacity is eight children of mixed ages and two additional school age children during non-school hours.

Family Child Care Home II: This type of program is in the home of the provider or at another site. The maximum capacity is 12 children.

Child Care Center: This type of program is licensed for 13 or more children while following the staff-to-child ratio per the State regulations.

School Age Only Center: This type of program is licensed for 13 or more children who are attending or have attended kindergarten or above.

Preschool: This type of program provides educational services where children do not nap and not fed a meal.

Providers caring for a smaller number of children may still be eligible for enrollment in the Child Care Subsidy program:

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License Exempt: Home care provided outside the client's home to a maximum of six children from one family or three or fewer children from more than one family.

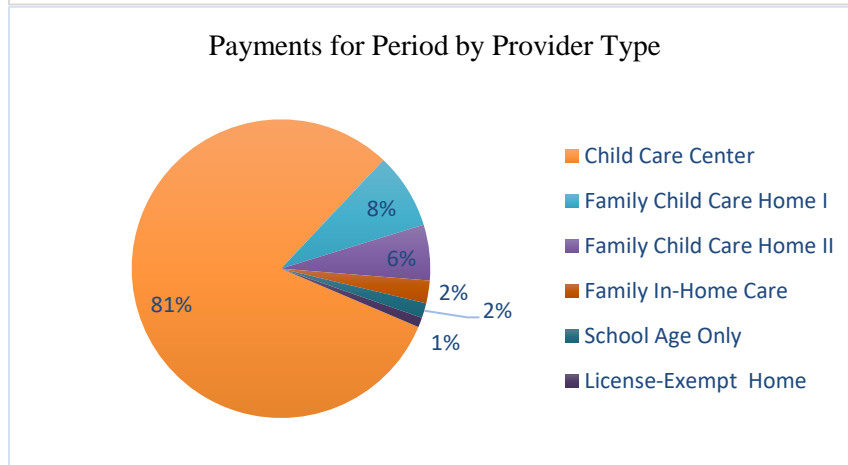
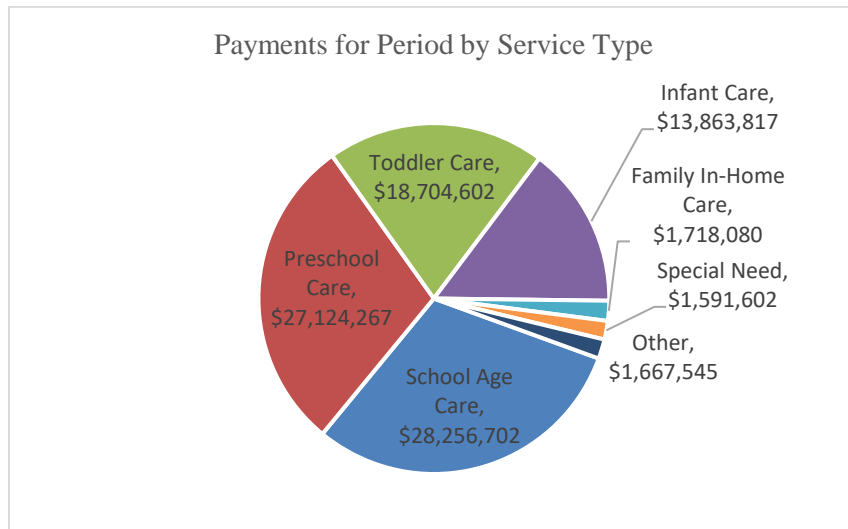
In-Home Child Care: Care provided to children in their own homes.

Beginning July 1, 2023, child care subsidy rates transitioned to a new rate structure to reflect part-time or full-time basis rather than paying for hours of service or smaller increments of time. Beginning July 1, 2023, child care providers participating in the Child Care Subsidy Program will no longer bill Hour and Day Units. Hour Units will be replaced with Partial Day Units, and Day Units will be replaced with Full Day Units.

Partial Day	Up to 4 hours, 59 minutes
Full Day	5 hours – 9 hours, 59 minutes
Partial Day + Full Day	10 hours – 18 hours

Per 392 Nebraska Administrative Code (NAC) 3.004.01(A)(i), “The provider may bill the full authorized amount for times that the child is absent on a scheduled day, up to five times per month.”

The financial schedule includes all payments charged to Program 347 (Public Assistance), Subprogram 044 (Childcare), object account 592101 (NFOCUS Assistance). All costs are charged through the State’s accounting system, EnterpriseOne (E1). Expenditures via Nebraska Family Online Client User System (NFOCUS) interfaces are posted to E1 daily, and E1 makes the payment. The Department completes a monthly reconciliation of NFOCUS data at the program level to E1 to ensure the accuracy of what is being interfaced from NFOCUS to E1.



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KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Nebraska Department of Health and Human Services Executive Management

<u>Name</u>	<u>Title</u>
Dr. Steve Corsi	Chief Executive Officer
John Meals	Chief Financial Officer
Shannon Grotrian	Director, Office of Economic Assistance

Nebraska Department of Health and Human Services
301 Centennial Mall South
Lincoln, NE 68509
dhhs.ne.gov

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SUMMARY OF COMMENTS

During our examination of the Nebraska Department of Health and Human Services (Department) Child Care NFOCUS Aid Payments, we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comment #2 (“Market Rate Survey and Subsidy Rates”), which is considered to be a significant deficiency, and Comment #1 (“Improper Child Care Payments”), which is a material weakness.

By using qualifying words such as “alleged” or “allegedly” in comments to describe certain incidents or activities, the Auditor of Public Accounts seeks to avoid the possibility that a report comment might be mistaken as containing an imputation of criminality. However, utilization of such modifying terms is not meant to indicate a lack of supporting documentation for the report comment or any insufficiency or other shortcoming relating thereto.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

- 1. *Improper Child Care Payments:*** We performed various procedures to test the propriety of child care claims, including reviewing unusual claims, possible duplicate billings, a random sample of claims, and reviewing one month of claims for each of 20 providers. Our procedures found \$328,997.60 in questioned costs due to the following: claims not agreeing with attendance records; attendance records not being provided; billings at an improper rate; services billed in excess of services authorized; duplicate billings; overlapping services; providers exceeding allowable capacity; and parents’ employment that did not appear to meet the requirement for economic self-sufficiency. The dollar error rate for the random sample was 13.85%, which estimates potential dollars at risk for the period to be \$12,870,336.04.
- 2. *Market Rate Survey and Subsidy Rates:*** Child care subsidy rates were established based on rate information provided by only 6.9% of Nebraska’s child care providers.

More detailed information on the above items is provided hereinafter. It should be noted that this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the Department.

Draft copies of this report were furnished to the Department to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

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COMMENTS AND RECOMMENDATIONS

1. Improper Child Care Payments

For the period July 1, 2023, through March 31, 2024, the Department paid \$92,926,614 for child care subsidies through the Nebraska Family Online Client User System (NFOCUS). We performed various procedures to test the propriety of these claims, including reviewing unusual claims, possible duplicate billings, a random sample of claims, and reviewing one month of claims for each of 20 providers.

Our random sample of 25 payments, totaling \$10,686.59, resulted in \$1,479.72 in questioned costs for 10 payments tested. Based on the sample tested, the dollar error rate for the sample was 13.85% (\$1,479.72/\$10,686.59), which estimates the potential dollars at risk for the period to be \$12,870,336.04.

We noted \$328,997.60 of questioned costs during testing. The following table summarizes the questioned costs, which are explained in detail below:

	Questioned Costs
Random Sample	\$ 1,479.72
Random Sample Additional Items	\$ 88,742.07
Unusual Claims	\$ 13,870.37
Duplicate Billings	\$ 22,222.33
Incorrect Age Group	\$ 2,063.79
License Exempt Providers	\$ 6,509.11
Family Home Providers	\$ 24,841.50
Child Care Centers	\$ 169,268.71
Total	\$ 328,997.60

Good internal control requires procedures to ensure payments are reasonable, accurate, and in accordance with regulations.

Random Sample

We tested 25 child care claims and noted 10 claims with errors. Some payments had more than one type of error.

- For one claim tested, the provider recorded the time in as 6:52 p.m. and the time out at 6:53 p.m., for one minute of service, and billed the partial day rate of \$34.50. It is not reasonable to pay \$34.50 for one minute of care.
- For one claim tested, the Department had not obtained adequate documentation to support that the child was below the age of 13 at the time of service. The Department had obtained a “birth certificate,” which reported the child’s date of birth as January 18, 2023, in Washington state. However, this “birth certificate” contained no signatures or official seals to support the validity of the information thereon. Consequently, we could not determine that the information was reliable, and we question all care claimed for the child.

Per Title 392 NAC 2-004, the family must meet the following requirement in order to receive a child care subsidy:

(E) Have a child within the age limit. Child care is available for children age 12 or younger. Children who turn age 13 during their eligibility period remain eligible through the end of their eligibility period. Children age 18 or younger with special needs are eligible. The child’s age must be verified in order to qualify for assistance.

