

**ATTESTATION REPORT
OF THE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE
JANUARY 1, 2013 THROUGH DECEMBER 31, 2013**

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Issued on September 19, 2014

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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1 - 2
CFS Service Areas	3
Comments Section	
Exit Conference	4
Summary of Comments	5 - 6
Comments and Recommendations	7 - 47
Financial Section	
Independent Accountant's Report	48 - 49
Schedule of Revenues, Expenditures, and Changes to Fund Balances	50
Notes to the Schedule	51 - 53
Supplementary Information	54
Exhibit A- Expenditures and Cases by Service Area, Fiscal Year 2013	55
Exhibit B- Expenditures by Fund Type, Calendar Years 2008-2013	56
Exhibit C- Expenditures by Service Type, Calendar Year 2013	57
Exhibit D- Service Type Acronyms	58

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

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. Per Neb. Rev. Stat. § 68-1207(1) (Supp. 2013), DHHS “shall supervise all public child welfare services as described by law.” More specifically, Neb. Rev. Stat. § 81-3116(2) (Cum. Supp. 2012) directs 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 reform instituted the increased privatization of child welfare services.

Effective November 1, 2009, DHHS entered into service contracts with five private agencies 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 service contract agreements replaced the previous fee-for-service method of compensation. 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. On March 1, 2012, another lead agency ended its reform contract, leaving Nebraska Families Collaborative (NFC) as the only remaining lead agency. NFC is a non-profit partnership, formed by Father Flanagan’s Boys’ Home, Child Saving Institute, Heartland Family Service, Nebraska Family Support Network, and Omni Behavioral Health. Starting July 1, 2012, NFC receives, in addition to the bi-monthly flat fee, a variable monthly payment based on the average number of cases for which services are provided.

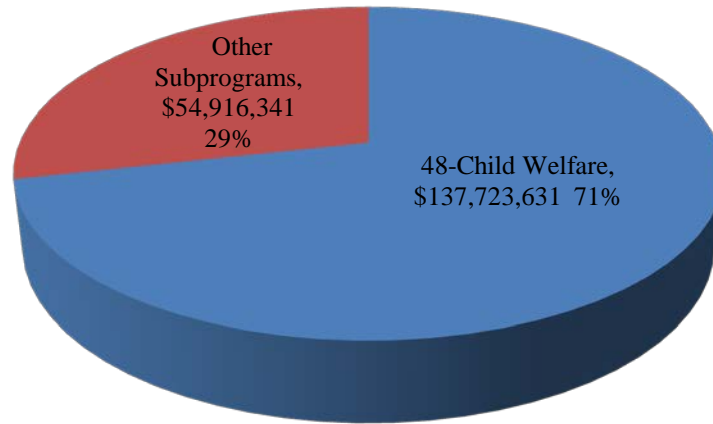
CFS is responsible for the state’s child welfare, juvenile services, and economic assistance programs through offices located across the State, which are organized into five Service Areas. NFC is responsible for the eastern service area, which encompasses Douglas and Sarpy counties. The remaining service areas are managed by CFS utilizing fee-for-service contracts.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

BACKGROUND
(Continued)

Testing included Program 354 Subprogram 48 – Child Welfare. Child Welfare expenditures were 71% of Program 354 expenditures for calendar year 2013.

**Program 354 Expenditures
Calendar Year 2013**

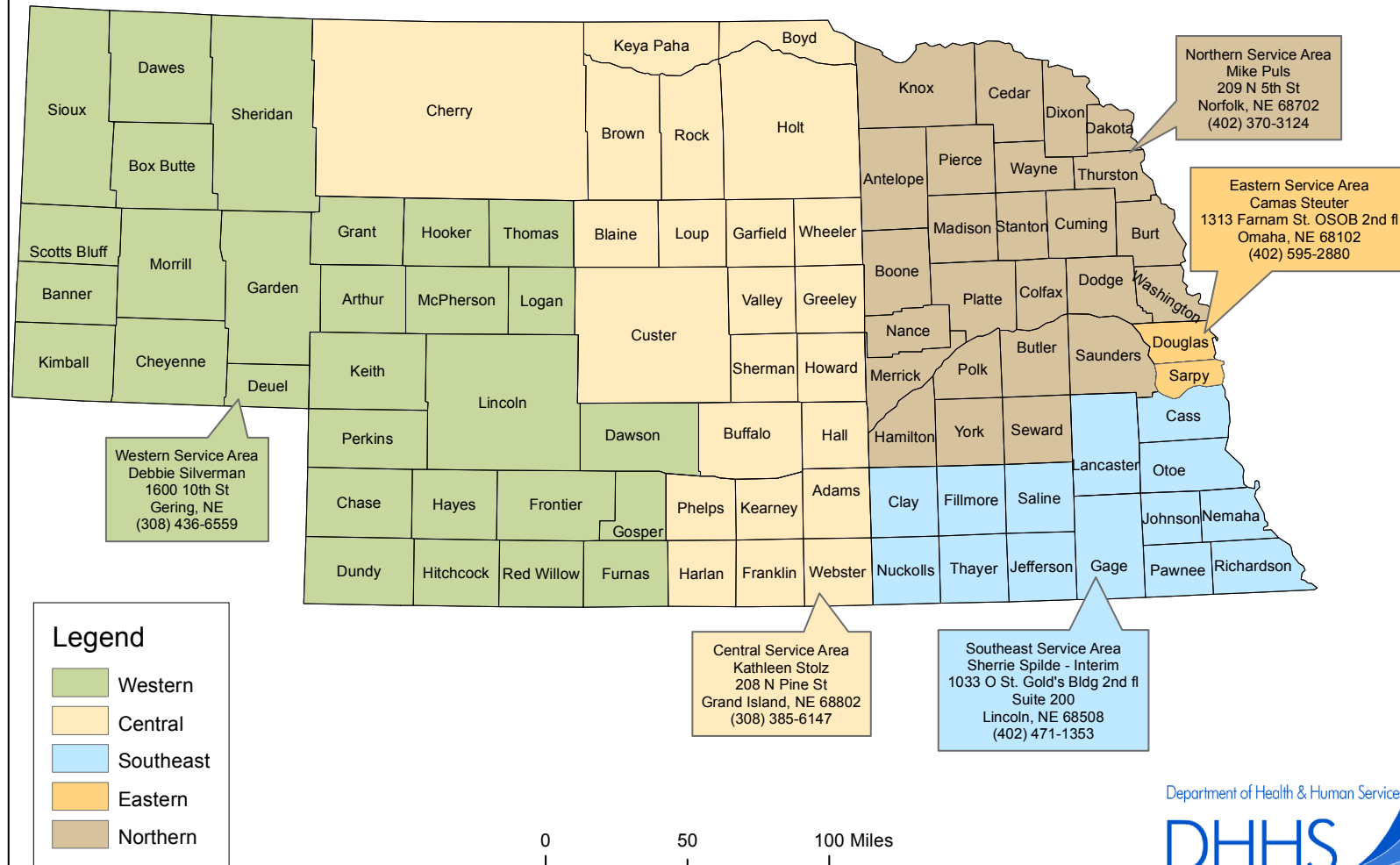


Program 354 includes the following subprograms:

Subprogram Description	2013 Expenditures
48-Child Welfare	\$ 137,723,631
31-IV-E Adoption Assistance	19,220,724
36-State Ward Education Assistance	11,475,318
30-IV-E Foster Care	8,879,970
34-State Subsidized Adoption	6,341,413
61-OJS Transition LB 561	2,523,791
18-Protection & Safety	2,233,824
35-Domestic Violence	2,087,593
52-Adoption & Safe Families	1,050,366
17-Post-Adoption Guardianship	818,118
16-Predisposition Detention	163,839
32-IV-E Guardianship	121,385
	<u>\$ 192,639,972</u>

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

CFS Service Areas Protection and Safety



LB961 (4/9/12)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

EXIT CONFERENCE

An exit conference was held July 30, 2014, with DHHS to discuss the results of our examination. Those in attendance for Program 354 Subprogram 48 – Child Welfare were:

NAME	TITLE
Kerry Winterer	Chief Executive Officer
Thomas Pristow	Director, CFS
Vicki Maca	Deputy Director, CFS
Matt Clough	Chief Operating Officer
Brad Gianakos	Legal Counsel
Lindy Bryceson	Field Operations Administrator, CFS
Kevin Nelson, CPA	Internal Audit Administrator
Rachel Woita	Auditor

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

SUMMARY OF COMMENTS

During our examination of the Program 354 Subprogram 48 – Child Welfare, we noted certain deficiencies and other operational matters that are presented here.

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

1. ***NFC Contract Amount Not Adequately Supported:*** DHHS did not have documentation to support the \$4.2 million fixed payment increase to NFC for fiscal year 2014.
2. ***Financial Monitoring of NFC Contract and Federal Funds Not Claimed:*** DHHS did not reconcile claims to NFC financial statements. Foster care costs for Federal Title IV-E eligible children under NFC were paid with State general funds. NFC service claims were not entered on NFOCUS; required meetings and visitations were not documented; and incorrect payments were made to the foster parent/subcontractor for two cases tested.
3. ***Overpayments and Inadequate Controls Over Assistance Payments:*** We tested 134 NFOCUS claims from 70 cases totaling \$394,756 and noted overpayments to providers of \$45,466. Issues included: adequate documentation was not available to support payments; payments did not agree to contract terms; payments exceeded service authorizations; and staff providing services did not meet contract qualifications.
4. ***Inadequate Support for Rates:*** Rates for various child welfare services were not adequately supported. Tracker services were paid regardless of whether service was performed. DHHS did not monitor agreements between the child placing agencies and the foster parents, and the contractors retained 40% to 67% of the DHHS foster care rate.
5. ***Contracts Not Properly Recorded and Excess Payments Noted:*** Expenditures exceeded contracted amounts by \$5.7 million for 14 of 28 contracts tested. We also noted 23 of 50 contracts were not entered into E1 and inaccurate contract amounts and contract dates.
6. ***Contractual Aid Payments Not Adequately Monitored:*** DHHS did not obtain adequate documentation to support expenditures paid to the Nebraska Federation of Families and the Winnebago Tribe of Nebraska. For the Nebraska Federation of Families, DHHS did not perform site visits and did not adequately monitor provisions of the contract.
7. ***Unallowable Costs Charged to Federal Grant:*** DHHS improperly charged TANF for State child welfare costs. DHHS incorrectly charged drug screening and testing for adults and did not ensure adequate supporting documentation was maintained.
8. ***Improper NFOCUS Payments:*** DHHS improperly issued \$458,020 in warrants to a foster parent in June 2013 due to worker error. NFOCUS does not have the capability to prevent workers with access to service approvals from changing the payee, and there is no audit trail to identify who made a change in the system and when the change was made.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

SUMMARY OF COMMENTS
(Concluded)

9. ***Statutory Report Claims Data:*** NFOCUS claims data used to support the 2013 Legislative report incorrectly reported claims paid under the eastern services area. DHHS paid \$474,174 in Therapeutic Group Home Out-of-Home Maintenance (ThGH) costs for cases that were the responsibility of NFC.
10. ***No Evidence of Contractor Financial Stability:*** DHHS did not obtain evidence of financial stability or liquidity prior to entering into contracts for child welfare services, as required by statute.
11. ***Spending Authority Exceeded:*** DHHS exceeded its fiscal year 2013 appropriated spending authority by \$2,993,211 for Program 354 Subprogram 48 – Child Welfare.

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

Draft copies of this report were furnished to DHHS to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Where no response has been included, DHHS declined to respond. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

1. NFC Contract Amount Not Adequately Supported

DHHS contracts with Nebraska Families Collaborative (NFC) to provide child welfare services for the eastern service area, which encompasses Douglas and Sarpy counties.

A good internal control plan requires documentation be maintained to support the amounts negotiated to be paid to service contractors. Good fiscal policy and government accountability require procedures to ensure that service contract costs are controlled. In addition, costs used to determine contract amounts should be audited or verified. Good fiscal policy also requires a periodic comparison of agency costs to contractor rates to ensure rates are reasonable.

Prior to March 1, 2012, the eastern service area was served by KVC Behavioral Healthcare Nebraska, Inc. (KVC) and NFC. NFC received \$2,561,296 for February 2012 for serving approximately two-thirds of the eastern service area. KVC served the remaining one-third of the eastern service area and was paid \$1,270,771 for February 2012. Effective March 1, 2012, NFC assumed case management, service coordination, and service delivery for all children and families in the eastern service area. DHHS paid NFC a flat rate of \$5,413,465.25 per month for March 1 through June 30, 2012.

Starting July 1, 2012, DHHS began paying NFC a fixed monthly rate plus a variable case rate. From July 1, 2012, through June 30, 2013, DHHS paid NFC a fixed monthly payment of \$1,194,167.53 and a daily variable rate of \$17.02 for in-home cases and \$58.98 daily for out-of-home cases. Effective July 1, 2013, the contract was increased to a fixed monthly payment of \$1,544,167.53 with the same daily variable rates. The fixed payment increased \$350,000 per month or \$4,200,000 for the fiscal year.

Eastern Service Area Lead Contractor Payments				
Services for period:	KVC	NFC Fixed	NFC Variable	Monthly Average
7/1/11 to 2/29/12	\$11,747,169	\$20,490,368		\$4,029,692
3/1/12 to 6/30/12	*\$2,020,000	\$21,653,861		\$5,918,465
7/1/12 to 12/31/12		\$7,165,005	\$20,854,646	\$4,669,942
1/1/13 to 6/30/13		\$7,165,005	\$18,639,583	\$4,300,765
7/1/13 to 12/31/13		\$9,265,005	\$18,262,830	\$4,587,973

*Transition services

As noted above, the total contract costs for February 2012 were \$3,832,067. The number of cases on March 5, 2012, was 2,492 (1,939 out-of-home and 553 in-home), which calculates to approximately \$1,538 average cost per case for February 2012. Since that time, the number of cases has continued to decline, but the average cost per case has increased.

NFC Average # of Cases				Average Monthly Cost per Case **
Period	Out-of-Home	In-Home	Total	
7/1/12 to 12/31/12	1,770	525	2,295	\$2,035
1/1/13 to 6/30/13	1,599	511	2,110	\$2,038
7/1/13 to 12/31/13	1,526	546	2,072	\$2,214

**Monthly average costs divided by monthly average cases

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS
(Continued)

1. NFC Contract Amount Not Adequately Supported (Continued)

We noted:

- The methodology used to establish the rates was determined by reviewing DHHS, KVC, and NFC costs. The costs provided by NFC and KVC were not audited costs and were not otherwise verified for accuracy by DHHS. During the process, KVC decided to terminate services as a lead contractor, and those eastern cases were transitioned to NFC.
- Separate rates were determined for out-of-home and in-home case categories. However, DHHS did not have the capability to determine the breakdown of its service costs by case category. Therefore, the variable case rate contracted could not be compared to DHHS costs by case category for reasonableness. Nor did DHHS subsequently determine its case rates by category to compare NFC contracted rates to DHHS case rates.
- The fixed payment increase to NFC of \$350,000 per month for fiscal year 2014 was determined through negotiations. DHHS did not have documentation to support the basis for the increase. A similar finding was noted in our prior Child Welfare Reform report.

