

**ATTESTATION REPORT
OF THE
NEBRASKA DEPARTMENT OF
HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES**

JULY 1, 2009 THROUGH MARCH 31, 2011

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Issued on September 7, 2011

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BACKGROUND

State statute assigns to the Nebraska Department of Health and Human Services (DHHS), particularly the Children and Family Services Division (CFS) therein, the responsibility of providing for and administering child welfare services in the State of Nebraska. Neb. Rev. Stat. § 68-1207 (Reissue 2009) states, in relevant part:

“The Department of Health and Human Services shall supervise all public child welfare services as described by law.”

More specifically, Neb. Rev. Stat. § 81-3116 (Reissue 2008) directs the CFS to administer “protection and safety programs and services, including child welfare programs and services . . .”

Neb. Rev. Stat. § 68-309 (Reissue 2009) adds, in relevant part:

“The Department of Health and Human Services shall be the sole agency of the State of Nebraska to administer the State Assistance Fund for assistance to . . . child welfare services, and such other assistance and services as may be made available to the State of Nebraska by the government of the United States.”

In 2009, keeping with the above statutory directives, DHHS formally instituted the child welfare services reform initiative, known also as Families Matter, to address the growing number of children under State care who reside in out-of-home placements.

Families Matter was prompted by, among other things, previous U.S. Department of Health and Human Services reports indicating that Nebraska consistently led the nation in the number of children removed from their homes and placed in State custody. Similarly problematic was Nebraska’s poor performance in the 2002 and 2008 Federal Child and Family Services Review by the U.S. Department of Health and Human Services – both of which highlighted Nebraska’s failure to achieve substantial conformity with any of the seven safety, permanency, and well-being outcomes utilized by those studies. The reports issued from those Federal reviews may be accessed online at <http://www.hhs.state.ne.us/jus/CFSR/ExSum.htm>.

According to DHHS’ website:

“Families Matter is built on the goal of having fewer children in the state’s care and more safely in their homes. It is driven by improving services and achieving the federal outcomes of safety, permanency, and well-being.”

To achieve the above-stated goal, the Families Matter reform instituted the increased privatization of child welfare services. On December 2, 2008, DHHS released a Request for Qualification (RFQ) to identify and select prospective lead contractors for providing non-treatment services in child welfare and Office of Juvenile Services cases. Responses were due by January 15, 2009, and were reviewed by DHHS teams led by the appropriate service area administrator. DHHS-CFS selected by service area a contractor or contractors to serve the area.

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The first step in this process took effect on June 15, 2009, when DHHS-CFS entered into contracts totaling \$7 million with six private agencies to develop infrastructure, staffing, and programs to allow private agencies to assume the bulk of the responsibility for providing services to at-risk children and families. The six contractors were Alliance for Children and Family Services (ACF), Boys and Girls Home (BGH), Cedars Youth Services (Cedars), Nebraska Families Collaborative (NFC), KVC Behavioral Healthcare Nebraska, Inc. (KVC), and Visinet, Inc. (Visinet). (See **EXHIBIT A** for contract amounts and expenditures by contract.)

Effective November 1, 2009, the next step, DHHS-CFS entered into service contracts totaling \$149,515,887 with only five of the six private agencies – ACF was not included – to provide service delivery and coordination services through June 30, 2014. These service contracts covered non-treatment services, including: out-of-home care, respite care, family supports, transportation, tracker services, electronic monitoring, and basic needs. The private contractors were to increase the number of youths served from November 2009 until March 2010 and be fully implemented by April 2010.

From the outset, improving child welfare services was the primary driving force behind the Families Matter reform. At the same time, however, attention was paid also to the anticipated fiscal impact of the reform measures. In one document entitled “Out of Home Reform Implementation Plan and Funding,” DHHS explained: “Beginning January 1, 2010, service contracts will be funded at a level no more than the current service delivery expenditures.” Another DHHS document entitled “Framework Recommendations for the Reform of Out-of-Home Care” stated flatly: “The Reform will be accomplished within existing resources.” According to DHHS, moreover, one advantage of the Families Matter reform would be that it “[c]reates efficiency and increases accountability.” Thus, though not stated explicitly, the implicit understanding made known by DHHS appears to have been that, if not exactly a cost-saving measure, the Families Matter reform would prove, at the very least, a fiscally conservative one.

The service contract agreements provided for a new form of reimbursement that replaced the previous fee-for-service method of compensation with a risk-based payment system. Instead of earning a predetermined amount for the performance of a specific service, each contractor received a flat monthly fee regardless of the amount or value of services provided. Through December 2010, that flat monthly service fee was divided between direct service and lump sum payments. Direct services were billed through the Nebraska Family Online Client User System (NFOCUS), and the remaining amount was paid as a lump sum. NFOCUS is a subsystem that interfaces with EnterpriseOne, the State’s accounting system. Starting January 2011, that system of payment was discontinued and the remaining contractors were paid a bi-monthly flat fee.

By October 1, 2010, only two of the original five lead agencies remained under contract with DHHS. The departing agencies cited the loss of significant funds as they sought to carry out the terms of the contract.

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BACKGROUND

(Continued)

During subsequent interim study hearings held pursuant to Legislative Resolution (LR) 568 (2009), which called for a review and assessment of the child welfare reforms implemented by DHHS, the Legislature's Health and Human Services Committee heard additional concerns regarding lack of documentation in records, failure to pay providers and foster parents fully and promptly, confusion regarding division of responsibilities, client care and staff training, and long-term planning to sustain the child welfare reform initiative and ensure the safety and protection of Nebraska's foster children.

In February 2011, the Legislature adopted LR 37, designating the Health and Human Services Committee "to review, investigate, and assess the effect of the child welfare reform initiative which the Department of Health and Human Services began implementing July, 2009." Additionally, that LR directs the Health and Human Services Committee to provide the Legislature with a final report of its findings by no later than December 15, 2011.

Following is a summary of the service area lead contractors:

Southeast service area	<i>Cedars Youth Services (Cedars)</i> – Lincoln-based non-profit organization since 1947 serving about 3,500 children and youth each year through services including emergency shelters, in- and out-of-home foster care, residential mental health treatment, respite care, and child and family counseling. For reform, Cedars partnered with Lutheran Family Services, Epworth Village, and Christian Heritage. Contract ended June 30, 2010.
Southeast service area Eastern service area	<i>Visinet, Inc. (Visinet)</i> – Created in 1994 to provide supervised visitation and family support services through contracts with DHHS. The for-profit agency had offices in Omaha, Lincoln, and Grand Island. Contract ended April 20, 2010.
Southeast service area Eastern service area	<i>KVC Behavioral Healthcare Nebraska, Inc. (KVC)</i> – A non-profit established in Kansas in 1970 as a group home for boys, KVC serves more than 10,000 children a year with residential treatment, emergency services, family foster care, case management, and supportive mental health services. It has offices in Omaha, Lincoln, Beatrice, Seward, and Nebraska City. KVC also operates in West Virginia, Kentucky, and Missouri.
Eastern service area	<i>Nebraska Families Collaborative (NFC)</i> – A non-profit partnership, brings together Father Flanagan's Boys' Home, Child Saving Institute, Heartland Family Service, Nebraska Family Support Network, and OMNI Behavioral Health to provide children and family services.
Central service area Northern service area Western service area	<i>Boys and Girls Home (BGH)</i> – A non-profit organization established in 1894 in Sioux City, Iowa, it expanded into Nebraska and has offices in Kearney, Dakota City, South Sioux City, Columbus, and North Platte. Services are geared to meet the emotional and behavioral needs of clients through outpatient, inpatient, and in-home care. Contract services ended September 30, 2010, contract terminated February 22, 2011.

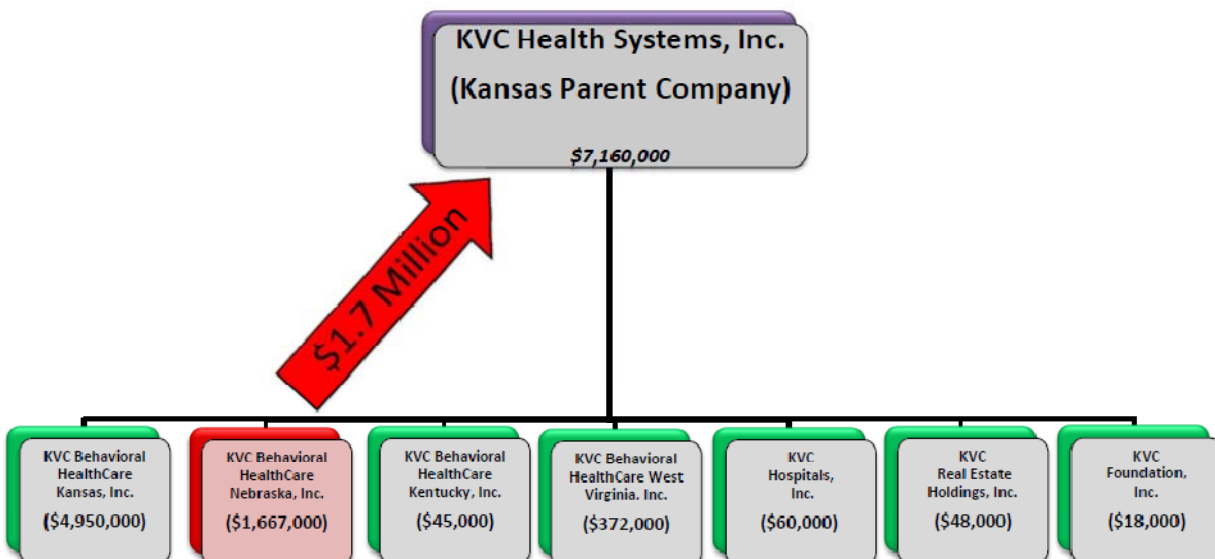
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BACKGROUND
(Continued)

Central service area	<i>Alliance for Children and Family Services (ACF)</i> – Limited Liability Company established in 2009, Region 3 Behavioral Health Services partnered with Mid-Plains Center for Behavioral Healthcare Services and South Central Behavioral Services. Received \$393,400 from Implementation Contract, did not enter into a services contract.
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Being non-profit corporations, four of the five providers engaged to provide service delivery and coordination services under the Families Matter reform, were required to make an annual Form 990 “Return of Organization Exempt from Income Tax” filing with the Internal Revenue Service. Only Visinet, a for-profit entity, did not make such a filing. According to the available Form 990 filings, various officers, trustees, and directors received substantial compensation from either the providers or related organizations – more than half of those individuals listed earnings between \$150,000 or higher per year. However, it should be noted that, in many cases, the compensation was paid by related organizations. As noted in **EXHIBIT M**, per the fiscal year ended June 30, 2010, audited financial statements for KVC Health Systems, Inc., on the Schedule of Functional Expenses, KVC Behavioral Healthcare Nebraska, Inc., is listed as a line item for intercompany management fee of \$1,667,000. BGH and NFC only had the 2009 Form 990 available and both are late in filing their 2010 Form 990 which was due May 15, 2011.

KVC Management Fees from Subsidiaries to Parent Company
Fiscal Year Ended June 30, 2010.



Source: KVC Health Systems, Inc. Audit for Fiscal Year Ended June 30, 2010.

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BACKGROUND
(Continued)

The chart below displays the annual compensation received by various persons as disclosed on the corresponding provider's Form 990. See **EXHIBIT M** for more details.

Name / Title	Provider	Year	Total Compensation from Provider and/or Related Organizations*
B Wayne Sims Director/Board President	KVC	2010	\$ 654,739
Sherry Love Director	KVC	2010	\$ 205,344
Anne Roberts Director/Board Secretary	KVC	2010	\$ 207,971
Paul Klayder Director/Board Treasurer	KVC	2010	\$ 197,463
Robert Sheehan President & Chief Executive Officer	BGH	2009	\$ 175,210
Michael Huser Chief Financial Officer	BGH	2009	\$ 108,398
Jeff Hackett Chief Operating Officer	BGH	2009	\$ 113,656
Richard Brown JR MD Medical Director	BGH	2009	\$ 260,978
Judy F. Rasmussen Treasurer	NFC	2009	\$ 256,286
Bob Pick Director	NFC	2009	\$ 273,507
Nicholas Juliano Director	NFC	2009	\$ 99,757
Judy Dierkhising Executive Director	NFC	2009	\$ 66,032
James Blue President & Chief Executive Officer	Cedars	2010	\$ 162,634
Cindy Rudolph Treasurer & Chief Financial Officer	Cedars	2010	\$ 92,849
Katie McLeese Stephenson Secretary & Chief Operating Officer	Cedars	2010	\$ 97,847
Kathy Campbell Executive Vice President	Cedars	2010	\$ 65,201

*See **EXHIBIT M** for excerpts of actual Form 990 filings, showing sources of compensation, as well as notes identifying related organizations.

**Per phone conversation on September 6, 2011, Mr. Sim's explained this figure included a one time adjustment for his retirement benefit.

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TIMELINE

Following is a timeline of the child welfare services reform initiative:

July 2008	Child and Family Services Review indicates that Nebraska is not meeting any of the seven standards of child safety, permanency, and well-being. Children are being removed from their homes in Nebraska at one of the highest rates in the country.
September 2008	DHHS releases Out-of-Home Care Reform: Framework to address efforts to improve services by expanding the lead agency contracts to include all non-treatment care and also provide limited coordination of services.
December 2008	DHHS releases Out-of-Home Care Reform: Request for Qualifications.
June 2009	DHHS selects six private agencies as lead agencies to implement child welfare reform. Implementation contracts totaling \$7 million signed with the six agencies to develop staffing and programs.
November 2009	Service contracts effective November 1, 2009 are signed with five lead agencies, Cedars, Visinet, BGH, KVC, and NFC, totaling \$149,515,887 for services through June 30, 2011. ACF does not sign service contract.
December 2009	Amendment 1 to the contracts, increases the contracts total by \$9,677,246.
February 2010	Amendment 2 to the contracts, no financial changes.
April 2010	Visinet files for bankruptcy and DHHS terminates contract. Bankruptcy is dismissed for failure to file a list of unsecured creditors. DHHS announces that Cedars will terminate its contract effective June 30, 2010. (See EXHIBIT P)
May 2010	DHHS and Visinet sign agreement that DHHS will directly pay foster parents and subcontractors and will pay Visinet \$627,270 to pay its former employees.
July 2010	Amendment 3 to the contracts sets monthly amounts for fiscal year 2011. Per Amendment 4, DHHS agrees to make payments for Independent Living and Former Wards instead of contractors. KVC Southeast contract increased as Cedars and Visinet are no longer providing services. Amendment 4 to the contracts revises payment methodology to front load July through September payments. For example, although total for fiscal year 2011 does not change, BGH receive \$4,985,848 monthly through September and \$2,136,792 monthly thereafter.
September 2010	DHHS and BGH announce they have mutually agreed to end contract. DHHS will pay for services delivered from October 1, 2010, forward. BGH will remain responsible for payments for services prior to October 1. Parties mutually agreed to suspend performance of contract; however, contract not terminated until February 22, 2011.

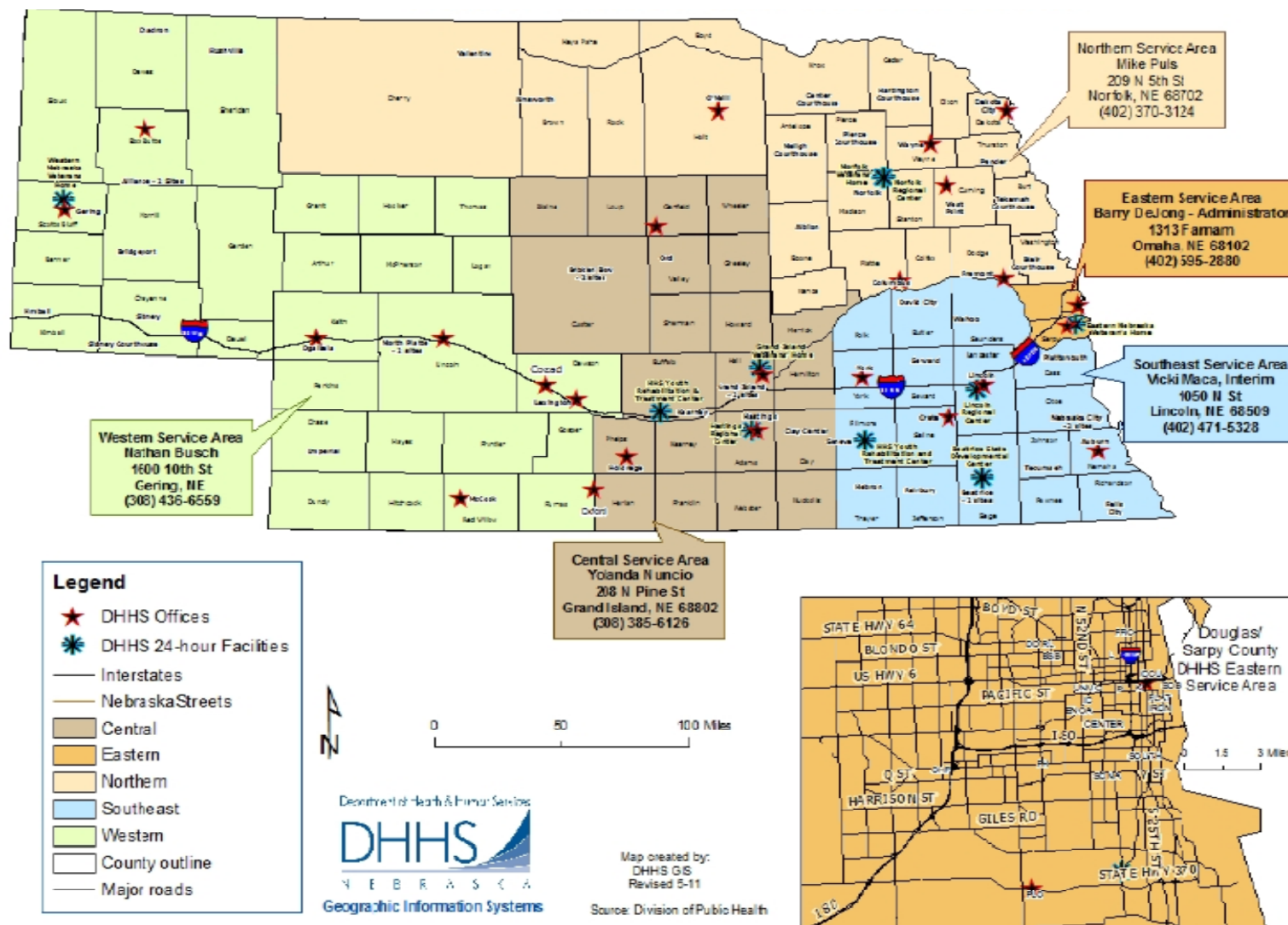
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TIMELINE
(Continued)

October 2010	<p>Service coordination and delivery in the Western, Central, and Northern Service Areas are returned to DHHS.</p> <p>Amendment 5 to the contracts increases fiscal year 2011 consideration by \$6 million. When non-medically necessary treatment is ordered by the court, the parties will work together to identify alternatives.</p>
December 2010	<p>Amendment 6 to the contracts adds case management services to NFC and KVC.</p> <p>Amendment 7 to the contracts increases consideration to NFC by \$7,000,000 and \$12,000,000 to KVC.</p> <p>Foster Care Review Board (Board) reports foster families pulling out of State programs because of problems. The Board also reported that the infrastructure of the child welfare system was deteriorating, “including therapists, placements, and other service providers reporting they are or soon will be no longer providing their services due to payment, communication and coordination issues.”</p>
January 2011	<p>Case management moved from DHHS to KVC in the Southeast Service Area. In the Eastern Service Area, 1/3 of families receive case management from KVC; 1/3 from NFC; and 1/3 from DHHS.</p>
February 2011	<p>Legislature adopts LR 37 - Provides the Health and Human Services Committee be designated to review, investigate, and assess the effect of the child welfare reform initiative implemented by DHHS.</p> <p>Contracts with BGH terminated. Disposition of withheld contract amount pending. Subcontractors and vendors of BGH still owed over \$3.6 million.</p>
June 2011	<p>DHHS announces KVC will get \$5.5 million more in fiscal year 2011 and \$7 million added to the fiscal year 2012 contract; NFC will receive \$14.2 million in fiscal year 2012 up from \$13.8 million. KVC announces layoffs of 75 workers.</p> <p>DHHS announces Vicki Maca has been appointed as administrator of Families Matter reform effective June 17, 2011. Jeff Schmidt, DHHS Southeast Service Area Administrator, resigns effective June 3, 2011, and Barry DeJong, Eastern Service Area Administrator, resigns effective July 26, 2011. As a result, the two service areas with lead contractors are left without the administrators who had been in place prior to and throughout the reform process.</p>
July 2011	<p>Providers receive letters from DHHS, which acting as intermediary, offers a payout of approximately 35% of what is owed to each by BGH.</p>
August 2011	<p>DHHS and NFC sign amended contract. NFC will take over an additional 1/3 of the Eastern Service Area by December 31, 2011. NFC contract for November 1, 2009, through June 30, 2014, increases from \$71,958,385 to \$125,325,120, an increase of \$53,366,735.</p>

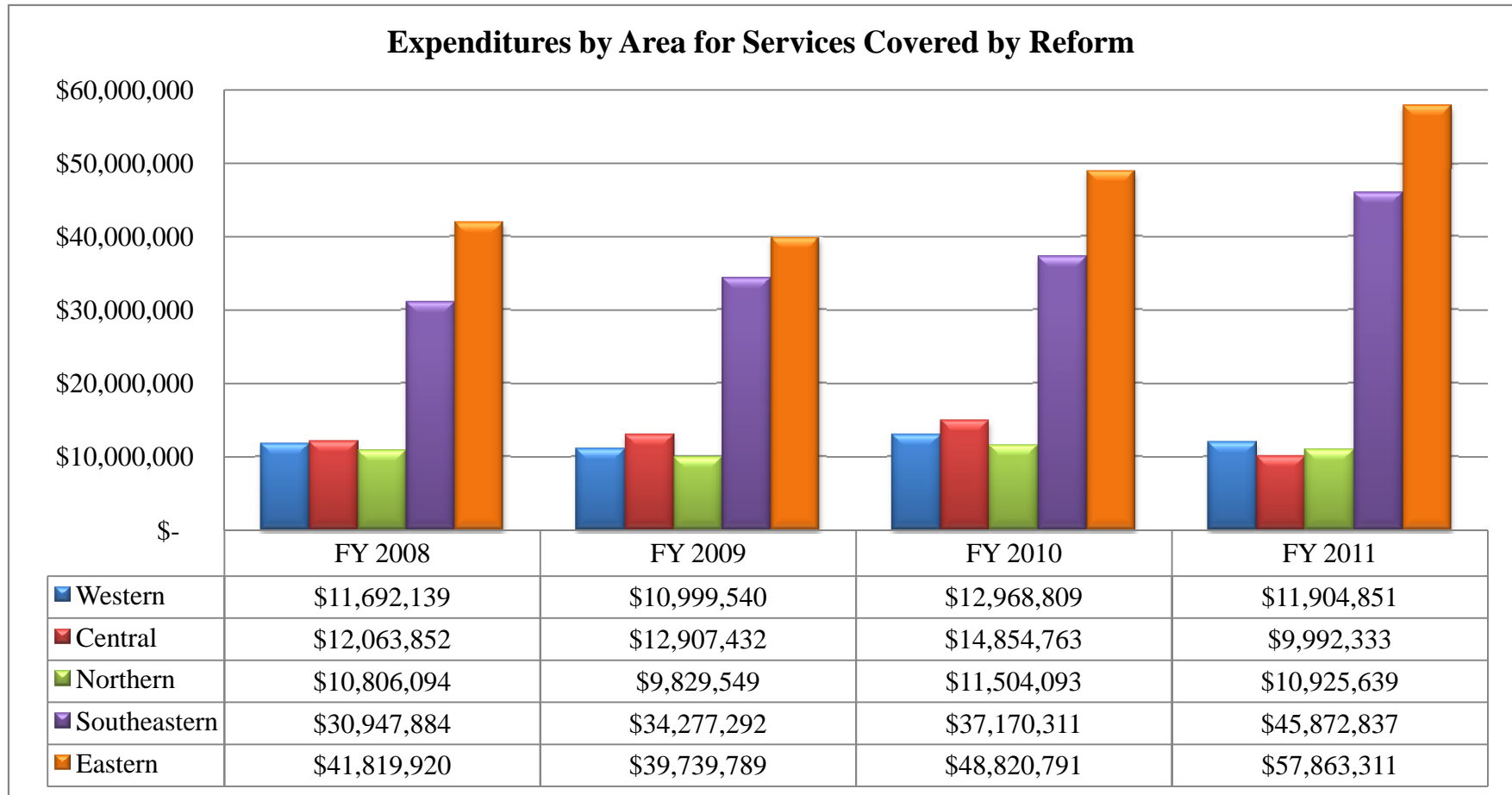
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DHHS OFFICES AND SERVICE AREAS



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FISCAL YEAR 2008-2011 EXPENDITURES BY SERVICE AREA



Note 1: FY 2011 does not include amounts remaining on BGH contracts which have not been settled. Remaining amounts: Western \$202,974; Central \$817,470; Northern \$344,107.

Source: FY 2008 and FY 2009 costs prior to reform from DHHS Expenditures by Service Area. FY 2010 and FY 2011 expenditures from EnterpriseOne and NFOCUS.

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EXIT CONFERENCE

An exit conference was held July 22, 2011, with DHHS to discuss the results of our examination. Those in attendance for the Department of Health and Human Services were:

NAME	TITLE
Willard Bouwens	Finance Administrator
Todd Reckling	Director, CFS
Sherri Haber	Comprehensive Quality Improvement/ Operations Administrator – CFS Policy Section
Kerry Winterer	Chief Executive Officer
Brad Gianakos	Legal Counsel
Wesley D. Nespor	Assistant Legal Counsel
Matt Clough	Chief Operating Officer
Jeanne Atkinson	Public Information Officer
Chris Hanus	Child Welfare Administrator

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
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SUMMARY OF COMMENTS

During our examination of the Department of Health and Human Services (DHHS) Child Welfare Reform Contract Expenditures, we noted certain deficiencies in internal control that we consider to be material weaknesses and other operational matters that are presented here.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial schedule will not be prevented, or detected and corrected on a timely basis.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the areas as follows:

1. ***Child Welfare Costs Have Increased Significantly:*** In fiscal year 2009, DHHS spent \$107,753,602 for the types of child welfare services later covered under the service contracts. Under the lead contractors, the cost of providing those services grew to \$125,318,767 in fiscal year 2010, and then to \$136,558,971 in fiscal year 2011. This constitutes a total increase from 2009 of \$28,805,369 or 27%. In addition, DHHS did not provide us with adequate support for how the following dollar amounts were determined:
 - \$7 million total for all implementation contracts.
 - The total \$6 million service contract increase for NFC and KVC, per Amendment 5.
 - The total \$19 million service contract increase for NFC and KVC, per Amendment 7.

After several requests by the Auditor of Public Accounts (APA) for the above documentation, DHHS responded that the amounts paid to the lead contractors, as well as the amendments to service contracts, were the product of negotiations between the parties; however, no support was provided to substantiate either the necessity of the dramatic increase in expenditures or a reasonable basis for the amounts paid. We noted further that DHHS did not perform any financial reviews of lead contractors for the period July 1, 2009, through March 31, 2011. Because expenditures reported by lead contractors may be inaccurate, failure to perform such financial reviews could cause DHHS to agree to unneeded contract costs.

2. ***Request for Qualification Responses Were Not Adequately Evaluated:*** Despite being aware of significant concerns regarding the suitability of four of the six lead contractors to provide sufficient and dependable child welfare services, DHHS entered into contracts with those entities.

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SUMMARY OF COMMENTS

(Continued)

3. ***Visinet's Financial Records Were Not Obtained After Termination:*** On April 15, 2010, Visinet closed its doors, and its service contracts with DHHS were officially terminated effective April 20, 2010. In concluding its business relationship with Visinet, DHHS failed to obtain all financial and service delivery records needed both to support the settlement amounts paid and to verify that child welfare services had been provided in accordance with the terms of the terminated service contract.
4. ***Visinet's Settlement Agreement Lacks Documentation:*** DHHS lacks documentation to support the payments made and money owed to Visinet pursuant to a settlement agreement entered into between the two parties on May 24, 2010. DHHS failed to provide documentation to support a \$627,270 payment made to Visinet for payroll and payroll tax obligations, provided inadequate documentation to support \$158,639 in foster parent payments, and did not properly review subcontractor invoices prior to payment under the settlement agreement resulting in overpayments. DHHS did not provide documentation supporting the determination that \$2,008,818 was owed to Visinet and payments made under the settlement agreement exceeded this amount by \$127,472.
5. ***BGH Contracts Not Settled in a Timely Manner:*** To date, DHHS has not settled any of its three service contracts with BGH, despite the fact that eleven months have passed since those contracts were terminated. A balance of \$1,364,551 remains due to BGH on those contracts, assuming the agreed-upon services were provided prior to September 30, 2010. DHHS has a box of BGH claims totaling \$4,478,367 that have not yet been entered into NFOCUS. BGH subcontractors have still not been paid. As of March 31, 2011, per the listing provided by DHHS, subcontractors were owed a total of \$3,684,657 for services performed prior to September 30, 2010.
6. ***Lead Contractor Records Were Not Reconciled to NFOCUS:*** Reconciliations between billings sent/billed to DHHS by the lead contractors to the corresponding claims recorded in NFOCUS were not performed. NFOCUS accuracy is imperative, as NFOCUS is the main source of information pertaining to the location of DHHS clients, including children in State custody, and the services they receive. The comparisons of the lead contractors' records of billings sent/billed to DHHS and the corresponding claims found in NFOCUS, as of May 15, 2011, revealed variances ranging from (\$2,997,817) to \$11,379,630.
7. ***Overpayments and Duplicate Claims Paid:*** We noted that DHHS made \$25,276 in duplicate payments for the same services. Potential duplicate claim dollars could be as high as \$629,460. Additionally, we noted payments for client services to the incorrect lead contractors or subcontractors totaling \$128,422; potential incorrect dollars could be as high as \$454,444.
8. ***Claims Testing:*** We tested a total of 335 claims of the 96,695 claims in NFOCUS from four lead contractors, Cedars, NFC, KVC, and BGH and noted the following issues: overpayments to lead contractors of \$18,816; overpayments and underpayments to subcontractors and foster families; claims not submitted by the lead contractor to DHHS in a timely manner; subcontractors and foster families not paid in a timely manner; lack of documentation in NFOCUS for required monthly contacts; claims not entered into NFOCUS; and incorrect claim information on the billings and in NFOCUS.

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SUMMARY OF COMMENTS

(Continued)

9. ***Rate Variances Among the Lead Contractors:*** The rates DHHS paid for child welfare services varied significantly among the lead contractors – with no documentation to support the reason for those variances. DHHS approved the varying rates without obtaining the rates the lead contractors were going to pay their subcontractors and foster families to ensure the rates being billed to DHHS were reasonable. Additionally, DHHS cannot accurately determine the total costs for a child and ensure IV-E Foster Care funding is correctly charged when established rates may not be reasonable.
10. ***Contractor Overpayments and Underpayments:*** We performed a reconciliation of both NFOCUS and EnterpriseOne payments from November 1, 2009, to March 31, 2011, to the contracts, and noted that the lead contractors appear to have been underpaid or overpaid on service contracts ranging from (\$817,470) to \$1,180,403. Moreover, Visinet was overpaid nearly \$4 million, including \$1.8 million under the service contracts and over \$2 million for the settlement agreement. During our testing of the service contracts, we observed payments that were coded incorrectly against the contracts for the lead contractors. We adjusted the financial schedule \$87,419 for these errors.
11. ***Information Not Provided:*** Contrary to both the letter and the spirit of statutory requirements, information that the APA requested from DHHS was not provided timely – or sometimes not at all – and was often incomplete. This leads to the inescapable conclusion that either DHHS sought to hinder the examination by intentionally circumventing the law requiring cooperation with the APA, or supporting documentation for the expenditure of millions of taxpayer dollars simply does not exist.
12. ***Review and Payment of Subcontractors and Foster Parents:*** We noted DHHS lacked adequate procedures to oversee the lead contractors' management of subcontractors whose services they had enlisted. As a result, DHHS had no way of ascertaining whether the subcontractors: 1) were paid timely; and 2) acquired contractually required insurance coverage.
13. ***Competitive Bidding Requirements:*** We questioned whether the service coordination and delivery contracts legitimately fall within the § 73-507(2)(e) exemption from the statutory bidding requirements for service contracts. Also, pursuant to Amendment 7 to the service contracts, which was adopted in December of 2010, the service providers have also taken on case management functions. Allowing the providers themselves to oversee the management of the cases that they handle gives rise to a potential conflict of interest – offering the opportunity, if not an actual incentive, for them to base decisions regarding the provision of services more upon cost criteria than upon the best interests of the recipients.
14. ***Lack of Support for Determination of Initial Service Contract Amounts:*** DHHS did not consider Program 345 Juvenile Community-Based services and child support collections in determination of funding available to lead contractors. Also, the amount excluded for detention was not reasonable.

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SUMMARY OF COMMENTS

(Continued)

- 15. *Contract Transition Percentages Were Not Met:*** Under eight of the nine service contracts, the lead contractors did not meet their required contractual percentages for transitioning service coordination and service delivery for families. The accumulated shortages ranged from 1% to 18%. Because fiscal year 2010 contract amounts were based on the transition percentages, DHHS incurred additional costs coordinating and delivering services for which the lead contractors were already being paid.
- 16. *Access to System Not Removed Timely for Terminated Employees:*** We noted that DHHS did not revoke NFOCUS access for 24 terminated employees of lead contractors. One terminated employee actually logged into NFOCUS on 3 consecutive days following the termination date.
- 17. *Approval of Subcontractor:*** We noted one subcontractor, BSM, Inc., doing business as McConaughy Discovery Center, was associated with an individual who was the subject of a previous report by the APA regarding questionable activity, including noncompliance with State regulations. We further noted DHHS had entered into five separate contracts with BSM, Inc., as a direct contractor. These five direct contracts totaled \$2,393,603. Our testing of BSM, Inc. and Family Skill Building Services, LLC, billings noted lack of supporting documentation, overlapping services, and timesheets not signed by the client to ensure services were provided. We also noted six workers tested, all of whom provided family support services, did not have a Bachelor's degree or a staff equivalency petition approved by the DHHS service area Contract Liaison, as required by the terms of the service contract. In addition, rates paid by DHHS for services appeared excessive.

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of DHHS.

Draft copies of this report were furnished to DHHS to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. The responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next examination.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

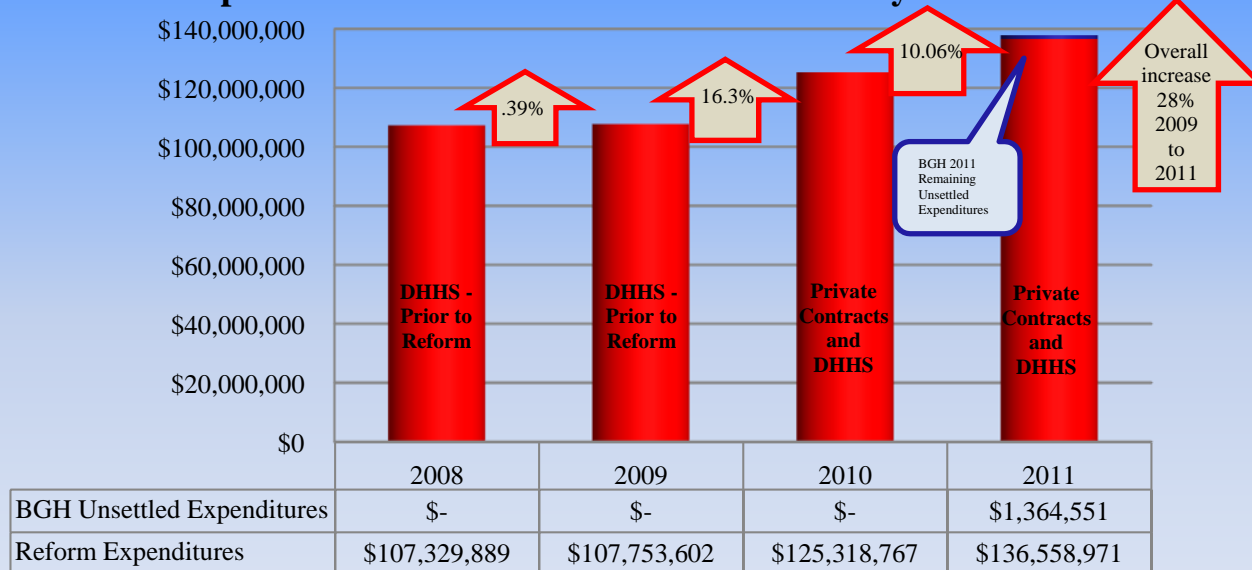
COMMENTS AND RECOMMENDATIONS

1. Child Welfare Costs Have Increased Significantly

In June 2009, DHHS entered into agreements totaling \$7 million with six lead contractors for the implementation of Child Welfare Reform. The six lead contractors were Alliance for Children and Family Services (ACF), Boys and Girls Home (BGH), Cedars Youth Services (Cedars), Nebraska Families Collaborative (NFC), KVC Behavioral Healthcare Nebraska, Inc. (KVC), and Visinet, Inc. (Visinet). DHHS signed with five of the lead contractors – ACF being the lone exception – effective November 2009 to provide Service Delivery and Coordination. These service contracts covered delivery of non-treatment services, including: out-of-home care; respite care; family supports; transportation; tracker services; electronic monitoring; and basic needs. The service contracts did not cover services paid by Medicaid, physical health care costs, State ward education, youth treatment centers, detention facilities, or adoption and guardianship subsidies.

In fiscal year 2009, DHHS spent \$107,753,602 for the types of child welfare services later covered under the service contracts. Under the lead contractors, the cost of providing those services grew to \$125,318,767 in fiscal year 2010, and then to \$136,558,971 in fiscal year 2011. (See **EXHIBIT B**) Without BGH's remaining costs of \$1,364,551, this constitutes a total increase from 2009 of \$28,805,369 or 27%. With BGH's remaining costs, it is a total increase of \$30,169,920 or 28% from 2009. Fiscal years 2010 and 2011 expenditures include payments to lead contractors, as well as payments for costs incurred by DHHS during the contract transition period and for areas where contracts were terminated. A series of amendments increased the original contracts by \$44,464,807 for fiscal years 2010 and 2011.

Expenditures for Reform Covered Services by Fiscal Year



FY 2008 and FY 2009 are costs prior to reform. FY 2010 and FY 2011 are costs for services provided by both private contractors and DHHS. BGH terminated its contracts in September 2010, for which the final settlement has not yet been made, resulting in the remaining contract costs of \$1,364,551, as shown above.

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CHILD WELFARE REFORM CONTRACT EXPENDITURES

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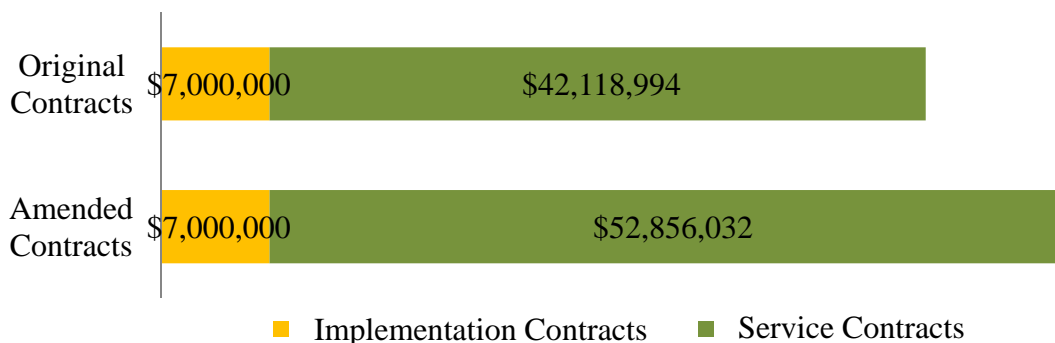
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1. Child Welfare Costs Have Increased Significantly (Continued)

The amounts to be paid to the lead contractors under the service contracts were determined by DHHS based on the fiscal year 2010 budget and actual costs of non-excluded services in prior fiscal years.

As fiscal year 2010 services would be paid by both DHHS and private contractors, DHHS calculated amounts needed by DHHS and by each service area for that year. Based on a starting date of November 1, 2009, and a transition period through March 2010, the original service contract amounts for fiscal year 2010 were set at a total of \$42,118,994. Through various amendments, the total cost of the service contracts for 2010 grew to \$52,856,032 – an increase of \$10,737,038.

Fiscal Year 2010 Contracts



The original service contract amounts for fiscal year 2011 totaled \$107,396,893; however, by July 1, 2010, only three of five contractors remained. On September 30, 2010, BGH ceased performance, leaving only NFC and KVC. Amendments increased the original service contracts with BGH by \$6,255,271 for July 2010 through September 2010. Amendments also increased Eastern and Southeastern service areas contract amounts a total of \$27,472,498 for fiscal year 2011.