- For four claim lines tested, the child care payment was incorrect because the providers billed for more hours and/or days than what was recorded on the child’s attendance sheet:
 - One provider claimed 13.5 hours of care on one day and billed a full day and a partial day; however, the provider did not record the exact time the child left her care; rather, a checkout time for the child at 8:00 p.m. was recorded by the “System” rather than an individual. Based on other days when service was provided, it would have been unusual for the child to stay after 5:30 p.m. Therefore, we questioned the additional partial day.

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COMMENTS AND RECOMMENDATIONS

(Continued)

1. Improper Child Care Payments (Continued)

- One provider claimed seven days at the daily rate; however, the attendance sheet lacked in and out times as well as the exact number of hours of service for five of the seven days during the period of September 16 - 30, 2023. As such, we question the costs associated with the five days, when exact hours were not reported. Additionally, we noted that the claim covering the service period of September 1 - 15, 2023, contained a similar issue of the provider claiming nine days at the daily rate; however, eight of the nine days did not have in and out times or exact hours of service.
- One provider claimed three absentee days for the child; however, the absentee days were not recorded on the child's attendance calendar.
- One provider claimed eight days and two partial days for child care service provided in January 2024. However, the attendance sheet supported only five days and five partial days.

The Child Care Provider Handbook (June 2023 revision), Section 5 ("Financial Matters"), states, in relevant part, the following:

You must complete an attendance calendar to accurately reflect the dates on which child care services were provided, as well as the exact number of hours of service provided. You should mark "A" on the calendars for children who are absent. Up to five absent days can be billed per child per month.

Title 392 NAC 3-001.02(D) requires the recipient and child care provider to ensure that the services are delivered as authorized.

- One provider was authorized to provide care to children during the times that both the mother and father were working. For the first half of October 2023, the provider claimed numerous days and partial days for care provided to four children within the household during overnight hours. However, no documentation was on file to support that both parents were working overnight. Thus, we questioned all child care costs for the first half of October.
- For seven claim lines tested, the child care payment was incorrect because the rate was in excess of the private rates. Providers must accept a rate that is reasonable, necessary, and does not exceed the amount charged to private-paying persons.
 - One provider reported private rates of \$75/week effective May 2022, and \$90/week effective May 2024. Using the Department-provided conversion table, these weekly rates would convert to a daily rate of \$15-\$18 and a partial day rate of \$8.33-\$10. However, during the testing of two claim lines for the provider, the provider billed \$24/day and \$13.33/partial day, which exceeded the private rates. These were the same rates used throughout the period.
 - One provider claimed a partial day rate of \$25. However, this rate both exceeded the allowable rate established by the provider's provider agreement of \$18.33 per partial day and the private rate reported by the provider of \$18.33 per partial day.
 - One provider charged a \$50/month activity fee per child for June, July, and August 2023. However, the provider had reported an established private rate of \$25/month effective March 2023.
 - One provider billed rates that exceeded its private rates by \$4 to \$9.20 per unit of care claimed.
 - One provider reported a private rate of \$300/week in July 2023. Using the Department-provided weekly to partial day conversion table, the weekly rate converts to a partial day rate of \$33.33. However, the provider was claiming \$36.25 per partial day.
 - One provider reported a private rate of \$40 per day in April 2023 but billed a rate of \$40.55 per day during the examination period.

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COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Improper Child Care Payments** (Continued)

- For two claim lines tested, the child care payment was incorrect because the providers did not deduct the required family copay for the month.
 - For one claim, the Department calculated eligibility on January 24, 2024, based on the understanding that the mother was unemployed. However, in February 2024, the Department became aware that the mother had become employed at some point in mid-January 2024. When performing a recalculation of household income, though, the Department did not calculate properly the monthly earned income. Due to this miscalculation, no copay was charged to the household. The Department agreed and noted that the copay should have been \$178 for February 2024 and \$181 for March 2024.
 - For one claim, the household budget showed that the household owed a family fee copay of \$236.00/month; however, the claim did not deduct the \$236.00 copay.

The Department’s Child Care Subsidy Guidance Document for Fiscal Year 2024, states the following:

The total amount of the sliding fee assessed will be based on 7% of the household’s gross income for all of their children enrolled in the subsidy program. It will not vary with the number of children in care, the amount of care they need, or the type of care they choose to use. The sliding fee must be paid each month to the provider before the provider bills the Department, it covers the first dollar of payment, regardless of when service begins or ends.

The Child Care Provider Handbook (June 2023 revision), Section 5 (“Financial Matters”), states, in relevant part, the following:

If you provide child care to a family who is responsible for paying a portion of the cost, you must collect the family fee and deduct it from your billing document.

Title 392 NAC 4-002 states, in relevant part, the following:

Before furnishing any service, each provider must sign an enrollment form agreeing:

(A) No payments will be made for child care provided to a child before the service authorization date;

(B) To provide service only as authorized, in accordance with the Department’s standards;

** * * **

(E) To accept a rate which is reasonable, necessary, and does not exceed the amount charged to private-paying persons;

** * * **

(G) To retain authorizations, billing documents, and attendance records for four years to support and document all claims[.]

In addition to the \$1,479.72 questioned costs noted on the sample items tested, we noted \$88,742.07 of questioned costs on other line items of the claims reviewed, which resulted from missing and inaccurate documentation, and improper rates.

Unusual Claims

We reviewed the detail of child care claims for unusual items, such as high number of units, high rates, and possible overlapping hours. During our review, we noted other issues including the required family fee not deducted from payment, and parents’ employment that did not appear to have the potential for economic self-sufficiency. We selected 16 claims and 13 items tested were improper, resulting in \$13,870.37 questioned costs.

Per Title 392 NAC 2-013.05, “If the individual is requesting child care for employment, the employment must have the potential to allow the individual to achieve or maintain economic self-sufficiency.”

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COMMENTS AND RECOMMENDATIONS

(Continued)

1. Improper Child Care Payments (Continued)

Title 392 of the NAC 2-013.03(A), which limits a recipient to “a maximum of sixty hours of Child Care Subsidy per week,” defines a week as the period of seven days from Sunday through Saturday.

The Department’s Child Care Subsidy Guidance Document for Fiscal Year 2024, “WEEKLY LIMIT” section states, “If an In-Home Provider is providing care over 40 hours per week they are eligible for Over Time based on the hours of care that the Child Care recipient is eligible to receive each week.”

Title 392 NAC 3-004.01(A) states, in part, “The Department pays by attendance, not enrollment.”

Good internal control requires procedures to ensure that the correct rates are authorized and billed by child care providers, service authorization limits are not exceeded, and payments are in accordance with State requirements.

Reason Selected	Dollars Tested	Questioned Costs
High Rate	\$ 6,169.81	\$ 848.56
High Hours	\$ 11,297.25	\$ 3,768.00
High Overtime Hours	\$ 20,533.00	\$ 3,814.00
High School Age Care Units	\$ 1,080.00	\$ 4.69
High Partial Days	\$ 5,370.00	\$ 4,408.50
Potential Overlapping Services	\$ 6,270.87	\$ 1,026.62

We tested one provider claim with a high daily rate and noted the following:

- The provider was authorized to provide child care for a preschool-age child under the service type of “Child Care Special Need.” Children under this category require extra supervision due to behavioral, emotional, or physical conditions that have been diagnosed by a physician, physician’s assistant, nurse practitioner, psychologist, or licensed mental health practitioner. The Department may approve an increased rate for this service type. The Department approved a two-tier payment rate for this provider for this service type. Effective July 1, 2023, the day rate under Rate A was \$147.67 per day and \$129.87 per day under Rate B. The provider requested that Rate B be paid based on documentation completed by the physician and service needs. However, the Department authorized the incorrect rate for July 2023 and August 2023 child care services. The Department authorized the Rate A daily rate at \$147.67 per day instead of \$129.87 per day under Rate B. Additionally, during July 2023, child care was authorized for a maximum of 35 hours per week. The provider exceeded the 35 hours for three weeks during the month and billed 3.5 to 4 hours over the authorization.

We noted the following issues with two of three family in-home care providers that billed a high number of hours for the month.

- One provider did not provide the requested attendance calendar for January 2024 services. The provider billed 260 hours at a rate of \$12 per hour for a total of \$3,120. Child care was authorized for the client’s self-employment, up to 60 hours per week. We were unable to determine if the payment was correct because no attendance calendar was provided; therefore, the entire claim was questioned. We also noted the 60 hours per week was authorized based on the client’s declaration of working 12 hours a day, seven days a week. The client’s reported income for this timeframe was \$1,500 per month, which calculates to only \$4.12 per hour, which is much less than the Nebraska minimum wage rate of \$12 per hour. The client’s income does not appear to meet the self-sufficiency requirement.
- Another provider billed hours that exceeded the service authorization for February 2024. Child care was authorized for 39 hours per week, and the provider exceeded the authorization by 10.5 to 21 hours per week for a total of 54 excess hours for the month.

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COMMENTS AND RECOMMENDATIONS

(Continued)

1. Improper Child Care Payments (Continued)

We tested three overtime claims with a high number of hours billed. In-Home providers are eligible for overtime for care provided over 40 hours per week.

