

**Minutes**  
**AUDIT SUBCOMMITTEE**  
**Legislative Audit Commission**  
**April 10, 2019**

Audit Subcommittee Members Present:

Senator Mary Kiffmeyer

Other LAC Members Present:

Senator Matt D. Klein  
Senator Mark W. Koran  
Representative Connie Bernardy  
Representative Nels Pierson

Audit Subcommittee Members Absent:

Senator Michelle Benson  
Senator Ann H. Rest  
Representative Sondra Erickson

Other Legislators Present:

U.S. Representative Ilhan Omar  
Representative Dave Pinto

Senator Mary Kiffmeyer called the Legislative Audit Commission (LAC) Audit Subcommittee meeting to order at 10:30 a.m. The purpose of the meeting was to discuss the report, *Child Care Assistance Program: Assessment of Internal Controls*. Mr. Nobles stated that this report was the second report on the Child Care Assistance Program, as the first report, issued on March 13, 2019, concerned the fraud allegations. Mr. Nobles stated that this second report dug deeper into the Department of Human Services' (DHS) internal controls. Mr. Nobles introduced Valerie Bombach, the Audit Director, who discussed the report's conclusions, findings, and recommendations.

Ms. Bombach stated that for the Child Care Assistance Program (CCAP), Fiscal Year 2018 payments to 4,500 providers totaled about \$254 million. These payments were for child care services provided to about 30,000 children. DHS oversees and administers CCAP, but some functions are administered by county human services agencies.

Ms. Bombach stated that DHS's program integrity controls were insufficient to effectively prevent, detect, and investigate fraud in CCAP. OLA concluded that both DHS and local human services agencies must do more to identify and respond to fraud risk.

The audit recommendations for DHS were (1) Expand its quality assurance reviews of local human services agencies' CCAP eligibility determinations; (2) Enhance billing verification policies; (3) More closely scrutinize MEC<sup>2</sup> system overrides; and (4) Comply with federal and state requirements to conduct annual inspections of child care providers. In addition, Ms. Bombach stated that the Legislature should direct DHS to: (1) Expand the use of independent data sources to validate eligibility; (2) Implement electronic reporting of child attendance; (3) Improve CCAP controls within the MEC<sup>2</sup> system; (4) Improve monitoring of licensed child care centers; and (5) Improve its internal controls and risk assessment of CCAP fraud and develop an estimate of improper payments, including fraud.

Senator Kiffmeyer introduced DHS Commissioner Tony Lourey and Deputy Commissioner Chuck Johnson. Commissioner Lourey stated that DHS is committed to improving CCAP. He stated that the Legislature must provide resources to DHS to help address the recommendations in the report. Deputy Commissioner Chuck Johnson stated that DHS agrees with the report's recommendations. He stated that electronic attendance would be very beneficial as one of the ways to stop CCAP fraud. Mr. Johnson stated that DHS will be consulting with other states to discuss the procedures they have in place to deter CCAP fraud. He also stated that by 2020 there will be more annual inspections, as they will be hiring additional staff.

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Senator Kiffmeyer stated to Commissioner Lourey and Deputy Commissioner Johnson that at a future LAC Audit Subcommittee meeting, they will be invited back for an update on the status of the audit recommendations that were noted in the CCAP reports.

Senator Kiffmeyer adjourned the meeting at 11:30 a.m.

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Senator Mary Kiffmeyer, Audit Subcommittee Chair

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Mary Moser, Recording Secretary