BGH had separate service contracts for the Western, Central, and Northern service areas. The original contract amount for these three areas totaled \$2,900,759 monthly – or a total of \$8,702,277 covering July through September 2010. Through amendments, those payments were increased to a total of \$14,957,548, an increase of \$6,255,271 or 72% for the 2011 contract period. The actual total costs of services for the 2011 contract period cannot be determined because, as of August 19, 2011, DHHS had not settled the service contracts with BGH. Payments to BGH for July 1, 2010, through March 31, 2011, were \$13,792,704. In addition to settling with BGH for the remainder of the contract amount, there are also BGH subcontractors who are still owed in excess of \$3.6 million for their services.

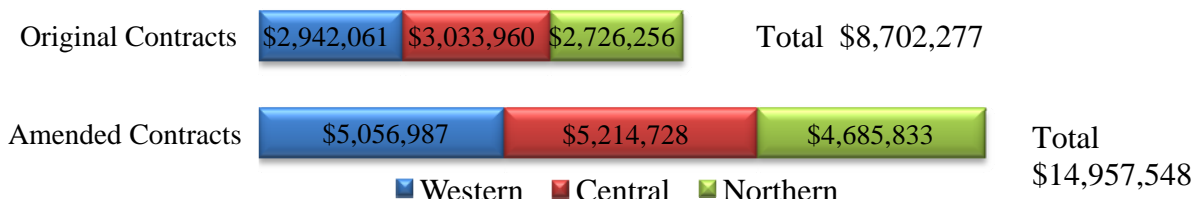
NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
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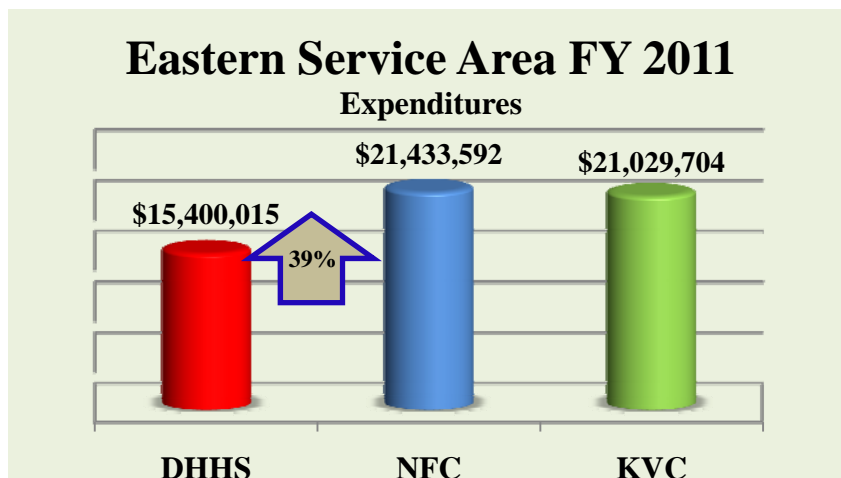
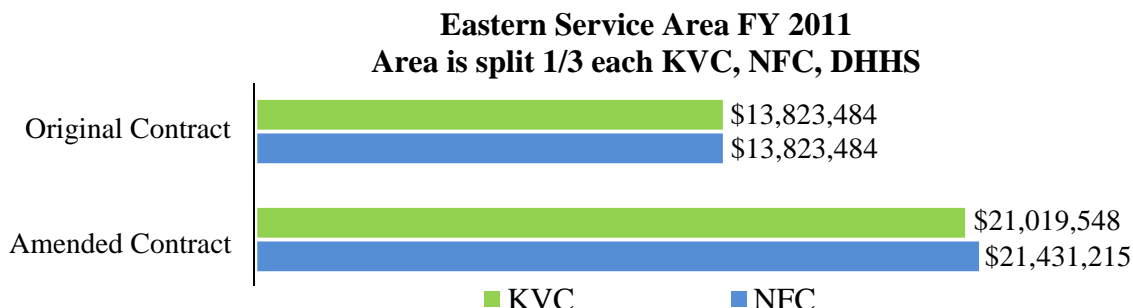
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1. Child Welfare Costs Have Increased Significantly (Continued)

BGH from July 1, 2010 to contract end September 30, 2010



The Eastern service area was initially divided between Visinet, NFC, and KVC. During fiscal year 2011, after the departure of Visinet in April 2010, DHHS assumed the former lead contractor's case load. For fiscal year 2011, amendments including Amendment 8, which became effective June 2011, increased the original service contract amount for NFC and KVC by a total of \$14,803,795.



The Southeastern service area was initially divided equally between Visinet, Cedars, and KVC. However, as of July 1, 2010, to the present, that service area has been served entirely by KVC. For fiscal year 2011, amendments including Amendment 8, which became effective June 2011, increased the original service contract amount for the Southeastern service area by a total of \$12,689,631.

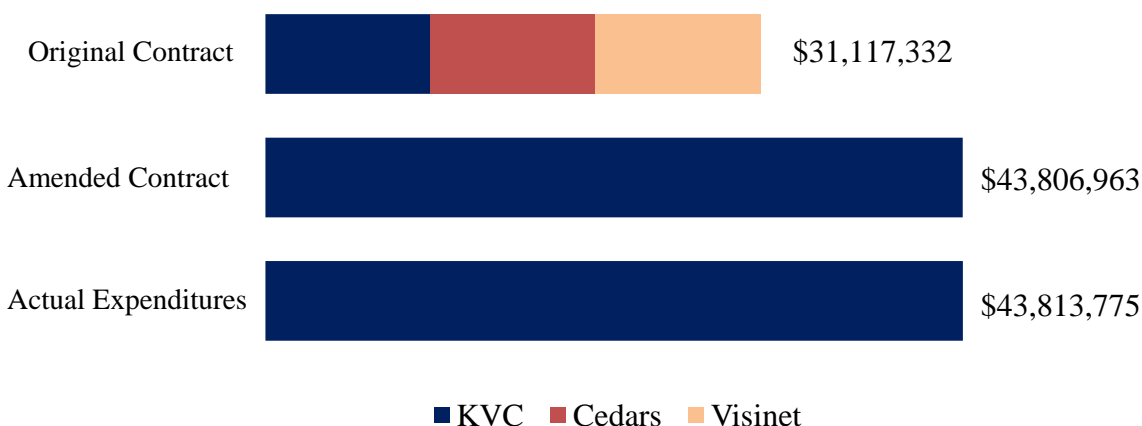
NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Child Welfare Costs Have Increased Significantly** (Continued)

Southeast Service Area FY 2011



The following are the explanations offered by DHHS for the changes in lead contractor funding resulting from the service contract amendments:

Amendment 1 (January 2010): *The funding available to the contractors was determined by a formula based upon the total funds DHHS had used to purchase services within the previous year, minus an agreed upon estimated amount of funds necessary for the Department to pay remaining service claims received between July 1, 2009 and June 30, 2010, for direct services provided outside of these contracts. In subsequent meetings with DHHS and the contractors, it was agreed that DHHS had been conservative in the estimation of funds needed to pay prior service claims and DHHS agreed to hold back less funds. Based on this agreement, additional funds were added to the contracts through Amendment 1 for FY10 for a total of \$52,856,032.*

In addition, the original contract included a 1.5% provider rate increase that would be effective July 1, 2010. This was corrected on Amendment to reflect a .5% increase. Based upon this change, the funds available for FY11 was a total of \$106,337,101. The total funds available for Amendment 1 totaled \$159,193,133.

Amendment 2 (February 2010): *No financial changes.*

Amendment 3 (July 2010): *The \$292,818 decrease of funds for FY11 was a result of an agreement by DHHS and the contractors that DHHS would withhold funds to make payment for Maintenance of Wards Child, Independent Living and Former Ward as opposed to these funds being given to the contractor and requiring them to make such payment.*

Amendment 4 (July 2010): *No changes in the funds available to the contractors were entered into Amendment 4. There was a change in payment methodology.*

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
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COMMENTS AND RECOMMENDATIONS

(Continued)

1. Child Welfare Costs Have Increased Significantly (Continued)

Amendment 5 (October 2010): *Contracts were developed with KVC and NFC for a onetime payment in the sum of \$6,000,000. With the Department, the contractors were to develop strategies and targeted improvements to obtain timely permanency for children, and decrease the frequency and duration of out of home and congregate placements and increase the utilization of children and families served in the family home. When non-medically necessary treatment is ordered by the court, the parties will work together to identify alternatives for the court's consideration.*

Amendment 6 (December 2010): *No financial changes were entered into Amendment 6.*

Amendment 7 (December 2010): *Contracts were developed with KVC and NFC for a onetime payment in the sum of \$19,000,000. The \$19,000,000 resulted from the general fund dollars freed up by the one-time Temporary Assistance for Needy Families (TANF) dollars. The following is a breakdown of the funding:*

- *\$10.1 million from the following:*
 - *\$3.8 million – Federal emergency TANF funds for Employment First activities,*
 - *\$2.3 million – Federal funds for Aid to Dependent Children cash grants, and*
 - *\$4.0 million – Federal funds for child welfare family preservation.*
- *\$4.6 million from the estimated annual savings resulting from moving case-management activities from the public sector to the private sector (NFC and KVC); and*
- *\$4.3 million from unspent general funds retained from State Fiscal Year (SFY) 2009 and SFY 2010.*

DHHS did not provide adequate explanations for the following:

- Why Amendment 4 front loaded fiscal year 2011 contract amounts after two of the lead agencies had terminated contracts.
- The reasons for the increases provided under Amendment 5 and Amendment 7, as well as how the dollar amounts for those amendment increases were determined.
- How the above-mentioned \$4.6 million of savings from moving case management was determined, the amount and support for actual savings from January 1, 2011, through March 31, 2011, and why these dollars were included in Amendment 7 when Amendment 6 addressed case management services.

After several requests by the APA for the above documentation, DHHS responded that the amounts paid to the lead contractors, along with the amendments to the service contracts, were the product of negotiations between the parties; however, no support was provided to substantiate either the necessity of the dramatic increase in expenditures or a reasonable basis for the amounts paid.

We noted further that DHHS did not perform any financial reviews of lead contractors for the period July 1, 2009, through March 31, 2011. Because expenditures reported by lead contractors

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(Continued)

1. **Child Welfare Costs Have Increased Significantly** (Continued)

may be inaccurate, failure to perform such financial reviews could cause DHHS to agree to unneeded contract costs.

A good internal control plan requires that documentation be maintained to support the amounts paid to lead contractors under service contracts. Additionally, the U.S. Office of Management and Budget (OMB) Circular A-87, which sets out criteria for determining allowable expenditures of Federal award monies, requires that costs be necessary, reasonable, and adequately documented. That same Federal circular states further:

“A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally-funded. In determining reasonableness of a given cost, consideration shall be given to:

- a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.*
- b. The restraints or requirements imposed by such factors as: sound business practices; arms length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Federal award.*
- c. Market prices for comparable goods or services.*
- d. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government.*
- e. Significant deviations from the established practices of the governmental unit which may unjustifiably increase the Federal award’s cost.”*

Due to DHHS’ lack of documentation, we were unable to determine whether the payments to the lead contractors under the service contracts met the above OMB Circular A-87 criteria.

As stated in the Background section of this report, a major impetus for the Families Matter reform was Nebraska’s poor performance in the 2002 and 2008 Federal Child and Family Services Review by the U.S. Department of Health and Human Services – both of which highlighted Nebraska’s failure to achieve substantial conformity with any of the seven safety, permanency, and well-being outcomes utilized by those studies. Despite the soaring cost to taxpayers of funding child welfare services under the Families Matter reform – the bulk of which funding has flowed to the lead contractors and their subcontractors – subsequent reviews by DHHS indicate that, in many respects, Nebraska is actually doing worse at achieving conformity with those same safety, permanency, and well-being outcomes. (See **EXHIBITS H and I**)

Good fiscal policy and government accountability requires DHHS to have procedures in place to ensure that service contract costs are controlled, and tax dollars are spent wisely. Additionally, sound accounting practices require DHHS to monitor closely the financial activity reported by

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COMMENTS AND RECOMMENDATIONS

(Continued)

1. Child Welfare Costs Have Increased Significantly (Continued)

lead contractors to ensure that such information is correct, accurate, and supported by adequate documentation. Moreover, due to both the importance of providing appropriate child welfare services and the large amount of public funds involved in doing so, DHHS should report to the Legislature any significant change to the delivery or funding of such services.

We consider this finding to be a material weakness.

We recommend DHHS implement procedures to control service contract costs, monitor lead contractors' financial records, and inform the Legislature of any significant changes to child welfare service delivery and funding.

DHHS' Response: DHHS acknowledges that the amount of money devoted to child welfare has increased significantly. Decisions made by DHHS regarding the best approach for providing child welfare services are within the agency's discretionary management authority. Portions of the Auditor's report appear to scrutinize management decisions rather than fiscal accountability. The scope of services and compensation provisions of the contracts were amended in response to indications that anticipated goals and objectives were taking longer than initially planned. These amendments resulted after negotiation between the parties. This investment of additional funds was to maintain the integrity of the system.

With respect to the increase in compensation to Boys and Girls Home for July, August, and September 2010, it is important to note that there was a corresponding decrease in compensation for October 2010 through June 2011 of \$6,410,376.81. Amendment Four did not increase the total compensation to be paid for fiscal year 2011. Restructuring the payments was designed to assist the Lead Contractors with cash flow and to facilitate timely payments to subcontractors for services provided as the system further stabilized. DHHS believes the amounts being paid to the Lead Contractors are necessary and reasonable. It is also important to note that although Lead Contractors report services together with an amount set forth on a rate schedule, these contracts, by their nature, are fixed compensation contracts. Ultimately, the Lead Contractors are required to provide all necessary services for all children and families assigned to them. DHHS monitors to ensure services are being provided, formerly through case management and currently through contract monitoring.

The Lead Contractors are required under the contract to submit monthly financial statements for DHHS' review. Over the past several months DHHS has implemented additional oversight functions related to review of financial records of the Lead Contractors and DHHS will continue to review and enhance its procedures and internal controls to adequately monitor the finances of the Lead Contractors. DHHS is also tracking the actual reduction of agency expenditures resulting from contracting case management and recently made that information available to the

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
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COMMENTS AND RECOMMENDATIONS

(Continued)

1. Child Welfare Costs Have Increased Significantly (Concluded)

DHHS' Response, Concluded:

Auditor of Public Accounts (APA). An estimate of these savings is described in detail in the agency application for DAS approval of contract Amendment Six. The estimated savings were not included in Amendment Six because there was no increase in compensation for expanding the scope of services to include case management.

APA Response: The assertion by DHHS that amounts paid to lead contractors are necessary and reasonable is not supported by the facts. Costs have increased significantly. In fiscal year 2011, the Eastern service area was divided between KVC, NFC, and DHHS; however, NFC payments were 39% more than DHHS costs, and KVC payments were 36.6% more than DHHS costs for the area. Moreover, DHHS' characterization of these payments as having arisen from "fixed compensation contracts" is dubious considering the number of amendments and millions of dollars that have been added to the original contracts.

Although Amendment 4 did not change the total compensation awarded to BGH for fiscal year 2011, the inability of DHHS to provide documentation supporting the decision to front load the service contracts indicates a lack of prudence on the part of that agency given that two contractors had already terminated, DHHS had not performed any financial monitoring, and issues regarding BGH. The decision by DHHS to front load these contracts resulted in taxpayers footing the bill for an additional \$6,255,271.

Regarding the estimated savings under Amendment 6, despite our requests, DHHS failed to provide documentation to support the savings described. We were unable, therefore, to verify the legitimacy of those purported savings.

According to DHHS, the amounts paid to the lead contractors, as well as the amendments to the service contracts, were the product of negotiations between the parties; however, through the date of this report, no support was provided to substantiate either the necessity for the dramatic increase in expenditures or a reasonable basis for the amounts paid.

DHHS' response indicates that portions of the APA report appear to scrutinize management decisions rather than fiscal accountability. Such a claim evinces a not-uncommon lack of understanding of relevant auditing standards. Pursuant to both Neb. Rev. Stat. § 84-304(3) and (9) (Reissue 2008), the APA must conduct all audits and examinations in accordance with Government Auditing Standards (GAS). Those standards require auditors to report deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse. Per GAS 6.14, moreover, "Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances."

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Request for Qualification Responses Were Not Adequately Evaluated

Despite being aware of significant concerns regarding the suitability of four of the six lead contractors to provide sufficient and dependable child welfare services, DHHS entered into contracts with those entities. Moreover, none of those lead contractors were required to obtain a performance bond as a prerequisite to contracting with DHHS. Of those four lead contractors: ACF received \$393,400 for signing the initial Implementation Contract but balked at entering into the subsequent service contract; Visinet went out of business, terminating its service contract with DHHS on April 20, 2010; and BGH ceased providing services on September 30, 2010. Of the four noted, only NFC remains under contract with DHHS and is still providing services.

On December 2, 2008, DHHS released a Request for Qualification (RFQ) to identify and select prospective lead contractors for providing non-treatment services in child welfare and Office of Juvenile Services cases. Responses were due by January 15, 2009, and were reviewed by DHHS teams led by the appropriate service area administrator. The purpose of these team reviews was to determine the suitability of prospective lead contractors to enter into service contracts with DHHS.

The DHHS team reviews of the RFQ responses noted the following concerns with regard to four of the providers subsequently selected by DHHS to serve as lead contractors:

Alliance for Children and Family Services (Region III Services partnership with Mid-Plains Center for Behavioral Health Care and South Central Behavioral Services): Per DHHS team review, the partnership was almost entirely government funded. Various concerns with accreditation were also noted, as was the fact that no audited 2008 financial reports were received for either Mid-Plains or South Central Behavioral Services. Additionally, the partnering agencies had proven inconsistent in providing past services.

Visinet: Per DHHS team review, the provider relied heavily on a line of credit to operate and possessed few liquid assets. Visinet was also dependent upon DHHS for income, and its net worth was less than 5% of the service area child welfare budget. Furthermore, litigation alleging harm to a child was pending against Visinet. Subsequent to the above team review findings by DHHS, we have since noted that the 2007 and 2008 balance sheets for Visinet showed \$0 in cash, a loss of \$290,684 in 2007, government funding accounted for 99% of income, and miscellaneous procedural and safety concerns with transportation services provided.

Boys and Girls Home: Per DHHS team review, the provider had no current line of credit, and its liquid assets were less than 33% of the service area child welfare budget. Additionally, BGH had a cash balance of only \$171,035, and it was over 95% government funded. Moreover, communications between the provider and its subcontractors were noted as having been problematic at times. BGH also lacked experience providing and coordinating community-based services in Nebraska. Subsequent to the above team review findings by DHHS, we have since noted that current ratios were less than 1.0 in 2006 and 2007 (.76 and .61, respectively). The

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
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COMMENTS AND RECOMMENDATIONS

(Continued)

2. Request for Qualification Responses Were Not Adequately Evaluated (Continued)

current ratio is used to give an idea of a company's ability to pay back its short-term liabilities (debt and payables) with its short-term assets (cash, inventory, receivables). The higher the current ratio, the more capable the company is of paying its obligations. A ratio less than 1.0 suggests that the company would be unable to pay off its obligations if they came due at that point. We noted also a negative change in net assets in both years, and liabilities included advances owed to affiliates; however, DHHS did not obtain financial information of affiliated organizations. Our review of the 2008 IRS 990 forms filed by BGH and its affiliates revealed that four out of those five entities had revenues less than expenses, and three of the five had negative net assets:

	2008 Form 990	
	Revenues Less	
	Expenses	Net Assets
Boys and Girls Home of Alaska Inc.	\$ (2,922,175)	\$ (2,922,175)
Boys and Girls Home of Nebraska Inc.	(90,944)	3,295,113
Boys and Girls Home of Sioux City, Iowa	(69,102)	6,825,740
Boys and Girls Residential Treatment Centers Inc.	383,697	(3,270,579)
Family Services Inc. (Iowa)	(73)	(73)
	<u>\$ (2,698,597)</u>	<u>\$ 3,928,026</u>

Nebraska Families Collaborative: Per DHHS team review, one of the agencies comprising the NFC collaborative failed to provide financial statements as required. DHHS was given no indication of what portion, if any, of the individual incorporating agencies' resources would be committed to NFC. Additionally, the source of the provider's funding was vague. There was also a significant history of litigation against one of the agencies comprising NFC, with many of the lawsuits alleging harm to children. The team review concluded, "As indicated in the summary and conclusion above, the determination that NFC is qualified is tenuous."

As mentioned already, despite the serious concerns noted in the team reviews, DHHS did not require performance bonds of any of the lead contractors. Moreover, as discussed in Comment Number 1, DHHS failed to perform any subsequent monitoring of lead contractors to ensure that services were being provided appropriately, payments to lead contractors were used for child welfare services, and subcontractors and foster parents were paid timely.

Sound business practices require DHHS to have in place adequate procedures to ensure that prospective lead contractors are thoroughly evaluated prior to being awarded service contracts to provide child welfare services. Only through such evaluation procedures can DHHS determine which providers have both the capability and financial resources to perform the services required of lead contractors.

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COMMENTS AND RECOMMENDATIONS

(Continued)

2. Request for Qualification Responses Were Not Adequately Evaluated (Concluded)

Without adequate evaluation procedures to ensure the proper qualifications of the lead contractors selected by DHHS to enter into service contracts for the provision of child welfare services, there is an increased risk that the chosen providers may prove incapable of rendering appropriate performance. As the result of such an outcome, services might not be performed properly, if at all, and subcontractors or foster parents might not be paid – shortcomings for which the State could ultimately be held liable. We consider this finding to be a significant deficiency.

We recommend DHHS' procedures for evaluating prospective lead contractors be strengthened. If, despite any concerns noted during such evaluations, negotiations for entering into service contracts continue, DHHS should take measures to address those concerns specifically, such as requiring performance bonds and perform intensive monitoring.

DHHS' Response: DHHS concurs with the APA's recommendation to strengthen oversight of financial records of lead contractors. Over the past several months DHHS has implemented additional oversight functions related to review of financial records of the Lead Contractors and the agency will continue to review and enhance procedures and internal controls to adequately monitor the finances of the contractors.

DHHS respectfully disagrees with the APA's assessment of the contract selection process. DHHS evaluated the RFQ responses based on the best information available at that time. Each of the agencies that received a contract demonstrated sufficient business history to indicate an ability to accomplish the objectives of the contract. For a variety of reasons, it became clear that achieving those objectives would take longer than anticipated. Lessons learned and information gathered through the process so far will also help DHHS in the evaluation of contractors in the future. During the negotiation process, it was determined that performance bonds were not economically feasible and the cost of premiums would further erode the funding available to provide child welfare services. Again, portions of the Auditor's report appear to scrutinize management decisions rather than fiscal accountability.

APA Response: The information noted above was available at the time the RFQ responses were evaluated. Although DHHS contends that performance bonds were not economically feasible, the lack thereof has resulted in millions of taxpayer dollars being spent to remedy the failure of Visinet, including payments to subcontractors for losses incurred as a result of not being compensated for services rendered. Furthermore, the economic consequences of BGH's failures remain uncertain. Despite the serious concerns noted, DHHS neglected to perform financial monitoring through March 31, 2011, seventeen months after the service contracts went into effect.

As noted in our response to Comment 1, statutorily mandated auditing standards require the APA to review procedures and report control deficiencies.

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COMMENTS AND RECOMMENDATIONS

(Continued)

3. Visinet's Financial Records Were Not Obtained After Termination

On April 15, 2010, Visinet closed its doors, and its service contracts with DHHS were officially terminated effective April 20, 2010. As discussed in greater detail in Comments 4 and 10, following the contract termination, DHHS paid the former lead contractor \$1,343,907 under the implementation contract and \$10,337,221 under the service contracts, as well as agreed to an additional \$2,136,290 in settlement costs. In concluding its business relationship with Visinet, however, DHHS failed to obtain all financial and service delivery records needed both to support the settlement amounts paid and to verify that child welfare services had been provided in accordance with the terms of the terminated service contract.

According to Article 1(B), "Term and Termination," of the service contracts between Visinet and DHHS:

"In the event either party terminates this contract, the Contractor shall provide to DHHS all work in progress, work completed, and materials provided to it by DHHS in connection with this contract immediately."

According to an October 12, 2010, email message from Visinet's attorney to a DHHS lawyer, the former lead contractor once held approximately 2,500 boxes of paper files, along with an additional 250 to 400 boxes of documentation, relating to client services provided under the service contracts. **(EXHIBIT O)** Upon inquiry, however, Visinet's attorney informed the APA that those records were no longer available, as all information not procured by DHHS had been destroyed.

During conversations with the APA, the Visinet attorney explained that, soon after going out of business, the former lead contractor hired an outside company to shred the client service records that had been in storage. Similarly, according to Visinet's attorney, computers used to maintain client data were returned to the company from which they had been leased – at which time their hard drives were completely erased.

When asked, the attorney for Visinet could not provide specific details about the disposal of the client service records. Other than offering vague assurances that such records were either shredded or erased from computer files, Visinet's attorney was unable to specify who was responsible for removing the records, much less exactly when or how that removal was accomplished. The attorney emphasized, however, that not only was accurate financial information provided to DHHS while Visinet was in the process of concluding its business operations, but also DHHS was offered multiple opportunities to obtain any records before they were destroyed.

In an October 12, 2010, email message to DHHS, the attorney for Visinet indicated that, because the company would be losing its storage facilities at the end of the month, some arrangement

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
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COMMENTS AND RECOMMENDATIONS

(Continued)

3. Visinet's Financial Records Were Not Obtained After Termination (Continued)

needed to be made for the possible transfer of the client service files. On October 26, 2010, Visinet's attorney sent an email message to Todd Reckling, the Director of the Division of Children & Family Services, stating:

"I wanted you all to be aware of the dire time situation with the Visinet files in case you do want to opt to get them. We have offered them to the State. Brad [Gianakos] indicated that he wanted to view them before indicating whether they will take them but I haven't heard back on timing and they are scheduled to be destroyed tomorrow. Please let me know if you would like to send someone to see them today or if you have questions." (**EXHIBIT O**)

As noted above, upon termination, the service contract required Visinet to give DHHS all "work in progress" and "work completed" relating to the provision of client services. It appears that Visinet attempted to fulfill that contractual obligation by providing DHHS with the opportunity to take possession of the client service records. Unfortunately, DHHS failed to avail itself of that opportunity, resulting in the eventual loss of the records.

Because the Visinet records were destroyed prior to the commencement of this examination, the APA requested that DHHS make available for review whatever documents had been obtained from the former lead contractor. Out of almost 3,000 boxes of Visinet files, the minimal documentation that DHHS was able to turn over to the APA included only hard copy claim forms for the eastern and southeastern service areas, one box of limited Visinet financial records from 2009, and a second box of records from 2010 with incomplete financial information. Those records did not include subcontractor invoices submitted to Visinet, payments made to subcontractors and foster parents, bank information, accounts payable, or accounts receivable. Also missing from the documentation provided by DHHS were contracts between Visinet and subcontractors and foster parents, rate schedules, placement agreements, timesheets, payroll records, and other information pertaining to the service delivery and coordination of the contracts.

The limited Visinet records provided to the APA were not adequate to support the \$1,343,907 received by that lead contractor under the implementation contract. Those records were similarly insufficient to allow for a determination as to whether staffing ratios, caseload size, hiring standards, and other contract provisions were met. Additionally, general ledger records were not available to determine whether financial reports submitted agreed to contractor financial records or if State and Federal funds were used in accordance with the terms of the service contracts. Due to this lack of documentation, the APA was also unable to perform detailed claims testing.

The failure of DHHS to obtain the client service records prior to their destruction also rendered virtually impossible the task of ascertaining whether those records contained personally

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3. Visinet's Financial Records Were Not Obtained After Termination (Continued)

identifiable health information protected under HIPAA. This is important because specific provisions of the service contracts between Visinet and DHHS demonstrate the clear possibility that the records might well have contained such information.

Article III(B)(8)(f) (pg. 13) of the service contracts states:

"The Contractor agrees to meet compliance requirements for all applicable State and Federal Physical, Administrative, and Electronic safeguard standards (as per safeguard publication listed below) and abide by Department Information Technology Policies that govern the appropriate use of, disclosure of, privacy of, and security of information provide [sic] by Department or complied by the Contractor on behalf of DHHS under the terms and conditions defined in this contract."

The first two Safeguard Publications listed beneath the above provision are:

- "1. Health Insurance Portability Accountability Act of 1996 (HIPAA) Privacy Rule 45 CFR Part 160 and Subparts A and E of Part 164*
- 2. HIPAA -Security Rule 45 CFR Part 160 and Subparts A and C Part 164"*

Additionally, Article IV(A) (pg. 19) of the service contracts provide, in part:

"Contractor shall maintain all records for five (5) years from the date of final payment, except that records that fall under the provisions of the Health Insurance Portability and Accountability Act (HIPAA) shall be maintained for six (6) full years from the date of final payment."

Given the likelihood that even a small amount of protected health information was included in Visinet's client service records, it is worth noting that HIPAA regulations, with which the terms of service contracts required compliance, contain specific directives regarding the proper disposal of such information.

HIPAA is codified at 42 U.S.C. § 1320d et seq, and the privacy rules are found at 45 CFR parts 160 and 164. Those rules require, at 45 CFR 164.530(c), the application of "appropriate administrative, technical, and physical safeguards to protect the privacy of protected health information." More particularly, 45 CFR 164.310(d)(2)(i) mandates the creation of "policies and procedures to address the final disposition of electronic protected health information, and/or the hardware or electronic media on which it is stored." Similarly, 45 CFR 164.310(d)(2)(ii) directs that procedures be implemented "for removal of electronic protected health information from electronic media before the media is made available for re-use." Finally, when an outside business entity is entrusted to dispose of protected health information, 45 CFR 164.308(b), 164.314(a), 164.502(e), and 164.504(e) combine to necessitate a formal agreement requiring that business associate to safeguard all protected health information through the disposal process.

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(Continued)

3. Visinet's Financial Records Were Not Obtained After Termination (Continued)

Despite the inability to determine whether the destroyed client service records contained personally identifiable health information, the terms of the service contracts regarding compliance with applicable HIPAA requirements are clear. In light of those contractual provisions, the APA believes that DHHS should have demanded from Visinet proof of compliance – or, alternatively, the lack of a need for such compliance – with applicable HIPAA directives related to the handling, including the disposal, of any protected health information contained in the client service records. It appears, however, that DHHS failed to do so.

A good internal control plan and sound business practices require DHHS to have procedures in place for obtaining all financial and service delivery records from a lead contractor immediately upon termination of a service contract with that provider – thereby permitting DHHS to exercise its contractual rights regarding the custody of such records, to determine whether the lead contractor fulfilled its obligations under the terms of the service contract, and to decide the proper settlement amounts, if any, to be paid.

When all financial and service delivery records are not obtained by DHHS following the termination of a service contract with a lead contractor, provisions of that contract relating to the custody of such records cannot be met. Additionally, there is an increased risk payments made to the lead contractor, subcontractors, and foster parents for services provided, as well as any settlement amount agreed upon, will be inaccurate. Without adequate supporting documentation on file to support payments, moreover, there is an increased risk of misuse of State and Federal funds. Finally, depending upon the circumstances, failure to obtain all financial and service delivery records may give rise to concerns as to whether those records were disposed of in compliance with applicable HIPAA requirements. We consider this to be a material weakness.

We recommend DHHS implement policies and procedures to ensure all financial and service delivery records, including details pertaining to both accounts payable and receivable, banking information, invoices, and all other relevant documentation, is obtained from a lead contractor immediately following termination of a service contract with that provider. DHHS should also implement policies and procedures for ensuring that service contract provisions requiring compliance with applicable HIPAA procedures are followed.

DHHS' Response: DHHS disagrees with the APA's assessment of the actions taken to secure Visinet finance records. DHHS obtained all Visinet records which were made available to it and which were determined to be useful to DHHS. At the time that Visinet ceased operations in April 2010 it immediately transferred to DHHS its case files for all existing cases in which services were being provided under the contracts. From that point forward, Visinet communicated with

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(Continued)

3. Visinet's Financial Records Were Not Obtained After Termination (Continued)

DHHS' Response, Concluded:

DHHS through its attorney. In October 2010 Visinet offered DHHS the option of taking possession of Visinet records which were being maintained by Visinet in a storage facility. On October 27, 2010, a DHHS team conducted an inspection of the records. Because the boxes were dated and organized by date, it was readily apparent that the vast majority of the records were unrelated to the contracts. DHHS determined that it was not necessary to take possession of and assume responsibility for all of the remaining records because they contained information duplicative to DHHS paper and electronic records. For example, many boxes contained service authorizations which would also be documented in N-FOCUS. DHHS did determine that it would be beneficial to take possession of approximately ten boxes, which were obtained the following day. Two of those boxes contained financial information which was made available to the APA. The remaining boxes contained foster parent licensing information which DHHS distributed prior to the audit to agencies that had assumed responsibility for Visinet foster homes.

DHHS reasonably complied with its duty under HIPAA to require Visinet, a business associate, to safeguard protected health information through the disposal process. A copy of the DHHS/Visinet Business Associate Agreement, dated September 2, 2009, is provided.

APA Response: DHHS claims to have taken possession of all non-duplicative Visinet files on October 28, 2010. However, the APA was provided with no documentation to support that claim. Similarly, DHHS has offered no documentation to show that the records in question have ever been subject to an independent audit or financial review.

Most troubling about the assertion that DHHS made a reasonable review of the Visinet records in order to determine which documents to keep and which to allow Visinet to destroy is the apparent logistical impossibility of such an undertaking. According to the email message from Visinet's attorney, that former lead contractor had accumulated approximately 3,000 boxes of records and files pertinent to the Families Matter reform. That representatives of DHHS managed to perform a thorough review of so many boxes of documentation in only one day seems rather farfetched. Simply determining, as DHHS claims, that certain records were available to the agency through hard case files already obtained from Visinet and the NFOCUS computer system would have been a time-consuming undertaking – one that, given the copious amounts of documentation, the APA doubts could have been carried out adequately in a single day. This begs the question as to why DHHS delayed, for more than six months after Visinet ceased operations in late April of 2010, making any effort to examine and secure possession of potentially important and sensitive client service records.

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(Continued)

3. Visinet's Financial Records Were Not Obtained After Termination (Concluded)

APA Response, Concluded:

As for HIPAA compliance, during the course of the examination, the APA had requested all documentation relating to the efforts of DHHS to secure the Visinet records in question; however, the attached DHHS/Visinet Business Associate Agreement had not previously been provided. Similarly, DHHS has not provided the APA with either the written direction to destroy those documents or the written certification of such destruction required under Section IV(6) of that agreement – both of which are needed to evidence full compliance with the Business Associate Agreement and, therefore, HIPAA.

4. Visinet's Settlement Agreement Lacks Documentation

DHHS lacked documentation to support the amount of money still owed to Visinet under the service contracts. Similarly, DHHS lacked supporting documentation for payroll payments made to Visinet and payments made directly to foster parents and subcontractors pursuant to a settlement agreement entered into between DHHS and Visinet on May 24, 2010 – the purpose of which was to “ascertain debts owed by Visinet, and to facilitate payment to former Visinet employees, foster parents, and other subcontractors . . .”

According to Article III B.17.A.7(7) of the prior service contract between DHHS and Visinet:

“In the event of contract termination, the Department’s final obligation to the contractor shall be limited to payment for services provided and previously approved by the Department pursuant to a case plan and court report, safety plan, or other written approval from the Department . . .”

The settlement agreement between DHHS and Visinet also states:

“Visinet will provide to[sic] the following information to DHHS: a. Gross payroll and payroll tax obligations and payroll taxes, along with documentation thereof; b. Detailed information regarding sums due and owing to foster parents; c. Detailed information regarding sums due and owing to Visinet subcontractors.”

Payroll and Associated Expenses

Despite frequent requests, DHHS failed to provide substantive documentation to support the \$627,270 payment made to Visinet, pursuant to the settlement agreement, to satisfy that provider’s payroll and payroll tax obligations. We were unable to determine, therefore, whether that payment was for payroll expenses directly relating to services provided, as required under the service contract.

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(Continued)

4. Visinet's Settlement Agreement Lacks Documentation (Continued)

Foster Parent Payments

DHHS provided inadequate documentation to support \$158,639 in foster parent payments made to Visinet under the settlement agreement. As a result, we could not verify whether the amounts paid to the foster parents were accurate. We asked DHHS to provide documentation explaining how a sample of 22 foster parent payment amounts were determined. For 21 of the 22 foster parent payments, DHHS was unable to provide documentation as to how the payment amounts were calculated.

Visinet gave DHHS four lists of payments owed to foster parents in the Eastern and Southeastern areas. However, DHHS obtained no documentation to support these lists of payments. Such documentation might have included contracts between Visinet and the foster parents, placement agreements, the rates paid to the foster parents, the names of the children placed with each foster parent, or even the dates of service.

Believing the payment lists provided by Visinet to be both incomplete and inaccurate, DHHS sent a letter to each of the 500 foster parents identified therein, requesting verification of amounts owed to them for providing foster care between March 21 and April 15 of 2010. See **EXHIBIT J** for a copy of the letter sent to the Visinet foster parents.

Before paying for the services of any foster parents listed by Visinet, DHHS required that those individuals respond to the letter sent to them, verifying the child identified therein and the correct placement begin and end dates, as applicable. Additionally, the foster parents were asked to enter the daily rate and total amount owed to them by Visinet for the covered period. Following are the results of those communications.

Letters Sent with No Response or No Payment Made	123
Foster Parents Paid by other Lead Contractor or Subcontractor	193
Foster Parents Paid by DHHS	184
Total Letters Sent	500

The responses received by DHHS revealed that, in many cases, the foster parents did not know the daily rate being paid by Visinet or the actual amount owed to them. For these individuals, DHHS made an estimate based upon available information, such as prior pay stub data or current payment amounts for services beginning April 16, 2010. Generally, if a claim appeared reasonable, DHHS paid whatever amount a foster parent asserted was owed.

The settlement agreement identified \$306,696 in payments owed to foster parents prior to and including April 15, 2010, based on the lists of payments provided by Visinet to DHHS; however, DHHS made payments to foster parents totaling only \$158,639. This difference was due to the fact that 193 of the foster parents who responded to the DHHS letter claimed to have been paid

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(Continued)

4. Visinet's Settlement Agreement Lacks Documentation (Continued)

already by another lead contractor or subcontractor. Additionally, many of the foster parents identified amounts owed to them for services rendered prior to March 21, 2010. DHHS paid these amounts even though they lacked records to ensure that those services had not been compensated already. Following are the DHHS payments made to the foster parents:

Service Dates	Number of Payments	Amount Paid
3/21/2010 to 4/15/2010	183	\$ 135,774
Prior to 3/21/2010	27	\$ 22,865
Totals	210	\$ 158,639

Subcontractor Payments

Pursuant to the settlement agreement, Visinet and DHHS entered into 91 agreements with subcontractors and agreed to pay 70% of the amount claimed to be due from Visinet. Both DHHS and Visinet were responsible for a portion of these payments. Four other subcontractors claimed amounts totaling \$35,634; however, no payments were made to those individuals, as they did not provide supporting documentation to DHHS. Following are the total subcontractor payment amounts.

Amount Claimed	70% Payout Amount per Agreement	DHHS Payment	Visinet Payment
\$ 2,152,070	\$ 1,506,449	\$ 1,350,381	\$ 156,068

Out of 15 subcontractor settlement agreement amounts tested, we identified four overpayments totaling \$1,572. In addition, \$13,291 in hospital charges lacked supporting documentation. Following are those overpayments and hospital charges.

Subcontractor	Amount Claimed	APA Calculated Amount	Overpayment	Notes
Subcontractor 1	\$ 14,573	\$ 14,510	\$ 63	The physician fees were transposed from \$1,218.52 to \$1,281.52. There was no support for \$13,291 in hospital charges.
Subcontractor 2	\$ 72,277	\$ 71,951	\$ 326	The invoices provided by the subcontractor contained calculation errors.
Subcontractor 3	\$ 66,565	\$ 65,706	\$ 859	The claim form for one client did not agree to the amount charged.
Subcontractor 4	\$ 1,288	\$ 964	\$ 324	The wrong rate was charged for nine services.
Total			\$1,572 x 70% Payout Amount = \$1,100	

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(Continued)

4. Visinet's Settlement Agreement Lacks Documentation (Continued)

In all, DHHS failed to provide documentation supporting the determination that \$2,008,818 was still owed to Visinet under the terminated service contract. Moreover, DHHS overpaid Visinet both \$127,472 under the settlement agreement and \$1,839,858 under the service contract. See Comment Number 10. (See **EXHIBIT N**)

Amount Owed to Visinet	\$ 2,008,818
Subcontractor Payments	\$ 1,350,381
Payroll and Associated Expenses	\$ 627,270
Foster Parent Payments	\$ 158,639
Total Settlement Payments	\$ 2,136,290
Overpayment	\$ 127,472

Good internal controls and accounting practices require DHHS to have in place policies and procedures to ensure that adequate documentation is obtained to support amounts owed and payments made to both lead contractors and subcontractors pursuant to a settlement agreement.

Without policies and procedures in place to ensure that DHHS obtains adequate supporting documentation to support amounts owed and payments made to both lead contractors and subcontractors pursuant to a settlement agreement, there is an increased risk of misuse of State funds. We consider this finding to be a material weakness.

We recommend that DHHS implement policies and procedures to review and maintain supporting documentation for amounts owed and payments made pursuant to a settlement agreement.