- One provider was authorized to provide In-Home Child Care Special Need (In-Home) services for 60 hours per week. Overtime was also authorized for hours provided over 40 hours up to the 60-hour maximum. Not only did the hours recorded on the attendance calendars for January and February 2024 not agree to the hours billed, but also the provider billed for times when the children were in school and exceeded the authorized 60-hour maximum for two weeks. In February 2024, the provider billed 252 In-Home hours; however, the hours per the attendance calendar totaled only 235.75 hours, and we calculated that only 207 hours should be allowed based on attendance calendars and school calendars. The provider billed 84 overtime hours for February 2024, but only 38 overtime hours should have been allowed.

Week	Total Hours per Attendance Calendar	Hours Calculated by APA
2/1/24 - 2/3/24	29.25	29
2/4/24 - 2/10/24	62.5	50
2/11/24 - 2/17/24	59.5	51.25
2/18/24 - 2/24/24	49.75	46
2/25/24 - 2/29/24	34.75	30.75
Totals	235.75	207
Hours Billed	252	252
Variance	16.25	45

Week	Total Overtime Hours per Attendance Calendar	Overtime Hours Calculated by APA
1/28/24 - 2/3/24	11.5	10.25
2/4/24 - 2/10/24	22.5	10
2/11/24 - 2/17/24	19.5	11.25
2/18/24 - 2/24/24	10	6
Totals	63.5	37.5
Hours Billed	84	84
Variance	20.5	46.5

Similar overbilling was noted in January 2024. The provider billed 276 hours of In-Home hours, and only 205 hours were allowed based on actual times recorded and the authorized 60-hour maximum. Only 33.5 overtime hours of the 80 overtime hours billed were allowable. The provider billed 100.5 hours of care from January 14-20, 2024, 40.5 hours over the maximum hours authorized. Similar issues were noted for the March 2024 calendars paid after the examination period.

- One provider received over \$6,400 for February 2024 services. From July 1, 2023, through March 31, 2024, the provider received \$52,305 for providing care for two children. In contrast, the client's self-declared gross income from October 2023 through December 2023 averaged only \$1,746 per month, compared to the child care average payment of \$6,043 per month for this timeframe. The client claimed to be working 50 hours per week, which computes to an hourly rate of \$8.06 when using the monthly average wage. This is well below Nebraska's minimum wage of \$12 as of January 1, 2024, and the \$10.50 per hour minimum in 2023. The hours the client claims to be working as a massage therapist and relative income received does not appear to meet the Department's regulation regarding self-sufficiency.
- One provider did not deduct the \$197 family fee from the January 2024 Family In-Home Care billings.

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COMMENTS AND RECOMMENDATIONS

(Continued)

1. Improper Child Care Payments (Continued)

- For one provider, the attendance calendar for December 2023 did not agree to the hours billed. The attendance calendars supported a total of 252 hours for the month; however, the provider billed 256 hours, a variance of 4 hours.

We selected one claim with a high number of days billed for school-age care. The provider exceeded the number of hours authorized per week for one week. Child care was authorized for 45 hours per week before and after school and on non-school days. The provider recorded 49.35 hours and billed six day units for the first week in January 2024. The provider exceeded the authorization by 4.35 hours and should have billed five day units and one partial day for the week.

We tested three claim lines for two providers that billed a high number of partial days and noted the following:

- For one provider, the number of partial days billed did not agree to the attendance calendar. The provider billed 168 partial days for one child in February 2024. Only one partial day could be billed each day; therefore, a maximum of 29 partial days would be possible in February 2024. The attendance calendar noted that child care was provided on 12 days, ranging from 1.25 hours to 2.25 hours each day. The provider overbilled 156 partial days.
- One provider did not submit the requested attendance calendar for the two claim lines tested in January 2024. The provider billed 120 partial day units of school-age care for two children. The maximum number of partial days that could be billed in January was 31 units. The provider billed 89 more partial days than what was possible. Additionally, per the case record, the client was working at a medical facility that was closed on Saturday and Sunday, so no child care should have been billed on those days. The entire claim was questioned.

We tested two potential cases of overlapping of services and noted the following issues with three of the providers.

- For the first case, three children were authorized child care for a maximum of 50 hours per week while the parent was working at U-Stop and participating with Employment First. Child care was authorized with two providers. The attendance calendars for both providers showed no overlapping hours; however, the providers exceeded the authorized 50 hours per week for four weeks in September 2023. The secondary provider billed times from 8:30 a.m. to 3:00 p.m. or 4:00 p.m., and the primary provider billed evening and some overnight hours. A comparison of attendance calendars revealed that the total hours between the two providers exceeded the authorization by 6 to 23.5 hours each week. See the following chart:

Week	Child	Primary Provider Hours	Secondary Provider Hours	Total Hours	Hours Over Authorization
9/2/23 - 9/9/23	1	28.75	27.5	56.25	6.25
	2	28.75	27.5	56.25	6.25
9/10/23 - 9/16/23	1	23.25	32.75	56	6
	2	23.25	36	59.25	9.25
	3	23.25	35.75	59	9
9/17/23 - 9/23/23	1	33	34	67	17
	2	33	34.75	67.75	17.75
	3	33	34.75	67.75	17.75
9/24/23 - 9/30/23	1	38.5	35	73.5	23.5
	2	38.5	35	73.5	23.5
	3	38.5	35	73.5	23.5

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COMMENTS AND RECOMMENDATIONS

(Continued)

1. Improper Child Care Payments (Continued)

- In the second case, child care hours billed by the primary provider overlapped with hours billed by the secondary provider for the same child. Two children were authorized for preschool care for up to 55 hours per week. A partial day was billed by the primary provider for the first child on July 31, 2023, for hours recorded from 2:30 p.m. to 4:15 p.m. The attendance calendar for this child’s sibling for the same day, also preschool age, stated that there was no preschool on this day, and the child was absent. No hours were billed by this provider for the second child. The secondary provider billed a day unit for two children on July 31, 2023, for hours recorded from 6:30 a.m. to 3:30 p.m., which overlapped with the hours billed by the primary provider. The partial day billed by the primary provider was questioned due to the overlapping hours.

It should be noted that we selected only a few of each type of unusual items described. It is likely that additional questioned costs would be noted if more claims were selected. For example, we tested three claims with a high number of partial days; however, a review of the claim detail for the period noted 245 claim lines with partial day units of over 31. As providers bill at least monthly, it is impossible to have more than 31 partial days in a month. The 245 claims were each for a month or less of service and totaled \$145,891.67 and ranged from 31.5 to 175 units.

Billing Units per the Guidance Document:

Partial Day: Up to 4 hours, 59 minutes per day	Full Day: 5 – 9 hours, 59 minutes per day	Full Day & Partial Day: 10 – 18 hours per day*
0 – 4 hours 59 minutes = 1 partial day	5 – 9 hours 59 minutes = 1 full day	10 – 18 hours = 1 full day + 1 partial day*
*Providers that care for a child 10 or more hours a day will be able to bill 1 full day AND 1 partial day unit.		

Duplicate Billings

The Department lacked adequate procedures for ensuring that claims for duplicate services were not paid.

We analyzed the NFOCUS claims paid during the period from July 1, 2023, through March 31, 2024. During this analysis, we identified several claims where the provider appeared to double bill child care services for the same child during the same time period. We reviewed 36 of these apparent double billings and found \$22,222.33 in overpayments. The providers were able to double bill when two service authorizations for the child were open at the same time and by changing the rate of the service.

We noted multiple instances where the provider billed under two open service authorizations for the same child. As an example, one child was authorized for child care services at the toddler rates beginning on September 30, 2022. The child turned three years old in January 2024, and the worker created a service authorization for the same provider beginning on February 1, 2024, for preschool care. However, when this new service authorization was created, the worker did not close the service authorization for the toddler rates allowing the provider to be able to bill under both service authorizations. The provider in this case, Next Generation Child Care and Preschool, billed 10 days and 8 partial days under both the toddler and preschool service authorizations for service dates February 16 - 29, 2024.

Service Dates	Service Type	Claim #	Units Billed	Rate	Amount
2/16 – 2/29	Preschool Care	94907295	10 Days	\$46.51	\$465.10
2/16 – 2/29	Preschool Care	94907295	8 Partial Days	\$34.50	\$276.00
2/16 – 2/29	Toddler Care	94907295	10 Days	\$51.50	\$515.00
2/16 – 2/29	Toddler Care	52355147	8 Partial Days	\$41.00	\$328.00

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COMMENTS AND RECOMMENDATIONS

(Continued)

1. Improper Child Care Payments (Continued)

There were also multiple instances where the provider billed for duplicate services by changing the rate billed. For example, one provider, Tender Loving Tots, billed services three times for the same child for the same time period. A child was authorized for preschool care at the daily rate of \$46.51. Tender Loving Tots billed four daily units at the authorized daily rate of \$46.51 for service dates of 7/11/23 – 7/14/23 for this child on claim 32347682. The provider also billed four daily units at \$46.50 per daily unit on claim 83255070, line 2. Tender Loving Tots billed a third time for this child for the same period on the same claim. On line 5 of claim 83255070, the provider billed four days at \$45 per daily unit. As long as the billed rate was lower than the authorized rate, NFOCUS did not reject the claim for double billing.

