ATTESTATION REPORT
OF THE
NEBRASKA DEPARTMENT OF HEALTH
AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID

JULY 1, 2016, THROUGH DECEMBER 31, 2017

Issued on August 3, 2018

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

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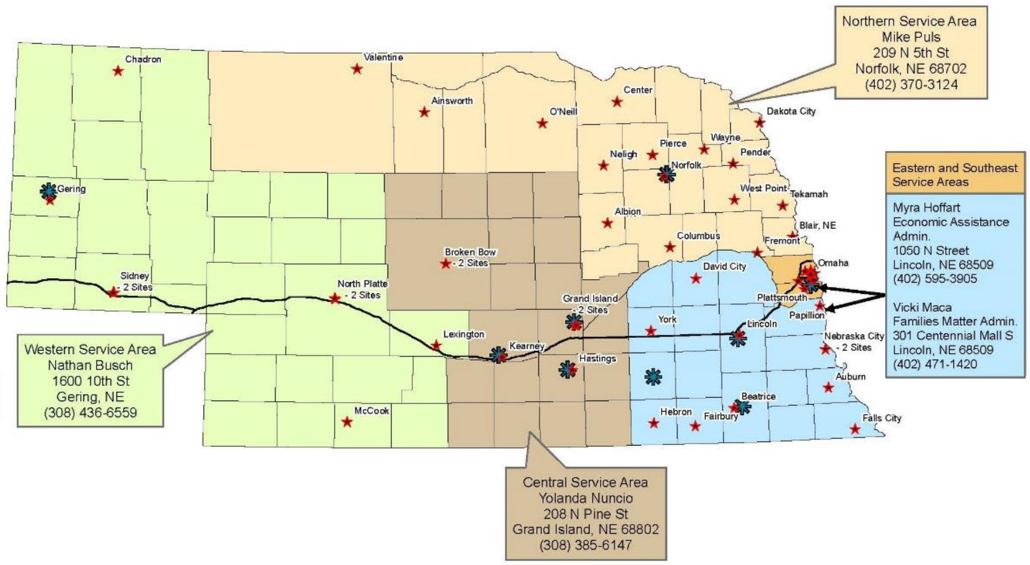
BACKGROUND

State statute assigns 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. Those services are apportioned among four regional service areas, as illustrated below:



Per Neb. Rev. Stat. § 68-1207(1) (Cum. Supp. 2016), DHHS "shall supervise all public child welfare services as described by law." More specifically, Neb. Rev. Stat. § 81-3116(2) (Supp. 2017) directs the CFS to administer "protection and safety programs and services, including child welfare programs and services . . . [.]"

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

> *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 increased the privatization of child welfare services. Effective November 1, 2009, DHHS-CFS entered into service contracts with private agencies to provide service delivery and coordination services.

By March 1, 2012, Nebraska Families Collaborative (NFC) (currently doing business as PromiseShip) was the only remaining reform agency among those with whom DHHS-CFS had contracted three years earlier. NFC is a non-profit corporation, formed by Father Flanagan's Boys' Home, Child Saving Institute, Heartland Family Service, Nebraska Family Support Network, and OMNI Behavioral Health to provide children and family services. NFC receives a bi-monthly fixed fee and a variable monthly payment based on the number of days that case services are provided for a child. NFC is responsible for the eastern service area, which encompasses Douglas and Sarpy counties. The remaining service areas are managed by DHHS, utilizing fee-for-service contracts.

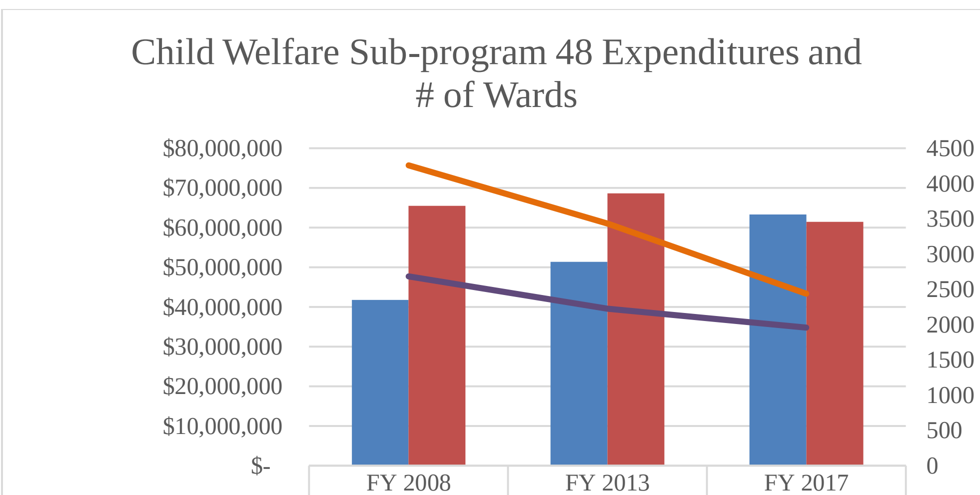
BACKGROUND
(Continued)

Per Neb. Rev. Stat. § 68-1212(2) (Cum. Supp. 2016), DHHS was permitted to "contract with a lead agency for a case management lead agency model pilot project in the department's eastern service area." DHHS contracted with NFC as the lead agency for the project. Subsection (3) of that same statute also allowed for an extension on the contract prior to June 30, 2014. Per Neb. Rev. Stat. § 68-1213 (Cum. Supp. 2016), "If the pilot project described in section 68-1212 is extended by the Department of Health and Human Services, an evaluation of the pilot project shall be completed by the Legislature prior to December 31, 2014."

In December 2014, pursuant to § 68-1213, a legislative report assessed the privatization of child welfare services in Nebraska. That report's recommendation stated, in part, the following:

> *The only real argument for maintaining the privatized structure in Douglas and Sarpy counties is the need to avoid further disruption to the system. The main argument for returning all the functions to DHHS is that the experiment has not produced what it promised to produce, eliminating any reason to continue allowing a private organization to impose involuntary services on Nebraska's families and children. Only the third option, a division of labor which transfers some of the infrastructure functions to the private sector, focuses on expanding the resources needed to help families keep their children safely at home and to ensure that they are well cared for when they cannot be kept at home through an expanded in-home support structure.*

Despite the recommendations of the report to the Legislature, no restructuring of the eastern service area occurred. In addition, neither the 2016-2017 contract nor the 2017-2019 contract with NFC was competitively bid. A Deviation from the Contractual Services Contract Process Form was completed, indicating that a sudden end to case management by NFC would be unduly disruptive. Furthermore, the contract for the period July 1, 2016, through June 30, 2017, was amended to require DHHS to reimburse NFC for the amount over $400,000 by which reasonable expenses exceeded payments. (See Comment #2)

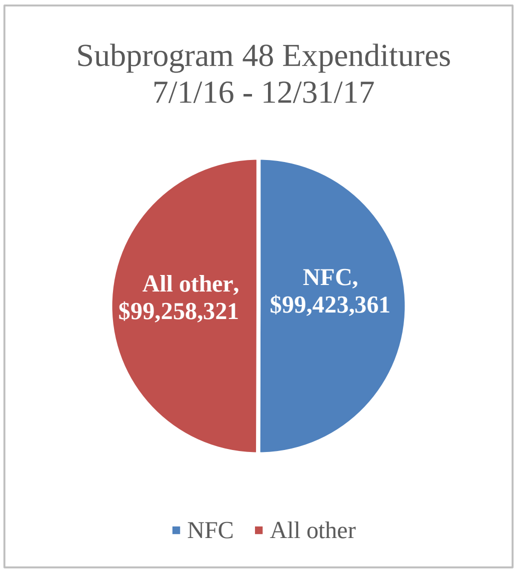


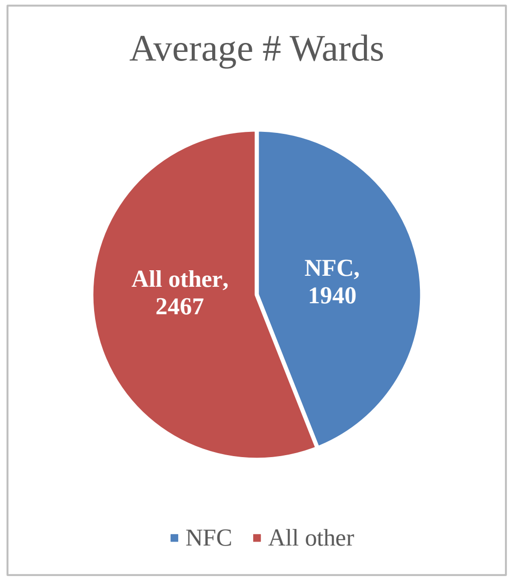
	FY 2008	FY 2013	FY 2017
Eastern/NFC	$41,819,920	$51,349,900	$63,311,114
Other Areas/DHHS	$65,509,969	$68,663,179	$61,470,119
Eastern/NFC wards	2683	2228	1960
Other/DHHS wards	4260	3432	2438

BACKGROUND
(Continued)

During the period July 1, 2016, through December 31, 2017, expenditures for Subprogram 48 – Child Welfare totaled $198,681,682. DHHS paid NFC $99,423,361 or 50% of the total subprogram expenditures. The average number of State wards for the period (calculated using the count of wards on the first Monday of the month divided by 18 months) was 4,407 – 44% of which, or 1,940, were in the eastern service area.

NFC is not responsible for certain services for the wards in its area, such as physical health care costs and extended services for young adults under the "Bridge to Independence," a DHHS program designed to assist young people in transitioning from foster care to adulthood. Also, DHHS did not require NFC to pay for child care services for State wards.





During 2017, the U.S. Department of Health and Human Services Administration for Children and Families (ACF) performed a review of Nebraska child welfare services. ACF reported that none of the seven child and family outcomes were found to be in substantial conformity, and only four of seven systematic factors were in substantial conformity, with Federal regulations. ACF reviewed 65 cases from Douglas, Hall, Platte, and Colfax counties and interviewed State stakeholders and partners. A summary of the results is provided below:

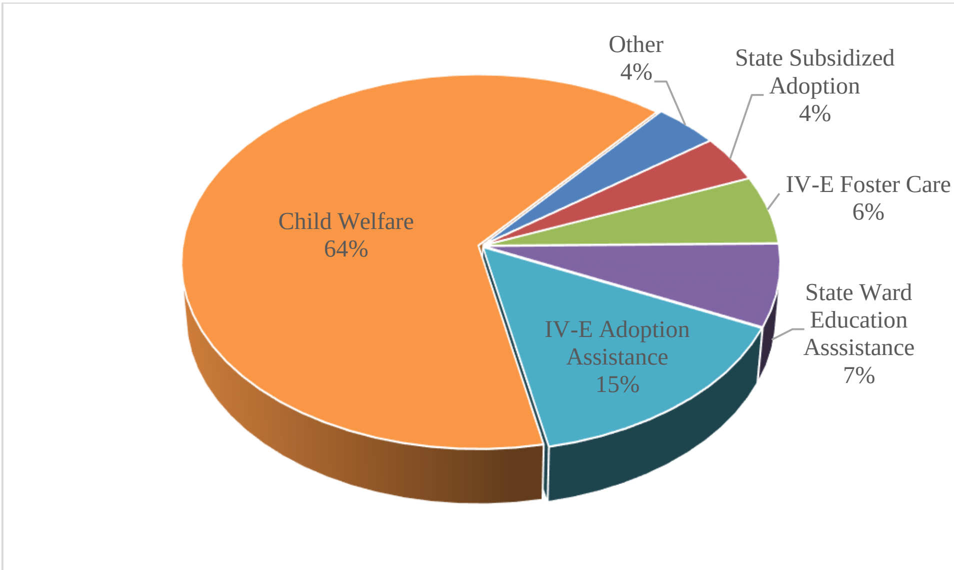
BACKGROUND
(Continued)

Outcome	Overall Determination	State Performance
Children are, first and foremost, protected from abuse and neglect	Not in Substantial Conformity	72%
Children are safely maintained in their homes whenever possible and appropriate	Not in Substantial Conformity	63%
Children have permanency and stability in their living situations.	Not in Substantial Conformity	45%
The continuity of family relationships and connections is preserved for children.	Not in Substantial Conformity	78%
Families have enhanced capacity to provide for their children's needs.	Not in Substantial Conformity	45%
Children receive appropriate services to meet their educational needs.	Not in Substantial Conformity	90%
Children receive adequate services to meet their physical and mental health needs.	Not in Substantial Conformity	67%

Systematic Factor	Overall Determination
Statewide Information System	Substantial Conformity
Case Review System	Not in Substantial Conformity
Quality Assurance System	Substantial Conformity
Staff and Provider Training	Substantial Conformity
Service Array and Resource Development	Not in Substantial Conformity
Agency Responsiveness to the Community	Substantial Conformity
Foster and Adoptive Parent Licensing, Recruitment, and Retention	Not in Substantial Conformity

Program 354 – Child Welfare Aid ("Program 354") includes a number of subprograms in addition to Subprogram 48 – Child Welfare. Total expenditures for the period July 1, 2016, through December 31, 2017, are illustrated in the following chart:

BACKGROUND
(Continued)



Subprogram Description	Expenditures 7/1/16 - 12/31/17	
48 - Child Welfare	$	198,681,682
31 - IV-E Adoption Assistance		45,933,357
36 - State Ward Education Assistance		21,868,596
30 - IV-E Foster Care		18,098,315
34 - State Subsidized Adoption		12,277,896
35 - Domestic Violence		4,096,509
18 - Protection and Safety		3,558,974
17 - Post-Adoption Guardianship		1,996,084
52 - Adoption & Safe Families		1,648,781
32 - IV-E Guardianship		371,826
61 - OJS Transition LB 561		179,452
Total	$	308,711,472

In December 2017, DHHS requested additional funding for the State Fiscal Year 2017-2019 Mid-Biennium Request. Specifically, for Program 354, DHHS sought General Fund monies totaling $24,681,826 for 2018 and $31,004,088 for 2019. To support the request, DHHS wrote the State Budget Division, stating, in part, the following:

> *The program has experienced growth in the number of children and families entering the child welfare system requiring either in-home or out-of-home services, and the cost to provide those necessary services. In addition, Adoption Assistance, Subsidized Adoption, and Guardianship expenditures have experienced year-over-year multimillion-dollar increases.*

Per review of the EnterpriseOne general ledger, General Fund expenditures for subprograms 17 (Post-Adoption Guardianship), 31 (IV-E Adoption Assistance), 32 (IV-E Guardianship), and 34 (State Subsidized Adoption) increased $448,958 from fiscal year 2015 to 2016 and $2,388,769 from fiscal year 2016 to 2017.

BACKGROUND
(Concluded)

We also reviewed the "Count of Wards on the First Monday of the Month" CFS Point-in-Time report and noted the total wards increased by only 5.8% from July 2015 (4,134 total wards) to December 2017 (4,373 total wards). (See **Exhibit I**)

Nevertheless, General Fund money appropriated by the Legislature has increased over 34% for Program 354 from fiscal year 2016 to fiscal year 2018.

General Fund Appropriations	FY 2016 LB 657	FY 2017 LB 956	FY 2018 LB 944	FY 2019 LB 944
Program 354	$ 141,951,936	$ 159,626,059	$ 190,749,126	$ 197,071,388

Additionally, we noted several issues and questioned costs, as addressed in the Comments Section herein, that give rise to questions regarding the need for, not to mention the propriety of, the additional appropriations.

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Executive Management

Name	Title
Courtney Phillips	Chief Executive Officer
Matt Wallen	Director, Division of Children and Family Services
Michael Michalski	Chief Financial Officer
Bo Botehlo	Chief Operating Officer

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SUMMARY OF COMMENTS

During our examination of the Nebraska Department of Health and Human Services (Department) Program 354 – Child Welfare Aid ("Program 354"), we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comments #2, "NFC Unreasonable Expenditures," #3, "NFC Service Claims," #5, "Federal Funds Not Fully Utilized for Adoption Assistance," #6, "Spending Authority Exceeded," #7, "Inadequate Support for Rates," and #9, "Contractual Aid Payments Not Adequately Monitored," which are considered to be significant deficiencies, and Comment #1, "NFOCUS Claim Overpayments and Errors," which is considered to be a material weakness.

By using qualifying words such as "alleged" or "allegedly" in comments to describe certain incidents or activities, the APA seeks to avoid the possibility that a report comment might be misconstrued as containing an imputation of criminality. However, utilization of such modifying terms is not meant to indicate a lack of supporting documentation for the report comment or any insufficiency or other shortcoming relating thereto.

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

1. ***NFOCUS Claim Overpayments and Errors:*** DHHS expenditures for the period 7/1/2016 to 12/31/2017 included $177,724,786 in aid assistance paid through NFOCUS on 416,067 lines of claims. We randomly selected 113 claims paid through NFOCUS and noted 45 of 113 claim lines tested with errors, a 40% error rate. We questioned costs totaling $44,524.76 for the claim lines tested; we also noted additional questioned costs totaling $1,639,951.33. The projected error to the population was $25,771,153. In addition, we selected 10 individuals with significant or unusual services and noted errors and questioned costs totaling $679,081.58.

The issues noted, which are discussed in greater detail in the report, are summarized briefly below:

- An adoption subsidy was paid incorrectly, resulting in overpayments of $226,378.80 from 9/1/2015 to 7/2/2016. The adoption agreement set the subsidy amount at $27.40 per day. However, the rate was paid instead at $767.20 per day.

- Expenses paid by DHHS were the responsibility of the service provider, Nebraska Families Collaborative (NFC), including $1,376,783.19 for childcare services. We also noted that DHHS paid $91,552.48 for home modifications for a case assigned to NFC.

- DHHS paid for services that should have been covered by Medicaid.

- DHHS paid for unreasonable services, often at unreasonable rates, including a child moved from a higher level of care at $370.01 per day to a lower level of care at $902.59 per day.

SUMMARY OF COMMENTS
(Continued)

- Juveniles were placed in a home with the boyfriend of one of the foster children, even though that boyfriend had been convicted previously of a sexual assault.

- Payments were made that exceeded service referrals, lacked adequate documentation, and were for overlapping services.

- There were excessive charges for travel, including the following:

    - One child was placed in a foster home in Gothenburg, NE, and was having overnight visits with her mother in Central City, NE. The provider had an office in Kearney, NE. The worker would travel from Kearney to Gothenburg to pick up the child and take her to Central City. During the week, while the child was residing with the mother, the worker would conduct visits throughout the day, ranging from ½ hour to 1 hour. The worker would travel from Kearney to Central City, complete the visit, travel back to Kearney, and then almost immediately travel back to Central City and complete another visit. This would occur two to three times a day. For three months a total of 81 hours of parenting time and out-of-home family support was paid, totaling $3,807, compared to 444.5 hours of travel time and 23,364.5 miles for $20,501.01 in travel costs paid.

    - DHHS authorized and paid 4,600 miles of transportation costs at $3.00 per mile, which should have been authorized at $1.61 per mile.

    - Contract language allowed rounding up travel times to the next 15-minute interval. For one claim, the actual amount of time for travel was 3 hours and 55 minutes; however, the provider billed and was paid for 11 hours and 45 minutes. Per review of the travel log, the time traveled for each one-way trip was 5 minutes; however, each trip was rounded up to 15 minutes, even though the travel was back-to-back. For example, one such 5-minute trip to pick up children was followed immediately by another trip to take those same children to their visit.

2. ***NFC Unreasonable Expenditures:*** The NFC contract was not competitively bid, and monitoring of contract requirements was inadequate. A contract amendment contained a provision requiring DHHS to reimburse NFC's losses above $400,000. Our review of NFC operating costs and expenses for other assistance to youth, and contractual technical service expenditures, charged to DHHS revealed $1,110,337 in questioned costs, including payments for fundraising, gifts, entertainment, and meals.

The issues noted, which are discussed in greater detail in the report, include the following:

- NFC ordered 155 computers for $216,735 on 6/29/2017; however, the contract with DHHS ended on 6/30/17. The computers were purchased in August 2017.

SUMMARY OF COMMENTS
(Continued)

- NFC purchased 309 Target gift cards with a value of $50 each, totaling $15,450, to give to clients for the holiday season. These gift cards were purchased using donations and should not have been charged to the State.

- Bus transit tickets purchased for clients were double charged by NFC for $19,448.

- NFC charged the State $42,678 incurred as a result of responding to the Request for Proposal for the State of Nebraska's Child Welfare Contract. Costs included professional fees for response development and related working lunches.

- NFC charged $14,909 in catering expenses to the State. Costs included employee parties, employee lunches, dessert bars, ice cream catering, etc.

- NFC charges, totaling $38,662, were related to donations and fundraising activity. For example, NFC collected donations for its "Duffels 4 Dignity" program; costs of $26,899 related thereto were charged to the State. Also charged to the State was a sponsor donation for $2,500 and $1,800 in rental fees for a fundraising event.

- NFC charged the State $22,724 for entertainment and staff team-building activities. For instance, an employee appreciation party was held at a bowling alley for $8,500. Another holiday party was held at the Amazing Pizza Machine for $4,044. Additionally, NFC purchased 293 tickets to Vala's Pumpkin Patch, at a total cost of $3,296, for an employee party.

- NFC charged the State $33,200 for lobbying expenses and $5,400 for legal fees related to an employee's immigration issues.

3. ***NFC Service Claims:*** We tested 45 claims paid by NFC for services to families and noted questioned costs totaling $306,380. We found duplicate claims, overpayments, services not in accordance with contract requirements, and inadequate supporting documentation. For example, one child was eligible for Medicaid in Kansas from 7/1/2015 to 6/30/2017; however, NFC was unaware that the youth had Kansas Medicaid until the APA asked for claims documentation. Questioned payments for that one client totaled $274,562.59.

4. ***NFC Activity Not Recorded Accurately in NFOCUS:*** Services were not entered in NFOCUS, as required by the contract between DHHS and NFC. NFC explained that it did not record certain accounts in NFOCUS; these accounts totaled $1,677,374 during fiscal year 2017. In order for DHHS to be aware of the services provided for a case, NFC must record all services performed. Furthermore, NFC claim adjustments were neither reflected accurately in NFOCUS nor submitted timely to DHHS.

5. ***Federal Funds Not Fully Utilized for Adoption Assistance:*** For the period 7/1/2016 to 12/31/2017, DHHS failed to charge Federal funds for respite care costs arising from adoption assistance agreements signed prior to July 1, 2014. Consequently, at least $962,485 in such costs were paid for with State funds when Federal funds were available to cover those expenses.

SUMMARY OF COMMENTS
(Continued)

6. ***Spending Authority Exceeded:*** As of June 30, 2017, DHHS had exceeded its appropriated spending authority by at least $8,744,997. DHHS calculated $10,257,830 in NFOCUS claims payable needed, but the Program had only $1,512,833 available. In addition, DHHS moved $3,139,350 from Program 354 – Child Welfare Aid to Program 265 – Protection and Safety without adequate supporting documentation.