DHHS' Response: DHHS disagrees with the APA's assessment of the Visinet settlement agreement. The amounts paid to Visinet or on Visinet's behalf to employees, foster families, and subcontractors were within the amount allowed under the contract. DHHS has lawful authority to settle contract disputes. The amount DHHS agreed to pay and Visinet agreed to accept in satisfaction of the contract was negotiated based on the unique circumstances existing at the time the contract was terminated. Although Article II Section B of the contract operated to reduce payments through the DAS system by payments made through N-FOCUS, there was no clearly stated monthly cap on payments made through N-FOCUS at the time the Visinet contract was terminated. Unpaid bills submitted for processing through N-FOCUS totaled several million dollars. A spreadsheet of claims submitted by Visinet was provided to the APA.

Because Visinet was in breach, DHHS considered a number of factors including the potential cost of substitute performance; payment of subcontractors, employees, and foster families; and the uncertainty of bankruptcy court treatment of the executory contract. June 30, 2010 was

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(Continued)

4. Visinet's Settlement Agreement Lacks Documentation (Concluded)

DHHS' Response, Concluded:

chosen as a negotiation point of reference and the amount of money already paid under the contract was subtracted from the amount payable under Article II Section B through June 30, 2010. This was added to the amount unpaid under the implementation contracts as a starting point for final settlement. The amounts that Visinet owed its subcontractors, foster parents, and employees were factors considered by DHHS but were not the basis for the settlement. The reason for the settlement was to resolve the amount due Visinet for services rendered prior to the termination of the contract. Ultimately an agreement was reached that allowed DHHS to avoid litigation and insure that foster families and subcontractors received some funds rather than paying the amount directly to Visinet. Subsequently, the remaining contracts were amended to more clearly cap the monthly payments and clarify the amounts due at early termination.

A prime concern of DHHS in settling this matter was to use funds available under the terms of the contract to be sure employees and foster parents were paid. We were able to accomplish this. Unfortunately, in these circumstances, it was not possible to obtain what the APA might otherwise consider to be adequate documentation. We relied on the best information available at that time.

APA Response: Although under no legal obligation to do so, DHHS entered into a settlement agreement with Visinet costing more than two million in taxpayer dollars. When asked, DHHS was unable to provide documentation in support of the \$2,008,818 determined by that agency to be owed under the settlement agreement. Moreover, due to the failure of DHHS to maintain such documentation, there was a lack of support for the payment of Visinet payroll and payroll tax obligations, the accuracy of foster parent payments made could not be verified for accuracy, and overpayments were identified for subcontractors. Additionally, the settlement agreement was overpaid by \$127,472. As stated in the report comment, good internal controls require that adequate documentation be obtained to support amounts owed and payments made pursuant to a settlement agreement. For further discussion regarding payments made to Visinet under both the service contracts and the settlement agreement, see both Comment 10 and the response thereto.

5. BGH Contracts Not Settled in a Timely Manner

As a lead contractor, BGH contracted with DHHS to provide child welfare services to the Northern, Central, and Western service areas of Nebraska. These three service contracts, one per service area, totaled \$15,132,856 for the fiscal year ended June 30, 2010, and \$14,957,548 for July 1, 2010, through September 30, 2010 – for an aggregate amount of \$30,090,404. Though having contracted to provide services through June 30, 2014, BGH ceased performance on September 30, 2010, effectively terminating all of its service contracts with DHHS as of that date.

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(Continued)

5. BGH Contracts Not Settled in a Timely Manner (Continued)

We noted the following concerning DHHS' settlement of the BGH contracts:

- DHHS has not yet settled any of its three service contracts with BGH, despite the fact that eleven months have passed since those contracts ended.
- BGH's service contracts with DHHS totaled \$30,090,404 through September 2010. BGH received \$28,725,853 in payments through March 31, 2011, for service provided prior to termination. A balance of \$1,364,551 remains due to BGH on those contracts, assuming the agreed-upon services were provided prior to September 2010.
- DHHS has a box of BGH claims totaling \$4,478,367 that have yet to be entered into NFOCUS. That amount could include duplicate claims, as we did not test those claims, and the claims have not gone through the NFOCUS edit process. The majority of these claims appeared to be for services performed in July, August, and September 2010.
- We asked BGH to provide us with the total amount still owed to them under its contracts with DHHS, as of the time those contracts were terminated. BGH did not provide that information to us.
- At the time its contracts with DHHS were terminated, BGH owed money to 99 subcontractors for services provided. These subcontractors still have not been paid. As of March 31, 2011, per the listing provided by DHHS, subcontractors were owed a total of \$3,684,657 for services performed prior to September 30, 2010.
- We sent inquiries to 45 of BGH's subcontractors and foster parents regarding amounts owed to them by BGH. In their responses, some of those subcontractors indicated that they are still owed for services provided as far back as November 1, 2009.
- Initially, DHHS stated that \$1,846,545 in payments was withheld from BGH in order to ensure that contract obligations were fulfilled. DHHS later revised the amount withheld to \$1,398,999 but did not provide support for that revision.
- DHHS is still in the process of reviewing information provided by BGH and its subcontractors to determine the exact amounts owed to those entities under the terminated contracts.
- Seven subcontractors have filed lawsuits, totaling \$1,002,835, against BGH to obtain payment for services performed prior to September 30, 2010. The claimants and the amounts of their respective claims are as follows:

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5. BGH Contracts Not Settled in a Timely Manner (Continued)

Heartland Family Services	\$ 241,877
Better Living Counseling Services Inc.	91,691
Northeast Nebraska Juvenile Services	12,495
Pathfinder Support Services	183,520
Compass	54,423
South Central Behavioral Services	282,631
Mid-Plains Center for Behavioral Healthcare Services	136,198
Total	\$ 1,002,835

Sound business and accounting practices require agencies to close out and settle terms of defunct contracts in a reasonable time period.

As a result of failing to settle the terminated BGH contracts in a timely manner, DHHS has left BGH's subcontractors largely uncompensated for having provided a significant amount of child welfare services for the State. We consider this finding to be a significant deficiency.

We recommend DHHS complete the settlement of BGH's contracts as soon as practicable. We recommend also that DHHS implement procedures to ensure any future terminated contracts with lead contractors are settled in a timely manner.

DHHS' Response: DHHS has worked diligently to resolve remaining Boys and Girls Home, Inc. (BGH) contract issues since BGH ceased performance under the contract, with the primary objective of ensuring that BGH subcontractors receive payment to the maximum extent possible for services provided to children and families. Efforts to resolve these issues began immediately after BGH ceased operations as a Lead Contractor. Initially, DHHS had discussions with BGH's CEO, COO, and other administrative staff. At later points in time DHHS has negotiated with authorized BGH consultants, an attorney for BGH, interim BGH CEOs, and most recently a new BGH CEO. At the same time, DHHS has been in communication with approximately 85 BGH subcontractors to confirm the amounts payable and advise them of the status of negotiations. Because DHHS lacks legal authority to unilaterally distribute the remaining funds available under the contract directly to BGH subcontractors, and because the amounts owed by BGH to its subcontractors exceeds the amount of contract funds available, distribution of contract funds to the subcontractors cannot occur absent an agreement among DHHS, BGH and BGH subcontractors. Recently DHHS provided a draft settlement agreement to BGH and its subcontractors for review and comment. DHHS remains committed to achieving a satisfactory resolution of these issues.

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(Continued)

5. BGH Contracts Not Settled in a Timely Manner (Concluded)

APA Response: DHHS has made some efforts to settle the BGH service contracts. However, almost 11 months have passed since performance ended under those contracts, and a final settlement has yet to be reached. The APA does not consider a delay of almost an entire year to be timely. A lack of oversight on the part of DHHS, including a failure by that agency to enforce the contractual requirement that lead contractors pay subcontractors within 45 days of rendering service, is a major reason that subcontractors are owed more than the total amount remaining on the BGH contracts and have not been paid for services dating as far back as November 2009.

6. Lead Contractor Records Were Not Reconciled to NFOCUS

Reconciliations between billings sent/billed to DHHS by the lead contractors to the corresponding claims recorded in NFOCUS were not performed. As a subsystem of the State's accounting system, which is used to record detailed information regarding DHHS clients and services, NFOCUS should contain claims data that is complete and accurate. Such accuracy is imperative, as NFOCUS is the main source of information pertaining to the location of DHHS clients, including children in State custody, and the services they receive.

The lead contractors submit data regarding client location and services to DHHS staff, which then enter that information into NFOCUS. However, DHHS lacked documentation to support that all claims for services provided by the lead contractors and their subcontractors were recorded in NFOCUS. As a result, it is difficult, if not impossible, to determine when lead contractor claims data in NFOCUS is complete and accurate. Furthermore, some of the claims not entered into NFOCUS could be Federal IV-E Foster Care eligible and, unless the claim is properly documented, DHHS would not qualify to receive Federal funding made available for those types of claims.

Our comparison of the lead contractors' records of billings sent/billed to DHHS with the corresponding claims found in NFOCUS, as of May 15, 2011, revealed the following variances:

Lead Contractor	Service Dates of Claims	Submitted per Lead Contractor Files Total	DHHS NFOCUS Claims Total	Variance Between Lead Contractor and DHHS NFOCUS
KVC - Southeast	11/1/09 to 3/31/11	\$ 36,831,725	\$ 25,452,095	\$ 11,379,630
BGH	11/1/09 to 9/30/10	\$ 25,378,745	\$ 17,980,979	\$ 7,397,766
KVC – East	11/1/09 to 3/31/11	\$ 20,607,647	\$ 14,632,048	\$ 5,975,599
Cedars	11/1/09 to 6/30/10	\$ 8,816,435*	\$ 5,445,373	\$ 3,371,062
NFC	11/1/09 to 3/31/11	\$ 18,377,819	\$ 21,375,636	\$ (2,997,817)

*This amount was obtained from Cedar's general ledger of payments made to subcontractors and is not necessarily, therefore, the amount that would have been billed to DHHS.

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6. Lead Contractor Records Were Not Reconciled to NFOCUS (Continued)

The lead contractors indicated that they lacked formal processes for determining whether all claims for services were sent to DHHS or any issues associated with such claims had been resolved. If discrepancies were found with any service claims received, the DHHS local service areas that reviewed them would return those claims to the responsible lead contractors for correction. Neither DHHS nor the lead contractors would monitor the resolution of these discrepancies or issues, however, to ensure that accurate information was then entered into NFOCUS. Furthermore, upon reaching the maximum amount of compensation allowed for services under their respective service contracts, both Cedars and BGH acknowledged the possibility that they stopped sending claims to DHHS to be entered into NFOCUS. We were unable to obtain records for Visinet.

A lead contractor also informed us that DHHS was delinquent in entering claims in NFOCUS. The NFOCUS variances noted above might be attributed, at least partially, to this delay. For instance, we observed Southeast service area claim sheets submitted in March 2011 that were finally being entered into NFOCUS in June 2011, some three months after receipt. Similarly, we noted a box of BGH claims totaling \$4,478,367 that had been received by DHHS but not yet entered into NFOCUS. This amount could include duplicate claims, as the claims were not tested. Aside from the documents in that box, DHHS had no other record of those claims or the billed amounts.

Another possible contributing factor to the above-noted NFOCUS variances is the fact that the claims from the lead contractors were what had been submitted at the time of testing, but the claims from NFOCUS are as of May 15, 2011. Lead contractors had 90 days to submit claims for services.

Finally, the variances noted above for KVC might also be traced, at least in part, to billings for the Family Group Conferencing service – which, according to DHHS NFOCUS Service Descriptions is a “facilitated meeting involving family, service providers & children in which the family develops a plan addressing the safety & permanency of the children.” This service was usually billed at a rate of \$3,740; however, sometimes it was billed at differing amounts. KVC billed the Family Group Conferencing service to DHHS 4,139 times, totaling \$16,080,573. DHHS actually paid KVC for that service 2,441 times for a total of \$9,611,946.

Per discussions with members of KVC staff, Family Group Conferencing service is rarely performed, possibly only once or twice a quarter. Nevertheless, other lead contractors billed for this same service, as follows: BGH 65 times, totaling \$253,400; NFC 12 times, totaling \$36,788; Cedars 1 time, totaling \$93; and Visinet not at all. We reviewed documentation showing DHHS had corresponded with KVC in October, November, and December 2010 regarding that lead contractor’s incorrect billings of the Family Group Conferencing service code. However, the correspondence did not occur until a year after the contract had started and offers no indication that the issue was ever resolved.

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(Continued)

6. Lead Contractor Records Were Not Reconciled to NFOCUS (Continued)

Finally, it is important to note that all of the service contracts between DHHS and the lead contractors incorporate DHHS' Operations Manual. According to Section 4 of that manual, "services provided" are among the lead contractor activities that "must be documented onto N-FOCUS[.]" Moreover, pursuant to 45 CFR §1355.53(b)(4), Federal funding of NFOCUS is conditioned upon the requirement that the system:

"Collect and manage information necessary to facilitate the delivery of client services, the acceptance and referral of clients, client registration, and the evaluation of the need for services..."

No less important, a good internal control plan and sound business practices require DHHS to develop procedures to ensure not only that all billings for services by lead contractors are received, entered, and tracked in NFOCUS but also that all issues with such claims are resolved.

By failing to ensure that complete and accurate information regarding billings for services provided by lead contractors is maintained in NFOCUS, DHHS increases the risk that necessary services may not be performed, inaccurate payments may occur, and children may be misplaced. Furthermore, without accurate costs of services entered in NFOCUS, DHHS cannot measure correctly the total costs of serving a child. In addition, if NFOCUS is not properly utilized and maintained DHHS could lose Federal funding, both for Federal IV-E Foster Care claims and support of the State's NFOCUS system. We consider this finding to be a significant deficiency.

As it is ultimately the responsibility of DHHS to make certain all information regarding the provision of child welfare services is accurately maintained in NFOCUS, we recommend DHHS develop procedures to ensure all such information in NFOCUS is both correct and complete.

DHHS' Response: DHHS concurs with the APA's finding that Lead Contractor records were not reconciled to N-FOCUS. DHHS continues to require the Lead Contractors to submit claims to DHHS for entry into N-FOCUS so services can be tracked. Contract payments are no longer made through N-FOCUS. Amendment 7 added language that allows DHHS to withhold payments in the event that a Lead Contractor failed to submit timely or complete claims. DHHS will evaluate procedures to ensure that all services are tracked in N-FOCUS. DHHS has 8 quarters (2 years) within which it can submit a IV-E funding Claims Adjustment and it will do so as may be necessary. The location of children is documented on the N-FOCUS system in the placement section and identifying the location of a child is not dependent on billing or claim records. DHHS is entering all paper claims into N-FOCUS.

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(Continued)

6. Lead Contractor Records Were Not Reconciled to NFOCUS (Concluded)

APA Response: Because claims had not been submitted to NFOCUS, as shown in the above variances, it will be very difficult to request Federal IV-E funds for these unknown amounts. Also, the services children receive are documented in NFOCUS – the accuracy of which is dependent upon the proper recording of provider claims. Thus, it is imperative that DHHS ensure all claims are submitted and entered into NFOCUS.

7. Overpayments and Duplicate Claims Paid

During our examination, we noted that DHHS made \$25,276 in duplicate payments for the same services, as well as tendered payments for client services to the incorrect lead contractors or subcontractors totaling \$128,422.

A duplicate payment for the same service occurs when, despite having already appropriately compensated a lead agency for the performance of a specific service, DHHS makes a second payment to either the lead agency, or to a different provider, for that same service. To search for duplicate claims, we queried those paid NFOCUS claims with the same client, service type, and beginning service dates. We noted 2,172 possible duplicates with an approximate total amount of \$807,000. We selected 36 claims totaling \$27,020 for testing.

We noted \$25,276 in duplicate claims paid by DHHS, as follows:

Lead Contractor for Claims Tested	Duplicate Claims	Claims Dollar Amount
BGH	5	\$ 6,680
Cedars	4	\$ 5,631
KVC	8	\$ 6,592
NFC	3	\$ 3,283
Visinet	8	\$ 3,090
Total	28	\$ 25,276

Based on our testing, the duplicate claim error rate was 78% (28/36), which indicates the potential duplicate dollars could be as high as \$629,460 (\$807,000 multiplied by 78%).

Our examination revealed also that DHHS payments for client services were made to incorrect lead contractors and/or subcontractors. A payment to an incorrect lead contractor and/or subcontractor occurs when DHHS compensates an entity other than the rightful lead contractor for the provision of a specific service. Under their respective contracts with DHHS, the lead contractors bear sole responsibility for coordinating and providing client services. Thus, compensation for a given service, regardless of whether provided by a subcontractor or otherwise, should be paid directly to the accountable lead contractor; however, in certain instances, DHHS paid subcontractors or even other lead contractors, instead.

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(Continued)

7. Overpayments and Duplicate Claims Paid (Continued)

To search for payments to incorrect lead contractors and/or subcontractors, we queried NFOCUS claims for payments made to entities other than to the lead contractors designated to coordinate and provide services for specific clients. We noted 2,199 possible incorrect payments totaling \$751,147. We selected 87 claims totaling \$212,126 for testing.

We noted \$128,422 in payments to incorrect lead contractor or subcontractors, as follows:

Lead Contractor for Claims Tested	Incorrect Payee Claims	Claims Dollar Amount
BGH	18	\$ 20,193
Cedars	7	\$ 15,461
KVC	16	\$ 32,379
NFC	9	\$ 13,463
Visinet	16	\$ 46,926
Total	66	\$ 128,422

Based on our testing, the incorrect lead contractor claim error rate was 75.9% (66/87). The dollar error rate was 60.5% (\$128,422/\$212,126), which indicates the potential incorrect dollars could be as high as \$454,444 (\$751,147 multiplied by 60.5%).

The above-referenced duplicate claims and incorrect lead contractor and/or subcontractor claims paid by DHHS were made for the following categories of services: Transportation Commercial, Residential Safety, Family Group Conferencing, Visit Supervision, Out of Home Treatment, ABFC Continuity Placement, Parenting Assessment, Out of Home Maintenance, OJS Home Based Supervision, Intervention Hours, Agency Supported Foster Care, Assessment Drug and Alcohol, Group Home Care, Family Support, Drug Screening, Family Assessment, Tracker, Expert Testimony, Legal Fees, Community Based Evaluation, and Intensive Family Preservation.

As noted in testing, the duplicate claims and incorrect lead contractor and/or subcontractor claims paid by DHHS totaled \$153,698. We did not test all suspect claims, however. We believe that more examples of duplicate claims and incorrect lead contractor and/or subcontractor claims would be identified if additional suspect claims were selectively tested.

Good business practice, as well as a good internal control plan, requires that claims for services be paid only once and to the entity bearing sole responsibility, pursuant to the contract, for coordinating and providing the client services for which compensation is made.

There is an increased risk for loss or abuse without adequate controls to prevent duplicate claims or claims paid to the incorrect lead contractor and/or subcontractor. We consider this to be a significant deficiency.

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(Continued)

7. Overpayments and Duplicate Claims Paid (Concluded)

We recommend that DHHS implement internal control procedures to ensure that duplicate provider payments are not made. Additionally, we recommend DHHS implement internal control procedures to ensure that payments for client services are made only to the lead contractors responsible, pursuant to the contract, for coordinating and providing specific client services.

DHHS' Response: While DHHS does not dispute the specific details of the APA's findings, it should be noted that reconciliation of funds was conducted to ensure that by the end of the fiscal year the Lead Contractors only received the total amount of funds established as allowed under the contract. Since January 2011, the Lead Contractors are receiving payment directly and no claims for direct services are processed through N-FOCUS. The tracking of services provided by the Lead Contractors continues to be processed through N-FOCUS and the data is used to claim IV-E funds, so accuracy of data entry remains a priority. DHHS will continue to review its internal control procedures and make necessary enhancements to assure the accurate tracking of services delivered.

APA Response: While DHHS does not dispute the specific details of the APA's finding, it should be noted that our examination revealed examples of lead contractor claims for direct services being processed and paid through NFOCUS after January 2011. DHHS' procedures did not prevent payments to incorrect lead contractors and/or subcontractors or duplicate payments. Thus, in addition to reviewing internal control procedures, DHHS should conduct a thorough review to identify any duplicate or incorrect provider payments made, other than those identified during our examination.

8. Claims Testing

During our claims testing, we noted the following issues: overpayments to lead contractors; overpayments and underpayments to subcontractors and foster families; claims not submitted by the lead contractor to DHHS in a timely manner; subcontractors and foster families not paid in a timely manner; lack of documentation in NFOCUS for required monthly contacts; claims not entered into NFOCUS; and incorrect claim information on the billings and in NFOCUS.

We tested a total of 335 claims of the 96,695 claims in NFOCUS from four lead contractors, Cedars, NFC, KVC, and BGH. We were unable to obtain records from Visinet. For the claims tested, we performed detailed testing on contract compliance and sound business practices. We noted the following:

- Two claims tested (KVC) were for children who were not wards of the State for the time period of the claim. One claim tested (KVC) was for a voluntarily placed child who did not have a signed voluntary placement form on file per Title 390 NAC 7-002.

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(Continued)

8. Claims Testing (Continued)

- For 34 claims tested (17 NFC, 11 KVC, and 6 BGH), the NFOCUS claim amount was not in accordance with the lead contractors' approved rate, was not for the correct units or dates, or was for a service not billable under the contract.
 - KVC submitted seven claims for required monthly contacts and family team meetings, which were not billable services. Five of the claims, KVC billed under the service code for Family Group Conferencing at a rate of \$3,740; one was billed under the service code for Expedited Family Group Conferencing at a rate of \$1,720; and the seventh was billed under the service code for Community Based Evaluation – J.O. at a rate of \$1,060. Four other KVC claims were either billed at the wrong rate, the wrong service code, for the wrong client, or lacked documentation to support the units billed.
 - NFC billed DHHS the incorrect rate for foster care or mentoring support services for fourteen claims. For two other claims, NFC billed DHHS for more units than had been charged by the subcontractor. DHHS did not pay the number of days billed for only one of these claims.
 - For one claim, BGH billed DHHS for more units than were charged by the subcontractor; however, for another claim, BGH billed DHHS for fewer subcontractor units than were charged. Four other BGH claims were billed incorrectly to DHHS – two at the incorrect rates, one for the wrong dates of service, and one for the wrong recipient.
- For 40 of 256 claims, the lead contractor paid the wrong amount to either the subcontractor or the foster family. These faulty payments were due to incorrect rates or number of days. For one of these claims, KVC could not locate a bill or payment to the subcontractor for the services that were billed to DHHS. Furthermore, for two of these claims, it appears BGH paid the subcontractor correctly but could not locate an invoice to ensure the accuracy of the billed amount. (6 NFC, 11 KVC, and 23 BGH).

SUBCONTRACTOR PAYMENTS				
Lead Contractor	Units	Rate Paid to Subcontractor	Rate Should Have Paid	Total Overpayment (Underpayment)
NFC	16 Days	\$207.50/Day	\$150/Day	\$ 920.00
NFC	3 Tests	\$55/Test	\$27/Test	\$ 84.00
NFC	30 Days	\$96/Day	\$71/Day	\$ 750.00
NFC (2)	1 Day	\$65/Day	\$69/Day	\$ (4.00)
NFC (2)	1 Day	Not Paid	\$38/Day	\$ (38.00)
KVC	3 Days	\$36/Day	\$69/Day	\$ (99.00)

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(Continued)

8. Claims Testing (Continued)

SUBCONTRACTOR PAYMENTS				
Lead Contractor	Units	Rate Paid to Subcontractor	Rate Should Have Paid	Total Overpayment (Underpayment)
KVC	31 Days	\$44/Day	\$31/Day	\$ 403.00
KVC	4 Tests	\$50/Test	\$30/Test	\$ 80.00
BGH	17 Days	\$96/Day	\$97/Day	\$ (17.00)
BGH	7.5 Hours	\$50/Hour	\$45/Hour	\$ 37.50
BGH	3.75 Hours	\$50/Hour	\$45/Hour	\$ 18.75
BGH	13 Days	Not Paid	\$69/Day	\$ (897.00)
BGH	8 Days	Not Paid	\$96/Day	\$ (768.00)
BGH	27 Days	Not Paid	\$69/Day	\$ (1,863.00)
BGH (1)	17 Days/11 Days	\$96/Day	\$97/Day	\$ 565.00
BGH	31 Days	Not Paid	\$69/Day	\$ (2,139.00)
BGH	16 Days	Not Paid	\$69/Day	\$ (1,104.00)
BGH	29 Days	Not Paid	\$69/Day	\$ (2,001.00)
BGH (3)	6 Days/1 Day	\$97/Day	\$97/Day	\$ 485.00
BGH	1 Test	Not Paid	\$55/Test	\$ (55.00)
BGH	10 Days	Not Paid	\$35/Day	\$ (350.00)
BGH	7 Days	Not Paid	\$96/Day	\$ (672.00)
BGH	19 Days	Not Paid	\$96/Day	\$ (1,824.00)

FOSTER FAMILY PAYMENTS				
Lead Contractor/ Subcontractor	Units	Rate Paid to Foster Family	Rate Should Have Paid	Total Overpayment (Underpayment)
(NFC Lead) KVC	15 Days	\$15/Day	\$20/Day	\$ (75.00)
(NFC Lead) NOVA (2)	1 Day	\$30/Day	\$25/Day	\$ 5.00
(NFC Lead) OMNI (2)	1 Day	\$15.20/Day	\$21.60/Day	\$ (6.40)
KVC Lead	15 Days	\$30/Day	\$20/Day	\$ 150.00
KVC Lead (4)	15 Days	\$10/Day	\$ 0	\$ 150.00
KVC Lead	15 Days	\$30/Day	\$25.33/Day	\$ 70.05
KVC Lead	15 Days	\$30/Day	\$20/Day	\$ 150.00
KVC Lead	31 Days	\$31/Day	\$10/Day	\$ 651.00
KVC Lead	28 Days	\$31.53/Day	\$33.79/Day	\$ (63.28)
KVC Lead	20 Days	\$20/Day	\$10/Day	\$ 200.00
BGH Lead	6 Days	\$11.16/Day	\$12.36/Day	\$ (7.20)
BGH Lead (4)	10 Days	\$23.07/Day	\$0	\$ 230.70

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(Continued)

8. Claims Testing (Continued)

FOSTER FAMILY PAYMENTS				
Lead Contractor/ Subcontractor	Units	Rate Paid to Foster Family	Rate Should Have Paid	Total Overpayment (Underpayment)
BGH Lead	28 Days	\$9.84/Day	\$9.35/Day	\$ 13.72
BGH Lead (4)	4 Days	\$13.20/Day	\$0	\$ 52.80
BGH Lead	28 Days	\$9.35/Day	\$9.67/Day	\$ (8.96)
BGH Lead	30 Days	\$12.13/Day	\$14.26/Day	\$ (63.90)

(1): This claim was paid for 17 days at \$96/day but should have been paid for 11 days at \$97/day.

(2): These claims were paid incorrectly to the subcontractor and were also paid incorrectly to the foster family.

(3): This claim was paid for 6 days at \$97/day but should have been paid for 1 day at \$97/day.

(4): These claims should not have been paid to the foster family because either the child was not a ward, the wrong foster family was paid, or the child was not in the home.

- Eleven of 332 claims tested (1 KVC and 10 BGH) were submitted 113 days to 176 days after the end of the month of service instead of by the required 90 days, as required by the Service Delivery and Service Coordination contracts. BGH could not provide documentation that it submitted one of the claims to DHHS.
- For 78 of 254 claims tested (3 Cedars, 41 NFC, 4 KVC, and 30 BGH), the lead contractor did not pay the subcontractor timely – within 30 days for NFC and KVC and 31 days for BGH, as required by their respective contracts with the subcontractors, and 45 days for Cedars.
 - For one claim, KVC could not provide the invoice or proof of payment. Therefore, we were unable to determine if the subcontractor was paid timely. KVC paid three claims ranging from 3 to 93 days late.
 - Three of Cedars' invoices were paid 6 to 17 days late.
 - NFC paid 40 subcontractors ranging from 2 to 244 days late. One invoice from a subcontractor had not been submitted or paid.
 - BGH paid 19 subcontractors ranging from 3 to 106 days late and has not paid other subcontractors for 10 of the claims tested. Furthermore, BGH paid one foster family 44 days after the end of the month of service.
- For 14 of 334 recipients, DHHS made direct payments to subcontractors for services. Pursuant to the terms of their service contracts with DHHS, the lead contractors bear sole responsibility for coordinating and providing client services. Therefore, DHHS is obligated to make all payments for client services under the contract, regardless of whether provided by subcontractors or otherwise, directly to the lead contractors – and,

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(Continued)

8. Claims Testing (Continued)

out of those payments, the lead contractors are expected to compensate their respective subcontractors. Thus, DHHS payments made directly to subcontractors (2 Cedars, 3 NFC, 8 KVC, and 1 BGH) resulted in the lead contractors being overpaid, as follows:

- KVC - \$16,685
 - Cedars - \$1,204
 - NFC - \$516
 - BGH - \$411
- The lead contractor (1 Cedars and 1 BGH) lacked documentation to support an attempt to locate the non-custodial parent for 2 of 33 children who became wards after the start of the contract period.
- The lead contractor (1 Cedars, 3 NFC, 10 KVC, and 6 BGH) did not make required monthly contacts at the child's residence with 19 of 72 children tested, or did not document the contacts in NFOCUS for the time period tested, as required by DHHS' Operations Manual. For one child, the contact was made by DHHS rather than by the lead contractor.
- For 20 children in out-of-home settings, no visit with the caregivers in their residences was documented in NFOCUS during the time period tested, as required by DHHS' Operations Manual. In one instance, contact with a child was made by DHHS rather than by the lead contractor (1 Cedars, 6 KVC, 5 NFC, and 9 BGH). For seven children, NFOCUS did not have documentation of either a visit at the parental residence if the child was in an in-home setting or a visit with the parent if the objective was reunification during the period tested, as required by DHHS' Operations Manual (3 KVC and 4 NFC).
- Required home studies were not completed for 3 of 31 foster families (KVC). Six of 31 home studies were completed but not entered into NFOCUS (2 Cedars, 2 BGH, and 2 KVC).
- Four of 52 claims totaling \$7,923 were not entered into NFOCUS and would have been Federal IV-E foster care eligible (1 KVC and 3 BGH).
- Twenty-four of 119 child welfare claims were not entered into NFOCUS (3 Cedars, 1 NFC, 6 KVC, and 14 BGH).

A good internal control plan and sound accounting practice require procedures to ensure:

- Claims submitted to NFOCUS reflect the same service and units that the lead contractor performed or was billed for.
- The rates billed to NFOCUS by the lead contractors and the rates paid to subcontractors and foster families are in accordance with agreed-upon rate schedules.

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8. Claims Testing (Concluded)

- Payments to subcontractors and foster families are made in a timely manner and in accordance with contract and subcontract provisions.
- All payments to subcontractors for services should be paid by the lead contractor after the lead contractor takes over the case to avoid duplicate payments for services.
- All payments for Federal IV-E foster care funding should be accurate and entered into NFOCUS in order to receive Federal funds.

Furthermore, per the services contract and DHHS' Operations Manual:

- Billings should be submitted to NFOCUS 90 days following the month of service.
- Home studies should be completed and entered into NFOCUS.
- Lead contractors should attempt to locate non-custodial parents.
- Lead contractors should make required monthly contacts with the children and ensure these are documented in NFOCUS.
- Lead contractors should make monthly visits at the caregiver's residence if the child is in an out-of-home setting, at the parental residence if the child is in an in-home setting, and with both the parent and caregiver if the child is in out-of-home placement and the objective is reunification. All of these visits should be documented in NFOCUS.

Failure by DHHS to maintain complete and accurate information regarding services performed by lead contractors and subcontractors increases the risk that such services may not be provided. Inadequate procedures to ensure accurate financial information increase the risk for errors to occur and not be detected, which could lead to the loss or misuse of public funds. We consider this finding to be a significant deficiency.

We recommend DHHS implement procedures to ensure all information regarding services for children is entered and accurately tracked on NFOCUS in a timely manner. We also recommend DHHS ensure compliance with contracts. Furthermore, we recommend DHHS ensure all subcontractors and foster families are paid correctly and timely.

DHHS' Response: DHHS concurs with the APA finding and recommendation. DHHS will develop and implement procedures to monitor the accuracy, timeliness, completeness and quality of information entered into N-FOCUS. DHHS will also continue to correct any identified claims that may have generated any overpayment to the Lead Contractor or a subcontractor. DHHS has 8 quarters (2 years) in which it can submit a IV-E funding Claims Adjustment.

9. Rate Variances Among the Lead Contractors

The rates DHHS paid for child welfare services varied significantly among the lead contractors – with no documentation to support the reason for those variances.

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9. Rate Variances Among the Lead Contractors (Continued)

According to Article II(C) of each service contract:

“The Contractor will submit a schedule of rates for services provided under this contract. DHHS must approve the rates for services prior to contract start date. The Contractor may adjust the rates upon written approval of DHHS.”

A good internal control plan requires procedures to be in place to ensure rates charged are reasonable, appropriately approved, and traced to supporting documentation.

The lead contractors were allowed to set their own rates in order to give them flexibility in negotiating agreements with subcontractors. As required under the service contracts, the contractors submitted the rates to DHHS for approval. We reviewed emails indicating that DHHS representatives in the different service areas were aware of and accepted the rates submitted by the lead contractors; however, there was no documentation to support the varying rates for the service types among the lead contractors.

For example, from our claims detail testing, we noted that rates for agency-based foster care ranged from \$13.45 per day to \$90 per day. Cedars and NFC charged multiple rates according to the level of foster care provided; however, KVC charged an average rate for all levels of foster care, and BGH charged one rate for those children at the agency-based level. All other levels for BGH were charged under the out-of-home maintenance service code.

Agency Based Foster Care	
Contractor	Daily Rate
NFC	\$13.45-\$86
Cedars	\$15-\$69
KVC Eastern	\$35-\$40
KVC Southeastern	\$35-\$40
BGH Central	\$ 90
BGH Northern	\$ 90
BGH Western	\$ 90

See **EXHIBIT D** for further examples of varying rates among the lead contractors.

We noted also that rates charged by the contractors did not always agree to the rate schedule approved by DHHS. See Comment Number 8 for additional details.

DHHS did not obtain the rates the lead contractors were going to pay their subcontractors and foster families or the rates the subcontractors were going to pay their foster families in order to ensure the rates being billed to DHHS were reasonable and contractors received a reasonable profit. Per 45 CFR 92.22(a) (October 1, 2009):

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(Continued)

9. Rate Variances Among the Lead Contractors (Continued)

“Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors; and (2) Reasonable fees or profit to cost-type contractors but not any fee or profit (or other increment above allowable costs) to the grantee or subgrantee.”

As stated in Comment Number 1, child welfare costs have increased significantly. Before Child Welfare reform, DHHS was either paying the foster family directly or making a payment to the subcontractor. After that reform, an additional administrative level was added, as DHHS paid the lead contractors, who then paid the foster family or subcontractor. DHHS administration costs since the reform have not significantly decreased from 2009. See **EXHIBIT G**.

Our detail claims testing revealed that DHHS paid \$4 to \$67 more per day to lead contractors than had been paid directly to foster families before the reform. See **EXHIBIT E** for examples of rates paid to foster families by the contractor and the rates previously paid by DHHS directly to the foster family.

For those claims tested with payments made to a subcontractor, we noted several instances where the lead contractor was receiving less than the rate DHHS previously paid the subcontractor. In other cases, DHHS was paying \$2 to \$42 more per day for those subcontractors paid directly by DHHS before the reform. See **EXHIBIT F** for examples of rates paid to subcontractors by the lead contractor and the rates previously paid by DHHS directly to the subcontractor.

When DHHS allows the lead contractors to set their own rates with no documentation supporting the rates, there is an increased risk the rates established may not be reasonable, DHHS cannot ensure compliance with 45 CFR 92.22(a) (October 1, 2009), DHHS cannot accurately determine the total costs for a child, and IV-E Foster Care funding could be incorrectly charged.

We recommend DHHS implement procedures to ensure all rates billed by the contractors are appropriate and reasonable in order to determine the total costs for a child and to ensure compliance with Federal requirements. We also recommend DHHS obtain the rates the contractors are paying their subcontractors and foster families.

DHHS' Response: DHHS accepts the APA's recommendation regarding securing information on the rates paid by Lead Contractors to their subcontractors and foster families. Rates paid to subcontractors and foster families by KVC and NFC have been obtained. This information is available upon request.

DHHS respectfully disagrees with any inference by the APA that the rates paid to Lead Contractors were not reasonable and approved rates that can be traced to supporting documentation. DHHS and the Lead Contractors recognized that the rates and rate methodologies would vary between Lead Contractors. Variations in rates can be expected between urban and rural areas based on supply and demand and competition and can be

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9. Rate Variances Among the Lead Contractors (Concluded)

DHHS' Response, Concluded:

expected to vary even within those areas. These and other factors can and do result in having differing, yet reasonable, rates among contractors. Rates previously paid by DHHS were considered in reviewing rates although not specifically noted in the DHHS approval.

APA Response: Although the APA understands the rates can vary between urban and rural areas, DHHS should document this type of information to support such variances between the lead contractors. Without that documentation, it is difficult, if not impossible, to determine the reasonableness of provider payment rates. No such documentation was provided to the APA. DHHS should implement procedures to ensure that all rates billed by contractors are appropriate and reasonable – thereby guaranteeing compliance with Federal requirements. These rates should be compared and evaluated on a regular basis to ensure their continued reasonableness.

10. Contractor Overpayments and Underpayments

The service contracts with the lead contractors took effect on November 1, 2009. Under those contracts, the lead contractors were paid a monthly sum to provide child welfare services. Initially, that monthly payment was divided between claims paid through NFOCUS and a payment through EnterpriseOne of the monthly contract amount less the previous month's NFOCUS claims. After December 31, 2010, however, the method of payment was changed, and the lead contractors received instead a set sum twice a month.

We performed a reconciliation of both NFOCUS and EnterpriseOne payments from November 1, 2009, to March 31, 2011, to the amounts specified in the service contracts. According to the results of that reconciliation, the lead contractors appear to have been underpaid or overpaid, as follows:

Contractor	Amount of Contract	Amount Paid on Contract	Overpayment (Underpayment)
KVC – East	\$ 21,943,219	\$ 21,951,894	\$ 8,675
KVC – Southeast	\$ 36,018,424	\$ 36,022,565	\$ 4,141
NFC – East	\$ 23,417,221	\$ 23,420,264	\$ 3,043
Cedars – Southeast	\$ 5,516,830	\$ 5,513,662	\$ (3,168)
Visinet – Southeast	\$ 3,792,822	\$ 4,452,277	\$ 659,455
Visinet - East	\$ 4,704,541	\$ 5,884,944	\$ 1,180,403

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10. Contractor Overpayments and Underpayments (Continued)

Contractor	Amount of Contract	Amount Paid on Contract	Overpayment (Underpayment)
BGH – Western*	\$ 9,718,706	\$ 9,515,732	\$ (202,974)
BGH – Central *	\$ 10,891,578	\$ 10,074,108	\$ (817,470)
BGH – Northern*	\$ 9,480,120	\$ 9,136,013	\$ (344,107)
Total BGH	\$ 30,090,404	\$ 28,725,853	\$ (1,364,551)

*The amounts noted for all BGH areas reflect what is entered in NFOCUS and the EnterpriseOne payments. They do not include any amounts from the box of claims totaling \$4,478,367, which DHHS has not yet entered in NFOCUS for BGH, as noted in Comment 5. Any under/over payment cannot be determined until the BGH contracts are settled.

It should be noted that Visinet received almost two million dollars in service contract overpayments from DHHS – far more than the amount of overpayments received by any other lead contractor. In fact, Visinet received more money in overpayments than all of the other lead contractors combined. Nevertheless, Visinet still went out of business.

Although Visinet had already been overpaid by almost two million dollars, upon termination of the service contract, DHHS entered into a settlement agreement with that former lead contractor, costing millions more in public funds. As discussed in greater detail in Comment 4, under the terms of that settlement agreement, DHHS agreed to spend an additional \$2,008,818 to compensate subcontractors, foster parents, and employees left unpaid by Visinet. Interestingly, DHHS also overpaid by \$127,472 that agreed-upon settlement amount. In all, DHHS expended almost four million dollars in excess of the costs required under the Visinet service contracts, as follows:

Visinet Service Contracts Overpayment	\$ 1,839,858
Visinet Settlement Agreement Payments	\$ 2,008,818
Visinet Settlement Agreement Overpayments	\$ 127,472
Total	\$ 3,976,148

Given the magnitude of the overpayments made to Visinet and its creditors, special attention must be called to Amendment One (December 2009) to the service contract between Visinet and DHHS. That amendment added the following language to Article III(B)(17)(A) (pg. 17) of the original contract:

“In the event of contract termination, the Department’s financial obligation to the contractor shall be limited to payment for services provided and previously approved by the Department pursuant to a case plan and court report, safety plan, or other written approval from the Department, using the method as described in Article II. B.”

As pointed out, Visinet had already been overpaid by nearly two million dollars for services provided. Thus, in light of the above contractual language, there appears to be little grounds for DHHS to have agreed to assume the responsibility of that former lead service provider to make more than two million dollars in payments to various creditors.