Service Dates	Service Type	Claim #	Units Billed	Rate	Amount
7/11 - 7/14	Preschool Care	32347682	4 Days	\$46.51	\$186.04
7/11 - 7/14	Preschool Care	83255070	4 Days	\$45.00	\$180.00
7/11 - 7/14	Preschool Care	83255070	4 Days	\$46.50	\$186.00

The following chart shows the number of duplicate claims reviewed and questioned costs by provider:

Provider	# of Claims	Questioned Costs	Billing Issue
Tender Loving Tots	13	\$6,169.31	A, B
Sprouting Minds Child Care	4	\$5,509.50	A, B
Annie's Angels	2	\$1,662.72	A
Totally Tots LLC	6	\$1,650.95	A, B
Patty's Child Care Center	1	\$1,281.25	B
Over the Rainbow	1	\$1,223.00	A
Cuddles & Imaginations LLC	2	\$1,121.10	A
Psalms 127:3 Magnet Ministry Inc	1	\$ 895.00	A
Next Generation Child Care and Preschool	2	\$ 843.00	A
Noah's Ark Daycare Center	1	\$ 720.00	A
Kangaroo Court Learning Center	1	\$ 408.00	B
Little Tots Preschool and Daycare Center	1	\$ 378.50	B
Miranda's Blessings Daycare	1	\$ 360.00	A

Note: Billing issue A designates the provider billed for services for a child for the same period under two service authorizations. Billing issue B designates the provider billed for a child for the same period under one service authorization but billed more than once by changing the rate billed.

Incorrect Age Group

The Department did not have adequate procedures to ensure the rates paid were proper based on the child's age.

Title 391 NAC 1-002 defines "infant" and "toddler" for child care subsidies, as follows:

Ages of children:

1. *Infant means a child age 6 weeks to 18 months;*
2. *Toddler means a child age 18 months to 3 years;*
3. *Preschool-age means a child age 3 or older who has not attended kindergarten; and*
4. *School-age means a child who attends kindergarten or above.*

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(Continued)

1. Improper Child Care Payments (Continued)

We reviewed the claims for family home providers and child care centers for infant care services for children over the age of 18 months. We did not include license exempt providers because the rates for each age group are the same. We noted 288 children over the age of 18 months with services paid at the infant rate.

We also reviewed the claims for child care centers for toddler care services for children over the age of 36 months. We did not include family home or license exempt providers because the rates for toddler care and preschool care are the same. We noted 402 children over the age of 36 months with services paid at the toddler rate.

	Infants Over 18 Months	Toddlers Over 36 Months
# of Children Over the Age Limit	288	402
Age Range of Children	19-57 Months	37-94 Months
\$ Paid for Services for Children Over Age Limit	\$701,016.29	\$768,387.07

As the rates for infants are higher than toddler rates, and toddler rates are higher than preschool rates, it is important that services be paid at the proper rate based on a child’s age.

The following are a few examples that we noted:

- A child who turned 19 months on September 18, 2023, continued to be paid at the infant rate for services through February 2024, resulting in questioned costs of \$1,121.
- A child who turned 36 months on March 8, 2023, was paid at the infant rate for services from August 16, 2023, through December 2, 2023, and should have been paid at the preschool rate, resulting in overpayments of \$538.49.
- A child over age 5 was paid at the toddler rate for services from June 16, 2023, through November 30, 2023, and should have been paid at the preschool rate, resulting in overpayments of \$404.30.

The basic day rates for child care centers for the period are shown below:

Day Rates for Child Care Centers	Infant	Toddler	Preschool	School Age
Lancaster, Dakota, Douglas, Sarpy Counties	\$58.25	\$51.50	\$46.51	\$40.00
All Other Counties	\$36.80	\$35.00	\$34.50	\$35.75

By combining the rates for all counties and reviewing the increase from infant to toddler, and toddler to preschool, we determined a conservative estimate for rate differences to be 5%. Multiplying the amount paid for infants and toddlers over the age limit by the 5%, we estimate the potential for overpayments to be as high as \$73,470.

The Department indicated that it has been pulling a monthly report for all children with active authorization for the past few months. This report is first reviewed by the age of the child to ensure the child is in the correct age category and then the Program Specialist reviews children in the incorrect age category. The Program Specialist reviews children in the incorrect age category and then sends the report to the worker to update the child into the correct age category. The report was first reviewed for December 2023.

License Exempt Providers

We selected eight license-exempt child care providers, six licensed family home providers, and six child care centers and requested all attendance records for one month. We noted issues with seven of eight license-exempt providers, as shown below:

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COMMENTS AND RECOMMENDATIONS

(Continued)

1. Improper Child Care Payments (Continued)

#	Service Month Tested	Paid to Provider for Month Tested	Questioned Costs for Month Tested	Additional Questioned Costs Other Months	Total Questioned Costs
1	July 2023	\$ 2,864.40	\$ 2,864.40		\$ 2,864.40
2	Aug 2023	\$ 2,326.50	\$ 29.70		\$ 29.70
3	Aug 2023	\$ 2,728.80	\$ 1,300.50		\$ 1,300.50
4	Nov 2023	\$ 1,815.00	\$ 6.60		\$ 6.60
5	July 2023	\$ 2,471.70	\$ 59.40		\$ 59.40
6	Aug 2023	\$ 1,818.10	\$ 184.80		\$ 184.80
7	July 2023	\$ 2,079.00	\$ 891.00	\$ 1,172.71	\$ 2,063.71
8	July 2023	\$ 2,332.50	\$ 0		\$ 0

We noted the following issues related to license-exempt providers:

- Two providers (#3 & #6) exceeded the allowed capacity. One provider was caring for 10 children from four different families. The other provider exceeded capacity 19 days in the month, caring for five children from three different families from 4:00 p.m. to 5:00 p.m. on 18 days and four children from two families from 7:00 a.m. to 2:00 p.m. on one day during the month.
- One provider (#1) did not submit the requested attendance records. This provider billed and was paid for 40 days and 78 partial days for a 22-day period for each of two children, which is impossible. The Department’s procedures failed to prevent the provider from billing for days and partial days in excess of the number of days in the service period.
- For two providers (#5 & #6) the attendance records did not agree to the services claimed and billed.
- Two providers (#2 & #6) billed in excess of the allowed service authorizations.
- One provider (#4) cared for an infant during the evening, and a secondary provider cared for the child during the day. On one day, however, there was overlapping time with the secondary provider.
- One provider (#7) was providing services for two families during evening hours, and two other providers performed services during the day. The individual exceeded the service authorization for the weeks tested, and the two other providers that billed services for the month were also over authorization.

Neb. Rev. Stat. § 71-1911 (Reissue 2018) states, in relevant part, the following:

(1) A person may operate child care for three or fewer children without having a license issued by the department. . .

(2) No person shall operate or offer to operate a program for four or more children under his or her direct supervision, care, and control at any one time from families other than that of such person without having in full force and effect a written license issued by the department upon such terms as may be prescribed by the rules and regulations adopted and promulgated by the department.

Licensed Family Homes

We noted issues with five of six licensed family homes tested.

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COMMENTS AND RECOMMENDATIONS

(Continued)

1. Improper Child Care Payments (Continued)

#	Provider Type	Service Month Tested	Paid to Provider for Month Tested	Questioned Costs for Month Tested	Additional Questioned Costs	Total Questioned Costs
1	Family Home I	Feb 2024	\$ 9,098.50	\$ 5,946.50	\$ 7,552.50	\$ 13,499.00
2	Family Home I	July 2023	\$ 12,153.00	\$ 4,698.50		\$ 4,698.50
3	Family Home I	Oct 2023	\$ 6,692.00	\$ 66.00		\$ 66.00
4	Family Home I	June 2023	\$ 14,531.65	\$ 3,821.50		\$ 3,821.50
5	Family Home II	June 2023	\$ 10,616.50	\$ 2,756.50		\$ 2,756.50
6	Family Home II	Oct 2023	\$ 8,016.00	\$ 0		\$ 0

We noted the following issues related to licensed family home providers:

- For one provider (#1), the attendance records did not agree to the services billed for all five children claimed. This provider billed 72 to 74 partial days for each of three children in February, which is not possible. The most a provider can claim for one day is a full day and a partial day, so it is not possible to claim more partial days than there is in the month. The Department did not have adequate checks to prevent billing excess partial days. We noted \$5,946.50 in questioned costs for February. We then reviewed October 2023 through January 2024 timesheets and noted an additional \$7,552.50 in questioned costs. After requesting attendance records, we noted that the Department established overpayments of \$7,934 related to October through February claims.
- For another provider (#2), the attendance records did not agree to the services billed for all 11 children billed. This provider billed 38.5 to 48.75 partial days for each of four children in July, which is not possible. Also, there is no provision for billing a fraction of a partial day. The Department did not have edits checks to prevent this. In addition, the service authorization was exceeded for three of the children.
- One provider (#3) billed full days for one child but should have billed partial days because the attendance record showed services from 4:00 p.m. to 6:00 p.m. (2 hours) each day.
- For one provider (#4), the attendance records did not agree to the services billed for 13 of 22 children claimed; service authorizations were exceeded for three children; and one toddler was billed and paid at the infant rate.
- One provider (#5) was licensed for 12 children; however, per the attendance records, care was provided for 15-18 children at the same time. Also, attendance records for 2 of 16 children did not agree to services billed, and services exceeded the authorization limit for five children. Further, we noted three children with overlapping times with another provider. The primary provider was billing for services from 8:00 a.m. to 4:00 p.m., and this provider (#5) was billing for services from 10:00 a.m. to 3:00 p.m.