   Furthermore, despite an increase of only 5.8% in the number of Program 354 wards from July 2015 to December 2017, DHHS has received a 34% increase in General Fund appropriations for that program from fiscal year 2016 to fiscal year 2018. The need for such a large funding increase appears doubtful in light of not only the comparatively small growth in the number of State wards under Program 354 but also the many examples provided of unsupported and questionable expenditures of program funds.

7. ***Inadequate Support for Rates:*** Rates for various child welfare services totaling millions of dollars were not adequately supported. In addition, DHHS did not monitor agreements between contractors and Extended Family Home (EFH) foster parents to ensure that EFH foster parents were paid correctly and timely.

Service Type	Rate	Total Paid During Period
Family Finding	$5,500 per case	$ 679,575
Agency Supported Foster Care	$21.76 to $38.76 per day	$ 17,965,247
Group Home Care	$89.50, $116, $128, or $134 per day	$ 1,642,741
Emergency Shelter Center	$146 or $180 per day	$ 288,734
Transitional Living Services	$69 or $125 per day	$ 230,469
Out-of-Home Structure	Varies – up to $529.80 per day	$ 4,808,748
Day Habilitation	Varies – up to $685.54 per day	$ 1,707,528

8. ***Payments More Than Two Years After Service:*** We noted 129 claims, totaling $97,263.93, that were paid more than two years after the services were performed. Some of those claims were paid up to 6 ½ years afterwards.

9. ***Contractual Aid Payments Not Adequately Monitored:*** DHHS did not obtain adequate documentation to support expenditures paid to contractors and subrecipients. Seven of 10 payments tested were not adequately monitored to ensure that costs were allowable, and contract provisions were met.

10. ***No Evidence of Contractor Financial Stability:*** Contrary to an express statutory requirement, DHHS did not obtain evidence of financial stability or liquidity prior to entering into contracts for child welfare services.

More detailed information on the above items is provided hereinafter. 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 Program 354.

SUMMARY OF COMMENTS
(Concluded)

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. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

COMMENTS AND RECOMMENDATIONS

1. NFOCUS Claim Overpayments and Errors

DHHS expenditures for the period July 1, 2016, through December 31, 2017, included $177,724,786 in aid assistance paid through NFOCUS with 416,067 lines of claims. NFOCUS is a subsystem of the State's accounting system used to record detailed information regarding clients and services. Claims paid through NFOCUS are for the regional service areas managed by DHHS, which do not include the eastern service area managed by the Nebraska Families Collaborative (NFC).

We performed a statistical random sample of NFOCUS claims, excluding adoption subsidies paid with Federal IV-E funds. The adoption subsidies were subject to testing as a major program for the fiscal year 2017 Single Audit. We used statistical software to stratify our sample, selecting 21 claim lines of $2,000 or over and 92 claim lines of less than $2,000. Our sample was based on a 90% confidence level with a sample precision of 15.44%. Based on our testing, the projected errors for the population totaled $25,771,153.

	Under $2,000	$2,000 and over	Total
$ Population	$110,632,414	$28,501,070	$139,133,484
# lines of claims tested	92	21	113
Dollars tested	$28,470.92	$98,435.66	$126,906.58
$ errors in sample	$3,580.93	$40,943.83	$44,524.76
$ error rate	12.58%	41.59%	
Projection to Population	$13,917,558	$11,853,595	$25,771,153

In addition, we selected 10 other individuals to review based on high dollars or unusual rates. We question costs of $679,081.58 related to these additional NFOCUS claims tested.

NFOCUS Additional Claims

A good internal control plan and sound accounting practices require procedures to ensure that rates paid for services are reasonable, contracts are signed before services are provided, and payments for services are reasonable and adequately supported.

We reviewed NFOCUS claims for significant or unusual services and selected payments for 10 individuals for testing. Eight of 10 individuals tested had payments that were incorrect or unreasonable, with questioned costs totaling $679,081.58. Additional detail is noted in the table below.

Description	Questioned Costs
Adoptive Parent Overpaid	$ 226,378.80
An adoption subsidy for a youth was incorrectly paid, resulting in overpayments of $226,378.80 from 9/1/2015 - 7/2/2016. The adoption agreement set the subsidy amount at $27.40 per day; however, in 9/2015, that rate was incorrectly authorized at $767.20 per day. As a result, the adoptive parent received over $22,000 each month. The authorization was changed beginning 7/3/2016 to be paid at $767.20 per month; however, this was still incorrect, as the daily rate of $27.40 per day would fluctuate based on the total number of days in the month. After the APA discovered the error, the correct daily rate of $27.40 was authorized starting 3/1/2018.	

COMMENTS AND RECOMMENDATIONS
(Continued)

1. <u>NFOCUS Claim Overpayments and Errors</u> (Continued)

Description	Questioned Costs
Kansas Medicaid Not Applied Timely	$ 198,811.26
We noted $198,811.26 in questioned costs for prescription supply payments from October 2016 through December 9, 2016. A State ward moved from a detention facility to a treatment facility in Kansas on 9/12/2016. Medicaid does not pay for medical services while the State ward is in a detention facility; therefore, any medical costs are paid using child welfare funds. When the State ward was placed at the residential treatment facility in Kansas, Medicaid coverage should have been applied for. Placement at the residential treatment center should have been paid for with Kansas Medicaid funds if the treatment was determined to be medically necessary. DHHS did not perform timely procedures regarding Medicaid coverage. As a result, Kansas Medicaid was not effective until 12/1/2016. If procedures had been performed at the end of 9/2016, it is reasonable to assume that Medicaid would have been approved by 10/1/16 in Kansas, and all subsequent medical claims could then have been submitted to Kansas Medicaid. We also noted that medical claims were paid by DHHS through a Letter of Entitlement (LOE) through 12/2016. Even though the youth was Medicaid eligible as of 12/1/16, the 12/2016 claim was not submitted to Kansas Medicaid because the provider was not a Kansas Medicaid provider and did not want to become one. The LOE states specifically that it will cease to serve as authorization for payment from DHHS-CFS funds on the date Medicaid becomes active. Therefore, providers used should always be approved by Medicaid.	
Home Modifications Responsibility of NFC and Procedures Inadequate	$ 91,552.48
Child welfare funds were used to pay for $91,552.48 in home modifications for a case under NFC management. These payments are questioned, as there is nothing in the NFC contract that excludes these types of services; therefore, NFC should have paid for the services, not DHHS. A State ward with developmental disabilities (DD) was placed with a DD Extended Family Home (EFH) in 7/2007. The permanency goal for this State ward was guardianship with the foster family. The foster family would not agree to guardianship until home modifications were completed on their home in order to accommodate the State ward's disabilities. After many years of debate, the project was approved and paid for with child welfare funds. We also noted the following: • In 10/2010, DHHS had Assistive Technology Partnership (ATP) inspect the home and make recommendations regarding modifications to it. The foster family thought these modifications were inadequate and brought the matter to court, arguing that their proposal was in the best interest of the ward. • In 7/2012, the court sustained the foster parents' motion. At the time of the court's ruling, the permanency goal was guardianship with the foster family. This never occurred because they were an EFH provider. Foster parents who are an EFH provider cannot become the guardian or adoptive parent. The foster family did not want to become the legal guardian, as then they could not be the EFH provider and would lose money that they were receiving for providing services.	

COMMENTS AND RECOMMENDATIONS
(Continued)

1. <u>NFOCUS Claim Overpayments and Errors</u> (Continued)

Description	Questioned Costs
• Court documents indicate that DHHS did not have procedures in place regarding home modifications for child welfare participants. The ward was eligible for DD funding and home modifications – which, per the DD Service Directory, have a budget cap of $10,000 per five-year period. The Directory states also that home modifications would not be approved to adapt living arrangements for a residence that is operated or controlled by a provider of waiver services. • In 1/2016, the court order stated that all documents to finalize construction must be completed by 2/26/16. The final contract was not signed until 10/3/2016. • There was a $1,600 increase to the construction project, and the foster family agreed to pay $800 if DHHS paid the other half. Despite compliance by DHHS, the foster family does not appear to have paid the $800. • The final cost of the construction project exceeded the original bid amount by $23,327.50. The court had approved funding for the home modification on 7/2012; however, construction did not begin until 9/2016. • Per the contract between DHHS and the foster family, the final payment to the construction contractor would be made after construction was 100% complete. The last payment was made on 5/24/2017; however, per an email dated 5/2/2018, construction was not completed and in full compliance until 2/2018.	
Rate for Lower Level of Care Significantly Higher than Previous Placement	$ 131,469.48
The rates paid to Omni Behavioral Health (OMNI) for a State ward's out-of-home care were unreasonable, resulting in questioned costs of $131,469.48 from 5/2017 through 3/2018. The ward had been residing in an out-of-state residential treatment facility since 3/28/14. In 4/2016, DHHS determined that the ward should be transferred to a lower level of care. The treatment center recommended a Therapeutic Foster Home. In 2/2017, DHHS provided a written update to the court regarding the transition to a lower level of care, and DHHS entered into a contract with OMNI beginning 2/27/17 to develop and implement a youth-specific plan of care for the ward. OMNI received $75 per day for this service, which required minimal weekly meetings by telephone or Skype with the caregiver and youth. The daily rate of $75 per day appears unreasonable, as the ward was not placed with OMNI at the time, and the required meetings did not occur daily. The total paid for this service was $6,900. The ward was placed in the OMNI foster home on 5/30/17. This placement was at a lower level of care than the residential facility placement; however, DHHS paid significantly higher rates. The total daily rate for the lower level of care placement was initially $902.59 per day versus the higher level of care rate of $370.01 per day at the residential treatment facility. The total	

COMMENTS AND RECOMMENDATIONS
(Continued)

1. NFOCUS Claim Overpayments and Errors (Continued)

Description	Questioned Costs
paid for 4/2017 services at the higher care facility was $13,350.30. The total paid for 7/2017 services at the lower level of care was $27,980.29. In addition, it appears that the mental health services should have been billed to Medicaid and should not have been included in this rate. DHHS had no documentation of having completed any research on the rates for a Therapeutic Foster Home in other states to determine what would be reasonable. This placement was for a lower level of care than the treatment facility; therefore, the rates paid should have been lower. We questioned the rate in excess of the previous placement cost of $370.01 per day.	
DHHS Employee Paid As Private Consultant	$ 4,800.00
A doctor was paid $4,800 for an evaluation of a CFS participant as a private consultant for DHHS while he was employed full-time with DHHS, and there is no documentation to support that the evaluation was performed during times he was not employed by DHHS. The total amount paid is questioned. NFOCUS narratives note that DHHS attorneys believed there was a conflict of interest, and the doctor should not perform the evaluation. However, the evaluation with the client was completed on 7/28/2016, prior to the contract with the doctor being finalized. The doctor signed the contract on 1/29/17, and the DHHS Service Area Administrator signed it on 1/30/17.	
Authorized Transportation Not Reasonable	$ 6,394.00
DHHS authorized transportation services for a parent to travel from Lincoln, NE, to North Platte, NE, in order to attend supervised visits with her child. DHHS intended to authorize transportation with Golden Plains Services Transportation at a rate of $1.61 per mile; however, the request was made instead to Servant Cab at $3.00 per mile. It is not reasonable that transportation was authorized with the transportation provider with the much higher rate. The difference between the $1.61 and $3.00 rate per mile was questioned.	

Provider	# of Miles	Rate	Total
Servant Cab	4600	$ 3.00	$ 13,800
Golden Plains	4600	$ 1.61	$ 7,406
Questioned costs			$ 6,394

Description	Questioned Costs
Student Fees and Tuition Not Reasonable	$ 11,664.38
The provider billed for days and hours during which the ward was not at school, resulting in questioned costs of $11,664.38. The ward was authorized to attend Berniklau Education Solutions Team (BEST) from 7/24/2017 through 10/31/2017. Tuition was to be paid at $178.97 for each weekday the youth attended. Additionally, BEST was authorized to bill $59.75 per hour of 1:1 supervision and intervention for Behavioral Specialist Services (paid under student fees). The ward attended school from only 8:30 a.m. to 2:00 p.m., or 5.5 hours each day. BEST billed eight hours per day for student fees regardless of how many hours were actually attended.	

COMMENTS AND RECOMMENDATIONS
(Continued)

1. NFOCUS Claim Overpayments and Errors (Continued)

Description	Questioned Costs
BEST billed for hours when the ward was attending therapy and also billed hours on a holiday, when there was no school. Only the actual hours attended are allowed for the student fees. Tuition was paid at the daily rate attended regardless of the number of hours attended. This was unreasonable as the ward often did not attend a full school day. The Department of Education has an hourly rate of $29.83 for tuition and, for those days where attendance was less than the full day, the hourly rate should have been charged. The claims submitted by BEST also contained incorrect service dates.	
Travel and Mileage Not Reasonable	$ 8,011.18
The travel time and mileage billed to complete parenting time and out-of-home family support services was unreasonable, resulting in questioned costs of $8,011.18. The parent was authorized for 14 hours per week of Parenting Time/Supervised Visitation and 2 hours per week of Out-of-Home Family Support Services. The child was placed in a foster home in Gothenburg, NE, and was having overnight visits with her mother in Central City, NE. The provider, Compass, had an office in Kearney, NE. The worker would travel from Kearney to Gothenburg to pick up the child and take her to Central City. During the week, while the child was residing with the mother, the worker would conduct visits throughout the day, ranging from ½ hour to 1 hour. The worker would travel from Kearney to Central City, complete the visit, travel back to Kearney, and then almost immediately travel back to Central City and complete another visit. This would occur two to three times a day. This back-and-forth travel time was unreasonable, as the worker billed 1.25 to 1.5 hours of travel time and 73 miles each way and spent most of her entire day traveling back and forth between Kearney and Central City. For example, per the log for 7/5/2017:	

Start Time	End Time	Miles	Description
6:15 am	9:30	198	Travel from Compass to Foster Parent to Parent
9:30	10:30		Parenting Time Visit
10:30	11:50	73	Travel from Parent to Compass
12:30 pm	2:00	73	Travel from Compass to Parent
2:00	3:00		Parenting Time Visit
3:00	4:25	73	Travel from Parent to Compass
4:30	6:00	73	Travel from Compass to Parent (left 5 minutes after return)
6:00	6:30		Parenting Time Visit
7:00	8:25	73	Travel from Parent to Compass

The 7/5/2017 log showed 10.75 travel hours, 563 miles, and 3 hours of parenting time. Several similar days were noted. We did not question costs if there was more than one hour between the time the worker returned to the Compass office in Kearney and when she left again for another visit and if a parenting or family support visit was claimed.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. NFOCUS Claim Overpayments and Errors (Continued)

Description	Questioned Costs
There were also several days in which the travel time overlapped with a visit or with travel time with a second worker. All travel on 7/31/17 was questioned, as there was no parenting time log to support that the visits occurred on this day, and the parenting time was not billed. On 8/10/17, the child was returned to the foster parent's home in the evening; however, the worker billed travel time and visits on 8/11/17, as if the child were still at the parent's home. On one day, the log claimed 396 miles for a round trip between Kearney and Central City, but the mileage should have been only 146 miles. We reviewed travel time and distance claims for July 2017 through September 2017 and questioned the following: Month / Travel Time Billed / Miles Billed / Amount Paid / Questioned July / 157.75 Hours / 8,415.0 / $ 7,341.53 / $ 3,233.02 August / 152.25 Hours / 8,247.5 / $ 7,152.91 / $ 2,829.33 September / 134.50 Hours / 6,702.0 / $ 6,006.57 / $ 1,948.83 These three months had a total of 81 hours of parenting time and out-of-home family support paid, totaling $3,807 compared to 444.5 hours of travel time.	
Total Questioned Costs For NFOCUS Additional Claims	$ 679,081.58

NFOCUS Random Sample
Our NFOCUS random sample testing noted 45 of 113 claim lines tested with errors, a 40% error rate. We questioned costs, totaling $44,524.76, for the claim lines tested. We also noted additional questioned costs totaling $1,639,951.33.

Several issues were noted, including the following:

- State wards were placed in unsafe homes.
- Adequate documentation was not available to support payments for services.
- DHHS did not have adequate policies and procedures to ensure services billed were actually received.
- Payments did not agree to contract terms.
- Payments exceeded service authorizations and referrals.
- Staff providing services did not meet qualifications specified in contracts.
- State funds paid for services provided to children eligible for Federal programs.
- Federal funds paid for services provided to children ineligible for Federal programs.
- Services were provided before contracts were signed.
- Services were paid for eastern area cases that were the responsibility of NFC.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. <u>NFOCUS Claim Overpayments and Errors</u> (Continued)

Similar issues were noted in our 2013 report. Additional details are provided in the table below.

#	Description	Questioned Costs	Additional Questioned
Out-of-State Psychiatric Residential Treatment Facility:			
1	The treatment should have been covered by Medicaid because the child was in a Kansas facility, and Kansas Medicaid was open.	$ 6,837.18	$ 199,085.69
2	The treatment should have been covered by Medicaid because the child was in a Wyoming facility, and Wyoming Medicaid was open for the period tested. Also, the contract calls for 40 hours of psychotherapy and other treatment interventions per week, but there was not adequate documentation to support that 40 hours were provided.	$ 10,380.00	$ 53,630.00
DD Day Habilitation and Out-of-Home Structure:			
3	The contract was not signed before the services were provided. Also, the contract requires monthly written youth progress reports within 15 days of service, which DHHS was unable to provide. Documentation was not adequate to support the day habilitation services provided.	$ 4,891.92	-
4	The contract requires monthly written youth progress reports within 15 days of service, which DHHS was unable to provide.	$ 9,953.48	-
5	The contract was signed after services were provided.	-	-
Intensive Family Preservation (IFP):			
6	The service authorization recommended 10 hours per week of IFP, but each week was less than 10 hours. Only 27.5 hours were provided for the entire six weeks, of which only 10.5 hours were for direct in-person services; however, the provider received the full rate for each day of the six weeks, a total payment of $8,746.60. Furthermore, the IFP failed, as the children were removed from the home a few months later.	$ 3,123.75	-
Foster Care:			
7	Placement was not in a safe environment. Included in the home was the foster parent's son, who was also the ward's boyfriend. The boyfriend had been convicted of sexual assault (Class 2 Felony) in 2011.	-	-
8	The juvenile was IV-E eligible, and DHHS failed to place the juvenile with an IV-E eligible home or have the provider properly licensed to be IV-E eligible. As a result, the State was unable to utilize Federal funding.	-	-
9	The payment was charged to Federally funded IV-E Foster Care, but it should have been paid with State funds. There is a glitch within NFOCUS that permits a ward moved from an unlicensed home into a licensed home within the same month to receive IV-E funding for the entire month.	-	-

COMMENTS AND RECOMMENDATIONS
(Continued)

1. NFOCUS Claim Overpayments and Errors (Continued)

#	Description	Questioned Costs	Additional Questioned
State Adoption Subsidies:			
10 11 12	In order for adoptive parent(s) to receive a subsidy, the child must meet the special needs criteria per 479 NAC 8-001.02B. For three cases tested, there was no documentation of the special needs or efforts to place without a subsidy. (See Comment 5 also)	- $ 39.00 -	- - -
Child Care:			
13 14	We noted the children reside in the eastern service area, and the cases were managed by NFC. Child care is not listed as an exempt service in the NFC contract with DHHS; therefore, child care costs should have been paid by NFC. We reviewed NFOCUS for child care paid for NFC cases and noted claims over $1.3 million paid by DHHS that should have been the responsibility of NFC.	$ 260.00 $ 163.75	$1,376,783.19 -
15	Eight billed Special Needs child care days were not authorized. The service authorization was approved for Wednesday-Sunday, but the claim included all Mondays and Tuesdays in the month of 6/2017. There was not adequate support for Special Needs child care. During the time of service, the authorization for the child to receive special needs child care had expired for six months and was not approved again by a physician until after the services were provided. This is also an eastern service area case, which should be the responsibility of NFC.	$ 1,726.78	-
16	For 9 of 15 days tested in 8/2016, two separate child care centers were paid for the same child with hours overlapping. Hours on the attendance calendars overlapped 7 to 10 hours per day. We also noted that 11 of the remaining 15 days in 8/2016 had time that overlapped. One of the child care providers is the older sister of the child tested. Furthermore, the payment was charged to Federal IV-E funds, but the child was not IV-E eligible.	$ 198.00	$ 283.25
17	Attendance calendars to support days billed were not provided.	$ 720.00	-
18	Child care exceeded the service authorization by 2.5 hours.	$ 10.00	
19 20	Two claims tested had overlapping hours. Two separate child care centers provided child care. The attendance hours overlapped. For example, the time out at one daycare was 5:47 p.m., but the time in at the other daycare was 3:00 p.m. One claim had overlapping hours on three days and the other claim on two days.	- -	$ 25.44 $ 19.25
Psychotherapy:			
21 22 23 24	In all four cases, the contracts required a written summary report to be submitted no later than 15 business days after the services; DHHS was unable to provide the required reports. Also, one contract was signed after services were provided.	$ 72.25 $ 12.00 $ 7.50 $ 73.50	- - - -

COMMENTS AND RECOMMENDATIONS
(Continued)

1. NFOCUS Claim Overpayments and Errors (Continued)

#	Description	Questioned Costs	Additional Questioned
Family Support and Parenting Time/Supervised Visits:			
25	Family Support hours were overbilled. We found support for only 44.25 hours, but the contractor billed for 48.25 hours. Family Support meetings also exceeded the service referral. Per the service referral, meetings were to occur five times a week for three to four hours in length. Five meetings ranged from 4.25 to 6 hours in length. For the week beginning 6/5/2017, there were a total of six visits.	$ 587.50	-
26	Twelve Family Support meetings exceeded the service referral by 2 to 2.25 hours each, for a total of 26.5 hours. In addition, daily summary sheets did not indicate beginning and ending meeting times, who was present at the meetings, and where the meetings took place. Upon request for the daily summary sheets that included beginning and ending times, it was apparent that the same documentation was edited and given back, as the times were almost the same each day and did not equal the billed amount. The documentation was further inconsistent, as logs mention an unknown person repeatedly instead of the client's name, and a meeting contradicts itself by saying the child's father was home sick but later in the summary says he was at the meeting playing with his child. In addition, the worker did not meet the required staff credentials.	$ 1,245.50	-
27	The service referral was for visits three to four weekdays per week of 3 hours each and one weekend visit for 4-5 hours, recommending 20 hours per week. The contractor billed over three hours on weekday visits. Also, the service authorization of 20 hours per week was exceeded for at least two weeks.	$ 2,620.25	-
28	For two visitations, one meeting was not authorized, and one meeting exceeded the authorized meeting length. The visitation on Friday was not authorized, as only Tuesday, Thursday, Saturday, and Sunday were authorized between 9:00 a.m. to 2:00 p.m. The visitation on Sunday went until 2:50 p.m. and was billed for six hours, exceeding the service authorization by one hour. Questioned costs also include travel time and mileage.	$ 36.00	$ 295.18
29	The contractor billed one full hour for planned drop-in visits of 30 minutes each.	$ 1,092.75	-
30 31 32	Three claims overbilled for cancelled meetings. • On two separate days, workers messaged the client via phone to confirm meeting appointments and billed one hour each when the client failed to respond. Per the contract, in order to bill for a no-show, the worker must have arrived to the physical address of the client when the client was not there or was in-route when	$ 94.00 $ 94.00 $ 94.00	- - -