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COMMENTS AND RECOMMENDATIONS

(Continued)

10. Contractor Overpayments and Underpayments (Continued)

Similarly, none of the terms of the service contracts with Visinet obligates DHHS to assume responsibility for that lead contractor's debts, including amounts owed to subcontractors. As a matter of fact, the only substantive mention of subcontractors in the service contracts is found under Article IV(E) (pg. 25), which states:

"The Contractor shall not subcontract any portion of this contract without prior written consent of DHHS. The Contractor shall ensure that all subcontractors comply with all requirements of this contract and applicable federal, state, county and municipal laws, ordinances, rules and regulations."

Rather than containing any express or implied requirement that DHHS assume responsibility for Visinet's debts, moreover, the service contracts provide for the contrary. The following "Hold Harmless" language is found under Article IV(R) (pg. 22) of those contracts:

- "1. The Contractor shall defend, indemnify, hold, and save harmless the State of Nebraska and its employees, volunteers, agents, and its elected and appointed officials ("the indemnified parties") from and against any and all claims, liens, demands, damages, liability, actions, causes of action, losses, judgments, costs, and expenses of every nature, including investigation costs and expenses, settlement costs, and attorney fees and expenses ("the claims"), sustained or asserted against the State of Nebraska, arising out of, resulting from, or attributable to the willful misconduct, negligence, error, or omission of the Contractor, its employees, subcontractors, consultants, representatives, and agents, except to the extent such Contractor liability is attenuated by any action of the State of Nebraska which directly and proximately contributed to the claims.*
- 2. DHHS's liability is limited to the extent provided by the Nebraska Tort Claims Act, the Nebraska Contract Claims Act, the Nebraska Miscellaneous Claims Act, and any other applicable provisions of law. DHHS does not assume liability for the action of its Contractors."*

By agreeing to fulfill Visinet's financial obligations to parties with whom DHHS had no privity of contract, DHHS effectively turned the above contractual provisions on their head – unnecessarily assuming a responsibility that DHHS had no legal duty, under either the terms of the service contracts, the provisions of State statute, or the dictates of common law, to shoulder.

Furthermore, even though not paid directly to Visinet, the additional funds promised under the settlement agreement inured to the benefit of that former lead contractor – constituting, for all practical purposes, the granting of additional compensation to that entity. Unless it can be shown that the exchange of some form of valid consideration was involved, such as that arising from good-faith negotiations aimed at resolving a legitimate dispute, those funds might be considered a gratuity and, therefore, be constitutionally suspect under Article III, Section 19, of the Nebraska Constitution. That provision states, in relevant part:

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(Continued)

10. Contractor Overpayments and Underpayments (Continued)

“The Legislature shall never grant any extra compensation to any public officer, agent, or servant after the services have been rendered nor to any contractor after the contract has been entered into, except that retirement benefits of retired public officers and employees may be adjusted to reflect changes in the cost of living and wage levels that have occurred subsequent to the date of retirement.”

The above constitutional prohibition aside, DHHS should realize that overpaying a contractor, including needlessly assuming its debts, by some four million dollars is an inappropriate expenditure of public funds and flies in the face of sensible public policy.

The amounts supposed to have been paid on the service contracts were determined by reviewing the terms of those contracts, including the amendments thereto, for all lead contractors. The amounts actually paid on those same contracts were obtained by reviewing both the coding of child welfare service claims in NFOCUS and lead contractor payments reflected in EnterpriseOne.

Claims in NFOCUS are coded to either a payee number or a lead contractor identification number specifically designated to a particular service contract. During our testing of the service contracts, we observed payments that were coded incorrectly against the contracts for the lead contractors. We adjusted the financial schedule and the numbers above for \$87,419 of claims, as follows:

Contractor	Amounts Improperly Coded
BGH	\$ 22,016
KVC	\$ 32,149
Cedars	\$ 29,174
NFC	\$ 3,970
Visinet	\$ 110
Total	\$ 87,419

We concluded, and DHHS subsequently agreed, the claims were coded incorrectly under the service contracts for the lead contractors and were actually subcontractor payments for DHHS clients. Any other claims that were coded incorrectly or paid to the incorrect lead contractor identification number in NFOCUS would affect the variances noted above.

Our testing of the contracts revealed also that other payments were coded incorrectly under the contracts for the lead contractors, as noted in Comments 7 and 8. These amounts were not adjusted above. For example, one Cedars claim tested was paid under the Cedars identification number for that provider’s service contract; however, the recipient was not assigned to the Cedars service contract. When asked how the costs were being kept separate, DHHS responded that the Cedars payment in question appeared to have been a DHHS data entry error.

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(Continued)

10. Contractor Overpayments and Underpayments (Continued)

A good internal control plan and sound business practices require procedures to ensure payments to lead contractors are accurately recorded and made in compliance with the terms of the service contracts. Such procedures should also ensure that public funds are not expended in violation of either legal prohibitions or sensible public policy.

Without adequate procedures to ensure payments to lead contractors are coded correctly and made in compliance with the terms of the service contracts, there is an increased risk of loss of funds, noncompliance with contractual provisions, or conflicts with either legal prohibitions or sensible public policy.

We recommend DHHS develop procedures to ensure lead contractors are paid in compliance with the terms of the service contracts.

DHHS' Response: DHHS disagrees with the APA's conclusion that the Contractors were overpaid or underpaid. It is also not accurate to portray the sums paid under the Visinet settlement agreement as additional compensation or an assumption of Visinet's debts. As stated in the response to comment 4, DHHS has lawful authority to settle contract disputes. The amount DHHS agreed to pay and Visinet agreed to accept in satisfaction of the contract was negotiated based on the unique circumstances existing at the time the contract was terminated. Although Article II Section B of the contract operated to reduce payments through the DAS system by payments made through N-FOCUS, there was no clearly stated monthly cap on payments made through N-FOCUS at the time the Visinet contract was terminated. Unpaid bills submitted for processing through N-FOCUS totaled several million dollars. A spreadsheet of claims submitted by Visinet was provided to the APA.

The contract was initially designed to be reconciled at the end of a specific period. When contracts were terminated early, the amounts due became the subject of negotiation. Because Visinet was in breach, DHHS considered a number of factors including the potential cost of substitute performance; payment of subcontractors, employees, and foster families; and the uncertainty of bankruptcy court treatment of the executory contract. June 30, 2010 was chosen as a negotiation point of reference and the amount of money already paid under the contract was subtracted from the amount payable under Article II Section B through June 30, 2010. This amount was added to the amount unpaid under the implementation contracts as a starting point for final settlement. While the amounts that Visinet owed its subcontractors, foster parents, and employees were factors considered by DHHS, they were not the basis for the settlement. The purpose of the settlement was to resolve the amount due Visinet for services rendered prior to the termination of the contract. Ultimately, an agreement was reached that avoided litigation or admission of liability and allowed DHHS to insure that foster families and subcontractors received some funds rather than paying the funds directly to Visinet. Subsequently, the remaining contracts were amended to more clearly cap the monthly payments and clarify the amounts due at early termination. Similarly, Boys and Girls Home ceased performance early

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(Continued)

10. Contractor Overpayments and Underpayments (Continued)

DHHS' Response, Concluded:

and amounts identified as underpayments to BGH in the audit comment represent amounts withheld by DHHS while settlement negotiations are being conducted. The remaining contracts with KVC and NFC were amended to begin paying fixed amounts twice per month and to reconcile the amounts due through the end of December, 2010. The contracts contain specific provisions for calculating the amounts due upon early termination.

APA Response: The response by DHHS begins by disagreeing that the contractors were either overpaid or underpaid. After that initial statement, however, the remainder of the response focuses almost exclusively upon the settlement agreement with Visinet. The selectivity of DHHS in focusing primarily upon the settlement agreement is misleading, as that agreement constitutes only a portion of the overpayments addressed in the report comment.

As made clear in this comment, the \$3,976,148 in overpayments made to Visinet include, aside from the settlement agreement amount of \$2,008,818, also \$1,839,858 in excess payments on the service contracts and an additional \$127,472 overpayment on the settlement agreement itself. More importantly, understanding why the APA believes the settlement agreement to constitute an improper overpayment requires an accurate understanding of the basis for determining that DHHS overpaid Visinet on the service contracts – something which DHHS has carefully avoided addressing. For, by overpaying Visinet under the service contracts, as the APA reveals to have been the case, DHHS lacked justification for entering into a settlement agreement to pay employees, foster parents, and subcontractors on Visinet's behalf.

It is important to point out that, during the audit examination, the APA shared with DHHS detailed schedules reflecting payments made to Visinet under the service contracts. Additionally, APA staff met with representatives of DHHS on more than one occasion to discuss the contents of those payments schedules. At no point prior to obtaining a draft copy of this report did anyone in DHHS object to or contradict the information provided. Upon receiving the draft version, however, DHHS suddenly attempted to contest the APA's calculations.

DHHS claims that the APA's conclusion regarding overpayments to Visinet is flawed because the service contracts with Visinet contained no monthly cap on payments made through NFOCUS. However, the \$15,732,281 and \$20,645,525 contractual limits on compensation allowed under the Southeast and Eastern service areas, respectively, were clearly obtained by multiplying the maximum monthly payments to Visinet by the twenty-month terms of those agreements. Thus, despite the absence of express contractual language to the effect, this simple calculation indicates that the specified monthly payment amounts served to limit the compensation that Visinet could receive during each such period.

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(Continued)

10. Contractor Overpayments and Underpayments (Continued)

APA Response, Continued:

An even more compelling indicator of why the service contracts should have been interpreted to limit the amount of monthly payments made to Visinet through NFOCUS is the fact that DHHS interpreted identical contractual language in service contracts with other lead contractors to do exactly that. For example, in recording payments made to Cedars under the service contract with that provider, DHHS kept careful track of monthly NFOCUS disbursements – subsequently rejecting some \$3.2 million in claims presented by Cedars because, DHHS insisted, those claims had exceeded the contractual payment cap for fiscal year 2010. Also noted was that on May 25, 2010, a day after the settlement agreement with Visinet, DHHS started rejecting claims for KVC and NFC.

Why DHHS held Cedars, KVC, and NFC to such an exacting standard, while purporting to allow Visinet to exceed by any amount the specified monthly limit on compensation, was never adequately explained to the APA – an especially troubling oversight in light of the fact, as pointed out already, that the operative language in both service contracts with the two lead contractors was virtually identical. In an attempt to defend its disparate treatment of two providers operating under the same contractual requirements, DHHS has insisted that the separate service contracts have nothing to do with one other and must be viewed in an interpretive vacuum of sorts. The APA rejects such an approach as untenable, however. Interpreting the same contractual language differently depending upon the party involved renders those words essentially meaningless – not to mention gives rise to an assortment of quite serious potential problems, including the likelihood of eventual litigation.

The important point to be understood is simply this: Because DHHS had already overpaid Visinet by \$1,839,858 under the service contracts – pursuant to an interpretation of contractual language that was enforced quite rigidly with regard to another provider – the agency had no obligation, legal or otherwise, to compensate that lead contractor by an additional \$2,008,818. Nor was there any reason, it goes without saying, for DHHS to have overpaid on the settlement agreement by \$127,472.

As for the contents of the settlement agreement itself, the APA finds the response provided by DHHS to be unenlightening, if not somewhat disingenuous. For one thing, DHHS states that the purpose of the settlement agreement was to “resolve the amount due to Visinet for services rendered prior to termination of the contract.” Thus, DHHS argues, it is inaccurate to portray the agreement as “additional compensation or an assumption of Visinet's debts.” The following language contained in the introductory provisions of the settlement agreement indicates otherwise, however:

“The purpose of this agreement is to ascertain debts owed by Visinet, and to facilitate payment to former Visinet employees, foster parents, and other subcontractors for services . . .”

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(Continued)

10. Contractor Overpayments and Underpayments (Concluded)

APA Response, Concluded:

Moreover, as DHHS had already overpaid Visinet by almost two million dollars, entering into a settlement agreement with that former lead contractor for a similar amount can hardly be seen as anything other than additional compensation or an assumption of Visinet's debts.

In defense of its decision to enter into the settlement agreement with Visinet, DHHS mentions "unique circumstances existing at the time the contract was terminated," as well as a desire to avoid potential litigation. Unfortunately, DHHS fails to elaborate upon either of these supposed motivations – leaving unanswered questions regarding both the actual nature of these "unique circumstances" and the type of legal claim that Visinet could successfully maintain after having already been overpaid by almost \$2 million.

Additionally, DHHS mentions that June 30, 2010, was chosen as a "negotiation point of reference" in drafting the settlement agreement with Visinet. Despite the obvious fact that the parties to the agreement selected a somewhat arbitrary point in time, the willingness of DHHS to concede to a date some two-and-half months after Visinet had ceased to operate remains unexplained. By accepting that date, DHHS agreed to make payments for 76 days during which Visinet provided no services at all.

It should be noted also that the settlement agreement expressly required Visinet to submit documentation of the "[g]ross payroll and payroll tax obligations and payroll taxes" that DHHS agreed to pay. However, the APA found that no such documentation was ever provided. While Visinet did offer simple estimates, without any supporting documents, DHHS did not obtain actual payroll records needed to support those claimed amounts – much less whether the services supposedly provided were even related to the service contracts.

Finally, the response by DHHS emphasizes that agency's "lawful authority to settle contract disputes." The APA has never questioned such authority. However, in this particular instance, the APA questions how that authority was exercised. Having already overpaid Visinet by over \$1.8 million, it appears that DHHS rushed to enter into over a \$2 million settlement agreement with that lead contractor when there was no obligation, legal or otherwise, to do so. Worse yet, as pointed out already, the amounts paid under that settlement agreement were unsupported by adequate documentation – though such documentation was called for under the terms of the agreement itself. As a result, Visinet experienced an undeserved windfall in public funds of nearly \$4 million, brokered by DHHS, at the expense of Nebraska taxpayers.

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(Continued)

11. Information Not Provided

Neb. Rev. Stat. § 84-304(3) (Reissue 2008) authorizes the APA:

“To examine or cause to be examined, at such time as he or she shall determine, books, accounts, vouchers, records, and expenditures of all state officers, state bureaus, state boards, state commissioners, the state library, societies and associations supported by the state, state institutions, state colleges, and the University of Nebraska, except when required to be performed by other officers or persons.”

Similarly, Neb. Rev. Stat. § 84-304(8) directs the APA:

“To conduct audits and related activities for state agencies, political subdivisions of this state, or grantees of federal funds disbursed by a receiving agency on a contractual or other basis for reimbursement to assure proper accounting by all such agencies, political subdivisions, and grantees for funds appropriated by the Legislature and federal funds disbursed by any receiving agency.”

To ensure the cooperation of those being examined, Neb. Rev. Stat. § 84-305 (Reissue 2008) provides, in part:

“The Auditor of Public Accounts shall have access to all records of any public entity, in whatever form or mode the records may be, unless the auditor's access to the records is specifically prohibited or limited by federal or state law.”

As provided in Section 316 of the Auditing Standards promulgated by the American Institute of CPAs:

“Management, along with those charged with governance, should set the proper tone; create and maintain a culture of honesty and high ethical standards; and establish appropriate controls to prevent, deter, and detect fraud.” Misrepresentation or intentional omission of significant information is characteristic of fraud.

Contrary to both the letter and the spirit of the above requirements, information that the APA requested from DHHS was not provided timely – or sometimes not at all – and was often incomplete.

DHHS failed to provide the following information requested by the APA or failed to provide it timely:

- At the entrance conference held on March 30, 2011, we requested “Support for how contract amounts, amendment amounts, service areas and number of children were determined for each contractor.” We received no information to support how DHHS determined the total amount of the Implementation Contracts of \$7 million. For Amendments 5 and 7 to the service contracts, DHHS did indicate the source of the money for the lead contractor pay increases occasioned by those amendments; however, DHHS would not respond to our queries regarding the basis for the increases. We asked

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(Continued)

11. Information Not Provided (Continued)

specifically that DHHS provide us with the reasons for the increases and how the dollar amount for each amendment was determined. Follow-up requests were sent on June 13, 2011, June 21, 2011, July 5, 2011, and July 8, 2011. After several requests by the APA for the above documentation, DHHS responded, on July 19, 2011, that the amounts paid to the lead contractors, as well as the amendments to the service contracts, were the product of negotiations between the parties; however, no support was provided to substantiate either the necessity of the dramatic increase in expenditures or a reasonable basis for the amounts paid.

- At the March 30, 2011, entrance conference, we requested also the detail of any withheld payments on terminated contracts, termination dates, and status of withheld payments. On April 7, 2011, we received a memo regarding termination dates, but that document contained no detail showing the amount of withheld payments for BGH. On April 20, 2011, we received an email, which indicated the withheld amount was \$1,846,545. We met with DHHS to discuss why that figure did not agree with the results of our testing. We then received another email on June 21, 2011, which noted the amount withheld had been changed to \$1,398,998. A spreadsheet was provided; however, there was no detail to support this revised figure or to explain why the amount had changed.
- On June 2, 2011, we sent an email to DHHS, requesting information regarding actual or anticipated subsequent events, including any new service contract amendments or additional lead contractor pay increases since March 31, 2011. We received no response to either that initial email or the June 14, 2011, follow-up message. On June 17, 2011, the Lincoln Journal Star reported that KVC would receive an additional \$5.5 million in fiscal year 2011, as well as \$7 million more under the fiscal year 2012 contract. The newspaper reported also that NFC would receive \$14.2 million in fiscal year 2012, a substantial increase from the previous \$13.8 million. On June 20, 2011, we requested copies of the service contract amendments responsible for the reported lead contractor pay increases. On June 30, 2011, the KVC amendments were posted on the Internet, but no mention was made of any NFC amendment. Responding to our repeated requests for a copy of the NFC amendment mentioned in the news story, DHHS claimed that no such amendment existed. On July 6, 2011, we asked why DHHS would announce the NFC pay increase if, in fact, no amendment to the service contract made such a provision. On July 19, 2011, DHHS responded, "The NFC contract has not been amended since Amendment Seven. DHHS and NFC are currently negotiating the terms of the next contract amendment."
- On March 31, 2011, we asked the status of penalties and other assessments. DHHS provided us with a schedule of penalties assessed; however, we were given support for only one \$5,000 assessment paid by BGH. The total amount of penalties assessed per the schedule provided was \$84,200. The schedule provided by DHHS on April 19, 2011, noted the following penalties and dates:

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(Continued)

11. Information Not Provided (Continued)

Agency	Date	Case Number	Disputed	Penalty #	Amount	Held in Abeyance
BGH	3/3/10	B&G 3/3/10 CSA #1	Yes	#2	\$ 5,000	N/A
Cedars	7/8/10	Cedars 7/7/10 SESA #2	Yes	#7	\$ 2,400	N/A
Cedars	7/8/10	Cedars 7/7/10 SESA #4	Yes	#7	\$ 5,600	N/A
KVC	7/8/10	KVC 7/7/10 ESA #1	No	#7	\$ 1,600	Yes
KVC	7/8/10	KVC 7/7/10 ESA #3	No	#7	\$ 6,400	Yes
KVC	7/8/10	KVC 7/7/10 ESA #4	No	#7	\$ 8,000	Yes
KVC	7/8/10	KVC 7/7/10 ESA #6	No	#7	\$ 2,000	Yes
NFC	7/8/10	NFC 7/7/10 ESA #2	No	#7	\$ 4,800	Yes
NFC	7/8/10	NFC 7/7/10 ESA #5	No	#7	\$ 7,200	Yes
NFC	7/8/10	NFC 7/7/10 ESA #8	Yes	#7	\$ 4,400	Yes
NFC	7/8/10	NFC 7/7/10 ESA #9	Yes	#7	\$ 17,600	Yes
NFC	7/8/10	NFC 7/7/10 ESA #11	No	#7	\$ 8,000	Yes
NFC	7/8/10	NFC 7/7/10 ESA #12	Yes	#7	\$ 6,800	Yes
NFC	7/8/10	NFC 7/7/10 ESA #13	No	#7	\$ 4,400	Yes
				Total	\$ 84,200	

Follow-up requests were sent on both June 28, 2011, and July 8, 2011. We received the following response from DHHS on July 19, 2011:

“The contract provides that penalties may be held in abeyance and/or lifted. DHHS is currently reviewing the status of proposed penalties to determine whether payment is now required.”

Sound business practice requires penalties to be addressed in a timely manner. Only the March 3, 2010, penalty of \$5,000 has been collected; the remaining penalties have not been resolved or collected in over one year.

- Regarding Amendment 4 to the service contracts, we asked to be provided the basis for front loading the FY 2011 contract payments after two lead contractors had already failed. These requests were sent on June 20, 2011, June 27, 2011, July 5, 2011, and July 8, 2011. On July 19, 2011, DHHS responded, *“The timing of the compensation to the Contractors was a product of negotiations between the parties to the contract.”*
- Amendment 6 of the service contracts, which pertains to case management, does not provide for any increase in the amount of lead contractor funding awarded; however, per DHHS’ response to our inquiry regarding payment increases under Amendment 7, DHHS stated that \$4.6 million of that money comes from savings from moving case management activities. We asked why this amount was included in Amendment 7 rather than Amendment 6. We requested support also for how the \$4.6 million in cost savings

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(Continued)

11. Information Not Provided (Continued)

was computed, whether DHHS had support to show actual savings from January 1, 2011, through March 31, 2011, and why case management services were not bid out publicly as a separate contract. These requests were sent on June 20, 2011, July 5, 2011, and July 8, 2011.

On July 19, 2011, DHHS responded:

“The terms of Amendment 7 include an increase in compensation, along with an increase in contractor services, which are described in the amendment. Amendment 6 did not include an increase in compensation, because although the scope of the contractors’ services was expanded with this amendment, there was not a corresponding increase in compensation. Changes to the contractors’ scope of services and to the contractor’s compensation contained in each contract amendment were the product of negotiations between the parties. The basis for the \$4.6M savings estimate is described in detail in DHHS’ application for DAS approval of the contract amendment. DHHS shifted certain case management responsibilities to the contractors by amending the contract, rather than letting it as a separate contract for several reasons. First, it would not be practicable or economic for DHHS to have one contractor performing service coordination functions and another agency performing other case management functions. Therefore each contractor was essentially the sole source for additional case management services. Second, because all services provided are covered by the same contract document, a breach of any particular service would constitute a breach of the entire contract, making the contractor more accountable for services provided. Third, one contract document for each contractor, for each service area or portion thereof, eliminates the chance of inconsistency between terms that would be present if the number of contracts was doubled. In order to eliminate any confusion regarding the current language of the contracts DHHS is in the process of restating the contract and thereby eliminating the current amendments.”

We did not receive documentation to support the accuracy of the estimated \$4.6 million in savings, nor did we receive adequate explanation or support for why it was not practical for DHHS or a separate independent contractor to provide case management services. We also received no support or documentation for any cost savings from January 1, 2011, through March 31, 2011. On August 17 and August 19, 2011, we received limited information regarding the calculation of cost savings; however, we did not receive any detailed support as requested to enable us to verify the accuracy of the numbers presented.

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(Continued)

11. Information Not Provided (Continued)

- We requested all records returned to DHHS from Visinet. On April 18, 2011, DHHS indicated the records received from Visinet were foster parent licensing files. DHHS provided us with the following: a CD of the subcontractor settlement agreements; a spreadsheet of the foster parent payments; copies of letters returned by the foster parents; and an email on April 7, 2011, that noted amounts paid and made reference to a trust fund. On May 4, 2011, after discussions with Visinet's attorney, we again requested access to all Visinet records provided to DHHS. On May 5, 2011, DHHS responded that the requested records were housed in the individual service areas. On May 11, 2011, we received an email from DHHS that the Visinet records were ready for review for the Eastern and Southeastern service areas. We received a box of Visinet records for the Eastern service area on May 19, 2011, followed by records for the Southeastern service area on June 8, 2011. Both boxes contained some of the lead contractor claims submitted, but not the documentation to support those claims. On June 8, 2011, we asked DHHS to confirm that we had received all information provided by Visinet. DHHS responded that the Eastern service area found additional documentation, which would be sent to us by messenger. On June 14, 2011, we received limited financial information from 2009 and 2010. During a meeting with DHHS staff on July 14, 2011, we became aware of emails from Visinet that had not been provided to us. These emails were communications between DHHS and Visinet's attorney regarding both the Visinet contract termination and subsequent settlement agreement with DHHS. We requested that copies of those emails be provided to us. On July 22, 2011, we received emails.
- Regarding Visinet, we requested that DHHS provide us with an explanation regarding service contract overpayments. We requested also an explanation for the disposition of \$1,710,742 in funds remaining from the fiscal year 2010 contract for the Eastern service area, as noted in an email from DHHS on May 9, 2011. We also requested supporting documentation for settlement agreement figures, including: \$627,270 for payroll and associated expenses; \$2,008,818 listed in the settlement agreement as being owed to Visinet; and \$306,696 estimated to be owed to foster parents, as well as why only \$158,639 was actually paid. A response was not received.
- Per Amendment 1, Consideration D: In the event that the amount of claims paid by June 30, 2010, for direct services provided outside of this contract is less than the amount set aside to pay claims, DHHS will pay the lead contractors a percentage of the remaining funds. In the event that the amount of claims paid by June 30, 2010 for direct services provided outside of this contract is more than the amount set aside to pay claims as defined above, the lead contractors will pay to DHHS a percentage of the shortfall. We requested the calculation, support, and explanation for how the amounts were determined for Consideration D. The initial request was made on March 30, 2011. We also asked whether payments were made by DHHS to the lead contractors in regard to Consideration D or if any payments were made by the lead contractors to DHHS. A response was not received until July 8, 2011.

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(Continued)

11. Information Not Provided (Continued)

- DHHS provided a spreadsheet showing the calculation of funds available for the contracts, (See **EXHIBIT K**) we requested support for DHHS' numbers, including why all of Program 345 funding was excluded, as well as support for both adoption subsidies and developmental disability service coordination. The initial request was made June 13, 2011. Follow-up requests were made June 20, 2011, July 5, 2011, and July 8, 2011. A response was not received until July 8, 2011.

Although we requested the information from the contact person designated by DHHS, many of the requests noted above were also communicated to others within that agency. Thus, it is apparent that the failure of DHHS to comply with our requests for information was not the result of a mere oversight on the part of one individual – but rather the failure of the agency as a whole to ensure such compliance. In addition to receiving numerous email messages and other contacts regarding various records requests, DHHS was informed at the July 22, 2011, audit exit conference of our intent to include in this report information regarding that agency's lack of cooperation with the audit examination. Ultimately, the failure to make available requested records without a reasonable explanation gives rise to the inescapable conclusion that either DHHS sought to hinder the examination by intentionally circumventing the law requiring cooperation with the APA, or supporting documentation for the expenditure of millions of taxpayer dollars simply does not exist.

A good internal control plan requires DHHS to have procedures in place for responding completely and timely to requests for information from the APA. More importantly, such procedures are necessary to ensure full compliance with a clear statutory mandate granting the APA access to all records of any public entity.

By either withholding requested information from the APA or not providing such information in a timely manner, DHHS risks failing not only to cooperate with the examination but also to comply with the APA's statutory authority to access records of a public entity. Additionally, when requested information is not properly provided to the APA, significant concerns are raised regarding the propriety of agency actions. We consider this finding to be a material weakness.

We recommend DHHS implement procedures to ensure all information requested by the APA is provided in a timely manner. Further, we recommend DHHS inform the APA of all significant information regarding the examination.

DHHS' Response: DHHS appreciates the authority and expertise of the Auditor of Public Accounts and views this audit as a valuable learning opportunity for DHHS as it continues its endeavor to improve its child welfare services. For that reason, full cooperation with the APA was important to DHHS, regardless of its duty to cooperate under statute. Due to the size and scope of this audit, and the geographical distribution of records and staff with relevant knowledge, DHHS planned to and did devote significant resources to respond to APA requests.

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COMMENTS AND RECOMMENDATIONS

(Continued)

11. Information Not Provided (Continued)

DHHS' Response, Concluded:

In retrospect, we realize the process we had in place to respond to the APA's requests was not as effective as it could have been. DHHS' intention is always to cooperate fully with APA audits. In the future, DHHS will revise its processing of APA requests to include the recording and tracking of each request made, the response, any follow-up requests and any expressed concerns or resolution of concerns. We offer to work with the APA in designing the tracking process and trust that it will be mutually beneficial.

DHHS takes exception to the characterization of its response to the APA as potentially circumventing the law or violating the spirit or intent of the law. DHHS acted in good faith in responding to APA requests, and spent many hours in researching and responding to APA requests. The process may have been hindered by inadequate communication. Correspondence between DHHS and the APA indicates examples of situations in which DHHS provided a timely response to an APA request, believing the response to be sufficient, only to learn later that the APA was not satisfied with the response. The process may also have been hindered by the APA's expectations about the nature and extent of documentation supporting decisions such as the level of compensation and settlement agreements. DHHS used available information to weigh the costs and benefits of the compensation amounts agreed to including the likely loss of the services of the contractor at a critical point in the reform process. DHHS also used available information to weigh the costs and benefits of the settlement agreement, with such complicating factors as the threat of bankruptcy, contract liability, and the potential impact on foster parents and subcontractors if they did not receive payment.

APA Response: DHHS states that, due to the geographical distribution of records and staff with relevant knowledge, significant resources were devoted to APA requests. However, we were given only one contact person to work with, whose availability was often limited. The APA made site visits to the lead contractors for testing; thus, there were few requests to DHHS for records outside of Lincoln. Moreover, the items noted in our comment should have been available at DHHS' central office, which is located in the same building as APA staff.

Having worked with the APA throughout numerous prior audits, DHHS was well aware of how the examination process functions in general – as well as the importance of responding both timely and completely to the APA's requests for records in particular. Contrary to the assertion by DHHS, the process was not hindered by inadequate communication on the part of the APA. Rather, the problem rests solely with DHHS itself.

The APA held an exit conference with DHHS on July 22, 2011, to discuss our examination findings. Both Todd Reckling, Director of Children and Family Services, and Kerry Winterer, Chief Executive Officer of DHHS, were present. For a complete listing of those attending on behalf of DHHS see the **Exit Conference. The APA granted DHHS some 28 days to respond to our draft report comments, as well as to provide us with any additional**

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(Continued)

11. **Information Not Provided** (Concluded)

APA Response, Concluded:

documentation. Thus, if unaware that we had not received requested items up to that point, DHHS was given ample opportunity to provide that information to us. The failure by DHHS to turn over any requested documentation that responded to our questions or substantiated the agency's claims led us to conclude that either an effort was underway to hinder the audit examination or support was lacking for the expenditure of millions of dollars of taxpayer money.

We reject outright the contention that DHHS intended to cooperate fully with the APA. For example, as noted under the first bullet point in this comment, on March 30, 2011, the APA requested documentation to support how service contract amendment amounts were determined. We received no response to our request for such support. Additional requests were sent June 13, June 21, July 5, and July 8. It is difficult to fathom that DHHS believed ignoring these requests would not hinder our examination. If our expectation that documentation existed to support the basis for amendment amounts was erroneous, DHHS could have simply informed us on March 30 that such documentation was, in fact, lacking.

After several requests by the APA for the above documentation, DHHS finally responded on July 19 that the contract amendment amounts were the product of negotiations between the parties; however, no records or other support of such negotiations was provided. DHHS claims now to have used available "information" to weigh the costs and benefits of amendment increases; however, we still have not been provided any relevant documentation. This DHHS "information," is merely what the APA was asking for. If such "information" was available, as stated by DHHS, and was not provided to the APA, this aptly illustrates the intention of DHHS to violate Neb. Rev. Stat. § 84-305 (Reissue 2008), which states, in part:

"The Auditor of Public Accounts shall have access to all records of any public entity, in whatever form or mode the records may be, unless the auditor's access to the records is specifically prohibited or limited by federal or state law."

Moreover, DHHS provided a representation letter to the APA, signed and dated August 19, 2011, asserting: "We have made available to you all financial and related data." On the following August 29, however, additional information not previously provided was given to the APA. As this information was not presented before the representation letter was received, we did not request more documentation to verify the validity of the numbers contained therein. This underscores further that DHHS did not make available all financial information or fully cooperate with the APA.

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(Continued)

12. Review and Payment of Subcontractors and Foster Parents

We noted DHHS lacked adequate procedures to oversee the lead contractors' management of subcontractors whose services they had enlisted. As a result, DHHS had no way of ascertaining whether the subcontractors: 1) were paid timely; and 2) acquired contractually required insurance coverage.

During our examination, we were contacted by various subcontractors of the lead contractors. The subcontractors indicated that, prior to July 2010, they had experienced ongoing difficulties with receiving timely payments from the lead contractors. According to those subcontractors, DHHS was made aware of this problem with delayed payments. In response to our inquiries regarding these allegations, DHHS claimed to have met regularly with the lead contractors to discuss the subcontractors' concerns, requesting that corrective action be taken. DHHS pointed out, moreover, that the service contracts with the lead contractors were amended, effective July 1, 2010, with the following language:

"The Contractor shall make payment in full to the Sub-Contractor for all goods delivered or services rendered on or before the forty-fifth calendar day after the date of receipt by the Contractor of a bill meeting the Contractor's requirements, as set forth in Contractor's written policy, protocol or contract terms with the Sub-Contractor."

Unfortunately, DHHS failed to implement procedures for confirming that the lead contractors either took the requested corrective action to ensure the timeliness of payments to their subcontractors or were otherwise compliant with this new contractual requirement. Our case file testing (see Comment Number 8) noted several instances, both before and after the service contracts were amended, in which subcontractors were not paid timely.

The lack of oversight by DHHS also gave rise to questions regarding the insured status of the subcontractors. Section 11, "Insurance Requirements," of DHHS' Master Operations Manual, which is incorporated into the service contracts with the lead contractors, states:

"The Contractor shall not commence work under this Contract until he or she has obtained all the insurance required hereunder and such insurance has been approved by the State. The Contractor shall not allow any subcontractor to commence work on his or her subcontract until all similar insurance required of the subcontractor has been obtained and approved by the State (or Contractor)."

The required insurance referenced above includes Workers' Compensation Insurance, Commercial General Liability Insurance, and Commercial Automobile Liability Insurance.

KVC staff stated they hired only DHHS-licensed providers as subcontractors and, therefore, relied upon DHHS' licensing process to ensure the required insurance was being obtained. According to DHHS, however, it was the duty of the lead contractors to ensure the subcontractors had the required insurance.

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(Continued)

12. Review and Payment of Subcontractors and Foster Parents (Concluded)

While the lead contractors must assume direct management of their respective subcontractors, DHHS bears the ultimate responsibility of ensuring adherence to the provisions of both the service contracts with the lead contractors and DHHS' own Master Operations Manual. Thus, good business practices require DHHS to implement oversight procedures to ensure that lead contractors both pay their subcontractors timely, as provided under the amended service contracts, and oblige their subcontractors to obtain insurance coverage, as required by the Master Operations Manual.

Without adequate oversight procedures by DHHS, there is an increased risk for lead contractors' noncompliance with contractual provisions requiring that subcontractors be paid timely. Additionally, a lack of such oversight procedures may encourage lead contractors to refrain from ensuring that their subcontractors obtain insurance coverage, as required by the Master Operations Manual, thereby placing the State and foster children at risk of an uninsured loss.

We recommend DHHS implement oversight procedures to ensure the lead contractors comply with contractual provisions requiring the timely payment of their subcontractors. We recommend also DHHS adopt procedures to ensure all lead contractors oblige subcontractors to obtain the insurance coverage required under the Master Operations Manual.

DHHS' Response: DHHS concurs with the APA's finding. DHHS will evaluate its contract monitoring processes related to timely payments to foster parents and subcontractors. A Corrective Action Plan was requested and received from KVC and NFC related to the Insurance Requirements identified by the APA. The Lead Contractors have agreed to obtain and maintain copies of insurance plans for all of their subcontractors no later than September 30, 2011.

13. Competitive Bidding Requirements

Neb. Rev. Stat. § 73-504 (Reissue 2009) requires that State agencies follow established competitive bidding procedures when entering into contracts for services. That statute provides, in relevant part:

“(1) All state agencies shall comply with the review and competitive bidding processes provided in this section for contracts for services. Unless otherwise exempt, no state agency shall expend funds for contracts for services without complying with this section;

(2) All proposed state agency contracts for services in excess of fifty thousand dollars shall be bid in the manner prescribed by the materiel division procurement manual or a process approved by the Director of Administrative Services. Bidding may be performed at the state agency level or by the materiel division. Any state agency may request that the materiel division conduct the competitive bidding process[.]”

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(Continued)

13. Competitive Bidding Requirements (Continued)

Neb. Rev. Stat. § 73-507 (Reissue 2009) offers various exceptions to the above bidding requirements. Specifically, subsection (2)(e) excepts:

“Contracts with direct providers of medical, behavioral, or developmental health services, child care, or child welfare services to an individual[.]”

During our examination, we noted that DHHS did not follow competitive bidding requirements when awarding contracts to six providers. Two contracts were entered into with five of the six entities, an implementation contract and a service coordination and delivery contract.

The implementation contracts, which totaled \$7 million, provided funding to hire and train staff and purchase equipment for the program. The service coordination and delivery contracts, which originally totaled \$149,515,887 for fiscal year 2010-11, have been amended seven times through January 2011. Amendment 5 increased both the services provided and the amount paid by \$6 million. Adding even more services, Amendment 7 increased the cost of the contracts by another \$19 million. As of August 16, 2011, the total amount awarded thus far for the service coordination and delivery contracts during fiscal years 2010-14 is \$423,837,856.

Our review of the service coordination and delivery contracts revealed that the actual service delivery is often subcontracted out by the contractors – meaning that the subcontractors and foster families, as opposed to the contractors themselves, serve as the true direct providers of the services to individuals. Based upon the RFQ responses received, DHHS was aware that the contractors would need to subcontract with foster parents and other providers rather than directly provide most services themselves. That being the case, we questioned whether those service coordination and delivery contracts legitimately fall within the § 73-507(2)(e) exemption from the statutory bidding requirements for service contracts.

When asked about the possibility that the service coordination and delivery contracts should have been publicly bid in compliance with § 73-504, DHHS responded:

“Although the use of subcontractors for service delivery is permitted by the contracts, it is not required. Many services to children and families have been and continue to be directly provided by lead contractors since the implementation of the contracts. Although the lead contractors have elected to use subcontractors to perform certain services, they remain ultimately responsible for the provision of child welfare services.”

It should be noted also that, despite relying heavily upon foster parents and subcontractors, the contractors do appear to provide some direct services themselves. However, DHHS records fail in many instances to provide a reliable indicator of whether the contractors or subcontractors supplied the actual direct services. It appears somewhat difficult, therefore, to determine the applicability of § 73-507(2)(e) to the service coordination and delivery contracts in question. (See **EXHIBIT C** for subcontractor payments reported by the lead contractors to the APA)

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(Continued)

13. Competitive Bidding Requirements (Continued)

Another relevant exception under § 73-507 to the competitive bidding requirements for service contracts is set out at subsection (1)(a) of that statute, which provides:

“Subject to review by the Director of Administrative Services, the materiel division shall provide procedures to grant limited exceptions from the provisions of sections 73-504, 73-508, and 73-509 for . . . [s]ole source and emergency contracts . . .”

Neb. Rev. Stat. § 73-502 (Reissue 2009) defines “sole source” as follows:

“Sole source means of such a unique nature that the contractor selected is clearly and justifiably the only practicable source to provide the service. Determination that the contractor selected is justifiably the sole source is based on either the uniqueness of the service or sole availability at the location required . . .”

Based upon our review, it does not appear that the service contracts in question qualify as “sole source” contracts that would fall within the limited exceptions to the requirements of § 73-504 granted by the Director of Administrative Services.

In excess of \$100 million of public funds have already been spent on the service contracts for fiscal year 2010-11, and hundreds of millions more are likely to follow. Regardless of whether those service provider agreements actually fall within either of the relevant exceptions found under § 73-507, we believe that contracts of such magnitude should be publicly bid as a matter of course.

Sound governmental accounting practices require that contracts involving the expenditure of millions of dollars in public funds be let for bid to ensure the fair and reasonable expenditure of those funds, as well as to make certain that the State receives the best services for the lowest possible price.

Finally, pursuant to Amendment 7 to the service contracts, which was adopted in December of 2010, the service providers have also taken on case management functions. According to DHHS’ meeting notes with contractors on April 7, 2010, “case management” means:

“[A] a collaborative process of assessment, planning, facilitation and advocacy for options and services to meet individual’s health needs through communication and available resources to promote quality cost-effective outcomes.”

Allowing the providers themselves to oversee the management of the cases that they handle gives rise to a potential conflict of interest – offering the opportunity, if not an actual incentive, for them to base decisions regarding the provision of services more upon cost criteria than upon the best interests of the recipients. Such a situation threatens not only to undermine the effectiveness of performance under the service contracts but also to prove harmful to the welfare

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13. Competitive Bidding Requirements (Continued)

of those receiving the services. To avoid these potential consequences, DHHS should discontinue the practice of allowing service providers to also assume case management functions. Instead, DHHS should segregate these responsibilities by bidding out the case management functions to neutral oversight providers capable of making objective determinations when assessing the quality and cost effectiveness of the services offered.

We recommend DHHS competitively bid service contracts worth millions of dollars, as a matter of course, to ensure the fair and reasonable expenditure of public funds, as well as to make certain that the State receives the best services for the lowest possible price. We recommend further that DHHS discontinue the practice of allowing service providers to assume also case management functions. Instead, DHHS should segregate these responsibilities by either resuming themselves or bidding out the case management functions to neutral oversight providers capable of making objective determinations when assessing the quality and cost effectiveness of the services offered.

