



**North Central Texas Council of Governments**

May 18, 2021

Ms. Katina Prescott  
Project Director - Child Care  
Equus Workforce Solutions for North Central Texas  
1300 Teasley Lane  
Denton, TX 76205

Dear Ms. Prescott:

NCTCOG completed its second FY2021 review of the Contract # FY21-TWC-01, between Equus and NCTCOG, for the provision of Child Care Services for Workforce Solutions for North Central Texas.

The attached final report details the scope of the monitoring and includes your Management response to address the repeat finding. The improper payment for both this report and the 1 case from the previous report in the amount of \$26,533.95 was received and the individual error corrections on case files and Management response are now resolved as outlined in the final responses and supporting documents uploaded to SharePoint.

We appreciate your cooperation in providing us with the necessary data to complete the review. If you have any questions, please contact Debra Kosarek (7179), Debra Reyna (7473), Kathy Oleszkowicz (7262) or Nicole Nelson (7183).

Sincerely,

David K. Setzer, CPSM, C.P.M., CWE  
Director of Workforce Development

Cc: Moneisa Downs  
Lisa Boyd  
Carlton Tidwell, Oversight and Accountability Committee



## **FY2021 NCTCOG Child Care Services Review 2**

For

**Equus Workforce Services**

**Contract FY21-TWC-01**

May 18, 2021

*Prepared by the*

*Workforce Development Quality Assurance Department*

**North Central Texas Council of Governments**

**Workforce Solutions for North Central Texas**

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## Glossary of Acronyms

CCS	Child Care Services
COVID	Coronavirus Disease
DFPS	Department of Family and Protective Services
Equus	Equus Workforce Solutions (formerly ResCare Workforce Services)
EW	Essential Workers (COVID)
HHSC	Health and Human Services
MS	Microsoft
NCTCOG	North Central Texas Council of Governments
NCTWDB	North Central Texas Workforce Development Board
PIRTS	Program Integrity Reporting Tracking System
PSOC	Parent Share of Cost
R&C	Risk and Compliance (NCTCOG Fiscal Monitors)
ResCare	ResCare Workforce Services (now Equus)
SMI	State Median Income
TWIST	The Workforce Information System of Texas
UI	Unemployment Insurance
WD	Workforce Development
WSNCT	Workforce Solutions for North Central Texas

**North Central Texas Council of Governments**  
**Workforce Solutions for North Central Texas**  
**FY2021 NCTCOG Child Care Services Review 2 Final Report**  
**for**  
**Equus Workforce Services**  
**North Central Texas Child Care Services Contract - # FY21-TWC-01**

## **BACKGROUND**

Equus Workforce Services was awarded the contract with the North Central Texas Workforce Board area, following the adoption of a resolution by the North Central Texas Workforce Board of Directors at the May 19, 2020 Board meeting. This resolution endorsed Equus Workforce Services as the provider for the delivery of Child Care Services to include appropriate contractual sanctions and/or remedies to ensure Equus Workforce Services meets all established performance measures and provides services consistent with the policy principles of the Workforce Board. The North Central Texas Council of Governments executed a new one year contract, with options for renewal, fully effective on October 1, 2020.

## **RISK**

The NCTCOG risk assessment continues to identify the highest areas of risk for Child Care Services as:

- Data Integrity,
- Data Security, and
- Customer Service.

With the implementation of the new Federal legislation and the new Texas Administrative Code Rules governing Child Care Services effective October 1, 2016, and the updated guidance received August 1, 2018 the risks of staff errors that result in improper payments from program funds increased significantly. A staff error, even if identified soon after the child is placed in care, does not constitute a valid reason to terminate care for any customer prior to receiving a full 12 months of subsidized Child Care or to increase the parent share of cost during the 12-month eligibility period. As the continuing service provider, Equus' control risks remain high, until such time as Equus meets accuracy standards as set out in a new profit matrix accompanying the new contract.

## **OBJECTIVE**

NCTCOG conducts program and fiscal monitoring as required by TWC to provide:

- information to the Child Care Services operator for implementing timely corrective actions to meet requirements and performance measures as contracted,

- assurance to TWC that workforce services programs are compliant with regulations and policies so TWC may rely on system data for their reports to federal partners,
- sufficiently detailed information to the North Central Texas Workforce Board to fulfill their oversight responsibilities,
- assurance to the public and participants that quality and compliant services are being equitably delivered throughout the Workforce Solutions for North Central Texas area, and
- verification of the accuracy of payments made to providers.

