



From Risk to Resilience

Mitigating Loss through
Internal Control



Agenda

- 1 Welcome and Introductions**
- 2 Learning Objectives Overview**
- 3 Key Topics Discussion – Internal Control Concepts**
- 4 Key Topics Discussion – Risk Management**
- 5 Q&A**



Introductions



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Learning Objectives

- 1 Identify key Child Care and Development Fund (CCDF) requirements
- 2 Explain core concepts of internal controls
- 3 Apply risk management principles



Child Care and Development Fund Requirements

Session Roadmap

Requirements

Internal Control

Risk Management



§ 98.68 (a) & (b) Program Integrity



Lead Agency Responsibilities

- Must establish effective internal controls
- Ensure integrity, accountability, and continuity of services
- Identify areas of program risk



Required Components

- Sound fiscal management processes
- Risk identification
- Training for providers and staff on CCDF program requirements and integrity
- Regular evaluation of internal control activities



§ 98.11 (a) Administering the Program Through Other Agencies

Delegating Administration

The Lead Agency has broad authority to administer the program through other governmental or non-governmental, public, or private agencies. In doing so, it must:

- Retain overall responsibility for administering the program
- Serve as the single point of contact for issues involving the grantee's CCDF program
- Govern all delegated administrative and implementation duties through written agreements



§ 98.11 (a) Administering the Program Through Other Agencies

Written Agreements

Agreements specify the mutual roles and responsibilities of each party and must include, at a minimum:

- Tasks to be performed
- A schedule for completing tasks
- An itemized budget consistent with CCDF requirements at § 98.65(h)
- Indicators or measures to assess performance

Contents may vary based on the agency's role or the type of project undertaken.



§ 98.11 (b) Retaining Overall Responsibility

Direction and Compliance

- Determine the basic usage and priorities for CCDF expenditures
- Promulgate all rules and regulations governing administration of the Plan
- Submit all reports required by the Secretary
- Ensure the program complies with the approved Plan and all federal requirements





§ 98.11 (b) Retaining Overall Responsibility

Oversight and Accountability

- Oversee the expenditure of funds by subrecipients and contractors 2 CFR 200.331 to 333
- Monitor programs and services
- Fulfill subgrantee responsibilities in any disallowance, complaint or compliance action, or hearing or appeal
- Ensure all administering agencies and contractors — including those that determine eligibility — operate by the program's rules



Overseeing Subrecipients and Local Partners

Lead Agency Program Integrity Activities

1 Risk-based assessment

2 Written subaward
agreements

3 Ongoing monitoring

4 Training and technical
assistance

5 Fiscal oversight and
audit resolution



Oversight in Action: A Local Partner Example

Scenario

A state CCDF Lead Agency delegates eligibility determination and provider payments to a county agency that administers part of the program, while remaining accountable for how the funds are spent.

How the oversight cycle played out

Risk Assessment

The county's high payment volume flags it for enhanced monitoring.

Monitoring

A desk review finds missing eligibility documentation in 8% of sampled cases.

Training and Corrective Action

Targeted technical assistance and a corrected workflow address the gaps.

Follow-Up

A re-review confirms the error rate fell below 2%.

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Internal Control

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Program Integrity: A Continuous Cycle

Each stage strengthens oversight and feeds the next, keeping CCDF funds protected over time.



The cycle repeats continuously as program risks evolve.



What Is Internal Control?

“

Internal control is a process effected by an entity's oversight body, management, and other personnel designed to provide reasonable assurance that the objectives of an entity will be achieved.”

— U.S. Government Accountability Office (GAO)

Standards for Internal Control in the Federal Government (Green Book), OV1.01



What Are Internal Controls?

Internal controls are the policies, procedures, and systems implemented by an organization to:

Safeguard its assets

Ensure the accuracy of financial reporting

Promote operational efficiency

Maintain compliance with laws and regulations



Why Do Internal Controls Matter in CCDF?



