

- f. Copy of Child Care Action Notice ([DCD-0450](#)), if applicable.
 - g. Case Narrative.
3. Provider documentation must include:
- a. Copy of signed Application for Enrollment to Be a Provider of Subsidized Child Care ([DCD-0451](#)).
 - b. Copy of signed Child Care Provider Agreement ([DCD-0452](#)), including any attachments.
 - c. Copy of Child Care Reimbursement Summary.
 - d. Copy of Child with Special Needs Additional Expense Documentation ([DCD-0454A](#)), if applicable.
 - e. Copy of Provider Information Form ([DCD-0454B](#)), if applicable.
 - f. Copy of Private Paying and Other Fees form ([DCD-0458](#)).

F. Reporting Fraud that Occurs Within the LPA

LPA staff is responsible for reporting suspicion of child care fraud to the director of the county department of social services when an LPA staff is involved. The director must report it to the Program Compliance Manager in the Subsidy Services Section of DCDEE at 1-800-859-0829 or 919-662-4561. If the LPA staff is a recipient or provider, the appeals process for recipients or providers must be followed. See Chapter 24 Appeals and Hearings.

III. ADMINISTRATIVE AND INADVERTENT ERRORS

A. Definitions of Errors

An *overpayment* or *underpayment* can occur as the result of an *administrative* error on the part of the LPA, or as an *inadvertent* error on the part of the recipient or provider. All errors resulting in an overpayment must be corrected at the point of discovery and to the date that the errors occurred. Contact your Program Compliance Consultant for guidance regarding the correction of underpayments that exceed 30 days. (Refer to [Section III.B.4.](#) below for more information on correcting errors.) The list below represents examples only **and** is not all inclusive of inadvertent errors.

1. Administrative Error (AE)

An *administrative*, or *agency error* exists if one of the following occurred:

- a. Policies, rules or statutes were not applied correctly.
- b. Staff responsible for administering the SCC Program failed to take action on a change when notified by the recipient, provider, other agency staff, or other interested party.
- c. The LPA failed to take appropriate action such as termination or reduction of services.
- d. A policy requirement was not met.
- e. An ineligible recipient received services or an ineligible provider received payments.
- f. An eligible provider received an underpayment or overpayment.

2. Inadvertent Error (IE)

An *inadvertent error* exists if one of the following occurred:

- a. The recipient of child care subsidy funds unintentionally failed to provide the LPA with correct or complete information.
- b. The recipient unintentionally failed to report changes to the LPA.
- c. A provider unintentionally failed to notify the LPA within **30 calendar** days of temporary operational changes or of circumstances which affect payments for children receiving subsidies. For example: as a result of a natural disaster, a home provider moves without notifying the LPA.
- d. A provider submitted information, such as an attendance report, that has unintentional errors.

Overpayments that are the result of inadvertent error may be referred to the county department of social services' Program Integrity Unit for collection after a preliminary assessment of the error has been completed internally.

B. Correction of Errors

North Carolina Administrative Code (10A NCAC 10.0309) requires the correction of errors for child care subsidy funds that were not spent in accordance with state or federal regulations. Errors due to *administrative* or *inadvertent* error and fraudulent misrepresentation are rectified by following the guidelines in this section.

1. Responsibility of LPA to Correct Overpayments Due to Administrative Errors
 - a. The local purchasing agency makes corrections for all errors through the SCC Reimbursement System.
 - b. Overpayment to a provider due to administrative error must be corrected in DCDEE's SCC Reimbursement System by the county department of social services or the contracting agency (such as a child care resource and referral agency or state level contractor) at the point of discovery and to the date of occurrence.
 - c. Contracting agencies that manage the SCC Program for county departments of social services are responsible for correction of errors to the SCC Reimbursement System and paybacks, unless the contract with the county stipulates otherwise.
 - d. The contract between the two agencies should also stipulate which agency is responsible for correcting and repaying administrative errors, such as errors that may be made determining eligibility by the county department of social services or when the contractor pays providers.
 - e. County departments of social services or contracting agencies (if stipulated in the agency's contract) must recoup overpayments from providers in instances where the overpayment resulted in a provider receiving more than the DCDEE approved rate. If the amount of the overpayment is substantial, then a timely payment plan should be established with the provider. (Refer to [Section II.B.2.](#) and [Section III.B.3.](#) for information regarding repayment plans and correcting errors.)

LPA's should direct their questions regarding corrections to the SCC Provider Reimbursement Summary to their Program Compliance Consultant.

2. Correction of Underpayment Due to Administrative Error

All underpayments will be processed through the SCC Reimbursement System. The LPA must pay the provider within 30 days for any underpayments reported within 30 calendar days of receipt of the SCC Reimbursement Summary. Some examples of provider underpayment due to agency error are provided.

- a. Failure by the LPA to reimburse the provider for days that a child (ren) was absent and the provider reported this to the child care worker.
- b. Failure by the child care worker to implement **approved rate increases**.

3. Responsibility of LPA to Correct Underpayments/Overpayments Reported by the Provider

As stated in the Child Care Provider Agreement ([DCD-0452](#)), the LPA provides a copy of the SCC Provider Reimbursement Summary each month to providers participating in the SCC Program for their review to determine if the amount paid is correct. The provider is required to report underpayment and overpayment errors within **30 calendar** days of the receipt of the monthly SCC Provider Reimbursement Summary Report.

The LPA **must correct** any underpayment error that is reported within **30 calendar** days through the SCC Reimbursement System but **is not required** to correct underpayments reported more than **45 calendar** days after the payment date.