## SCOPE

This quarter's monitoring review used random or judgmental samples to focus on Data Integrity, Data Security and Customer Service processes, including reviews of:

- new application eligibility review,
- Appeal packet review,
- new child care provider review,
- DFPS referral processing review,
- fraud review, and
- fraud/fact-finding standard operating procedure (SOP) review.

## METHODOLOGY

Desk reviews were conducted from The Workforce Information System of Texas (TWIST), Laserfiche reports and data found in the Laserfiche file management systems. In addition, the NCTCOG SharePoint Appeal Log was used in the Appeal packet review and the Equus Provider Services Master Tracking Sheet for the New Provider Review to select samples.

## OVERVIEW OF RESULTS

### New Application Eligibility Review

A review of new applications, which recently resumed enrolling, was conducted. Some of the repeat errors found included:

- repeat issues in timeliness (63% accuracy rate) of processing and notification of parents is still ongoing – including no prioritization of a homeless customer on two occasions,
- one case – no proof of child citizenship in file (possible improper payment if not a citizen),
- Tarrant county customer incorrectly determined eligible, but no improper payment resulted due to customer's only provider choice was not a provider in this Board area,
- an eligible customer was denied appeal rights for not returning the Request of Appeal Form; however, a form is not required if the Appeal is in writing,
- Babel notices are not required materials when everything is sent in the two primary languages (Spanish and English) but are required on emails explaining parent rights or requesting vital documents to be returned. There were multiple emails missing Babel notices,

- repeat findings of income calculation errors, did not affect eligibility, but in one case affected PSOC, so improper payment for undercalculation of income for the difference in PSOC, and
- incorrect hours calculated; one case affected eligibility and will be an improper payment on Equus for 12 months of care for starting care for an ineligible customer.

New issues were identified due to COVID. Many new applicants were placed on hold after having submitted a new application in late 2019 or early 2020, resulting in the following:

- customers were sent a completely new application with no advance notification or courtesy reminder calls and no actual contact (email reply, or call) prior to denial,
- the lack of communication with customers caused confusion and adversely affected customers, many of whom had called in multiple times during the previous months to check on the status of their completed application,
- no customer contact prior to denial sent potentially eligible customers back to the waitlist,
- one homeless customer was not given priority processing either time she applied indicating staff do not understand that priority categories are given processing priority, and
- failing to process cases timely results in eligible customers becoming ineligible during the delay.

In conclusion, staff are still failing to look for documents already in the case file. This causes delays in processing while they request documents either not needed or that were already sent by customers. Elimination of attempted customer contacts likely led to excessive new applicant denials. Failing to streamline homeless customers to an application and residency form, further delays eligibility determinations for this vulnerable group. Income and hour calculation issues remain and resulted in improper payments, which is a repeat finding. Training and tightening up the procedures for new applicant processing is recommended to decrease the cycle time for eligibility processing.

#### New Application Billing/Finance Review

A sample of 9 families from the New Application sample was utilized. The TWIST 245 Report was used to identify one child from each family. NCTCOG fiscal monitors validated TWIST 245 Report data for one payment made during FY2021 2<sup>nd</sup> Quarter attendance for each selected child by tracing through to the general ledger. No exceptions were noted.

#### Appeal Packet Review

The scope of the review was limited to packets received by Equus prior to January 31, 2021 and sent to the Board for an Appeal Hearing. A total of 13 Appeal packets were reviewed. An improvement was seen in the Appeal Packet Review from the previous quarter with a 92% accuracy rate overall, compared to a 75% accuracy rate in the previous quarter. Repeat errors found in this review included:

- timeliness accuracy rate was 92% due to caseworkers failing to forward Appeal forms timely and one ADR timeliness issue was observed in this review,
- caseworkers are terminating care for inadequate customer hours and/or income without uploading eligibility calculators. Caseworkers or Appeal staff must input calculations to clarify how the calculations were done,
- the Director's designee mislabeled the alternative dispute resolution (ADR) call as the customer service (CSM) call in one case. Appeals staff then labelled the CSM call as the ADR call,
- caseworker staff not giving new applicants extra time to return documents, potentially eliminating rework and customer service issues,
- the Work Number was not pulled when that was the only alternative an employer has for verification,
- no attempts by staff to verify the employment verification form in one case, and
- repeat issues in outlining a clear sequence of events or evidence-based conclusion so that the customer understands the reason for denial or termination in the Administrative Hearing Brief sent to them prior to the Hearing.