Get Eligibility Right

Ensures families approved for subsidies truly meet CCDF requirements



Pay Providers Accurately and on Time

Supports correct payment amounts and timely processing – backbone of provider trust



Keep Programs in Compliance

Aligns state and territory practices with federal CCDF regulations



Protect Federal Funds

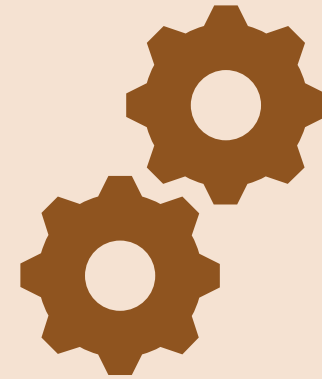
Reduces risks of fraud, waste, and abuse so resources reach the children and families in need



CCDF Internal Control Objectives

Operations

- Ensure efficient and effective CCDF program administration
- Maintain accurate eligibility determinations
- Conduct comprehensive and consistent provider monitoring



Reporting

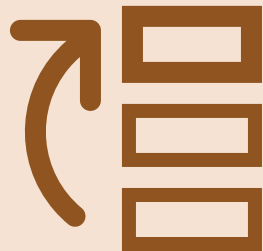
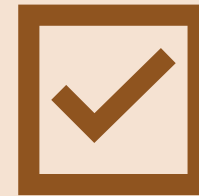
- Produce reliable attendance, payment, and fiscal reports
- Submit accurate ACF-696, ACF-800, ACF-801, ACF-218, and ACF-404 data



CCDF Internal Control Objectives

Compliance

- Adhere to 45 CFR Part 98 requirements
- Maintain compliance with eligibility, payment, and monitoring rules



One Objective, Three Benefits

A CCDF single control objective such as verifying attendance supports:

- **Operations:** Ensures correct payments
- **Reporting:** Ensures accurate fiscal data
- **Compliance:** Ensures adherence to federal rules



Internal Control Mechanisms

Examples of CCDF internal control mechanisms that can help Lead Agencies ensure operations are effective, reporting is reliable, and compliance requirements are met:

1 Eligibility policies that guide consistent and accurate determinations

2 Provider payment procedures that ensure timely and correct disbursements

3 Monitoring protocols for oversight of providers and program integrity

4 IT system access controls to protect data and prevent unauthorized use

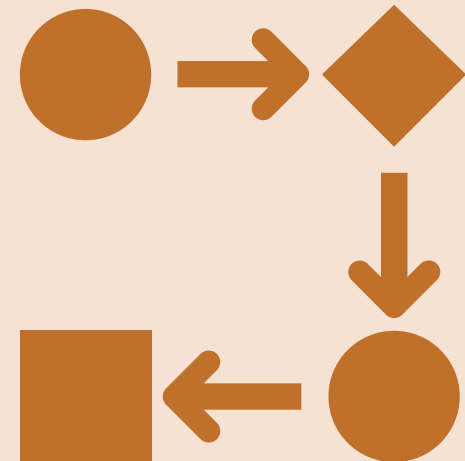
5 Fiscal oversight processes that safeguard funds and support accountability



Control vs. Control Activities

Key Distinctions

- **Controls** are the combined structure of policies and procedures.
 - Policies define what must be done.
 - Procedures describe how tasks should be carried out.
- **Control activities** are the specific actions performed to reduce or prevent risks.





Control vs. Control Activities



CCDF Examples

- **Control:** Eligibility verification process
 - **Policy:** Eligibility must be verified
 - **Procedure:** Staff review income documentation
- **Control activity:** System check that prevents approval without required documentation



Internal Control System

An internal control system is a coordinated set of ongoing processes designed to help an organization achieve its objectives and provide reasonable assurance that operations are functioning as intended.

How to Apply It to CCDF

Eligibility, payment, monitoring, and reporting processes must work together

Controls must be ongoing, not one-time

Oversight must be continuous



Internal Control Is Continuous

Internal control is not a single action, but a continuous series of activities that work together over time to ensure programs operate effectively and risks are managed.

How to Apply It to CCDF

Daily: Attendance verification

Monthly: Provider payment reviews

Annually: Monitoring visits

Continuously: Staff training and reinforcement



Internal Control Depends on People

People make internal control work, and internal control functions effectively only when they understand their roles and carry out their responsibilities consistently.