Per Title 391 NAC 1-002, “Family Child Care Home II means a child care program in the licensee’s residence or another location which is licensed to serve at least four but not more than 12 children.” Title 391 NAC 1-006.08A states, in part: “The number of children in care at any one time must not exceed the licensed capacity. Licensed capacity will be determined by the Department based on available space and the capacity authorized by the State Fire Marshal or delegated authority.”

Child Care Centers

We noted issues with all six child care centers tested, as detailed below:

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(Continued)

1. Improper Child Care Payments (Continued)

Provider	Service Month Tested	Paid to Provider for Month Tested	Questioned Costs
International Day Care Inc	Nov 2023	\$ 173,259.80	\$ 130,764.52
Little Blazers Academy, LLC	Dec 2023	\$ 128,463.82	\$ 11,629.01
Little Blazers Academy, LLC II	Dec 2023	\$ 50,726.36	\$ 1,155.07
Tender Loving Tots	Aug 2023	\$ 26,543.99	\$ 8,143.30
Sprouting Minds Childcare	Nov 2023	\$ 41,053.20	\$ 14,132.73
Next Generation Child Care and Preschool	Feb 2024	\$ 94,405.50	\$ 3,444.08

International Day Care

International Day Care was paid \$173,259.80 for November 2023 services. We noted the following:

- 191 children were billed and paid as an “absent” day on Thanksgiving even though the center was closed, and no children attended.
- One child billed was over age 13 and not eligible for services.
- One child was billed as a toddler but was over the age of three at the time of service and should have been billed at the preschool rate.
- One child was billed as an infant but was 35 months old at the time of service and should have been billed as a toddler.
- Four families authorized for child care while a parent was working at the center billed for days after the parent was no longer working at the center.

During our review of service authorizations, moreover, we noted that several children had a parent working at the daycare while the children attended. This is allowable if the parent is not working in the same room. However, of the 222 children paid for the month tested, 201 had a parent working at the daycare and only 21 children did not. The 222 children were from 53 families, and 44 of those families had a parent working at the daycare. We asked the daycare to provide us with employment records for those parents. Most of the parents had income from International Day Care that was far less than the subsidies paid for child care services. For example, for one family, the parent earned \$1,452 for the month, but child care payments totaled \$6,353.

As noted previously, Title 392 NAC 2-013.05 provides, “If the individual is requesting child care for employment, the employment must have the potential to allow the individual to achieve or maintain economic self-sufficiency.” Based on a comparison of wages to child care subsidies, however, the employment with the daycare does not appear to have that potential. For the families with a parent working at the daycare, there was a total of \$154,326.30 in child care payments, but the parents’ gross salary from the daycare totaled only \$64,162.50 – a discrepancy hardly reflective of employment arrangements conducive to economic autonomy.

Many of these families had additional income from sources other than the daycare; however, child care subsidies still appeared unreasonable. In these cases, as illustrated by the examples below, parents working at the daycare in a capacity that failed to produce even the potential to “achieve or maintain economic self-sufficiency,” contrary to the explicit regulatory language cited above, actually resulted in far greater child care costs than would have occurred had those working parents stayed at home and cared for the children themselves. The following cases are representative of why subsidies are not available for jobs that prove ultimately counterproductive in terms of the relatively low wages received in comparison to the resultant child care expenses to the State:

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(Continued)

1. Improper Child Care Payments (Continued)

- One family with seven children had child care subsidies for the month of \$5,945 plus paid a family fee of \$465 per month, for total daycare costs of \$6,410. This was a two-parent household and one parent worked at the daycare and earned \$1,386 for the month. The total gross income for the household was \$6,647.97, which exceeds the cost of child care, but if the family were responsible for all daycare costs, it would leave less than \$250 per month for rent, food, utilities, and other expenses. It would cost the family over \$5,000 each month to have a parent working at the daycare; therefore, the employment does not appear to have the potential for self-sufficiency.
- Another family had child care subsidies for the month of \$5,610 and the parent who worked at the daycare earned \$1,323. The family had total gross monthly income of \$4,192.16, which is still \$1,417.84 less than child care costs, and if the family were responsible for all child care costs, it would cost the family \$4,287 each month to have the parent working at the daycare. Therefore, the employment does not appear to have the potential for self-sufficiency.

It was also noted that seven families were receiving Temporary Assistance to Needy Families (TANF) and were required to work as a condition of that assistance. These seven families received child care subsidies of \$24,850 for the month and were paid wages of \$10,456 by the daycare. However, we did not question these costs as the individuals were required to work as a condition of receiving TANF.

Excluding the TANF recipients, we questioned all other child care payments for families whose parent's wages from the child care center were less than the child care payments.

International Day Care was paid \$1,551,489.95 during the period July 1, 2023, to March 31, 2024. There was a dollar error rate for the month tested of 75.47% ($\$130,764.52/\$173,259.80$), which estimates the potential dollars at risk for the period to be \$1,170,909.47 ($75.47\% * \$1,551,489.95$).

Title 392 NAC 3-004.01(A) states, in part, the following:

The Department pays by attendance, not enrollment. Providers do not receive payment when the provider is on vacation, is ill, or is not providing care for some reason unrelated to the child or recipient.

Little Blazers Academy and Little Blazers Academy II

Little Blazers Academy, located on North 61st Street in Omaha, Nebraska, and Little Blazers Academy II, located on West Dodge in Omaha, Nebraska, have the same owner. The centers were paid \$179,190.18 for December 2023 services. We noted the following:

- Services were billed for 18 children at both locations. For six of these children the centers were billing partial days at each location when the total hours were less than five hours. For example, on multiple days, one child was claimed from 4:00 p.m. to 5:00 p.m. at one location and then from 5:30 p.m. to 6:30 p.m. at the second location. Each location billed for a partial day; however, only two hours of service were provided each day; therefore, it does not appear reasonable to bill for more than one partial day each day.
- Little Blazers Academy billed a child over six years old at the preschool rate and should have charged the school age rate; the service authorization was exceeded for one child; and, for two children, the claim did not agree to the attendance record. Also, the attendance records for the month tested were not provided for eight children. The attendance records provided were for September, not December, and were signed September 30, 2023.

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(Continued)

1. Improper Child Care Payments (Continued)

- Little Blazers Academy also participates in the Child and Adult Food Care Program through the Nebraska Department of Education (NDE), which provides funding based on meals and snacks served. The center is required to maintain records to support the meal counts claimed. These records should agree to the records to support child care services provided. We requested the meal count records and noted that the attendance times did not agree. Of 131 children, the NDE records did not agree to child care attendance records for a range of 10 to 22 children per day. Additionally, the meal count records for Little Blazers Academy noted that no meals were claimed on December 23 and December 24; however, the center billed for children both days. The following table shows the times for two children on December 5, 2023:

#	NDE Meal Records		Child Care Records		Meals Claimed
	Time In	Time Out	Time In	Time Out	
1	3:00 pm	8:00 pm	4:00 pm	8:00 pm	PM snack, dinner, evening snack
2	5:30 am	10:30 am	5:30 am	12:00 pm	breakfast, AM snack, lunch

The APA will forward this information to NDE.

- In another case, the meal count records for two children noted that the children did not attend child care on the weekends, and there was no attendance from December 22 through December 31. However, Little Blazers Academy billed hours from 10:00 a.m. to 3:00 p.m. as if the children had attended every day of the week. Additionally, Little Blazers Academy failed to deduct the \$154 family fee from the December 2023 billings for these children.
- Little Blazers Academy II exceeded the service authorizations for five children and billed four school-age children during regular school hours.

Tender Loving Tots

Tender Loving Tots was paid \$26,543.99 for August 2023 services. Exceptions were noted for 21 of 38 children tested. We noted the following:

- License capacity for the center was 34 children; however, we noted each day billed in August exceeded that capacity by up to nine children.
- Attendance records were not provided for six children, and time records did not agree to the services billed for an additional seven children.
- Services claimed exceeded service authorizations for nine children.
- Two children were billed as toddlers but were 39 months and 51 months old at the time of service and should have been billed at the preschool rate.