Observations:

1. 100% timeliness was seen from Appeal staff from date that Appeal was received by Appeal staff to uploading to NCTCOG.
2. Clear and concise notes that medical documentation sent was kept in a separate file as is required.

In conclusion, allowing additional time for new applicants to return paperwork and returning to the previous process of a courtesy reminder call to customers could eliminate rework and customer complaints. When a customer is a new applicant or DFPS/Workforce referral, the application is the first time they are required to send in paperwork, and they will likely have questions on what is required, particularly if they are self-employed. For redeterminations, allowing an extra 30 days for customers on medical leave or changing jobs often allows the extra time needed for the customer to provide eligibility proof. The previous solution applied by Equus management to timely processing of Appeals was not all-inclusive of Client Services staff, therefore, failed to address all the timeliness issues causing delays in Appeals. Customers cannot be required to return Appeal forms to a specific email, but they may submit an Appeal in writing, with or without a form, by either fax, mail or to the general email or their caseworkers along with requested other documents. The previous solution applied did solve some of the issues in timeliness as seen by a reduction in timeliness issues and Appeals staff meeting their required timelines once they received the Appeal forms.

DFPS Referral Review

Both the NCTCOG QA Quarter 1 review and Texas Workforce Commission (TWC) Subrecipient monitoring completed in January 2021 found multiple instances of untimely processing of DFPS referrals and other issues in processing these cases. TWC will be monitoring this again next year and errors could become findings at that time. Therefore, another review was completed using the TWC monitoring tool. The scope of this review was a 15% sample from all DFPS referral work items opened and completed in March 1-15, 2021 in Laserfiche. Repeat errors in processing found included:



- 2 (out of 9) cases where referral start dates did not match the referral date on Form 2054,
- TWIST counselor note start date not matching referral start date,
- 2 cases where the children were not given a full 12-month referral when the 2054 had a full 12 months,
- 2 cases with referrals not entered within the required 3 days, and DFPS not contacted as is required in Rule,
- lack of documentation of actions in TWIST Counselor notes, and
- 1 case with no Form 2054 or email from DFPS in case file to support the referral.

The overall accuracy rate dropped to 58% for this review, indicating any action steps taking by Equus in response to the Quarter 1 review and the TWC Subrecipient monitoring have failed to address the issues in processing DFPS cases. These are repeat findings. If previous training was given (or if processes were updated) due to last quarter's results for DFPS testing, then the results here indicate the training or changes lacked effectiveness or staff failed to implement the training or procedural changes. Local procedures may need to be reviewed to see if the correct actions are included to assist staff when the processing of DFPS referrals exceeds the required 3 days. These procedures need to include the process to follow to obtain a new referral form with the correct start date from DFPS. A failure to correct the errors in processing DFPS referrals is likely to result in a finding from TWC next year.

#### New Provider Review

A sample of new providers was selected for the months of December 2020-February 2021. Multiple and repeat findings were identified during this review. The overall accuracy rate during this review is 90.38%. A summary of the findings and observations are noted below:

- In multiple cases, there were documents, such as the Provider and Rate Agreements that were signed by the provider and management after the provider became effective,
- There were rate discrepancies found due to overlapping ages in multiple cases,
- In one case, the THHS details were not found in the electronic file. This document is required to verify there are no corrective actions placed on the provider, and
- In one instance, operating hours on the THHS print out indicated 7A-6P however, the Managing Board entered different hours of operation in the TWIST Services/Schedule tab, which causes a discrepancy. This was indicated as an Observation because the Managing Board area will need to follow-up on this issue.