DHHS' Response DHHS disagrees with the APA's assessment of the competitive bidding requirements. To the extent that this comment is within the scope of an audit of this nature, DHHS provides the following response. The exceptions to competitive bidding contained within Neb. Rev. Stat. §73-507(2)(e) provide flexibility to state agencies when contracting for services in situations where the quality of the service is critical. Exempt services include legal services; expert witness services; hearing officer services; road and bridge projects; and services provided by direct providers of medical, behavioral, developmental health, child care, and child welfare services, when those services are provided to an individual. The Legislature has not imposed any financial limitations on these exceptions.

Although DHHS had legal authority to award these contracts without any competitive process, it elected to issue a Request for Qualifications, thereby allowing all interested bidders to compete for a contract. This process was very public, and many organizations competed for the contracts, both individually and in groups. DHHS used the information gathered during the RFQ process to determine which organizations were awarded a contract. Because the Lead Contractors are equally responsible for services provided by the Lead Contractor itself and services provided by a subcontractor, the identity of the actual provider of the service is irrelevant to the applicability of statutory competitive bidding requirements. All of the services provided under the contract are child welfare services provided directly to individuals.

As required by state law, DHHS retained final decision making authority under the contracts regarding case plans submitted to the court. Case plans not consistent with a child's best interests are returned by DHHS to the Lead Contractors for revision. In addition, because all

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13. Competitive Bidding Requirements (Continued)

DHHS' Response, Concluded:

case plans require court approval prior to implementation, they receive thorough scrutiny from County Attorneys, Guardians ad Litem, Parent and Juvenile attorneys, Court Appointed Special Advocates, the Foster Care Review Board, and the Juvenile and Appellate Courts, just as DHHS case plans are scrutinized in areas of the state where Lead Contractors are not in place.

APA Response: Whether a lead contractor that subcontracts with another provider, as well as possibly contracting further with a foster parent, qualifies as a “direct provider of . . . services to an individual” under Neb. Rev. Stat. § 73-507 (Reissue 2009) for purposes of being exempt from competitive bidding requirements, or is merely a non-exempt service coordinator, may ultimately prove a matter of statutory interpretation for the Attorney General to decide. Nonetheless, DHHS chose to use its own staff to handle the contract process, rather than taking advantage of the experience of the Department of Administrative Services-Materiel Division (DAS).

Had DHHS utilized DAS, it is possible that more qualified applicants could have been found. In addition, as noted in Comment 2, DHHS either lacked the financial expertise to interpret the RFQs adequately or was simply indifferent to the financial implications of contracting for millions of taxpayer dollars with entities having questionable financial stability. Although DAS could have been a valuable resource throughout this process, DHHS pursued a contracting strategy that resulted in numerous amendments and the expenditure of millions of public dollars without any effective oversight. As the several contract amendments increased taxpayer obligations without any justification that DHHS could provide to the APA, DHHS seemed satisfied that the financial requirements cited by the lead contractors were valid purely on the basis of their unsubstantiated affirmations.

Regarding the issue of the potential financial self interest of the lead agencies when making decisions that are financially based rather than client based, DHHS' response indicates a reliance upon external entities to prevent conflicts of interest on the part of the lead contractors. In a letter to DAS regarding the transfer of case management to the lead contractors, DHHS states:

“Currently CFS operates on a ratio of approximately 20 cases per CFS Specialist . . . Under reform the new role of CFS would be to provide oversight to [KVC, NFC] case managers and maintain final decision making related to court recommendations as required by law. This new oversight position will oversee a ratio of one to 80 cases. It is anticipated that caseloads may increase over time to 120 cases based on review of implementation.”

We believe the oversight that could be provided with a ratio of 1 to 80 or 1 to 120 cases would be negligible.

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13. Competitive Bidding Requirements (Concluded)

APA Response, Concluded:

Furthermore, DHHS states that all of the services provided under the contracts are child welfare services provided directly to individuals. However case management is not a direct service to individuals. The letter by DHHS to DAS noted above pertains to compliance with Neb. Rev. Stat. §§ 73-301 through 73-306 (Reissue 2009). Regardless, per Neb. Rev. Stat. § 73-301 (Reissue 2009):

“The Director of Administrative Services shall review and approve or disapprove any contract for personal services between a private entity and any state agency . . . if, on the effective date of the contract, the personal services are performed by permanent state employees of the agency and will be replaced by services performed by the private entity. The contract shall be subject to the public bidding procedures established in sections 81-145 to 81-162 except in emergencies approved by the Governor.”

14. Lack of Support for Determination of Initial Service Contract Amounts

For the fiscal year ended June 30, 2009, prior to the implementation of any of the lead provider service contracts, DHHS spent \$107,753,602 on providing child welfare services. However, when determining the amount needed for the lead contractors to perform those same services in 2010, DHHS arrived at a figure of only \$105,809,752 annually. As a result of DHHS' calculations, the fees provided under the service contracts were based upon the curious assumption that the lead contractors could perform comparable child welfare services at a cost of \$1,943,850 less per annum than the amount DHHS had expended for those same services the previous year.

Funding Source	Total Appropriation for SFY10	Exclusion	Excluded Amount	Total Available for Contractors
347 Subprograms 30,31,34 &48 - Child Welfare	\$ 143,818,014.00	Magellan	\$ 1,534,847.00	
		Omaha Independent Living	\$ 582,922.00	
		Detention	\$ 2,170,980.00	*Projected
		Winnebago	\$ 756,054.09	
		Santee	\$ 111,057.77	
		Omaha Tribe	\$ 1,044,052.26	
		Tribal Expenditures	\$ 548,729.00	
		Physical Health Care	\$ 166,180.00	*Projected
		Adoption Subsidy	\$ 22,680,129.00	

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14. Lack of Support for Determination of Initial Service Contract Amounts (Continued)

Funding Source	Total Appropriation for SFY10	Exclusion	Excluded Amount	Total Available for Contractors
		Guardianship Subsidy	\$ 5,946,260.00	*Projected
		Former Ward	\$ 794,000.00	
		DD Service Coordination	\$ 2,558,333.45	
			Total Excluded	\$ 38,893,544.57
			Total Available	\$ 104,924,469.43
265-60-67 CHAFEE - Independent Living	\$ 1,575,048.00	Foster Youth Counsel -GYAC	\$ 172,300.00	
		Tribal IL Programs	\$ 125,899.92	
		ESA OIL	\$ 391,566.00	
			Total Excluded	\$ 689,765.92
			Total Available	\$ 885,282.08
Others (EXHIBIT K)	\$ 52,131,692.00		\$ 52,131,692.00	
	Total Appropriation		Total Excluded	Total Available
	\$ 197,524,754.00		\$ 91,715,002.49	\$ 105,809,751.51
Approved by CFS and Finance on 10-20-2009				

Good internal control requires that documentation be maintained to support the contract amounts negotiated by DHHS on service contracts with lead contractors. Additionally, because some of the funds expended by DHHS for lead contractor services are derived from Federal awards, Office of Management and Budget (OMB) Circular A-87 (Revised May 10, 2004), which provides basic guidelines for the proper expenditure of Federal award monies, is also applicable. That standard requires allowable costs to be, among other things, necessary, reasonable, and adequately documented.

Our review of DHHS' documentation for the service contract amounts noted the following:

- In determining appropriate service contract amounts, DHHS excluded entirely the appropriation for Program 345, under which community based juvenile services are provided. Such services include electronic monitoring, tracker services, and drug screening. Despite excluding funds for Program 345 services, DHHS included those same services in the lead contractors' responsibilities under the service contracts. In fiscal year 2009, claims documented in NFOCUS for Program 345 services amounted to \$6,250,179. We noted also that, between November 1, 2009, and March 31, 2011, NFOCUS reflected claims submitted by contractors totaling \$9,466,374 for Program 345 services.

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14. Lack of Support for Determination of Initial Service Contract Amounts (Continued)

- DHHS excluded child support collections when determining appropriate service contract amounts for fiscal year 2010. Under Title IV of the Social Security Act, child support collections are to be used to offset the costs of services. Prior to fiscal year 2010, DHHS would pay the total costs for services, collect the child support, and receive the net amount in legislative appropriations and Federal awards. For fiscal year 2009, the total costs for services were \$107,753,602 and child support collections were \$2,544,257, netting appropriations needed of \$105,209,345. The failure of DHHS to include child support collections in the 2010 calculations meant that, although the lead contractors were expected to provide the total costs of services, the service contract amounts were based on only the net amount.
- DHHS excluded \$2,170,980 in Program 347 funds when determining appropriate service contract amounts. Those funds are provided for youth detention services. In fiscal year 2009 only \$1,611,713 was paid from Program 347. By excluding additional Program 347 funds, DHHS retained control of approximately \$560,000 but reduced by that amount the money available to the lead contractors.

Failure by DHHS to maintain adequate support for calculating contract amounts could result in lead contractors receiving less funding than needed to carry out their duties under the service contracts. The contractors did sign the service contracts for the amounts calculated by DHHS; however, it should be noted that the lead contractors were led to believe during negotiations that those service contract amounts would be based upon a good-faith estimate by DHHS of the actual costs of providing child welfare services.

We recommend DHHS implement procedures to ensure contracted amounts are reasonable and adequately supported.

DHHS' Response: DHHS concurs with the APA's finding in regard to funding in recognition of child support collections used to support the cost of child welfare services. The Child Welfare budget is a net amount based on expenditures minus child support collections. Child support collections are considered as an income source rather than a budget category. In retrospect, additional funds should have been considered in the contracts in recognition of DHHS' income from child support as it applies to child welfare expenditures. However, within a relatively short period of time, contracts were increased well beyond the amount that would have been initially included based on child support.

DHHS disagrees with any inference that there was not supportive documentation to determine the initial contract amounts or that the process to determine contract amounts was not done in good faith. Throughout the RFQ process DHHS shared historical financial expenditure data with the prospective contractors as well as data reports regarding service type, populations of children and youth served, and all other information that was in the possession of DHHS that would assist the potential contractors in their analysis of whether or not to move forward with a

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14. Lack of Support for Determination of Initial Service Contract Amounts (Concluded)

DHHS' Response, Concluded:

proposal and signing of a contract. DHHS conducted an open process with the contractors over multiple meetings to identify funds to be "included or excluded" in determining contract amounts within the existing budget appropriations. Copies of the worksheets outlining included and excluded funds were provided to the APA. DHHS did base the service contract amounts on a good-faith estimate of actual costs within the available budget.

As mentioned in the report, Program 345 funds and a portion of Program 347 Funds were not available for contracts. The reason for this is that DHHS and the contractors agreed that DHHS would maintain responsibility for the costs of detention, the DHHS' Interagency Agreement with the Administrative Office of Probation (CFS/AOP Pilot) and the Youth Links Contract. The amount of funds excluded from contracts and retained by DHHS to cover these costs was a reasonable and necessary amount based on historical expenditures by DHHS for detention services and the other two identified contracts.

As mentioned, copies of the worksheets outlining included and excluded funds used in the DHHS discussions with potential Lead Contractors were provided to the APA. The audit finding questions three specific budget areas from among the many included on the worksheets. This audit finding does not provide information that describes a "lack of support for determination of the initial contract amounts" as reflected in the title of this finding.

APA Response: As noted, the effect of DHHS excluding additional funds from program 347 for detention reduced the amount available to contractors. In total, this finding includes over \$12 million of funding sources not properly considered.

15. Contract Transition Percentages Were Not Met

Under eight of the nine service contracts, the lead contractors did not meet their required contractual percentages for transitioning service coordination and service delivery for families. Section 19, "Service Area Transition Plans," of DHHS' Master Operations Manual, which is incorporated by the contracts with the lead contractors, states, "The Contractor agrees to assume Service Coordination and service delivery for families according to the following schedule." Following is the schedule provided:

% of Youth/Families to be Served by Each Contractor by the end of Each Month

End of Month	Central Service Area	Eastern Service Area	Eastern Service Area	Eastern Service Area	Northern Service Area	Southeast Service Area	Southeast Service Area	Southeast Service Area	Western Service Area
	BGH	NFC	Visinet	KVC	BGH	Cedars	Visinet	KVC	BGH
Nov.	0%	30%	30%	40%	20%	37%	37%	37%	0%
Dec.	33%	25%	20%	30%	20%	37%	37%	37%	30%
Jan.	0%	25%	30%	30%	20%	26%	26%	26%	20%

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(Continued)

15. Contract Transition Percentages Were Not Met (Continued)

End of Month	Central Service Area	Eastern Service Area	Eastern Service Area	Eastern Service Area	Northern Service Area	Southeast Service Area	Southeast Service Area	Southeast Service Area	Western Service Area
Feb.	33%	20%	20%	0%	20%	0%	0%	0%	0%
March	34%	0%	0%	0%	20%	0%	0%	0%	50%
	100%	100%	100%	100%	100%	100%	100%	100%	100%

The actual percentages of cases transitioned from DHHS to the contractors per NFOCUS were:

End of Month	Central Service Area	Eastern Service Area	Eastern Service Area	Eastern Service Area	Northern Service Area	Southeast Service Area	Southeast Service Area	Southeast Service Area	Western Service Area
	BGH	NFC	Visinet	KVC	BGH	Cedars	Visinet	KVC	BGH
Nov.	0%	32%	26%	28%	19%	29%	26%	36%	0%
Dec.	41%	20%	25%	24%	18%	32%	30%	27%	41%
Jan.	2%	20%	20%	39%	18%	39%	42%	36%	5%
Feb.	25%	27%	25%	6%	21%	0%	1%	1%	13%
March	32%	1%	4%	3%	23%	0%	1%	0%	25%
April					1%				16%
	100%	100%	100%	100%	100%	100%	100%	100%	100%

The accumulated shortages ranged from 1% to 18%. DHHS' contracts with the lead contractors did not include penalties if contract provisions were not met, and DHHS did not impose any penalties for failure to meet the specified transition percentages.

We noted also that the "contracted organization assignment" dates in NFOCUS, which represent the dates on which lead contractors begin work on specific client cases, were not always correct. Sometimes a contractor started services either before or after the date reflected in NFOCUS. The assignment dates were entered into NFOCUS by the lead contractors; however, DHHS lacked procedures to ensure the accuracy of those dates.

Because fiscal year 2010 contract amounts were based on the transition percentages stated in the operation manual, and the lead contractors did not consistently meet those percentages, DHHS incurred additional costs coordinating and delivering services for which the lead contractors were already being paid.

We recommend DHHS implement procedures to ensure contract provisions are met. We recommend further DHHS include provisions in future contracts for penalties if contract provisions are not met. Finally, we recommend DHHS implement procedures to ensure the accuracy of assignment dates entered into NFOCUS by lead contractors.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS

(Continued)

15. Contract Transition Percentages Were Not Met (Concluded)

DHHS' Response: DHHS concurs with the APA's finding that "contracted organization assignment" dates in N-FOCUS were not always correct. The experience with these contractors will be taken into account in developing procedures in the future to further reduce the likelihood of such errors. DHHS respectfully disagrees with the APA's assessment of the transition process. DHHS was aware of and involved in the adjustments to the transition plans. The transition plans were developed as monthly targets toward full transition of all cases by April 1. As the transition took place, Lead Contractors and DHHS staff experienced challenges in a number of areas including staff hiring and training, new cases coming into the system and the logistics of transferring case information. Adjustments to the plans were agreed to by DHHS and individual contractors in order to have as smooth a transition as possible for the children. The error is in not having amended the contracts to reflect the agreed upon adjustments. Even with the adjustments to transition plans, DHHS was able to meet its obligations within its budget.

16. Access to System Not Removed Timely for Terminated Employees

During our examination, we noted that DHHS did not revoke in a timely manner the NFOCUS access for terminated employees of lead contractors.

Section III(B)(8)(e)(1) of the Service Delivery, Coordination and Case Management Contracts between DHHS and both KVC and NFC requires those contractors to "assign a security administrator" whose immediate duty is to:

"Notify DHHS Help Desk when a Contract employee is terminated or leaves employment so the Help Desk may terminate the employees [sic] Citrix [the electronic gateway for NFOCUS] access . . ."

Additionally, Nebraska Information Technology Commission (NITC) Standard 8-101, Section 7, which applies to all public entities and State agencies, excluding higher education, says, in part:

"A user account management process will be established and documented to identify all functions of user account management, to include the creation, distribution, modification and deletion of user accounts."

We noted the NFOCUS access of 20 employees terminated by KVC was not removed timely. Although their termination dates ranged from March 5, 2010, to March 25, 2011, all but three of those former employees continued to have access to NFOCUS as of May 27, 2011. One of these former KVC employees was terminated on October 15, 2010; however, she logged into NFOCUS on three consecutive days following that termination date. Similarly, the NFOCUS access of the three other employees terminated by KVC was removed between 13 and 63 days

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS

(Continued)

16. Access to System Not Removed Timely for Terminated Employees (Concluded)

after their termination dates. Although having received email notifications from KVC of 11 of the 20 employee terminations, DHHS failed to take immediate action to revoke the NFOCUS access of any of those former employees.

We noted also the NFOCUS access of four terminated NFC employees was not removed timely. Though their employment ended on March 4, 2011, three of these former employees still had access to NFOCUS as of May 27, 2011. NFC notified DHHS of these terminations on the day that they occurred; however, DHHS took no action to revoke the former employees' NFOCUS access. The fourth former NFC employee's NFOCUS access was eventually revoked by DHHS, but that revocation did not occur until 16 days after her employment termination date. NFC notified DHHS by email only one day after this termination of employment; however, DHHS delayed revoking the former employee's NFOCUS access by almost three full work weeks.

A good internal control plan requires that DHHS monitor information technology system usage in a manner to ensure the NFOCUS access of terminated employees of lead contractors is revoked in a timely manner.

When the NFOCUS access of a former employee of a lead contractor is not revoked in a timely manner, there is a significant risk that the individual could gain unauthorized access to sensitive information after termination from employment.

We recommend that DHHS implement procedures, including regular reviews of external system users, to ensure the NFOCUS access of former employees of lead contractors is revoked timely. We recommend also that greater emphasis be placed upon the contractual duty of lead contractors to notify DHHS immediately when employees with NFOCUS access terminate employment.

DHHS' Response: DHHS concurs with the APA's findings and recommendation. DHHS has established policy and procedures for reviewing user access and a formalized process to remove access for both internal and external users. Supervisors, security administrators and designated staff from contracted external partners have received the policy and procedures in writing and have had formal training. As noted by the audit, the process is dependent upon the individuals responsible for completing and routing the forms or information. DHHS will review the procedures with the Lead Contractors and implement any necessary changes.

APA Response: Although some dependency upon cooperation by lead contractors does exist, DHHS failed to take immediate action to revoke NFOCUS access when lead contractors did notify DHHS of terminated employees.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS

(Continued)

17. Approval of Subcontractor

The DHHS Operations Manual (November 2009), which is incorporated into the service contracts with the lead contractors, states: "The Department reserves the right to disapprove the use of any subcontractor." That manual provides also: "Prior to the addition and utilization of a subcontractor, the Contractor must submit the name to the contract administrator for approval." As part of our testing procedures, we obtained from DHHS a list of all subcontractors utilized by the lead contractors. We received a similar listing from each of the lead contractors and tested two subcontractors of BGH that were also direct contractors with DHHS after BGH contracts ended.

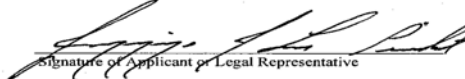
BSM, Inc.

Our review of those lists revealed that one BGH subcontractor, McConaughy Discovery Center, is the trade name for BSM, Inc., which was incorporated by Jeannine J. Lane. Another company incorporated by Jeannine J. Lane, Alternative Learning Lane, Inc., had been, along with the Ogallala Public School District, the subject of a previous attestation review performed by the APA. The resulting report, entitled "Ogallala Public Schools District Payments to Alternative Learning Lane, Inc." was released on September 3, 2009, and noted significant compliance issues involving Jeannine J. Lane's company.

NE Sec of State John A. Gale - CORP. TU
1000852897
McConaughy DISCOVERY CENTER
Filed: 01/09/2009 12:17 PM

APPLICATION FOR REGISTRATION OF TRADE NAME
John A. Gale, Secretary of State
Room 1301 State Capitol, P.O. Box 94608, Lincoln, NE 68509
(402) 471-4079
<http://www.sos.state.ne.us>
Submit in Duplicate

PUBLICATION REQUIREMENT: Neb. Rev. Stat. §87-219 "Every duplicate of the registration of a trade name shall be published by the applicant once in a newspaper of general circulation published in the city or village where the business is to be located, or, if there is no newspaper in the city or village, in some newspaper of general circulation in the county. Proof of such publication shall be filed in the office of the Secretary of State and with the county clerk of the county where the principal office is located, within thirty days from the date of registration with the Secretary of State. If proof of publication is not filed with the Secretary of State and the county clerk within the thirty days, the registration shall be cancelled by the Secretary of State."

Trade Name McConaughy Discovery Center
Name of Applicant BSM, Inc.
Address 401 N. Spruce St. Ogallala NE 69153
street address city state zip
Applicant is ☐ Individual ☒ Corporation ☐ Limited Liability Company ☐ Partnership
☐ Limited Liability Partnership ☐ Limited Partnership ☐ Other (specify) _____
If other than an Individual, state under whose laws entity was formed: Nebraska
Date of first use of name in Nebraska 9-16-08
General nature of business education, behavior and mental
health

Signature of Applicant or Legal Representative

Please Note:

Registration of a trade name with the State of Nebraska does not guarantee that a similar name has not been registered nationally with the U.S. Patent and Trademark Office. To check national availability go to: <http://www.uspto.gov/main/trademarks.htm>

FILING FEE: \$100.00

Registration Expires 10 years from date of filing

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS

(Continued)

17. **Approval of Subcontractor** (Continued)

Specifically, the 2009 report noted that Alternative Learning Lane, Inc., provided a computer-delivered “alternative education” program for at-risk students in the Ogallala Public School District. Between 2001 and 2008, the Ogallala Public School District paid Alternative Learning Lane, Inc., \$1.4 million for that service. However, while administering the educational program, Alternative Learning Lane, Inc., failed to employ either certified teachers or a certified teacher with a special education endorsement – both of which were requirements of the Nebraska Department of Education. Moreover, as late as 2008, Jeannine J. Lane held herself out as a “regular education teacher,” although her certification with the Nebraska Department of Education had expired in 2003. As a result of these and other concerns, the Ogallala Public School Board took action to terminate the contract with Alternative Learning Lane, Inc. For more details regarding this matter, please refer to the report, which is available at http://www.auditors.state.ne.us/local/pdfSearch/PDF/2008_Ogallala_Public_Schools.pdf.

A separate list of subcontractor payments obtained from BGH clarified that payments for services provided under the contract with McConaughy Discovery Center were made to BSM, Inc. As explained above, McConaughy Discovery Center is the trade name used by BSM, Inc. Between November 1, 2009, and September 16, 2010, BGH paid BSM, Inc., \$781,465 under the reform services contract and \$183,961 under the in-home safety contract for services provided. Additionally, BSM, Inc., listed accounts receivable due from BGH of \$616,598. In 2010, moreover, BSM, Inc., received payments of \$443,668 from DHHS for direct contract services. According to an unaudited compilation of revenues and operating expenses provided by Jeannine J. Lane, the net profits of BSM, Inc., grew from \$5,508 in 2008 to \$1,245,352 in 2010. (See **EXHIBIT L**)

We also learned that Jeannine J. Lane was employed as a Service Coordinator for BGH from August 3, 2009, to October 8, 2010 – a time during which BSM, Inc. received subcontractor payments through that lead contractor. We inquired as to whether BGH had any documentation pertaining to a possible conflict of interest between Jeannine J. Lane’s employment with BGH and her involvement with BSM, Inc. providing services in the Western Service Area. In response to our inquiry, BGH provided us with a copy of a typed letter from Jeannine J. Lane to Jeff Hackett, the Chief Operating Officer of BGH. Dated January 28, 2010, some six months after the start of her business relationship with BGH, that letter acknowledged Jeannine J. Lane’s managerial position in BSM, Inc., as well as her ownership interests in other service providers. The unsigned letter also outlined specific steps taken to avoid possible conflicts of interests, stating:

“Prior to accepting my position as Team Leader with Boys and Girls Home, I was the President/Agency Director of BSM, Inc. d.b.a. The McConaughy Discovery Center and various other entities that I own working with families and children in Western Nebraska . . . Since accepting employment with Boys and Girls Home, I have restructured the

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS
(Continued)

17. Approval of Subcontractor (Continued)

governing board and officers of the corporation. I have distanced myself from the corporation/agency in all possible decision making capacities. Please see the attached corporation documents identifying the change."

The attached documents referenced in Jeannine J. Lane's letter included the minutes of a BSM, Inc., meeting held on January 15, 2010. That document indicates that Jeannine J. Lane was replaced by her daughter, Jacqelle B. Lane, to serve as the President of BSM, Inc. However, also attached to the letter was a copy of the minutes of a subsequent BSM, Inc., meeting held on February 5, 2010. According to that document, Sue Baker was elected to replace Jacqelle B. Lane as both the President and the Secretary of BSM, Inc.

While the above documentation would seem to indicate that Jeannine J. Lane had indeed taken substantive action to address possible conflicts of interest, a review of corporate filings with the Secretary of State revealed that, according to an "Amendment or Correction to Biennial Report" for BSM, Inc., covering the period 2010 to 2011, Jeannine J. Lane subsequently resumed her former position as President of that corporation – indicating that the previous restructuring of corporate officers was largely illusory, and the steps taken did not adequately address the conflict of interest issue. See those documents following:

DOMESTIC CORPORATION OCCUPATION TAX REPORT STATE OF NEBRASKA, SECRETARY OF STATE		
Report shall show exact corporate name, registered agent, location of registered office, officers and directors with street address of each.		
BSM, INC.	10079819 Account Number	TAX REPORTING YEARS 2010 ASSESSABLE DUE MAY 1, 2010 DELINQUENT MAY 5, 2010
LEAH LAROCCA 401 NORTH SPRUCE STREET OGALLALA NE 69153		Filed February 10, 2010
1. EXACT CORPORATE NAME (as stated in articles of incorporation or most recent BSM, INC.		
2. OFFICERS (complete name and address is required for each officer and director)		
Name	Street Address	City State Zip
President: JEANNINE J. LANE Jacqelle B. Lane	401 N. SPRUCE ST.	OGALLALA NE 69153
Secretary: JEANNINE J. LANE Jacqelle B. Lane	401 N. SPRUCE ST.	OGALLALA NE 69153
Treasurer: JEANNINE J. LANE Leah Larocca	401 N. SPRUCE ST.	OGALLALA NE 69153
3. Principal Office of Corporation:		OGALLALA NE 69153
MC GINLEY - LANE BLDG. 401 N. SPRUCE ST.		
4. Registered Office:		OGALLALA NE 69153
401 NORTH SPRUCE STREET		
5. Registered Agent: LEAH LAROCCA		
6. Nature of Business: WELLNESS AND FITNESS		
7. If the pre-printed information above is correct for this year's report please check here _____		
YOU MUST COMPLETE THESE TWO ITEMS		
Amount of Paid Up Capital Stock	\$	1,000.00
Occupation Fee (Fee Schedule on Page 2 of report)	\$	26.00
MAKE CHECKS PAYABLE TO SECRETARY OF STATE Your Cancelled Check is Your Receipt		
SIGN HERE		DATE 2/10/2010
Jacqelle B. Lane President Printed Name of Officer		

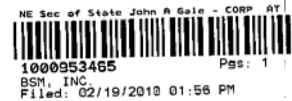
NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS
(Continued)

17. Approval of Subcontractor (Continued)

Amendment or Correction to
Biennial Report

John A. Gale, Secretary of State
Room 1301 State Capitol, P. O. Box 94608
Lincoln, NE 68509
(402) 471-4079



Filed February 19, 2010

1) Exact Name of Corporation or Limited Liability Company (exact name as stated in articles of organization, or certificate of authority filed with the Nebraska Secretary of State):
BSM Inc.

2) Amendment or Correction applies to the following type of Biennial Report (check only one box):

☐ Foreign Corporation ☒ Domestic Corporation ☐ Limited Liability Company

3) Years of Biennial Report being corrected (found on Tax Report form): 2010 - 2011

4) Amendment or Correction is correcting or adding names of (check boxes as applicable):

☒ Officer and indicate title of office and/or ☐ Director (attach additional page if necessary)

☒ Sue Baker, President and Secretary 1510 East 6th St, Ogallala, NE 69153

(Indicate whether change or addition is Officer (give title) or Director and provide both name and address of same)

☒ Jack Baker, Vice President and Treasurer 1510 East 6th St, Ogallala, NE 69153

(Indicate whether change or addition is Officer (give title) or Director and provide both name and address of same)

5) Amendment or Correction is correcting Principal Office (if Corporation) and/or Street Address of Principal Place of business in Nebraska (if Limited Liability Company):

Street Address	City	State	Zip
----------------	------	-------	-----

6) Amendment or Correction is correcting name of state or jurisdiction under whose laws a: ☐ Limited Liability company is organized or ☐ Corporation is formed: _____

7) Amendment or Correction is correcting Nature of Business conducted in Nebraska: _____

8) Amendment or Correction is changing Location of Property Owned or Used in Nebraska: _____

9) ☐ Amendment or Correction is changing the Actual Value of Real Estate and Personal Property in Nebraska (if Foreign Corporation only): from \$ _____ to \$ _____. (Enclose additional occupation tax due for Corporation or if refund is due contact Secretary of State for refund form. Attach explanation of increase or decrease in Actual Value of Real Estate or Personal Property.)

OR

☐ Amendment or Correction is changing the Amount of Paid Up Capital Stock (if Domestic Corporation only): from \$ _____ to \$ _____. (Enclose additional occupation tax due for Corporation or if refund is due, contact Secretary of State for refund form. Attach explanation of increase or decrease in Amount of Paid Up Capital Stock.)

Signature: Sue Baker, President

FILING FEES: Limited Liability Company \$10.00 flat fee OR
Corporation \$25.00 (plus \$5.00 per page recording fee). Make check payable to: Secretary of State.

SOS Revised 7-18-08

Neb. Rev. Stat. § 21-2617.01, 21-301, 21-304

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

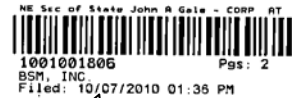
COMMENTS AND RECOMMENDATIONS

(Continued)

17. Approval of Subcontractor (Continued)

Amendment or Correction to
Biennial Report

John A. Gale, Secretary of State
Room 1301 State Capitol, P. O. Box 94608
Lincoln, NE 68509
(402) 471-4079



Filed October 7, 2010

1) Exact Name of Corporation or Limited Liability Company (exact name as articles of organization, or certificate of authority filed with the Nebraska Secretary of State) BSM, Inc.

2) Amendment or Correction applies to the following type of Biennial Report (check only one box):
☐ Foreign Corporation ☒ Domestic Corporation ☐ Limited Liability Company

3) Years of Biennial Report being corrected (found on Tax Report form): 2010 - 2011

4) Amendment or Correction is correcting or adding names of (check boxes as applicable):

☒ Officer and indicate title of office and/or ☐ Director (attach additional page if necessary)

☒ Leah A. LaRocca, Secretary/Treasurer 1120 East I St, Ogallala, NE 69153

(Indicate whether change or addition is Officer (give title) or Director and provide both name and address of same)

☐

(Indicate whether change or addition is Officer (give title) or Director and provide both name and address of same)

5) Amendment or Correction is correcting Principal Office (if Corporation) and/or Street Address of Principal Place of business in Nebraska (if Limited Liability Company):

Street Address City State Zip

6) Amendment or Correction is correcting name of state or jurisdiction under whose laws a: ☐ Limited Liability company is organized or ☐ Corporation is formed: _____

7) Amendment or Correction is correcting Nature of Business conducted in Nebraska: _____

8) Amendment or Correction is changing Location of Property Owned or Used in Nebraska: _____

9) ☐ Amendment or Correction is changing the Actual Value of Real Estate and Personal Property in Nebraska (if Foreign Corporation only): from \$ _____ to \$ _____. (Enclose additional occupation tax due for Corporation or if refund is due contact Secretary of State for refund form. Attach explanation of increase or decrease in Actual Value of Real Estate or Personal Property.)

OR

☐ Amendment or Correction is changing the Amount of Paid Up Capital Stock (if Domestic Corporation only): from \$ _____ to \$ _____. (Enclose additional occupation tax due for Corporation or if refund is due, contact Secretary of State for refund form. Attach explanation of increase or decrease in Amount of Paid Up Capital Stock.)

Signature _____

FILING FEES: Limited Liability Company \$10.00 flat fee OR
Corporation \$25.00 (plus \$5.00 per page recording fee). Make check payable to: Secretary of State.

SOS Revised 3-26-10

Neb. Rev. Stat. § 21-2617.01, 21-301, 21-304

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS

(Continued)

17. Approval of Subcontractor (Continued)

Amendment or Correction to
Biennial Report

John A. Gale, Secretary of State
Room 1301 State Capitol, P. O. Box 94608
Lincoln, NE 68509
(402) 471-4079

Filed October 7, 2010,
with page above.

1) Exact Name of Corporation or Limited Liability Company (exact name as stated in articles of incorporation, articles of organization, or certificate of authority filed with the Nebraska Secretary of State):
BSM, Inc.

2) Amendment or Correction applies to the following type of Biennial Report (check only one box):
☐ Foreign Corporation ☒ Domestic Corporation ☐ Limited Liability Company

3) Years of Biennial Report being corrected (found on Tax Report form): 2010 - 2011

4) Amendment or Correction is correcting or adding names of (check boxes as applicable):

☒ Officer and indicate title of office and/or ☐ Director (attach additional page if necessary)

☒ Jeannine J. Lane, President 401 N. Spruce Street, Ogallala, NE 69153
(Indicate whether change or addition is Officer (give title) or Director and provide both name and address of same)

☒ Jacquelle B. Lane, Vice-President 401 N. Spruce Street, Ogallala, NE 69153
(Indicate whether change or addition is Officer (give title) or Director and provide both name and address of same)

5) Amendment or Correction is correcting Principal Office (if Corporation) and/or Street Address of Principal Place of business in Nebraska (if Limited Liability Company):

Street Address	City	State	Zip
----------------	------	-------	-----

6) Amendment or Correction is correcting name of state or jurisdiction under whose laws a: ☐ Limited Liability company is organized or ☐ Corporation is formed:

7) Amendment or Correction is correcting Nature of Business conducted in Nebraska:

8) Amendment or Correction is changing Location of Property Owned or Used in Nebraska:

9) ☐ Amendment or Correction is changing the Actual Value of Real Estate and Personal Property in Nebraska (if Foreign Corporation only): from \$ to \$ (Enclose additional occupation tax due for Corporation or if refund is due contact Secretary of State for refund form. Attach explanation of increase or decrease in Actual Value of Real Estate or Personal Property.)

OR

☐ Amendment or Correction is changing the Amount of Paid Up Capital Stock (if Domestic Corporation only): from \$ to \$ (Enclose additional occupation tax due for Corporation or if refund is due, contact Secretary of State for refund form. Attach explanation of increase or decrease in Amount of Paid Up Capital Stock.)

Signature

FILING FEES: Limited Liability Company \$10.00 flat fee OR
Corporation \$25.00 (plus \$5.00 per page recording fee). Make check payable to: Secretary of State.

SOS Revised 3-26-10

Neb. Rev. Stat. § 21-2617.01, 21-301, 21-304

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS

(Continued)

17. Approval of Subcontractor (Continued)

Through further research, we found that DHHS has entered into five separate contracts with BSM, Inc., doing business as McConaughy Discovery Center, as a direct contractor. DHHS entered into these contracts after the termination of BGH's lead service contract. The five direct contracts with BSM, Inc., totaling \$2,393,603, were for the following types of services: visit supervision; tracker services; family support; drug screening and testing; in-home safety services; and school intervention. From October 1, 2010, to June 30, 2011, BSM, Inc., doing business as McConaughy Discovery Center, was paid a total of \$1,799,053 for Juvenile Community-Based, Public Assistance, Children's Health Insurance, and Medical Assistance programs.

BGH paid BSM, Inc., \$781,465 as a subcontractor from November 1, 2009, to September 30, 2010. We tested 14 billings and noted the following:

- For 7 of 14 billing claims tested, the rate billed by BSM, Inc., exceeded the rate allowed in the BGH subcontractor service and fee schedule. The fee schedule specified \$45/unit; however, BSM, Inc., billed at a rate of \$50/unit for the seven billings, resulting in a total overbilling of \$404.
- Adequate supporting documentation was not on file for 1 of 14 services. Two BSM, Inc., workers both claimed to be providing family support services for the same client at the same time, resulting in 2.75 hours of overlapping family support hours for that one client. Overlapping services are hours provided to a client at the same time that client received services from another worker. Even though two workers may be present, the client is still receiving only one hour of service, and only one hour of service should be billed.
- The number of family support hours billed for one month of service for one client appears unreasonable. BSM, Inc., billed BGH 285.5 hours, totaling \$14,275, for July 2010, including 17.75 hours of family support services billed on one day. Given the nature of the services provided, 17.75 hours of family support in one day appears unreasonable, as do costs totaling \$14,275 for only one month of such services. Fifteen days of 10 or more hours each were billed for family support services for one client. Various BSM, Inc., workers provided services for multiple members of this same client's family; however, all of those hours were billed under one client. Additionally, two BSM, Inc., workers provided 2.25 hours of overlapping services to two family members.

From the \$991,136 that DHHS paid to BSM, Inc., as a direct contractor, from October 1, 2010, through March 31, 2011, we tested 12 claims, totaling \$9,237, and noted the following:

- For 8 of 12 BSM, Inc., claims tested, adequate supporting documentation was not on file to support the service as billed to DHHS.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS

(Continued)

17. Approval of Subcontractor (Continued)

- Five payments lacked client signatures supporting the actual services rendered.
- Three billings did not agree to supporting documentation. One billing included an overbilling of one day of electronic monitoring services, and another billing included an overbilling of one hour of family support services. For a third billing, timesheets revealed an underbilling of three days of tracker services; however, several timesheets were missing the client's signature.
- When asked how many BSM, Inc., workers actively engaged in providing family support services, Jeannine J. Lane declined to respond definitively, indicating that the number varied depending upon the volume of cases referred by DHHS. According to her, BSM, Inc., workers frequently "cross over" from providing one type of service to another. In addition to making it virtually impossible to obtain an accurate count of family support service staff, such an approach raises questions regarding the qualifications of those who are enlisted by BSM, Inc., to provide family support services at any given time.

It should be noted that the educational requirements for workers who provide client services vary considerably. Other than service coordinators or supervisors, those serving under either a lead contractor or a subcontractor thereof are not required by DHHS to have any particular educational attainment. However, their counterparts serving under a provider that is neither a lead contractor nor affiliated therewith are required to have a minimum of a Bachelor's Degree or a staff equivalency petition approved by the DHHS Service Area Contract Liaison. This idiosyncratic educational requirement is written exclusively into the provider contracts between non-lead contractor providers and DHHS. For example, Article III(D)(1)(b)(1) of the Family Support and Visitation Contract between BSM, Inc., in that entity's capacity as a direct service provider, and DHHS states:

"Staff providing Family Support services shall have a minimum of a Bachelors Degree unless a staff equivalency petition is approved as in (3) below."

The testing of two BSM, Inc., workers, both of whom provided family support services, revealed that neither of those individuals had a Bachelor's degree or a staff equivalency petition approved by the DHHS service area Contract Liaison. Aside from constituting an open violation of the terms of the service contract, the failure of BSM, Inc., to select support service staff with the proper educational credentials is problematic for, at least, two reasons.

To start, using unqualified staff to provide important family support services poses a potential risk to the wellbeing of recipient clients. Additionally, the amount of compensation that DHHS paid BSM, Inc., was based upon the understanding, as reflected in the express terms of the service contract, that only qualified workers would perform

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS

(Continued)

17. Approval of Subcontractor (Continued)

the agreed-upon family support services. By enlisting workers lacking the required educational credentials, BSM, Inc., was able to pay those individuals considerably less than would have been required to retain qualified staff; at the same time, BSM, Inc., continued to be compensated by DHHS for those services in the full amount specified by the terms of the service contract for qualified workers. To illustrate, one BSM, Inc., worker had been employed previously at a fast food restaurant and lacked the required higher education. As of March 31, 2011, that individual was paid \$12.00 per hour, which was significantly less than the \$47.00 per hour that DHHS reimbursed BSM, Inc., for the Family Support services provided. Such an arrangement resulted in a financial windfall for BSM, Inc., proving also both potentially detrimental to those clients served by such an unqualified worker and financially harmful to DHHS, which paid for contractual services that BSM, Inc., knowingly failed to provide.

- BSM, Inc., utilized a different billing methodology as a direct contractor with DHHS than as a subcontractor through BGH. When acting as a subcontractor, BSM, Inc., typically billed services at an hourly rate in quarter-hour increments. However, when billing as a direct contractor, BSM, Inc., billed services at an hourly rate only in whole hours. Jeannine J. Lane, the owner of BSM, Inc., stated that incremental billing was a requirement of BGH and not mandated by the State. Additionally, she claimed that the service contract between BSM, Inc., and DHHS is unit based (hours, days, and tests performed) and that all service billings use whole units.