COMMENTS AND RECOMMENDATIONS
(Continued)

1. <u>NFOCUS Claim Overpayments and Errors</u> (Continued)

#	Description	Questioned Costs	Additional Questioned
	the meeting was cancelled. Additionally, on one day, the client had phone issues that did not allow her to receive the worker's message, but she was at her home; had the worker travelled to her address, the client would have been able to meet with him. • Two cancelled visits were billed for one hour each. These were not drop-ins or cancelled in-route, so they should not have been charged. We also noted the exception approval to staff credentials for the worker included only a high school diploma, but it did not include documentation for two years of comparable experience. • In billing two hours for cancelled visits, the worker noted cancelled in-route; however, no mileage was listed on the travel log, and there was no explanation for why the visit was cancelled.		
33	The rounding of meeting hours did not agree to the contract provisions. Per the contract, 1-15 minutes over the first Family Support hour is to be billed for 0.25 hours or $11.75. On one day, the total time of service was one hour and 14 minutes but was billed for 1.5 hours. On another, the time of service was one hour and four minutes but was again billed for 1.5 hours. We also noted that, for six of eight meetings, the time spent with the client was inadequate. Four meetings were 30 minutes in length, and two meetings were only 15 minutes in length. All six of the meetings were billed for one hour per the contract. The client was approved for 47 hours for two months' time, but the client received only 9 hours for the month tested.	$ 23.50	-
34	The Family Support travel log could not be verified. The returning address on one day listed the destination address after dropping off the client tested as "Other DHHS Client." The APA requested the support to verify the other client's address to determine reasonable time and mileage. Upon review of the "Other DHHS Client" travel logs provided, none of the logs recorded a meeting on that day around the time of the returning travel. Moreover, the APA found several of the travel logs for clients not tested listed "Other DHHS Client" by the same worker. For these, the APA could not determine who the "Other DHHS Client" was or if travel time and distance were reasonable. Procedures are not in place to prevent double billings from "Other DHHS Client" logs, nor are there procedures to ensure travel logs provided are true and accurate.	$ 15.12	$ 13.50
35	Overlapping times were noted for parenting services by two workers, travel logs did not agree to service logs, and logs were not mathematically correct.	$ 47.00	-

COMMENTS AND RECOMMENDATIONS
(Continued)

1. **NFOCUS Claim Overpayments and Errors** (Continued)

<table>
<tr><th>#</th><th>Description</th><th>Questioned Costs</th><th>Additional Questioned</th></tr>
<tr><td>36</td><td>Parenting/supervision time was charged one hour for a planned drop-in that lasted 26 minutes. We also noted questioned costs outside the sample when the worker claimed mileage time during the supervised visit for the family to visit stores, restaurants, etc. Due to rounding, the contractor was able to be paid for both supervision and travel during essentially the same time frame. For example, one day’s travel started at 2:16 p.m., and final end travel time was 7:39 p.m., resulting in 5 hours and 23 minutes of actual time; however, the contractor charged 6 hours and 15 minutes. For 7 of 14 days on the claim, we noted that the actual time totaled 29.25 hours but was billed for 36.5 hours.
<table>
<tr><th>Start</th><th>End</th><th></th></tr>
<tr><td>2:16</td><td>3:00</td><td>Worker travel to visit</td></tr>
<tr><td>3:00</td><td>4:22</td><td>Supervised visit</td></tr>
<tr><td>4:22</td><td>4:29</td><td>Travel to arcade</td></tr>
<tr><td>4:29</td><td>6:02</td><td>Supervised visit</td></tr>
<tr><td>6:02</td><td>6:05</td><td>Travel to Burger King</td></tr>
<tr><td>6:05</td><td>6:43</td><td>Supervised visit</td></tr>
<tr><td>6:43</td><td>6:58</td><td>Return travel from Burger King</td></tr>
<tr><td>6:58</td><td>7:10</td><td>Supervised visit</td></tr>
<tr><td>7:10</td><td>7:39</td><td>Worker return travel</td></tr>
</table>
Actual time was 5 hours 23 minutes, but it was billed at 6.25 hours, including 4.25 hours parenting/supervised visits and 2 hours travel time.</td><td>$ 23.50</td><td>$ 130.50</td></tr>
<tr><td>37</td><td>The worker was charging travel time during the supervised visit hours charged – for example, for a trip to Burger King, which because of rounding up resulted in charges for supervision and travel for the same time. To illustrate, on 6/13/17, the worker started at 4:15 p.m. and returned at 8:45 p.m., or 4.5 hours, and charged 3 hours visitation and 2 hours travel, or 5 hours; therefore, 0.5 hour was overlapping and is considered questioned costs. Total overlapping time charges for the claim was 1.75 hours.</td><td>$ 31.50</td><td>-</td></tr>
<tr><td>38
39</td><td>Mileage was not reasonable or in accordance with contract provisions for two claims tested. Per the contracts, if the contractor bills for more than 5 miles over the mileage per MapQuest or Google Maps, the contractor must note the reasons why, or DHHS will pay the numbers of miles per MapQuest or Google Maps.

• The APA recalculated mileage via MapQuest, allowing for five additional miles, as permitted by the contract, and determined allowable mileage to be 43 miles; billed mileage was 71 miles.</td><td>$ 15.12
$ 2.41</td><td>-
-</td></tr>
</table>

COMMENTS AND RECOMMENDATIONS
(Continued)

1. **NFOCUS Claim Overpayments and Errors** (Continued)

#	Description	Questioned Costs	Additional Questioned
	Additionally, the APA noted mileage for the same trips varied by days, ranging from 2 miles to 15 miles for the same travel destinations. • The APA recalculated mileage via MapQuest, allowing for five additional miles per the contract, and determined allowable mileage to be 20.5 miles; 25 miles were billed.		
40	The amount paid was incorrect. Per Google Maps, the travel time should be 2 hours, but 2.5 hours were billed. No explanation was given, as required by contract.	$ 9.00	-
41	The contractor charged 0.5 hour for two minutes travel per Google Maps, and no explanation was provided. Also, actual travel time was 2.75 hours, but 5.5 hours was billed due to rounding up to the nearest 15 minutes each way. For example, on multiple occasions, the caseworker would take the children from the visit back to the foster home and then return, less than 1 mile and two minutes each way, but charged 0.25 hour each way or 30 minutes for four minutes of actual travel. We further noted documentation to support an exception to the minimum education requirements was inadequate. There was no evidence of a high school diploma or GED. The statement from the contractor said that the caseworker had five years as a nanny, but the time frame for the caregiver was while the individual was in high school and community college, making it unlikely that she was a full-time nanny.	$ 4.50	-
42	For three of four Family Support services meetings, the time spent with the client did not address goals that were established for the meetings. Meetings were 41 minutes, 23 minutes, and 50 minutes in length. Additionally, another meeting was one hour and two minutes and was billed for 1.25 hours, which is allowed by the contract but does not appear reasonable.	-	-
Miscellaneous:			
43	The service authorization was for "$20 Per Week For Gas Vouchers To Help Get To And From Visits." However, per NFOCUS narratives, no visitation was occurring with the client and her child. DHHS stated the transportation was also to therapy appointments, but there was no documentation to support the client's attendance at any therapy for the time period. Also, there was no documentation to support how the $20 was calculated to be a reasonable amount needed.	$ 20.00	-
44	The Transitional Living service plan did not include how the child would maintain housing after age 19, as required by the contract. In addition, the worker's credentials were not in accordance with contract.	-	-

COMMENTS AND RECOMMENDATIONS
(Continued)

1. NFOCUS Claim Overpayments and Errors (Continued)

#	Description	Questioned Costs	Additional Questioned
45	Per the service authorization, three random drug tests were to be given per week to monitor drug use. No drug tests were given during one week tested, and only seven drug tests were administered for the entire month.	-	-
We also noted the following items, which were not errors on the random sample claim line tested but were noted during our review of the claim:			
	The warrant included payment for out-of-home structure and day habilitation. The APA requested documentation for services performed by the contractor/foster parent for out-of-home structure and day habilitation. Four weeks later, DHHS provided a monthly summary progress report. The report did not detail daily habilitation activities or the staff performing habilitation services. The report also noted there were no habilitation goals in place or progress.	-	$ 9,512.00
	The payment was not timely. The trip was completed on 6/21/17 and was not paid until 12/2/17.	-	-
	School-age child care was overbilled by 0.5 hours due to a clerical error.	-	$ 1.93
	Family Support meeting exceeded service authorization by 0.5 hours.	-	$ 23.50
	Travel miles billed were unreasonable per Google Maps, and there was no explanation. Using five additional miles per trip, as allowed by the contract, 15.7 miles were overbilled.	-	$ 8.40
	The actual amount of time for travel was 3 hours and 55 minutes; however, the provider billed for 11 hours and 45 minutes. Per review of the travel log, the time traveled for each one-way trip was 5 minutes, and each trip was rounded up to 15 minutes, even though the travel was back-to-back. For example, one 5-minute trip for travel to pick up children was followed immediately by a separate trip to take the children to visit.	-	-
	Overlapping hours were billed, as the worker was charging travel time for going to stores or restaurants within the visit. Actual time was 36.25 hours, but 44 hours were billed.	-	$ 139.50
	The contractor provided only 1.5 hours actual time; however, due to rounding allowed by the contract, 3 hours were billed.	-	-
	Total Questioned Costs for Random Sample	$ 44,524.76	$1,639,951.33

We noted also that DHHS lacked adequate policies and procedures to ensure services billed were actually received. Additionally, DHHS did not require contractors to have families sign documentation to evidence that services billed were performed.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. NFOCUS Claim Overpayments and Errors (Continued)

DHHS workers determine the type and level of services needed by families. The caseworkers determine which contractor will be used, and they send a service referral detailing the services to be performed. A service authorization is also approved by a supervisor, stating the maximum number of hours and length of time for services. However, there are not adequate controls to ensure that authorizations are reasonable or that services billed are in accordance with the referral, authorization, and contract provisions.

We noted further that contract provisions allowed providers to round time up to the nearest 15-minute interval for services and round up to the nearest 15-minute interval each way for travel time. No-shows are allowed a full hour, and planned drop-ins allow rounding from 30 to 60 minutes. As a result, there is little incentive for a provider to spend as much time as billed. There is also a high risk for abuse to occur. For example, if a provider spends 29 minutes at a drop-in visit, he or she will receive $23.50; however, for spending 31 minutes, the provider will receive $47.00. There is no incentive to spend the full 60 minutes, as the provider will still receive $47.00. We also noted situations in which a worker traveled less than one mile – for a total of 2 minutes – each way; however, that charge was for 15 minutes each way. Consequently, the contractor was paid 30 minutes for 4 minutes of actual time traveled.

A good internal control plan and sound accounting practices require procedures to ensure the following:

- Payments and services provided agree to service authorization and referrals.
- Contracts are signed before services are provided, and all contract provisions are followed.
- Adequate supporting documentation is maintained for services provided.
- Staff providing services meet required qualifications.
- Payments are properly charged to Federal or State programs, as appropriate.
- Federal and State regulations are observed.

Child Welfare service contracts include the following requirements:

1) Contractor staff hired to provide Family Support Services or Parenting Time Services are required to have a Bachelor's Degree in either Human Services or a related field. Upon the contractor's request, DHHS may consider a potential employee's high school diploma or GED and at least two years of job-related or lived experience comparable to a Bachelor's Degree.

2) Services "shall be provided as described in the written DHHS Service Referral and in accordance with the written Service Authorization."

Those same contracts also contain additional provisions, as set out verbatim below:

> *Face-to-Face contact time between the [Family Support/Parenting Time] Worker and the child(ren) or family member(s) while being transported shall be defined as travel time and shall not be billed as [Family Support/Parenting Time] Service.*

COMMENTS AND RECOMMENDATIONS
(Continued)

1. NFOCUS Claim Overpayments and Errors (Continued)

DHHS shall pay the Contractor per the following pay schedule for direct face to face contact time in excess of a full hour: 1 - 15 minutes = $11.75; 16 - 30 minutes = $23.50; 31 - 45 minutes = $35.25; 46 - 60 minutes = $47.00.

In those situations where the [Family Support/Parenting Time] worker travels to meet the family, and the family is not present (a no-show) for the session . . . or the session is cancelled while en-route to the location . . . DHHS will pay the Contractor for one full hour of service. . . . The Contractor must provide written documentation of each no-show. The documentation must include . . . the circumstances surrounding the no-show.

In those planned situations where DHHS has requested unannounced or intermittent Parenting Time visits, or the court has ordered "drop-in" or "semi-supervised" Parenting Time, the Contractor shall remain with the family for a minimum of 30 consecutive minutes during each intermittent "drop-in" or "semi-supervised" Parenting Time, unless otherwise directed in the service referral.

DHHS shall pay the Contractor $18.00 per hour for time travelled to and from the location where the [Family Support/Parenting Time] Services are provided. The travel time shall be consistent with the length of time required to travel to deliver [Family Support/Parenting Time] services in accordance with the Service Referral . . . within fifteen (15) minutes of the time recorded by MapQuest or Google Maps. lf the length of time is more than fifteen minutes (15) over what is recorded on MapQuest or Google Maps, the contractor shall note the reasons why on the travel log.

The distance travelled shall be consistent with the number of miles required to travel to deliver [Family Support/Parenting Time] services in accordance with the service Referral . . . within five (5) miles of the distance recorded by MapQuest. If the number of miles is more than five (5) miles over what is recorded on MapQuest, the Contractor shall note the reasons why on the travel log.

Title 392 NAC 5-001.01 provides the following:

Before furnishing any service, each provider must sign Form CC-9B agreeing:

** * * **

2. To provide service only as authorized, in accordance with the Department's standards;

** * * **

7. To retain authorizations, billing documents, and attendance records for four years to support and document all claims[.]

Per 392 NAC 4-003.02: "Care for 6 or more hours must be billed by the day. Care for 10 or more hours in one day may be billed through hourly units . . . ."

Per 392 NAC 4-003.08A:

The local office administrator . . . may approve an exception for an increased rate for a child with special needs or a child with a childhood illness . . . . A special need must be documented by a physician, licensed or certified psychologist, or licensed mental health practitioner.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. <u>NFOCUS Claim Overpayments and Errors</u> (Continued)

479 NAC 8-001.02B1 provides, in relevant part, the following:

> *Eligibility for reimbursement is determined by the needs of the child, not the income and resources of the parent(s). In order for the adoptive parent(s) to receive reimbursement, the child must meet the following special needs criteria.*
>
> *The child cannot or should not be returned to the legal biological parent(s) and one of the following criteria:*
>
> 1. *Except where it would be against the best interests of the child, a reasonable but unsuccessful effort has been made to place the child without providing adoption assistance;*
>
> 2. *The child is considered to be a child with special needs and cannot be placed without assistance based on the following:*
>   a. *Age (if age is the only special need, children age seven or younger generally are not considered eligible);*
>   b. *Membership in a sibling group of three or more to be placed together;*
>   c. *Behavioral, emotional, physical or mental disability; and*
>   d. *Membership in a minority race (race by itself is not sufficient to make a child eligible for subsidy)[.]*

Per 42 USC 672, as set out partly below, foster care children must be in licensed homes to be Federal IV-E eligible:

> *(b)* ***Additional qualifications*** *Foster care maintenance payments may be made under this part only on behalf of a child described in subsection (a) of this section who is-*
>
> *(1) in the foster family home of an individual, whether the payments therefor are made to such individual or to a public or private child-placement or child-care agency[.]*
>
> * * * *
>
> *(c)* ***"Foster family home" and "child-care institution" defined*** *For the purposes of this part, (1) the term "foster family home" means a foster family home for children which is licensed by the State in which it is situated or has been approved, by the agency of such State having responsibility for licensing homes of this type, as meeting the standards established for such licensing; and (2) the term "child-care institution" means a private child-care institution, or a public child-care institution which accommodates no more than twenty-five children, which is licensed by the State . . . .*

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 contracts, 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.

Although the language of the contracts indicate that 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.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. NFOCUS Claim Overpayments and Errors (Continued)

Finally, without procedures to have families verify that services were provided, there is an increased risk for fraud or errors to occur. There is also an increased risk for fraud or errors if internal control procedures are inadequate to ensure the accuracy of payments to service providers.

> We recommend DHHS implement procedures to ensure payments are accurate, that only services provided are paid for, and payments are in accordance with contract provisions and State and Federal regulations.

DHHS Response: Overpayment claims have been created and a referral has been made to the State Fraud Unit which is pursuing a fraud charge through the County Attorney. DHHS is also exploring the possibility of implementing a system that will not allow unusually high payments to be made without the NFOCUS system sending an alert, or stopping payment.

DHHS does not agree with the finding of expenses questioned by Nebraska Family Collaborative (NFC), for childcare services. Clarification to show NFC is not responsible for payment of child-care can be added to the current contract. Childcare is a service that is available to eligible families based on income. The application for child care services is available through AccessNebraska and not a service that is authorized by the protection and safety unit. Other expenses such as energy assistance are also not listed as exceptions and those services are also available to the public based on eligibility requirements being met. It would be virtually impossible to list every possible public benefit offered by DHHS in the exception column, and therefore we do not agree with this finding.

The finding around home modifications took multiple years to complete and were court ordered to be paid. Who was responsible was disputed between NFC and DHHS. DHHS paid the expenses to avoid a contempt of court charge.

Inter-State Compact on placement of Children (ICPC) processes have been changed to keep Nebraska Medicaid active when a ward is placed in a Psychiatric Residential Treatment Facility (PRTF). PRTF's and the Managed Care Organizations (MCO) have been asked to find providers who will become Nebraska Medicaid providers. For youth who are IV-E eligible and placed out of state DHHS workers ensure Medicaid is activated in that state. A weekly call is occurring with the Medicaid Crisis Team which include the Medical Director for the Division of Medicaid and Long- Term Care; the Administrator of Well-Being in the Division of Children and Family Services as well as program specialists from both the divisions and the representatives from the three Managed Care Organizations (Nebraska Total Care, United Health Care, and Well Care) to discuss youth who are court ordered into specific services or are having difficulty accessing the services they require. Further, Nebraska Revised Statute 43-290 states "If the juvenile has been committed to the care and custody of the Department of Health and Human Services, the department shall pay the costs for the support, study, or treatment of the juvenile which are not

COMMENTS AND RECOMMENDATIONS
(Continued)

1. <u>NFOCUS Claim Overpayments and Errors</u> (Concluded)

otherwise paid by the juvenile's parent." Most of the out of state placements occur based on an order of the court and deemed to be in the best interest of the child through the court proceedings. The Division of Children and Family Services is working with the Division of Medicaid and Long-Term Care to identify areas of improvement in accessibility of services in Nebraska through weekly calls on critical situations.

In the past year the Division of Children and Family Services established a process where we work with the Division of Developmental Disabilities to adhere to the Objective Assessment Process (OAP) to determine the funding amount for a state ward in out of home care if we were utilizing an extended family home (EFH) from the DD provider array to meet the needs of the child. The OAP determines the child's level of care and needs. This process includes completion of the Inventory for Client and Agency Planning (ICAP). This ensures that the child's funding is based on their needs. We are only able to utilize this process on children who have been determined eligible for DD services since the funding associated with the staff who complete the ICAP is tied to DD eligibility. For children who do not qualify for DD services but are residing in an EFH we are working to transition those homes to licensed foster homes and reimburse them at the rate appropriate for the child's needs. This is a longer process since these placements were approved by the Court and cannot be changed unless the placement change is also approved by the Court. The Division of Children and Family Services is no longer placing children who are not DD eligible into an EFH.

Exceptions to foster care background checks are no longer acceptable for foster care placements.

Service provider contracts will need to be reviewed and negotiated to not allow rounding of travel times.

APA Response: The child care claims paid by DHHS for cases assigned to NFC were paid primarily under Title IV-E of the Social Security Act. NFC made the foster care maintenance payments for these cases; therefore, it appears reasonable that the IV-E child care claims would also be the responsibility of NFC.

Section II.C. of the NFC contract states the following:

> ***The Subrecipient must track and report quarterly and annually its federal and state expenditures, including administrative costs, in a format developed and designated 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.***

In addition, Title IV-E has matching requirements. If NFC does not pay for these IV-E claims, additional State funding is required, increasing the burden to taxpayers. We recommend DHHS treat all IV-E claims (foster care maintenance and child care) consistently, adhering to the current contractual provisions. If DHHS wishes to relieve NFC of responsibility for child care claims, the contract should be amended specifically to state as much.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Nebraska Families Collaborative Unreasonable Expenditures

Nebraska Families Collaborative (NFC) provided case management and services for families and children in the eastern service area, encompassing Douglas and Sarpy counties. For the period July 1, 2016, through December 31, 2017, there were two separate subaward contracts through which NFC received both fixed and variable payments.

The variable payment was a monthly payment based upon the number of days that case management was provided for a child during the month. Furthermore, for the subaward period July 1, 2016, through June 30, 2017, DHHS agreed to reimburse NFC for losses above $400,000 for reasonable expenses. According to Amendment One of the contract:

> *DHHS will reimburse Subrecipient [NFC] 80% of the amount by which the reasonable expenses exceed payments for the month. Subrecipient will be responsible for the other 20% up to a total of $400,000.00 for the term of this subaward.*

The table below summarizes the subaward amounts established by the contractual provisions, including amendments thereto:

Subaward #	Amend-ment # & Effective Date	Period	Total Subaward Amount Per Year	Fixed Monthly Rate	Fixed Monthly Retainage	Variable Monthly Rate	Variable Payments not to Exceed
71468-O4	-	7/1/16-6/30/17	$ 59,951,000	$ 2,092,900	$ 249,796	$ 39.30	$ 34,836,200
71468-O4	#1-October 2016	7/1/16-6/30/17	$ 59,951,000	$ 2,092,900	$ -	$ 39.30	No Limit
71468-O4	#2-May 2017	7/1/16-6/30/17	$ 67,754,559	$ 2,092,900	$ -	$ 39.30	No Limit
Increase in Contract			**$ 7,803,559**				
76910-O4	-	7/1/17-6/30/19	$ 71,500,000	$ 1,750,000	$ -	$ 54.44	No Limit
Increase since Prior Year			**$ 3,745,441**				

NFC has served the eastern service area since 2009. In December 2014, pursuant to Neb. Rev. Stat. § 68-1213 (Cum. Supp. 2016), a legislative report assessed the privatization of child welfare services in Nebraska. That report recommended the following:

> *The only real argument for maintaining the privatized structure in Douglas and Sarpy counties is the need to avoid further disruption to the system. The main argument for returning all the functions to DHHS is that the experiment has not produced what it promised to produce, eliminating any reason to continue allowing a private organization to impose involuntary services on Nebraska's families and children. Only the third option, a division of labor which transfers some of the infrastructure functions to the private sector, focuses on expanding the resources needed to help families keep their children safely at home and to ensure that they are well cared for when they cannot be kept at home through an expanded in-home support structure.*

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Nebraska Families Collaborative Unreasonable Expenditures (Continued)

Despite the recommendations of the report to the Legislature, no restructuring of the eastern service area occurred. In addition, neither the 2016-2017 contract nor the 2017-2019 contract with NFC was competitively bid. Instead, a Deviation from Contractual Services Contract Process Form was completed, indicating that a sudden end to case management by NFC would be unduly disruptive.