Furthermore, we noted that the time in and time out recorded on the attendance records appeared suspicious. Most children had the exact time in and time out each day. For example, one child was in at exactly 7:51 a.m. each morning and another at exactly 8:17 a.m. each morning. It seems unlikely that a parent would be able to have the exact same arrival and pick-up time each day. We requested the attendance records on April 9, 2024, and did not receive the records until May 1, 2024. As providers are required to retain attendance records for four years, those records should have been readily available and not taken three weeks to provide. When records are not provided promptly, there is an increased risk for fraud to occur.

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COMMENTS AND RECOMMENDATIONS

(Continued)

1. Improper Child Care Payments (Continued)

Sprouting Minds Childcare

Sprouting Minds Childcare was paid \$41,053.20 for November 2023 services. We noted the following:

- 19 children were billed and paid as an “absent” day on Thanksgiving and the Friday after Thanksgiving, even though the center was closed, and no children attended.
- Attendance records were not provided for five children; time records did not agree to the services billed for an additional five children.
- Services claimed exceeded service authorizations for 13 children.
- One child was billed both as a toddler and an infant for the same period and should have been billed only as a toddler.

Next Generation Child Care and Preschool

Next Generation was paid \$94,405.50 for February 2024 services. We noted the following:

- One child was double billed as both a toddler and a preschooler for the same period but should have been billed only as a preschooler.
- Two other children were billed at the toddler rate but should have been billed at the preschool rate, and one child was billed as an infant and should have been billed at the toddler rate.
- Time records did not agree to the services billed for five children.
- Services claimed exceeded service authorizations for two children.
- For one child, the attendance record showed service from 6:15 a.m. to 8:30 a.m. Per the parent, however, school began at 7:40 a.m., so it appears the time out of 8:30 a.m. is not accurate.

There were 663 child care centers paid a total of \$74,974,234.74 for the period July 1, 2023, through March 31, 2024.

Child care subsidies were paid with State and Federal funds. Also, State-funded child care subsidies are used to meet Federal matching and level-of-effort requirements.

45 CFR § 75.403 (October 1, 2023) provides the following, in relevant part:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

* * * *

(g) Be adequately documented. See also §§ 75.300 through 75.309.

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COMMENTS AND RECOMMENDATIONS

(Continued)

1. Improper Child Care Payments (Concluded)

Per 45 CFR § 75.303 (October 1, 2023):

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

45 CFR § 98.67(a) (October 1, 2023) states, in part, the following:

Lead Agencies shall expend and account for CCDF [Child Care and Development Fund] funds in accordance with their own laws and procedures for expending and accounting for their own funds.

42 USC § 9858k(b) (1992) states, as is relevant, the following:

With regard to services provided to students enrolled in grades 1 through 12, no financial assistance provided under this subchapter shall be expended for-

(1) any services provided to such students during the regular school day[.]

Without adequate controls, there is an increased risk for errors or fraud to occur and not be detected.

We recommend the Department improve procedures to ensure payments are reasonable, accurate, and in accordance with regulations. We further recommend the Department implement procedures to prevent double billings, ensure services are only authorized as needed, and only if the parents' employment has the potential for economic self-sufficiency. Finally, we recommend the Department take the necessary action to recover overpayments.

Department Response: The Department has reviewed and agrees with the issues identified. The Department currently conducts internal targeted high-risk reviews for both age categories and units billed. When a review identifies a case with a child or children in an incorrect age category, the category is corrected and the case is reviewed monthly thereafter. When a review identifies billed units exceeding the authorization the matter is referred to the Department's fraud unit and an overpayment will be processed. The Department is empowered to recover full or partial grants when the fraud unit determines a provider has not complied with contractual obligations, including billing requirements. An investigation is already underway for one of the providers noted in this audit. Child care providers are trained on how to bill and provided refresher training at each agreement renewal. Providers are also required to retain calendars and submit said calendars upon request. Eligibility workers receive child care training to determine subsidy eligibility and create authorizations. Further, DHHS will be utilizing the above mentioned fund recoupment processes to recoup funds identified by this audit.

2. Market Rate Survey and Subsidy Rates

The 2023 child care subsidy rates which became effective July 1, 2023, were established following a Market Rate Survey issued in June 2022 by the Buffet Institute at the University of Nebraska (Institute). This market rate survey was commissioned by the Department pursuant to Neb. Rev. Stat. § 43-536 (Cum. Supp. 2022). The results of the survey were based on a provider response rate of 32.9% (946 providers); however, in calculating the half-day and full-day rates, the Institute used rate information from only 21% of respondents who indicated that they had a part-time and full-time rate schedule similar to the guidelines set by the Department (partial day for 0 to 4 hours and 59

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(Concluded)

2. Market Rate Survey and Subsidy Rates (Concluded)

minutes and full-time for 5 hours to 9 hours and 59 minutes). As such, the rates were established based on rate information provided by only 6.9% of Nebraska's child care providers. The percentage of providers factored into the benefit calculation is so low because many providers responded that they did not have an equivalent half-day or full-day rate structure. Therefore, we question the reasonableness of the rates established pursuant to the market rate survey and whether it provides a clear picture of private market rates in the State.

Additionally, Nebraska regulations require that providers have an established private rate prior to receiving any subsidy payments. This is because the subsidy payment is not allowed to exceed the provider's private rate. However, as shown in the market survey results, many providers do not have such a rate structure and, therefore, do not have established half-day and full-day rates. In many cases, providers have a weekly rate. The Department stated that it utilizes a weekly rate to daily/partial day rate conversion table, which was provided to them by the Institute. However, while this table is used to determine the equivalent rates, there is no written policy or guidance on when or how the table should be implemented, and no mention is made of these conversion tables in the market survey report.

Lastly, during testing of a random sample of 25 claims, we tested two claims in which the maximum partial day rate was being paid to the provider. Per the Department, while the provider lacked an established partial-day rate, it determined the provider was eligible for the maximum partial day rate because the provider had a daily rate that exceeded the maximum daily subsidy rate. However, the Department could not provide any written policy or guidance to support that this was an accurate and proper means of determining the partial day rate.

45 CFR § 98.45(c) (October 1, 2023) provides the following:

The Lead Agency shall demonstrate in the Plan that it has developed and conducted, not earlier than two years before the date of the submission of the Plan, either:

- (1) A statistically valid and reliable survey of the market rates for child care services; or*
- (2) An alternative methodology, such as a cost estimation model, that has been:*
 - (i) Proposed by the Lead Agency; and*
 - (ii) Approved in advance by ACF.*

Neb. Rev. Stat. § 43-536 (Cum. Supp. 2022) states the following:

In determining the rate of reimbursement for child care, the Department of Health and Human Services shall conduct a market rate survey of the child care providers in the state. The department shall adjust the reimbursement rate for child care every odd-numbered year at a rate not less than the sixtieth percentile and not to exceed the seventy-fifth percentile of the current market rate survey, except that (1) nationally accredited child care providers may be reimbursed at higher rates, (2) an applicable child care or early childhood education program, as defined in section 71-1954, that is participating in the quality rating and improvement system and has received a rating of step three or higher under the Step Up to Quality Child Care Act may be reimbursed at higher rates based upon the program's quality scale rating under the quality rating and improvement system.

Title 392 NAC 3-004.01 states, in part, the following:

A provider must establish a private pay rate before being approved as an enrolled provider. Child Care Subsidy payments to a provider will not exceed the private pay rate.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD CARE NFOCUS AID PAYMENTS

Good internal control and sound business practices requires policies and procedures to ensure that child care subsidy rates are supported by a statistically valid and reasonable market rate survey and reflect the current state of private child care costs.

Without such policies and procedures, there is an increased risk of child care subsidy payments being understated or overstated due to inaccurate or incomplete market data, which could lead to the loss of State funds. Additionally, there is increased risk of noncompliance with State and Federal regulations.

We recommend the Department review the market survey results to determine if they are statistically valid and reflect the current child care market. Additionally, we recommend the Department establish written policies and guidelines for how private partial and daily rates should be determined when the provider has no such rates established.

Department Response: Federal law does not allow states to have hourly billing units, which is why the Department switched to partial/full days on July 1, 2023. Over the past few years, the Department has contracted with a reputable entity to conduct the Market Rate Survey. In addition, the use of the Market Rate Survey was approved by our federal partners. Recent legislation will allow for an alternative rate methodology which the Department may explore. Conversion guidance will be added to the child care subsidy guidance.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Department of Health and Human Services
Lincoln, Nebraska

We have examined the accompanying Schedule of Expenditures of the Nebraska Department of Health and Human Services (Department) Child Care NFOCUS Aid Payments for the period July 1, 2023, through March 31, 2024. The Department's management is responsible for the Schedule of Expenditures based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Expenditures based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Expenditures is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Expenditures. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Expenditures, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.


We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the Schedule of Expenditures for the period July 1, 2023, through March 31, 2024, is based on the accounting system and procedures prescribed by State of Nebraska Director of Administrative Services, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the Schedule of Expenditures; fraud that is material, either quantitatively or qualitatively, to the Schedule of Expenditures; and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Schedule of Expenditures is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Expenditures or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are described in the Comments Section of the report.