All billings tested for BSM, Inc., as a direct provider, included only whole hour or day units or tests performed. For example, DHHS was billed \$680 (20 days @ \$34) for tracker services, which include monitoring school attendance and curfew checks, completed in December 2010 for one client. However, the actual service time recorded by the BSM, Inc., worker totaled only 7.13 hours for the month. We noted two days billed with only five minutes recorded for the service, six days billed with only 6 to 10 minutes recorded for the service, and 11 days billed with 15 to 30 minutes recorded for the service. For one day, two hours were recorded for the service. To put this particular billing issue into proper perspective, the \$34 compensation paid for a five-minute tracker service telephone call was often greater than the daily stipend received by a foster parent. Our testing noted daily rates paid to foster parents ranged from \$7.83 to \$40.00. (See **EXHIBIT E**) The average rate noted on **EXHIBIT E** was \$18.51 daily. As of July 1, 2011, the contractual rate was changed to \$25.00 per day for phone contacts and \$34 per day for face-to-face contacts – still rather generous amounts considering both the brevity and relative ease of the tasks involved. Although the contract between BSM, Inc., and DHHS provides for tracker services to be paid as a daily unit, it appears unreasonable to bill a daily unit for only 5 to 30 minutes of actual contact with a client.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS

(Continued)

17. Approval of Subcontractor (Continued)

During testing of billings by BSM, Inc., it was observed that service start/stop times were not consistently and accurately recorded. Prior to December 2010, BSM, Inc., used manual timesheets to track services, and we noted that service hours were not always logged on those hand-written documents. In December 2010, BSM, Inc., began using Kaleidacare, a computerized foster care, behavioral health, and child welfare client management system, to document provided services; this would allow easier entry of actual service times. However, we noted that BSM, Inc., staff do not utilize the computerized system to track true service times or to determine how long the provision of certain client services actually take. For example, tracker services for one client indicated a start time of 9:00 pm on one day and a stop time of 9:05 pm four days later, with only one day recorded for the service.

An additional concern revealed by our examination involved several transfers of funds from BSM, Inc., to other companies incorporated by Jeannine J. Lane, including JJJ, Inc., ALL, Inc., JJJ, Inc., and also withdrawals to Jeannine Lane's account. From July 2009 to March 2011, a total of \$289,843 was transferred from BSM, Inc., to those three companies. Similarly notable, during that same time period, \$150,300 was transferred from BSM, Inc., to Jeannine J. Lane. According to Jeannine J. Lane, some fund transfers were made to "sweep" any funds in excess of the \$250,000 Federal Deposit Insurance Corporation (FDIC) coverage from the BSM, Inc., bank account to the other corporations' bank accounts. She stated also that some of those monies would have been transferred back into the BSM, Inc., bank account later, as needed to cover various expenses. A review of the General Ledger for BSM, Inc., showed two deposits from JJJ, Inc. The first, for \$138,085.49, occurred on October 14, 2010, and was used to finance the purchase of BSM, Inc., property in Gering, Nebraska. A second transfer of \$51,234.20 took place on November 19, 2010.

When addressing the transfer of funds between BSM, Inc., and JJJ, Inc., Jeannine J. Lane emphasized that the fund transfers were made between entirely "private" bank accounts, and the movement of funds between different corporate accounts is a standard business practice in private industry. Be that as it may, such transfers of money highlight that contract rates paid for certain services may be excessive, and DHHS needs to take a close look at the entire rate structure for child welfare services.

FAMILY SKILL BUILDING SERVICES

Family Skill Building Services (FSBS) was a subcontractor of BGH. FSBS became a direct contractor after BGH ended their contract on September 30, 2010. FSBS' registered agent is Kendra Leonhardt-Driggs. DHHS has entered into five separate contracts with Family Skill Building Services as a direct contractor after the termination of BGH's lead service contract. The five direct contracts with FSBS, totaling \$1,368,603 were for the following types of services: visit supervision; tracker services; family support; drug screening and testing; in-home safety services; and school intervention. From October 1, 2010, to June 30, 2011, FSBS was paid a total of \$951,220.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS

(Continued)

17. Approval of Subcontractor (Continued)

BGH paid FSBS, \$611,422 as a subcontractor from November 1, 2009, to September 30, 2010. FSBS also reported an accounts receivable from BGH of \$507,449. We tested 12 claims from FSBS billings and noted the following:

- For 1 of 12 claims, the billed rate was in excess of the rate provided for in the BGH subcontractor service and fee schedule. The fee schedule specified \$45/hour; however, FSBS billed \$50/hour for 45.5 hours resulting in an overpayment of \$228.
- Adequate supporting documentation was not on file for 5 of 12 claims.
 - Two claims lacked the client's signature supporting the family support service hours provided on one date.
 - For three claims, the timesheets provided by FSBS did not support the hours billed. Two claims included overbillings of 4.5 hours and 5 hours of family support services and a third claim included an underbilling of 3.25 family support hours.
- The total amount charged on one claim for July 2010 family support services was incorrectly calculated, resulting in an overbilling of \$8,805. FSBS calculated 36 hours at \$45/hour as \$10,425; however, the correct calculation is \$1,620.
- FSBS incorrectly recorded amounts due to FSBS by BGH on an accounts receivable spreadsheet detailing amounts still owed from BGH. In addition to miscalculating the total amount charged from the above bullet, FSBS then recorded this incorrect amount of \$10,425 on an accounts receivable spreadsheet provided to DHHS as supporting documentation of amounts still owed to FSBS from BGH. The amount owed for this one claim was overstated by \$8,805. Additionally, FSBS incorrectly recorded an amount due to FSBS from BGH for a second claim tested. The total amount charged on the billing document for this claim was changed from \$2,450 to \$2,280 and timesheets provided supported the \$2,280 charge; however, FSBS recorded \$2,450 on the accounts receivable spreadsheet, overstating the amount owed to them by \$170.
- We also noted that one FSBS employee recorded service hours for two clients at the same time for .25 hours. In addition to recording overlapping hours, this employee also recorded mileage for both clients indicating travel time would have been necessary to meet with each client and it appears there may have been more than just .25 hours of overlapping time. On another occasion, this employee recorded family support hours for one client from 10:00 a.m. until 12:00 p.m. and then from 12:00 p.m. until 2:00 p.m. for another client. Again, the timesheets indicated 16 miles of travel for the first client and 50 miles for the second. It is unreasonable to record a stop time of 12:00 p.m. for one client, then travel and record a start time of 12:00 p.m. for a second client when travel was not billable.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS

(Continued)

17. Approval of Subcontractor (Continued)

From the \$547,404 that DHHS paid to FSBS, as a direct contractor, from October 1, 2010, through March 31, 2011, we tested 12 claims, totaling \$15,968, and noted the following:

- For three of 12 claims, adequate documentation was not on file to support the service provided.
 - One service lacked the client's signature supporting the actual services rendered.
 - For another service, FSBS billed one hour for a non-billable service, a family team meeting. Family team meetings are monthly meetings convened for the purpose of creating, implementing, evaluating, and updating the Safety Plan or Case Plan and is attended by workers and family. The contract between FSBS and DHHS does not specify that family team meetings are billable.
 - Timesheets for one claim's service did not support the hours billed. FSBS billed \$3,443 (73.25 hours at \$47) for November 2010 family support services for one client. Timesheets provided supported 54.50 hours of family support services totaling \$2,561. Additional timesheets provided for this claim were coded to visitation supervision services (parenting time) for 18.75 hours and should have been billed under the visitation supervision service code at a rate of \$40/hour for a total of \$750. Therefore, an overbilling of \$132.
- During testing we also noted .25 hours of overlapping services for one client. One employee claimed visitation supervision hours from 12:01 p.m. to 4:30 p.m. and then again from 4:15 p.m. to 4:30 p.m. with overlapping time from 4:15 p.m. to 4:30 p.m. Additionally, the client did not sign the timesheet for the service provided from 4:15 p.m. to 4:30 p.m.

As noted above in the BSM, Inc., contract, Article III(D)(1)(b)(1) of the Family Support and Visitation Contract between FSBS, in that entity's capacity as a direct service provider, and DHHS states:

"Staff providing Family Support services shall have a minimum of a Bachelors Degree unless a staff equivalency petition is approved as in (3) below."

We tested four FSBS workers who provided family support services and determined that none of the four individuals had a Bachelor's degree or a staff equivalency petition approved by the DHHS service area Contract Liaison. The credentials for the four employees included one who was attending college; one who had previously been a paraeducator and had some college education; one who had been a licensed daycare provider with no higher education; and the last had been a manager at a department store and a Certified Nursing Assistant. This again constitutes an open violation of the terms of the service contract, by the failure of FSBS to select support service staff with the proper educational credentials.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS

(Continued)

17. Approval of Subcontractor (Continued)

As noted above there is a potential risk to the wellbeing of recipient clients by employing unqualified staff. Additionally, the amount of compensation that DHHS paid FSBS was based upon the understanding that only qualified workers would perform the agreed-upon family support services. FSBS was compensated by DHHS for the full amount specified in the contract for qualified workers but yet was able to pay their staff considerably less than would have been required if they would have been qualified. For example, FSBS was also paid \$47 per hour for family support services but paid the four employees, \$10.50, \$11.00, \$11.50, and \$13.00 per hour. This arrangement resulted in a large financial benefit for FSBS but again as noted above it also proved both potentially detrimental to the clients served and financially harmful to DHHS, which paid for contractual services that FSBS knowingly failed to provide. We requested additional information from FSBS to enable us to make a determination of the profitability of the contractual arrangement between them and DHHS. FSBS declined to provide the requested information.

The daily rate billed for tracker services appears unreasonable based on the actual time spent with the client. For example, FSBS billed \$136 (4 days at \$34) in October 2010 for one client; however, the actual service time recorded by the FSBS worker totaled only 1.27 hours. We noted one day billed with only a one minute phone call with the client. A second day billed included a 30 minute face to face contact and a one minute phone call with the client. The third and fourth days billed included several phone contacts with the client but only totaled 55 minutes of contact for both days. As previously stated, the \$34 compensation paid for a one minute tracker service phone call was often greater than the daily stipend received by a foster parent as previously stated. As of July 1, 2011, the contractual rate was changed to \$25.00 per day for phone contacts and \$34 per day for face-to-face contacts – still rather generous amounts considering both the brevity and relative ease of the tasks involved.

In addition to being direct service providers, BSM, Inc., and FSBS are but two of many different subcontractors used by the various lead contractors to furnish client services. Given the number and significance of the concerns noted with regard to both the service provision and billing operations of BSM, Inc., and FSBS it is likely that similar problems could be found with other providers. Therefore, the APA believes that additional audit work is needed relating to the activities of other subcontractors. Such supplementary auditing is necessary to augment the present examination by providing additional assurances that proper service and billing procedures are being followed.

A good internal control plan and sound business practices require DHHS to implement procedures for ensuring that proper background research is performed on all prospective subcontractors before being allowed to enter into service contracts. Those procedures should also ensure that all payments to subcontractors are made in compliance with the terms of the service contracts, as well as provide for ongoing monitoring of such compliance by DHHS.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS

(Continued)

17. Approval of Subcontractor (Continued)

Similarly, a good internal control plan and sound accounting practices require DHHS to implement procedures to ensure that adequate supporting documentation of direct client services is obtained, only actual service time provided to a client is billed to DHHS, service start and stop times are completely and accurately recorded, and provisions of the service contracts – including those pertaining to the qualifications of service provider staff – are met.

No less important, DHHS should implement procedures for reviewing its rate structure for child welfare services to ensure that amounts paid to providers for such services are not exorbitant in comparison to their actual costs.

Failure by DHHS to implement all of the above-mentioned procedures increases the risk that appropriate client services may not be provided, improper payments may be rendered for those services, and the rate structure utilized by DHHS for compensating service providers may be unreasonable. More particularly, because Jeannine J. Lane, the incorporator of BSM, Inc., has previously been identified with questionable activity involving contracts with public entities, including noncompliance with State regulations, allowing another business incorporated by that same individual to contract with DHHS for millions of dollars increases the risk that further compliance issues, including the misuse of State funds, could arise. We consider this finding to be a significant deficiency.

We recommend DHHS implement procedures for ensuring the following: 1) prospective subcontractors are properly researched before being allowed to enter into service contracts; 2) all payments to those subcontractors are made in compliance with the terms of the service contracts; 3) there is ongoing monitoring of compliance with the terms of the service contracts, including a periodic review of the qualifications of all service provider staff; 4) the rate schedule utilized by DHHS to compensate service providers is reasonable; and 5) amounts paid to subcontractors of BGH under a settlement agreement are accurate and verified to supporting documentation. In particular, we recommend also that DHHS examine thoroughly the activity of the McConaughy Discovery Center, trade name for BSM, Inc., to ensure all payments for services are made in compliance with the terms of the service contracts, and strong controls are in place to allow for the adequate monitoring and performance oversight of both providers.

DHHS' Response: The contracts are designed to place initial responsibility on the Lead Contractors to ensure that all subcontractors comply with all requirements of the contract and applicable laws. Due to the high number of subcontractors that would need to be reviewed on a

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

COMMENTS AND RECOMMENDATIONS

(Continued)

17. Approval of Subcontractor (Concluded)

DHHS' Response, Concluded:

continuous basis, it is not feasible for DHHS to make an exhaustive review of each subcontractor. DHHS recently received information from the APA regarding concerns about a specific provider and is thoroughly reviewing the APA's findings with respect to the identified provider. Appropriate actions will be taken based on DHHS' review of the situation and any additional information obtained by DHHS regarding this matter. In addition, we will implement a system of periodic, random reviews of the financial status and performance of DHHS contractors and subcontractors of Lead Contractors.

APA Response: The fact that the lead contractors bear the primary responsibility, as DHHS states, of ensuring that all subcontractors comply with both contractual requirements and applicable laws, does not relieve DHHS of its ultimate duty to oversee the effective administration of client services, through lead contractors and subcontractors alike, under the Families Matter reform. This oversight would necessarily require that some attention be paid to the use of specific subcontractors. Moreover, as pointed out in this comment, the service contracts require DHHS to approve any subcontractors utilized by the lead contractors – a provision that seems to entail, at the very least, some due diligence on the part of the agency in appraising the merits or suitability of the those subcontractors.

It should be noted also that the specific contractor discussed in the comment served as both a direct contractor and subcontractor. Thus, even if DHHS had been unaware of certain concerns with regard to that provider's suitability as a subcontractor, it is only reasonable to assume that those same concerns would have become evident when negotiating the direct service contract. Finally, while DHHS points to the inability to perform "an exhaustive review of each subcontractor," the APA has received no indication that the agency undertook even the most cursory review of subcontractor records. The APA is encouraged, however, by the assurance of DHHS that the agency will implement procedures for reviewing both lead contractors and subcontractors.



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DEPARTMENT OF HEALTH AND HUMAN SERVICES CHILD WELFARE REFORM CONTRACT EXPENDITURES

INDEPENDENT ACCOUNTANT'S REPORT

Department of Health and Human Services
Lincoln, Nebraska

We were engaged to examine the accompanying Schedule of Child Welfare Reform Contract Expenditures of the Department of Health and Human Services (DHHS) for the period July 1, 2009, through March 31, 2011. DHHS' management is responsible for the Schedule of Child Welfare Reform Contract Expenditures.

In April 2010, Visinet, one of the reform contractors, closed and we were unable to obtain the following financial records: general ledger records, bank records, documents supporting the actual provision of services billed, and records of payments to subcontractors and foster parents. The amount paid for the Visinet contracts and settlement agreement was \$13,817,418 which represents 10% of the total Child Welfare Reform expenditures reported on the schedule. In addition, DHHS did not provide us with adequate support for how the following dollar amounts were determined: \$7 million total for all implementation contracts, the total \$6 million service contract increase for two other contractors, Nebraska Families Collaborative and KVC Behavioral Healthcare Nebraska, per Amendment 5, and the total \$19 million service contract increase for Nebraska Families Collaborative and KVC Behavioral Healthcare Nebraska per Amendment 7. These amounts represent 23.7% of the total Child Welfare Reform expenditures reported on the schedule. After several requests by the APA for the above documentation, DHHS responded that the amounts paid to the lead contractors, as well as the amendments to service contracts, were the product of negotiations between the parties; however, no support was provided to substantiate either the necessity for the dramatic increase in expenditures or a reasonable basis for the amounts paid.

Because of the restriction on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the schedule referred to above presents, in all material respects, the Child Welfare Reform Contract Expenditures of the Department of Health and Human Services for the period July 1, 2009, through March 31, 2011, based on the accounting system and procedures prescribed by the State of Nebraska Director of the Department of Administrative Services as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedule of Child Welfare Reform Contract Expenditures and any fraud and illegal acts that are more than inconsequential that come to our attention during our engagement. We are also required to obtain the views of management on those matters. We performed our engagement to express an opinion on whether the Schedule of Child Welfare Reform Contract Expenditures is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Child Welfare Reform Contract Expenditures or on compliance and other matters; accordingly we express no such opinions. Our engagement disclosed certain findings that are required to be reported under *Government Auditing Standards* and those findings, along with the views of management, are described in the Comments Section of the report.

This report is intended solely for the information and use of management, others within DHHS, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

August 19, 2011

Mike Foley
Auditor of Public Accounts

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
SCHEDULE OF CHILD WELFARE REFORM CONTRACT EXPENDITURES
For the Period July 1, 2009 through March 31, 2011

	July 1, 2009 - June 30, 2010	July 1, 2010 - March 31, 2011	Total
Government Aid:			
Alliance for Children & Family Services	\$ 298,688	\$ 94,712	\$ 393,400
Cedars Youth Services	6,186,129	-	6,186,129
Visinet, Inc.	12,408,588	1,408,830	13,817,418
Boys and Girls Home of Nebraska	16,796,549	13,792,704	30,589,253
Nebraska Families Collaborative	7,809,458	16,519,406	24,328,864
KVC Behavioral Healthcare Nebraska	14,523,977	45,031,549	59,555,526
Total	<u>\$ 58,023,389</u>	<u>\$ 76,847,201</u>	<u>\$ 134,870,590</u>

See accompanying Notes to the Schedule.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

NOTES TO THE SCHEDULE

For the Period July 1, 2009 through March 31, 2011

1. Criteria

The accounting policies of the Department of Health and Human Services (DHHS) are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2008), the State of Nebraska Director of the Department of Administrative Services duties include “The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes.”

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2008), The State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public. The financial information used to prepare the Schedule of Child Welfare Reform Contract Expenditures was obtained directly from the general ledger maintained on EnterpriseOne. Nebraska Family Online Client User System (NFOCUS), which interfaces with EnterpriseOne and maintains detailed child welfare information, was also utilized. As transactions occur, the agencies record the accounts receivables and accounts payable in the general ledger. As such, expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The expenditures recorded in the general ledger as of March 31, 2011, include only those payables posted in the general ledger before March 31, 2011, and not yet paid as of that date. The amount recorded as expenditures as of March 31, 2011, **does not** include amounts for goods and services received before March 31, 2011, which had not been posted to the general ledger as of March 31, 2011.

The major expenditure account classification established by State Accounting used by DHHS is:

Government Aid – Payment of Federal and/or State money to governmental subdivisions, State agencies, contractors, individuals, etc., in furtherance of local activities and accomplishment of State programs.

Expenditures are recorded in the general ledger to Program 347-Public Assistance, sub-programs Child Welfare, IV-E Foster Care, and Adoption Assistance; and to Program 345-Juvenile Services Community Based.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

NOTES TO THE SCHEDULE

(Continued)

2. Reporting Entity

The Department of Health and Human Services is a State agency established under and governed by the laws of the State of Nebraska. As such, DHHS is exempt from State and Federal income taxes.

The Department of Health and Human Services is part of the primary government for the State of Nebraska.

3. Child Welfare Reform Contracts

In 2009, DHHS began the child welfare reform initiative, recently entitled Families Matter, to address the growing number of children in out-of-home placements. Effective June 15, 2009, DHHS contracted with six private agencies to develop infrastructure, staffing, and programs to implement the reform initiatives which increased responsibilities of private agencies to provide services to children and families. These Implementation Contracts totaled \$7 million. Effective November 1, 2009, DHHS contracted with five of the six separate private agencies as lead agencies. Contractors were to increase the number of youths served from November 2009 until March 2010 and be fully implemented by April 2010. Through December 2010, the contractors for the service contracts were paid for direct services billed through NFOCUS and a monthly lump sum for the monthly contract amount less payments in the prior month through NFOCUS. Starting January 2011, the remaining contractors were paid a bi-monthly flat fee.

Contractors are responsible for service coordination for treatment and non-treatment services for court involved and non-court involved children, youth, and families. Contractors are responsible for service delivery of non-treatment services including: out-of-home care, respite care, family supports, transportation, tracker services, electronic monitoring, and basic needs. The service contracts did not cover:

- A. Services paid by Medicaid, private insurance, or alternative funding source;
- B. Physical health care costs;
- C. State Ward Education;
- D. Cost of placement in the Youth Rehabilitation and Treatment Center at Kearney and Geneva or the Hastings Regional Center;
- E. Cost of placement in a Nebraska detention facility;
- F. Adoption and Guardianship subsidies;
- G. State patrol charge(s) for processing required criminal history checks of foster/adoptive parents.

Amendment 4 to the service contracts, effective July 2010, further excluded maintenance payments for a ward's child and State ward independent living maintenance payments. Amendment 6 to the service contracts, effective January 2011, added responsibility for case management to the service contracts.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

NOTES TO THE SCHEDULE

(Continued)

4. Lead Contractors by Service Area

Lead contractors were chosen by service area as follows:

Contractor	Service Area	Services Contract Period
Alliance for Children & Family Services	Central	Implementation contract only
Visinet	East, Southeast	11/1/2009 to 4/20/2010
Cedars Youth Services	Southeast	11/1/2009 to 6/30/2010
Boys and Girls Home	West, Central, North	11/1/2009 to 9/30/2010*
Nebraska Families Collaborative	East	11/1/2009 to current
KVC Behavioral Healthcare Nebraska	East, Southeast	11/1/2009 to current

*Contract terminated but not settled as of August 19, 2011.

5. Pending Litigation

There are seven pending lawsuits against the Boys and Girls Home of Nebraska, Inc. Two were filed in the District Court of Douglas County, Nebraska, one in the District Court of Madison County, Nebraska, one in the District Court of Dodge County, Nebraska, two in the District Court of Buffalo County, Nebraska and one in the District Court of Hall County, Nebraska. The plaintiffs have sued for payment of services performed as subcontractors of the Boys and Girls Home of Nebraska, Inc. The APA noted pending litigation against the Boys and Girls Home of Nebraska, Inc. totaling \$1,002,835.

6. Subsequent Event

On June 17, 2011, DHHS announced KVC would receive \$5.5 million more in fiscal year 2011 and \$7 million added to the fiscal year 2012 contract; NFC would receive \$14.2 million in fiscal year 2012 up from \$13.8 million. Amendment 8 to the KVC contracts was signed June 27, 2011. On August 16, 2011, DHHS and NFC signed amended contract. NFC to take over an additional 1/3 of the Eastern Service Area by December 31, 2011. NFC contract for November 1, 2009, through June 30, 2014, increased from \$71,958,385 to \$125,325,120, an increase of \$53,366,735.

APA research revealed NFC was not registered as a non-profit corporation in Nebraska from June 2, 2011, to August 5, 2011. According to the Secretary of State's office, NFC was dissolved on June 2, 2011, due to its failure to file with that agency the mandatory biennial report for non-profit corporations and pay the accompanying \$20 fee. A certificate of revival was issued August 5, 2011.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Child Welfare Reform Contract Expenditures. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Child Welfare Reform Contract Expenditures, and, accordingly, we express no opinion on it.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
EXPENDITURES BY CONTRACT
July 1, 2009 through March 31, 2011

EXHIBIT A

Alliance for Children and Family Services - Central Service Area

	Implementation Expenditures
July-09	\$ -
August-09	157,360
September-09	59,010
October-09	59,010
November-09	-
December-09	-
January-10	-
February-10	-
March-10	-
April-10	-
May-10	23,308
June-10	-
Total FY 2010	<u>298,688</u>
July-10	-
August-10	-
September-10	-
October-10	-
November-10	-
December-10	-
January-11	94,712
February-11	-
March-11	-
Subtotal	<u>94,712</u>
Total for Period	<u>\$ 393,400</u>
Implementation Contract Amount	<u>\$ 393,400</u>

Note 1: Alliance was offered the service contract; however, they declined to sign the contract.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

EXHIBIT A

EXPENDITURES BY CONTRACT
July 1, 2009 through March 31, 2011

Cedars Youth Services - Southeastern Service Area

Service Contract

	Implementation Contract	Lump Sum Payments	Prior Month NFOCUS (Note 1)	Service Contract Total	Total Contracts	Cumulative Number of Cases	Cumulative Percent of Cases	Cumulative Percent per Transition Schedule
July-09	\$ 168,117	\$ -	\$ -	\$ -	\$ 168,117			
August-09	100,870	-	-	-	100,870			
September-09	100,870	-	-	-	100,870			
October-09	100,870	-	-	-	100,870			
November-09	100,870	546,881	-	546,881	647,751	120	29%	37%
December-09	-	546,881	-	546,881	546,881	254	61%	74%
January-10	-	508,232	38,649	546,881	546,881	419	100%	100%
February-10	-	1,006,570	111,202	1,117,772	1,117,772	420	100%	100%
March-10	-	112,475	577,129	689,604	689,604			
April-10	-	-	1,054,402	1,054,402	1,054,402			
May-10	100,870	339,113	350,491	689,604	790,474			
June-10	-	321,637	-	321,637	321,637			
Total FY 2010	672,467	3,381,789	2,131,873	5,513,662	6,186,129			
July-10	-	-	-	-	-			
August-10	-	-	-	-	-			
September-10	-	-	-	-	-			
October-10	-	-	-	-	-			
November-10	-	-	-	-	-			
December-10	-	-	-	-	-			
January-11	-	-	-	-	-			
February-11	-	-	-	-	-			
March-11	-	-	-	-	-			
Subtotal	-	-	-	-	-			
Total for Period	\$ 672,467	\$ 3,381,789	\$ 2,131,873	\$ 5,513,662	\$ 6,186,129			

Implementation

Contract Amount \$ 672,467

\$ 4,375,049 Service Contract Amount 11/1/09 to 6/30/10
 1,141,781 Amendment 1 Increase
 5,516,830 Total Service Contract
 5,513,662 Total Amount Paid on Service Contract
 \$ (3,168) Amount Over (Under) Paid (Note 3)

Note 1: From December 2009 through December 2010 contractors were paid a monthly amount minus any payments made in the prior month for direct services paid through NFOCUS. Starting January 2011 contractors were paid a bi-monthly amount.

Note 2: Contract was terminated June 30, 2010.

Note 3: Does not include overpayments noted in Comment Numbers 7 and 8.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

EXHIBIT A

EXPENDITURES BY CONTRACT

July 1, 2009 through March 31, 2011

Visinet - Southeastern Service Area

	Service Contract								
	Implementation Contract	Lump Sum Payments	Prior Month NFOCUS (Note 1)	Service Contract Total	Settlement Agreement (Note 3)	Total Contracts	Cumulative Number of Cases	Cumulative Percent of Cases	Cumulative Percent per Transition Schedule
July-09	\$ -	\$ -	\$ -	\$ -		\$ -			
August-09	268,987	-	-	-		268,987			
September-09	100,870	-	-	-		100,870			
October-09	100,870	-	-	-		100,870			
November-09	100,870	546,881	-	546,881		647,751	107	26%	37%
December-09	-	546,881	-	546,881		546,881	231	56%	74%
January-10	-	524,019	22,862	546,881		546,881	403	98%	100%
February-10	-	1,016,649	101,122	1,117,771		1,117,771	409	99%	100%
March-10	-	347,812	341,792	689,604		689,604	413	100%	100%
April-10	-	-	741,905	741,905		741,905			
May-10	-	-	262,354	262,354		262,354			
June-10	-	-	-	-		-			
Total FY 2010	571,597	2,982,242	1,470,035	4,452,277		5,023,874			
July-10	-	-	-	-		-			
August-10	-	-	-	-		-			
September-10	-	-	-	-		-			
October-10	-	-	-	-		-			
November-10	-	-	-	-		-			
December-10	-	-	-	-		-			
January-11	-	-	-	-		-			
February-11	-	-	-	-		-			
March-11	-	-	-	-		-			
Subtotal	-	-	-	-		-			
Total for Period	\$ 571,597	\$ 2,982,242	\$ 1,470,035	\$ 4,452,277		\$ 5,023,874			
Implementation Contract Amount	\$ 672,467								
Total Amount Paid on				\$ 3,007,846	Service Contract Amount 11/1/09 to 4/15/10 (Note 2)				
Implementation Contract	571,597			784,976	Amendment 1 Increase				
	<u>\$ (100,870) (Note 4)</u>			3,792,822	Total Service Contract				
				4,452,277	Total Amount Paid on Service Contract				
				<u>\$ 659,455</u>	Amount Over Paid (Note 5)				

Note 1: From December 2009 through December 2010 contractors were paid a monthly amount minus any payments made in the prior month for direct services paid through NFOCUS. Starting January 2011 contractors were paid a bi-monthly amount.

Note 2: Contract ended April 15, 2010. Visinet was due for services provided November 1, 2009 through April 15, 2010.

Note 3: See Eastern Spreadsheet for Settlement agreement, could not differentiate between the service areas as separate coding was not used by DHHS.

Note 4: Contract ended April 15, 2010 and was formally terminated April 20, 2010.

Note 5: Does not include overpayments noted in Comment Numbers 7 and 8.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
EXPENDITURES BY CONTRACT
July 1, 2009 through March 31, 2011

EXHIBIT A

Visinet - Eastern Service Area

	Service Contract								
	Implementation Contract	Lump Sum Payments	Prior Month NFOCUS (Note 1)	Service Contract Total	Settlement Agreement (Note 3)	Total Contracts	Cumulative Number of Cases	Cumulative Percent of Cases	Cumulative Percent per Transition Schedule
July-09	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
August-09	363,440	-	-	-	-	363,440			
September-09	136,290	-	-	-	-	136,290			
October-09	136,290	-	-	-	-	136,290			
November-09	136,290	663,093	-	663,093	-	799,383	127	26%	30%
December-09	-	663,093	-	663,093	-	663,093	250	51%	50%
January-10	-	567,413	95,680	663,093	-	663,093	346	71%	80%
February-10	-	865,963	566,242	1,432,205	-	1,432,205	468	96%	100%
March-10	-	-	907,489	907,489	-	907,489	485	100%	100%
April-10	-	-	1,377,000	1,377,000	-	1,377,000	486	100%	100%
May-10	-	-	178,971	178,971	627,270	806,241			
June-10	-	-	-	-	100,190	100,190			
Total FY 2010	<u>772,310</u>	<u>2,759,562</u>	<u>3,125,382</u>	<u>5,884,944</u>	<u>727,460</u>	<u>7,384,714</u>			
July-10	-	-	-	-	10,847	10,847			
August-10	-	-	-	-	44,077	44,077			
September-10	-	-	-	-	-	-			
October-10	-	-	-	-	831	831			
November-10	-	-	-	-	564,128	564,128			
December-10	-	-	-	-	586,242	586,242			
January-11	-	-	-	-	199,431	199,431			
February-11	-	-	-	-	2,694	2,694			
March-11	-	-	-	-	580	580			
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,408,830</u>	<u>1,408,830</u>			
Total for Period	<u>\$ 772,310</u>	<u>\$ 2,759,562</u>	<u>\$ 3,125,382</u>	<u>\$ 5,884,944</u>	<u>\$ 2,136,290</u>	<u>\$ 8,793,544</u>			
Implementation Contract Amount	\$ 908,600				\$ 2,008,818	Settlement Agreement Amount			
Total Amount Paid on Implementation Contract	<u>\$ 772,310</u>				<u>2,136,290</u>	Settlement Agreement Expenditures			
Amount Remaining	<u>\$ (136,290)</u> (Note 4)				<u>\$ 127,472</u>	Amount Over Paid			
					\$ 3,647,012	Service Contract Amount 11/1/09 to 4/15/10 (Note 2)			
					<u>1,057,529</u>	Amendment 1 Increase			
					4,704,541	Total Service Contract			
					<u>5,884,944</u>	Total Amount Paid on Service Contract			
					<u>\$ 1,180,403</u>	Amount Over Paid (Note 5)			

Note 1: From December 2009 through December 2010 contractors were paid a monthly amount minus any payments made in the prior month for direct services paid through NFOCUS.

Note 2: Contract ended April 15, 2010.

Note 3: DHHS did not separate the coding of the expenditures between Southeastern and Eastern Service Areas; therefore, all expenditures are noted under Eastern Service Area.

Amounts Paid to Subcontractors (70% on every dollar): Nov 2010 \$564,128; Dec 2010 \$586,242; Jan 2011 \$199,431; March 2011 \$580; Total: \$1,350,381

Amount Paid for Settlement per agreement: Payroll and Assoc. Expenses: May 2010 \$627,270

Amount Paid to Foster Parents for services 3/21/10 to 4/15/10: June \$100,190; July \$10,847; Aug \$21,212; Oct \$831; Feb \$2,694; Total: \$135,774

Amount Paid to Foster Parents for services prior to 3/21/10 for services not previously paid: August \$22,865

Note 4: Contract ended April 15, 2010 and was formally terminated April 20, 2010.

Note 5: Does not include overpayments noted in Comment Numbers 7 and 8.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

EXHIBIT A

EXPENDITURES BY CONTRACT

July 1, 2009 through March 31, 2011

Boys and Girls Home - Central Service Area

Service Contract

	Implementation Contract	Lump Sum Payments	Prior Month NFOCUS (Note 1)	Service Contract Total	Total Contracts	Cumulative Number of Cases	Cumulative Percent of Cases	Cumulative Percent per Transition Schedule
July-09	\$ 157,360	\$ -	\$ -	\$ -	\$ 157,360			
August-09	-	-	-	-	-			
September-09	59,010	-	-	-	59,010			
October-09	59,010	-	-	-	59,010			
November-09	59,010	333,562	-	333,562	392,572	-	0%	0%
December-09	-	333,562	-	333,562	333,562	184	41%	33%
January-10	-	333,562	-	333,562	333,562	191	43%	33%
February-10	-	1,837,739	-	1,837,739	1,837,739	304	68%	66%
March-10	-	709,606	-	709,606	709,606	450	100%	100%
April-10	-	591,244	118,362	709,606	709,606	451	100%	100%
May-10	-	707,569	2,037	709,606	709,606			
June-10	-	695,120	11,670	706,790	706,790			
Total FY 2010	334,390	5,541,964	132,069	5,674,033	6,008,423			
July-10	59,010	993,281	-	993,281	1,052,291			
August-10	-	1,986,563	-	1,986,563	1,986,563			
September-10	-	-	436,193	436,193	436,193			
October-10	-	-	735,482	735,482	735,482			
November-10	-	-	237,031	237,031	237,031			
December-10	-	-	11,525	11,525	11,525			
January-11	-	-	-	-	-			
February-11	-	-	-	-	-			
March-11	-	-	-	-	-			
Subtotal	59,010	2,979,844	1,420,231	4,400,075	4,459,085			
Total for Period	\$ 393,400	\$ 8,521,808	\$ 1,552,300	\$ 10,074,108	\$ 10,467,508			

Implementation
Contract Amount

\$ 393,400

\$ 2,668,494	Service Contract Amount 11/1/09 to 6/30/10
3,008,356	Amendment 1 Increase
5,676,850	Subtotal
1,516,980	Service Contract Amount 7/1/10 to 9/30/10
1,168,032	Amendment 1 Increase
294,833	Amendment 3 Increase
2,234,883	Amendment 4 Increase
10,891,578	Total Service Contract 11/1/09 to 3/31/11 (Note 2)
10,074,108	Total Amount Paid on Service Contract
\$ (817,470)	Amount Over (Under) Paid (Note 4)

Note 1: From December 2009 through December 2010 contractors were paid a monthly amount minus any payments made in the prior month for direct services paid through NFOCUS. Starting January 2011 contractors were paid a bi-monthly amount.

Note 2: Contract ended September 30, 2010 and contract total is amount through September 30, 2010.

Note 3: Service date was prior to September 30, 2010 for the following: November 2010 \$237,031; December 2010 \$11,525.

Note 4: Does not include overpayments noted in Comment Numbers 7 and 8. Contract not yet settled.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
EXPENDITURES BY CONTRACT
July 1, 2009 through March 31, 2011

EXHIBIT A

Boys and Girls Home - Western Service Area

Service Contract

	Implementation Contract	Lump Sum Payments	Prior Month NFOCUS (Note 1)	Service Contract Total	Total Contracts	Cumulative Number of Cases	Cumulative Percent of Cases	Cumulative Percent per Transition Schedule
July-09	\$ 190,750	\$ -	\$ -	\$ -	\$ 190,750			
August-09	71,531	-	-	-	71,531			
September-09	71,531	-	-	-	71,531			
October-09	71,531	-	-	-	71,531			
November-09	71,531	438,504	-	438,504	510,035	1	0%	0%
December-09	71,531	438,504	-	438,504	510,035	185	41%	30%
January-10	71,532	438,504	-	438,504	510,036	207	46%	50%
February-10	71,532	1,015,347	-	1,015,347	1,086,879	264	59%	50%
March-10	-	582,715	-	582,715	582,715	376	84%	100%
April-10	-	340,270	242,445	582,715	582,715	447	100%	100%
May-10	-	582,715	-	582,715	582,715			
June-10	-	582,647	-	582,647	582,647			
Total FY 2010	691,469	4,419,206	242,445	4,661,651	5,353,120			
July-10	71,531	963,236	-	963,236	1,034,767			
August-10	-	1,926,471	-	1,926,471	1,926,471			
September-10	-	-	647,600	647,600	647,600			
October-10	-	-	1,267,434	1,267,434	1,267,434			
November-10	-	-	47,015	47,015	47,015			
December-10	-	-	2,325	2,325	2,325			
January-11	-	-	-	-	-			
February-11	-	-	-	-	-			
March-11	-	-	-	-	-			
Subtotal	71,531	2,889,707	1,964,374	4,854,081	4,925,612			
Total for Period	\$ 763,000	\$ 7,308,913	\$ 2,206,819	\$ 9,515,732	\$ 10,278,732			

Implementation

Contract Amount	\$ 763,000	\$ 3,508,033	Service Contract Amount 11/1/09 to 6/30/10
		1,153,686	Amendment 1 Increase
		4,661,719	Subtotal
		2,942,061	Service Contract Amount 7/1/10 to 9/30/10
		(44,375)	Amendment 1 Increase
		(7,979)	Amendment 3 Increase
		2,167,280	Amendment 4 Increase
		9,718,706	Total Service Contract 11/1/09 to 3/31/11 (Note 2)
		9,515,732	Total Amount Paid on Service Contract
		\$ (202,974)	Amount Over (Under) Paid (Note 4)

Note 1: From December 2009 through December 2010 contractors were paid a monthly amount minus any payments made in the prior month for direct services paid through NFOCUS. Starting January 2011 contractors were paid a bi-monthly amount.

Note 2: Contract ended September 30, 2010 and contract total is amount through September 30, 2010.

Note 3: Service date was prior to September 30, 2010 for the following: November 2010 \$47,015; December 2010 \$2,325.

Note 4: Does not include overpayments noted in Comment Numbers 7 and 8. Contract not yet settled.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
EXPENDITURES BY CONTRACT
July 1, 2009 through March 31, 2011

EXHIBIT A

Boys and Girls Home - Northern Service Area

Service Contract						Cumulative Number of Cases	Cumulative Percent of Cases	Cumulative Percent per Transition Schedule
Implementation Contract	Lump Sum Payments	Prior Month NFOCUS (Note 1)	Service Contract Total	Total Contracts				
July-09	\$ 176,750	\$ -	\$ -	\$ 176,750				
August-09	66,281	-	-	66,281				
September-09	66,281	-	-	66,281				
October-09	66,281	-	-	66,281				
November-09	66,281	447,064	-	447,064	513,345	61	19%	20%
December-09	66,281	447,064	-	447,064	513,345	120	37%	40%
January-10	66,281	447,064	-	447,064	513,345	180	55%	60%
February-10	66,283	1,055,952	-	1,055,952	1,122,235	248	76%	80%
March-10	-	599,286	-	599,286	599,286	323	99%	100%
April-10	-	366,948	232,337	599,285	599,285	326	100%	100%
May-10	-	499,784	99,502	599,286	599,286			
June-10	-	599,286	-	599,286	599,286			
Total FY 2010	640,719	4,462,448	331,839	4,794,287	5,435,006			
July-10	-	892,539	-	892,539	892,539			
August-10	66,281	1,785,079	-	1,785,079	1,851,360			
September-10	-	-	-	-	-			
October-10	-	-	1,069,468	1,069,468	1,069,468			
November-10	-	-	594,640	594,640	594,640			
December-10	-	-	-	-	-			
January-11	-	-	-	-	-			
February-11	-	-	-	-	-			
March-11	-	-	-	-	-			
Subtotal	66,281	2,677,618	1,664,108	4,341,726	4,408,007			
Total for Period	\$ 707,000	\$ 7,140,066	\$ 1,995,947	\$ 9,136,013	\$ 9,843,013			
Implementation Contract Amount	\$ 707,000			\$ 3,576,509	Service Contract Amount 11/1/09 to 6/30/10			
				1,217,778	Amendment 1 Increase			
				4,794,287	Subtotal			
				2,726,256	Service Contract Amount 7/1/10 to 9/30/10			
				261,817	Amendment 1 Increase			
				(310,454)	Amendment 3 Increase			
				2,008,214	Amendment 4 Increase			
				9,480,120	Total Service Contract 11/1/09 to 3/31/11 (Note 2)			
				9,136,013	Total Amount Paid on Service Contract			
				\$ (344,107)	Amount Over (Under) Paid (Note 4)			

Note 1: From December 2009 through December 2010 contractors were paid a monthly amount minus any payments made in the prior month for direct services paid through NFOCUS. Starting January 2011 contractors were paid a bi-monthly amount.