During the period tested, NFC received $99,423,361, of which $63,311,114 was paid for the fiscal year 2017, and $36,112,247 was paid for the six-month period July 1, 2017, through December 31, 2017. We tested five payments to NFC: one fixed-rate payment, two variable-rate payments, and two payments based upon the Amendment One loss provision. Those payments totaled $12,735,222. We noted that DHHS did not perform adequate monitoring of NFC to ensure expenditures were reasonable and necessary, or that NFC complied with requirements of the contractual agreements.

DHHS performed monitoring of NFC personnel files to ensure background checks, etc., were on file and reviewed 90 IV-E foster care cases during fiscal year 2017. However, there was no documentation that DHHS reviewed State-funded cases or cases other than foster care payments. Moreover, in addition to not conducting site reviews of the subcontractor, DHHS failed to ensure that NFC did the following: 1) adhered to contractual provisions, such as the limitation of direct services not to exceed 35%; 2) documented that reports, reconciliations, financial statements, etc., required by the contract were received and reviewed; and 3) made timely payments to contractors/subrecipients. DHHS also did not require NFC to conduct site reviews of its subrecipients/subcontractors to ensure services performed were proper.

According to the contract, NFC was required to track and report quarterly and annually its Federal and State expenditures, including reconciling its monthly financial statements to invoices for services. The reconciliations were to be readily reviewable and traceable to source documentation, such as invoices, timesheets, etc. If the reconciliations were not completed by the last day of the month following the end of a reporting quarter, Article II of the contract allowed DHHS to withhold the following payment until the reconciliation was finished. DHHS did not receive or review the reconciliations required by the contract to ensure NFC compliance; furthermore, no payments were withheld. A similar finding was noted in our 2013 report.

NFC was paid $54.44 per day for each child to whom NFC provided case management services during the month. We tested the July and November 2017 variable-rate payments, totaling $8,342,386. DHHS provided the NFOCUS detail for the 5,525 NFC wards in care for July and November. We selected 18 individuals from each of the files to verify that they were wards of the State assigned to NFC for the days paid. One of 36 individuals tested was not a ward of the State and, therefore, should not have been included in the payment to NFC. According to DHHS, an NFOCUS input error caused overpayments for the months of September 2017 through March 2018 for this individual. This included 194 days at the daily rate of $54.44, for an overpayment of $10,561 to NFC.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. <u>Nebraska Families Collaborative Unreasonable Expenditures</u> (Continued)

As noted, the contract for fiscal year 2017 contained a provision for the reimbursement of 80% of NFC's losses above $400,000. DHHS paid NFC $4,338,995 for this provision through August 2017, prior to reviewing any supporting documentation to ensure the expenditures being reimbursed were reasonable and necessary. In November 2017, NFC submitted a reimbursement request for an additional $876,892, at which time DHHS determined that a review of expenditures should be conducted. See **Exhibit J**. This was after the APA performed testing of the payable accrual in the CAFR and recommended that a review of supporting documentation be performed. DHHS began its review in December 2017. Through May 2018, NFC submitted five separate requests to adjust its final amount due from DHHS, as follows:

	NFC Request Dated 11/2017	NFC Request Dated 12/2017	NFC Request Dated 2/2018	NFC Request Dated 4/2018	NFC Request Dated 5/2018
Per NFC – Remaining Due	$ 876,892	$ 834,033	$ 729,060	$ 685,322	$ 477,471

DHHS selected approximately 800 administrative operating expenditures for testing. With revisions made by NFC to reduce its request, and expenditures determined to be unallowable by DHHS, the final recommended payment calculated by DHHS was reduced to $308,989, as of May 15, 2018. The two parties were still working together to determine an acceptable final payment at the end of May 2018.

NFC's operating and other assistance to youth/contractual technical service expenditures from the February 2018 file totaled $23,722,243 for fiscal year 2017. The APA reviewed the supporting documentation for the 800 expenditures tested by DHHS, selected an additional 122 expenditures, and tested payroll for the month of May 2017, which totaled $2,849,685 in expenditures tested by the APA. We noted $1,110,337 in questioned costs for unreasonable and unnecessary expenditures charged to the State contract, as summarized in the following table. See **Exhibit C** for further details.

Transaction Type	**Questioned Costs**	**Examples of Findings – See Exhibit C For Details Of All Findings**
Information Technology	$ 216,735	155 computers were ordered on 6/29/2017, the day before the contract with DHHS ended on 6/30/2017.
Gifts	$ 21,464	$15,450 was expended for the purchase of 309 Target gift cards, valued at $50 each, to give to clients for the holiday season.
Youth Services	$ 225,675	Duplicate expenditures were made for bus passes, unreasonable subrecipient payments, etc.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. <u>Nebraska Families Collaborative Unreasonable Expenditures</u> (Continued)

Transaction Type	Questioned Costs	Examples of Findings – See Exhibit C For Details Of All Findings
State of Nebraska Child Welfare Contract Request for Proposal (RFP)	$ 42,678	The State issued an RFP in 10/2016. NFC responded to the RFP and charged the State for related expenditures, including contractor services to develop the RFP response and working lunches.
Catering/Staff Meals	$ 14,909	Charges were made for employee lunches and employee parties, including an ice cream social to celebrate NFC's contract award with the State.
Donations/Giving Committee/Fundraising	$ 38,662	Fundraising for "Duffels 4 Dignity" and other expenses were paid by the Employee Giving Committee, which used donations given by NFC employees for events or specific services approved by that committee. These are separate funding sources that should have been applied against the expenditures, but they were claimed instead against the State contract.
Entertainment/Staff Team Building Activities	$ 22,724	Charges were made for the following: an NFC employee appreciation party at a bowling alley/arcade for $8,500; a party at the Amazing Pizza Machine for $4,044; and $3,296 for tickets to Vala's Pumpkin Patch for an employee party.
Advertising/Marketing	$ 32,198	Rebranding and advertising expenses were charged.
Travel	$ 21,906	Father Flanagan's Boys' Home (FFBH) charged NFC for personnel costs related to NFC's travel bookings; the charges could not be supported.
Employee Benefits/Lack of Payroll Allocations	$ 133,987	Prescription services for employees had rebates of $79,187 that were not deducted from NFC's expenditures.
Legal/Lobbying	$ 38,600	Lobbying expenses for $33,200 and legal services for immigration issues for an NFC employee totaling $5,400 were charged.
Memberships & Related Meetings	$ 1,793	Expenditures were made for memberships to the Nebraska Association of Homes and Services for Children, the Greater Omaha Chamber of Commerce, and the Sarpy County Chamber of Commerce.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Nebraska Families Collaborative Unreasonable Expenditures (Continued)

Transaction Type	Questioned Costs	Examples of Findings – See Exhibit C For Details Of All Findings
Miscellaneous	$ 299,006	There were charges for unpaid direct service claims over one year old, bad debt expenses for $20,384, and prior-period expenses of $8,406, etc.
Total Questioned Costs	**$ 1,110,337**	

The APA also performed testing of NFC direct service claims. **See issues noted in Comment #3.** We had questioned costs totaling $326,528, of which $127,061 was questioned costs for fiscal year 2017 expenditures. Therefore, NFC's questioned costs totaled $1,237,398 (operating questioned costs of $1,110,337 plus direct service claim testing questioned costs of $127,061).

Using the NFC files from the February 2018 request, the APA calculated an overpayment to NFC of $321,514. We did not perform testing of all expenditures claimed; therefore, additional unallowable transactions could exist. The $1,237,398 noted is the minimum questioned costs. Because the final request from NFC has changed several times since the February 2018 request, DHHS should review the changes to determine the final overpayment due from NFC.

The following information details the overpayments noted:

NFC Program Revenue	$ 60,670,661
Less NFC Program Expenditures:	
Direct Service Costs	42,603,297
Other Assistance to Youth & Contractual Technical Services	1,677,374
Operating Expenditures	22,044,869
Total NFC Program Expenditures	66,325,540
Net Income/(Loss)	(5,654,879)
Less: NFC Share of Loss	400,000
Less: Payments Already Made by DHHS to NFC	4,338,995
Net Income/(Loss) Remaining	(915,884)
APA Questioned Costs	1,237,398
Overpayment Due From NFC	$ (321,514)

Furthermore, we observed that NFC did not have separate funds in its accounting system to track different revenue sources, such as donations received. This caused several of the findings noted, as some expenditures claimed against the State contract should have been charged against separate funding sources.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. <u>Nebraska Families Collaborative Unreasonable Expenditures</u> (Continued)

Good internal controls require policies and procedures to ensure adequate supporting documentation is reviewed for expenses paid, and contracts and subawards are properly monitored to ensure compliance with their terms. Without such policies and procedures to ensure that costs are allowable, reasonable, and necessary, there is an increased risk of loss or abuse of State funds.

Payroll Findings
We tested payments to 25 NFC employees during May 2017 and noted the following issues:

- NFC did not allocate its administrative staff pay to other funding sources, and there was no documentation to indicate that an allocation was unnecessary. The other funding sources totaled approximately $122,000 and, according to NFC, any allocations were determined to be insignificant. However, for one employee tested, NFC did agree that an allocation should have been applied, causing questioned costs of $34,206.

- The President/CEO was paid a car allowance of $4,200 annually, or $350 monthly, as approved by the board. According to the documentation provided, his average mileage in 2015 was only $216 per month and $73 for a 10-month period in 2016. Therefore, because the allowance appeared excessive, the APA questioned the $350 tested.

- Three employees had vacation requested and approved; however, the time records did not reflect the vacation used. NFC stated the error was corrected at a later date but was unable to provide support for the correction.

- Three employees incurred and were paid for overtime worked. However, the proper approval was not obtained prior to the overtime being incurred in accordance with NFC policies, which state the following:

  > *Employees must get email approval from their supervisor prior to working over 40 hours in the established work week. Employees must complete and submit a Request for Overtime form to their supervisor for approval prior to working over 45 hours in the established work week.*

- Two employees approved their own time records, and there was no secondary, supervisory review or approval.

NFC charged approximately $16 million in payroll expenditures against the State contract during fiscal year 2017.

Good internal controls require policies and procedures to ensure hours paid agree to leave request forms, overtime is approved in accordance with policies, mileage allowances are reasonable and necessary, time records are approved by secondary/supervisory level employees, and staff payroll expenditures are reasonably allocated between different funding sources.

Without such policies and procedures, there is an increased risk of excess reimbursement requests from State funds.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Nebraska Families Collaborative Unreasonable Expenditures (Continued)

Voucher and Gas Card Procedures
During testing, we noted that NFC did not have adequate policies and procedures to ensure that authorized items were purchased with gas cards given to clients and through the Voucher Program, as follows:

We tested two gas card expenditures totaling $5,150. NFC purchased gift cards to a gas station to provide to clients in need of gas for transportation to visitations, appointments, etc. According to NFC personnel, they merely write "Fuel Only" on the gas card and rely upon the client and gas station clerks to adhere to the requirement that the client purchase only gas. The card could be used, however, to buy anything at the gas station (food, cigarettes, alcohol, etc.) NFC did not require clients to provide receipts to verify the purchase of gas. During fiscal year 2017, NFC spent $27,900 on gift cards for this purpose.

We tested two Wal-Mart expenditures related to NFC's Voucher Program and selected 10 vouchers to test. According to NFC policies, the Voucher Program is intended to provide short-term assistance to clients and/or youth to purchase necessary items needed to help maintain placement (i.e., clothing, approved grocery items, household items, etc.). NFC staff submit a voucher request for specific items needed, which is approved by the director. NFC did not request a receipt from the client after items were purchased or review the approved items from the voucher to the Wal-Mart detailed statement to ensure the items purchased were allowable. For fiscal year 2017, there was $53,886 spent through the Voucher Program. During our review of the 10 vouchers, we noted the following:

- Four transactions on the Wal-Mart statement did not contain detail. The APA inquired with NFC to ask how it ensured the client's purchases were allowable per the voucher. According to NFC, Wal-Mart did not allow any items to be purchased that were not listed specifically on the voucher form. Because NFC did not receive actual receipts, however, there was no way to validate this.

- Furthermore, two transactions tested had items purchased that were not allowable per the voucher. The APA inquired with NFC about its review procedures. NFC stated that there was no way to control the customer service workers at Wal-Mart; however, for the most part, the service workers were fairly strict. This statement contradicts NFC's above claim that Wal-Mart did not allow any items not on the vouchers to be purchased. When the invoices were received, NFC claimed to look them over to ensure that they did not contain inappropriate items, but it did not make an item-by-item comparison to the voucher itself.

Good internal controls require adequate policies and procedures to ensure that only allowable items are purchased through the Voucher Program. Without such policies and procedures, there is an increased risk for abuse of the Voucher Program, as clients could purchase items not deemed necessary and allowable.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Nebraska Families Collaborative Unreasonable Expenditures (Continued)

Contractual Agreements
We noted that 3 of 31 contractual expenditures tested lacked adequate or complete service contracts, as follows:

- NFC did not have a contract with the Douglas County Youth Center (DCYC) for one expense tested, totaling $36,006. NFC relied upon the DHHS contract with DCYC, which ended on June 30, 2015. DHHS did not have a more current contract on file. This was the only payment made to DCYC during fiscal year 2017.

- A prescription provider managed NFC's employee prescription drug program, including claims administration and processing, mail service dispensing, provider networks, etc. NFC paid the vendor $447,343 during fiscal year 2017. The contract referred to an exhibit for the rates agreed upon; however, NFC was unable to provide the exhibit. Without the exhibit, NFC would be unable to ensure that the rates charged were proper.

- NFC utilized a vendor for background checks of employees and perspective new hires. The vendor was paid $46,032 during fiscal year 2017. NFC was unable to provide the pricing schedule for the contract. Without the pricing schedule, NFC would be unable to ensure that the rates charged were proper.

Furthermore, NFC had two permanency service contracts selected for testing. Lutheran Family Services (LFS) and the Nebraska Children's Home Society (NCHS) were paid a monthly flat rate to provide permanency services for referred children and youth who had a concurrent plan of adoption/guardianship or who were legally free for adoption/guardianship. The providers were to identify prospective adoptive/guardianship families for the children/youth. Once the family was identified, the providers were to perform home visits, education, support groups, etc.

The following issues were noted with the contracts:

- NFC was unable to provide support that the contracts were competitively bid. NFC was unaware of how the contracts were first established due to staff turnover; however, it did not believe competitive bidding was performed. LFS was paid $304,366, and NCHS was paid $333,739 during fiscal year 2017.

- The contracts stated that NFC would reimburse the providers for actual costs incurred upon receipt of an itemized invoice. However, NFC was paying a flat monthly rate, and no itemized invoices were on file. The providers were paid $25,587 for utilizing four staff and $19,520 for three staff. However, no supporting documentation was provided to indicate the staffing levels used during the month. NFC provided letters from the providers during test work asserting to the use of four staff persons. However, no support, such as timesheets, was provided. The letters were not sufficient documentation to support actual costs in accordance with the contracts.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. <u>Nebraska Families Collaborative Unreasonable Expenditures</u> (Continued)

- Furthermore, NFC stated that each provider has a staff-to-youth ratio of 1:15, with 45 youth being served. This would support three staff persons at a monthly rate of $19,520. However, the providers were being paid for four staff persons. LFS was paid $25,587 for 11 months, and NCHS was paid $25,587 for 13 months during fiscal year 2017.

- NFC provided budgeted figures for the calculation of the flat monthly rates. However, no further supporting documentation was available to support the budget. It is unknown if the flat monthly rates were reasonable or necessary.

Good internal controls require adequate policies and procedures to ensure that contract files are complete, contractual terms are complied with, contracts are competitively bid, and amounts paid are reasonable and necessary.

The contracts between NFC and the permanency service providers contain the following provision:

> *NFC will reimburse Provider for actual costs incurred (e.g., staff salary and associated benefits and expenses, direct and indirect expenses) for the period of the Agreement . . . NFC shall remit payment to Provider within thirty (30) days following receipt of an itemized invoice and service documentation from Provider.*

Without adequate policies and procedures to ensure contracts are competitively bid, there is an increased risk that other vendors could provide the same services at a lesser rate. Furthermore, when contracts are not on file, the contractual terms are not adhered to, and supporting documentation is not obtained to support the rates paid or how the rates were determined, there is an increased risk of abuse or excessive payments.

We recommend that DHHS take the following action:

- Consider the suitability of restructuring the eastern service area, as encouraged by the December 2014 legislative report assessing the privatization of child welfare services.
- Consider issuing an RFP for the eastern service area for the period beginning July 1, 2019.
- Implement policies and procedures to ensure costs are allowable, reasonable, and necessary prior to payment.
- Implement adequate monitoring procedures to ensure compliance with contractual requirements.
- Ensure NFC maintains on file both copies of contracts to support all payments to vendors and documentation of the processes for competitively bidding those contracts.
- Determine whether the flat monthly rates that NFC pays to permanency service providers are reasonable, or actual expenditures should be reimbursed in accordance with the terms of existing contracts.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Nebraska Families Collaborative Unreasonable Expenditures (Concluded)

DHHS Response: A subaward for case management services was entered into with NFC on April 26, 2016 for $59,951,000, effective July 1, 2016 through June 30, 2017. Amendment One was entered into on October 12, 2016. This amendment included a provision to allow for DHHS to cover 80% of expenses when reasonable expenses exceeded payments, and NFC was responsible for 20% of reasonable expenses up to $400,000. The amendment included a requirement for a reconciliation at the end of the subaward. Amendment Two was entered into on May 18, 2017, increasing the do not exceed amount in the original subaward to $67,754,559.

DHHS' Internal Audit (IA) unit reviewed expenses incurred by NFC during the contract period as part of the reconciliation process. Through that process, DHHS identified a number of unreasonable, unallowable, and unnecessary expenses that will not be reimbursed with state general funds or federal funds. Many of the expenses identified were for services or items beyond the scope, or outside of the required timeframes of the subaward. After the DHHS review began, NFC identified several items they would not seek reimbursement for. At present, because the reconciliation process has not concluded, DHHS has not made final payment to NFC and has not paid for the questioned costs identified (and NFC has identified several expenses it will not seek reimbursement for). Identifying these expenditures as questioned costs prior to the final reconciliation is premature.

DHHS' review focused on primarily administrative and overhead costs. The APA reviewed and utilized the DHHS IA review, and expanded their review to direct service expenses. Like the APA, DHHS has concerns with several items identified as questioned costs. Until the final reconciliation is concluded it is not possible to definitively conclude that DHHS paid for expenses that appear to be unreasonable or unnecessary.

Through the reconciliation process, CFS identified a gap in financial and operations monitoring and oversight of the NFC subaward. CFS is working to identify an administrator that will be dedicated to oversee the day-to-day operations of the NFC subaward, and will enhance the monthly and quarterly financial review of both administrative and service expenses. Once an administrator is identified, this change will take place immediately.

APA Response: We disagree that identifying these expenditures as questioned costs is premature. What we consider premature is the payment by DHHS of $4,338,995 prior to completing a thorough review and reconciliation. As noted in the comment, the reconciliation process between NFC and DHHS has taken over one year since the end of the contract and is not yet completed. DHHS did not begin its review procedures until nearly six months after the contract ended in December 2017, at which time $4,338,995 had already been paid to NFC for the Amendment One provision. Through our testing, we noted an overpayment to NFC. This overpayment of $321,514 is for actual payments made by DHHS for unreasonable and unnecessary expenditures. Furthermore, to clarify the testing performed by our staff, we obtained the invoices/supporting documentation provided to DHHS IA by NFC and reviewed these independently. In many instances, we agreed with the disposition of DHHS IA; however, we also questioned costs during this review that DHHS did not, including the 155 computers purchased for $216,735.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. NFC Service Claims

NFC is contractually required to input documentation for services provided to children and families through NFOCUS. DHHS provided the APA with the detail of NFC service claims with an NFOCUS status date from July 1, 2016, through December 31, 2017. There were 95,958 claim lines, totaling $69,673,618.

We randomly selected 30 claim lines for testing. We also selected nine claim lines that appeared to be duplicate services and six cases with significant or unusual items. We also reviewed 12 individuals with services paid by both NFC and DHHS.

We noted the following:

- Duplicate claims and overpayments
- Services not in accordance with contract provisions and State regulations
- Inadequate supporting documentation
- Subcontractors or foster parents not paid timely
- Services paid by DHHS that were the responsibility of NFC

We noted questioned costs totaling $306,380. NFC was paid a fixed amount plus a variable payment based on the number of days of case management for each child. For fiscal year 2017, however, the NFC contract provided for reimbursement of the amount over $400,000 by which its expenses exceeded payments. Therefore, if NFC service claims were unreasonable or incorrect, those amounts should not have been reimbursed to NFC and are considered questioned costs.

Questioned Costs

- One child tested received Psychiatric Residential Treatment Facilities (PRTF) services that were recommended by his psychiatrist and therapist. The youth was eligible for Medicaid in Kansas from July 1, 2015, through June 30, 2017; however, NFC did not have any documentation verifying that the treatment was denied by Medicaid. Additionally, NFC did not provide support for the PRTF service rate to ensure the amount paid was correct. Questioned costs include service dates from July 30, 2015, to March 16, 2017. All PRTF claims to the provider, totaling $274,562.59, are questioned, as NFC did not inquire about whether this youth had Medicaid and did not provide documentation to support that Kansas Medicaid would not have paid for the PRTF level of care.