The purpose of this report is to express an opinion on the Schedule of Expenditures, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

June 28, 2024



Mike Foley
Auditor of Public Accounts
Lincoln, Nebraska

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD CARE NFOCUS AID PAYMENTS
SCHEDULE OF EXPENDITURES
For the Period July 1, 2023, through March 31, 2024

	General Fund 10000	Federal Fund 40000	Totals (Memorandum Only)
EXPENDITURES:			
Government Aid	\$ 41,214,001	\$ 51,712,613	\$ 92,926,614

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD CARE NFOCUS AID PAYMENTS

NOTES TO THE SCHEDULE

For the Period July 1, 2023, through March 31, 2024

1. Criteria

The accounting policies of the Nebraska Department of Health and Human Services (Department) are on the basis of accounting, as prescribed by State of Nebraska Director of Administrative Services.

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's Director of the Department of Administrative Services (DAS) include:

The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes[.]

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2014), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by the DAS State Accounting Division (State Accounting) and are available to the public.

The financial information used to prepare the Schedule of Expenditures was obtained directly from the general ledger information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. Expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the Schedule includes those expenditures and related accounts payable posted in the general ledger as of March 31, 2024, and not yet paid as of that date. The amount recorded as expenditures on the Schedule, as of March 31, 2024, **does not** include amounts for goods and services received before March 31, 2024, which had not been posted to the general ledger as of March 31, 2024.

The following fund types are established by the State and used by the Department:

10000 – General Fund – accounts for activities funded by general tax dollars and related expenditures and transfers.

40000 – Federal Funds – account for the financial activities related to the receipt and disbursement of funds generated from the Federal government as a result of grants and contracts. Expenditures must be made in accordance with applicable Federal requirements.

The following major expenditure account classifications are established by State Accounting and used by the Department:

Government Aid – Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

2. Reporting Entity

The Department is a State agency established under and governed by the laws of the State of Nebraska. As such, the Department is exempt from State and Federal income taxes. The Schedule includes all funds of the Department for Child Care NFOCUS Aid included in the general ledger.

The Department is part of the primary government for the State of Nebraska.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILDCARE NFOCUS AID PAYMENTS

NOTES TO THE SCHEDULE
(Concluded)

3. Totals

The Totals “Memorandum Only” column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD CARE NFOCUS AID PAYMENTS

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Expenditures. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Expenditures, and, accordingly, we express no opinion on it.

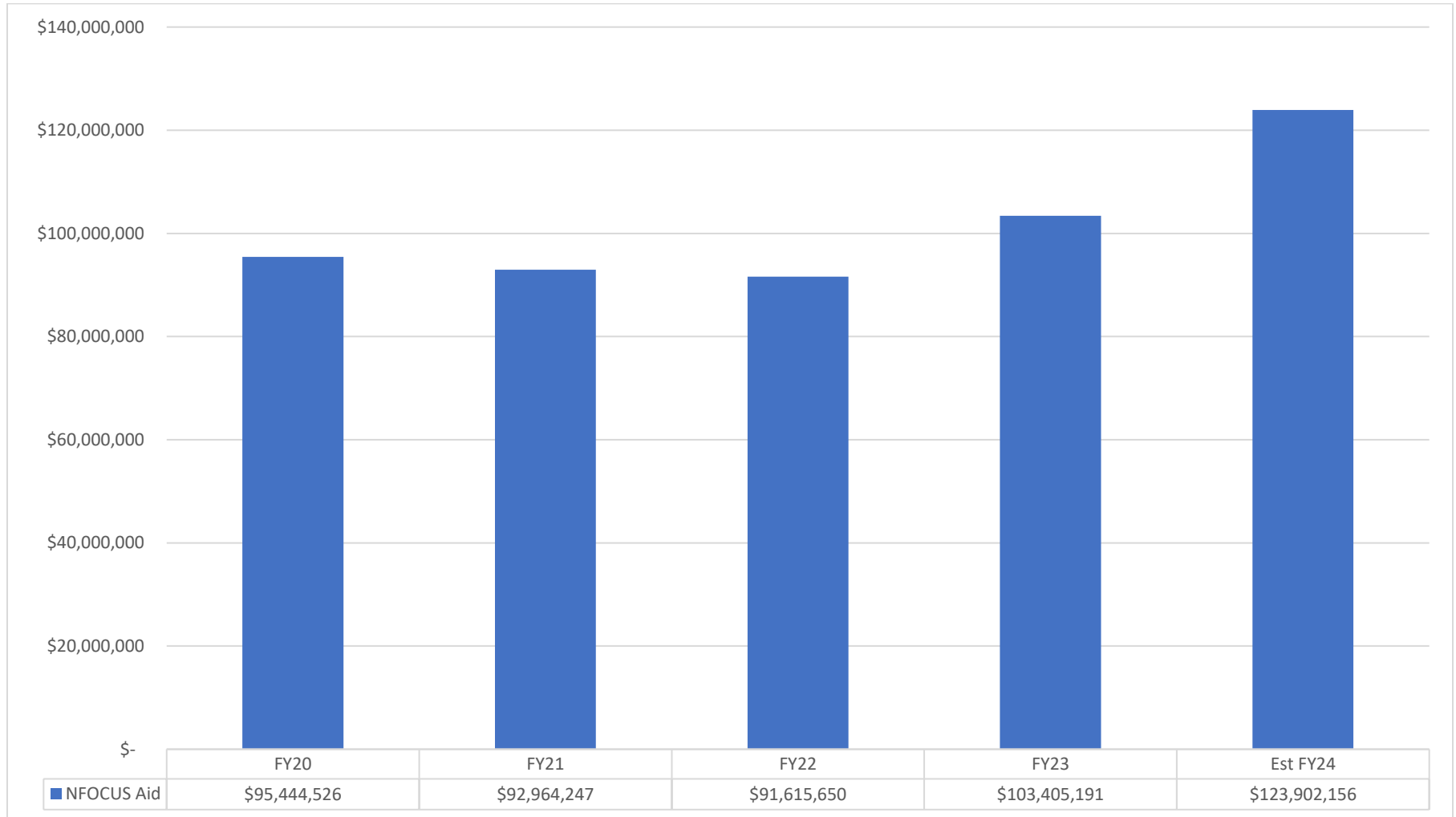
NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
 CHILDCARE NFOCUS AID PAYMENTS

Fiscal Years Ended June 30, 2020, through June 30, 2023, and
 Period July 1, 2023, through March 31, 2024



NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
 CHILDCARE NFOCUS AID PAYMENTS

Fiscal Years Ended June 30, 2020, through June 30, 2023, and
 Estimated Payments for Fiscal Year Ended June 30, 2024



*Note: The average quarterly payments for July 2023 through March 2024 were used to estimate payments for April 2024 through June 2024.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
 CHILDCARE NFOCUS AID PAYMENTS

2023 Child Care Subsidy Rates									
Partial Rate: Up to 4 hours and 59 minutes									
Daily Rate: 5 hours through 9 hours and 59 minutes									
Daily Rate plus a Partial Rate: 10 hours through 18 hours									
	Infant		Toddler		Preschool		School Age		
	Partial Rate	Day Rate	Partial Rate	Day Rate	Partial Rate	Day Rate	Partial Rate	Day Rate	Day Rate
Lancaster, Dakota, Douglas, Sarpy Counties									
Licensed Family Child Care Homes I and II	\$30.50	\$35.50	\$30.00	\$35.00	\$30.00	\$35.00	\$30.00	\$33.00	\$33.00
Accredited/Step 3	\$32.05	\$37.30	\$31.50	\$36.75	\$31.50	\$36.75	\$31.50	\$34.65	\$34.65
Step 4	\$33.65	\$39.15	\$33.10	\$38.60	\$33.10	\$38.60	\$33.10	\$36.40	\$36.40
Step 5	\$35.35	\$41.10	\$34.75	\$40.55	\$34.75	\$40.55	\$34.75	\$38.25	\$38.25
Licensed Child Care Centers	\$46.75	\$58.25	\$41.00	\$51.50	\$34.50	\$46.51	\$36.00	\$40.00	\$40.00
Accredited/Step 3	\$49.10	\$61.20	\$43.05	\$54.10	\$36.25	\$48.85	\$37.80	\$42.00	\$42.00
Step 4	\$51.55	\$64.25	\$45.25	\$56.80	\$38.05	\$51.30	\$39.70	\$44.10	\$44.10
Step 5	\$54.15	\$67.45	\$47.50	\$59.65	\$39.95	\$53.85	\$41.70	\$46.35	\$46.35
License Exempt Family Child Care Homes									
Lancaster/Douglas/Sarpy/Dakota Counties	\$9.90	\$16.50	\$9.90	\$16.50	\$9.90	\$16.50	\$9.90	\$16.50	\$16.50
All Other Counties									
Licensed Family Child Care Homes I and II	\$25.00	\$30.25	\$25.00	\$30.00	\$25.00	\$30.00	\$25.00	\$30.00	\$30.00
Accredited/Step 3	\$26.25	\$31.80	\$26.25	\$31.50	\$26.25	\$31.50	\$26.25	\$31.50	\$31.50
Step 4	\$27.60	\$33.40	\$27.60	\$33.10	\$27.60	\$33.10	\$27.60	\$33.10	\$33.10
Step 5	\$28.95	\$35.05	\$28.95	\$34.75	\$28.95	\$34.75	\$28.95	\$34.75	\$34.75
Licensed Child Care Centers	\$28.95	\$36.80	\$27.90	\$35.00	\$24.00	\$34.30	\$24.75	\$35.75	\$35.75
Accredited/Step 3	\$30.40	\$38.65	\$29.30	\$36.75	\$25.20	\$36.05	\$26.00	\$37.55	\$37.55
Step 4	\$31.95	\$40.60	\$30.80	\$38.60	\$26.50	\$37.85	\$27.30	\$39.45	\$39.45
Step 5	\$33.55	\$42.65	\$32.30	\$40.55	\$27.80	\$39.75	\$28.70	\$41.40	\$41.40
License Exempt Family Child Care Homes	\$8.80	\$14.90	\$8.80	\$14.90	\$8.80	\$14.90	\$8.80	\$14.90	\$14.90
All Counties									
License Exempt Family In-Home Provider	The basic in-home rate is \$10.50 an hour								
Transportation	\$5.00 per occurrence								
Activity Fees	\$50.00 per child (Toddler, Preschool, School Age; applies during June, July, August)								
Accreditation	5% increase of the base rate								
Step Up to Quality	5% increase for each Step advancement, starting at Step 3								