Per DHHS, the fixed payment portion of the 2013 contract was intended to compensate NFC for the administrative costs of a 2,400 case capacity (1,975 out-of-home and 425 in-home). As noted above, the number of cases has been well below the 2,400 capacity; therefore, the necessity for an over 29% increase to the fixed payment portion of the contract is unclear.

Failure to maintain adequate support for contract amounts could result in excessive payments.

We recommend DHHS implement procedures to ensure contract amounts are adequately supported.

DHHS Response: When the Department started work on the case rate in November 2011, the most current audited financial statements that were available at that time were the December 31, 2010 financial statements for NFC and June 30, 2010 financial statements for KVC. Due to the significant changes occurring during that time, the Department made the decision to use more current interim financial information rather than outdated audited information. The Department mitigated the lack of unaudited statements by verifying that the costs of NFC and KVC were comparable to the Department's costs for providing these same services.

Regarding the Department not being able to determine the breakdown of its service costs by case category, NFOCUS does not separate those costs. The time, energy, and cost associated with manually separating costs was out of reach.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS
(Continued)

1. NFC Contract Amount Not Adequately Supported (Concluded)

Negotiations between NFC and the Department included the following steps to develop cost projections for fiscal year 2014:

- 1. NFC and the Department discussed the uncertainty of the fiscal impacts on child welfare costs of LB 561 implementation and the Medicaid behavioral health (Magellan) contract converting to an at-risk contract during fiscal year 2014.*
- 2. The Department proposed that the current variable rate methodology would continue (In home rate of \$17.02 and out of home rate of \$58.98) but the fixed payment would increase by \$150,000 per month to compensate for the uncertainty of the fiscal impacts described above.*
- 3. NFC recalculated the 2014 expense projections using the variable rates proposed by the Department for fiscal year 2014 and determined that the proposed rates would not cover NFC's projected expenses. NFC then divided the resulting deficit by twelve and determined that a \$350,000 monthly increase to the fixed rate would be necessary to cover NFC's projected expenses.*

Since the case rate did not cover NFC's projected costs, the Department changed the monthly fixed payment to cover administrative, case management, and the shortfall in variable payments.

2. Financial Monitoring of NFC Contract and Federal Funds Not Claimed

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

- All contract provisions are adhered to.
- All services provided are entered into NFOCUS in a timely manner.
- All payments for Federal IV-E foster care funding are accurate and entered into NFOCUS in order to receive Federal funds.
- The rates paid to subcontractors and foster families are in accordance with agreed-upon rate schedules.
- Corrective action is taken in a timely manner to resolve audit findings.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Financial Monitoring of NFC Contract and Federal Funds Not Claimed (Continued)

Reconciliation of Claims and Federal Reimbursements

Per Article II H of the NFC contract:

The Subrecipient must track and report quarterly and annually its Federal and State expenditures, including administrative costs, in a format provided by DHHS. This includes, but is not limited to, reconciling its monthly financial statements to invoices for services for purposes of claiming reimbursement under Title IV-E of the Social Security Act. The reconciliations must be readily reviewable and traceable to source documentation. . . .

DHHS neither reconciled claims to NFC financial statements nor charged costs for Title IV-E Foster Care eligible children to Federal funds.

Per 42 USC § 675(4)(A) (2010), the purpose of Title IV-E Foster Care maintenance payments from the Federal government is to reimburse the State for the expense of providing food, clothing, shelter, and daily supervision, etc., to children in foster care. Per Child Welfare Policy Manual 8.3B.1(3), “Costs borne by child placing agencies are not IV-E allowable.”

Our A-133 Single Audits for fiscal years 2010, 2011, and 2012 all noted issues with Child Welfare Reform foster care rates and the charges to the Title IV-E Foster Care Federal grant. During the 2013 Single Audit, the auditors found that, due to a lack of adequate documentation to support the services provided, DHHS management decided to discontinue charging Federal Title IV-E Foster Care funds for the maintenance costs incurred by NFC. NFC pays agencies, which in turn pay foster parents for maintenance. The difference between what NFC pays the agency and what the agency pays the foster parent is not allowable for Federal reimbursement. Had DHHS obtained the necessary documentation from NFC, however, the allowable amount paid to the foster parent could have been claimed for Federal reimbursement.

During our testing of 14 NFC out-of-home cases, we noted 3 cases that were IV-E Foster Care eligible. No costs for the IV-E Foster Care cases had been charged to Federal funds.

Per DHHS:

As of July 1, 2012 DHHS began considering the NFC contract as a sub-grant as part of discussions with ACF [Administration for Children and Families]. In a letter dated October 9, 2012 from ACF, certain criteria needs to exist in order for DHHS to be able to draw down Title IV-E funds. In current and previous contracts, service invoices were entered into NFOCUS by DHHS Staff. DHHS has an automated report that is run monthly in an effort to tie actual claims with NFC's financial statements. However, because of constant decreasing and increasing adjustments, the DHHS has not been able to get the claims level detail to tie to NFC's financial statements. Because of this, DHHS has paid for the NFC contract with 100% SGF [State General Fund] in order to be in compliance with ACF and prevent future disallowances. In the new NFC contract effective for July 1, 2014, NFC will be responsible for entering the service invoices into NFOCUS and show these expenses on a separate line on their financial statements. Source documentation will also be provided that must tie to claims level detail in order for DHHS to be able to draw down Title IV-E funds related to the NFC contract.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Financial Monitoring of NFC Contract and Federal Funds Not Claimed (Continued)

Regarding NFC payments for foster care maintenance not recorded on NFOCUS, NFC responded in part:

NFC reported claims paid to providers using the "bundled rates" for foster care that they paid to the providers . . . NFC has requested supporting payment documentation from all its foster care providers from the present going back through 2013 (so far). Rather than incorrectly reporting claims from previous months that are paid currently, NFC has chosen to perform a detailed reconciliation of all payments made in 2013 and 2014 and, as the reconciliation is performed, is re-sending claims already reported in a IV-E-appropriate format and reporting all prior month claims not previously reported in that same format. NFC has completed this reconciliation for 2014 claims paid through March 31, 2014, and will continue with 2013 items, while reporting current claims on a monthly basis also in the IV-E appropriate format.

Because DHHS did not take timely corrective action on previous findings, foster care maintenance costs for Title IV-E eligible children under NFC were paid with State general funds. According to information from EnterpriseOne, the accounting system for the State of Nebraska, and information provided during Single Audits, DHHS charged \$3,219,868 to Federal funds during fiscal year 2012 for the eastern service area (claims from April 1, 2011, through March 31, 2012). These charges were disallowed by ACF, in part, because the amounts charged as maintenance for Federal reimbursement were greater than the amounts paid to foster parents. However, instead of taking corrective action to obtain the necessary documentation to properly claim 2013 costs, DHHS simply stopped claiming Federal funds for NFC costs. This has necessitated a corresponding increase in the outlay of State general funds of approximately \$2.2 million.

Because Title IV-E Foster Care has not been claimed or charged to Federal funds for the eastern service area, DHHS could still recover this Federal funding – if, that is, DHHS were to obtain and complete the necessary paperwork.

Title IV-E Foster Care reimbursements for the eastern service area during fiscal year 2012	NFC East	KVC East	Total Eastern Area*
JE #4029047	\$511,071	\$400,483	\$911,554
JE #4686015	491,317	280,039	771,356
JE #4687398	216,150	290,448	506,598
JE #4856181	676,148	354,212	1,030,360
Total			\$3,219,868
Assume 46% allowable**			\$1,481,139
Estimated allowable claims fiscal year 2013 and through December 31, 2013			\$2,221,708

*NFC assumed responsibility for the entire eastern service area on March 1, 2012.

**% in comment #4 of rate paid to foster parent

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Financial Monitoring of NFC Contract and Federal Funds Not Claimed (Continued)

Our 2012 and 2013 Single Audits also noted that payments to contractors in service areas not covered by lead contractors included costs of the contractors and amounts for foster care maintenance to foster families. The amount charged as maintenance for Federal reimbursement was greater than the amount paid to foster parents, as the rate included the unallowable costs of the child-placing agency. DHHS chose to continue claiming Federal funds for these same “bundled” maintenance costs for contractors outside of the eastern service area – unlike for NFC, which has been excluded.

It should be noted that this failure by DHHS to obtain Federal Title IV-E Foster Care funds for the maintenance costs associated with foster care in the eastern service area is distinct from a prior revelation reported in our 2011 and 2012 Single Audits regarding the equally egregious actions of DHHS that resulted in the \$22 million disallowance of Federal Foster Care funds.

To be eligible for Federal funding, claims must be submitted to ACF within two years after the calendar quarter in which the Title IV-E agency made the expenditure. For example, claims paid from July 1 through September 30, 2012, must be submitted by September 30, 2014; claims paid from October 1 through December 31, 2012, must be submitted by December 31, 2014. Therefore, it is imperative that Title IV-E Foster Care maintenance claims be submitted as soon as possible.

Services Not Entered on NFOCUS Timely

We selected 20 NFC cases for testing. Fifteen of these cases had services provided by an NFC subcontractor. For 13 of 15 cases, services were either not entered on NFOCUS timely or not entered at all. A claim was considered not to be timely entered if the billing date was more than 90 days after the end date of the service.

For the 13 cases, 42 claims for services were not entered on NFOCUS timely. The billing date for these claims ranged from 104 days to 209 days after the last date of service.

Services were not entered on NFOCUS for 19 claims. Of these 19 claims, 12 were for foster care.

According to DHHS, all services paid for and utilized by NFC should be sent to DHHS for authorization and input into NFOCUS. This would include non-treatment, non-Medicaid funded services, supports and placement resources to meet the needs of children, youth, and families. However, based on the documentation provided by NFC regarding services utilized and paid for, it is evident not all of these services were being submitted to DHHS and entered into NFOCUS. DHHS lacked documentation to support that all claims for services provided by NFC and their subcontractors were recorded in NFOCUS. As a result, NFC claims data in NFOCUS is neither complete nor accurate.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Financial Monitoring of NFC Contract and Federal Funds Not Claimed (Continued)

Family Team Meetings and Visitations

According to the NFC Operations Manual dated June 2012:

- The Contractor will document all monthly family team meetings per policy.
- The Contractor will document on NFOCUS a monthly summary within 10 calendar days of the end of the month and include documentation for visitations and progress towards the outcomes during that month.
- The Contractor will contact and visit caregivers of each child at least monthly in the child's residence when the child is being cared for in an out-of-home setting.

According to the Division of Children and Family Services Protection and Safety Procedure Update #15-2013, effective April 22, 2013, regarding family team meetings:

It is not necessary for every member of the Family Team to be present at every team meeting; however, the custodial parent, non-custodial parent, and the child, if age nine or older and developmentally able to participate, must always be involved as members of the family team. Team members must meet together (or be included in the discussion by phone) in order for the conversation to qualify as a FTM.

Subsequent Family Team meetings will occur every 90 days at a minimum, or more often, as indicated by the needs of the family.

We tested May 2013 services for 10 cases and October 2013 services for an additional 10 cases. Six of the 20 cases were in-home, and 14 cases were out-of-home placements. We noted the following:

- A qualified monthly family team meeting did not occur according to policy for three cases tested. For one case, per NFOCUS, the 17 year-old juvenile did not attend the May, June, or July 2013 family team meetings. For the second case, the custodial parent did not attend the meetings in November and December 2013 or January 2014. For the third case, a qualified family team meeting was held on August 19, 2013, with the non-custodial parent. However, the next team meeting with the non-custodial parent present was not held until January 23, 2014.
- The monthly summary of visitations for children in out-of-home placement was not documented on NFOCUS for two cases.
- The monthly caseworker visit in the child's residence was not documented for one out-of-home placement tested; only a phone contact was noted for May 2013.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Financial Monitoring of NFC Contract and Federal Funds Not Claimed (Continued)

Payment to Foster Parent/Subcontractor Incorrect

DHHS did not perform financial monitoring to ensure subcontractors and foster parents were paid properly and timely. The amount paid to the foster parent/subcontractor was incorrect for 2 of 15 cases tested.

- NFC paid KVC for one day of foster care totaling \$70. Per the KVC schedule, the daily rate for age 13-18 intensive foster care was \$71. NFC underpaid KVC by \$1. In turn, KVC paid the foster parent \$30 for the one day of foster care; however, the placement authorization between KVC and the foster parent indicated the rate to be \$50. Therefore, KVC underpaid the foster parent \$20.
- NFC paid Omni Behavioral Health (Omni) \$655 (8 days @ \$38 each and 13 days @ \$27 apiece) for foster care. Omni then paid the foster parent \$327.10 (8 days @ \$18.30 each and 13 days @ \$13.90 apiece). We requested the agreement between Omni and the foster parent; however, it was not received. We had obtained a different Omni agreement with another foster parent that included the foster care rates. According to that document, the pre-assessment rate of \$18.30 was correct; however, the chart indicated the pre-assessment rate was paid the first 10 days of placement regardless of age. Omni paid the foster parent for only eight days at the \$18.30 pre-assessment rate. The foster parent should have been paid an additional two days at the \$18.30 rate. Instead, the foster parent was paid at the \$13.90 rate. This resulted in an underpayment of \$8.80 ($\$18.30 - \$13.90 = \4.40 shortage x 2 days = \$8.80).

Failure by DHHS to maintain complete and accurate information regarding services performed by NFC 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. Without adequate controls to ensure payments are proper, there is an increased risk of loss or misuse of State and/or Federal funds.

We recommend DHHS charge Federal funds for allowable costs. We further recommend DHHS ensure all contract deliverables are met and financial information is obtained and reconciled. 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 the NFC Service Delivery, Coordination and Case Management Contract and Operations Manual.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Financial Monitoring of NFC Contract and Federal Funds Not Claimed (Continued)

DHHS Response: Beginning July 1, 2014, the Department is making two separate payments related to Title IV-E Foster Care. One payment will be for the maintenance of the child and the other payment is for administrative costs. All Agency Supported Foster Care providers and NFC are required to implement minimum foster care rates that became effective July 1, 2014. This will standardize the foster care maintenance payments paid statewide. Agency Supported Foster Care providers and NFC will be required to submit source documentation showing that the entire maintenance payment was in fact paid to the respective foster parent for that youth.

Nebraska implemented the first Title IV-E Waiver intervention in July 2014, therefore, this is the first quarter the Department will begin operating under the negotiated capped allotment for the next five years. The capped allotment pertains to foster care maintenance and foster care administrative costs only. Based on the terms and conditions of Nebraska's Title IV-E waiver, the Department will draw down Title IV-E Foster Care maintenance and administration based off the capped allocation schedule regardless of the amount the Department can substantiate. However, the following triggers were negotiated into Nebraska's Title IV-E waiver because of past IV-E disallowances and deferrals.