The rate errors only affected the published rates and did not reflect incorrect Reimbursement rates. Process gaps were identified, including a lack of documentation in the electronic Laserfiche files, and ensuring that the Provider forms are signed by both the provider and management prior to the provider effective date. Additional gaps include the repeat errors in rate calculations. When discrepancies in the data or rates occur, this could cause a data integrity finding with TWC or DOL. Additional training to line staff, such as rate calculations and gathering the necessary signatures timely, could possibly prevent error occurrences on future monitoring reviews. Peer reviews of new providers (prior to becoming effective) conducted between line staff could also mitigate future error occurrences. On a positive note, several provider reviews reflected no findings or observations.

## Fraud/Fact-finding Review

This year's TWC Monitoring review found many cases were not worked timely. Therefore, a slant review of a sample of cases worked in Laserfiche in FY21 was pulled on 3/19/21. The overall accuracy rate for this review was 68%. As noted by TWC on their review, timeliness of processing cases once an anomaly is noted by caseworker staff is the largest issue, which is a repeat finding from previous reviews.

Errors found in this review included:

- 13% accuracy rate on timeliness,
- 70% accuracy rate on correct case actions taken,
- 40% accuracy rate on employers or school contacted,
- 89% accuracy rate on customers asked to supply documentation,
- 80% accuracy rate on case warranted forwarding for fact-finding,
- 73% case actions clearly documented, and
- internal audit fraud/fact-finding work items not closed out or closed early.

Process gaps remain, with caseworkers failing to end care or timeliness of ending care causing an improper payment. With only 90 days to process a case, unless there are extenuating circumstances documented, the largest risk factor for a TWC finding is not entering the case into PIRTS within the 5 days to upload to PIRTS per rule, allowing the investigator enough time to investigate.

## Fraud/Fact-finding Standard Operating Procedure (SOP) Review

Equus' processes were requested at the end of the Fraud/fact-finding monitoring review. A gap appears to be in the opening of the work item and when it is becomes assigned to the fraud staff. It is not clear how the fraud staff is notified, but the Laserfiche process does not include an email to fraud staff when it is opened and marked to be assigned, so presumably it goes to a queue until it is assigned to fraud staff. This 2-step process may be causing a delay in processing. Lack of documentation of steps taken by Equus to determine predication was seen in the Fraud Review, though the SOP mentioned in several areas the need for documentation in counselor notes. Caseworker staff, who do not process these cases regularly, may need refresher training and the need to document steps taken prior to sending this to fraud staff. Without documentation, it is difficult to tell if any investigative steps were taken by Equus to support predication for sending these cases to the fraud investigator at the Board. Further the process fails to address the appropriate time to close the work item, or any steps on what to do once the RID 58 is received back or how to enter recoupment or refer to another SOP on recoupment.

## **CONCLUSION-GAP ANALYSIS**

While some improvements were seen in several areas as noted in the report, process gaps remain, and some areas experienced a decline. Timeliness, documentation, and process issues remain as repeat findings. Failing to end care or untimely processing of cases caused improper payments for Equus. Processes and/or failure to follow processes by caseworker staff negatively impacted the timeliness issues for both Appeals and fraud staff, indicating a need for either refresher training or more thorough training of caseworkers, particularly on timeliness issues that

impact other areas. However, even when noted in processes, if staff do not utilize the SOP/Desk Aide/procedure provided, mistakes will still occur which can lead to costly errors. As noted in the fraud processes reviewed for this quarter, processes may need more specific, with detailed instructions regarding timeliness, documentation required, and work item use to avoid errors. Timeliness errors in fraud processing persist, as previously noted by TWC, and need to be addressed to avoid a finding in the next TWC visit. DFPS processing timeliness issues are a repeat finding from both the Quarter 1 review and the TWC monitoring as well. Failure to abide by the contractual requirements to follow the Federal, State, and Board rules and policies can lead to significant improper payments and impacts to customer service and satisfaction.

## FINDINGS

**Repeat Finding 1:** A total of 98 data integrity and case management errors were identified out of 591 elements reviewed. The errors, including improper payments to be calculated, are outlined in the attachments provided in SharePoint with the draft report.