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
 CHILD CARE NFOCUS AID PAYMENTS
CHILD CARE PROVIDERS PAID OVER \$400,000
 July 1, 2023 through March 31, 2024

Provider *	License #	Total Payments July 1, 2023 to March 31, 2024
International Day Care Inc	CCC8777	\$ 1,551,489.95
Twins Daycare LLC	CCC9796	\$ 1,307,916.99
Little Blazers Academy LLC (2717 North 61st St.)	CCC9818	\$ 1,173,327.17
Little Blazers Academy, LLC (13030 West Dodge Rd)	CCC9917	\$ 444,126.38
Los Solesitos Child Care Center	CCC9469	\$ 1,096,900.95
SM (Sprouting Minds) West Center Inc	CCC9601	\$ 1,010,840.24
SM (Sprouting Minds) Pacific Street LLC	CCC9711	\$ 417,050.81
Patty's Child Care Center 2	CCC9763	\$ 959,045.59
Next Generation Child Care And Preschool	CCC7591	\$ 888,375.43
B.E.T. Learning Academy Omaha	CCC7453	\$ 853,215.98
Children's Angel Childcare II	CCC9754	\$ 696,338.70
Kids Count 2 Childcare Preschool - Hamilton LLC	CCC9676	\$ 654,108.16
MPS - Millard Schools Education Foundation Inc **	Various	\$ 626,987.04
Sprouts Child Development Center	CCC9889	\$ 594,104.39
Creative Kidz	CCC9751	\$ 581,880.42
Bright Minds Learning Center (14340 Harrison St.)	CCC9437	\$ 580,495.26
Leilah's Learning Center	CCC9725	\$ 579,125.78
Sprouts Learning Center LLC	CCC9504	\$ 571,069.26
Little Lambs Childcare And Preschool Inc	CCC9882	\$ 565,474.37
Maximum Heights Academy LLC II	CCC9830	\$ 562,798.97
Element Learning Center	CCC9413	\$ 531,350.40
Brilliant Brains Learning Center	CCC9885	\$ 514,203.73
Adventure Academy Site 4	CCC9563	\$ 483,332.47
Adventure Academy - Site 2	CCC9295	\$ 416,614.52
Behave'n Kids	CCC9938	\$ 482,692.18
Papillion-La Vista Schools Foundation ***	Various	\$ 480,832.95
Kids R Us	CCC9450	\$ 466,925.28
Blondo Childcare And Preschool	CCC9494	\$ 462,765.66
Wrangler Babies Childcare	CCC9462	\$ 456,630.02
La Petite Academy (2700 Jameson North)	CCC7443	\$ 445,797.73
La Petite Academy (6632 Taylor Park Dr.)	CCC7115	\$ 437,290.86
La Petite Academy (5444 South 138th St.)	CCC102	\$ 404,715.97
Little Munchkinland	CCC9967	\$ 443,734.01
Aspen Creek Kindercare	CCC10060	\$ 437,607.50
Eden Child Care Center	CCC9974	\$ 433,857.34
Children's Development Connection	CCC9361	\$ 429,857.13
Lifechangers Academy Northampton LLC	CCC9528	\$ 418,868.59

* Payee names were formatted to reflect the providers name on the DHHS Childcare Roster effective 5/28/2024

** The Millard Public Schools Foundation operates after school programs at each of the facilities within it's district (25 locations per the Childcare Roster). All childcare claims for the provider are processed through the same organization ID in NFOCUS and as such are presented together.

*** The Papillion - La Vista Schools Foundation operates after school programs at each of the facilities within it's district (16 locations per the Childcare Roster). All childcare claims for the provider are processed through the same organisation ID in NFOCUS and as such are presented together.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD CARE NFOCUS AID PAYMENTS
International Day Care Inc. Subsidy in Excess of Salary
November 2023 Services

Families with a parent working at the Day Care in November 2023

Master Case	Day Care Salary	Child Care Subsidy	Subsidy in Excess of Salary
219558	\$ 1,083.50	\$ 2,045.28	\$ 961.78
337236	\$ 1,606.00	\$ 5,409.00	\$ 3,803.00
348394	\$ 1,836.00	\$ 4,286.69	\$ 2,450.69
363625	\$ 1,452.00	\$ 1,704.00	\$ 252.00
371491	\$ 1,452.00	\$ 2,448.00	\$ 996.00
381063	\$ 1,452.00	\$ 6,353.00	\$ 4,901.00
386178	\$ 1,452.00	\$ 1,632.00	\$ 180.00
388734	\$ 1,759.50	\$ 5,238.00	\$ 3,478.50 TANF
417203	\$ 1,836.00	\$ 4,523.50	\$ 2,687.50
457697	\$ 1,716.00	\$ 3,957.00	\$ 2,241.00 TANF
529960	\$ 1,452.00	\$ 3,336.00	\$ 1,884.00
536253	\$ 1,683.00	\$ 4,833.00	\$ 3,150.00 TANF
551274	\$ 1,679.00	\$ 3,405.00	\$ 1,726.00
613759	\$ 1,518.00	\$ 4,829.00	\$ 3,311.00
672400	\$ 1,683.00	\$ 3,590.00	\$ 1,907.00
674518	\$ 1,759.50	\$ 2,448.00	\$ 688.50
677203	\$ 1,452.00	\$ 2,998.00	\$ 1,546.00
679400	\$ 1,386.00	\$ 2,153.00	\$ 767.00
728209	\$ 1,354.50	\$ 2,641.00	\$ 1,286.50 TANF
739526	\$ 1,683.00	\$ 2,576.00	\$ 893.00 TANF
746629	\$ 1,050.00	\$ 3,146.00	\$ 2,096.00 TANF
809450	\$ 1,683.00	\$ 5,273.00	\$ 3,590.00
809814	\$ 1,210.00	\$ 2,189.00	\$ 979.00 TANF
818148	\$ 1,452.00	\$ 4,208.00	\$ 2,756.00
826115	\$ 1,386.00	\$ 4,172.38	\$ 2,786.38
826135	\$ 1,386.00	\$ 4,472.00	\$ 3,086.00
827483	\$ 1,386.00	\$ 3,405.00	\$ 2,019.00
829593	\$ 1,386.00	\$ 4,593.00	\$ 3,207.00
829775	\$ 1,386.00	\$ 3,821.00	\$ 2,435.00
830660	\$ 1,323.00	\$ 5,610.00	\$ 4,287.00
832407	\$ 1,386.00	\$ 4,428.00	\$ 3,042.00
849303	\$ 1,386.00	\$ 2,957.00	\$ 1,571.00
851046	\$ 1,197.00	\$ 5,483.00	\$ 4,286.00
852972	\$ 1,260.00	\$ 4,014.00	\$ 2,754.00
854366	\$ 1,302.00	\$ 2,617.67	\$ 1,315.67
854951	\$ 1,386.00	\$ 5,945.00	\$ 4,559.00
855332	\$ 1,323.00	\$ 4,386.00	\$ 3,063.00
856932	\$ 1,197.00	\$ 4,865.00	\$ 3,668.00
873630	\$ 1,260.00	\$ 4,479.00	\$ 3,219.00
	\$ 56,640.00	\$ 150,469.52	
189139	\$ 720.00	\$ 351.00	\$ (369.00)
298826	\$ 945.00	\$ 707.78	\$ (237.22)
335251	\$ 1,836.00	\$ 688.00	\$ (1,148.00)
421925	\$ 1,759.50	\$ 1,632.00	\$ (127.50)
674704	\$ 2,262.00	\$ 478.00	\$ (1,784.00)
	\$ 64,162.50	\$ 154,326.30	