Note 2: Contract ended September 30, 2010 and contract total is amount through September 30, 2010.

Note 3: Service date was prior to September 30, 2010 for the following: November 2010 \$594,640.

Note 4: Does not include overpayments noted in Comment Numbers 7 and 8. Contract not yet settled.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
EXPENDITURES BY CONTRACT
July 1, 2009 through March 31, 2011

EXHIBIT A

Nebraska Families Collaborative - Eastern Service Area

Service Contract

	Implementatio n Contract	Lump Sum Payments	Prior Month NFOCUS (Note 1)	Service Contract Total	Total Contracts	Cumulative Number of Cases	Cumulative Percent of Cases	Cumulative Percent per Transition Schedule
July-09	\$ -	\$ -	\$ -	\$ -	\$ -			
August-09	363,440	-	-	-	363,440			
September-09	136,290	-	-	-	136,290			
October-09	136,290	-	-	-	136,290			
November-09	136,290	670,246	-	670,246	806,536	158	32%	30%
December-09	-	670,246	-	670,246	670,246	254	52%	55%
January-10	-	634,701	35,545	670,246	670,246	352	72%	80%
February-10	-	1,272,379	166,979	1,439,358	1,439,358	482	99%	100%
March-10	-	714,839	149,436	864,275	864,275	485	100%	100%
April-10	-	202,421	660,103	862,524	862,524	487	100%	100%
May-10	136,290	-	1,406,952	1,406,952	1,543,242			
June-10	-	92,824	224,187	317,011	317,011			
Total FY 2010	908,600	4,257,656	2,643,202	6,900,858	7,809,458			
July-10	-	1,147,046	-	1,147,046	1,147,046			
August-10	-	1,147,046	2,328	1,149,374	1,149,374			
September-10	-	1,147,046	147,445	1,294,491	1,294,491			
October-10	-	1,000,000	975,732	1,975,732	1,975,732			
November-10	-	1,000,000	1,925,412	2,925,412	2,925,412			
December-10	-	1,000,000	1,252,682	2,252,682	2,252,682			
January-11	-	1,638,074	860,471	2,498,545	2,498,545			
February-11	-	1,638,062	-	1,638,062	1,638,062			
March-11	-	1,638,062	-	1,638,062	1,638,062			
Subtotal	-	11,355,336	5,164,070	16,519,406	16,519,406			
Total for Period	\$ 908,600	\$ 15,612,992	\$ 7,807,272	\$ 23,420,264	\$ 24,328,864			
Implementation Contract Amount	\$ 908,600			\$ 5,361,968	Service Contract Amount 11/1/09 to 6/30/10			
				1,538,225	Amendment 1 Increase			
				6,900,193	Subtotal			
				10,367,613	Service Contract Amount 7/1/10 to 3/31/11			
				(15,696)	Amendment 1 Increase			
				(28,506)	Amendment 3 Increase			
				860,284	Amendment 4 Increase			
				3,000,000	Amendment 5 Increase			
				2,333,333	Amendment 7 Increase			
				23,417,221	Total Service Contract 11/1/09 to 3/31/11			
				23,420,264	Total Amount Paid on Service Contract			
				\$ 3,043	Amount Over (Under) Paid (Note 2)			

Note 1: From December 2009 through December 2010 contractors were paid a monthly amount minus any payments made in the prior month for direct services paid through NFOCUS. Starting January 2011 contractors were paid a bi-monthly amount.

Note 2: Does not include overpayments noted in Comment Numbers 7 and 8.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

EXHIBIT A

EXPENDITURES BY CONTRACT

July 1, 2009 through March 31, 2011

KVC Behavioral Healthcare Nebraska - Eastern Service Area

Service Contract

	Implementation Contract	Lump Sum Payments	Prior Month NFOCUS (Note 1)	Service Contract Total	Total Contracts	Cumulative Number of Cases	Cumulative Percent of Cases	Cumulative Percent per Transition Schedule
July-09	\$ 363,440	\$ -	\$ -	\$ -	\$ 363,440			
August-09	-	-	-	-	-			
September-09	136,290	-	-	-	136,290			
October-09	136,290	-	-	-	136,290			
November-09	136,290	738,201	-	738,201	874,491	138	28%	40%
December-09	-	738,201	-	738,201	738,201	257	52%	70%
January-10	-	721,588	16,613	738,201	738,201	450	91%	100%
February-10	-	1,467,643	32,518	1,500,161	1,500,161	481	97%	100%
March-10	-	616,094	312,596	928,690	928,690	493	100%	100%
April-10	-	769,063	159,627	928,690	928,690	494	100%	100%
May-10	136,290	-	1,050,174	1,050,174	1,186,464			
June-10	-	712,788	93,536	806,324	806,324			
Total FY 2010	908,600	5,763,578	1,665,064	7,428,642	8,337,242			
July-10	-	1,147,046	-	\$ 1,147,046	1,147,046			
August-10	-	2,294,092	715	2,294,807	2,294,807			
September-10	-	-	80,147	80,147	80,147			
October-10	-	370,000	1,013,163	1,383,163	1,383,163			
November-10	-	370,000	1,482,845	1,852,845	1,852,845			
December-10	-	370,000	578,742	948,742	948,742			
January-11	-	1,621,792	1,508,123	3,129,915	3,129,915			
February-11	-	1,600,284	486,019	2,086,303	2,086,303			
March-11	-	1,600,284	-	1,600,284	1,600,284			
Subtotal	-	9,373,498	5,149,754	14,523,252	14,523,252			
Total for Period	\$ 908,600	\$ 15,137,076	\$ 6,814,818	\$ 21,951,894	\$ 22,860,494			

Implementation
Contract Amount

\$ 908,600

\$ 5,905,605	Service Contract Amount 11/1/09 to 6/30/10
1,523,919	Amendment 1 Increase
7,429,524	Subtotal
10,367,613	Service Contract Amount 7/1/10 to 3/31/11
(15,696)	Amendment 1 Increase
(28,506)	Amendment 3 Increase
860,284	Amendment 4 Increase
1,110,000	Amendment 5 Increase
2,220,000	Amendment 7 Increase
21,943,219	Total Service Contract 11/1/09 to 3/31/11
21,951,894	Total Amount Paid on Service Contract
\$ 8,675	Amount Over (Under) Paid (Note 2)

Note 1: From December 2009 through December 2010 contractors were paid a monthly amount minus any payments made in the prior month for direct services paid through NFOCUS. Starting January 2011 contractors were paid a bi-monthly amount.

Note 2: Does not include overpayments noted in Comment Numbers 7 and 8.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
EXPENDITURES BY CONTRACT
July 1, 2009 through March 31, 2011

EXHIBIT A

KVC Behavioral Healthcare Nebraska - Southeastern Service Area

Service Contract

	Implementation Contract	Lump Sum Payments	Prior Month NFOCUS (Note 1)	Service Contract Total	Total Contracts	Cumulative Number of Cases	Cumulative Percent of Cases	Cumulative Percent per Transition Schedule
July-09	\$ 268,987	\$ -	\$ -	\$ -	\$ 268,987			
August-09	-	-	-	-	-			
September-09	100,870	-	-	-	100,870			
October-09	100,870	-	-	-	100,870			
November-09	100,870	546,881	-	546,881	647,751	163	36%	37%
December-09	-	546,881	-	546,881	546,881	286	64%	74%
January-10	-	541,144	5,738	546,882	546,882	446	99%	100%
February-10	-	1,108,089	9,683	1,117,772	1,117,772	448	100%	100%
March-10	-	593,069	96,535	689,604	689,604	448	100%	100%
April-10	-	342,999	346,605	689,604	689,604	450	100%	100%
May-10	100,870	6,294	683,310	689,604	790,474			
June-10	-	647,203	39,837	687,040	687,040			
Total FY 2010	672,467	4,332,560	1,181,708	5,514,268	6,186,735			
July-10	-	2,546,830	-	2,546,830	2,546,830			
August-10	-	5,093,660	-	5,093,660	5,093,660			
September-10	-	-	101,966	101,966	101,966			
October-10	-	630,000	3,054,283	3,684,283	3,684,283			
November-10	-	630,000	4,489,127	5,119,127	5,119,127			
December-10	-	630,000	1,910,724	2,540,724	2,540,724			
January-11	-	3,176,468	1,839,639	5,016,107	5,016,107			
February-11	-	3,170,123	65,354	3,235,477	3,235,477			
March-11	-	3,170,123	-	3,170,123	3,170,123			
Subtotal	-	19,047,204	11,461,093	30,508,297	30,508,297			
Total for Period	\$ 672,467	\$ 23,379,764	\$ 12,642,801	\$ 36,022,565	\$ 36,695,032			

Implementation

Contract Amount \$ 672,467

\$ 4,375,049	Service Contract Amount 11/1/09 to 6/30/10
1,141,781	Amendment 1 Increase
5,516,830	Subtotal
7,779,330	Service Contract Amount 7/1/10 to 3/31/11
(117,738)	Amendment 1 Increase
15,259,878	Amendment 3 Increase
1,910,124	Amendment 4 Increase
1,890,000	Amendment 5 Increase
3,780,000	Amendment 7 Increase
36,018,424	Total Service Contract 11/1/09 to 3/31/11
36,022,565	Total Amount Paid on Service Contract
\$ 4,141	Amount Over (Under) Paid (Note 2)

Note 1: From December 2009 through December 2010 contractors were paid a monthly amount minus any payments made in the prior month for direct services paid through NFOCUS. Starting January 2011 contractors were paid a bi-monthly amount.

Note 2: Does not include overpayments noted in Comment Numbers 7 and 8.

**NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
SUMMARY OF AID EXPENDITURES
July 1, 2009 through June 30, 2011**

EXHIBIT B

	Alliance for Children and Family Services	Cedars Youth Services	Visinet, Inc.	Boys & Girls Home of Nebraska	Nebraska Families Collaborative	KVC Behavioral Healthcare Nebraska	Total Contractor Payments	DHHS Aid Excluding Contractor Payments	Total Aid Expenditures for Reform Services
July-09	\$ -	\$ 168,117	\$ -	\$ 524,860	\$ -	\$ 632,427	\$ 1,325,404	\$ 9,023,823	\$ 10,349,227
August-09	157,360	100,870	632,427	137,812	363,440	-	1,391,909	9,134,106	10,526,015
September-09	59,010	100,870	237,160	196,822	136,290	237,160	967,312	8,862,225	9,829,537
October-09	59,010	100,870	237,160	196,822	136,290	237,160	967,312	9,118,162	10,085,474
November-09	-	647,751	1,447,134	1,415,952	806,536	1,522,242	5,839,615	8,261,094	14,100,709
December-09	-	546,881	1,209,974	1,356,942	670,246	1,285,082	5,069,125	7,637,566	12,706,691
January-10	-	546,881	1,209,974	1,356,943	670,246	1,285,083	5,069,127	4,989,184	10,058,311
February-10	-	1,117,772	2,549,976	4,046,853	1,439,358	2,617,933	11,771,892	3,464,150	15,236,042
March-10	-	689,604	1,597,093	1,891,607	864,275	1,618,294	6,660,873	2,483,659	9,144,532
April-10	-	1,054,402	2,118,905	1,891,606	862,524	1,618,294	7,545,731	948,506	8,494,237
May-10	23,308	790,474	1,068,595	1,891,607	1,543,242	1,976,938	7,294,164	1,146,686	8,440,850
June-10	-	321,637	100,190	1,888,723	317,011	1,493,364	4,120,925	2,226,217	6,347,142
Total FY 2010	298,688	6,186,129	12,408,588	16,796,549	7,809,458	14,523,977	58,023,389	67,295,378	125,318,767
July-10	-	-	10,847	2,979,597	1,147,046	3,693,876	7,831,366	1,936,466	9,767,832
August-10	-	-	44,077	5,764,394	1,149,374	7,388,467	14,346,312	1,468,885	15,815,197
September-10	-	-	-	1,083,793	1,294,491	182,113	2,560,397	1,475,168	4,035,565
October-10	-	-	831	3,072,384	1,975,732	5,067,446	10,116,393	1,201,458	11,317,851
November-10	-	-	564,128	878,686	2,925,412	6,971,972	11,340,198	2,509,966	13,850,164
December-10	-	-	586,242	13,850	2,252,682	3,489,466	6,342,240	3,758,081	10,100,321
January-11	94,712	-	199,431	-	2,498,545	8,146,022	10,938,710	3,403,719	14,342,429
February-11	-	-	2,694	-	1,638,062	5,321,780	6,962,536	3,834,760	10,797,296
March-11	-	-	580	-	1,638,062	4,770,407	6,409,049	3,988,100	10,397,149
Subtotal	94,712	-	1,408,830	13,792,704	16,519,406	45,031,549	76,847,201	23,576,603	100,423,804
April-11	-	-	-	-	1,638,062	4,770,407	6,408,469	3,696,097	10,104,566
May-11	-	-	-	-	1,638,062	4,771,116	6,409,178	4,013,152	10,422,330
June-11	-	-	-	-	1,638,062	10,270,407	11,908,469	3,699,802	15,608,271
Subtotal	-	-	-	-	4,914,186	19,811,930	24,726,116	11,409,051	36,135,167
Total FY 2011	\$ 94,712	\$ -	\$ 1,408,830	\$ 13,792,704	\$ 21,433,592	\$ 64,843,479	\$ 101,573,317	\$ 34,985,654	\$ 136,558,971

Note 1: DHHS aid obtained from NFOCUS for service types covered by Reform contracts. These expenditures are for costs prior to lead contractors being fully transitioned and for western, central, and northern service areas after 9/30/2010 when BGH ended and for 1/3 of the eastern area after 4/15/2010 when Visinet ended.

Note 2: April 1, 2011 through June 30, 2011 was not subject to the attestation. The amounts were compiled from EnterpriseOne and NFOCUS.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
SUBCONTRACTOR PAYMENTS
November 1, 2009 through June 30, 2010

Cedars Youth Services

<u>Subcontractor/Vendor</u>	<u>Total Payments</u>
Epworth	\$ 1,117,084
Christian Heritage	409,466
Omni Total	303,639
Lutheran	165,152
Midwest Special Services, Inc.	163,128
Father Flanagan's Boys' Home	128,682
NOVA TC	122,777
Apex Foster Care	101,514
Grace Children's Home	86,016
Healthy Families Project	82,500
Boys Town Treatment Group Home	79,385
Summit Financial Resources, LP	63,027
Uta Halee Girls Village And Cooper Village	42,641
LanguageLinc Interpretation Services	39,147
KVC Behavioral Healthcare	35,078
First Step Recovery	32,490
WICS	32,319
Heartland Boys Home, LLC	32,000
San Marcos Treatment Center	28,390
Developmental Services	27,828
Lincoln Regional Center	27,583
Families Inspiring Families	22,435
Youth Care, Inc.	20,079
Salvation Army	19,012
Harvest Haven Group Homes, LLC	19,000
Alegent Health Immanuel	15,153
Omaha Home For Boys	13,975
Boystown	11,398
Bothern, Judith, Ph.D.	10,949
Allgood, Darlene	10,310
Shaheen, Maysoon	10,074
Jackson Recovery Center	9,750
St. Monica's	9,542
Premier Psychiatric Group	9,149
Arias Neuropsychology	7,707

(Continued)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
SUBCONTRACTOR PAYMENTS
November 1, 2009 through June 30, 2010

Cedars Youth Services

Subcontractor/Vendor	Total Payments
Always A Friendly Hand	6,720
Nebraska Children's Home Society	6,479
Frederick, Kera	6,161
Allgood, Ronald	5,498
Kelch, Tammy	5,279
ICI, Inc.	4,180
Central Plains Center For Services	3,949
Omnicare Of Nebraska	3,844
Norfolk Group Home	3,492
Fairbury Taxi, LLC	3,443
Pioneer Counseling Center, Inc.	3,424
Orr Psychotherapy Resources	3,384
Better Living Counseling Services, Inc.	3,364
Mid Plains Center For Behavioral Health	3,335
Parallels	3,074
Cooper Village	3,038
Psychotherapy Associates	2,976
Nebraska Comprehensive Health	2,841
Servant Cabs	2,808
Mental Health Associates	2,806
Child Guidance Center	2,774
The Resolution Center	2,700
Rut Multicultural Counseling Services	2,645
Capstone Behavioral Health	2,629
Wal-Mart	2,235
Heartland Family Services	2,227
Blue Valley Behavioral	2,078
Region V Services	2,022
Sub-Contractors Paid \$2,000 or less	48,702
TOTAL	\$ 3,456,486

(Concluded)

Source: Provided by Cedars Youth Services

Note: Cedars served the Southeastern area from November 1, 2009 to June 30, 2010.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

SUBCONTRACTOR PAYMENTS

November 1, 2009 through March 31, 2011

Boys and Girls Home

<u>Subcontractor/Vendor</u>	<u>Total Payments</u>
NE Federation fo Families for Children's Mental Health	\$ 1,261,410
South Central Behavioral Services, Inc.	853,195
BSM, Inc. - DDP	781,465
Family Skill Building Services, LLC	611,422
Father Flanagan's Boys' Home	453,860
Goodlife Counseling & Support, LLC - DDP	441,844
Mid-Plains Center for Behavioral Healthcare Services, Inc. - DDP	435,344
R & F Hobbies, Inc. - DDP	385,987
NE Foster & Adoptive Parents Association	374,916
Norfolk Group Home, Inc.	343,385
Christian Heritage Children's Home - DDP	343,136
Better Living Counseling - DDP	300,652
Pathfinder Support Services, Inc. - DDP	278,396
Midwest Special Services, Inc.	268,520
Panhandle Mental Health Center-Reach Out	251,529
Epworth Village, Inc. - DDP	238,199
Behavioral Health Specialists, Inc.	236,233
Heartland Family Service - DDP	214,620
Building Blocks for Community Enrichment - DDP	165,441
Oasis Counseling International - DDP	148,002
Grace Children's Home Co., Inc. - DDP	133,538
Wesley Center, Inc.	124,330
OMNI Behavioral Health	120,129
Compass	118,879
Cedars Youth Service	109,292
Panhandle Community Services, Inc.	101,563
The Salvation Army Wilcox House	95,326
Golden Plains Services, LLC	82,206
Envisions of Norfolk, Inc.	75,753
Mosaic	74,842
Lutheran Family Services of Nebraska, Inc. - DDP	67,999
Developmental Services of Nebraska, Inc.	61,092
Mesabi Academy	59,677
APEX Foster Care, Inc.	56,097
Northstar Services	53,275

(Continued)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
SUBCONTRACTOR PAYMENTS
November 1, 2009 through March 31, 2011

Boys and Girls Home

Subcontractor/Vendor	Total Payments
Indiana Developmental Training Center of Lafayette, LLC	43,568
Harding Group Home - DDP	41,711
Central Plains Center for Services - DDP	36,875
Family Resources, Inc. - DDP	32,006
Omaha Home for Boys	27,091
UTA Halee Girls Village	23,382
Self, Danielle	22,530
Redwood Biotech	22,069
KVC Nebraska, Inc.	20,700
APEX Therapy Services, LLC	17,497
R & A Transport, LLC	16,661
Rodriquez, Juanita	16,506
Central Mediation Center - DDP	16,300
Mark of Honor Youth Lodge, Inc.	13,847
Cooper, Jeanie	13,344
Life Essentials Assisted Living	11,233
Trave, Brittain G.	10,744
Urgent Care Center of Norfolk	10,521
NU Beginnings Treatment Foster Care, Inc.	9,810
Occupational Health Services	9,660
Pedersen, Jeanette	9,540
Livingston-West, Misty	8,003
Turning Point Family Services, Inc. - DDP	7,658
Capstone Behavioral Health, Inc.	7,406
New Beginnings Therapy Associates, LLC	7,291
Munoz, Amanda	7,260
Child Savings Institute	6,750
Beneficial Behavioral Health Services	5,345
Tuggle, Donald L.	5,326
Premier Psychiatric Group, LLC	5,106
Duarte, Emma	4,991
Colorado Boys Ranch Foundation	4,936
Camden, Jolie Ann	4,745
Great Plains Regional Med Center	4,682
John C. Meidlinger, PH.D., P.C. - DDP	4,524

(Continued)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
SUBCONTRACTOR PAYMENTS
November 1, 2009 through March 31, 2011

Boys and Girls Home

Subcontractor/Vendor	Total Payments
Youth Care, Inc.	3,510
Women in Community Service, Inc.	3,298
Redwood Toxicology Laboratory, Inc.	3,222
Kirby, Randy J.	3,210
Pediatric Psychology Associates	3,029
Wholeness Healing Center, P.C.	2,495
Heartland Boys Home, LLC	2,425
Behavioral Medicine Associates, LLC	2,381
Renner, Mark J.	2,195
Shledewitz, Tyson	2,194
Subcontractors \$2,000 or less	49,157
Grand Total	<u>\$ 10,308,288</u>

Source: Provided by Boys and Girls Home, Inc.

(Concluded)

Note 1: Boys and Girls Home served Western, Central, and Northern areas from November 1, 2009 to September 30, 2010.

Note 2: Some amounts may include safety contract payments as well as Reform contract payments.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

SUBCONTRACTOR PAYMENTS

November 1, 2009 through March 31, 2011

Nebraska Families Collaborative

<u>Subcontractor/Vendor</u>	<u>Total Amount</u>
Father Flanagan's Boys' Home	\$ 3,278,661
OMNI Behavioral Health	1,705,386
Child Savings Institute	1,507,849
Heartland Family Service	1,008,000
APEX Foster Care, Inc.	865,431
Owens & Associates, Inc.	552,393
Capstone Behavioral Health, P.C.	536,720
Nebraska Children's Home Society	531,013
UTA Halee Girls Village	497,294
Child Connect	430,362
Christian Heritage	417,856
NOVA Therapeutic Community	392,275
Nebraska Family Support Network	330,090
KVC Behavioral Healthcare Nebraska	316,097
Lutheran Family Services	303,918
Harvest Haven Group Homes, LLC	193,248
Youth Care, Inc.	169,596
Caring People of Sudan	160,744
Woodward Academy	153,720
New Hope Heartland, LLC	145,600
Midwest Special Services, Inc.	134,984
Berkshire and Burmeister	124,004
Children's Square U.S.A.	122,322
Keystone Continuum, LLC	120,729
Alegent Health	104,366
Change Academy of Lake of the Ozarks	103,190
New Hope Carolinas, Inc.	100,450
Salvation Army	91,759
Visinet, Inc.	85,118
Clarinda Academy	79,821
Owens Educational Services, Inc.	79,258
Rite of Passage, Inc.	77,720
Cedars Youth Services	75,263
Youth Emergency Services, Inc.	73,500
Better Living Counseling Services	68,547

(Continued)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

SUBCONTRACTOR PAYMENTS

November 1, 2009 through March 31, 2011

Nebraska Families Collaborative

Subcontractor/Vendor	Total Amount
Child Guidance Center	59,761
Catholic Charities	56,062
Piney Ridge Center	53,605
Club Z	42,591
Southern Peaks Regional Treatment	37,659
Boys and Girls Home Residential	37,629
Release Ministries, Inc.	33,122
Beneficial Behavioral Health	32,919
Villarreal, Al	30,835
ABH Addiction and Behavioral	30,759
Prince of the Road	28,982
Mark of Honor Youth Lodge, Inc.	28,800
Concord Center	28,200
Sarpy County Sheriff	27,678
Epworth Village, Inc.	23,071
Papio Transport Service, Inc.	23,009
Stankus Psychological Services	15,618
Heartland Behavioral Health SE	14,927
Omaha Home for Boys	11,928
State of Nebraska	10,810
Norfolk Group Home, Inc.	9,888
Douglas County Youth Center	8,900
Midwest Minor Medical, P.C.	8,561
Atwood Heredia, Heather N.	8,208
Homebase Counseling and Consulting	6,749
Noll Inc.	6,266
R & A Transport, LLC	5,993
SMC Shared Mobility Coach	4,801
Seldon Counseling	4,487
Omaha Psychiatric Associates	4,459
Douglas County Court	4,050
Forensic Behavioral Health, Inc.	3,920
A Better Way Therapy, LLC	3,916
Boys Town National Research	3,779
Progressive Communications, Inc.	3,421

(Continued)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
SUBCONTRACTOR PAYMENTS
November 1, 2009 through March 31, 2011

Nebraska Families Collaborative

Subcontractor/Vendor	Total Amount
McDougle, Eric S.	3,416
Adult, Adolescent and Child	2,993
Bass, Tera M.	2,870
Downtown Therapy, Inc.	2,814
Vendors Less Than \$2,000	36,810
Grand Total	<u>\$ 15,701,550</u>

Source: Provided by Nebraska Families Collaborative

(Concluded)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

SUBCONTRACTOR PAYMENTS

November 1, 2009 through March 31, 2011

KVC Behavioral Healthcare Nebraska

<u>Subcontractor/Vendor</u>	<u>Total Amount</u>
Cedars Youth Services	\$ 4,488,059
Father Flanagans' Boys' Home	2,335,232
OMNI Behavioral Healthcare	2,331,324
Heartland Family Service	1,388,045
Owens and Associates	1,382,156
Epworth Village	1,314,687
Christian Heritage	1,308,804
Owens Educational Services	974,692
NOVA Therapeutic Community	945,423
Child Saving Institute	888,346
APEX Foster Care Inc.	772,362
Better Living Counseling	685,334
Midwest Special Services	682,486
Pathfinder Support Services	676,394
Child Connect	551,780
Capstone Behavioral Health	532,171
Lutheran Family Services of Nebraska	496,311
Nebraska Children's Home	468,545
UTA Halee Girls Village	428,351
Clarinda Academy	428,290
Texas San Marcos Treatment Center LP	397,317
Youth Care, Inc.	339,594
Developmental Services of Nebraska	333,804
Beneficial Behavioral Health	333,078
Heartland Boys Home	319,200
Cooper Village	311,314
Boys Town National Research Hospital	311,016
Harvest Haven	307,392
Grace Childrens Home	292,796
Omaha Home for Boys	264,408
Boys and Girls Home of Nebraska	241,143
Women in Community Service	227,829
Rite of Passage	223,082
Redwood Biotech	175,723
Redwood Toxicology	169,076

(Continued)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

SUBCONTRACTOR PAYMENTS

November 1, 2009 through March 31, 2011

KVC Behavioral Healthcare Nebraska

<u>Subcontractor/Vendor</u>	<u>Total Amount</u>
Salvation Army	154,851
Alegent Health	153,389
New Hope Treatment	139,255
Child Guidance Center	132,641
Catholic Charities	130,191
Mingus Mountain Academy	123,405
St. Monica's	115,873
Release Ministries Inc.	103,505
Families Inspiring Families	95,385
First Step Recovery & Wellness	93,234
Healthy Families Project	77,374
NU Beginnings	69,599
Concord Center	62,575
Club Z! in Home Tutoring	61,547
Norfolk Group Home	57,519
Language Linc	57,284
Prince of the Road	55,031
Behavioral Interventions	52,063
Nebraska Family Support	50,662
Sarpy County Juvenile Justice	42,333
Envisions of Norfolk, Inc.	40,396
Papio Transport Service	39,133
ABH Addiction Beh. Health Svc.	38,933
Cornerstone Families	36,911
Central Plains Center	32,911
Heartland Behavioral Services	29,067
Premiere Psychiatric Group, LLC	28,691
Orr Psychotherapy	28,171
BryanLGH Medical Center	27,318
Summit Care & Wellness	26,257
Always A Friendly Hand, Inc.	23,420
Healthy Families Project	22,308
Parallels	21,498
Autism Center of Nebraska, Inc.	19,279
Hands of Heartland Group Home	18,861

(Continued)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

SUBCONTRACTOR PAYMENTS

November 1, 2009 through March 31, 2011

KVC Behavioral Healthcare Nebraska

<u>Subcontractor/Vendor</u>	<u>Total Amount</u>
R & A Transport	18,175
Alegent Health Psychiatric	18,000
Tree City Cab	16,160
Woodward Academy	14,976
CSS, Inc.	14,954
Douglas County Treasurer	14,597
Caring People of Sudan	13,770
Arias Neuropsychology	13,427
Metro Area Transit	13,072
Dan Marradi	13,064
Forensic Behavioral Health	12,959
Blue Valley Behavioral Health	12,371
Maysoon Shaheen	12,250
Nebraska Comprehensive Health	12,131
Rut Multicultural Counseling	11,884
Mediation Center	11,337
Stephen Center, Inc.	11,025
Bethany Koubsky	10,751
Kera Frederick	10,135
Conrado Rodriquez, Ph.D.	9,529
Theodore J. Delaet, Ph.D.	9,370
Mental Health Associates	9,232
Cornhusker Place	8,958
Benchmark Behavioral Health	8,943
Counseling Affiliates of Nebraska	8,516
Family Skill Building Services	8,220
Envisions, Inc.	8,112
Rocco Interpreting Services	7,960
Born to Run	7,866
Interpreter Services of Nebraska	7,702
Resolution Center	7,632
The Resolution Center	7,632
Mid-Plains Center	7,500
Douglas County Youth Center	7,200
Maria Fritz MS	6,958

(Continued)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

SUBCONTRACTOR PAYMENTS

November 1, 2009 through March 31, 2011

KVC Behavioral Healthcare Nebraska

<u>Subcontractor/Vendor</u>	<u>Total Amount</u>
Encor R&B	6,740
Erin Kramer	6,618
Melissa Kenney	6,433
Hastings Regional Center	6,420
Compass	6,150
Judith G. Bothern	6,114
Region V Services	6,066
Inroads Counseling	6,029
Susan Wragge	5,958
Jamy Elker	5,700
Sharp Counseling	5,574
Margaret Propp	5,485
Dr. Stankus	5,382
Metro Area Transportation	5,325
Waldron Sign Language	5,108
Chris Criner LMHP	5,073
Jericho Counseling	5,001
M & G Taxi Service	4,474
Helem's Counseling	4,350
Mark Davis	4,310
Pediatric Psychology Associates	4,251
ASL Interpreting Services	3,865
Rebecca Cook	3,760
Family Solutions	3,668
Tera Bass	3,640
Arthur Trexler	3,540
Integrated Life Choices	3,432
Kelly Brakenhoff	3,187
YWCA	3,020
Choices Treatment Center, Inc.	2,880
Carlson Counseling Services, LLC	2,627
Peggy Williams	2,588
Lincoln Counseling on Alch & Drugs	2,567
Melissa Stutzman	2,527
Joseph Stankus	2,429

(Continued)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES

SUBCONTRACTOR PAYMENTS

November 1, 2009 through March 31, 2011

KVC Behavioral Healthcare Nebraska

<u>Subcontractor/Vendor</u>	<u>Total Amount</u>
Abundant Life	2,367
Teri Langan Dee	2,316
Bethany Merchant	2,280
Catherine Cook	2,112
Ejsans Associates, P.C.	2,094
Luis Quiroz Interpreter	2,080
Connie A. Herndon	2,047
Subcontractors Less Than \$2,000	83,917
	<u>\$ 30,232,306</u>

Source: Provided by KVC

(Concluded)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
VARYING RATES PAID BY DHHS TO LEAD CONTRACTORS
November 1, 2009 through March 31, 2011

EXHIBIT D

Service Area	Contractor	Service Code Description	Amount Paid by DHHS to Contractor
Southeastern	Cedars	TRACKER SERVICES	\$ 27.00
Southeastern	KVC	TRACKER SERVICES	\$ 30.00
Eastern	KVC	TRACKER SERVICES	\$ 30.00
Eastern	NFC	TRACKER SERVICES	\$ 40.00
Central	BGH	TRACKER SERVICES	\$ 50.00
Western	BGH	TRACKER SERVICES	\$ 50.00
Southeastern	Cedars	VISIT SUPERVISION/MONITOR	\$ 40.00
Eastern	KVC	VISIT SUPERVISION/MONITOR	\$ 45.00
Southeastern	KVC	VISIT SUPERVISION/MONITOR	\$ 45.00
Eastern	NFC	VISIT SUPERVISION/MONITOR	\$ 45.00
Central	BGH	VISIT SUPERVISION/MONITOR	\$ 75.00
Northern	BGH	VISIT SUPERVISION/MONITOR	\$ 75.00
Southeastern	Cedars	FAMILY SUPPORT SERVICES	\$ 58.84
Eastern	KVC	FAMILY SUPPORT SERVICES	\$ 65.00
Southeastern	KVC	FAMILY SUPPORT SERVICES	\$ 65.00
Eastern	NFC	FAMILY SUPPORT SERVICES	\$ 79.00
Central	BGH	FAMILY SUPPORT SERVICES	\$ 80.00
Northern	BGH	FAMILY SUPPORT SERVICES	\$ 80.00
Southeastern	KVC	OUT OF HOME MAINTENANCE	\$ 40.00
Central	BGH	OUT OF HOME MAINTENANCE	\$ 75.00
Northern	BGH	OUT OF HOME MAINTENANCE	\$ 75.00
Western	BGH	OUT OF HOME MAINTENANCE	\$ 75.00
Southeastern	KVC	HOME SUPPORTED SERVICES	\$ 115.00
Southeastern	Cedars	HOME SUPPORTED SERVICES	\$ 129.00
Eastern	NFC	ELECTRONIC MONITORING	\$ 24.00
Southeastern	Cedars	ELECTRONIC MONITORING	\$ 30.00
Central	BGH	ELECTRONIC MONITORING	\$ 50.00
Central	BGH	AGENCY SUPPORTED FOSTER CARE	\$ 90.00
Northern	BGH	AGENCY SUPPORTED FOSTER CARE	\$ 90.00
Western	BGH	AGENCY SUPPORTED FOSTER CARE	\$ 90.00
Eastern	NFC	AGENCY SUPPORTED FOSTER CARE	\$13.45 - \$86.00
Southeastern	Cedars	AGENCY SUPPORTED FOSTER CARE	\$15.00 - \$69.00
Eastern	KVC	AGENCY SUPPORTED FOSTER CARE	\$35.00 - \$40.00
Southeastern	KVC	AGENCY SUPPORTED FOSTER CARE	\$35.00 - \$40.00
Central	BGH	INTENSIVE FAMILY PRESERVE	\$ 50.00
Eastern	NFC	INTENSIVE FAMILY PRESERVE	\$ 79.00

(Continued)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
VARYING RATES PAID BY DHHS TO LEAD CONTRACTORS
November 1, 2009 through March 31, 2011

EXHIBIT D

Service Area	Contractor	Service Code Description	Amount Paid by DHHS to Contractor
Southeastern	Cedars	DRUG SCREENING TESTING	\$ 25.21
Eastern	NFC	DRUG SCREENING TESTING	\$ 33.75
Eastern	KVC	DRUG SCREENING TESTING	\$ 60.00
Central	BGH	DRUG SCREENING TESTING	\$ 80.00
Northern	BGH	DRUG SCREENING TESTING	\$ 80.00
Western	BGH	DRUG SCREENING TESTING	\$ 80.00
Eastern	NFC	ASSMNT DRUG ALCOHOL	\$ 33.75
Eastern	KVC	ASSMNT DRUG ALCOHOL	\$ 90.00
Eastern	NFC	GROUP HOME CARE	\$ 94.00
Eastern	KVC	GROUP HOME CARE	\$ 110.00
Northern	BGH	GROUP HOME CARE	\$ 125.00
Southeastern	Cedars	GROUP HOME CARE	\$ 140.00
Central	BGH	GROUP HOME CARE	\$125.00 - \$160.00
Western	BGH	GROUP HOME CARE	\$125.00 - \$160.00
Southeastern	KVC	GROUP HOME CARE	\$90.00 - \$110.00

Note 1: Rates obtained from the detail testing of claims.

(Concluded)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
VARYING RATES PAID TO FOSTER FAMILIES FOR FOSTER CARE

EXHIBIT E

November 1, 2009 through March 31, 2011

Contractor	Daily Rate paid by DHHS to Contractor (Note 1)	Daily Rate paid to Foster Family by Contractor (Note 2)	Daily Rate Paid by DHHS to Foster Family Prior to Reform (Note 3)	Variance Between Rate paid by DHHS to Contractor and Rate Paid by DHHS to Foster Family Prior to Reform
BGH W	\$ 75.00	\$ 7.90	\$ 8.05	\$ 66.95
BGH W	\$ 75.00	\$ 10.35	\$ 12.03	\$ 62.97
BGH C	\$ 75.00	\$ 13.20	\$ 13.45	\$ 61.55
BGH C	\$ 75.00	\$ 27.48	\$ 13.84	\$ 61.16
BGH W	\$ 75.00	\$ 30.17	\$ 19.59	\$ 55.41
BGH C	\$ 75.00	\$ 25.20	\$ 19.92	\$ 55.08
BGH C	\$ 75.00	\$ 23.07	\$ 23.51	\$ 51.49
BGH C	\$ 75.00	\$ 24.88	\$ 25.35	\$ 49.65
BGH C	\$ 75.00	\$ 32.30	\$ 32.91	\$ 42.09
Cedars SE	\$ 50.00	\$ 21.00	\$ 8.05	\$ 41.95
Cedars SE	\$ 50.00	\$ 21.00	\$ 12.03	\$ 37.97
Cedars SE	\$ 69.00	\$ 40.00	\$ 34.72	\$ 34.28
KVC E	\$ 40.00	\$ 10.00	\$ 8.05	\$ 31.95
KVC SE	\$ 40.00	\$ 15.00	\$ 9.53	\$ 30.47
KVC SE	\$ 40.00	\$ 10.00	\$ 9.53	\$ 30.47
KVC SE	\$ 40.00	\$ 12.20	\$ 12.03	\$ 27.97
KVC E	\$ 40.00	\$ 14.13	\$ 12.69	\$ 27.31
KVC E	\$ 35.00	\$ 10.00	\$ 8.05	\$ 26.95
NFC E	\$ 35.00	\$ 8.75	\$ 8.05	\$ 26.95
NFC E	\$ 35.00	\$ 7.83	\$ 8.05	\$ 26.95
KVC E	\$ 40.00	\$ 19.17	\$ 13.45	\$ 26.55
KVC SE	\$ 40.00	\$ 10.00	\$ 14.17	\$ 25.83
KVC E	\$ 40.00	\$ 14.37	\$ 14.17	\$ 25.83
KVC E	\$ 35.00	\$ 10.00	\$ 9.53	\$ 25.47
KVC SE	\$ 40.00	\$ 20.00	\$ 17.75	\$ 22.25
KVC SE	\$ 40.00	\$ 40.00	\$ 17.75	\$ 22.25
KVC E	\$ 35.00	\$ 13.43	\$ 13.45	\$ 21.55
KVC E	\$ 35.00	\$ 13.63	\$ 13.45	\$ 21.55
Cedars SE	\$ 31.00	\$ 12.00	\$ 9.53	\$ 21.47
Cedars SE	\$ 31.00	\$ 12.00	\$ 9.53	\$ 21.47
KVC SE	\$ 35.00	\$ 13.68	\$ 13.94	\$ 21.06
KVC E	\$ 35.00	\$ 31.00	\$ 14.17	\$ 20.83
KVC E	\$ 35.00	\$ 21.67	\$ 21.69	\$ 13.31
KVC E	\$ 35.00	\$ 29.26	\$ 23.57	\$ 11.43
KVC SE	\$ 40.00	\$ 10.00	\$ 32.55	\$ 7.45
KVC SE	\$ 35.00	\$ 31.53	\$ 31.10	\$ 3.90

Note 1: Contractor determined rate based on their costs, which may have included administrative costs. Rates are from the claims detail testing file.

Note 2: Rates obtained from detail testing of claims.