- *Trigger #1 – Foster Care Maintenance Costs*
 - o *Foster care maintenance costs are subject to a recalculation, at the option of the State, if it can provide further documentation supporting additional Title IV-E maintenance cost claims submitted in federal fiscal year's 2007 or 2008 along with an associated child count information that establishes a different level of an average Title IV-E maintenance cost claim per child.*
- *Trigger #2 – Foster Care Administrative Costs*
 - o *Foster care administrative costs are subject to a recalculation, at the option of the State, if it can provide further documentation substantiating Title IV-E allowable administrative costs for activities that were performed during federal fiscal years 2008-2010 which were not included in Title IV-E claims submitted for these periods, but are now determined as allocable to Title IV-E Foster Care administration based on the State's approved public assistance cost allocation plan.*

The Department is meeting with Administration for Children and Families (ACF) in August 2014 to discuss the best practice related to drawing down Title IV-E funds related to NFC. Because of the amount of source documentation required, timing related federal reporting requirements and the Department now operating under the Title IV-E Waiver capped

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Financial Monitoring of NFC Contract and Federal Funds Not Claimed (Concluded)

allotment, the process related to claiming for NFC needs to be a well thought out and developed process with ACF. Once the Department has an agreeable plan that will meet ACF requirements, meeting(s) will be scheduled with NFC to develop an implementation plan as to how this new process will operate. The Department will continue to work with NFC on the amount of financial information required as well as the detail and accuracy of the information.

Regarding incorrect payments to foster parents and sub-contractors, the Department has regular systems in place to monitor NFC's compliance to the daily operations of case management outlined within the contract and operations manual.

3. Overpayments and Inadequate Controls Over Assistance Payments

Per 390 NAC 1-006:

The Department is mandated to service families with children who fall into the following seven broad categories.

- Suspected and Adjudicated and Child Abuse and Neglect,*
- Dependency,*
- Voluntary Relinquishments,*
- Juvenile Offenders,*
- Status Offenders,*
- Interstate Compact for the Placement of Children, and*
- Interstate Compact for Juveniles.*

DHHS aid expenditures for calendar year 2013 includes \$78,677,500 in assistance for individuals. This assistance is primarily paid through NFOCUS, which is a subsystem of the State's accounting system used to record detailed information regarding clients and services.

We determined which contractors were paid over \$1 million during the calendar year and selected 114 NFOCUS claims from 50 cases. We also randomly selected 20 claims from 20 cases from contractors paid less than \$1 million during the year. A total of \$394,756 was tested from these 70 cases.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Overpayments and Inadequate Controls Over Assistance Payments (Continued)

Contractor	Total Paid CY 13	Claims Tested	Questioned Costs
KVC Behavioral Healthcare Nebraska, Inc. (KVC)	\$5,920,607	\$9,650	\$430
Father Flanagan's Boys' Home	5,728,140	20,064	-
Better Living Counseling Services, Inc.	5,424,007	30,079	3,640
Owens and Associates, Inc.	4,345,947	43,348	3,303
Cedars Youth Services	4,337,987	19,690	1,596
McConaughy Discovery Center (BSM, Inc.)*	3,512,907	80,309	19,322
Pathfinder Support Services	3,325,730	45,155	3,931
Omni Behavioral Health (Omni)	2,801,294	28,610	-
Good Life Counseling and Support	1,907,722	25,175	47
Epworth Village	1,851,656	12,019	-
Building Blocks	1,696,389	1,412	-
Christian Heritage	1,665,546	7,783	-
Paradigm, Inc.	1,535,119	19,511	10,602
Family Skill Building	1,520,999	14,671	600
Douglas County Youth Center	1,241,401	7,750	-
South Central Behavioral Services*	1,165,945	4,923	200
Jenda Family Services	1,067,810	6,061	1,515
Subtotal	\$49,049,206	\$376,210	\$45,186
Random 20 under \$1 million*		18,546	280
Total Sample		\$394,756	\$45,466
*Additional overpayments noted during testing			\$8,432

Several issues were noted, including:

- Adequate documentation was not available to support payments for services.
- Payments did not agree to contract terms.
- Payments exceeded service authorizations and referrals.
- Staff providing services did not meet qualifications specified in contract.
- DHHS did not require contractors to have families sign documentation to evidence services billed were performed.
- State funds paid for services provided to children eligible for Federal programs.
- Services were provided and/or payments made before contracts were signed.

Overpayments for In-Home Safety, Family Support, and Parenting Skills & Visitation

Good internal control requires procedures to ensure contractor payments are in accordance with contract terms and services paid agree to supporting documentation.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Overpayments and Inadequate Controls Over Assistance Payments (Continued)

Service areas other than the eastern service area are managed by DHHS. DHHS workers determine the type and level of services needed by families. The caseworkers determine which contractor will be used and send the contractor a service referral detailing the services to be performed. A service authorization is also approved by the caseworker stating the maximum number of hours and length of time for services.

Per the Child Welfare service contracts:

Payment will be made for service as authorized by DHHS through the NFOCUS System. . . .

DHHS shall pay the Contractor for partial hours according to the following schedule: a) 0-15 minutes - .25 hour b) 16-30 minutes - .50 hour c) 31-45 minutes - .75 hour d) 46-60 minutes – 1.00 hour. . . .

[In-Home Safety is] delivered in the family home by a trained professional to ensure safety of a child(ren). Trained professional remains in the family home 24 hrs a day or when the identified safety threat to the child is present. . . .

[Family Support Service provides] professional assistance, coaching, and role modeling for parents or caretakers. Designed to enhance parenting skills, improve family functioning, stabilize family environment, and identify formal and informal supports for the family.

[Parenting Skills and Visitation:]

Parenting Skill Development - during visits between a child/youth and parent, trained staff shall teach, coach, and role model appropriate parenting skills and activities. This applies to all types of visitation listed below.

Supervised Visitation - visits between a child/youth and parent which require line of site supervision and in proximity to hear the interactions of the visit by a trained staff who will intervene if child safety is compromised.

Semi-Supervised Visitation - visits between a child/youth and parent which requires monitoring of the visit by trained staff who will intervene if child safety is compromised. This monitoring will vary based on the length of the visit and the individual visitation plan developed with the family.

Drop-ins - provides for a trained staff person to check in on the family unannounced to assess for safety of a child/youth and intervene if child safety is compromised.

We tested 56 claims paid for in-home safety, family support, and parenting skills and visitation. We requested support, including timesheets and progress reports, to verify the hours billed. We noted claims with overlapping hours billed, such as two contract workers providing services at the same time. We also noted hours billed that were not supported by timesheets or were not in accordance with contract provisions. Additionally, we noted hours paid that exceeded the service authorization. In some instances, service authorizations were increased by DHHS after services were already provided to allow the additional hours to be billed.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Overpayments and Inadequate Controls Over Assistance Payments (Continued)

We also noted that in several cases timesheets or support was not signed by the client to evidence that the service was actually provided. DHHS did not require contractors to obtain client signatures. We did not question costs for services without signed support; however, obtaining client signatures provides increased evidence services were provided and helps reduce the risk for fraud to occur and not be detected.

Contractor	Overlapping Hours	Hours Exceed Authorization	Unsupported Hours (1)	Questioned Costs
BSM, Inc.*	8.5	38	290.5	\$13,993
Better Living Counseling Services	1.5	48	11.5	\$2,851
Cedars Youth Services		14.75		\$693
Good Life Counseling & Support			1	\$47
Owens and Associates, Inc.		21		\$987
Paradigm, Inc.	1.5	24	140.5	\$7,802
Pathfinder Support Services	7.25	51.25		\$2,748

(1) Includes improper rounding

*Additional overpayment of \$2,820 noted during testing

BSM, Inc.

We tested six cases for BSM, Inc., (DBA McConaughy Discovery Center). For one case, in-home safety was authorized for “every waking hour,” but workers typically arrived at 6 AM when the client was asleep and then left at 10 PM while the family was still awake. The service referral indicated BSM, Inc., staff needed to be there at 6 AM to ensure the client took her medication, but the daily logs do not indicate staff did this. Overpayments were calculated for 25.5 hours of services billed when the client was asleep, resulting in an overpayment of \$1,148.

Additionally, after in-home safety this case transitioned into family support, but again service was sometimes provided when the family was asleep. The contract for family support requires training, modeling, and coaching. Overpayments of \$2,820 were calculated for 60 hours billed when the family was asleep or other activities where the worker was not providing family support. For example, the worker log noted the client was “wandering around.” Additionally, the service authorization was for 63 hours per week, but the two weeks tested billed 73 hours and 91 hours, exceeding the authorization by a total of 38 hours.

For another case, visitation was systematically billed eight hours per day when visits did not occur. The BSM, Inc., worker would text the mother the night before asking if she wanted a visit. She would respond negatively, not respond at all, or cancel the morning of the visit. BSM, Inc., billed eight hours of time anyway. Of the 168 hours billed, 152 hours were not actually provided, resulting in an overpayment of \$7,144.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Overpayments and Inadequate Controls Over Assistance Payments (Continued)

This same billing practice was also observed during the previous three months of service. Narratives in NFOCUS covering these three months indicate the mother's visitation was sporadic and she continued to miss supervised visitation with her child. However, BSM, Inc., systematically billed eight hours a day, five days a week, for these months even though it was apparent visits were not occurring.

A narrative in May 2013 indicated the mother only "had 1½ visits in the last couple of weeks". BSM, Inc., billed eight hours for every eligible weekday during this two-week time frame for a total of 72 hours. Memorial Day fell within this time frame, and it does not appear visitation was billed on this day. Based on eight-hour visitations, BSM Inc., should have billed only 12 hours for the 1½ visits that occurred, resulting in 60 hours overbilled with an overpayment of \$2,820.

This was a non-court case in which the parents had separated. The child was living with the father, who was seeking custody of the infant. The mother had a history of drug abuse and neglecting her children. DHHS authorized 40 hours per week of supervised visitations for the mother. Had DHHS performed timely monitoring, it would have noted that 40 hours per week of supervised visitations was not occurring.

2013 Visitation Services	# of Hours	Amount Paid
January	49	\$2,303
February	37	1,739
March	57	2,679
April	96	4,512
May	179	8,413
June	154	7,238
July	150	7,050
August	168	7,896
September	92	4,324
Total		\$46,154

For two additional cases, the same worker billed 8.5 hours for parenting skills and visitation for two separate family members at the same time, resulting in a \$400 overpayment. For two cases, 7.5 hours billed were not supported by timesheets, resulting in overpayments of \$343.

BSM, Inc., also systematically rounded up to the next hour instead of quarter hour increments, as required by the contract. Consequently, for four payments BSM, Inc., charged 453 hours but should have charged only 407.5 hours. Overpayments due to improper rounding totaled \$2,138.

Our 2011 Child Welfare Reform report also noted several similar issues with BSM, Inc.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Overpayments and Inadequate Controls Over Assistance Payments (Continued)

Better Living Counseling Services, Inc.

We tested four cases with services provided by Better Living Counseling Services, Inc. One case was authorized up to three hours per day for parenting skills and visitation. For the month tested, 14 of 17 days exceeded 3 hours by a total of 48 hours, resulting in an overpayment of \$2,256. One case had two workers bill for the same 1.5 hours, and in two cases the hours billed were not supported by timesheets – for an additional overpayment of \$595.

Paradigm, Inc.

For two cases tested, Paradigm, Inc., billed 15 and 30-minute drop-in visitations as one hour, instead of using the quarter-hour increments required by contract. One case over-billed 99 hours in the month tested, and the other case over-billed 41.5 hours during the month, for an overpayment of \$6,603. Also, for the first case, parenting skills and visitation was authorized up to 35 hours per week, but 92 hours of service were provided in the two-week billing period; which exceeded the authorization by 22 hours. Two workers both claimed to be providing services for the same client at the same time, resulting in 1.5 hours of overlapping services for that client. Overlapping services are hours provided to a client at the same time that the 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 second case did not have a service authorization for two days with two hours of services provided. Additional questioned costs of \$1,199 were noted.

Pathfinder Support Services (Pathfinder)

We tested four cases with services provided by Pathfinder. One case tested included parenting skills and visitation services for the father. There was no service referral for the month tested. There was a service authorization for the father of 200 hours from November 5, 2012, to February 5, 2013; however, the description indicated services were for visitation between the mother and son. Pathfinder was unable to provide documentation for how it knew what service to provide the father without the service referral. There were 264.25 hours billed from November through January. This exceeded the service authorization by 64.25 hours. It appears some of the hours exceeding the service authorization were due to billing 13 hours for parenting skills & visitation while transporting the child to and from visits. If Pathfinder had billed these 13 hours as motor vehicle services, the authorization would have been exceeded by only 51.25 hours, resulting in an overpayment of \$2,409. On February 27, 2013, DHHS added 260 hours to the authorization and also extended the date to May 1, 2013, with only 20 hours per week. The January 2013 billing was not submitted to DHHS until March 2013, after the authorization was updated with additional hours. We also noted three cases with a total of 7.25 overlapping hours billed. Additional overpayments noted totaled \$339.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Overpayments and Inadequate Controls Over Assistance Payments (Continued)

We also noted one claim for Cedars Youth Services and one claim for Owens and Associates, Inc., with hours billed in excess of the service authorization. Overpayments totaled \$693 and \$987, respectively. There was a mathematical error of one hour for Good Life Counseling and Support for an overpayment of \$47.

Transportation Overpayments

Good internal control requires procedures to ensure payments are for services rendered and in accordance with contract provisions. Per DHHS service contracts:

DHHS shall pay the Contractor \$47.00 per hour for direct (face to face) contact time with the youth and family utilizing Family Support Services . . . DHHS shall pay the Contractor \$25.00 per hour for travel from the provider's home or office, whichever is closest in proximity to the client.

DHHS shall pay the Contractor \$47.00 per hour for direct (face to face) contact time with the youth and family utilizing Parenting Skills Services . . . DHHS shall pay the Contractor \$25.00 per hour for travel from the provider's home or office, whichever is closest in proximity to the client.

During review of provider timesheets/logs used to support the hours billed for family support and parenting skills and visitation, we noted contractors billed the \$47 rate for time the workers were picking up the client from various locations and transporting them to and from the visits. We noted 185.25 hours billed and paid at \$47 per hour that should have been paid at \$25 per hour.