Citations: WSNCT Administrative Policy IADM02-201601: Data Integrity

*Staff shall enter all information into TWIST within five (5) business days from receipt of the data (Intake, Application, Service, Contact, etc.), or the state deadline (described in the Data Review/Correction Requirements section, item B), whichever comes first...*

*At a minimum, TWIST/Laserfiche counselor notes must include:*

- *All staff contacts with the customer;*
- *Attempted customer contacts;*
- *Contacts regarding the customer;*
- *Justification and documentation of services provided;*
- *Actual date of the contact;*
- *Service being reported;*
- *Staff name; and*
- *Required information for program related verification.*

Equus Workforce Services, North Central Child Care Services Contract # FY21-TWC-01, Section 5: Contract Performance and Section 9 Reporting Requirements:

*Section 5.3 The Sub recipient shall provide such services in compliance with all applicable federal and state laws, regulations, and rules.*

*Section 5.4 The Sub recipient shall comply with all Texas Workforce Commission (TWC) policies and procedures or guidance manuals, attached hereto or incorporated herein by specific reference and other Administrative Entity directives as issued. In the event of a conflict between such laws and regulations and the terms and conditions the Contract, precedence shall be given to the laws and regulations.*

*Section 9.3 The Sub recipient understands that it will be held liable for completeness, accuracy, and consistency of all data under its control.*

*Section 9.6 Failure to data input or to report in accordance with the terms of this Contract may result in withholding by the Administrative Entity of payments otherwise due or, it may result in financial sanctions to be imposed in accordance with the Administrative Entity's policies and procedures. Recurring failure to meet the terms and conditions for data input or reporting may result in the termination of this Contract.*

## Required Corrective Actions:

In addition to addressing the gaps identified during the review, the following corrective actions must be completed to resolve the Finding:

- Errors detailed in the attachments to the draft report uploaded to SharePoint must be corrected where possible and evidence of correction supplied with response to the report,
- For the Appeal Packet Review, it is highly recommended that additional training is implemented to line staff, particularly in the areas of timely forwarding Appeal requests and ADR calls. A recommendation to improve the evidence-based conclusions might be to have other staff review for clarity since it can be hard to be objective after looking at a case in depth to know if the conclusion could stand on its own without full knowledge of the case. Improved training could possibly mitigate future error occurrences on monitoring reviews,
- For the DFPS review, please upload the prior and any changed procedures for review along with all training dates and times given to staff who handle these cases. It is recommended that a review of processes and procedures be completed to check for alignment with Rule requirements. Creation of a Desk Aide to accompany training may be helpful for staff to remember changes to process. All staff should have access to Rule requirements,
- Babel notices and/or EO taglines need to be added all vital documents to comply with rule, particularly having staff add these tag lines to emails requesting required documentation, or documentation that both Spanish and English forms were sent by mail,
- For the Fraud Review, caseworker staff training and updating the current process could potentially mitigate and/or eradicate errors from future errors on monitoring reviews. The improper payment is to be added to all improper payments found during the 1st review cycle,
- Fraud SOP Review revealed the process may need more detail to assist staff with the procedure all the way through recoupment (unless a separate work item and process exists for recoupment). Processes need to clearly indicate which work items are the appropriate ones to use and when to close them out, and
- The total improper payment amount for this review cycle is to be calculated once all the information is obtained for the cases noted in all the Attachments. **Reminder:** *The remaining improper payment from the CC1 review is to be added into this Quarter's improper payment total now that the investigation is complete, and calculations received.* All supporting documentation, including calculations and timeframes, and a check for the appropriate amount, must be paid to NCTCOG from non-Federal Funds within 15 days of receipt of this draft report with the memo line indicating payment is for the *FY2021 NCTCOG Child Care 1 Report.*

## Equus Management Response:

EQUUS Child Care Services continues to work diligently with staff to address repeat findings. We understand the importance of improvement and the elimination of repeat findings. Our efforts to address the noted areas will include enhancing our training process to include interactive group processing and extending the classroom training time. Staff accountability will be enforced is necessary to address poor performance.

For this monitoring report, staff have made corrections where possible and according to the child care guide, TWC guidance and/or local policies. Errors unable to be corrected due to timeliness, data entry error, or misinterpretation were addressed with staff. In addition, Equus CCS project is receiving support from their corporate Service Delivery Department. An appointed staff will review external/internal monitoring tools, standard operating procedures, and training materials. The goal is to provide feedback related to addressing the identified gaps.