How to Apply It to CCDF Roles

Leadership: Sets the tone, expectations, and policies that guide the program

Eligibility Staff: Apply controls in daily case processing

Fiscal Staff: Ensure payments are accurate and compliant

IT Staff: Maintain secure, reliable systems that support program integrity

Providers: Follow attendance, billing, and documentation requirements



Internal Control Has Limits

Limitations That May Exist

Human error

Management override

Judgment limitations

Collusion

System failures

External events such as natural disasters or cyberattacks

Putting the right CCDF internal controls in place significantly reduces the risk of improper payments or fraud, but they cannot eliminate risk entirely.



Why Internal Control Systems Matter for CCDF



**Protects children
and families**



**Ensures providers
are paid correctly**



**Supports federal
compliance**



**Reduces audit
findings**



**Strengthens
program integrity**



**Builds public
trust**



Table Discussion Question

Discuss Internal Control Concepts

- 1 What internal control in your area of work has the biggest impact on preventing improper payments?
- 2 Where do you see the greatest opportunity to strengthen internal controls in your agency?
- 3 How do you think internal controls help build trust with providers and families?

Each group will report out a couple of examples.



Internal Control Section Summary

**Internal
control is a
process, not
a document**

**It supports
operations,
reporting, and
compliance**

**It requires
people, policies,
procedures, and
systems**

**It provides
reasonable
assurance**

**It is essential for
CCDF program
integrity**

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Risk Management

Session Roadmap

Requirements

Internal Control

Risk Management



Risk Management

What is Risk Management?

Risk management is the systematic process of **identifying, evaluating, and controlling** potential threats or uncertainties that could negatively impact an organization.

The Goal

Not to eliminate all risks, but to proactively **minimize vulnerabilities** and **maximize opportunities**.



Why Does Risk Management Matter for CCDF?

1 Ensures federal funds support **eligible families**

3 Supports compliance with **federal requirements**

2 Protects against **improper payments, fraud, and data vulnerabilities**

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Core Attribute 1: Identify Risks

What Risk Identification Means

- 1 Risk is the possibility that an event may occur and **negatively impact CCDF objectives**.
- 2 It encompasses both **inherent risk** (risk before controls) and **residual risk** (risk after controls).
- 3 Effective identification evaluates risks at both the **entity level** and the **transaction level**.



Core Attribute 1: CCDF-specific Internal Risk Factors

- 1 Complex **eligibility rules** and **provider payment structures**
- 2 **Staff turnover** and varying experience levels
- 3 **Data quality issues** in attendance tracking or eligibility systems
- 4 Use of **new technologies** (e.g., electronic attendance systems, AI-based fraud detection)
- 5 System limitations or **outdated IT infrastructure**



Core Attribute 1: CCDF-Specific External Risk Factors

- 1 **Economic instability** affecting child care demand
- 2 **Cybersecurity threats** to child care data systems
- 3 **Outsourced services** (e.g., fiscal agents, IT vendors)
- 4 **Natural disasters** affecting child care providers and families
- 5 **Changes to federal regulations** or ACF guidance



Core Attribute 1: Methods for Identifying Risks

1

Risk Ranking

Qualitative and quantitative risk ranking

2

Data Analytics

e.g., payment anomalies, attendance patterns

3

Root Cause Analysis

Of improper payments or audit findings

4

Collaboration with:

- Program staff
- Fiscal and IT teams
- Child care providers
- Contractors and service organizations
- State/local partners



Table Discussion Question

Attribute 1: Identify Risk

1

Discuss examples of real risks in your program areas.

Each group will choose a risk to share out and use in the following activities.