- There were duplicate payments by NFC, resulting in questioned costs of $501.03 for NFC and $1,767.37 in questioned costs for payments made by DHHS when the case was managed by NFC. DHHS paid for services provided to two youths beginning January 4, 2016, through November 4, 2016. However, the cases were transferred to NFC for case management on February 10, 2016, and NFC should have been responsible for payment. DHHS correctly created overpayments for March 2016 through October 2016;

COMMENTS AND RECOMMENDATIONS
(Continued)

3. NFC Service Claims (Continued)

however, the agency did not correctly create overpayments for February 2016 and November 2016, resulting in questioned costs of $1,127.37. DHHS also made $640 in payments for drug testing from February 16, 2016, to February 28, 2016, after case management was transferred to NFC. In addition, when DHHS created the overpayments, NFC then paid the provider for foster care services. However, NFC overpaid the provider for services from February 1, 2016, to February 9, 2016, when DHHS was still responsible for payment and had also paid the provider.

- There are questioned costs of $737 from January 2016 through April 2016 when the PRTF provider was receiving the full PRTF rate and also received Supplemental Nutrition Assistance (SNAP) benefits for the youth. This youth was placed at NOVA Therapeutic Community (NOVA) on December 18, 2015. NOVA was paid $329.75 per day, which is the Medicaid rate for PRTF – Specialty/Dual services. This PRTF rate includes room and board. NOVA applied for and received SNAP benefits for this youth from January 2016 through April 2016. Although NOVA is a Drug Addict or Alcoholic facility that can apply for SNAP, it is not reasonable that it receive both SNAP benefits for the youth and the full PRTF rate, which includes room and board or meals. The PRTF rate should have been less the amount received for SNAP. Additionally, Title 475 NAC 2-004.10 states, "Foster care children may not participate as separate households." The SNAP benefits for this youth were determined under a separate household with only the youth in the case.

- Four claims related to drug testing services were not adequately supported, with questioned costs totaling $1,760. Support was not always signed by the drug testing specialist and the client. In one instance, the form was signed and dated by the drug testing specialist in July prior to the testing in August. Support did not include documentation from the lab showing the tests performed and the lab results. One claim did not have a service referral or service authorization on file.

- Three claims for Out-of-Home Maintenance for foster care were paid at the incorrect rate, resulting in questioned costs of $923 for the claims tested and $4,335 additional questioned costs noted. The Nebraska Caregiver Responsibility (NCR) document is completed to assess the needs of the child and responsibilities of the caregiver. Based on the score of the NCR, the foster parent will receive either the essential, enhanced, or intensive rate for Out-of-Home Maintenance. For three claims, the provider was paid at a higher rate than the NCR. A fourth claim was paid at the higher enhanced rate; however, the NCR completed on May 8, 2017, was scored at the essential rate. The rate decrease did not go into effect until June 5, 2017. Per NFC policy, a decrease in the NCR rate should go into effect within two weeks from the date notified of the change.

- For one claim, four days of services did not agree to the service authorization, resulting in questioned costs of $305. The service authorization permitted half-day reporting services. For four days, the full daily reporting rate was billed. Allegedly, the child received full days due to a school suspension; however, documentation provided only supported one day of suspension.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. <u>NFC Service Claims</u> (Continued)

- For one claim, 4 of 109.5 visitation supervision and monitoring service hours billed did not have adequate documentation to support that the service was provided, resulting in questioned costs of $168.

- We noted two claims that appeared to be duplicate charges for commercial travel to and from school. Both claims were for October 2017 services for 50 units at $22 each. Each unit was 0-5 miles, and the distance between the school and home was 4 miles. There were 22 school days for the month. As a result, we question costs of $1,100.

Claim #	Service Date	Units	Provider	Amount
66338517	October 2017	50	Camelot Transportation, Inc.	$ 1,100
59108038	October 2017	50	Camelot Transportation, Inc.	$ 1,100

- DHHS made payments for an individual whose case was assigned to NFC. The payments were for Therapeutic Group Home services provided July through November 2016, totaling $20,221.

<u>*Background Checks*</u>
For one case tested, a Request for an Approved Status Form was not completed, nor were background checks for foster parents and other members of the household completed timely. At the time of foster care placement on January 12, 2017, the foster parent's partner was ineligible for foster care because she had a warrant out for her arrest. A narrative dated April 18, 2017, stated that the partner smoked cannabis in the home. A narrative on April 28 said that the home would need administrative approval; however, that approval was not completed due to open assessments. A narrative dated May 3, 2017, noted that the partner was moving out, and a new household member moved in. An initial background check of that new household member noted she was on probation for a Class 2 felony. The FBI fingerprint background check was not completed until September 29, 2017, which confirmed that the new household member had been convicted of conspiracy to commit drug distribution, drug possession, and Methamphetamines, Class 2 felonies.

390 NAC 7-004.02 provides the following:

> *To assure a home can meet a child's needs . . . the following safety plan will be completed before a placement of a child into an approved home in a non-emergency:*
>
> * * * *
>
> *d. Background checks on each household member age 13 or older with the Central Register of Child Protection Cases and background checks on each household member age 18 or older with the Adult Protective Services Central Registry, the appropriate local law enforcement agency, the State Patrol Sexual Offenders Registry, and the State Patrol for a National Criminal History Check with the Identification Division of the Federal Bureau of Investigation.*
>
> * * * *

COMMENTS AND RECOMMENDATIONS
(Continued)

3. <u>NFC Service Claims</u> (Continued)

3. A "Request for Approved Status" form must be completed and submitted for signature by the service area CEO and the Protection and Safety Central Office designee if a background check reveals a current charge, conviction, or pending indictment for any of the following crimes:

* * * *

(l) Felony controlled substances offenses[.]

* * * *

All documentation related to the process is maintained in the child's case file.

<u>Services Not Entered on NFOCUS Timely</u>
Services for 24 of 30 claims tested were not entered into NFOCUS timely. Four of these were more than 100 days after the month of service, including one claim that was more than three years after the date of service.

Section III, "Statement of Work," Subsection B.16, of the NFC contract requires the following:

NFC will input paid expenditures that tie to its financial statements into the N-FOCUS system on a monthly basis by no later than 30 days following the month services were provided.

<u>Foster Parents and Subcontractors Not Paid Timely</u>
For four claims tested, NFC did not pay the foster parent or subcontractor in a timely manner.

- One Foster parent was paid for October services in January 2017.
- One Foster parent was paid for June services in October 2016.
- Group home care services for April were paid in July 2017.
- Visitation supervision services for January were paid in March 2017, 49 days after being entered into NFC's web-based portal.

Section VI, Claims & Payment, Compensation for Services, of the 2017-2019 NFC Provider Handbook states the following:

For child welfare services billed to PromiseShip via FAMCare, this means that payments for monthly services are due the 5th of the month following the month that claims were due. (I.e., billing for services rendered in March must be submitted in FAMCare by April 5th. Payment from PromiseShip to the providers for March services is due May 5th.)

<u>Family Team Meetings and Visitations</u>
Four cases did not have required family team meetings for the month, nor was there documentation that the family wished to have the meetings less often. In one instance, the client had been a CFS participant since September 1, 2016; however, no family team meetings were documented in 2016. For a fifth case, the family team meeting did not include all family members. According to the narrative in NFOCUS, neither the mother nor any of the children, five of whom were over 10 years of age, were in attendance.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. <u>NFC Service Claims</u> (Continued)

One case tested did not have a meeting with the child in the residence. Per NFOCUS, there was a private visit with the child but not in the residence and a visit with foster parent in the residence.

For three cases, the monthly summary of visitations was not recorded within three days in NFOCUS, as required. NFC provided the January and June 2017 reports on May 2, 2018.

Per DHHS Safety Procedure update #16-2015, Procedures 1 and 2 require the following:

> *At minimum, the Family Team Meeting must include the parent . . . the child as developmentally and emotionally appropriate and the DCFS Specialist . . . . Meetings should be scheduled to utilize everyone's time effectively and to ensure that it is not overwhelming to the family . . . . Family Team Meetings should occur monthly, unless the family requests less often.*

Per the Eastern Service Area Operations Manual, April 15th, 2016, Section 8, Required Reports:

> *Monthly Caseworker Visits: The subrecipient will describe the action steps the subrecipient is taking to ensure that, 95 percent of children in foster care are visited on a monthly basis by their workers, and that the majority of the visits occur in the residence of the child.*

Furthermore, Section 4, Documentation/File Retention, of the Operations Manual requires the following:

> *N-FOCUS Documentation: 1. The subrecipient will utilize N-FOCUS to document all case activities pertaining to referred children and families. 2. All documentation must be entered into NFOCUS within three (3) business days of occurrence.*

<u>Other items</u>
We noted child care services paid by DHHS for NFC-assigned cases. As pointed out in Comment #1, child care is not an excluded service in the NFC contract.

We also tested one individual who was assigned to NFC and then transferred to DHHS case management. We asked DHHS to provide its written policies regarding the transfer of cases and an explanation for the transfer. DHHS failed to provide the information within three calendar weeks, as required by statute. We requested the information on May 10, 2018, and a response was not received until June 8, 2018.

Neb. Rev. Stat. § 84-305(1) (Supp. 2017) grants the APA access to "any and all information and records, confidential or otherwise of any public entity," which includes DHHS. Subsection (2) of that same statute requires a public entity to respond to a records request by the APA "as soon as is practicable and without delay, but not more than three business days after actual receipt of the request . . . ." That subsection also states the following:

> *No delay due to the significant difficulty or the extensiveness of any request for access to information or records shall exceed three calendar weeks after actual receipt of such request by any public entity.*

COMMENTS AND RECOMMENDATIONS
(Continued)

3. <u>NFC Service Claims</u> (Continued)

Furthermore, Neb. Rev. Stat. § 84-305.01 (Cum. Supp. 2016) provides a criminal penalty for failure to comply with the requirements of § 84-305, as follows:

> *Any person who willfully fails to comply with the provisions of section 84-305 or who otherwise willfully obstructs or hinders the conduct of an audit, examination, or related activity by the Auditor of Public Accounts or who willfully misleads or attempts to mislead any person charged with the duty of conducting such audit, examination, or related activity shall be guilty of a Class II misdemeanor.*

The failure of DHHS to respond to the APA's request on May 10, 2018, is an apparent violation of § 84-305.

A good internal control plan and sound accounting practices require procedures to ensure the following: 1) the rate paid to subcontractors and service providers are in accordance with agreed-upon rate schedules; 2) services provided do not exceed service authorization(s); and 3) supporting documentation is maintained and adequate for services provided.

Additionally, such procedures should ensure compliance with § 84-305, which requires full cooperation with the APA's audit work and any records requests made pursuant thereto.

Without adequate controls to ensure payments to subcontractors and service providers are proper, there is an increased risk of loss or misuse of State and/or Federal funds. Inadequate procedures to monitor contractual and State requirements increases the likelihood that children will be placed at risk. 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.

A similar finding was noted in our 2013 report.

Finally, a lack of procedures to ensure compliance with § 84-305 could give rise to serious legal consequences.

> We recommend DHHS ensure all contract requirements are met, and financial information is obtained and reconciled. We further recommend DHHS implement procedures to ensure all information regarding services for children is entered into and accurately tracked on NFOCUS in a timely manner. We also recommend DHHS ensure compliance with the State requirements. Finally, we recommend DHHS take action to ensure full compliance with § 84-305.

DHHS Response: A child may be placed in another state and could have Medicaid eligibility in that state; however, that does not mean that the child qualifies for that level of care under their Medicaid program and that the service would be authorized as a treatment service by the State of Kansas. NFC serves children who are wards of the state and must comply with orders of the juvenile court including placement and payment pursuant to NRS 43-285. The juvenile court has the authority to assent to and dissent from decisions of DHHS with respect to what care, placement, services and expenditures are in the best interest of juveniles under its care and custody.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. NFC Service Claims (Concluded)

APA Response: Verification of Medicaid eligibility or ineligibility for a child placed in another State should be obtained in a timely manner, and documentation thereof should be maintained in the child's case file to ensure all Medicaid-eligible costs are claimed.

4. NFC Activity Not Recorded Accurately in NFOCUS

Thirty-one of the 122 NFC expenditures tested, totaling $77,957, were for youth services. We noted these services were not entered as service authorizations in NFOCUS, as required by the contract between DHHS and NFC. NFC explained that it did not record activity in certain accounts in NFOCUS; these accounts totaled $1,677,374 during fiscal year 2017. The services included travel expenses for visits, legal fees related to the cases, etc. In order for DHHS to be aware of the services being provided for a case, NFC must record all services performed.

Furthermore, during our testing of NFC case files, we noted that claim adjustments were not accurately reflected in NFOCUS and were not submitted timely to DHHS. NFC was unable to make adjustments to the original claims entered in NFOCUS. Therefore, when a correction or adjustment needed to be made, NFC entered a new claim, resulting in duplicate claims in NFOCUS. NFC was then to submit claim adjustments to DHHS; however, we noted claim adjustments for June, July, and August 2016 were not submitted to DHHS until September 2017, more than one year after the service occurred.

One case reviewed included a $300 daily rate for intensive care services and totaled $27,000 in services. NFC determined this was the incorrect rate and entered a new claim in July 2017, changing the rate to a lower monthly rate with services totaling only $13,772. The original incorrect claims and the new claim were both recorded in NFOCUS, making it appear this family received over $40,000 in services over a three-month period.

The following table summarizes the claims for the three-month period:

Month	Claim	Date Entered	Units	Rate	Amount
June	77320517	11/11/16	28	$ 300	$ 8,400
	91892381	7/19/17	1	$ 4,382	$ 4,382
July	1728441	12/13/16	31	$ 300	$ 9,300
	91892381	7/19/17	1	$ 4,695	$ 4,695
August	1728441	12/13/16	31	$ 300	$ 9,300
	91892381	7/19/17	1	$ 4,695	$ 4,695

Section III, "Statement of Work," Subsection B, of the contract between DHHS and NFC states the following:

> *The Subrecipient [NFC] agrees to use DHHS Computer System (N-FOCUS) as the only authorized case management system to fulfill the terms and conditions of this subaward . . . . NFC will input paid expenditures that tie to its financial statements into N-FOCUS system on a monthly basis by no later than 30 days following the month services were provided.*

COMMENTS AND RECOMMENDATIONS
(Continued)

4. <u>NFC Activity Not Recorded Accurately in NFOCUS</u> (Continued)

Because NFOCUS does not reflect services and adjustments in a timely manner, DHHS is unable to track and monitor accurately services provided to the families.

Good internal controls require adequate policies and procedures to ensure that activity related to youth services are recorded in NFOCUS accurately and timely.

A lack of such policies and procedures increases the risk of not only possible noncompliance with contractual terms but also problems with the appropriate provision of client services.

A similar finding was noted in our 2013 report.

> We recommend DHHS ensure all services are entered accurately and properly in NFOCUS. We also recommend DHHS ensure NFC submits claims adjustments to DHHS in a timely manner.

DHHS Response: Select NFC services are an innovation center utilizing evidence based or promising practice models, they are developing services to determine effectiveness for statewide usage. Therefore, they are unable to utilize the service codes required in NFOCUS because no service codes are developed until CFS is able to determine the effectiveness of the service for statewide implementation. Therefore, tracking and monitoring are done in a separate system and reports are generated for the State of Nebraska. DHHS will work with NFC to integrate those separate reports into NFOCUS, and/or develop a method to enter all services provided by NFC into NFOCUS consistent with the subaward.

An excerpt from the 2018 Eastern Service Area Operations Manual is below (from page 7):

<u>Use of Promising Practices and Evidence-Based Models</u>
- *a) Describe specific promising practices or evidence based models being utilized or developed within agency and/or subcontractors and second tier subrecipients.*
- *b) Describe method in which fidelity is being applied to reported evidence based models or promising practices.*
- *c) Describe fidelity data collected and analyzed to determine effectiveness of models used.*

APA Response: DHHS has contracted with NFC since 2009. If NFC were unable to enter certain client services within the NFOCUS system, the issue should have been addressed years ago. Section III, Subsection B, of both the fiscal year 2017 contract and the current contract, which covers the period July 1, 2017, through June 30, 2019, contains the following provisions:

> ***1.d. The Subrecipient agrees to use DHHS computer system (N-FOCUS) as the only authorized case management system to fulfill the terms and conditions of this subaward.***
>
> ***16. NFC will input paid expenditures that tie to its financial statements into the N-FOCUS system on a monthly basis by no later than 30 days following the month services were provided.***

COMMENTS AND RECOMMENDATIONS
(Continued)

4. <u>NFC Activity Not Recorded Accurately in NFOCUS</u> (Concluded)

Furthermore, Subsection C of both contracts states the following:

> ***<u>N-Focus Documentation</u>: Subrecipient shall input documentation for services provided to children, youth and families through N-FOCUS using a format prescribed by DHHS. The Subrecipient shall input documentation for all services provided, except Service Coordination and Case Management activities. The documentation must be readily reviewable and traceable to source documentation and reconcile to Subrecipient's financial statements so as to qualify for federal lV-E claiming. The Subrecipient shall submit statements for direct services at its discretion but no later than 30 days following the end of the month in which the service was provided, except in the instances of payment for treatment services denied by the Administrative Services Organization (ASO) or Managed Care Organization (MCO). The obligation to input documentation, including but not limited to, source documentation of all services provided shall survive the termination of this subaward.***

5. <u>Federal Funds Not Fully Utilized for Adoption Assistance</u>

For the period July 1, 2016, through December 31, 2017, DHHS failed to charge Federal funds for respite care costs arising from adoption assistance (AA) agreements signed prior to July 1, 2014. Consequently, at least $962,485 in such costs were paid for with State funds when Federal funds were available to cover those expenses.

The subsidized adoption program provides assistance to ensure that financial barriers or costs associated with a child's special needs do not prevent adoption. DHHS rules and regulations permit subsidized adoption payments, including respite care, to be made with either State or Federal funds. Specifically, 479 NAC 8-001.02A says the following:

> *Subsidized adoption payments may be made to Department wards either:*
>
> 1. *Using state funds as provided by Sections 43-117 and 43-118, Neb. Rev. Stat.; or*
> 2. *Through Title IV-E of the Social Security Act, Federal Payments for Foster Care and Adoption Assistance.*

Before a State ward is adopted, DHHS determines both the need for a subsidy and the child's eligibility for it. A written AA agreement signed by DHHS and the prospective adoptive parents specifies the nature, duration, and amount of assistance to be given to those who adopt eligible special needs children. These monthly payments, which often include money for respite care, generally continue until the child's 18^{th} birthday.

During testing of the NFOCUS random sample, we noted AA claims that were being split between the "adoption subsidy" for maintenance costs and the "respite care for adoption subsidy" for respite costs. For 10 claims tested, the "adoption subsidy" was charged to IV-E Federal funds, and the "respite care for adoption subsidy" was charged only to State funds.

On March 13, 2018, we asked DHHS to explain why respite care for IV-E eligible children was charged only to State funds. Staff stated that it was the understanding of DHHS that respite care was not a IV-E claimable service. DHHS then contacted the Federal grantor, Administration for Children and Families (ACF), for clarification. On June 13, 2018, DHHS received a response from ACF, which stated the following:

5. Federal Funds Not Fully Utilized for Adoption Assistance (Continued)

> *Please see below the response we received to your recent question concerning title IV-E adoption assistance and respite payments:*
>
> *In attempting to answer the question posed, central office staff noted that it appears Nebraska is indicating that it seeks to now claim federal financial participation (FFP) for respite payments as part of title IV-E adoption assistance (AA) assistance payments.*
>
> *If so, the answer seems to be that the total amount of a title IV-E AA assistance payment is the amount as specified in an adoption assistance agreement, but for title IV-E claiming purposes that amount may not exceed the amount that would be payable as title IV-E foster care maintenance payments for that child if he/she were in a foster family home. Unlike in foster care, adoption assistance payments may not be required to be used for specified purposes.*
>
> *So, even though respite care is not, per se, allowable as a title IV-E foster care maintenance payment, <u>if the total adoption subsidy payment that NE is making does not exceed the amount that would be title IV-E allowable as foster care maintenance payments, it may claim such payments (including respite payments) for title IV-E AA FFP regardless of how classified in the adoption assistance agreement.</u>*
>
> *With respect to payments made by NE for earlier periods, title IV-E claimed for <u>allowable costs may be claimed as prior quarter adjustments subject to the filing time limits specified at 45 CFR Part 95.7.</u>*

(Emphasis added.) AA agreements signed prior to July 1, 2014, often included separate amounts for maintenance and respite costs. Those agreements were generally drafted so that AA costs totaled $1 less than the foster care reimbursement rate, ensuring compliance with the Federal requirement that the amount of the former does not exceed that of the latter.

Due to subsequent changes in foster care reimbursement rates, AA agreements drafted after July 1, 2014, do not differentiate between maintenance and respite costs. The present issue pertains, therefore, to AA agreements signed before that date. Nevertheless, those earlier agreements continue until the adopted child turns 18 years old, so DHHS should review payments being made pursuant thereto to determine if Federal funding could still be used to pay for future respite care costs.

As noted above, the total payment that DHHS makes, including the respite care for adoption subsidy, under an AA agreement may not "exceed the amount that would be title IV-E allowable as foster care maintenance payments." This requirement is set out in 42 USC § 673(a)(3), as follows:

> *The amount of the payments to be made in any case under clauses (i) and (ii) of paragraph (1)(B) shall be determined through agreement between the adoptive parents and the State or local agency administering the program under this section, which shall take into consideration the circumstances of the adopting parents and the needs of the child being adopted, and may be readjusted periodically, with the concurrence of the adopting parents (which may be specified in the adoption assistance agreement), depending upon changes in such circumstances. <u>However, in no case may the amount of the adoption assistance payment made under clause (ii) of paragraph (1)(B) exceed the foster care maintenance payment which would have been paid during the period if the child with respect to whom the adoption assistance payment is made had been in a foster family home.</u>*

COMMENTS AND RECOMMENDATIONS
(Continued)

5. Federal Funds Not Fully Utilized for Adoption Assistance (Continued)

(Emphasis added.) Therefore, to calculate the total respite care amount that could have been charged to Federal funds, we determined which IV-E eligible children had respite care paid only with State funds. We then compared the total AA payment ("adoption subsidy" plus "respite care for adoption subsidy") to the amount that would be allowable as foster care maintenance for the period. If less than the allowable foster care payment, we multiplied the amount of the total AA payment by the Federal financial participation (FFP) rate.

The following table illustrates our calculations:

Payment Dates	7/1/16 - 9/30/16	10/1/16 - 9/30/17	10/1/17 - 12/31/17
Allowable IV-E Respite Per APA review	$ 325,795	$ 1,240,197	$ 290,706
FFP Rate	51.16%	51.85%	52.55%
Federal Funds not Claimed	$ 166,677	$ 643,042	$ 152,766

To be conservative, our calculations used the "foster care essential rate" for determining if the AA payment was less than the foster care rate. The foster care "essential rate" is smaller than either the foster care "enhanced" or foster care "intensive" rates. Additional respite care payments not reflected in the above table were also charged exclusively to State funds on behalf of IV-E eligible children. These amounts totaled $857,627 and may be eligible for Federal funding if the "foster care enhanced" or "foster care intensive" rates are appropriate.