Contractor	Incorrect Rate	Other	Total
BSM, Inc.	\$198	\$1,631	\$1,829
Better Living Counseling Services, Inc.	88	-	88
Cedars Youth Services	803	-	803
Jenda Family Services	423	38	461
Owens and Associates, Inc.	1,480	462	1,942
Pathfinder Support Services	1,083	100	1,183
South Central Behavioral Services	-	200	200
Total Transportation Overpayments	\$4,075	\$2,431	\$6,506

BSM, Inc., had two claims that billed for hours that were not provided. For one family member, BSM, Inc., was authorized up to 75 hours for drive time and billed the entire 75 hours. However, per review of MapQuest, drive time was only 41.5 hours, resulting in an \$837 overpayment. For another family member, BSM, Inc., was authorized up to 25 hours drive time and billed 25 hours, even though there was no drive time. The child made a phone call to the non-custodial parent while the worker was already at the family's location; therefore, no drive time was required, resulting in an overpayment of \$625. For another case, the worker inappropriately billed drive time from his home to the client, although his home was an hour away and the office was only five minutes away, resulting in 6.5 hours overcharged, including one hour that was billed on a day services were not provided. An additional quarter hour billed by another worker was not supported by timesheets. For this case, 6.75 hours were overbilled for an overpayment of \$169.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Overpayments and Inadequate Controls Over Assistance Payments (Continued)

Pathfinder billed for transportation in one case tested, but the children were already at the Pathfinder office, resulting in an overpayment of \$100. Owens and Associates, Inc. had drive logs that did not agree to MapQuest for an overpayment of \$462. South Central Behavioral Services and Jenda Family Services billed travel time from the worker's home instead of from the closer office location for overpayments of \$200 and \$38, respectively.

Drug Testing Overpayments

Per the service contracts:

Drug Screening and Testing – a test used to determine the presence or absence of specific drugs by collecting urine, hair, blood, sweat, nail clippings, or oral fluid and or saliva. The test will be administered by a trained professional and includes sending collected specimens to a laboratory to confirm the results of the testing. . . DHHS shall pay \$15.00 for up two (2) refusals or no shows per case per month. . . . [T]he Contractor must provide written documentation of each refusal, including signature of the client.

We tested 16 claims for drug testing and screening services. We noted services paid in excess of authorizations, more than two refusals paid per month, and inadequate documentation to support that services were provided.

For two of four cases tested, BSM, Inc., could not locate any supporting documentation, such as lab invoices and results, for questioned costs of \$2,900. For one of these cases, BSM, Inc., improperly charged three refusals in one month at the incorrect \$100 rate when the contract states that a maximum of two refusals per case per month may be charged at the \$15 rate. In a third case, four drug tests per week were billed, but both DHHS and the court order only authorized two per week. The resulting \$600 overcharge was due to the provider exceeding the weekly authorization, or improperly billing \$100 each for both an alcohol swab and a five panel test on the same day.

For one case tested, Better Living Counseling Services double-billed drug tests by charging the full rate for two drug categories (synthetic cannabinoids and designer stimulants) instead of an all-inclusive rate, resulting in an overpayment of \$686. This case also had three drug refusals paid in one month when only two were allowed, resulting in an overpayment of \$15. The client did not sign two of these refusals, which is a requirement of the contract.

For one case tested, Cedars Youth Services was authorized to perform drug screening and testing three times per week, but four tests were billed during the third week, resulting in an overpayment of \$100. Family Skill Building billed for 16 drug tests, but documentation provided supported only 10 drug tests for a \$600 overpayment.

Contractor	Drug Testing Overpayments
BSM, Inc.	\$3,500
Better Living Counseling Services	\$701
Cedars Youth Services	\$100
Family Skill Building	\$600

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Overpayments and Inadequate Controls Over Assistance Payments (Continued)

Intensive Family Preservation (IFP)

Per the service contracts:

Intensive Family Preservation (IFP) Services – delivered in the family home or community setting by a licensed or provisionally licensed therapist and skill builder. Designed to improve family functioning, increase access to community resources, and preservation of the family unit. May be referred when child/youth are placed in the family home, or in preparation for reunification. Designed to create sustainable change in the family unit to eliminate safety threat and/or reduce the risk of child maltreatment. Designed to assist the family in identifying and accessing formal and informal supports. 24/7 crisis management/stabilization are part of the service plan. This service includes both face-to-face direct contact and indirect e.g. telephone call, email with the family.

One random case tested was a payment made for four weeks of IFP after the child was no longer a State ward and, therefore, no longer falling under the juvenile offender category; this resulted in an overpayment of \$1,720. The first service referral for IFP was from August 21, 2013, to December 4, 2013, for 15 weeks. A second referral was done for an additional four weeks due to health issues of the mother. Although the service referral ended on January 4, 2014, the service authorization was extended through January 29, 2014, on March 28, 2014, to accommodate the contractor's billing. The child was no longer a State ward after January 6, 2014, and services were billed through January 29, 2014. Services should be authorized in advance and not after the fact. Also, as the child was no longer a State ward, the service authorization should not have been extended.

We also noted one week of IFP service was double-billed by KVC, resulting in an overpayment of \$430.

Tracker Services

Per the service contracts:

*Tracker Service – provided to youth living in a community based setting. Trained staff monitor, support, and supervise youth in the community through face- to- face meetings, telephone calls, and collateral contacts with other adults e.g., parents, teachers. Violations of curfew, school attendance, or conditions of liberty will be reported to case manager . . . DHHS shall pay the contractor **\$34.00 per day** for tracker activities and ongoing contact with youth and family.*

We noted Owens and Associates, Inc., billed for tracker services each day, regardless of whether any service was provided. Jenda Family Services did not provide any support (such as timesheets, monthly summary reports, etc.) that services occurred. When requested support could not be located, Jenda Family Services promptly issued a check to DHHS for the questioned costs. Questioned costs for claims tested were as follows:

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Overpayments and Inadequate Controls Over Assistance Payments (Continued)

Contractor	Number of Days Billed	Days No Contact or Unsuccessful Contact	Days Without Support	Questioned Costs
Owens and Associates, Inc.	16	3		\$102
Owens and Associates, Inc.	15	8		\$272
Jenda Family Services	31		31	\$1,054

Staff Qualifications

Per the service contracts beginning July 1, 2013:

Agency staff providing family support shall have a minimum of a Bachelor's Degree in Human Services preferred or related field. Exceptions can be granted by the Service Area Administrator.

Agency staff providing parenting skill development and any level of visitation supervision shall have a minimum of a Bachelor's Degree in Human Services preferred or related field. Exceptions can be granted by the Service Area Administrator.

Contracts prior to July 1, 2013, stated:

Staff providing Parenting Skills/Visitation Services must be at least 19 years of age and have obtained a high school diploma or GED, and have a minimum two years experience in the human services field. The experience could include: social work, counseling/guidance, psychology, sociology, human development, mental health education, or a closely related human service field The Contractor may petition the Department, in writing, for a determination of equivalent qualifications regarding a potential employee who does not meet the qualifications set forth above.

Five contractors tested had services performed by workers without the required qualifications.

Using unqualified staff to provide services poses a potential risk to the wellbeing of recipient clients. Additionally, the amount of compensation that DHHS paid was based upon the understanding, as reflected in the express terms of the service contract, that only qualified workers would perform the agreed-upon services. By enlisting workers lacking the required educational credentials, the contractor could pay those individuals considerably less than would be required to retain qualified staff – and, at the same time, continue to be compensated by DHHS for those services in the full amount specified by the terms of the service contract for qualified workers.

Two BSM, Inc., workers tested did not have documentation that they met the required qualifications to be parenting skills and visitation workers. BSM, Inc., indicated that it could not locate the files for these two workers. A similar finding was noted for BSM, Inc., in our 2011 report.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Overpayments and Inadequate Controls Over Assistance Payments (Continued)

Pathfinder had two staff members who did not meet the required two years' experience in human services for parenting skills and visitation. One staff member had prior employment as a baker at Hy-Vee and seven months' experience as a medication aide/cook at Pathfinder. Another worker had only eight months' valid experience.

Good Life Counseling and Support had two staff members without documentation of a bachelor's degree. Exception paperwork submitted by the contractor was approved by a contract administrator, not by the service area administrator as required. Another staff member only had five months' valid experience; prior employment included work as a bartender and waitress.

Owens and Associates, Inc. had seven parenting skills and visitation workers tested without the necessary qualifications. For services provided during the contract period beginning July 1, 2013, five workers had no documentation that they held a bachelor's degree. Exception paperwork was submitted; however, the exception was not approved by the service area administrator. For services provided during the contract period prior to July 1, 2013, there was no documentation that two workers met the required qualifications. One worker did not have documentation of a high school diploma. Another worker had only seven months' valid experience; prior employment was as a barista.

Family Skill Building had one employee tested who did not have the required two years' experience.

Duplicate Payment

Good internal control requires procedures to ensure payments for foster care maintenance cease after a child is adopted. For one case tested, duplicate payments were made from November 23, 2013, to December 31, 2013. DHHS paid South Central Behavioral Services for foster care for the same period it was paying the adoption subsidy to the parent. We noted these services should not be occurring at the same time, resulting in an overpayment of \$3,782.

Prepayment

Per the State Accounting Manual, General Policies, Section 4, Prepayments:

Occasionally, there are situations that arise where prepayment is necessitated due to federal requirements, State Statutes, contracts or, normal business practices. Though prepayments are not illegal, per se, they are in conflict with the normal claims process since the State has given up assets in anticipation of goods or services being rendered at a later date. (There is no enforceable claim against the State until goods or services are received.) Since the potential for loss to the State is greater under prepayment situations, extreme care should be exercised and a conscious effort should be undertaken to minimize prepayments at the agency level

DHHS contracted with Christian Heritage for "finding families" services. The purpose of the contract was to identify and provide permanency options for youth in the custody of DHHS.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Overpayments and Inadequate Controls Over Assistance Payments (Continued)

Per the contract, from February 1, 2013, to October 31, 2013:

DHHS agrees to reimburse the Contactor a case rate of \$5,500.00 for a maximum of 35 referrals to the Finding Families Pilot. One referral may be an individual youth or may be a sibling strip. The full case rate payment will be made for each referral upon receipt of a billing statement

There are six stages of the family finding model, including:

Follow-On Supports. During this last step of the process, the Family Finding specialist will support the youth and identified caregiver to successfully access supports, both formal and informal. Christian Heritage will provide five follow-up contacts with the child and family which will take place at 30 days, 90 days, 120 days, 150 days, and 180 days post-discharge and follow-up reports will be submitted to DHHS.

We tested one case related to finding families services. That case began on October 23, 2013, and continued to at least April 2014. However, Christian Heritage billed and received the entire \$5,500 in November 2013, before all contract deliverables were received.

Other Issues

For one claim tested, State general funds of \$832 were charged for foster care maintenance. However, the case was eligible under the Federal IV-E Foster Care program and should have been charged to Federal funds. We also noted a payment with State funds that was made for a Medicaid-eligible child. The child needed a bi-lingual therapist, and DHHS did not refer the service to a Medicaid-eligible provider. The payment tested was \$79, which would have been eligible for a Federal reimbursement of \$44 had a Medicaid provider been used.

One case should have been the responsibility of NFC because the family lived in Sarpy County in the eastern service area. DHHS contracts with NFC to service families in the eastern service area. DHHS paid \$2,800 to Paradigm, Inc. The service was a pilot project with Paradigm, Inc. for “In Home, Short Term support interventions.”

One random claim tested paid hotel costs of \$280 for a mother whose children were in foster care. We also noted an additional payment of \$110 was made for the night of November 4, 2013, at the hotel. The case plan in effect indicated the mother was to apply for housing assistance and was to provide a safe and stable home environment for her children. Per DHHS, the hotel was paid for because the mother was in need of safe housing for herself and her children, and housing is a defined safety service. Title 390 NAC 4-007 identifies safety services to control the child's safety and to assist in preventing the child's removal from the home. Housing is a safety service; however, the children were already removed from the home and were safe in foster care, and visitations did not occur at the hotel. The payment of the hotel is not reasonable, per the regulation. The mother located a house to rent and needed the water deposit and rent to be paid prior to moving in, which was done by DHHS. These services were reasonable, as they were court ordered. DHHS paid the \$150 water deposit, rent for November and December 2013 totaling \$950, utilities totaling \$321 with OPPD, and \$475 rent for January 2014. After all of these costs were paid to permit the mother to be in her own home, she decided in January 2014 that she did not want to remain in the home and moved in with a friend.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Overpayments and Inadequate Controls Over Assistance Payments (Continued)

Four cases did not have a signed contract at the time of services:

- The original contract with South Central Behavioral Services covered through October 31, 2013. Amendment One extended the contract including foster care services; however, it was not signed by DHHS until December 9, 2013, which is after the service date of November 2013 and after the pay date of December 2, 2013.
- The Omni contract for Respite Daycare was signed in December 2013 by DHHS and Omni; however, services tested were in September 2013.
- The Parallels, Inc., contract for IFP was signed by DHHS on January 24, 2014. However, the claim for November 2013 services was paid on December 12, 2013.
- The Parallels, Inc., contract for Family Psychotherapy was not signed until September 2013; however, services were provided in July 2013.

Although the contracts indicated they were effective back to the date of services, good internal control requires that contracts be signed before services are provided to lessen the risk for disputes between the parties.

Matters to refer to the Legislative Performance Audit Committee

Neb. Rev. Stat. § 84-304(5) (Supp. 2013), directs the Auditor of Public Accounts (APA) to report to the Legislative Performance Audit Committee “any potential problems related to the effectiveness, efficiency, or performance” of programs discovered “in the normal course of conducting an audit in accordance with” § 84-304(3).

During testing, we noted several payments that appeared unreasonable. In accordance with statute, we are referring these matters to the Legislative Performance Audit Committee.

- One child was not placed timely, resulting in additional costs to the State. Per the court order dated July 18, 2012, “[T]he Juvenile shall remain in the care and custody of NDHHS, with his placement with his mother until the Juvenile can be placed at a residential therapeutic treatment facility”.

DHHS authorized in-home safety services (24/7 at \$45 per hour or \$1,080 per day) until placement in a group home was found. This is a time-limited emergency service intended to last no longer than 30 days; however, in this case, the service went on for 131 days, or over 4 months. DHHS did not have adequate support to show that everything possible was being done to move the child to a group home. The total expense of the in-home safety services was \$116,865. The cost for group home services subsequent to placement was approximately \$190 per day – of which Federal Medicaid reimbursement was received based on the matching rate (56.64%).

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Overpayments and Inadequate Controls Over Assistance Payments (Continued)

Costs paid for in-home safety*	\$116,865
Estimated State share of costs if placed in Medicaid group home	10,792
Estimated additional cost to State	\$106,073

*The contractor did not bill all hours.

