



OFFICE OF INSPECTIONS AND FORENSIC AUDITING  
OFFICE OF INSPECTOR GENERAL  
U.S. General Services Administration

**Status Update: GSA's Administration of the  
Army Childcare Subsidy Program**

**JE16-001  
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Following our report, *Evaluation of GSA's Administration of the Army Childcare Subsidy Program*, issued September 8, 2015, and the hearing before the House of Representatives Committee on Oversight and Government Reform (Committee) on September 10, 2015, the Office of Inspector General (OIG) has continued to monitor GSA's administration of the Army Fee Assistance (childcare subsidy) program.

The OIG found that GSA has made significant progress in reducing the backlog of family actions, phone calls, emails, and unpaid invoices. In addition, we have noted a significant drop in complaints received by the OIG related to the program.

The Army's childcare subsidy program helps Army families pay for off-post childcare when on-post childcare is unavailable. Beginning in 2003, GSA administered the subsidy program for approximately 200 Army families whose children were enrolled exclusively in federal childcare centers. In April 2014, GSA agreed to expand its administration of the Army program to include Army families enrolled in private childcare centers as well. This added over 9,000 families and 5,000 childcare providers to the program.

On April 27, 2015, the OIG issued an alert memorandum, *Army Fee Assistance Program: Army Families' Sensitive Information at Risk*. This memorandum reported our findings that GSA contractors hired to process subsidy program applications were able to access Army families' sensitive information without completing required background investigations, including fingerprint checks. Additionally, contractors did not complete required privacy training and non-disclosure agreements.

On September 8, 2015, we issued a report, *Evaluation of GSA's Administration of the Army Childcare Subsidy Program*. We found that largely as a result of poor planning, GSA struggled to manage the expanded childcare subsidy program effectively and efficiently, and its processes to support Army families enrolled in the program were inadequate. As a result, GSA was overwhelmed with a growing backlog of unprocessed family actions, such as re-certifications of eligibility for the program,

childcare provider changes, and additions or removals of enrolled children; unreturned emails; unpaid childcare provider invoices; and unreturned customer phone calls.

We reported that by July 31, 2015, GSA's inventory of Army childcare subsidy items requiring action had increased to over 25,900. As a consequence, many Army families were experiencing inadequate customer service and substantial processing delays while GSA attempted to gain control of the program. Army program rules require families to cover all childcare costs while GSA processes their application, which are reimbursed after their application is approved. Army families reported the need for non-Army spouses to give up jobs and education as childcare became unaffordable, and some families reported collection efforts instituted by their childcare providers.

On September 10, 2015, the Committee held a hearing captioned "GSA: Army Fee Assistance" concerning GSA's and the Army's management of the program. At the hearing, GSA's Chief Financial Officer pledged to improve GSA's management of the program, including by paying the backlog of unpaid provider invoices within 30 days. In addition, the Army representative stated that the Army expected to transfer the contract away from GSA by the end of the year.

Following our report and the subsequent Committee hearing, the OIG has been monitoring program metrics provided by GSA management. The OIG retested the sample of unpaid provider invoices reported in our *Evaluation of GSA's Administration of the Army Childcare Subsidy Program*, and also performed an analysis of provider invoices paid in September 2015.

In a memorandum to GSA Administrator Denise Turner Roth dated October 9, 2015, GSA's Chief Financial Officer, Gerard Badorrek, stated that on September 10, 2015, GSA had a backlog of 8,274 unpaid invoices, and by October 7, 2015, the agency was able to pay 7,650 of those invoices (92%). GSA management subsequently reported to the OIG that by October 10, 2015, 474 unpaid provider invoices remained. These invoices were either missing essential information, such as the child's name (145), reflected zero balances (50), or were deemed invalid because, for example, the family was not actively enrolled in the program (279).

We did not review all of the invoices in the September 2015 backlog to determine whether they had been paid since the hearing. However, we tested our unpaid invoice sample from our *Evaluation of GSA's Administration of the Army Childcare Subsidy Program*.<sup>1</sup> We found that over 96% of the 292 invoices

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<sup>1</sup> For our *Evaluation of GSA's Administration of the Army Childcare Subsidy Program*, we counted a total of 8,770 unpaid invoices and sampled 342 to test whether they had already been paid. During that evaluation, we determined that 15% (50) of the invoices from our sample had already been paid, while the remainder (292) required resolution by GSA to determine if they were payable.

in that sample had been paid by October 29, 2015.<sup>2</sup> In addition, we analyzed data from GSA’s invoice payment system and determined that prior to the Committee hearing, the average number of invoices GSA paid per month was 8,130. Our analysis showed that the number of invoices paid after the hearing exceeded the monthly average by 7,781 for September 2015, and by 5,010 for October 2015. This is consistent with GSA’s representation that it had paid most of the backlogged invoices by October 10, 2015. See Figure 1.

In order to facilitate GSA’s payment of the backlogged invoices, the Army and GSA signed a new interagency agreement in September 2015 that modified the program to simplify the process for families, providers, and GSA staff. The Army waived the requirement for a school schedule to be provided; reduced the requirements for validating invoices; and asked GSA