## **New Application**

Equus has worked with the Board Data Management Department to ensure the Babel Notices were properly uploaded in Laserfiche. The backlog of new applications were processed and we expect to see improvement with timeliness as we are working on current applications submitted based on the waitlist pulls. Equus has extended the training period to include more have on processing in a group and individual setting while under the supervision of the trainer. There is also a one-week skills demonstration component in the training agenda. Counselor note templates will be reviewed and updated as needed. In addition, there will be an intensive counselor note training facilitated by the Project Director. This training will include counselor note examples and case management best practices. All staff will be required to attend and pass a knowledge check. The date of training is tentatively May 19<sup>th</sup>, 2021.

We selected random new application cases to review counselor notes. The intent was to determine if customers are being contacted regarding their applications. It was determined contact was being made but the Admin Techs did not specify it was a courtesy contact in effort to obtain documents. We have revised counselor notes templates to include the contact was a courtesy contact.

## **Appeal Packet Review**

After further review of the cases Equus found two issues that impact the timeliness of appeals.

1. Customers are not following the directives related to the Request for Appeal form. More specifically, where, and how to submit their appeal requests. Project Director consulted with NCTCOG Sr. Program Manager of CC to discuss the procedure implemented during FY20 Qtr 4. Equus provides 4 options for the customer to submit their appeal request, which is hand delivery, USPS, email to local appeal officer or via link. Revised the Request for Appeal form to ensure the directions are clear and concise. Documents were sent to NCTCOG Sr. Program Manager for review and final approval. Forms provided to NCTCOG Data Management Team to upload in Laserfiche.

2. When customers click on the Request for Appeal link provided when they receive a denial letter, it was found the Request for Appeal form does not go to the Local Appeal Officer's workbox as it should. The Request for Appeal form goes to the unassigned workbox in Laserfiche. The Local Appeals Officer has no alert the forms are submitted. The NCTCOG Data Management Team is aware of this matter and will work to resolve as soon as possible. In the interim the Local Appeal Officer will review cases in the unassigned in the box daily to check if an appeal form was submitted via the link.

In addition, the case identified with a mislabeled ADR call counselor note was further reviewed. It was determined the customer called to speak with the Operations Manager who is the designated ADR. This call to the Operations Manager took place before the Local Appeal Officer had the opportunity to conduct a CSM. Therefore, the customer contact for the CSM and ADR were out of sequence. We recognize detailed notes of the customer contact could have provided an explanation regarding why the CSM and ADR were out of sequence. This will be an example used for the upcoming intensive note training.

### **DFPS Referral**

Equus is currently reviewing the entire DFPS written procedures and training materials. As we have crossed trained all advisors, we recognize there are staff who are experiencing challenges with transitioning between determine eligibility and processing DFPS referrals. Upon review of the procedures and training materials, there will be a scheduled refresher training. Tentative training date is May 10, 2021.

### **Fact Finding**

Equus is currently reviewing the entire Fact-Finding written procedures and training materials. We recognize staff are not applying the necessary case management best practices. In addition, timeliness and practicing a level of due diligence to ensure the case is followed to the end of the investigation. The review of the procedures and training materials, there will be a scheduled refresher training. Tentative training date is May 17, 2021.

## Appendix A

### Child Care Review 1 Summary

<b>Area of Review</b>	<b>Area of Testing</b>	<b>Period Reviewed</b>	<b>Number of Records Reviewed</b>	<b>Number of Errors tied to Number of Applicable Elements Reviewed</b>	<b>Overall Accuracy Rate</b>
Client Services	New Application Eligibility Review	January 1-13, 2021	19	43/251	83%
Provider Services	Provider Payments	January-March 2021	9	0/81	100%
Client Services	Appeal packet Review	November 23, 2020 to January 31, 2021	13	11/137	92%
Client Services	DFPS Review	March 1-15, 2021	9	10/24	58%
Provider Services	New Provider	3/2/21-3/10/21	10	10/104	90%
Client Services	Fraud Review	10/1/2020-3/19/21	11	24/74	68%
		Total	80	98/671	85%