The provider is required to pay back overpayment errors to the LPA or to compensate the parent or responsible adult for errors made in the parental fee if the overpayment is due to provider error. Overpayment errors not reported by the provider within **30 calendar** days may be considered an intentional program violation and may be referred to the Program Integrity Unit for determination. Refer to [Section II.A.2](#) above for more information about Intentional Program Violations.

The LPA must work with the provider to recoup the child care subsidy funds through voluntary repayment. The provider may want to repay the child care subsidy funds monthly over a time period deducting the funds from future payments or the provider may agree instead to one lump sum. If repayment is over a period of time, then the LPA must develop a timely repayment plan with the provider. Refer to [Section II.B.2.c](#) for more information.

4. Procedures for Correcting Errors in the Subsidy Reimbursement System

According to federal and state regulations, all errors by the recipient, provider, or agency that involves federal or state funds must be corrected. LPA's must rectify corrections with the State within 60 days of the determination that fraud has occurred.

Whenever the LPA has detected an intentional or inadvertent error by a provider or recipient, the error must be corrected for the entire amount in the SCC Reimbursement. This may involve months of corrections if the error occurred for a long period of time.

Local purchasing agencies must make these corrections in the SCC Reimbursement System at the point of discovery and to the date that the errors occurred. The corrections are for errors that were funded with state and federal subsidy funds.

The LPA must determine if the recipient or provider is active/non-active or terminated in the SCC Reimbursement System. If the case is active, the error must be corrected for the current service month in order to prevent the error from continuing. Also, the LPA must determine the date of occurrence for the error, and the amount of the error (underpayment/ overpayment). At this point the LPA can make arrangements to collect the subsidy funds owed from the recipient or provider which become county funds. Refer to [Section II.B.2.](#) and [Section III.B.](#) above.

The child care coordinator or their designee must process these corrections for all errors and must ensure that all of the following steps are completed.

- a. Step 1: Discovering Errors
 - (1) At the point of discovery of the recipient or provider error, correct the errors in the current pay period for the current service month in the SCC Reimbursement System to prevent the continuation of the errors.
 - (2) Based on the reason for the errors, the LPA will terminate the payment in the current service month if a child was not eligible, change the parent fee, correct the child's(ren's) record, and change other incorrect information.

- b. Step 2: Determining the Time Frame and Amount
- (1) Determine the period of time for the errors which requires starting with the date of occurrence for the errors. Review all of the applicable reports and records for the service months involved and include the following:
 - (a) Who is responsible for the error.
 - (b) All of the months that must be corrected up to the point of discovery.
 - (c) The amount of the errors.
 - (2) All corrections must be made in the SCC Reimbursement System. Refer to the Subsidized Child Care Reimbursement Manual for the process to make the corrections in the SCC Reimbursement System.
 - (3) The provider is held responsible for overpayments made by the LPA due to the provider's intentional or inadvertent errors. Also, the provider is held responsible for repaying an overpayment due to an administrative error if the provider received more than the DCDEE approved rate. Refer to [Section III.B.1.e.](#) and [Section III.B.3.](#) for more information.

NOTE: Errors must be corrected in the SCC Reimbursement System even if the facility is no longer active in the subsidy program.

- c. Step 3: Making Corrections in the SCC Reimbursement System
- (1) Process all of the child related information for the current pay period into the SCC Reimbursement System before processing the entries for the **prior** month corrections. It is recommended that the Provider Summary and the Child Reimbursement Summary screens be printed before processing the correction of errors. **NOTE:** This process will provide the LPA the **total payment** due to the provider and individual child payments due, prior to correcting the errors in the SCCRS.

- (2) Send a copy of the Provider Summary screens (and the Child Reimbursement Summary screens, if required by the county finance office) to the county finance office and the provider **OR** follow the process designated by the county finance office.
- (3) These screens will provide the LPA and provider with a clear report that lists individual child payments and the total provider payment.

OR

- (4) Process **all** of the corrections and the current pay period.

AND

- (5) Close out the pay process for the month in the SCC Reimbursement System.
- (6) Print the Provider Summary screens (and the Child Reimbursement Summary screens, if required by the county finance office) for the county finance office and the provider.
- (7) Manually indicate the corrections of all errors with an **asterisk (*)** and **pen and red ink notations** on the Child Reimbursement Summary, which is received from DIRM (Division of Information Resource Management). To determine the provider's correct payment, the child care worker or designee must total the earmarked entries and add the total to the printed facility total (and provider total if the provider operates more than one facility) on the Provider Summary and the Child Reimbursement Summary. **NOTE:** The corrections entered on these summaries are due to recipient, provider or agency errors. The provider may or may not be held responsible or the LPA may recoup the funds from the recipient or provider through a repayment plan at another time.
- (8) The above process will provide the total amount that the county finance office will pay the provider.

- (9) The Purchaser Total on the Provider Reimbursement Summary, less the corrections, is the amount the State reimburses the LPA.

d. Step 4: Providing Documentation for Payment

The county finance office will send the provider payment for the current payment period with the applicable print screen in order for the provider to reconcile their records. The agency must provide this information in one of the formats described below.

- (1) The provider must be sent a copy of the Child Reimbursement Summary screen with the **total** due recorded on the report and payment from the county finance office. Please refer to [Step 3.2.](#) for more information.

OR

- (2) The provider must receive a copy of the Child Reimbursement Summary report with an asterisk (*) and “pen and red ink” notations beside the corrections that were recipient/provider/agency errors. Please refer to [Step 3.7.](#) for more details.

The LPA’s Subsidy Services Consultant or Program Compliance Consultant can answer additional questions regarding the correction process for subsidy errors.