To illustrate, for one individual tested, the monthly AA payment was $867 ($695 for maintenance costs plus $172 for respite costs). The foster care "essential rate" for his age was $25 per day or $750 for the month. Because the amount of the AA payment exceeded that of the foster care essential rate, respite was not included in the allowable amounts above. However, under the prior rate system, the child scored 68 points, which would be comparable to an "enhanced" or even "intensive" foster care rate. The foster care "enhanced" rate is $32.50 per day or $975 for the month. In such a case, the total AA payment would be less than foster care maintenance, and the $172 respite would be allowable.

As also referenced in the above-quoted ACF response, 45 CFR § 95.7 allows DHHS two years to make claims for service provided, as follows:

> *Under the programs listed in § 95.1 [which includes "Title IV-E - Foster Care and Adoption Assistance."], we will pay a State for a State agency expenditure made after September 30, 1979, only if the State files a claim with us for that expenditure <u>within 2 years after the calendar quarter in which the State agency made the expenditure</u>. Section 95.19 lists the exceptions to this rule.*

(Emphasis added.) Thus, in addition to ensuring that Federal money is obtained, when possible, to pay for any future respite care costs arising from pre-July 1, 2014, AA contracts still in effect, DHHS should review past respite care expenditures made within the last two years for potential Federal funding eligibility.

COMMENTS AND RECOMMENDATIONS
(Continued)

5. Federal Funds Not Fully Utilized for Adoption Assistance (Concluded)

Good internal control and sound business practices require procedures to ensure that AA expenditures are charged to the proper funding source, and Federal funding is utilized for all allowable costs.

Without such procedures, State money will be expended in place of available Federal funds, increasing unnecessarily the burden to Nebraska taxpayers.

> We recommend DHHS implement procedures to ensure all allowable AA expenditures are charged to Federal funds.

DHHS Response: CFS sought and received guidance from the Administration for Children and Families (ACF) as to if respite under a subsidized adoption was IV-E eligible at the time. The guidance received from ACF was not clear and definitive. There is a need to receive additional clarification from ACF to determine if subsidized adoption related respite is IV-E eligible or not. Because the guidance was not clear, CFS chose to not put federal funds at risk and not utilize federal funds for this expense until clearer guidance is received from ACF.

APA Response: The APA disagrees regarding the clarity of the ACF guidance received. Regardless, it is incumbent upon DHHS to pursue this matter proactively, continuing to seek a more definitive and, for the agency at least, satisfactory response. The passive position adopted by DHHS is unacceptable given the need to resolve this issue as soon as possible to avoid losing Federal funding. Federal regulations allow claims for expenditures only within two years after the calendar quarter in which DHHS made the expenditures. If unwilling to strive aggressively for additional ACF clarification before submitting the next Federal report, DHHS should consider claiming those expenditures that would expire if not claimed.

6. Spending Authority Exceeded

Every fiscal year, the Legislature makes appropriations for each State agency. Appropriations are the authorizations granted by the Legislature to make expenditures or incur obligations for specific programs. Legislative appropriations are made by particular program and fund type, and agencies are required to operate within those established fiscal limitations.

Article III, § 25, of the Nebraska State Constitution says the following:

> *No allowance shall be made for the incidental expenses of any state officer except the same be made by general appropriation and upon an account specifying each item. No money shall be drawn from the treasury except in pursuance of a specific appropriation made by law, and on the presentation of a warrant issued as the Legislature may direct, and no money shall be diverted from any appropriation made for any purpose or taken from any fund whatever by resolution.*

Discussing the nature of legislative appropriations, the Nebraska Supreme Court has stated the following:

COMMENTS AND RECOMMENDATIONS
(Continued)

6. <u>Spending Authority Exceeded</u> (Continued)

> *Having in view the origin and history of appropriations as well as the general lexicographic meaning of the word, to "appropriate" is to set apart from the public revenue a certain sum of money for a specified object, in such manner that the executive officers of the government are authorized to use that money, and no more, for that object and for no other. This definition cannot be too strict as applied to our own constitution containing the requirement that the appropriations must be specific.*

<u>State ex rel. Norfolk Beet-Sugar Co. v. Moore</u>, 50 Neb. 88, 69 N.W. 373 (1896). For the fiscal year ended June 30, 2017, the State Legislature appropriated $173,821,977 in General Fund monies for Program 354.

For the fiscal year ended June 30, 2017, DHHS exceeded its appropriated spending authority for Program 354 by at least $8,744,997. DHHS calculated $10,257,830 in NFOCUS claims payable needed, but Program 354 had only $1,512,833 available. A similar finding was noted in our 2013 report.

DHHS requested the $8.7 million shortage within its $15 million deficit request. In the appropriations bill, LB 944 (2018), the Governor recommended a $15 million increase in cash funds for the 2018-19 fiscal year. A companion bill, LB 945 (2018), requested a transfer from the Nebraska Medicaid Intergovernmental Trust fund for the $15 million. However, neither LB 944 nor LB 945 were approved by the Legislature. Because the deficit request was not approved, DHHS is utilizing current-year appropriations to cover prior-year obligations.

We noted also that, on June 26, 2017, DHHS moved $3,139,350 from Program 354 (Child Welfare Aid) to Program 265 (Protection and Safety), decreasing Program 354 expenditures and increasing Program 265 expenditures. This journal entry was for a month-and-a-half of NFC payments for child welfare services. Per DHHS, payments to NFC encompass both aid and administration; therefore, a portion of those funds could be attributed to administration. However, the amount related to administration is not supported but appears instead to have been designated arbitrarily. Consequently, this was not a reasonable way to reclassify funds, nor was the method consistently applied.

The financial schedule was not adjusted, and the $3,139,350 transferred is not included in Program 354 expenditures – nor is it included in the $8,744,997 spending authority exceeded. As the Legislature appropriates funds by program, this journal entry could circumvent the Legislature's intentions and restrictions. Without the transfer, though, Program 354 would have exceeded its spending authority by $11,884,347.

Finally, as noted in the Background section herein, in December 2017, DHHS requested additional funding for the State Fiscal Year 2017-2019 Mid-Biennium Request. DHHS requested an additional $24,681,826 in General Fund money for 2018 and $31,004,088 in General Fund money for 2019 for Program 354. In support of the increased funding request, DHHS provided the State Budget Division with an explanatory letter containing the following:

COMMENTS AND RECOMMENDATIONS
(Continued)

6. <u>Spending Authority Exceeded</u> (Continued)

The program has experienced growth in the number of children and families entering the child welfare system requiring either in-home or out-of-home services, and the cost to provide those necessary services. In addition, Adoption Assistance, Subsidized Adoption, and Guardianship expenditures have experienced year-over-year multimillion-dollar increases.

Per review of the EnterpriseOne general ledger, General Fund expenditures for subprograms 17 (Post-Adoption Guardianship), 31 (IV-E Adoption Assistance), 32 (IV-E Guardianship), and 34 (State Subsidized Adoption) increased $448,958 from fiscal year 2015 to 2016 and $2,388,769 from fiscal year 2016 to 2017.

We also reviewed the “Count of Wards on the First Monday of the Month” CFS Point-in-Time report and noted that the total number of wards increased by 5.8% from July 2015 (4,134 total wards) to December 2017 (4,373 total wards). (See **Exhibit I**)

Nevertheless, General Fund money appropriated by the Legislature has increased over 34% for Program 354 from fiscal year 2016 to fiscal year 2018. The following table illustrates the various annual appropriation bills responsible for that increase.

General Fund Appropriations	FY 2016 LB 657	FY 2017 LB 956	FY 2018 LB 944	FY 2019 LB 944
Program 354	$ 141,951,936	$ 159,626,059	$ 190,749,126	$ 197,071,388

A 34% funding increase for Program 354 between fiscal years 2016 and 2018 appears excessive given the comparatively small 5.8% rate of client growth during that same period of time.

No less important, the numerous examples of unsupported and questionable expenditures for Program 354 raise questions regarding the underlying need for such a large increase in appropriations.

Good internal controls require policies and procedures to ensure compliance with spending limitations established by the State Legislature, ensuring that Program 354 expenditures and obligations do not exceed legislative appropriations. In addition to restricting expenditures to only those funds that have been appropriated and are available to be spent, those same policies and procedures should preclude appropriation requests that are more than actually required, especially when proper protections are clearly lacking to curtail the loss or misuse of public funds.

Without such policies and procedures, DHHS risks not only continuing to exceed legislative appropriations but also seeking increased funding that may be unnecessary and subject to ongoing waste and abuse.

> We recommend DHHS operate Program 354 within the spending limitations established by the State Legislature and ensure transactions are charged consistently to the proper programs. We recommend further that DHHS seek appropriation increases only in the amounts actually needed.

COMMENTS AND RECOMMENDATIONS
(Continued)

6. <u>Spending Authority Exceeded</u> (Concluded)

DHHS Response: DHHS made a $15 million mid-biennium budget request for cash fund appropriation for FY 2018-2019 to allow payment of child welfare aid obligations incurred in a fiscal year but not paid until the ensuing fiscal year. DHHS was aware of the structural budget situation and attempted to remedy the situation through the budget process. The legislature did not fund the request.

With regard to the necessary budget increase to continue to provide services to children and families in state care. DHHS made a mid-biennium request for additional state general funds in the amount of $24,681,826 for FY 2018 and $31,004,088 for FY 2019. The funding request was based on historical trends, current program needs at the time, and forecasted program expenditures. The program experienced year-over-year growth in the number of children entering the child welfare system and the number of children in out of home care. In addition to the increase in families receiving services, per capita costs were steadily increasing as well. This was driven primarily by the increased number of services provided to families and children experiencing system involvement. Other programs such as adoption assistance, guardianship subsidies, and subsidized adoptions also showed year-over-year cost increases. Tribal contracts were also increased to reflect the work taking place in those communities and provide parity with other similar contracts.

On July 30, 2017, pursuant to NRS § 81-3133(1)(b), requiring DHHS to report the movement of funds between subprograms in excess of $250,000 relating to child welfare in budget program 347 or budget program 354, DHHS reported $3,139,350 in child welfare aid expenditures attributed to administrative costs were moved from budget program 354 to program 265, child welfare administration. This was reported to accurately reflect the nature of the expense as a fixed cost payment to NFC.

APA Response: To start, Neb. Rev. Stat. § 81-3133(1)(b) (Cum. Supp. 2016) addresses the movement of funds "between subprograms within Budget Program 347 and Budget Program 354." Therefore, it is inapplicable to the present situation, which concerns money moved from Program 354 monies to Program 265. Even if that statutory provision were somehow applicable, however, compliance with it would alleviate neither the need to ensure transfers between programs are supported and reasonable nor the obligation to use appropriated funds as intended by the Legislature. It is important to note also that DHHS did not record this movement of funds as a transfer in the financial statements. Furthermore, DHHS lacked adequate support for the amount attributed to administration. Finally, the historical trends observed do not support a General Fund increase of $55,119,452 from FY 2016 to FY 2019, especially in light of the numerous unsupported and questionable expenditures identified in this report.

7. <u>Inadequate Support for Rates</u>

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

7. <u>Inadequate Support for Rates</u> (Continued)

We reviewed the rates charged for various child welfare services and noted that several rates were not adequately supported. A similar finding was noted in our 2013 report.

Per DHHS the following rates were based on discussions or surveys with providers. DHHS did not perform its own independent analysis to determine their reasonableness:

Service Type	Rate	Total Paid During Period
Family Finding	$5,500 per case	$ 679,575
Agency Supported Foster Care	$21.76 to $38.76 per day	$ 17,965,247
Group Home Care	$89.50, $116, $128, or $134 per day	$ 1,642,741
Emergency Shelter Center	$146 or $180 per day	$ 288,734
Transitional Living Services	$69 or $125 per day	$ 230,469

Foster parents receive a tiered rate based on the age of the child and the assessed level of care. This service is referred to as Out-of-Home Maintenance. The child-placing agency receives an amount for its own administrative costs, referred to as Agency Supported Foster Care. There was not adequate documentation to support that the rate for Agency Supported Foster Care was reasonable. DHHS implemented the rates recommended by the Nebraska Children's Commission – Foster Care Reimbursement Rate Committee; however, DHHS did not perform any procedures or verifications to determine whether the methodology and underlying data to develop the rates were reasonable and accurate.

Paid to	Essential Rate per Day	Enhanced Rate per Day	Intensive Rate per Day
Child Placing Agency	$21.76	$28.71	$38.76
Foster Parent	$20.00; $23.00; $25.00	$27.50; $30.50; $32.50	$35.00; $38.00; $40.00

During testing, we noted also that payments for children who were developmentally disabled (DD) were for multiple services that did not have documentation to support the reasonableness of the rates. The children were placed in Extended Family Homes (EFH). DHHS contracts with a provider – who, in turn, contracts with an EFH foster parent for the child to live with. The contractor pays a portion of the amount received from DHHS to the EFH; however, the amount to the EFH is determined by the contractor, and DHHS does no monitoring to ensure that EFH foster parents are paid accurately and timely. In addition, the rates to the provider and how much is actually paid to the EFH are inconsistent.

The following is an example of one month's services for two cases tested. The provider for State ward #1 was KVC Behavioral Healthcare Nebraska, and the provider for State ward #2 was Prime Home Developmental Services, Inc.

COMMENTS AND RECOMMENDATIONS
(Continued)

7. Inadequate Support for Rates (Continued)

Service	Ward #1	Ward #2
Out-of-Home Maintenance: Monthly room & board payment.	$ 589.67	$ 610.00
Out-of-Home Structure: Residential rate paid directly to the contractor. DD Residential Habilitation.	$ 6,612.00	$ 9,632.40
Day Habilitation: Rate for day services provided to the youth when they are not in school due to school not being in session (i.e., scheduled school holidays, etc.).	$ 2,900.00	$ 4,891.92
Personal Needs: Monthly spending allowance for the youth to purchase personal incidentals.	$ 58.00	$ 80.00
Total for Month	$ 10,159.67	$ 15,214.32
Amount Provider Paid to EFH foster parent for the Month	$ 7,105.00	$ 10,893.24

A May 21, 2018, email message from DHHS contained the following explanation:

In order for individuals to receive services from DD they must first apply and be determined eligible for DD under NE Rev. Statute 83-1205 . . . . Once they are determined eligible, they are placed onto the Statewide Waiting List. Individuals are removed from the waiting list as funding becomes available, via current appropriations in priority order according to NE Rev. Statute 83-12016 . . . . Once they are able to secure funding, this payment for DD services, is done under one of the Medicaid Home and Community Based Services Waivers (Day Only or Comprehensive).

We do not have "CFS rates". We attempt to utilize the DD rate methodology for all placements where the youth is DD eligible and an ICAP (Inventory for Client and Agency Planning) can be completed. If the ICAP is completed AND the provider is agreeable to accepting that rate, we pay based on the DD fee schedule. If the youth is not DD eligible and an ICAP cannot be completed OR the provider is unwilling to accept the rates established by DD, the CFS Admin or SAA have instructed my team to pay at whatever rate was requested by the provider . . . we do not typically have multiple placement options for these youth. We lose the ability to negotiate because we only have one provider willing to take the child.

CFS Service Type	Program 354 Rate	Total Paid During Period
Out-of-Home Structure	Varies – up to $529.80 per day	$ 4,808,748
Day Habilitation	Varies – up to $685.54 per day	$ 1,707,528

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.

> We recommend DHHS implement procedures to support the rates of compensation. We further recommend DHHS monitor contractors providing services to the developmentally disabled to ensure foster parents are paid accurately and timely. Lastly, we recommend the Division of Children and Family Services work with the Division of Developmental Disabilities and the Legislature to ensure rates, services, and contract requirements are consistent between programs.

COMMENTS AND RECOMMENDATIONS
(Continued)

7. <u>Inadequate Support for Rates</u> (Concluded)

DHHS Response: The foster care rates are set by the Foster Care Reimbursement Rate Committee which is a part of the Nebraska Children's Commission. Statutory reference, NRS 43-4217, also outlines the method and sources that must be utilized to develop foster care rate recommendations which were used to set the current foster care rate structure. The legislature outlined those requirements and felt they were sufficient support for rate determinations. The statute does not mandate DHHS to utilize those rates which the rate committee submitted in their report to the Health & Human Services Committee of the legislature. However, CFS believes the intent of the legislature in passing LB 530 in 2013, was for the Foster Care Reimbursement Rate Committee to develop rates that are consistent with national foster care rates, to stabilize payments to foster parents, to ensure rates remain fair, for rates to accurately reflect the cost of raising the child, and for other purposes. The bill in Section 2 directs CFS to implement the rates submitted to the legislature on or before July 1, 2014.

In addition, the Division of Developmental Disabilities (DD) has conducted rate studies to set their rates which are the basis for the payments made to children who are DD eligible but have not received DD funding. Currently, in most cases, CFS utilizes DD service providers to meet the needs of state wards in out of home care and the rates identified for DD services in the intensity required by the plan developed to meet the needs of the child.

CFS plans to initiate a comprehensive rate study during SFY 2019 which will inform and support any future rate structure changes. CFS is also planning to issue RFPs for many of the services provided through contracts. Through the RFP process, CFS will be better informed as to market rates and whether CFS needs to adjust any rates for specific services based on RFP responses.

APA Response: The foster care rates reported as lacking adequate support are not those paid to the foster parents for the expense of raising the child; rather, they are the administrative costs paid to the child-placing agency. Likewise, these administrative costs are not the expenditures addressed by the legislation cited. Consequently, DHHS bears sole responsibility for ensuring the propriety of these administrative rates. DHHS did not perform any procedures or verifications, however, to determine whether the methodology and underlying data to develop the rates were reasonable and accurate.

8. <u>Payments More Than Two Years After Service</u>

We noted 129 claims, totaling $97,263.93, that were paid more than two years after the services were provided.

The following is a summary of payments made more than two years after the service dates during the period July 1, 2016, through December 31, 2017:

COMMENTS AND RECOMMENDATIONS
(Continued)

8. <u>Payments More Than Two Years After Service</u> (Continued)

Payment Dates Over Two Years After Service Dates	# Claims	Dollars
4 - 6 ½ years old	8	$ 12,093.39
3 - 4 years old	34	$ 11,013.13
2 - 3 years old	87	$ 74,157.41
Total for Period	129	$ 97,263.93

Section II.D.3. of the current provider contracts state, "DHHS shall not pay any initial request for payment that is submitted later than sixty (60) calendar days past the last day of the month for which services were provided."

We tested one claim for 89 hours of service from March 1, 2012, through April 30, 2012, which was paid on December 1, 2016. The claim totaled $5,340. We requested support for the intensive family preservation hours billed. The documentation provided supported only 21.5 hours of the 89 hours billed. At $60 paid per hour, $4,050 was not supported.

Section II.H. of the contract for those particular services contained the following provision:

> *The Contractor is expected to submit the Department provided billing documents within ninety (90) days of the provision of service. The Contractor understands and agrees that any bills submitted for payment that are over a year from the date of service shall not be paid.*

DHHS staff acknowledged not enforcing this contractual guideline.

We also tested two Psychiatric Residential Treatment Facility (PRTF) claims, totaling $22,940.62, for services provided in December 2014 and January 2015. These claims were paid on May 20, 2017. On April 17, 2017, the provider emailed DHHS to ask why payment had not been made for these invoices. The invoice for December 2014 services was dated January 2, 2015, and the invoice for January 2015 services was dated February 4, 2015; therefore, it appears these invoices would have been received in 2015. DHHS would have been entitled to a two-percent discount if payment had been made within 10 days after receipt of the bill.

DHHS not only failed to receive this discount because payment was not made until two years after services were performed but also did not comply with the requirements of the Prompt Payment Act, which is set out at Neb. Rev. Stat. § 81-2401 (Reissue 2014) et seq. Specifically, Neb. Rev. Stat. § 81-2403(2) (Reissue 2014) provides the following:

> *Any agency making payment for goods or services provided for third parties shall make payment in full for such goods or services on or before the sixtieth calendar day after the date of receipt by the agency of the bill.*

COMMENTS AND RECOMMENDATIONS
(Continued)

8. Payments More Than Two Years After Service (Concluded)

Section II.C. of the provider contract in effect from 12/1/14 to 1/31/15 stated the following:

1. *Payment shall be made in compliance with the Nebraska Prompt Payment Act, NEB. REV. STAT. §81-2401 through 81-2408 with a discount for early payment as provided in this section . . . .*

2. *DHHS shall be entitled to a two percent (2%) discount of the amount requested in a bill if payment for delivered and accepted goods and/or services is made within ten (10) days after receipt of the bill.*

Failure to take advantage of contractual provisions that save the State money increases the taxpayer's burden. In addition, there is an increased risk for errors and fraud, not to mention lack of both contractual and statutory compliance, if services are not billed and paid for in a timely manner.

> We recommend DHHS comply with contractual provisions requiring the prompt payment of billings. When such provisions mandate that payment be made within 60 days of billing, compliance therewith will necessarily ensure compliance also with the Prompt Payment Act. We recommend also that DHHS enforce contractual provisions permitting refusal to make payment for any billing submitted after the specified deadline.

DHHS Response: DHHS concurs with the audit finding. Training will take place to ensure that staff understands and complies with the Prompt Payment Act, and complies with the various services' contractual provisions requiring the prompt payment of billings. Training will also take place to review and understand the various claims processing criteria, to adjust processes to be in compliance with enforcing DHHS' provisions permitting the refusal to make payments for any billing submitted after the specified deadline.

9. Contractual Aid Payments Not Adequately Monitored

Program 354 expenditures for the period July 1, 2016, through December 31, 2017, include $18,959,135 for contractual aid payments to contractors other than NFC. We noted that 7 of 10 payments tested were not adequately monitored to ensure costs were allowable and contract provisions were met. Furthermore, DHHS stated that Program 354 does not conduct site reviews of contractors and subrecipients.

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

45 CFR 75.403 (October 1, 2016) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

COMMENTS AND RECOMMENDATIONS
(Continued)

9. <u>Contractual Aid Payments Not Adequately Monitored</u> (Continued)

45 CFR 75.352(d) (October 1, 2016) requires a pass through entity to do the following:

> *Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward[.]*

Without adequate monitoring, there is an increased risk for misuse of funds. Additionally, such non-compliance with Federal requirements increases the risk for unallowable costs and resultant Federal sanctions.

Child Advocacy Services
We tested two payments, totaling $83,561, for child advocacy services. DHHS did not obtain adequate documentation to support that personnel costs charged were for actual time spent on the subaward or documentation to support how the amounts were allocated between funding sources. Also, DHHS did not ensure that the subrecipients were accredited, as required by statute.