Core Attribute 2: Analyze Risks

1

Purpose of Risk Analysis

- Estimate the significance of each risk
- Determine impact on CCDF objectives (e.g., access, quality, fiscal integrity)

2

Magnitude of Impact

- Size, pace, and duration of the risk's effect
- **CCDF Example:** System outage delaying provider payments

3

Likelihood of Occurrence

- Probability of improper payments, fraud, or data breaches



Core Attribute 2: CCDF Nature of the Risk

1

Eligibility Subjectivity

2

Reimbursement Complexity

3

Fraud-related Risks



Core Attribute 2: CCDF Examples of Risk Analysis

1 High Likelihood + High Impact

Incorrect eligibility determinations due to documentation errors

2 Low Likelihood + High Impact

Major cybersecurity breach of child care data

3 Grouping Risks

Payment integrity risks

Provider compliance risks

IT system risks

Emergency response risks



Table Discussion Question

Attribute 2: Analyze Risk

Analyze the program risk your table shared in prior activity.

1 What is the nature of the risk?

2 What is the impact of the risk?

3 What is the likelihood of the risk occurring?

Each group will report out on how they analyzed the identified risk.



Core Attribute 3: Respond to Risks (Types of Risk Responses)

1

Acceptance

No action (risk within tolerance)

3

Reduction

Implement controls to reduce likelihood or impact

2

Avoidance

Stop the process causing the risk

4

Sharing

Transfer risk (e.g., insurance, vendor contracts)



Core Attribute 3: Designing Controls for CCDF (Part 1 of 2)

- 1 **Implement eligibility verification controls** to ensure families meet program requirements.
- 2 **Conduct provider monitoring**, including periodic unannounced visits, to confirm compliance with health, safety, and program rules.
- 3 **Use automated data-matching tools** (such as income or employment verification systems) to validate information provided by applicants and providers.



Core Attribute 3: Designing Controls for CCDF (Part 2 of 2)

4 **Maintain segregation of duties** within payment processing to reduce opportunities for error or misuse.

5 **Apply strong IT access controls** and cybersecurity protections to safeguard sensitive data.

6 **Establish fraud-focused controls**, including targeted detection and prevention activities.



Core Attribute 3: Assessment of Remaining Risks and Required Modifications

1

Reevaluate residual risk

Reevaluate whether the remaining (residual) risk falls within the program's acceptable risk threshold.

2

Strengthen or modify controls

Strengthen or modify controls and other risk-response actions when residual risk is too high.

3

Monitor performance indicators

Monitor performance indicators to determine whether controls are operating effectively, including:

Error Rates

Timeliness of payments

Provider compliance measures



Core Attribute 3: Documentation

1 Keep written records of:

- Identified risks
- Risk analysis results
- Chosen risk-response actions
- Fraud, improper payments, and information security
- Major internal or external changes that could affect risk

Applies to both ongoing monitoring and periodic risk assessments

2 Documentation must be readily available for:

Audits

Monitoring reviews

Federal reporting



Table Discussion Question

Attribute 3: Respond to Risks

- 1 What type of risk response is appropriate (accept, avoid, reduce, share)?
- 2 What control can be put in place to address the risks?
- 3 How can you monitor the control to ensure it is effective?

Each group will report out on how they would respond to the identified risk.



CCDF-Focused Examples of Each Attribute



Identify Risks

- Sudden increase in provider claims after rate changes
- High staff turnover in eligibility units
- New federal rule requiring system updates



Analyze Risks

- Likelihood of improper payments due to manual data entry
- Impact of delayed background checks on provider availability



Respond to Risks

- Implement automated eligibility verification
- Increase provider monitoring frequency
- Add cybersecurity training for staff



Integrating Risk Assessment into CCDF Operations

Incorporate risk assessment activities into
key CCDF functions including:

