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**Audit Report of the  
 Nebraska Health and Human Services System (HHSS)  
 Program 342 Nursing Facility Conversions  
 For the Period July 1, 2001 through June 30, 2002  
 and July 1, 2002 through December 31, 2002**

**Report Highlights**

*Issued April 2003*

The Nursing Facility Conversions Program of the Nebraska Health and Human Services System tracks funds granted to qualifying nursing homes and hospitals for the conversion of facility space from nursing care to alternative long-term care services including assisted living, respite care, and adult and disabled child day care. Grants may be used for capital or one-time expenditures and are designed to promote development of a comprehensive system of long-term care throughout the State. Grantees must retire at least one nursing facility bed for every assisted living unit created and must agree to reserve 40% of converted assisted living units for Medicaid clients.

The Program’s objectives are to reduce the surplus of nursing home beds in the State, provide start-up funds to support development of appropriate alternatives to nursing homes, and enable rural communities to support care for their elderly and disabled citizens.

A nursing facility may receive a maximum of \$1.1 million for assisted living and respite care conversions and \$100,000 per facility for conversion to daycare programs. HHSS estimated that approximately 983 assisted living units and 27 daycare programs would be created through this Program. From April 1, 1998 through December 31, 2002, the Program received \$54,611,766 from funds generated by the Nebraska Nursing Facilities Intergovernmental Transfer.

2001 Neb. Laws LB 692, Section 17 terminated the Program effective January 1, 2003 and required that any unobligated fund balance be transferred to the Nebraska Health Care Cash Fund.

**Facility Did Not Fulfill Match Requirements**

Title 402 NAC 1-005 states, “Non-governmental grantees shall provide 20% of the total cost of any conversion.” Good internal control requires procedures to ensure match requirements have been met before final payment.

We tested three non-governmental facilities with final payments during fiscal year 2002 to determine if match requirements had been met. We noted one of the three facilities tested did not have documentation to support the match had been met; the retainage was not withheld and final payment was made on July 30, 2001. The total grant paid was \$676,000 and the facility should have been required to match a total of \$126,164. HHSS did not have documentation to support \$101,292 of the matching requirement. A similar finding was noted in our Nursing Facilities Intergovernmental Transfers Report for July 1, 1999 through December 31, 2000.

**We recommend HHSS request documentation from the facility to ensure the match was met, or request reimbursement of \$101,292. We further recommend HHSS implement procedures to ensure match requirements are met before retainage and final payments are disbursed.**

We have detailed our findings, including responses from the HHSS, in the Testing and Comments section of the report. See our website at [www.auditors.state.ne.us](http://www.auditors.state.ne.us).