- For one case tested, DHHS authorized family support services to help keep the child with the foster parent with the permanency objective of adoption. The home was not suitable for adoption as the NFOCUS narrative on May 10, 2012 stated, “The goal is adoption; however, South Central is completing the home study and not recommending adoption or the approval of the home. [The foster parent] has zero follow through when it comes to completing paperwork, home visits, or recommendations from the agency school.” DHHS approved the home on September 24, 2012, and the child was subsequently removed from the foster parent in April 2013 due to unexplained bruises and the foster parent being evicted from her duplex and living in a motel. DHHS paid \$799 for family support services – of which \$493 was paid during calendar year 2013.
- For one case, in-home safety services were not provided 24/7 as court ordered. Instead of the 360 hours that should have occurred for the 15 days billed, the timesheets supported only 281.5 hours. Only 5 of the 15 days included 24 hours of service. For this same case, the in-home safety service referral of 16 days exceeded the contract provisions of no more than seven days at a time. Had the case been appropriately reviewed after seven days, DHHS would have known 24-hour care was not being provided. When safety services are not provided as ordered, there is an increased risk for harm to the child.

Inadequate contract monitoring increases the risk for loss or misuse of State funds.

We recommend DHHS implement procedures to ensure payments are in accordance with contract provisions. We further recommend timely monitoring of contractors to ensure services are provided as required.

DHHS Response: This summer, the Department’s Internal Audit staff and fiscal staff in the Division of Children and Family Services conducted a detailed review of one provider noted in the findings listed in the attestation. The Department shared its findings with the APA where findings were found to be similar to the findings noted by the APA showing adequate documentation was not available to support payments for services, payments did not agree to contract terms, and overlapping hours billed. The Department is currently in the process of finalizing that review.

As a result of the Department’s detailed review, the Department’s billing document has been revised to include a detailed listing of services provided by day by client. Billings will be rejected for any services provided on or after July 1, 2014, if the billing document does not agree with the detailed listing of services provided.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Overpayments and Inadequate Controls Over Assistance Payments (Concluded)

The Department intends to extend the detailed review to other child welfare service providers noted in this attestation as well as any identified as high risk by the Department utilizing the revised reconciliation of the billing document to the detailed listing of services provided. These reviews will verify the amounts questioned in this attestation and be expanded to include the following issues noted in the attestation:

- *Payments agreed to service authorizations and referrals;*
- *Staff providing services meet qualifications specified in the contract; and*
- *Contracts in place prior to services being provided.*

In addition, the Department will conduct an extensive review of the entire child welfare service provider process including authorization and referral of services and the billing process. The Department will also review existing child welfare service agreements to clarify issues noted in this attestation as well as the Department's review.

4. Inadequate Support for Rates

A good internal control plan requires adequate monitoring procedures for all payments to service providers, including sufficient documentation to support the rates of compensation.

We reviewed the rates charged for various child welfare services and noted that many rates were not adequately supported:

- Per DHHS, the following rates were based on discussions with providers. DHHS did not perform its own independent analysis.

Service Type	Rate
In Home Safety	\$45 per hour
Finding Families	\$5,500 per case
Tracker Services	\$34 per day
Therapeutic Group Home/ Residential Safety Services	\$146 per day
Family Support Services	\$47 per hour
Parenting Skills & Visitation	\$47 per hour
Drug Screening & Testing	\$100 per test (maximum)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Inadequate Support for Rates (Continued)

- The following rates were based on a study performed in 1995 by an independent contractor, but they have evolved considerably since then. Per DHHS, rates changed over time based on periodic legislative or inflationary increases, moving to tiered rates, and evolving expectations of the service.

Service Type	Rate in 1995	Current Rate
Agency Supported Foster Care	\$50.37 per day	\$32, \$50 or \$69 per day
Group Home Care	\$79.31 per day	\$89.50 or \$116 per day
Intensive Family Preservation	\$4,924 per case	\$430 per week for 15 weeks
Risk Intervention	See Note	\$2,800 per case

Note: Per DHHS, rates were based in part on the Intensive Family Preservation rate, but several adjustments were made.

- The rate for intensive family preservation was \$430 per week for 15 weeks. The service was provided by a team consisting of a licensed mental health practitioner and a skill builder (no specific qualifications required for contracts beginning July 1, 2013.) No minimum number of hours was required to be provided. DHHS indicated that, due to the nature of the service, it was expected that some weeks and cases would have a higher level of service than others. During our claim testing, we noted 4 of 10 cases provided fewer than five hours of service per week. For these four cases, we looked at all weeks provided, not only those in our sample.

Contractor	Total Paid	Average Hours per Week			Average Hourly Rate	Was the family preserved?
		Therapist	Skill Builder	Total		
Parallels, Inc.	\$8,170*	1.16	2.13	3.29	\$130.70	Yes
KVC	\$5,345	2.88	0.50	3.38	\$127.22	No
Better Living Counseling Services	\$6,020	3.00	0.57	3.57	\$120.45	Yes
Paradigm, Inc.	\$1,720	1.63	2.56	4.19	\$102.63	No

*A total of 19 weeks was paid. The service was originally authorized for 15 weeks but was extended 4 weeks.

- DHHS paid various foster care rates (depending on the child's needs) to child placing agencies. These contractors then entered into agreements with foster parents. During calendar year 2013, DHHS did not monitor the agreements between the contractors and the foster parents. DHHS did not perform any procedures to determine whether the amounts kept by the contractors for their own administrative costs were actual, allowable, or reasonable. DHHS also did not obtain documentation to support the amounts were paid to foster parents timely and in accordance with agreements.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Inadequate Support for Rates (Continued)

On November 30, 2012, per LB 820 (2012), DHHS submitted to the Legislature a report that included recommendations for minimum reimbursement rates for foster families. Those recommendations had not yet been implemented at December 31, 2013. Also, the report did not address rates for the child placing agencies. We tested 12 cases and noted that between 40% and 67% of the DHHS foster care rate was retained by the contractor:

Contractor	Daily Rate* DHHS Paid Contractor	Daily Rate* Contractor Paid to Foster Parents	Amount Kept by Contractor	% of Total Kept by Contractor
Omni Behavioral Health	\$181	\$75	\$106	59%
Omni Behavioral Health	\$125	\$75	\$50	40%
KVC	\$163	\$54	\$109	67%
KVC	\$69	\$37	\$32	46%
South Central Behavioral Services	\$69	\$30	\$39	57%
South Central Behavioral Services	\$69	\$30	\$39	57%
Christian Heritage	\$69	\$31	\$38	55%
Cedars Youth Services	\$69	\$34	\$35	51%
Cedars Youth Services	\$69	\$37	\$32	46%
Building Blocks	\$32	\$11.29	\$20.71	65%
Nova Therapeutic Community	\$32	\$17	\$15	47%
Nova Therapeutic Community	\$32	\$17	\$15	47%
Totals	\$979	\$448.29	\$530.71	54%

*Does not include stipend of \$3.10 per day per child paid to foster parent and 25¢ per child per day paid to contracting agency per Neb. Rev. Stat. § 43-4213 (Supp. 2013).

- DHHS contracted with Paradigm, Inc., to provide “In Home, Short Term support interventions” performed by a worker with a bachelor’s degree. A per case rate of \$2,800 was paid. We tested one case and noted the following hours were provided:

Contractor	Total Hours Provided	Average Hourly Rate	Was service successful?
Paradigm, Inc.	22.50	\$124.44	Yes

The contract with Paradigm, Inc., states that the level of service is to be up to 50 hours total (10 weeks multiplied by five hours per week), but no minimum level is required. According to the contract:

*The Department [DHHS] agrees to pay the Contractor **\$2,800 per family** for up to 10 weeks of direct intervention hours in the home. The weekly family contact will be up to 5 hours per week per family, with the specific hours determined on an individual family basis.*

In the case tested, only 22.50 hours of service were provided.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS
(Continued)

4. Inadequate Support for Rates (Continued)

- DHHS paid \$34 per day for tracker services. Tracker services are typically authorized for a child living at home with truancy issues. The tracker monitors that the child is attending school, meeting curfew, etc., through meetings and phone calls. However, DHHS did not have any specific standards for the level of service to be performed on a daily basis. Per the provider contracts:

*Tracker Service – provided to youth living in a community based setting. Trained staff monitor, support, and supervise youth in the community through face- to- face meetings, telephone calls, and collateral contacts with other adults . . . DHHS shall pay the contractor **\$34.00 per day** for tracker activities and ongoing contact with youth and family.*

Due to the lack of specificity in the contractual language, the \$34 per day could be for one phone call or for several meetings – or even for no contact at all. DHHS personnel indicated the \$34 per day is allowable regardless of either the time spent on the case or whether any service was provided on a particular day. However, the contract states the contractor will be paid per day for tracker activities and ongoing contact. Therefore, if there is no tracker activity or contact on a particular day, no payment should be made for that day.

Without adequate monitoring procedures for all payments to service providers, including sufficient documentation to support the rates of compensation, there is an increased risk for loss or misuse of funds. Closely related is a concern as to the reasonableness of the various provider rates discussed above; however, any such analysis involves performance, as opposed to only financial, auditing. Lacking authorization to carry out a performance audit regarding the reasonableness of the provider rates paid, the APA is referring this matter to the Legislative Performance Audit Committee for possible review.

We recommend DHHS implement adequate monitoring procedures for all payments to service providers, including sufficient documentation to support the rates of compensation. Additionally, because an analysis of the reasonableness of those rates may be warranted, the APA is referring this matter to the Legislative Performance Audit Committee.

DHHS Response: In collaboration with the Nebraska Children’s Commission, the Department designed and implemented on July 1, 2014, a statewide, three tiered, age-based payment protocol to foster parents. Foster parents across the state of Nebraska will receive standardized rates based on the level of care the foster parent gives to the child.

Additionally, the Department redesigned the administrative payment protocol to agencies that reflect their administrative costs per age-related tiered placement. These rates correlate with the rate the foster parent receives and the amount of support the foster parent needs. All agency supported foster care providers are now required to submit source documentation that verifies the service delivered/payment delivered and reconcile it to the payment received. A monitoring protocol has been implemented.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Inadequate Support for Rates (Concluded)

Prior to June 30, 2015, the Department will collaborate with the provider network to design a work group that reviews rates for services. The goal will be to analyze what the Department pays for its service array.

5. Contracts Not Properly Recorded and Excess Payments Noted

Expenditures Exceeded Contract Amounts

Good internal control and sound business practice require monitoring to ensure expenditures do not exceed contract amounts. Most child welfare service contracts are paid through NFOCUS, a subsystem of EnterpriseOne. During the calendar year, DHHS did not have procedures to ensure payments through NFOCUS did not exceed contract limitations.

We tested 28 contracts with effective dates ending in 2013. We reviewed NFOCUS payments for services for the effective dates of the contracts to determine if payments exceeded contract limits. For 14 of the 28 contracts tested, expenditures exceeded contracted amounts by \$5,714,166.

Contractor	Service Type <i>Note 1</i>	Contract Date Range	Contract Amount	Expenditures	Excess Expenditures
Better Living Counseling Services*	PSVS	9/1/12 – 6/30/13	\$1,000,000	\$1,802,371	\$802,371
Better Living Counseling Services*	FS	9/1/12 – 6/30/13	\$1,000,000	\$1,404,685	\$404,685
Better Living Counseling Services	DST	9/1/12 – 6/30/13	\$250,000	\$422,738	\$172,738
Building Blocks	FC	7/1/11 – 6/30/13	\$1,500,000	\$3,929,041	\$2,429,041
Building Blocks	FCS	7/1/12 – 6/30/13	\$100,000	\$150,415	\$50,415
BSM, Inc.**	PSVS	9/1/12 – 6/30/13	\$1,000,000	\$1,610,878	\$610,878
BSM, Inc.	DST	9/1/12 – 6/30/13	\$250,000	\$272,100	\$22,100
BSM, Inc.	IHS	9/1/12 – 6/30/13	\$100,000	\$143,775	\$43,775
KVC	IFP	9/1/12 – 6/30/13	\$250,000	\$364,916	\$114,916
Owens and Associates, Inc.**	PSVS	9/1/12 – 6/30/13	\$1,000,000	\$1,128,076	\$128,076
Paradigm, Inc.	IFP	9/1/12 – 6/30/13	\$250,000	\$308,005	\$58,005
Pathfinder Support Services**	PSVS	9/1/12 – 6/30/13	\$1,000,000	\$1,388,509	\$388,509
South Central Behavioral Services	FCS	7/1/12 – 6/30/13	\$75,000	\$81,971	\$6,971
South Central Behavioral Services	FC	7/1/11 – 6/30/13	\$2,000,000	\$2,481,686	\$481,686
Total Expenditures in Excess of Contracts					\$5,714,166

Note 1: Acronyms for service types are listed in Exhibit D.

*Both contracts include compensation for travel time. The total paid of \$261,950 is included with the FS contract.

**Does not include compensation for travel time, which is included with the PSVS and FS contracts. Without considering travel time, the PSVS contract was exceeded, and the FS contract was not. We were unable to distinguish the PSVS travel from FS travel; therefore, the excess expenditures noted above would likely increase if travel were included.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS
(Continued)

5. Contracts Not Properly Recorded and Excess Payments Noted (Continued)

Inaccurate Contract Information in State Accounting System

Neb. Rev. Stat. § 73-503(1) (Cum. Supp. 2012), states, in relevant part, “All state agencies shall process and document all contracts for services through the state accounting system.”

Good internal controls require all contracts for services to be accurately entered into the State accounting system.

We tested 50 child welfare contracts to verify they were entered into the State accounting system, EnterpriseOne (E1), which included verifying that the contract dates and amounts were correct. During testing, we noted 23 contracts were not entered into E1. Furthermore, one contract amount and three contract dates were incorrect or not in E1.

Contractor	Service Type <i>Note 1</i>	Contract Date Range	Date Range Entered in E1	Amount per Contract	Amount per E1
Beneficial Behavioral Health Svc	PSVS	9/1/12 – 6/30/13	*	\$1,000,000	*
Better Living Counseling Services	PSVS	9/1/12 – 6/30/13	*	\$1,000,000	*
Better Living Counseling Services	DST	9/1/12 – 6/30/13	*	\$250,000	*
Better Living Counseling Services	FS	9/1/12 – 6/30/13	*	\$1,000,000	*
Boys Town	OHT	7/1/13 – 7/31/13	*	\$12,349.78	*
Building Blocks	FC	7/1/11 – 6/30/13	7/1/11 – 6/30/12	\$1,500,000	\$1,500,000
Christian Heritage	FFP	2/1/13 – 10/31/13	2/1/13 – 2/28/14	\$218,500	\$218,500
Epworth Village	GHA	9/1/12 – 6/30/13	*	\$1,000,000	*
Family Skill Building	FS	9/1/12 – 6/30/13	*	\$1,000,000	*
Family Skill Building	DST	9/1/12 – 6/30/13	*	\$250,000	*
Father Flanagan’s Boy’s Home	CW	7/1/13 – 3/31/14	*	\$2,520,000	*
Good Life Counseling and Support	PSVS	9/1/12 – 6/30/13	*	\$1,000,000	*
Good Life Counseling and Support	FS	9/1/12 – 6/30/13	*	\$1,000,000	*
Jenda Family Services	TR	9/1/12 – 6/30/13	*	\$450,000	*
KVC	IFP	9/1/12 – 6/30/13	*	\$250,000	*
BSM, Inc.	PSVS	9/1/12 – 6/30/13	*	\$1,000,000	*
BSM, Inc.	IHS	9/1/12 – 6/30/13	*	\$100,000	*
BSM, Inc.	DST	9/1/12 – 6/30/13	*	\$250,000	*
Owens and Associates, Inc.	PSVS	9/1/12 – 6/30/13	*	\$1,000,000	*
Paradigm, Inc.	FS	9/1/12 – 6/30/13	*	\$1,000,000	*
Paradigm, Inc.	PSVS	9/1/12 – 6/30/13	*	\$1,000,000	*
Paradigm, Inc.	IFP	9/1/12 – 6/30/13	*	\$250,000	*
Pathfinder Support Services	PSVS	9/1/12 – 6/30/13	*	\$1,000,000	*
Pathfinder Support Services	DST	9/1/12 – 6/30/13	*	\$250,000	*
South Central Behavioral Services	FC	7/1/11 – 6/30/13	7/1/11 – 6/30/12	\$2,000,000	\$1,500,000
South Central Behavioral Services	FS	9/1/12 – 6/30/13	*	\$1,000,000	*

Note 1: Acronyms for service types are listed in Exhibit D.