Note 3: APA calculated the daily rate by taking the monthly rate in NFOCUS times 12 divided by 365 days. Rates may have changed due to age and level of child.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
VARYING RATES PAID TO SUBCONTRACTORS FOR FOSTER CARE
November 1, 2009 through March 31, 2011

EXHIBIT F

Contractor	Daily Rate Paid by DHHS to Contractor (Note 1)	Daily Rate Paid by Contractor to Subcontractor (Note 2)	Daily Rate Paid by DHHS to Subcontractor Prior to Reform (Note 3)	Variance Between Rate Paid by DHHS to Contractor and Rate Paid by DHHS to Subcontractor Prior to Reform
NFC E	\$ 86.00	\$ 44.00	\$ 44.00	\$ 42.00
BGH N	\$ 90.00	\$ 69.00	\$ 69.00	\$ 21.00
BGH C	\$ 90.00	\$ 69.00	\$ 69.00	\$ 21.00
BGH W	\$ 90.00	\$ 69.00	\$ 69.00	\$ 21.00
NFC E	\$ 64.00	\$ 64.00	\$ 44.00	\$ 20.00
NFC E	\$ 86.00	\$ 25.00	\$ 69.00	\$ 17.00
NFC E	\$ 86.00	\$ 69.00	\$ 69.00	\$ 17.00
NFC E	\$ 55.00	\$ 44.00	\$ 44.00	\$ 11.00
NFC E	\$ 71.00	\$ 71.00	\$ 69.00	\$ 2.00
KVC E	\$ 40.00	\$ 50.00	\$ 44.00	\$ (4.00)
NFC E	\$ 64.00	\$ 64.00	\$ 69.00	\$ (5.00)
KVC E	\$ 35.00	\$ 31.00	\$ 44.00	\$ (9.00)
NFC E	\$ 32.00	\$ 32.00	\$ 44.00	\$ (12.00)
NFC E	\$ 51.00	\$ 51.00	\$ 69.00	\$ (18.00)
KVC SE	\$ 40.00	\$ 31.00	\$ 69.00	\$ (29.00)
KVC SE	\$ 40.00	\$ 69.00	\$ 69.00	\$ (29.00)
KVC E	\$ 40.00	\$ 69.00	\$ 69.00	\$ (29.00)
NFC E	\$ 36.00	\$ 36.00	\$ 69.00	\$ (33.00)
KVC E	\$ 35.00	\$ 31.00	\$ 69.00	\$ (34.00)
KVC E	\$ 35.00	\$ 69.00	\$ 69.00	\$ (34.00)
KVC SE	\$ 35.00	\$ 69.00	\$ 69.00	\$ (34.00)

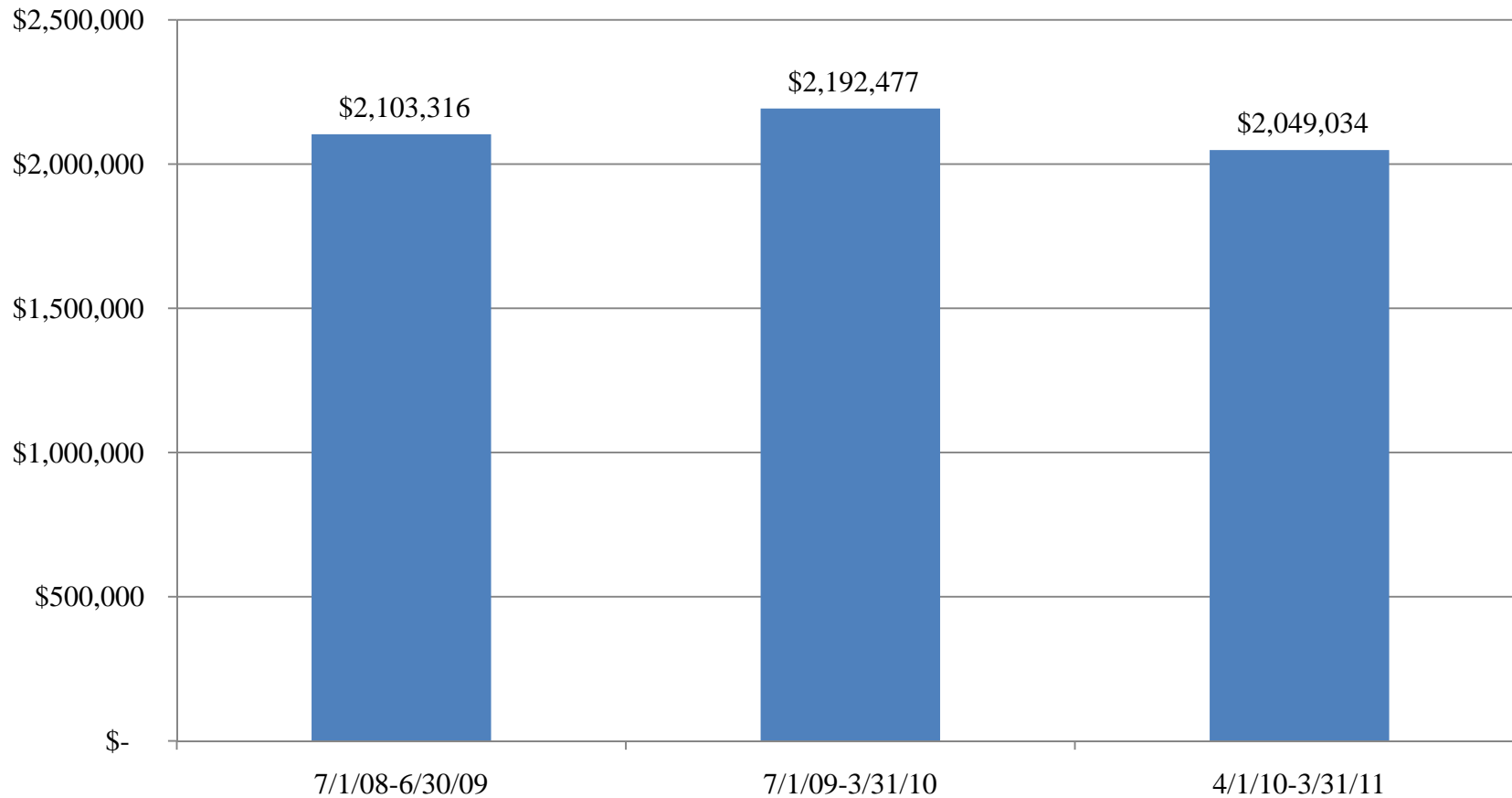
Note 1: Contractor determined rate based on their costs, which may have included administrative costs.
Rates are from the detail claims testing file.

Note 2: Rates obtained from the detail testing of claims.

Note 3: APA obtained the daily rate from claims previously paid in NFOCUS by DHHS.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
DHHS AVERAGE MONTHLY ADMINISTRATIVE COSTS FOR CHILD WELFARE

EXHIBIT G



Source: DHHS Cost Allocation Plan

Note: Reform Services Contracts were for aid expenditures, this schedule presents only DHHS administrative expenditures.

Note: Includes only direct administrative costs for Child Welfare, does not include overhead or allocated costs.

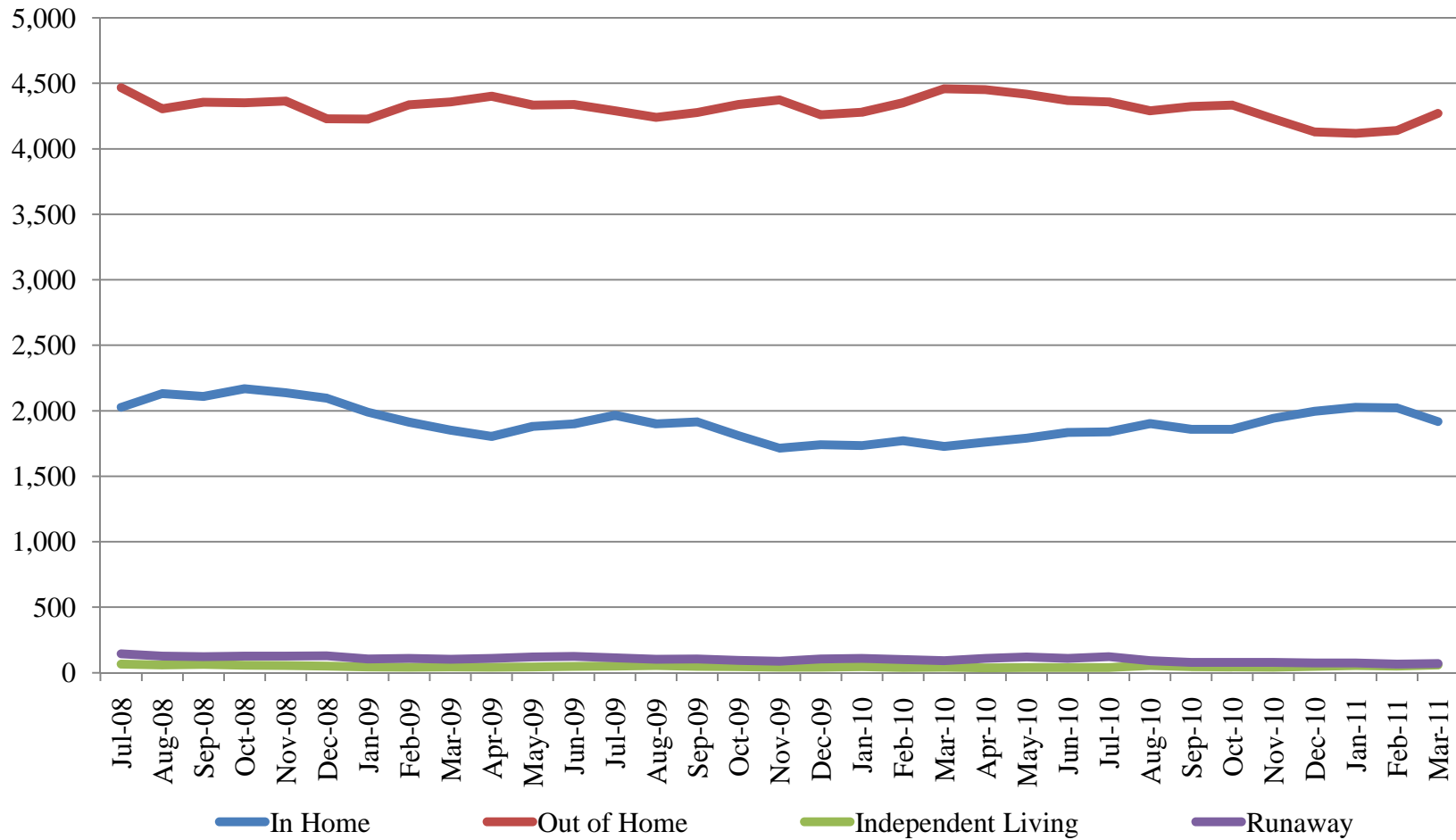
7/1/08-6/30/09 Prior to Reform Contracts

7/1/09-3/31/10 Implementation and Transition Period

4/1/10-3/31/11 After Transition Period

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
 CHILD WELFARE REFORM CONTRACT EXPENDITURES
NUMBER OF WARDS BY PLACEMENT
 July 1, 2008 through March 31, 2011

EXHIBIT H



Source: DHHS Statewide Derived Placement

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
COMPARISON OF CHILD SAFETY, PERMANENCY, AND WELL-BEING STANDARDS
July 1, 2009 through April 1, 2011

EXHIBIT I

The Child and Family Services Reviews (CFSRs) review and assess the performance on 23 areas relevant to seven outcomes. The national expectation is 90 percent. Below is a comparison of the percentages for the State and for the two services areas still using lead contractors at 3/31/11. The Southeastern area was served by DHHS, Cedars, Visinet, and KVC from 11/1/09 to 6/30/10 and is entirely served by KVC from 7/1/10 to date. The Eastern area was served by DHHS, Visinet, NFC, and KVC for 11/1/09 to 6/30/10 and is served 1/3 each by DHHS, NFC, and KVC from 7/1/10 to 6/30/11.

	Eastern Area	Southeastern Area	STATE
Outcome: Safety 1			
Children are first and foremost, protected from abuse and neglect.			
7/1/2009 - 10/1/2010	50%	73%	69%
1/1/2010 - 4/1/2011	33%	64%	61%
Change	-17%	-9%	-8%
Outcome: Safety 2			
Children are safely maintained in their homes, whenever possible and appropriate.			
7/1/2009 - 10/1/2010	58%	64%	63%
1/1/2010 - 4/1/2011	45%	50%	64%
Change	-13%	-14%	1%
Outcome: Permanency 1			
Children have permanency and stability in their living situations.			
7/1/2009 - 10/1/2010	9%	31%	33%
1/1/2010 - 4/1/2011	24%	44%	40%
Change	15%	13%	7%
Outcome: Permanency 2			
The continuity of family relationships and connections is preserved for children.			
7/1/2009 - 10/1/2010	59%	56%	58%
1/1/2010 - 4/1/2011	67%	50%	61%
Change	8%	-6%	3%
Outcome: Well-Being 1			
Families have enhanced capacity to provide for their children's needs.			
7/1/2009 - 10/1/2010	13%	25%	31%
1/1/2010 - 4/1/2011	16%	18%	33%
Change	3%	-7%	2%
Outcome: Well-Being 2			
Children received adequate services to meet their educational needs.			
7/1/2009 - 10/1/2010	70%	89%	76%
1/1/2010 - 4/1/2011	77%	86%	88%
Change	7%	-3%	12%
Outcome: Well-Being 3			
Children received adequate services to meet their physical and mental health needs.			
7/1/2009 - 10/1/2010	60%	63%	64%
1/1/2010 - 4/1/2011	58%	77%	71%
Change	-2%	14%	7%

Source: CFSR - Service Area & Statewide Item/Outcome Summary Report, DHHS Website

**NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
CONFIRMATION SENT BY DHHS TO VISINET FOSTER FAMILIES**

EXHIBIT J



Division of Children and Family Services

State of Nebraska

Dave Heineman Governor

06/03/2010

The Nebraska Department of Health and Human Services has been working with Visinet to ensure that foster families are reimbursed for care they have provided for children in foster care before April 16, 2010.

Visinet recently provided the Department with information regarding foster families but not all the necessary information was available. Therefore, we are requesting your help in verifying the information provided below and filling in any missing data. We want to work with you to verify the information so we can provide you with an accurate payment for your foster care services.

Please verify the information below. If something is incorrect, please cross out the incorrect information and clearly write in the correct information. If information is missing, please add it to the document either in the table or on the back of this page. In addition, we would like you to complete the information (if you know it) in Columns D and E. We need to know the daily rate you agreed to accept from Visinet and then the total amount you believe is due to you. If you have received payment from one of the State's other contractors or the child placing agency with which you are affiliated for any Visinet youth please indicate the amount that you have already received in Column F in the table below. Once the information is correct, please sign below and return this form to us at the address or fax number below.

If you have questions completing this document please contact the DHHS Helpline at 1-800-254-4202. If you are transferred to voice mail, please leave a message stating that you are a foster parent calling about a Visinet payment. Your voice mail message will be returned within one work day.

Children who were placed with you by Visinet and for whom you provided care between the dates of 03/21/2010 through 04/15/2010:

A	B	C	D	E	F
Name of Child	Placement Begin Date	Placement End Date (if child is still with you enter NA)	Daily Rate	Total Amount Owed by Visinet for this period	Total Amount Paid by Other Contractor or affiliated Child Placing Agency

The claimant hereby certifies that the foregoing claim is accurate. Under penalty of applicable Federal and State laws I certify that representations herein are true and complete. I have not previously received payment for the amounts claimed here.

Signature: _____ Date: _____ (over)

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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
CONFIRMATION SENT BY DHHS TO VISINET FOSTER FAMILIES

EXHIBIT J

We thank you for your patience as we worked with Visinet to resolve payment issues. We appreciate everything you do as a foster parent for the children of Nebraska.

The sooner you can send in your verified information, the sooner we can get you paid in full.

There are a number of ways you can return this form:

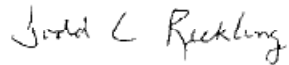
Please scan and submit this completed form electronically to
childrenandfamilyservices@nebraska.gov

OR by postal service to:
Nebraska Department of Health & Human Services
% Sherri Haber
PO Box 95026, Lincoln, NE 68509

OR deliver to:
Nebraska State Office Building
301 Centennial Mall South, Lincoln, NE
3rd Floor Reception Desk, Attn: Sherri Haber

OR FAX to: 402-471-9034, Attn: Sherri Haber.

Respectfully,



Todd L. Reckling
Director
Division of Children & Family Services
Department of Health & Human Services

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
TOTAL AVAILABLE FUNDS FOR LEAD CONTRACTORS

EXHIBIT K

Funding Source	Total Appropriation for SFY10	Exclusion	Excluded Amount	Total Available for Contractors
347 Subprograms 30, 31, 34 & 48 - Child Welfare	\$ 143,818,014.00	Magellan	\$ 1,534,847.00	
		Omaha Independent Living	\$ 582,922.00	
		Detention	\$ 2,170,980.00	*Projected
		Winnebago	\$ 756,054.09	
		Santee	\$ 111,057.77	
		Omaha Tribe	\$ 1,044,052.26	
		Tribal Expenditures	\$ 548,729.00	
		Physical Health Care	\$ 166,180.00	*Projected
		Adoption Subsidy	\$ 22,680,129.00	
		Guardianship Subsidy	\$ 5,946,260.00	*Projected
		Former Ward	\$ 794,000.00	
		DD Service Coordination	\$ 2,558,333.45	
			Total Excluded	\$ 38,893,544.57
			Total Available	\$ 104,924,469.43
347 Subprogram 36 State Ward Education	\$ 17,366,709.00	State Ward Education	\$ 17,366,709.00	
			Total Excluded	\$ 17,366,709.00
			Total Available	\$ -
250 Subprogram	\$ 26,798,428.00	Probation - 345	\$ 1,750,000.00	
		Youth Links - Omaha - 345	\$ 2,100,000.00	
		YRTC Geneva - 371	\$ 7,368,097.00	
		YRTC Kearney-374	\$ 10,683,399.00	
		Detention - 345	\$ 3,611,824.00	
		Physical Health Care -345	\$ 20,788.00	*Projected
		Vocational Rehab -345	\$ 35,298.00	
		UA Kits for JSO's-345	\$ 13,000.00	
		Juvenile Accountability Incentive Block Grant - 345	\$ 195,128.00	
		OJS Administration -315	\$ 426,089.00	
		Parole - 364	\$ 579,805.00	
		CCAA Room & Board -345	\$ 15,000.00	
			Total Excluded	\$ 26,798,428.00
			Total Available	\$ -
265 SubProgram 61 - CAPTA	\$ 191,116.00	Child Advocacy	\$ 191,116.00	
			Total Excluded	\$ 191,116.00
			Total Available	\$ -
265 Subprogram 61 - A2CJA Funding	\$ 137,993.00	Child Advocacy	\$ 137,993.00	
			Total Excluded	\$ 137,993.00
			Total Available	\$ -

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
TOTAL AVAILABLE FUNDS FOR LEAD CONTRACTORS

EXHIBIT K

Funding Source	Total Appropriation for SFY10	Exclusion	Excluded Amount	Total Available for Contractors
Promoting Safe & Stable Families - Subpart 1 - Admin.	\$ 174,866.00	Excluded	\$ 174,866.00	
			Total Excluded	\$ 174,866.00
			Total Available	\$ -
347 SubProgram 52 Promoting Safe & Stable Families - Subpart 2 Aid & Admin	\$ 1,158,545.00	Triage Center, UNL A4F, Community Grants	\$ 1,158,545.00	
			Total Excluded	\$ 1,158,545.00
			Total Available	\$ -
Adoption Incentive - 265 Program Divison 400 Sub25	\$ 353,213.00	Excluded	\$ 353,213.00	
			Total Excluded	\$ 353,213.00
			Total Available	\$ -
347 Subprogram 17	\$ 2,000,000.00	Post Adoption Guardainaship	\$ 2,000,000.00	
			Total Excluded	\$ 2,000,000.00
			Total Available	\$ -
347 Subprogram 35 Domestic Violence *Included family violence prevention funds.	\$ 2,570,383.00	Excluded	\$ 2,570,383.00	
			Total Excluded	\$ 2,570,383.00
			Total Available	\$ -
265-60-67 CHAFEE - Independent Living	\$ 1,575,048.00	Foster Youth Counsel -GYAC	\$ 172,300.00	
		Tribal IL Programs	\$ 125,899.92	
		ESA OIL	\$ 391,566.00	
			Total Excluded	\$ 689,765.92
			Total Available	\$ 885,282.08
265 - 60-79 Chafee - ETV	\$ 529,640.00	ETV	\$ 529,640.00	
			Total Excluded	\$ 529,640.00
			Total Available	\$ -
265-60-68 Monthly Caseworker Visit	\$ 248,799.00	Excluded	\$ 248,799.00	
			Total Excluded	\$ 248,799.00
			Total Available	\$ -

(Continued)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
TOTAL AVAILABLE FUNDS FOR LEAD CONTRACTORS

EXHIBIT K

Funding Source	Total Appropriation for SFY10	Exclusion	Excluded Amount	Total Available for Contractors
347-870-18 Home Visitation	\$ 602,000.00	Excluded	\$ 602,000.00	
			Total Excluded	\$ 602,000.00
			Total Available	\$ -
	Total Appropriation		Total Excluded	Total Available
	\$ 197,524,754.00		\$ 91,715,002.49	\$ 105,809,751.51
Approved by CFS and Finance on 10-20-2009				

(Concluded)

Source: DHHS

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
BSM, INC. dba MCCONAUGHY DISCOVERY CENTER INCOME STATEMENT
For the Years Ended December 31, 2010, 2009, and 2008

EXHIBIT L

	December 31, 2010	December 31, 2009	December 31, 2008
Services	<u>\$ 2,230,598</u>	<u>\$ 190,981</u>	<u>\$ 22,344</u>
Operating Expenses:			
Wages	36,908	-	-
Payroll Taxes	3,629	-	-
Contract Labor	708,401	89,461	12,667
Medical	2,253	-	-
License & Permits	2,613	633	-
Utilities and Telephone	10,829	4,790	1,289
Rent	3,863	-	-
Insurance	7,766	3,248	1,329
Advertising and Promotion	589	870	225
Supplies	25,105	3,923	245
Dues & Subscriptions	12,312	809	-
Office Expense	88	160	971
Professional Fees	1,440	-	-
Repairs	6,732	-	-
Travel	1,055	125	-
Bank Charges	71	527	110
Miscellaneous	279	-	-
Depreciation	161,315	3,209	-
Total Operating Expense	<u>985,246</u>	<u>107,755</u>	<u>16,836</u>
Net Income (Loss)	<u><u>\$ 1,245,352</u></u>	<u><u>\$ 83,226</u></u>	<u><u>\$ 5,508</u></u>

Source: Jeannine J. Lane, unaudited

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
**IRS FORM 990 PART VII – COMPENSATION OF OFFICERS, DIRECTORS,
TRUSTEES, KEY EMPLOYEES, HIGHEST COMPENSATED EMPLOYEES,
AND INDEPENDENT CONTRACTORS**

EXHIBIT M

Note 1: IRS Form 990 “Return of Organization Exempt from Income Tax” is publicly available for non-profit corporations. Following is Part VII “Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors” from the most recent 990 available for KVC, NFC, BGH, and Cedars. Visinet was not a non-profit corporation and is not included.

**KVC Behavioral Healthcare Nebraska Inc.
Tax year ending June 30, 2010**

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
B WAYNE SIMS - SEE SCH O DIRECTOR/BOARD PRESIDENT	5.0	X		X				0	645,751	8,988
SHERRY LOVE - SEE SCH O DIRECTOR	5.0	X						0	197,494	7,850
PAUL KLAYDER - SEE SCH O DIRECTOR/BOARD TREASURER	5.0	X		X				0	189,692	7,771
ANNE ROBERTS - SEE SCH O DIRECTOR/BOARD SECRETARY	5.0	X		X				0	202,342	5,629

Note 2: Related Organizations for KVC includes KVC Health Systems Inc., KVC Behavioral Health Care Inc., KVC Real Estate Holdings Inc., KVC Foundation Inc., KVC Behavioral Healthcare Kentucky Inc., KVC Behavioral Healthcare West Virginia, and KVC Hospital. Per the fiscal year ended June 30, 2010, audited financial statements for KVC Health Systems, Inc. on the schedule of Functional Expenses – KVC Behavioral Healthcare Nebraska, Inc., listed a line item for Intercompany management fee of \$1,667,000.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
**IRS FORM 990 PART VII – COMPENSATION OF OFFICERS, DIRECTORS,
TRUSTEES, KEY EMPLOYEES, HIGHEST COMPENSATED EMPLOYEES,
AND INDEPENDENT CONTRACTORS**

EXHIBIT M

**Nebraska Families Collaborative
Tax year ending December 31, 2009**

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
Morgan Kelly Chair	1	X		X				0	0	0
Peg Harriott Secretary	1	X		X				0	0	0
Judy F. Rasmussen Treasurer	1	X		X				0	225,110	31,176
Ann O'Connor Vice Chair	1	X		X				0	0	0
Dr. Bill Reay Director	1	X						0	0	0
Bob Pick Director	1	X						0	154,613	118,894
Judy Kay Director	1	X						0	0	0
Nicholas Juliano Director	1	X						0	77,848	21,909
Carolyn Thiele Director	1	X						0	0	0
Judy Dierkhising Executive Director	40			X				36,702	12,380	16,950

Note 3: Related Organizations for NFC includes Father Flanagan's Boys' Home.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
**IRS FORM 990 PART VII – COMPENSATION OF OFFICERS, DIRECTORS,
TRUSTEES, KEY EMPLOYEES, HIGHEST COMPENSATED EMPLOYEES,
AND INDEPENDENT CONTRACTORS**

EXHIBIT M

**Boys and Girls Home of Nebraska Inc.
Tax year ending December 31, 2009**

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
ROBERT SHEEHAN PRESIDENT & CEO	40 00			X				0	146,051	29,159
MICHAEL HUSER CFO	40 00			X				0	95,600	12,798
KENT BROYHILL DIRECTOR	1 00	X						0	0	0
CURT MASTBERGEN DIRECTOR	1 00	X						0	0	0
PAT ENGEL DIRECTOR	1 00	X						0	0	0
JOE MOHRHAUSER DIRECTOR	1 00	X						0	0	0
JANET FETT DIRECTOR	1 00	X						0	0	0
CHAR FERGUSON DIRECTOR	1 00	X						0	0	0
SCOT FORD DIRECTOR	1 00	X						0	0	0
CAROL GARWOOD DIRECTOR	1 00	X						0	0	0
DOUG GARWOOD DIRECTOR	1 00	X						0	0	0
KRISTI QUINN DIRECTOR	1 00	X						0	0	0
JACKIE HARTNETT DIRECTOR	1 00	X						0	0	0
JANE RAPP DIRECTOR	1 00	X						0	0	0
SHARESE MANKER DIRECTOR	1 00	X						0	0	0
LYNN SULLIVAN DIRECTOR	1 00	X						0	0	0
JEFF HACKETT COO	40 00			X				0	88,178	25,478
RICHARD BROWN JR MD MEDICAL DIRECTOR	40				X				242,600	18,378

Note 4: Related organizations for BGH include Boys and Girls Home of Alaska Inc, Boys and Girls Home of Sioux City Iowa, Boys and Girls Residential Treatment Centers Inc, and Family Services Inc.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
**IRS FORM 990 PART VII – COMPENSATION OF OFFICERS, DIRECTORS,
TRUSTEES, KEY EMPLOYEES, HIGHEST COMPENSATED EMPLOYEES,
AND INDEPENDENT CONTRACTORS**

EXHIBIT M

**Cedars Youth Services Inc.
Tax year ending June 30, 2010**

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Judi galashkibos Director	1 00	X						0	0	0
Frank Hilsabeck Director	1 00	X						0	0	0
Jennifer Kirkland Director	1 00	X						0	0	0
John Kuchta Director	1 00	X						0	0	0
Wynn Mehlaiff Director	1 00	X						0	0	0
Mick Mickle Director	1 00	X						0	0	0
Larry Moffett Director	1 00	X						0	0	0
Becky Perrett Director	1 00	X						0	0	0
Gail Perry Director	1 00	X						0	0	0
Vicki Powell Director	1 00	X						0	0	0
James Richardson Director	1 00	X						0	0	0
Edie Rozier Director	1 00	X						0	0	0
Jeanne Scott Director	1 00	X						0	0	0
Mark Stephens Director	1 00	X						0	0	0
Chris Wagner Director	1 00	X						0	0	0
Jan Zoucha Director	1 00	X						0	0	0
James Blue President & CEO	40 00			X				154,702	0	7,932
Cindy Rudolph Treasurer & CFO	40 00			X				84,110	0	8,739
Katie McLeese Stephenson Secretary & COO	40 00			X				92,965	0	4,882
Kathy Campbell Executive Vice President	40 00			X				62,060	0	3,141

Note 5: Related organizations for Cedars include The Cedars Home for Children Foundation.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
EMAILS REGARDING VISINET OVERPAYMENT

EXHIBIT N

Page 1 of 2

Reckling, Todd

From: DeJong, Barry
Sent: Friday, April 09, 2010 1:58 PM
To: Schmidt, Jeff S; Haber, Sherri
Cc: Reckling, Todd
Subject: RE: Visinet

I couldnt agree more. As we move forward the billing will be crucial so we dont overextend. I welcome a checks and balance or any other process that keeps our financial issues consisten with our committement.

Sent from my HTC smartphone
Barry DeJong

From: Schmidt, Jeff S <Jeff.S.Schmidt@nebraska.gov>
Sent: Friday, April 09, 2010 1:26 PM
To: Haber, Sherri <Sherri.Haber@nebraska.gov>
Cc: DeJong, Barry <Barry.DeJong@nebraska.gov>; Reckling, Todd <Todd.Reckling@nebraska.gov>
Subject: RE: Visinet

Barry and I checked with our offices and it looks like ESA has about 2.7 million worth of Visinet bills being processed and SESA has about 2.3 million worth.

It would appear Visinet's pending payments and pending billings put them well over their contract cap. We need to be absolutely certain that we don't overpay them since we will never get it back from the bankruptcy proceeding.

What do we need to do to accurately identify the amount of a final payment to Visinet under the current contracts?

Thanks Sherri.

Jeff Schmidt
Service Area Administrator
Southeast Service Area
(402) 471-5328
Please note correct email address: jeff.s.schmidt@nebraska.gov

From: Haber, Sherri
Sent: Thursday, April 08, 2010 10:42 AM
To: Schmidt, Jeff S
Subject: RE: Visinet

We don't know at this point - we had the field stop inputting information into N-FOCUS and then told them this morning that they could go back to work an start inputting. Last night there were 30 claims to either Visinet -E, Visinet -SE or Cedars that were 'kicked out'. I don't have the totals. The Technical Analyst could write a query to pull that information if you want, but he would have to quickly pull something together.

There are April payments that have been made and will be make through Friday, April 9. Claims process on April 6 for payment will show the EFT being issued on April 9. EFT payments have a 3 day posting. For example, all claims for payment completed today, April 8 will show that the EFT will be issued on April 12, 2010.

Sherri Haber
CQI/Operations Administrator
Children & Family Services Policy Section

04/24/2010

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
EMAILS REGARDING VISINET OVERPAYMENT

EXHIBIT N

Page 2 of 2

sherri.haber@nebraska.gov
T: 402-471-7989 C: 402-416-5107 F: 402-471-9034

From: Schmidt, Jeff S
Sent: Thursday, April 08, 2010 10:26 AM
To: Haber, Sherri
Subject: Visinet

What is the amount of the payments to Visinet under the reform contracts we are holding - by service area if possible?

Sent from my Windows Mobile phone

04/24/2010

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
EMAILS REGARDING VISINET OVERPAYMENT

EXHIBIT N

Page 1 of 2

Reckling, Todd

From: Haber, Sherri
Sent: Friday, April 09, 2010 2:01 PM
To: Schmidt, Jeff S
Cc: DeJong, Barry; Reckling, Todd
Subject: RE: Visinet

Are you planning to pay them the full amount of the Contract? If yes, then.....I think there are a couple of options.

1. First we have to decide what we are going to do about the Overpayments.
 - a. Payments made by N-FOCUS to a NON-REFORM contractor after a case was transitioned.
 - b. Independent Living Grant payments made through N-FOCUS (we gave the \$ to the contractors and later decided that the State had to take it back)
2. Once we know if we need to include or exclude overpayments we can determine exactly the amount paid to Visinet thus far and we can then opt to do one of two things:
 - a. Pay them the remaining amount in a lump sum and reject all the N-FOCUS claims.
 - b. Pay through N-FOCUS authorizing only enough of the pending claims to cover the costs, then reject all the other claims.

If the answer is that we are NOT going to pay the full amount of the Contract, we'd need to work with Legal to determine the 'end' date. Is the State obligated to 'reimburse' Visinet for bills incurred up to TODAY? If so, then based on what you indicated below - they'd both reach the CAP. If the State is NOT obligated to make any payments then I'd think the Contract language would indicate that we do NOT have to issue any additional payments to Visinet. The Contract Article II.B.2 states: *On or about the first of the month from December 1, 2009 through June 30, 2010, a total amount \$855,371.13 minus any payments made in the prior month for direct services paid through N-FOCUS as described in Article II, Section C.* I interpret that to mean that we made a payment of \$855,371.13 on or about April 1 and therefore, we are paid in full until May. One of the issues is that in April the MARCH N-FOCUS expenditures for both E & SE were more than the monthly rate. We'd then need to decide how to handle that. Again, we'd need Legal involved.

Sherri Haber
CQI/Operations Administrator
Children & Family Services Policy Section
sherri.haber@nebraska.gov
T: 402-471-7989 C: 402-416-5107 F: 402-471-9034

From: Schmidt, Jeff S
Sent: Friday, April 09, 2010 1:27 PM
To: Haber, Sherri
Cc: DeJong, Barry; Reckling, Todd
Subject: RE: Visinet

Barry and I checked with our offices and it looks like ESA has about 2.7 million worth of Visinet bills being processed and SESA has about 2.3 million worth.

It would appear Visinet's pending payments and pending billings put them well over their contract cap. We need to be absolutely certain that we don't overpay them since we will never get it back from the bankruptcy proceeding.

What do we need to do to accurately identify the amount of a final payment to Visinet under the current contracts?

Thanks Sherri.

04/24/2010

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
EMAILS REGARDING VISINET OVERPAYMENT

EXHIBIT N

Page 2 of 2

Jeff Schmidt
Service Area Administrator
Southeast Service Area
(402) 471-5328
Please note correct email address: jeff.s.schmidt@nebraska.gov

From: Haber, Sherri
Sent: Thursday, April 08, 2010 10:42 AM
To: Schmidt, Jeff S
Subject: RE: Visinet

We don't know at this point – we had the field stop inputting information into N-FOCUS and then told them this morning that they could go back to work and start inputting. Last night there were 30 claims to either Visinet – E, Visinet – SE or Cedars that were 'kicked out'. I don't have the totals. The Technical Analyst could write a query to pull that information if you want, but he would have to quickly pull something together.

There are April payments that have been made and will be made through Friday, April 9. Claims processed on April 6 for payment will show the EFT being issued on April 9. EFT payments have a 3 day posting. For example, all claims for payment completed today, April 8 will show that the EFT will be issued on April 12, 2010.

Sherri Haber
CQI/Operations Administrator
Children & Family Services Policy Section
sherri.haber@nebraska.gov
T: 402-471-7989 C: 402-416-5107 F: 402-471-9034

From: Schmidt, Jeff S
Sent: Thursday, April 08, 2010 10:26 AM
To: Haber, Sherri
Subject: Visinet

What is the amount of the payments to Visinet under the reform contracts we are holding - by service area if possible?

Sent from my Windows Mobile phone

04/24/2010

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
EMAILS REGARDING VISINET RECORDS

EXHIBIT O

Snell, JoAnne

From: Angela Burmeister [ABurmeister@berkshire-law.com]
Sent: Tuesday, October 26, 2010 8:41 AM
To: Reckling, Todd
Cc: Shannon Doyle
Subject: FW: Visinet files

Todd,

This is an email I sent to Brad, we received a response that he is out of the office. I wanted you all to be aware of the dire time situation with the Visinet files in case you do want to opt to get them. We have offered them to the State. Brad indicated that he wanted to view them before indicating whether they will take them but I haven't heard back on timing and they are scheduled to be destroyed tomorrow. Please let me know if you would like to send someone to see them today or if you have questions. Thanks,

Angi

Angela L. Burmeister
Berkshire & Burmeister Law Offices
1301 S. 75th Street, Suite 100
Omaha, NE 68124
(402)827-7000
(402)827-7001 Fax
aburmeister@berkshire-law.com

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From: Angela Burmeister
Sent: Tuesday, October 26, 2010 8:37 AM
To: 'Gianakos, Brad'
Cc: Shannon Doyle
Subject: Visinet files

Brad,

Have you decided anything on the Visinet files? My client is scheduled to clear the storage I believe tomorrow. The files have been scheduled to be shredded because they cannot afford to maintain the storage. Let me know if you want to send someone to see what's there today. Some of the contractors have asked what will happen to the files because they anticipate they may need some in the future. We have been able to handle turning over individual files with a consent but my clients cannot maintain the group of files so that they would be available in the future.

Angi

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
EMAILS REGARDING VISINET RECORDS

EXHIBIT O

Angela L. Burmeister
Berkshire & Burmeister Law Offices
1301 S. 75th Street, Suite 100
Omaha, NE 68124
(402)827-7000
(402)827-7001 Fax
aburmeister@berkshire-law.com

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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
EMAILS REGARDING VISINET RECORDS

EXHIBIT O

Bachle, Carmen

From: Gianakos, Brad
Sent: Thursday, October 21, 2010 11:40 AM
To: 'Angela Burmeister'
Subject: RE: Visinet balance and paper files

Thanks, I'll get back to you with some times asap.

Brad Gianakos JD MBA, Administrator

Nebraska Department of Health and Human Services
Legal and Regulatory Services
PO Box 95026 • Lincoln NE 68509-5026
phone 402.471.4088 • fax 402.471.9518 • cell 402.310.8914
brad.gianakos@nebraska.gov

From: Angela Burmeister [<mailto:ABurmeister@berkshire-law.com>]
Sent: Thursday, October 21, 2010 11:32 AM
To: Gianakos, Brad; Shannon Doyle
Subject: RE: Visinet balance and paper files

Sure. Let me find the location and when someone can let you in. Can you let me know when someone from your office can come to look at them

Angi*☺

-----Original message-----

From: "Gianakos, Brad" <Brad.Gianakos@nebraska.gov>
To: Angela Burmeister <ABurmeister@berkshire-law.com>
Sent: Wed, Oct 20, 2010 20:09:38 GMT+00:00
Subject: RE: Visinet balance and paper files

Angi:

We need more information about these files before we can agree to accept them. Can we make arrangements to view them?

Brad Gianakos JD MBA, Administrator

Nebraska Department of Health and Human Services
Legal and Regulatory Services
PO Box 95026 • Lincoln NE 68509-5026
phone 402.471.4088 • fax 402.471.9518 • cell 402.310.8914
brad.gianakos@nebraska.gov

From: Angela Burmeister [<mailto:ABurmeister@berkshire-law.com>]
Sent: Wednesday, October 20, 2010 2:59 PM
To: Gianakos, Brad
Cc: Shannon Doyle
Subject: RE: Visinet balance and paper files

Brad,

I received the documents today and will get them turned around asap. Have you thought more on the records, unfortunately, my client is being booted out of their storage facility next week so we really need to act quickly to get them turned over. Let me know your thought.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
EMAILS REGARDING VISINET RECORDS

EXHIBIT O

I sat down next to Kerry today at the NATA seminar, I enjoyed talking with him outside of our difficult case. Thanks,

Angi

Angela L. Burmeister
Berkshire & Burmeister Law Offices
1301 S. 75th Street, Suite 100
Omaha, NE 68124
(402)827-7000
(402)827-7001 Fax
aburmeister@berkshire-law.com

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From: Angela Burmeister
Sent: Tuesday, October 12, 2010 1:38 PM
To: Gianakos, Brad
Cc: Shannon Doyle
Subject: RE: Visinet balance and paper files

Brad,

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
EMAILS REGARDING VISINET RECORDS

EXHIBIT O

Bachle, Carmen

From: Gianakos, Brad
Sent: Tuesday, October 12, 2010 3:11 PM
To: 'Angela Burmeister'
Subject: RE: Visinet balance and paper files

Angi: We really need a better idea of what these files look like before we can commit to taking possession of this many files. Would it be possible to send someone to Omaha to view the records? Thanks.

Brad Gianakos JD MBA, Administrator
Nebraska Department of Health and Human Services
Legal and Regulatory Services
PO Box 95026 • Lincoln NE 68509-5026
phone 402.471.4068 • fax 402.471.9518 • cell 402.310.8914
brad.gianakos@nebraska.gov

From: Angela Burmeister [<mailto:ABurmeister@berkshire-law.com>]
Sent: Tuesday, October 12, 2010 1:38 PM
To: Gianakos, Brad
Cc: Shannon Doyle
Subject: RE: Visinet balance and paper files

Brad,

This is correct. We have not received any more funds and these funds we have continued to hold there for distribution to the subs.

Also, on the issue of the paper files, Mike estimates that there are about 2500 boxes and then a number of files that will have to be extracted from lateral filing cabinets. He thinks there is about 250-400 more boxes of files in those cabinets. Let me know what you suggest on getting them turned over to the State. Unfortunately, Mike indicates they are losing the storage at the end of this month and so we need to work out something rather quickly.

Let me know if you need anything else. Thanks,

Angi

Angela L. Burmeister
Berkshire & Burmeister Law Offices
1301 S. 75th Street, Suite 100
Omaha, NE 68124
(402)827-7000
(402)827-7001 Fax
aburmeister@berkshire-law.com

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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD WELFARE REFORM CONTRACT EXPENDITURES
VISINET BANKRUPTCY DISMISSAL

EXHIBIT P

Case 10-81044-TJM Doc 21 Filed 04/20/10 Entered 04/20/10 10:48:30 Desc Order
of Dismissal to BNC Page 1 of 1

odsmbrnc (03/10)

UNITED STATES BANKRUPTCY COURT
District of Nebraska
111 South 18th Plaza
Suite 1125
Omaha, NE 68102

In Re:

Visinet, Inc.

Debtor(s)

Bankruptcy Proceeding No. 10-81044-TJM
Chapter 11

Judge: Timothy J. Mahoney

ORDER DISMISSING CASE

Visinet, Inc. failed to timely file the list of twenty largest unsecured creditors, therefore the case is dismissed.

Dated: April 20, 2010

BY THE COURT:

/s/ Timothy J. Mahoney
Bankruptcy Judge

Copies mailed to all creditors and parties in interest.