Per § III.B.1 of the child advocacy subaward agreements, the "Subrecipient will be accredited by the National Children's Alliance and will continue to meet accreditation standards as provided by Nebraska State Statutes at 28-728(2)." Neb. Rev. Stat. § 28-728(2) (Reissue 2016) states, in part, the following:

> *The purpose of a child advocacy center is to provide a child-focused location for conducting forensic interviews and medical evaluations for alleged child victims of abuse and neglect and for coordinating a multidisciplinary team response that supports the physical, emotional, and psychological needs of children who are alleged victims of abuse or neglect. Each child advocacy center shall meet accreditation criteria set forth by the National Children's Alliance.*

The cost of child advocacy services paid with State General Funds for the period July 1, 2016, through December 31, 2017, totaled $3,558,975.

Domestic Abuse
None of the three payments tested for domestic abuse and family violence prevention services were adequately monitored.

- For one payment, DHHS did not obtain adequate documentation to support that personnel costs were for actual time spent on the subaward or that costs were in accordance with Federal cost principles. After being questioned by the APA, DHHS obtained additional support; however, two individuals did not have time records provided, and for two individuals the time records did not support the amounts charged. The payment totaled $47,475, of which $3,731 is considered Federal questioned costs, and $4,784 is State questioned costs.

- For the second payment tested, DHHS obtained only general ledger records, which are insufficient to support that proper amounts were charged or that costs were in accordance with Federal requirements. The payment totaled $36,267, of which $17,616 is considered Federal questioned costs and $18,651 is State questioned costs.

COMMENTS AND RECOMMENDATIONS
(Continued)

9. Contractual Aid Payments Not Adequately Monitored (Continued)

- DHHS did not obtain supporting documentation for any of the costs paid for the third payment tested, totaling $15,370, to the Winnebago Tribe of Nebraska. A similar finding was noted in our 2013 report. DHHS claimed to be in the process of scheduling monitoring visits for the 2017-2018 contract year. During the period tested, the Winnebago Tribe received $48,370 in State General Funds for domestic abuse aid.

Domestic abuse expenditures for the period totaled $4,096,509.

Family Preservation

We tested one payment to a subrecipient for family preservation. The payment was charged to the Federal grant for "Promoting Safe and Stable Families." The payment totaled $262,316, of which $4,500 was charged to Program 265 and the remainder to Program 354. We noted the following:

- Personnel costs were charged based on a budgeted allocation, which is not allowable per Federal cost principles.

- Further, the subrecipient passed Federal funding through to other entities. There was no documentation, such as invoices, receipts, or timesheets, to show that the correct amounts were charged and that the expenses were allowable for the grant and per Federal cost principles. After being questioned by the APA, DHHS obtained additional information to support a portion of the payment.

- Only $4,500 was charged to Program 265 for administration; however, the invoice from the subrecipient showed $23,847 of administrative/indirect costs. Therefore, it appears that $19,347 charged to Program 354 should have been charged to Program 265. The grant had a 10% limit on administrative costs. If the proper amounts are not recorded as administration, there is an increased risk for non-compliance with Federal requirements.

Questioned costs for the payment tested totaled $206,926. Family preservation expenditures for the period totaled $1,590,433.

45 CFR 1357.32(h)(1) states the following:

> *States claiming Federal financial participation for services provided in FY 1994 and subsequent years may not claim more than 10 percent of expenditures under subpart 2 for administrative costs. There is no limit on the percentage of administrative costs which may be reported as State match.*

Post-Adoption Guardianship

We tested one payment for post adoption and guardianship services. The payment totaled $129,967, which was charged to State General Funds. Total payments for the period totaled $1,996,084. The following was noted:

- The payment support was not detailed, and there was a lack of monitoring procedures to ensure the expenditures were reasonable and necessary.

COMMENTS AND RECOMMENDATIONS
(Continued)

9. Contractual Aid Payments Not Adequately Monitored (Concluded)

- DHHS claimed to have performed monitoring of the contractor in 2016; however, there was no documentation of the monitoring being performed.

- Furthermore, an indirect cost rate of 16.6% was charged – which, according to the Request for Proposal, was a Federally approved rate. When examined by the auditors, however, that rate was found not to be Federally approved, and no further supporting documentation was available. DHHS had not performed any follow-up to ensure that the indirect cost rate was reasonable and supported.

A similar finding pertaining to a lack of adequate monitoring for contractual aid payments was noted in our 2013 report.

> We recommend DHHS implement procedures to ensure contractors and subrecipients are monitored, and adequate documentation is maintained to support that expenditures are allowable and in accordance with State and Federal requirements.

DHHS Response: DHHS concurs with the audit finding. A complete review of current procedures is taking place. Those procedures will be enhanced to ensure that adequate supporting documentation is reviewed, contract provisions are being reviewed and met, site visits are established, and that personnel costs will be reviewed to support that the actual time spent on the subawards and contracts is in accordance with Federal cost principles. The enhanced procedures will ensure that expenditures are reasonable and necessary. CFS has identified two contract monitors currently on staff that will receive additional training to effectively implement a program to monitor sub recipients. CFS will be adding an additional financial resource to effectively monitor sub recipients billing, expenditure and financial practices to assure expenses are necessary and reasonable.

10. No Evidence of Contractor Financial Stability

A good internal control plan requires procedures to ensure contractor financial stability and liquidity is adequately verified, as required by statute. Specifically, Neb. Rev. Stat. § 43-4410(1) (Reissue 2016) provides the following:

> *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.*

We tested 10 contractors and noted the following:

- One contractor tested did not have a financial stability and liquidity review completed.

- One such review was not completed until two months after the contract was signed.

COMMENTS AND RECOMMENDATIONS
(Concluded)

10. <u>No Evidence of Contractor Financial Stability</u> (Concluded)

- For five contractors tested, the review was based solely upon information provided by the contractor and was not verified by an independent source, such as a C.P.A., or bank statements.

A similar finding was noted in our 2013 report.

Without adequate verification of a potential contractor's financial stability and liquidity prior to entering into a service agreement with that individual or entity, there is not only an increased risk for errors or fraud – which could result in additional costs to the State if the contractor should fail to pay foster parents or subcontractors – but also noncompliance with State statute.

> We recommend DHHS implement procedures for obtaining verification of a potential contractor's financial stability and liquidity prior to entering into a service agreement with that individual or entity, as required by State statute. We further recommend DHHS implement procedures to ensure that such information is verified by an independent source.

DHHS Response: Entities seeking to enter into child welfare contracts with DHHS are required to submit evidence of financial stability and liquidity prior to the execution of such contracts. DHHS completed financial stability tests for most of the service providers under contract. The APA identified that in several instances the information provided by the contractor had not been verified by an independent source, such as a CPA, or took place after the contract was executed. CFS will take additional steps to ensure that financial stability information is verified and processed prior to executing the contract.

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

INDEPENDENT ACCOUNTANT'S REPORT

Department of Health and Human Services
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Department of Health and Human Services Program 354 – Child Welfare Aid for the period July 1, 2016, through December 31, 2017. The Nebraska Department of Health and Human Services Program 354's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balances. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balances for the period July 1, 2016, through December 31, 2017, is based on the accounting system and procedures prescribed by the State of Nebraska's Director of Administrative Services, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedule of Revenues, Expenditures, and Changes in Fund Balances; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in 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 in 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.

The purpose of this report is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

July 24, 2018

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2016, through December 31, 2017

	General Fund 10000	Health Care Cash Fund 22640	Federal Fund 40000	**Totals (Memorandum Only)**
REVENUES:				
Appropriations	$ 260,404,019	$ -	$ -	$ 260,404,019
Intergovernmental	-	-	44,044,067	44,044,067
Miscellaneous	274,812	-	114,778	389,590
TOTAL REVENUES	260,678,831	-	44,158,845	304,837,676
EXPENDITURES:				
Government Aid	260,678,831	3,873,796	44,158,845	308,711,472
TOTAL EXPENDITURES	260,678,831	3,873,796	44,158,845	308,711,472
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,873,796)	-	(3,873,796)
OTHER FINANCING SOURCES:				
Operating Transfers In	-	5,468,888	-	5,468,888
TOTAL OTHER FINANCING SOURCES	-	5,468,888	-	5,468,888
Changes in Fund Balances	$ -	$ 1,595,092	$ -	$ 1,595,092

The accompanying notes are an integral part of the schedule.

NOTES TO THE SCHEDULE

For the Period July 1, 2016, through December 31, 2017

1. Criteria

The accounting policies of the Nebraska Department of Health and Human Services Program 354 – Child Welfare Aid (Program 354) are on the basis of accounting, as prescribed by the State of Nebraska's Director of the Department of Administrative Services.

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's Director of the Department of Administrative Services (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 2014), 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 in 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 modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require Program 354 to record all accounts receivable and related revenues in EnterpriseOne; as such, Program 354's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payable posted in the general ledger as of December 31, 2017, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of December 31, 2017, **does not** include amounts for goods and services received before December 31, 2017, which had not been posted to the general ledger as of December 31, 2017.

The fund types established by the State that are used by Program 354 are:

> **10000 – General Fund** – accounts for activities funded by general tax dollars and related expenditures and transfers.
>
> **20000 – Cash Funds** – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

40000 – Federal Funds – account for the financial activities related to the receipt and disbursement of funds generated from the Federal government as a result of grants and contracts. Expenditures must be made in accordance with applicable Federal requirements.

The major revenue account classifications established by State Accounting and used by Program 354 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.

Miscellaneous – Revenue from sources not covered by other major categories.

The major expenditure account classification established by State Accounting and used by Program 354 is:

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.

Other significant accounting classifications and procedures established by State Accounting and used by Program 354 include:

Other Financing Sources – Operating transfers.

2. Reporting Entity

The Department is a State agency established under and governed by the laws of the State of Nebraska. As such, Program 354 is exempt from State and Federal income taxes. The schedule includes all funds of Program 354 included in the general ledger.

The Department is part of the primary government for the State of Nebraska.

3. Totals

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

NOTES TO THE SCHEDULE
(Concluded)

4. Transfers

Program 354 had transfers in from the Nebraska Medicaid Intergovernmental Fund of $2,734,444 for each fiscal year 2017 and 2018.

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in 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 in Fund Balances, and, accordingly, we express no opinion on it.

Exhibit A

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2016, through June 30, 2017

	General Fund 10000	Health Care Cash Fund 22640	Federal Fund 40000	**Totals (Memorandum Only)**
REVENUES:				
Appropriations	$ 163,740,808	$ -	$ -	$ 163,740,808
Intergovernmental	-	-	29,491,557	29,491,557
Miscellaneous	266,432	-	123,158	389,590
TOTAL REVENUES	164,007,240	-	29,614,715	193,621,955
EXPENDITURES:				
Government Aid	164,007,240	2,734,444	29,614,715	196,356,399
TOTAL EXPENDITURES	164,007,240	2,734,444	29,614,715	196,356,399
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,734,444)	-	(2,734,444)
OTHER FINANCING SOURCES:				
Operating Transfers In	-	2,734,444	-	2,734,444
TOTAL OTHER FINANCING SOURCES	-	2,734,444	-	2,734,444
Changes in Fund Balances	$ -	$ -	$ -	$ -

Exhibit B

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2017, through December 31, 2017

	General Fund 10000	Health Care Cash Fund 22640	Federal Fund 40000	**Totals (Memorandum Only)**
REVENUES:				
Appropriations	$ 96,663,211	$ -	$ -	$ 96,663,211
Intergovernmental	-	-	14,552,510	14,552,510
Miscellaneous	8,380	-	(8,380)	-
TOTAL REVENUES	96,671,591	-	14,544,130	111,215,721
EXPENDITURES:				
Government Aid	96,671,591	1,139,352	14,544,130	112,355,073
TOTAL EXPENDITURES	96,671,591	1,139,352	14,544,130	112,355,073
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,139,352)	-	(1,139,352)
OTHER FINANCING SOURCES:				
Operating Transfers In	-	2,734,444	-	2,734,444
TOTAL OTHER FINANCING SOURCES	-	2,734,444	-	2,734,444
Changes in Fund Balances	$ -	$ 1,595,092	$ -	$ 1,595,092

Exhibit C

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFC ADMINISTRATIVE QUESTIONED COSTS

TRANSACTION DATE	TRANSACTION DESCRIPTION	AMOUNT TESTED	APA QUESTIONED COST
Information Technology			
6/29/2017	155 computers, including 3-year protection warranties, ordered from CDW Corporation. The order was placed on 6/29/17, the current contract ended 6/30/17. It is not reasonable to order computers the day before the contract ended. NFC paid for the computers in August 2017.	$ 216,734.95	$ 216,734.95
Gifts			
12/31/2016	We tested four transactions to Target totaling $15,450. NFC purchased 309 - $50 gift cards for clients for the holiday season. According to NFC, the gift cards were purchased using donations and therefore should not have been charged to the State contract.	$ 15,450.00	$ 15,450.00
3/10/2017	Payment to Will Enterprises, Inc. for 411 t-shirts for staff and as promotional/recruiting items.	$ 1,862.29	$ 1,862.29
3/10/2017	Payment to Quality Logo for stress balls, noted as approved by the giving committee.	$ 875.60	$ 875.60
10/31/2016	Payment to Popcorn Factory for 35 holiday gifts for Board members.	$ 805.00	$ 805.00
3/10/2017	Invoice to Abante Marketing for 48 tumblers for employee appreciation.	$ 436.05	$ 436.05
4/30/2017-5/31/2017	Payments to National Foster Parent Association for bracelets to give out during foster care month.	$ 337.50	$ 337.50
8/31/2016	Payment to Hallmark for 350 birthday cards.	$ 318.50	$ 318.50
12/1/2016	Payments to Father Flanagan's Boys' Home for speaker gifts and giveaways.	$ 315.20	$ 315.20
6/5/2017	Invoice to Abante Marketing for t-shirts to give as awards at quarterly all-company/stakeholders meeting.	$ 275.00	$ 275.00
3/31/2017	Payment to Pen Place for six fountain pens at $45 each. Appears to be gifts.	$ 270.00	$ 270.00
8/16/2016	Invoice to Abante Marketing for t-shirts to give as awards at quarterly all-company/stakeholders meeting.	$ 264.00	$ 264.00
11/30/2016	Payment to the Gallery Collection for holiday cards.	$ 91.84	$ 91.84
12/31/2016	Payment to Hy-Vee for flowers for board chair, thank you.	$ 62.00	$ 62.00
10/31/2016	Flowers purchased from Dundee Florist for employee whose son was in the hospital.	$ 47.07	$ 47.07
3/10/2017	Gift card for employee.	$ 25.00	$ 25.00
1/31/2017	Payment to Father Flanagan's Boys' Home for a sweatshirt.	$ 17.99	$ 17.99
11/30/2016	Purchase from Target for toys/sporting goods department.	$ 10.70	$ 10.70

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFC ADMINISTRATIVE QUESTIONED COSTS

TRANSACTION DATE	TRANSACTION DESCRIPTION	AMOUNT TESTED	APA QUESTIONED COST
Youth Services			
12/31/2016	We tested three transactions to Lutheran Family Services (LFS) for Permanency Services. LFS is to identify prospective adoptive/guardianship families for referred children/youth and perform home visits, education, support groups, etc. According to NFC, each provider has a ratio of one staff person to 15 clients for a total of 45 clients. The contract had two separate monthly rates: $19,520 for three staff and $25,587 for four staff. Auditor reviewed the accounting records and noted 11 months were paid at the $25,587 and 1 month at the reduced rate of $19,520, this would be excessive payments of $66,737 as NFC stated only three staff were working on the contract. There was no support provided for the staffing level with the invoices.	$ 76,761.00	$ 66,737.00
2/1/2017	We tested one transaction to Nebraska Children's Home Society (NCHS) for Permanency Services (see LFS above for permanency service descriptions). According to NFC, each provider has a ratio of one staff person to 15 clients for a total of 45 clients. The contract had two separate monthly rates: $19,520 for three staff and $25,587 for four staff. Auditor reviewed the accounting records and noted 13 payments at the $25,587, this would be excessive payments of $98,391, as NFC stated only three staff were working on the contract. Furthermore, there was one additional monthly payment, due to timing, that was outside the fiscal year 2017. There was no support provided for the staffing level with the invoices.	$ 25,612.00	$ 98,391.00
11/30/2016	We tested one expenditure for bus transit tickets purchased for the month of November 2016 for clients. We compared the listing of clients that received the tickets to the direct service expenditures also claimed by NFC and found duplicate expenditures. We determined $19,447.50 were duplicate expenses for bus tickets and questioned the entire amount.	$ 3,382.50	$ 19,447.50
11/3/2016	Invoice from KVC Behavioral Healthcare for October 2016 charges for 5-day bed maintenance. KVC was paid a flat daily rate of $50 per day to hold beds for referred youth. KVC also receives agency supported foster care (ASFC) for each youth served during the time period. DHHS did not have similar contracts with its providers to hold beds, the rates paid for the ASFC are to include the costs of administration for the provider. KVC was paid $19,750 during FY 2017, for the 5-day bed hold and, therefore, these costs were questioned.	$ 1,550.00	$ 19,750.00

Exhibit C

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFC ADMINISTRATIVE QUESTIONED COSTS

TRANSACTION DATE	TRANSACTION DESCRIPTION	AMOUNT TESTED	APA QUESTIONED COST
3/31/2017	We tested two invoices from OMNI Behavioral Health for January and March 2017 charges for 5-day bed maintenance. OMNI was paid a flat daily rate of $50 per day to hold beds for referred youth. OMNI also receives ASFC for each youth served during the time period. DHHS does not have similar contracts with their providers to hold beds, the rates paid for ASFC are to include the costs of administration for the provider. OMNI was paid $16,700 during FY 2017, for the 5-day bed hold and, therefore, these costs were questioned.	$ 3,100.00	$ 16,700.00
2/27/2017	Invoice from a law office for guardianship legal fees. The firm provided services from January 2015 through April 2016 but was never paid. These expenses were not incurred during FY 2017, therefore, are not reasonable to be charged against the FY 2017 State contract.	$ 1,931.47	$ 1,931.47
10/16/2016 & 1/16/2017	We tested two payments to Wal-Mart for the Voucher Program. The Program is intended to provide short-term assistance to clients and/or youth to purchase items needed (i.e. clothing, approved grocery items, household items, etc.). NFC staff submit a voucher request, which is approved by the director, then the voucher has the specific items the client is allowed to purchase. NFC does not request a receipt from the client after items are purchased or compare the approved items from the voucher to the Wal-Mart detailed statement to ensure the items were allowable. Auditor selected 10 invoices from each Wal-Mart statement to test and also scanned the statement for unusual items and noted four transactions for "merchandise/consumables" for $469.93. There was no further detail to support what was purchased. One transaction had unallowable items (Christmas cards, fragrance diffuser, and deck mop) purchased totaling $47.77. This was not identified by NFC as they rely upon Wal-Mart to ensure the items purchased are allowable. $517.70 was questioned costs.	$ 10,787.93	$ 517.70
9/27/2016	Retainer fee paid to law office for custody fees. The entire retainer was $1,200, the father needed help with $500. An NFC employee completed an application for employee giving funds which was approved. This should not have been charged to the State contract.	$ 500.00	$ 500.00
8/31/2016	Purchase of bus tickets from Greyhound Lines for youth and grandmother to visit the youth's father in prison in Texas. The father had his rights terminated in March 2015. This was not a court ordered visit and, therefore, not reasonable for the State contract as there are no reunification processes in place.	$ 413.20	$ 413.20

Exhibit C

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFC ADMINISTRATIVE QUESTIONED COSTS

TRANSACTION DATE	TRANSACTION DESCRIPTION	AMOUNT TESTED	APA QUESTIONED COST
11/30/2016	Purchase of two money orders from Hy-Vee. Per NFC, these were purchased for a client to use for rent assistance. NFC did not have a lease agreement on file to support the money orders were used for the rent.	$ 409.38	$ 409.38
9/30/2016	Youth's prescription from Hy-Vee on 9/30/16. At the time of the expense, DHHS was working on Medicaid eligibility which was granted in November 2016, and back dated to 9/1/16. NFC did not work with DHHS to have the expense reimbursed from Medicaid.	$ 329.83	$ 329.83
10/31/2016	We tested two transactions for $100 gift cards to Kum & Go for a client to assist with transportation expenses. Auditor inquired about NFC's procedures to ensure only gas was purchased. NFC did not have proper controls, the gas cards were to go through an approval process, which was not done, and there was no signed receipt by the client. NFC agreed this should not be charged to the State contract.	$ 200.00	$ 200.00
8/31/2016	Payment to Petco for flea and tick treatment for a foster parent's pet. According to NFC, the home was infested with fleas to where they would crawl up your legs and were giving the youth bug bites. There was no documentation provided to support that this charge was for a client. APA was unable to find documentation in the client case file, therefore, costs were questioned.	$ 186.14	$ 186.14
10/31/2016	Payment to Target for Visa gift cards given to an employee for travel related to youth visit. Detailed receipts were provided for $42.30 of the $135. Remaining amount was unsupported.	$ 135.00	$ 92.70
4/30/2017	Payment to Buffalo Wild Wings for an employee's meal while in travel status for a youth visit. Receipt was not detailed.	$ 59.00	$ 59.00
8/31/2016	August 2016 gift card purchases from Bucky's to provide to clients for the purchase of gas for transportation to appointments. Auditor selected eight client cases to trace to the gas card requests and the client's signed receipt. For one client the support for the expense noted $40, however, the signed receipt was only for $30, we questioned $10.	$ 2,730.00	$ 10.00
State of Nebraska Child Welfare Contract Request for Proposal (RFP)			
10/31/2016 & 12/6/2016	Payment to the Washington Group Advisors for services provided for the development of NFC's RFP.	$ 39,206.46	$ 39,206.46
12/20/2016	Payment to David Fairbanks for research and draft response review for the Child Welfare Contract RFP.	$ 2,986.61	$ 2,986.61
11/30/2016	Payment to Panera Bread for RFP working lunch.	$ 244.58	$ 244.58
10/31/2016	Payment to Jimmy Johns for working lunch related to NFC's RFP for the Child Welfare contract.	$ 144.38	$ 144.38
9/30/2016	Payment to CATERING2YOU for an RFP working lunch. This lunch was associated with NFC's work on the new contract proposal for the State's Child Welfare contract.	$ 96.00	$ 96.00

Exhibit C

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFC ADMINISTRATIVE QUESTIONED COSTS