*Contract not entered in E1; therefore, no dates or amounts were contained in E1.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

5. Contracts Not Properly Recorded and Excess Payments Noted (Concluded)

Inadequate contract monitoring increases the risk of excessive payments to contractors. Furthermore, DHHS is not in compliance with State statute when contracts are not properly entered in the State accounting system.

We recommend DHHS implement procedures to ensure expenditures for services provided do not exceed the contracted amount. We also recommend DHHS comply with State statute by ensuring all contracts are entered into the State accounting system and all information is accurate and complete.

DHHS Response: In the past several years, the state has experienced private contractors billing for services beyond the contract compensation cap. This may be the result of an inadequate cap, increased services necessitated by unanticipated youth/families, or increasing the focus on a service due to improved successful outcomes or loss of other providers offering the same service. Whether or not payments made in the past exceeded contract compensation caps, the Department is required by state statute to pay for the costs of care and treatment of juveniles in its custody.

The Department realizes the need to establish the appropriate contract compensation caps based on past expenditures and forward projections, then monitor the ongoing expenditures and take appropriate steps to increase the cap when necessary.

The Department is in the process of implementing a contract-based tracking system. The Department is currently piloting this functionality in the Southeast Service Area for the services of Family Support, Intensive Family Preservation, and Motor Vehicle Private. The pilot has identified several system deficiencies which will be remedied in November. At that time we will add additional providers, including those with Auto-claiming, such as agency-supported foster care. By July 2015, the Department anticipates having all new service authorizations entered into NFOCUS in such a way that all claims paid will be monitored and tracked against the contract compensation cap. Reports will be available to provide the Department warning that payments to a service provider are approaching the contract compensation cap. At that time the Department will perform an analysis to understand the claiming and take appropriate steps to prevent the provider from exceeding the contract compensation cap.

The Department is committed to complying with all State statutes. We recognize that the processes we have had in place have not always been sufficient to ensure that all contracts are entered into the State accounting system in accordance with Neb. Rev. Stat. 73-503(1). For this and other reasons, the Department has begun a review and reorganization of our contract management procedures and structure. A key component of the new structure will be the assignment of a single administrator to oversee all aspects involved with the development, implementation, tracking, and monitoring of contracts. Central to this reorganization of contract management will be instituting clear, direct, and efficient lines of communication to those staff responsible for entering contracts on the state accounting system, as well as ensuring that contracts are posted on the DAS website in accordance with LB 429.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Contractual Aid Payments Not Adequately Monitored

DHHS aid expenditures for calendar year 2013 include contractual aid – of which \$4,765,552 constitutes payments to contractors other than NFC. We noted two of these contractors were paid over \$1 million during calendar year 2013. We tested one payment to each of these contractors.

Nebraska Federation of Families

Per the Nebraska Federation of Families contract,

The contractor will submit billings . . . for reimbursement of actual, allowable, and reasonable expenditures as defined by OMB Circular A-122 in accordance with contract expectations.

The Contractor shall . . . Assist the youth/family in the development of a Plan of Care . . . Provide parents with the opportunity to attend support groups . . . Provide education regarding parental rights and responsibilities as it relates to Nebraska HHS systems of care . . . For families who are being served under the previous contract, a transition plan will be develop [sic] within 60 days . . .

The Contractor assures that peer support services will be provided by Family Peer support Advocates. A Family Peer Support Advocate is defined as a parent or a person who is/was a primary caregiver for a child, youth, or adolescent who has experienced a serious behavioral health challenge.

Outcome: Increased supports and connections

- 1. 90% of families served will have a plan to access to concrete supports would meet their physical, occupational and behavioral health needs. They will also have a plan to access other tangible goods necessary to ensure overall health.*
- 2. 90% of families served will have a minimum of 2 identified natural/informal supports prior to discharge/dismissal.*

Subcontractors. The Contractor shall not subcontract any portion of this contract without prior written consent of DHHS.

A good internal control plan requires procedures to ensure adequate supporting documentation is reviewed for all expenses paid and contracts are adequately monitored.

DHHS neither obtained adequate documentation to support expenses paid to the Nebraska Federation of Families nor adequately monitored the contract to ensure services were provided.

DHHS contracted with the Nebraska Federation of Families to “provide strength-based, family centered and partnership-oriented support and collaborative advocacy services utilizing peer to peer support and the expertise of families with lived experience that will help to improve reunification rate” The contractor utilized subcontractors to help provide these services. Contract payments totaled \$1,374,822 during the calendar year. We tested one invoice for \$107,784.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS
(Continued)

6. Contractual Aid Payments Not Adequately Monitored (Continued)

During testing we noted the following:

- DHHS received a breakdown of costs by subcontractor but did not perform any financial monitoring, such as reviewing contractor and subcontractor accounting records, payrolls, invoices, etc., to ensure the expense was actual or allowable. DHHS indicated monitoring included independent financial audits of the subcontractors per the contractor's policy. However, when we requested copies of those six financial audits, DHHS could provide only one for the fiscal year ended June 30, 2013. The other five did not have an audit performed due to "financial hardship."
- DHHS did not perform site visits of the contractor or subcontractors. Site visits could be used to ensure outcomes were achieved, individual cases were worked appropriately, and Family Peer Support Advocates were qualified.
- DHHS did not have procedures to ensure all referrals made to the contractor were accepted and worked or that outcomes required by the contract were achieved. Their referral procedures were decentralized on the caseworker level. DHHS relied on the contractor's quarterly reports for information regarding the number of cases being worked and the outcomes.
- There was no central review to ensure services required under the contract were actually provided (plan of care, education, etc.).
- DHHS could not provide support that it formally approved the contractor's use of subcontractors.

Winnebago Tribe of Nebraska

Per the Winnebago Tribe contract:

Payment shall be structured as follows: 1. Salaries and fringe benefits shall be paid based on actual hours worked . . . 2. Operational costs . . . based on actual expenditures incurred . . . 3. Indirect cost rate will be set at a rate no greater than the indirect cost rate established for the Tribe by the Bureau of Indian Affairs (BIA) . . . 4. Services include services provided to children and families in cases of abuse or neglect.

Records of expenditures shall be kept by the Tribe for review by the State monthly, upon request.

The Tribe agrees to provide a statement of expenditures . . . from all . . . quarters . . . The Tribe agrees to specify expenditures within each of the four budget categories (salaries and fringe benefits, operations, indirect costs, and services).

Quarterly payments will not exceed one-quarter (1/4) of the annual budget.

A good internal control plan requires procedures be in place to ensure adequate supporting documentation is reviewed for all expenditures paid.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Contractual Aid Payments Not Adequately Monitored (Continued)

DHHS contracted with the Winnebago Tribe of Nebraska (Tribe) to “[E]stablish a procedure whereby the resources of the State can be made available to a Tribal child so as to ensure safe, adequate and appropriate services to Tribal children” Payments totaled \$1,039,066 during the calendar year. We tested one payment of \$189,959 for the period January 1, 2013, to March 31, 2013. The contract was effective for the two-year period of July 1, 2012, to June 30, 2014, and was for a total amount not to exceed \$1,519,670. Quarterly payments were not to exceed one-fourth of the annual budget. The Tribe reported expenditures of \$363,122 for the quarter ending March 31, 2013, and was paid one-fourth of the annual budget, \$189,959.

DHHS did not obtain adequate documentation to support expenditures paid to the Tribe. DHHS received a breakdown of costs by expenditure category but did not request records of expenditures, such as accounting records, payroll, invoices, etc., to review to ensure the amounts paid to the Tribe were for actual expenditures. We requested support from the Tribe. We received a general ledger detail totaling \$161,669, which is \$28,290 less than the payment tested. No additional support, such as invoices, was obtained.

Without adequate monitoring, DHHS could be paying for more than actual and allowable costs, per contract provisions.

We recommend DHHS implement procedures to ensure adequate supporting documentation is reviewed for all expenses paid and contracts are monitored to ensure compliance with contract provisions.

DHHS Response: In July 2014, the Department performed a financial review of the Nebraska Federation of Families. The review included a review of the contractor’s accounting records, payroll, invoices, and supporting documentation for services rendered in November 2013 and April 2014. The Department will be issuing a report regarding the findings. The Department notified the State Auditor’s Office that the financial review was scheduled, however, it took place after the State Auditor’s report was written. The financial review will continue annually.

Although the Department meets regularly with the Federation (e.g., quarterly data meetings), site visits with the Affiliate Family Organizations (subcontractors) have not been part of the contract monitoring process. Under the new Division of Children and Family Services Operations plan, local leadership (SAAs) will meet quarterly (at a minimum) with the local Family Organizations to review data/outcomes and document for contract monitoring purposes. In addition, Department staff and local staff will be accompanying the Nebraska Federation of Families staff on their program reviews of the Family Organizations. The program reviews will include a personnel file review and an individual case file review.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS
(Continued)

6. Contractual Aid Payments Not Adequately Monitored (Concluded)

The contract requires the following reporting standards:

- *monthly case summaries to the designated Department staff;*
- *monthly data reports to each Service Area; and*
- *quarterly and annual reports to Central Office.*

While the quarterly and annual reports submitted to Central Office contain information regarding referrals, services, discharges, and outcomes achieved, the Department did not have an established case review process. As described above, annual program reviews of the Affiliate Family Organizations will begin in November 2014.

Effective July 1, 2014, the Department has made changes to the most recent contract with the Winnebago Tribe to ensure that no claims are paid without a list of expenditures and detailed information for each claim for services provided. These claims will be reviewed and approved by Department staff prior to issuing payment for services provided. The Department has a Program Specialist designated to work with the Winnebago Tribe and monitor contract compliance.

Although the Department conducts monthly Operations and Quality Improvement meetings with the Winnebago Tribe, under the new Division of Children and Family Services Operations plan, Department staff will also meet quarterly (at a minimum) with the Tribe, to review data/outcomes and document for contract monitoring purposes.

7. Unallowable Costs Charged to Federal Grant

Per the Nebraska State Plan for Temporary Assistance for Needy Families (TANF), effective July 1, 2011, the Agency is to use TANF funds to provide an array of safety and in-home services to families whose children have been determined to be unsafe in the family home or to the community, based on the safety assessment conducted by the Agency. The services provided must meet the first statutory purpose of TANF: to provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives. The eligibility criteria is needs based, as indicated by the family's program eligibility status for TANF, Supplemental Nutrition Assistance Program (SNAP), Social Security Income (SSI), or Medicaid. Drug screening, and testing services are allowable when they are conducted on youth.

OMB Circular A-87, Attachment A, § C(1), requires that costs be necessary, reasonable, and adequately documented.

The State Plan allows for the payment of certain child welfare costs from Federal TANF funds. To identify the claims eligible for Federal funds, DHHS performed an NFOCUS query based on paid date, which was supposed to pull cases for certain child welfare service types (e.g., family support services and drug screening and testing services), for children who were in the home and

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

7. Unallowable Costs Charged to Federal Grant (Concluded)

whose families were in an active TANF, Medicaid, SNAP, or SSI case. After performing the query, DHHS transferred the total payments from State general funds to Federal TANF funds. We tested one such quarterly journal entry totaling \$1,891,527. We tested five claims from this entry and noted the following:

- For one claim tested, the service provided was drug screening and testing. The State Plan allows payment for this type of service only when provided for a child. For this case, the service was provided for the parents, resulting in questioned costs of \$5,400. An additional \$122,344 of drug screening and testing was paid on behalf of adults for the entire journal entry; thus, those expenditures are also questioned costs. Additionally, for the claim tested, the monthly report submitted to the caseworker showed only 24 tests and six refusals were provided, but the provider billed for 54 tests and zero refusals.
- For one claim for family support, the provider systematically rounded partial hours of work up to full hours, resulting in questioned costs of \$3,466.
- For one claim for family support, there was a mathematical error for an overpayment of \$47.

Total journal entries transferring child welfare costs to TANF during the calendar year were \$6,158,536, of which \$2,283,575 was tested in the State Fiscal Year 2013 Nebraska Statewide Single Audit. In that audit, we estimated potential dollars at risk to be 21.38% of total expenditures, which would be \$488,228. For the current attestation, we tested \$32,857 and questioned \$8,913, or 27.13%, which would estimate potential dollars at risk for the second half of the calendar year to be \$1,051,277. Total potential dollars at risk for calendar year 2013 is \$1,539,505.

DHHS has not corrected its NFOCUS query to ensure claims for adults' drug screening and testing were excluded. DHHS did not ensure adequate supporting documentation existed for claims paid.

Without adequate controls to ensure claims are paid per Federal requirements, there is an increased risk of noncompliance with those requirements and a loss or misuse of Federal funds.

We recommend DHHS implement procedures to ensure compliance with Federal and State regulations. DHHS should review its NFOCUS query to ensure only claims eligible for TANF are being selected.

DHHS Response: The Department recently submitted a proposed amended TANF State Plan to ACF. Once the amended plan is approved, the Department will be permitted to use TANF funds for adult drug screens.

The Department posted a journal entry in July 2014, to transfer the questioned amounts from Federal TANF funds to State general funds.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

8. Improper NFOCUS Payments

A good internal control plan requires policies, procedures, and system controls to ensure a proper segregation of duties so that no one individual is in a position both to perpetrate and to conceal errors or irregularities. Controls should be in place to require a secondary review of changes to provider accounts in NFOCUS to ensure payments are proper.

DHHS improperly issued \$458,020 in warrants to a foster parent in June 2013 due to a worker's error in the NFOCUS system.