1 Eligibility
determination and
verification processes

2 Provider payment
workflows

3 Monitoring and
compliance reviews

4 Planning and development
of IT systems



Integrating Risk Assessment into CCDF Operations

Cross-functional Risk Committees



Purpose

Coordinate risk oversight
across program areas



Core Value

Breaks down silos so
risks are seen as
interconnected rather
than isolated



Membership

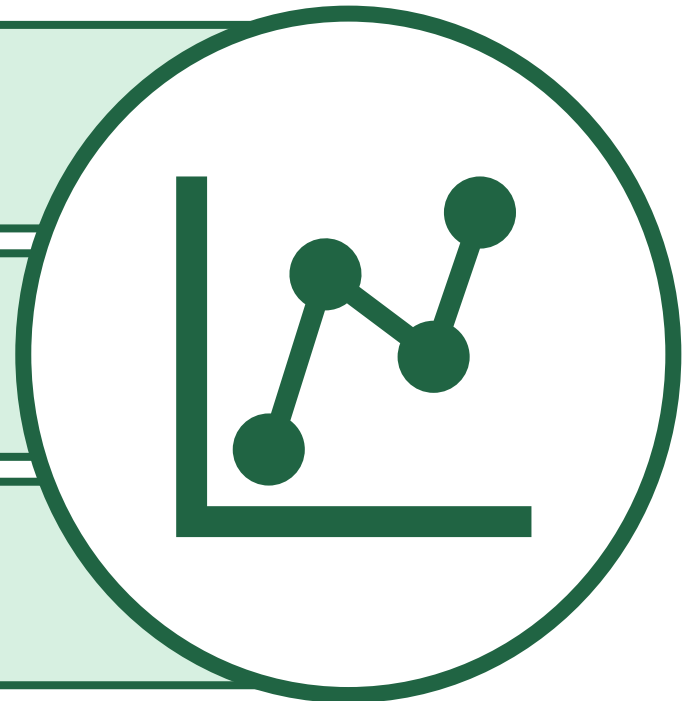
Management-level group
with leaders from multiple
departments



Integrating Risk Assessment into CCDF Operations

Identify Emerging Issues Quickly

- 1 Dashboards
- 2 Data Analytics
- 3 Real-time Monitoring



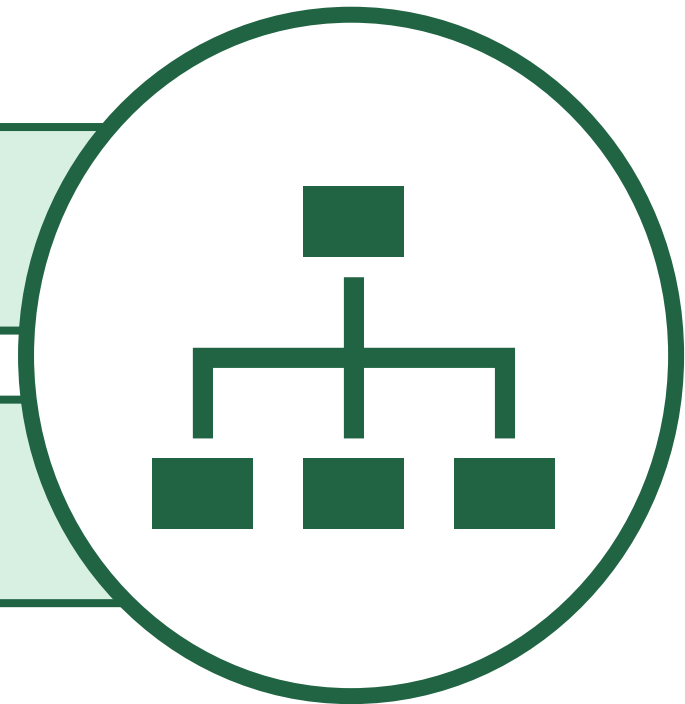


Integrating Risk Assessment into CCDF Operations

Ensure risk assessment practices align with related areas such as:

1 Fraud Prevention

2 Change Management





Risk Management Section Summary

Program Integrity

Strong risk management practices help maintain program integrity and protect CCDF resources.

Continuous Alignment

Ongoing refinement ensures program stays aligned with federal expectations and continues supporting families.

Proactive Oversight

A structured approach to assessing and responding to risks supports proactive oversight.

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Resources



Internal Control Systems Checklist for CCDF Lead Agencies

<https://childcareta.acf.hhs.gov/sites/default/files/new-occ/resource/files/Internal%20Control%20System%20Checklist.pdf>



Fraud Risk Assessment Tool (Module 3 of the Fraud Toolkit)

<https://childcareta.acf.hhs.gov/fraud-risk-assessment-tool-and-instructions>

The Green Book

<https://www.gao.gov/greenbook>



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