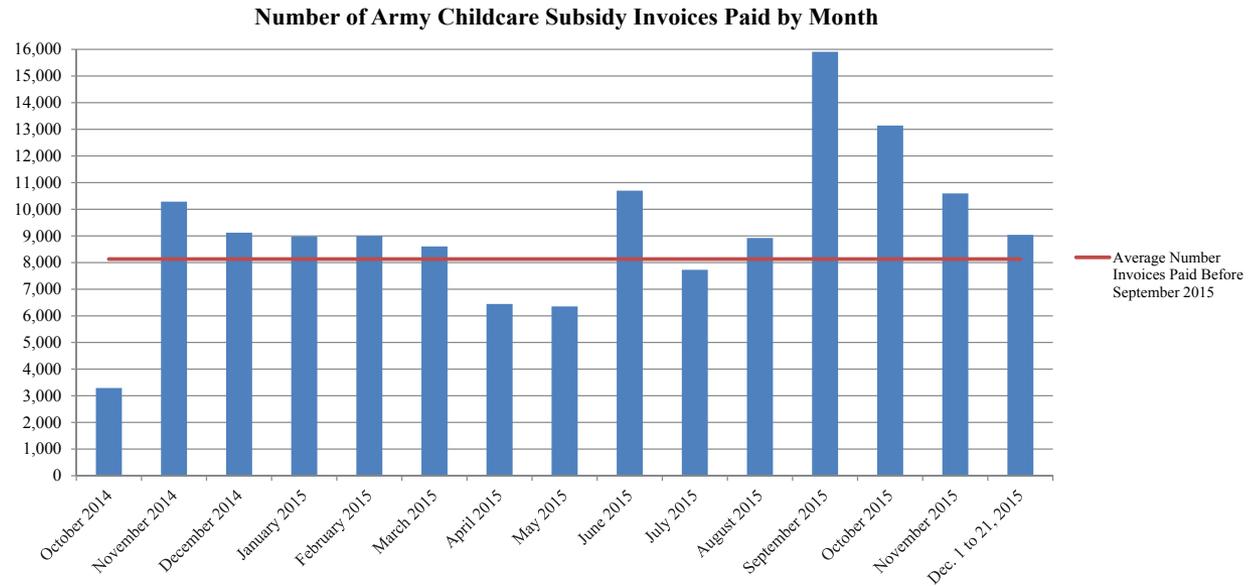


Figure 1. Number of Army Childcare Subsidy Invoices Paid by Month.

<sup>2</sup> The remaining 4% of those invoices were not paid because GSA reported they needed additional information, such as a parent or provider signature, or they were deemed invalid.

to pay all provider invoices at the invoiced amount, regardless of whether that amount matched the approved subsidy amount in GSA’s payment system. The Army also required GSA to set aside for potential future reconciliation all invoices paid for amounts that did not match the approved subsidy amounts. As of December 15, 2015, over 7,500 such invoices have been flagged for reconciliation at a later, undetermined, date.<sup>3</sup>

We reviewed call logs provided by GSA management concerning its responses to the voicemails that were outstanding as of September 2015. The call logs reflect that GSA personnel called back the nearly 2,000 telephone numbers corresponding to the unreturned voicemails.

We also found that as of December 21, 2015, GSA’s inventory of unprocessed family actions, emails, provider invoices, and phone calls has significantly decreased from the levels reported in our September 8, 2015 report. In our September 2015 report, we reported that GSA’s Army childcare subsidy program had a backlog of approximately 25,900 total actions (approximately 5,000 unprocessed family actions, 4,500 unreturned emails, 9,100 unpaid childcare provider invoices, and 7,300 unreturned phone calls). As of December 21, 2015, the backlog had significantly decreased to approximately 3,100 total actions (approximately 1,600 unprocessed family actions, 250

unreturned emails, 1,200 unpaid childcare provider invoices, and 60 unreturned phone calls). See Figure 2.



Figure 2. Backlog of Army Childcare Subsidy Items.

<sup>3</sup>The interagency agreement between Army and GSA states that at the Army’s discretion, GSA may be required to follow up with sponsors and providers to reconcile these invoices.

We also note that the number of program complaints received by the OIG has significantly dropped since GSA paid the backlogged invoices. During the time period October 16, 2015, through December 21, 2015, the OIG received two complaints related to the program, as compared to the 75 complaints we received prior to October 16, 2015.

On December 10, 2015, the Army and GSA signed a modification to their interagency agreement. The modification extended GSA's administration of the program to March 2016, with further options available through October 2016. The modification included a transition schedule, "Transition Master Timelines dtd 3 Dec 2015 V2." The schedule consists of seven phases over approximately eight months, with GSA continuing to manage Army families' accounts until the transfer is complete in October 2016. GSA management reports that on December 23, 2015, the Army signed a final contract for the administration of the program with Child Care Aware of America.

The OIG began monitoring GSA's ongoing activities with respect to the Agency's administration of the Department of the Army childcare subsidy program on September 29, 2015. Our objectives were to monitor: (1) GSA's response to issues raised in the September 10, 2015 hearing; (2) GSA's backlog of Army family actions, provider invoices, emails, and phone calls; (3) OIG referrals of Hotline complaints to GSA management about the GSA's administration of the Army childcare subsidy program; and (4) GSA's migration of the Army childcare subsidy program to Army's new contractor. In order to accomplish our objectives, we

- Conducted onsite interviews at regional program offices;
- Observed onsite processes and program functions;
- Interviewed agency management, program officials, staff, and contractors performing work on GSA's Army childcare subsidy program;
- Reviewed and monitored GSA's program performance metrics weekly;
- Reviewed criteria relevant to the program, including GSA policies and procedures, Army subsidy rules and guidelines, and contract documents;
- Reviewed documents submitted by GSA to the Committee;
- Reviewed OIG Hotline complaints, referred complaints

to GSA management for action, and followed up with complainants;

- Performed a physical count of unpaid invoice backlog and invoices set aside for potential remediation;
- Analyzed invoice payment data, and;
- Tested a judgmental sample of 342 invoices for validation of payment.

Our monitoring work was conducted during the period September 29, 2015, through December 29, 2015, in accordance with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) "Quality Standards for Inspection and Evaluation," which provides a framework for inspections and evaluation work by the Federal Offices of Inspector General.



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