Warrant #	Amount
687100366	\$451,367
687900005	\$3,436
688100013	\$20
688400005	\$153
688700009	\$3,044
Total	\$458,020

A Resource Development worker erroneously set up a service approval in NFOCUS for a new foster parent. KVC was the licensing agency for the foster parent. DHHS pays KVC, which then pays multiple foster parents it has agreements with. Instead of adding the new foster parent under an existing service approval for the foster parent's licensing agency, KVC, the worker changed the payee of KVC's service approval from KVC to the foster parent. This error caused all of KVC's foster care claims for May 2013 to be paid to the foster parent rather than to KVC.

This error was not caught by DHHS; instead, when the foster parent received the first warrant totaling \$451,367 on June 6, 2013 she contacted KVC regarding the payment. KVC then contacted the DHHS Southeastern Service Area Administrator. On June 6, 2013, the foster parent returned the warrant to KVC, which then returned the check to DHHS.

On June 10, 2013, DHHS closed the improper service approval, and the payee was changed back to KVC. DHHS also cancelled the warrants issued to the foster parent.

DHHS lacks adequate controls to identify or prevent errors such as this from occurring again. There is nothing in NFOCUS to prevent a worker with access to the service approvals from changing a payee. Additionally, there is no audit trail in NFOCUS to determine who makes a change in the system and when that change is made.

Without adequate controls to ensure payments are proper, there is an increased risk of loss or misuse of State or Federal funds.

We recommend DHHS ensure adequate controls are in place to ensure all payments are proper. We also recommend DHHS implement system controls to ensure no one individual can change payee information without a secondary approval or compensating controls for secondary reviews of changes to the system to ensure error or fraudulent activity is identified.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS
(Continued)

8. Improper NFOCUS Payments (Concluded)

DHHS Response: In the case that was tested, the incorrect payment issued to the foster parent was due to worker error. Since the occurrence of this error, additional training was provided to Resource Development staff to help ensure that service approvals are entered correctly, and to help better understand the importance of assigning the correct payee.

The issue is also being addressed by implementing changes to NFOCUS that will capture information by tracking details on when a payee is added or changed, when the change to the payee occurred, and who made the change to the payee. This information will be compiled and released as a daily report to Resource Development Supervisors for their review and any action that may need to be taken. Training will be provided to Resource Development Supervisors on how to read and act on the daily reports.

9. Statutory Report Claims Data

Per Neb. Rev. Stat. § 43-4406 (Supp. 2013), on or before each September 15, DHHS must report to the Legislature information regarding the costs and percentage of children served by each service area. (See Exhibit A). We requested support for the 2013 report to determine the reasonableness of the information presented. DHHS provided an excel file of NFOCUS claims data that included gross expenditures paid by service area. This file contained payments made by DHHS for services listed under the eastern service area.

NFC provides case management and services to clients in the eastern service area. Nevertheless, per the NFC Service Delivery, Coordination and Case Management Contract, there are limited circumstances in which DHHS is responsible for payment instead of NFC. We reviewed claims over \$1,000 that were paid by DHHS but reported under the eastern service area from January 2013 through June 2013 for 10 program cases to ensure payment should have been made by DHHS and was not the responsibility of NFC.

Inaccurate Claims Data

A good internal control plan requires procedures to ensure NFOCUS claims data used to generate reports submitted to the Nebraska Legislature is accurate.

For 6 of the 10 program cases tested, claims paid in 2013 were incorrectly reported under the eastern service area. It was evident through NFOCUS these cases fell under other service areas and were the responsibility of DHHS. Four of these cases were from the southeast service area, one was from the western service area, and one was from the northern service area.

It is important to reiterate that we looked exclusively at claims over \$1,000 that were paid in 2013 for a limited testing sample of only 10 program cases.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

9. Statutory Report Claims Data (Continued)

Program Case	Service Type	Claim Amount	Correct Service Area
1	Parenting Skills & Visitation	\$1,175	Southeast
1	Family Support Services	\$1,093	Southeast
2	Residential Safety Services	\$2,482	Western
3	Parenting Skills & Visitation	\$4,500	Southeast
4	Group Home Care	\$2,320	Southeast
5	Out of Home Treatment	\$7,369	Southeast
6	Agency Supported Foster Care	\$1,863	Northern
6	Group Home Care	\$3,480	Northern
Total		\$24,282	

When NFOCUS claims data used for statutory reporting is inaccurate, reports submitted to the Nebraska Legislature are certain to contain unreliable, if not actually misleading, information.

Therapeutic Group Home Maintenance Costs Paid by DHHS

Article II(O) of the NFC contract with DHHS states:

If payment for a mental health or substance abuse treatment service is denied by the Administrative Services Organization (ASO) or Managed Care Organization (MCO), but the service is court ordered, the Subrecipient will be responsible for payment of the service.

Article II(P) of the NFC contract with DHHS states:

The Subrecipient is not responsible for payment of the following:

- 1. Services paid by Medicaid, private insurance or alternative funding source;*
- 2. Physical health care costs of children, youth and families not otherwise paid by a parent, Medicaid, or other third party;*
- 3. Services funded by State Ward Education;*
- 4. Cost of placement in the Youth Rehabilitation and Treatment Center at Kearney and Geneva or the Hastings Regional Center;*
- 5. Cost of placement in a Nebraska Detention facility;*
- 6. Adoption and Guardianship Subsidies;*
- 7. Maintenance payments for a ward's child;*
- 8. State ward independent living maintenance payments;*
- 9. Case management and extended services for a young adult who has entered into a voluntary services and support agreement under the Young Adult Voluntary Services and Support Act, except those requirements under said Act that should be performed prior to the time the young adult reaches 19 years of age and is discharged from foster care.*

All other costs associated with the performance of this subgrant are the responsibility of the Subrecipient. This includes, but is not limited to, court ordered services for which Subrecipient is unable to secure alternate funding sources and assistance

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

9. Statutory Report Claims Data (Concluded)

From January to December of 2013, DHHS paid \$474,174 for Therapeutic Group Home Out-of-Home Maintenance (ThGH) services for cases in the eastern service area served by NFC. Eastern area costs are the responsibility of NFC. The only support for payment of these services by DHHS was provided in an email message containing an excerpt from a training guide entitled “July 1, 2011 Changes to Children’s Services Authorized by Nebraska Medicaid.” In that training guide was a slide stating, “Medicaid pays for the clinical and rehabilitative services. Parent/guardian pays for room and board.”

DHHS is the guardian for all wards in its custody who reside in ThGHs or other out-of-home placements. The NFC contract does not list ThGH room and board payments among those costs for which the provider is not responsible. Additionally, the contract indicates that NFC bears the responsibility of paying for health services not covered by Medicaid.

When DHHS makes payments for services that are the responsibility of NFC, there is an increased risk for loss of public funds.

We recommend DHHS establish policies and procedures to ensure the accuracy of all NFOCUS claims data used for statutory reporting. We also recommend DHHS establish policies and procedures to ensure compliance with the NFC contract – taking particular care to ensure expenses that are the responsibility of NFC, such as the room and board portion of ThGH services, are paid for by NFC and not by DHHS.

DHHS Response: The Department has been aware that some claims may be incorrectly reported in the eastern service area. Our initial reviews have determined that the claim is being reported consistent with the billing address of the service provider as opposed to the service area that authorized the service. We have been exploring options to pull this data differently to reflect the service area providing the service. We will continue to work on a solution.

When the original contract was signed, the costs associated with Treatment (Therapeutic) Group Homes were generally paid by Medicaid. The parties relied on this information while negotiating the terms of the agreement and subsequent amendments. More than two years after the initial contract was executed, the federal government began enforcement of regulations related to allowable expenses of Treatment (Therapeutic) Group Homes. This action was unanticipated and resulted in a significant shift of expenses to the state and its contractors. As of July 2014, a contract amendment has been signed which expressly states the understanding by both parties that “room and board” expenses associated with Treatment (Therapeutic) Group Homes would be the responsibility of the Department. Shifting these expenses to NFC would ultimately have resulted in an increase to the case rate and would be contrary to the original understanding between NFC and the Department.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS

(Continued)

10. No Evidence of Contractor Financial Stability

Good internal control requires procedures to ensure service providers are financially stable before contracts are executed. Per Neb. Rev. Stat. § 43-4410(1) (Supp. 2013), effective June 5, 2013:

Any entity seeking to enter into a contract with the Department of Health and Human Services to provide child welfare services shall provide evidence of financial stability and liquidity prior to executing such contract.

DHHS did not have procedures or support to document compliance with that statute. No evidence of financial stability or liquidity was obtained prior to entering into contracts for child welfare services.

Without adequate procedures to determine financial stability, there is an increased risk for a contractor to go out of business, leaving subcontractors and foster parents not paid for services.

We recommend DHHS implement written policies and procedures to ensure contractors are financially stable, in accordance with State statute.

DHHS Response: The Department entered into new contracts with child welfare service providers effective July 1, 2013. Due to the timing of these contracts, the Department was not provided adequate time to implement the provisions of the new statute. When the contracts were due for renewal, the Department sent letters to each of the child welfare service providers in March 2014 requesting the providers' most-current financial statements. These financial statements were reviewed and scored by the Department's Internal Audit staff and fiscal staff in the Division of Children and Family Services. For providers who scored below the Department's minimum criteria, the provider was asked to provide a plan detailing their actions to improve their fiscal stability. Services were not referred to these providers until the plan was approved by the Department.

11. Spending Authority Exceeded

The Legislature makes appropriations for each fiscal year. An appropriation is an authorization to make expenditures and incur obligations. This authority is granted by the Legislature, and each agency is expected to operate within those limits.

Through LB 949A (2012), the 102nd Legislature appropriated \$153,774,584 in General Funds for Program 354, Child Welfare Aid. Program 354 General Fund expenditures for fiscal year 2013, including expenditures obligated in fiscal year 2013 and paid in fiscal year 2014, totaled \$156,767,795. DHHS exceeded its appropriated spending authority by \$2,993,211 for Program 354.

Appropriated by Legislature	2013 Expenditures	Over Obligated
\$153,774,584	\$156,767,795	\$2,993,211

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

COMMENTS AND RECOMMENDATIONS
(Concluded)

11. Spending Authority Exceeded (Concluded)

When expenditures and obligations exceed appropriations, DHHS is not in compliance with spending limitations established by the State Legislature.

We recommend DHHS operate Program 354 within the spending limitations established by the State Legislature.

DHHS Response: The Department can't spend appropriation it does not have so the Department has the following options related to spending and appropriations:

- 1. Spend current fiscal year appropriation;*
- 2. Spend appropriation carryover from prior fiscal years; or*
- 3. Hold current fiscal year expenses till July 1st to pay from next fiscal year appropriation.*

The APA is considering invoices received after and payments made after July 1, 2013 for services rendered prior to June 30, 2013 as part of the 2013 appropriation. The Department considers these payments made after July 1, 2013 as part of the 2014 appropriation.

APA Response: Services rendered prior to June 30, 2013, should be paid with 2013 appropriations. As noted in the State Accounting Manual:

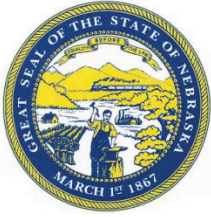
Encumbrances - Financial obligations which are chargeable to a specific biennium's appropriation and for which a part of that appropriation is reserved. State Accounting policies on encumbrances are based upon Statutes 81-138.01 through 81-138.04.

a. Valid encumbrances include:

- 1) A purchase order is issued, but the goods and accompanying invoice were not received and paid during the same biennium;***
- 2) Goods or services were received, but an invoice has not been received and paid;***
- 3) Goods or services and an invoice were received, but payment could not be made during the same biennium;***
- 4) Salaries earned and payable to employees, but have not been paid (this can occur at mid-biennium and at the end of a biennium); and***
- 5) A written agreement for a grant or award to distribute aid was signed but was not paid during the same biennium.***

Statutes and State policies clearly indicate that services received, but not paid, should be charged to the biennium through encumbrances; however, DHHS did not have enough appropriation authority remaining to encumber all 2013 financial obligations. Therefore, DHHS exceeded the spending limits established by the Legislature.

Overall Management Response: For several items noted in this report, the Department identified the issue and took corrective action. Since the corrective action was taken after December 31, 2013, the APA did not include that information in their report.



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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

INDEPENDENT ACCOUNTANT'S REPORT

Department of Health and Human Services
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes to Fund Balances of Program 354 Subprogram 48 – Child Welfare (Program) for the year ended December 31, 2013. The Program's management is responsible for the Schedule of Revenues, Expenditures, and Changes to Fund Balances. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Schedule of Revenues, Expenditures, and Changes to Fund Balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

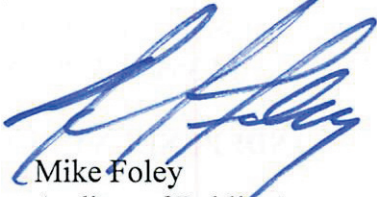
In our opinion, the Schedule referred to above presents, in all material respects, revenues, expenditures, and changes to fund balances of the Program for the year ended December 31, 2013, based on the accounting system and procedures prescribed by the State of Nebraska Director of the Department of 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 Revenues, Expenditures, and Changes to Fund Balances and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on

those matters. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes to Fund Balances 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 Revenues, Expenditures, and Changes to Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination 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 the Program, and the appropriate Federal and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

August 11, 2014



Mike Foley
Auditor of Public Accounts

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES

For the Year Ended December 31, 2013

	Totals (Memorandum Only)	General Fund 10000	Health Care Cash Fund 22640	Federal Fund 40000
REVENUES:				
Appropriations (1)	\$ 127,223,571	\$ 127,223,571	\$ -	\$ -
Intergovernmental	7,692,360	-	-	7,692,360
TOTAL REVENUES	134,915,931	127,223,571	-	7,692,360
EXPENDITURES:				
Government Aid:				
Assistance to/for Individuals	78,677,500	68,252,673	2,732,467	7,692,360
Contractual Aid	58,970,898	58,970,898	-	-
TOTAL EXPENDITURES	137,648,398	127,223,571	2,732,467	7,692,360
OTHER FINANCING SOURCES:				
Operating Transfers In	2,522,277	-	2,522,277	-
Change in Fund Balance	<u>\$ (210,190)</u>	<u>\$ -</u>	<u>\$ (210,190)</u>	<u>\$ -</u>

(1) Amount calculated and not reflected in EnterpriseOne General Ledger Detail.

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

NOTES TO THE SCHEDULE

For the Year Ended December 31, 2013

1. Criteria

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

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2008), the duties of the Director of DAS 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, an accounting resource software, 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 Revenues, Expenditures, and Changes to Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a cash basis. As transactions occur, DHHS records the expenditures in the general ledger. The revenues and expenditures recorded in the general ledger as of December 31, 2013, include only those revenues and expenditures posted in the general ledger as of December 31, 2013. The amount recorded as revenues and expenditures, as of December 31, 2013, **does not** include amounts received or expended before December 31, 2013, which had not been posted to the general ledger as of December 31, 2013.

The fund types established by the State that are used by the Child Welfare Program are:

10000 – General Fund – to account for activities funded by general tax dollars, primarily sales and income taxes.

20000 – Cash Fund – to account for the financing of goods or services provided by a State agency to individuals or entities outside of State government on a cost-reimbursement basis.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

22640 – Health Care Cash Fund – This fund was created with the passage of LB 1070 in the 1998 session. Initially, the revenue to the fund was derived from the interest earnings from the Tobacco Settlement Cash Fund and the Health Care Trust Fund. With the passage of LB 692 in the 2001 Legislative session, the revenue source and use of the fund was changed. Each year, the state investment officer, upon consultation with the Nebraska Investment Council, shall advise the State Treasurer on the amounts to be transferred. The statutorily directed amount is from any combination of funding from the Tobacco Settlement Trust Fund and the Medicaid Intergovernmental Fund. Annually, the transfer amount is reduced by the unobligated balance from the preceding fiscal year.

Since this cash fund is utilized for programs in addition to the Child Welfare Program, it is not feasible to assign a beginning or ending fund balance on the Schedule of Revenues, Expenditures and Changes to Fund Balances.

40000 – Federal Fund – to account for the financial resources related to the receipt and disbursement of funds generated from the Federal government as a result of grants and contracts.

The major revenue account classifications established by State Accounting and used by the Child Welfare Program are:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

The major expenditure account classifications established by State Accounting and used by the Child Welfare Program are:

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

The major other financing sources classifications established by State Accounting and used by the Child Welfare Program are:

Operating Transfers In – Transfers from other fund sources in accordance with Legislative Rules and Regulations.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

NOTES TO THE SCHEDULE
(Concluded)

2. Reporting Entity

DHHS is a State agency established under and governed by the laws of the State of Nebraska. As such, the Child Welfare Program is exempt from State and Federal income taxes. The schedule includes all funds of the Child Welfare Program, a subprogram, included in the general ledger.

DHHS is part of the primary government for the State of Nebraska.

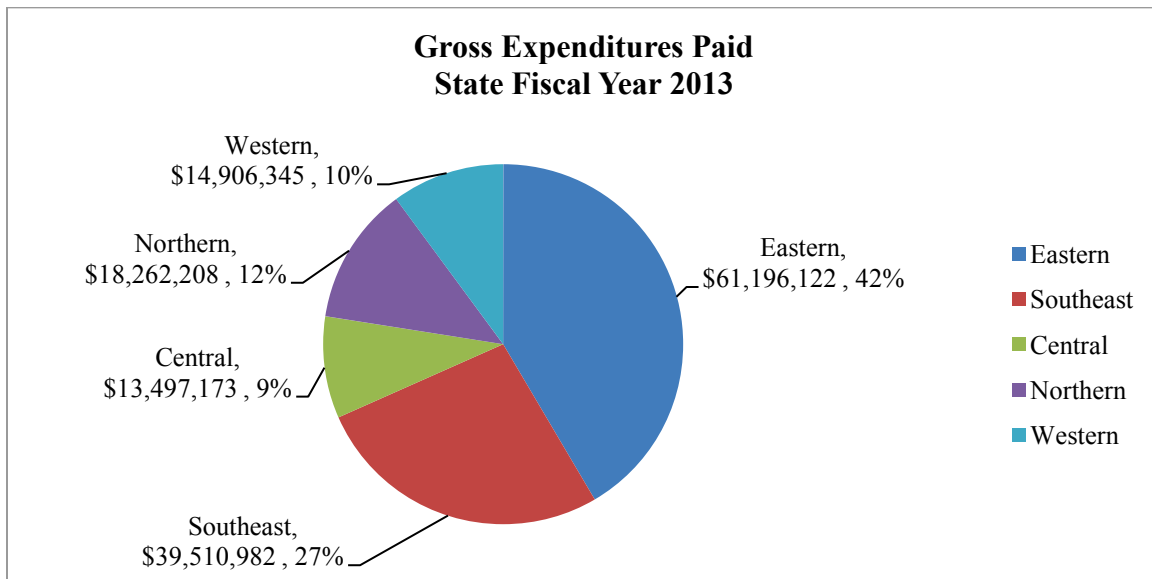
NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

SUPPLEMENTARY INFORMATION

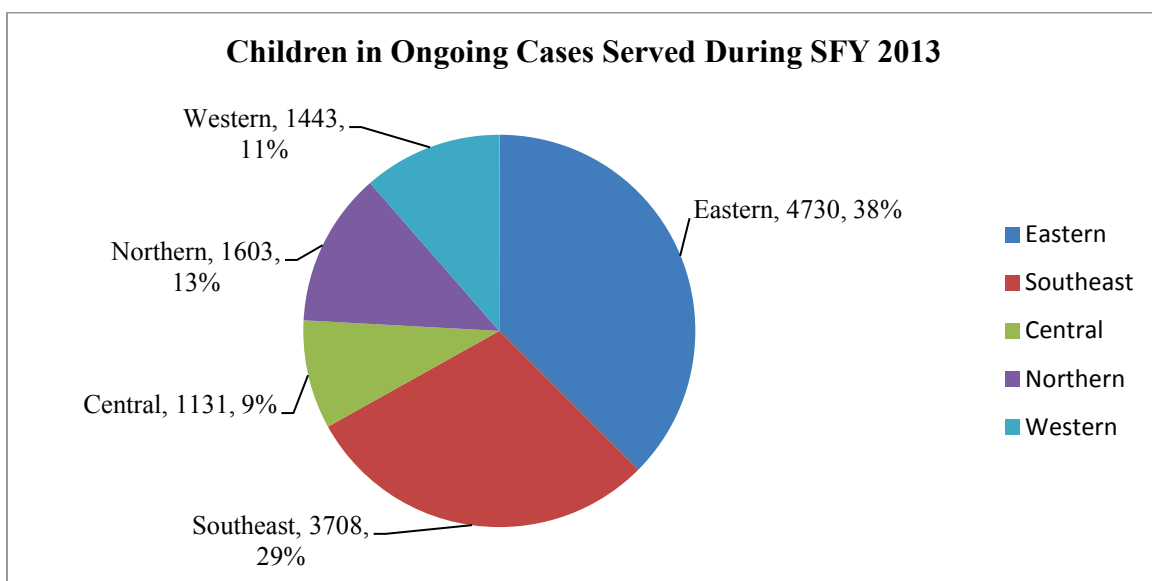
Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes to Fund Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination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

**NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE
EXPENDITURES AND CASES BY SERVICE AREA
Fiscal Year 2013**

The following charts were included in the DHHS report to the Legislature per Neb. Rev. Stat. § 43-4406 (Supp. 2013). The time period is State fiscal year 2013 (July 1, 2012, to June 30, 2013) and includes expenditures for services paid from NFOCUS and payments to NFC made outside of NFOCUS. NFC contract payments outside of NFOCUS included in the chart total \$50,741,733, included in the eastern service area. The chart represents aid expenditures for Program 354 Subprogram 48 – Child Welfare, \$128,329,338; Program 354 Subprogram 30 – Foster Care, \$10,225,171; and Program 345 Subprogram 10 – OJS, \$8,818,321.

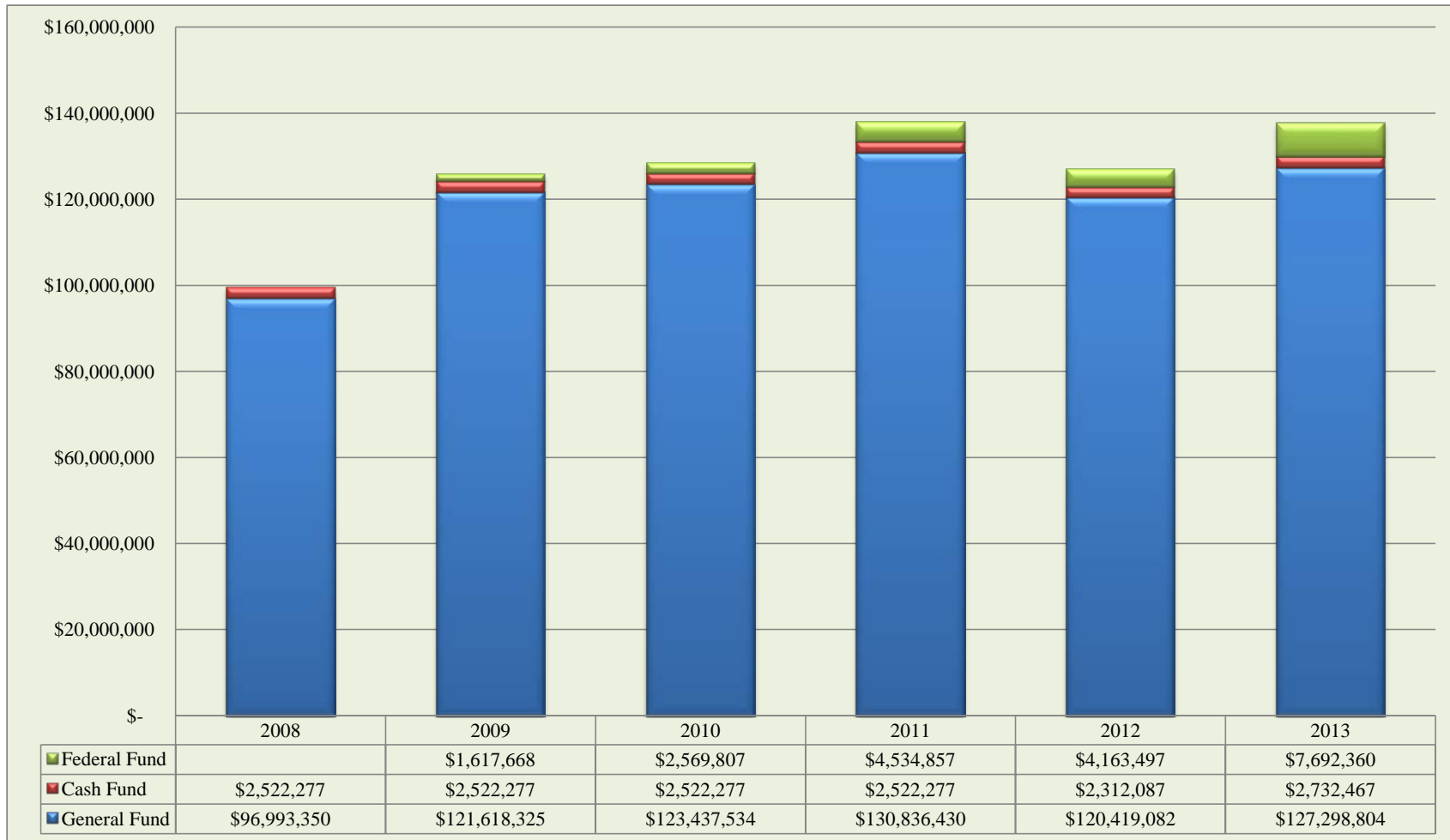


Total number of children served: 12,615 unduplicated count



NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE
CHILD WELFARE SUBPROGRAM 48 EXPENDITURES BY FUND TYPE
Calendar Years 2008 through 2013

EXHIBIT B



General Fund expenditures for calendar year 2011 were decreased and 2012 expenditures were increased by \$5,010,529 to reflect transfers performed in 2012 related to 2011 expenditures.

Source: EnterpriseOne general ledger. Prepared by APA.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE
EXPENDITURES BY SERVICE TYPE
Calendar Year 2013

Exhibit C

SERVICE	DOLLARS	SERVICE	DOLLARS
Agency Supported Foster Care	\$ 15,852,574	Motel/Hotel	49,959
Parent Skills & Visit	11,652,849	Tuition	47,689
Group Home Care	8,258,244	Trans Family Visitation	44,305
Out of Home Treatment	8,069,486	Respite Care	41,798
Family Support Services	7,385,961	Off Exam Treatment	35,350
Guardianship Subsidy	4,418,589	Initial Diagnostic Interview	34,581
Detention	3,042,475	Personal Needs	30,443
Stipend Agency	2,552,330	Housing Deposit	26,331
Intensive Family Preservation	2,494,663	Maintenance Ward's Child	22,132
Drug Screening Testing	2,262,858	Family Engagement	21,695
Motor Vehicle Private	2,209,700	Parent Education	21,468
Trans Commercial	2,067,080	Academic Tutoring	20,050
Out of Home Maintenance	1,980,910	Community Based Evaluation-J.O.	19,764
Tracker Services	1,512,242	Substance Abuse Evaluation	15,992
ThGH Out-of-Home Maintenance	1,342,637	Emergency Foster Care	15,732
Residential Safety Service	1,125,900	Trans Commerical Local	15,674
Intervention Hours	760,358	Dental	15,542
Foster Parent Respite Care	471,409	Electric	15,118
Electronic Monitoring/Tracker	437,919	Grocery/M meal Purchase	15,099
Stipend Family	399,255	Special Needs Counseling	13,387
Assessment Drug Alcohol	399,118	Psychotherapy Group	12,005
Training Independent Skills	346,834	Household Supplies	11,534
In-Home Safety	281,565	Motor Vehicle Repairs	10,205
Dorm Fees	241,748	Escort	10,117
Psychotherapy Individual	198,986	Intensive Outpatient Psych	9,197
Motor Vehicle Gas	194,685	Out of Home Assisted Living	8,675
Day Reporting Center	169,390	Pest Extermination	8,243
Out of Home Structure	146,637	Expedit Family Group Conference	6,928
Finding Families	138,980	Furniture	6,325
Family Group Conferencing	111,613	Natural Gas	5,124
Interpreter	88,579	Other Services	63,367
Special Services OHC Reform	88,380	NFOCUS Total	<u>\$ 82,017,585</u>
Hospital Care Acute	85,619		
Legal Fees	71,636		
Psychological Testing	70,814		
Visit Supervision/Monitor	67,340		
Pretreatment Assessment	60,748		
Rent	60,103		
Transitional Living	59,424		
Clothing	58,205		
Psychotherapy Family	54,467		
Prescriptions Supplies	51,446		

Note: NFOCUS total does not agree to the EnterpriseOne general ledger and the financial statement. Certain transactions, such as journal entries, overpayments, and other adjustments, are not recorded in NFOCUS.

Source: DHHS query of NFOCUS claims. Compiled by APA.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 SUBPROGRAM 48 – CHILD WELFARE

SERVICE TYPE ACRONYMS

CW – Child Welfare

DST – Drug Screening and Testing

FC – Foster Care

FCS – Foster Care Stipend

FFP – Family Finding Pilot

FS – Family Support

GHA – Group Home A

IFP – Intensive Family Preservation

IHS – In Home Safety

OHT – Out of Home Treatment

PSVS – Parenting Skills and Visitation Services

TR – Tracker Services