TRANSACTION DATE	TRANSACTION DESCRIPTION	AMOUNT TESTED	APA QUESTIONED COST
Catering/Staff Meals			
3/10/2017	Payment to DC Centre for room rental, donuts, and beverages for a community partners meeting. According to NFC, the meeting is a quarterly staff meeting where staff and members of the community are recognized for their service. Auditor compiled all charges to DC Centre for the quarterly meetings, totaling $3,417.30, and questioned all costs.	$ 777.32	$ 3,417.30
10/31/2016	Payment to CATERING2YOU for an employee giving party for 150 guests.	$ 800.00	$ 800.00
10/31/2016	Payment to CATERING2YOU for employee lunch.	$ 800.00	$ 800.00
10/31/2016	Payment to CATERING2YOU for a new employee lunch.	$ 540.00	$ 540.00
5/31/2017	Payment to CATERING2YOU for a new employee lunch.	$ 513.00	$ 513.00
7/31/2016	Payment to CATERING2YOU for a new employee lunch.	$ 432.00	$ 432.00
12/31/2016	Payment to CATERING2YOU for a new employee lunch.	$ 432.00	$ 432.00
3/10/2017	Payment to CATERING2YOU for a new employee lunch.	$ 432.00	$ 432.00
4/30/2017	Payment to CATERING2YOU for a new employee lunch.	$ 430.00	$ 430.00
11/30/2016	Payment to CATERING2YOU for a new employee lunch.	$ 425.00	$ 425.00
4/30/2017	Payment to CATERING2YOU for a new employee lunch.	$ 410.00	$ 410.00
3/31/2017	Payment to CATERING2YOU for a new employee lunch.	$ 393.00	$ 393.00
12/31/2016	Payment to CATERING2YOU for a new employee lunch.	$ 384.00	$ 384.00
8/31/2016	Payment to CATERING2YOU for a new employee lunch.	$ 378.00	$ 378.00
1/31/2017	Payment to CATERING2YOU for a new employee lunch.	$ 357.50	$ 357.50
9/30/2016	Payment to CATERING2YOU for a new employee lunch.	$ 320.00	$ 320.00
8/31/2016	Payment to CATERING2YOU for a new employee lunch.	$ 259.20	$ 259.20
7/31/2016	Payment to CATERING2YOU for a new employee lunch.	$ 240.00	$ 240.00
9/30/2016	Payment to CATERING2YOU for a board meeting lunch.	$ 220.00	$ 220.00
10/31/2016	Payment to CATERING2YOU for an employee giving party for 20 additional guests.	$ 115.00	$ 115.00
11/30/2016	Payment to CATERING2YOU for a dessert bar.	$ 48.00	$ 48.00
9/30/2016	Payment to CATERING2YOU for a dessert bar.	$ 30.00	$ 30.00
7/31/2016	Payment to CATERING2YOU for a dessert bar.	$ 25.00	$ 25.00
11/15/2016	Payment for Thanksgiving dessert bar for employees.	$ 700.00	$ 700.00
3/31/2017	Payment to Simply Sweet for ice cream catering for "Contract Celebration". This took place the day after the State awarded the Child Welfare contract to NFC.	$ 660.00	$ 660.00
6/30/2017	Payment to Father Flanagan's Boys' Home for a new hire lunch.	$ 290.25	$ 290.25
3/1/2017	Payment to Father Flanagan's Boys' Home for NFC Future Planning lunch.	$ 207.20	$ 207.20
6/30/2017	Payment to Hy-Vee for cookies for permanency bells celebration.	$ 188.98	$ 188.98
6/30/2017	Payment to Hy-Vee for breakfast items.	$ 175.63	$ 175.63
3/31/2017	Payment to McAlister's Deli for a board meeting lunch. According to NFC, $87 was reimbursed by the board members. However, NFC was unable to support the reimbursement related to this expenditure. Therefore, the APA questioned the total amount.	$ 174.39	$ 174.39

Exhibit C

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFC ADMINISTRATIVE QUESTIONED COSTS

TRANSACTION DATE	TRANSACTION DESCRIPTION	AMOUNT TESTED	APA QUESTIONED COST
4/30/2017	Payment to Father Flanagan's Boys' Home for an NFC Executive Team Retreat lunches and snacks.	$ 155.40	$ 155.40
5/31/2017	Payment to Costco for snacks and drinks for Child and Family Services Review week.	$ 144.03	$ 144.03
3/31/2017	Payment to R-PIZZA for a lunch and learn meeting.	$ 138.00	$ 138.00
9/30/2016	Payment to Qdoba Mexican Grill for a new employee orientation lunch.	$ 137.10	$ 137.10
9/30/2016	Payment to Pasta Amore for meal with a consultant for discussion of business restructuring. Only a credit card receipt was provided for the meal.	$ 128.95	$ 128.95
6/30/2017	Payment to Hy-Vee for nine pizzas.	$ 125.91	$ 125.91
1/12/2017	Payment to Simply Sweet for down payment for ice cream catering for EPIC (Employee Planning & Involvement Committee) event.	$ 100.00	$ 100.00
7/31/2016	Payment to Goodcents Subs for foster parent advisory meeting.	$ 96.47	$ 96.47
6/30/2017	Payment to Hy-Vee for salad bar to go.	$ 50.00	$ 50.00
3/10/2017	Payment to Bakers for donuts.	$ 13.97	$ 13.97
7/31/2016	Payment to Bakers for donuts.	$ 10.98	$ 10.98
9/30/2016	Payment to Bakers for donuts.	$ 10.98	$ 10.98
Donations/Giving Committee/Fundraising			
12/31/2016	Transaction to record the inventory of the Duffels for Dignity fundraising activity. The Duffels for Dignity program is funded mainly through donations and other funding sources. Therefore, any transactions related to the program should not have been charged to the State contract. Duffels for Dignity transactions totaled $26,898.94 for FY 2017.	$ 24,879.40	$ 26,898.94
3/10/2017	Payment to Project Harmony for sponsor donation.	$ 2,500.00	$ 2,500.00
3/10/2017	Payment to Lauritzen Gardens for event rental.	$ 1,800.00	$ 1,800.00
7/1/2016-6/1/2017	Payments to Say Hey There, LLC for social media advertising for fundraising events, etc.	$ 5,977.50	$ 1,137.50
12/31/2016	Payment for the 2017 Mid-America Conference on fundraising, this should be recorded to the fundraising account.	$ 950.00	$ 950.00
2/13/2017	Reimbursement to employee for postage related to fundraising.	$ 602.14	$ 602.14
10/31/2016 & 3/10/2017	Two payments to North Omaha Community Care Council, referred to as donations.	$ 650.00	$ 650.00
1/24/2017	Reimbursement to employee for car repair, this was approved by the giving committee.	$ 500.00	$ 500.00
3/31/2017	Payment to Rays Body Shop. Per NFC, this was paid from the employee giving fund and should not have been charged to the State contract.	$ 500.00	$ 500.00
12/31/2016	Payment to John Gentleman Mortuaries for funeral expenses related to an employee. The expenditure was approved with giving committee funds.	$ 450.00	$ 450.00

Exhibit C

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFC ADMINISTRATIVE QUESTIONED COSTS

TRANSACTION DATE	TRANSACTION DESCRIPTION	AMOUNT TESTED	APA QUESTIONED COST
8/26/2016	Reimbursement to employee for books and supplies for classes. This was approved by giving committee and, therefore, should not have been charged to the State contract.	$ 407.94	$ 407.94
3/10/2017	Payment to Omaha Surgical Center for employee surgical procedure. This was approved from the giving committee.	$ 400.00	$ 400.00
10/31/2016	Payment to Project Harmony for a donation.	$ 400.00	$ 400.00
11/30/2016	Payment to OPPD on behalf of an employee. This was approved from the giving committee.	$ 325.00	$ 325.00
12/31/2016	NFC paid for a car repair for a client to AutoZone. According to NFC, this should not have been included as State funded items, these were from the giving fund.	$ 301.67	$ 301.67
6/29/2017	Printing charges from Father Flanagan's Boys' Home for the championship luncheon, fundraising event.	$ 264.94	$ 264.94
6/12/2017	Reimbursement to employee for air conditioning repair bill. This was approved by the giving committee, therefore, should not have been charged to the State contract.	$ 227.00	$ 227.00
12/13/2016	Employee reimbursement for a car battery, noted as paid with giving committee funds.	$ 109.12	$ 109.12
4/28/2017	Reimbursement to employee for purchase of books for continuing education. However, the books were paid with employee giving funds and, therefore, should not have been charged against the State contract.	$ 87.18	$ 87.18
3/3/2017	Reimbursement to employee for unknown reason. However, it was noted the expense was approved by the giving committee.	$ 70.02	$ 70.02
2/14/2017	Donation flyer expense.	$ 41.78	$ 41.78
5/31/2017	Fundraising activity.	$ 35.07	$ 35.07
12/31/2016	Facebook expense for fundraising/marketing.	$ 4.11	$ 4.11
Entertainment/Staff Team Building Activities			
12/14/2016 & 1/12/2017	Two payments to Alley V for NFC employee appreciation party (bowling alley, arcade, etc.).	$ 8,500.00	$ 8,500.00
9/15/2016 & 12/31/2016	We tested two payments to the Amazing Pizza Machine for a kinship holiday party event. According to NFC, $1,213.88 was paid for with donations. However, NFC did not provide support that the donations were contained within the general ledger. Therefore, the APA questioned the total amount.	$ 4,043.86	$ 4,043.86
9/30/2016	293 tickets to Vala's Pumpkin Patch for EPIC employee party.	$ 3,296.25	$ 3,296.25
5/31/2017	Payment to Sam's Club for the EPIC employee family picnic.	$ 587.94	$ 587.94
8/31/2016	Expense for NFC staff picnic.	$ 554.28	$ 554.28
1/31/2017	Payment to Simply Sweet for an employee ice cream social.	$ 550.00	$ 550.00
1/31/2017	Payment to Qdoba Mexican Grill for employee appreciation.	$ 365.82	$ 365.82
5/19/2017	Payment to Let's Jump Rentals for bounce house rentals for the NFC employee summer event.	$ 300.00	$ 300.00
12/31/2016	Purchase from Target for what appears to be gifts for employees.	$ 217.50	$ 217.50
8/31/2016	Credit card receipt from Valentino's for a meal for employees that assisted with the blood drive.	$ 216.07	$ 216.07

Exhibit C

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFC ADMINISTRATIVE QUESTIONED COSTS

TRANSACTION DATE	TRANSACTION DESCRIPTION	AMOUNT TESTED	APA QUESTIONED COST
3/10/2017	Purchase from Target for giving committee gift cards.	$ 212.00	$ 212.00
10/31/2016	Payment to Hy-Vee for eight - $25 gift cards for employees.	$ 200.00	$ 200.00
10/31/2016	Payment to Costco for staff pancake breakfast.	$ 175.84	$ 175.84
7/31/2016	Payment to Mediterranean Bistro for a meal with the Mexican Consulate.	$ 175.00	$ 175.00
12/31/2016	We tested two payments to Maplewood Lanes for a staff team building activity.	$ 160.45	$ 160.45
3/10/2017	Payments to Amazon for cupcake liners and holders for the EPIC valentine party.	$ 156.84	$ 156.84
9/30/2016	Payment to Dave & Busters for staff team building activity.	$ 130.00	$ 130.00
4/30/2017	Receipt from Upstream Brewing Company for a staff team building activity.	$ 129.22	$ 129.22
2/1/2017	Reimbursement to employee for purchase of pumpkins for the giving committee party.	$ 120.00	$ 120.00
1/31/2017	Payment to Crown Awards for awards given to employees for appreciation event.	$ 107.99	$ 107.99
1/3/2017	Reimbursement to employee for team building activity.	$ 100.00	$ 100.00
9/30/2016	Payment to Defy Gravity for staff team building activity.	$ 100.00	$ 100.00
3/31/2017	Reimbursement to employee for staff team building activity.	$ 100.00	$ 100.00
12/31/2016	Receipt from The Mark Bowling & Entertainment for staff lunch at offsite training. Written on the receipt was a note that $70 was paid by employee giving fund. NFC was unable to provide support for the $70 credit from the giving fund or that this expense was related to staff training.	$ 99.65	$ 99.65
4/30/2017	Payment to Egg and I for staff team building activity.	$ 99.08	$ 99.08
3/10/2017	Payment to Scooter's Coffee for 19 gift cards ($5 each) for EPIC employee party.	$ 95.00	$ 95.00
12/31/2016	Payment to Cheers Paint and Sip for staff team building activity.	$ 94.20	$ 94.20
7/31/2016	Payment to Wal-Mart for staff team building activity.	$ 92.24	$ 92.24
8/31/2016	Payment to Chili's for staff team building activity.	$ 90.66	$ 90.66
10/7/2016	Reimbursement to employee for team building activity.	$ 90.00	$ 90.00
12/31/2016	Purchase from Target for employee recognition items.	$ 88.72	$ 88.72
4/30/2017	Payment to La Mesa Mexican Restaurant for a staff team recognition lunch.	$ 87.93	$ 87.93
6/30/2017	Payment to Wal-Mart for staff team building activity.	$ 87.06	$ 87.06
12/31/2016	Payment to Pizza West for a staff team building activity.	$ 80.00	$ 80.00
10/31/2016	Payment to Godfather's Pizza for a recognition meal for the committee, noted as paid with employee giving fund.	$ 79.74	$ 79.74
6/30/2017	Payment to Cilantros Mexican Grill for staff team building activity.	$ 78.57	$ 78.57
12/31/2016	Payment to the Fox and Hound for staff team building activity.	$ 78.00	$ 78.00
12/31/2016	Payment to DJ's Dugout for staff team building activity.	$ 70.00	$ 70.00
9/30/2016	Payment to Pizza Hut for a staff team building activity.	$ 69.28	$ 69.28
6/30/2017	Payment to Wal-Mart for EPIC candy.	$ 69.14	$ 69.14

Exhibit C

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFC ADMINISTRATIVE QUESTIONED COSTS

TRANSACTION DATE	TRANSACTION DESCRIPTION	AMOUNT TESTED	APA QUESTIONED COST
11/30/2016	Payment to Hy-Vee for Starbucks gift cards for employees.	$ 60.00	$ 60.00
12/2/2016	Reimbursement to employee for employee recognition items.	$ 60.00	$ 60.00
8/31/2016	Purchase from Target for gift cards and snack items for employee recognition.	$ 55.86	$ 55.86
12/31/2016	Purchase from Target for gift cards for staff.	$ 55.00	$ 55.00
12/31/2016	Payment to Pizza Hut for a staff team building activity.	$ 50.51	$ 50.51
8/31/2016	Payment to Fandango for staff team building activity.	$ 44.45	$ 44.45
11/30/2016	Payment to Walgreens for giving committee prizes.	$ 42.81	$ 42.81
12/31/2016	Payment to Valentino's for a staff team building activity.	$ 41.77	$ 41.77
12/20/2016	Reimbursement to employee for staff gift cards.	$ 40.00	$ 40.00
11/30/2016	Payment to Pizza Hut for a staff team building activity.	$ 37.96	$ 37.96
11/30/2016	Payment to Wal-Mart for games.	$ 35.62	$ 35.62
12/31/2016	Payment to Pizza Hut for a staff team building activity.	$ 30.00	$ 30.00
11/30/2016	Payment to Walgreens for Starbucks gift cards for employee recognition.	$ 30.00	$ 30.00
6/30/2017	Payment to Costco for pretzels for EPIC.	$ 26.36	$ 26.36
6/30/2017	Purchase from Target for EPIC candy.	$ 25.71	$ 25.71
11/30/2016	Purchase from Target for grocery items.	$ 21.39	$ 21.39
4/30/2017 & 6/30/2017	Two payments to Kum & Go for team building items and bags of ice.	$ 20.98	$ 20.98
3/10/2017	Big Johns Entertainment for sodas and pool/shuffleboard for a client totaling $17.20. These are not costs DHHS would incur for youth served by the agency, therefore, not reasonable for NFC.	$ 17.20	$ 17.20
8/31/2016	Purchase from Trader Joe's for snack items.	$ 15.66	$ 15.66
8/31/2016	Payment to Wal-Mart for staff recognition snacks.	$ 11.92	$ 11.92
6/30/2017	Payment to Dollar Tree for EPIC supplies.	$ 10.70	$ 10.70
8/31/2016	Payment to Wal-Mart for staff team building activity.	$ 10.19	$ 10.19
4/30/2017	Purchase of $10 Subway gift card for employee appreciation. There was an additional $70 in charges that appeared to be similar in nature per review of the accounting records.	$ 10.00	$ 10.00
10/31/2016	Purchase from Target - Starbucks gift card for employee yearly gift.	$ 10.00	$ 10.00
10/31/2016	Receipt for miscellaneous items including cookies and brownies.	$ 6.61	$ 6.61
12/31/2016	Payment to Village Inn for employee appreciation. There was an additional $48.18 in similar transactions per review of the accounting records.	$ 5.00	$ 5.00
Advertising/Marketing			
7/10/2016-3/10/2017	Payments to Kidglov for branding and advertising.	$ 31,631.19	$ 31,631.19
12/31/2016	Payment to AFP for recruitment/advertising. This should have been coded to the fundraising account, not the State contract.	$ 300.00	$ 300.00
4/30/2017	Payment to AFP for recruitment/advertising.	$ 175.00	$ 175.00

Exhibit C

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFC ADMINISTRATIVE QUESTIONED COSTS

TRANSACTION DATE	TRANSACTION DESCRIPTION	AMOUNT TESTED	APA QUESTIONED COST
3/10/2017	Transaction for recruitment/advertising. This should have been coded to a Federal grant, not the State contract.	$ 82.00	$ 82.00
8/31/2016 & 5/31/2017	Payment to AFP for recruitment/advertising.	$ 10.00	$ 10.00
Travel			
12/31/2016	Father Flanagan's Boys' Home personnel charges for booking NFC's travel-related expenses for 2015 (car rentals, hotels, airline, and cancelling trips). NFC was unable to support the calculation and the charges were outside of the contract period, therefore, costs were questioned.	$ 19,002.50	$ 19,002.50
4/30/2017	Four payments to the Marriott in Kansas City. After DHHS and APA started reviewing expenses, NFC removed this item, therefore, APA questioned the costs.	$ 1,354.20	$ 1,354.20
10/31/2016	American airline tickets. NFC removed this item, therefore, APA questioned the costs.	$ 569.70	$ 569.70
10/31/2016	American airline tickets. NFC removed this item, therefore, APA questioned the costs.	$ 367.70	$ 367.70
10/31/2016	American airline tickets. NFC removed this item, therefore, APA questioned the costs.	$ 337.10	$ 337.10
8/31/2016	American airline tickets. NFC removed this item, therefore, APA questioned the costs.	$ 237.70	$ 237.70
10/31/2016	Travel related agent fees. NFC removed this item, therefore, APA questioned the costs.	$ 20.00	$ 20.00
3/10/2017	Credit card receipt from Dark Horse Brewing Company was provided, no detailed receipt was available for review to determine if the meal was allowable for staff travel related to client services.	$ 17.00	$ 17.00
Employee Benefits/Lack of Payroll Allocations			
5/8/2017	Payment to Sav-Rx for prescription billing. Sav-Rx provides management of prescription drug program, including claims administration and processing, mail service dispensing, provider networks, etc. Sav-Rx was paid $447,343.26 during FY 2017. NFC was unable to provide the pricing schedule in order to verify the charges agreed to the contract. Furthermore, the contract discussed rebates that would be passed back to NFC. These rebates were not reduced in the accounting records. Rebates totaled $79,186.94 during FY 2017, these are questioned costs.	$ 12,903.36	$ 79,186.94
7/1/2016-6/30/2017	One employee's payroll was not properly allocated between funding streams.	$ 146,580.13	$ 34,206.00
11/30/2016	Payment to Quantum Workplace for an employee recognition, engagement, and evaluation survey platform. The entire invoice was $20,000; only $8,333.30 was charged to the State contract.	$ 8,333.30	$ 8,333.30
10/18/2016	Payment to LaRue Distributing for coffee service for NFC employees. LaRue was paid $5,740.96 during FY 2017.	$ 302.33	$ 5,740.96

Exhibit C

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFC ADMINISTRATIVE QUESTIONED COSTS

TRANSACTION DATE	TRANSACTION DESCRIPTION	AMOUNT TESTED	APA QUESTIONED COST
7/31/2016-6/16/2017	Payment to Ideal Pure Water, water service for employees. The State would not allow for similar expenditures.	$ 5,562.39	$ 5,562.39
3/10/2017	Payment to Fitucate for nutrition and weight loss program.	$ 400.00	$ 400.00
5/1/2017-5/31/2017	The President/CEO received a monthly car allowance of $350 during FY 2017. The amount received was not reasonable.	$ 350.00	$ 350.00
9/30/2016	Payment to Sherbrooke Consulting Inc. for 100 accountability rulers for staff. The rulers show pictures of how to deal with taking accountability and/or blaming others.	$ 156.00	$ 156.00
3/31/2017	Payment to Pandora for internet-based music source.	$ 51.23	$ 51.23
Legal/Lobbying			
7/31/2016-6/30/2017	Eleven payments to Husch Blackwell for lobbying expenses.	$ 33,200.00	$ 33,200.00
4/30/2017-6/30/2017	Payment to Baird Holm Law Firm for services related to immigration issues for an NFC employee.	$ 5,400.15	$ 5,400.15
Memberships & Related Meetings			
7/31/2016-12/31/2016	Membership dues for NeAHSC (Nebraska Association of Homes & Services for Children) and Greater Omaha Chamber of Commerce.	$ 1,110.00	$ 1,110.00
10/31/2016-6/30/2017	Membership dues for Sarpy County Chamber of Commerce.	$ 562.50	$ 562.50
11/30/2016	Annual Meeting for the Greater Omaha Chamber of Commerce.	$ 120.00	$ 120.00
Miscellaneous Expenditures			
7/1/2016-6/30/2017	Unpaid direct services for disputed claims or items that have not been billed by providers. As many of these charges were over one year since the date of service, it was unlikely they would be paid by NFC and, therefore, are not a reasonable expense to be reimbursed against the State contract.	$ 248,686.72	$ 225,575.19
12/31/2016	Expense for bad debt.	$ 20,384.00	$ 20,384.00
7/1/2016-6/1/2017	Payments to O'Brien Industries for public relations retainer for marketing and advertising.	$ 17,407.70	$ 17,407.70
10/13/2016	Payment to State of Nebraska for the submission of unclaimed property to the Nebraska State Treasurer, in compliance with State law. There were several related entries in the accounting system that netted to zero; however, one entry for $12,022.73 was not properly reduced, overstating expenditures charged to the State contract, these costs were questioned.	$ 20,048.03	$ 12,022.73
10/13/2016	Incorrect charges from Father Flanagan's Boys' Home.	$ 8,844.32	$ 8,830.00
1/1/2017	Prior period expenses.	$ 8,406.00	$ 8,406.00
11/11/2016 & 2/28/2017	Expenditure for line of credit/loan interest.	$ 1,525.90	$ 1,525.90
12/31/2016	Payroll payable.	$ 775.64	$ 775.64
12/15/2016	Negative payout related to payroll. DHHS questioned this transaction and NFC agreed, therefore, we included as questioned costs.	$ 657.60	$ 657.60

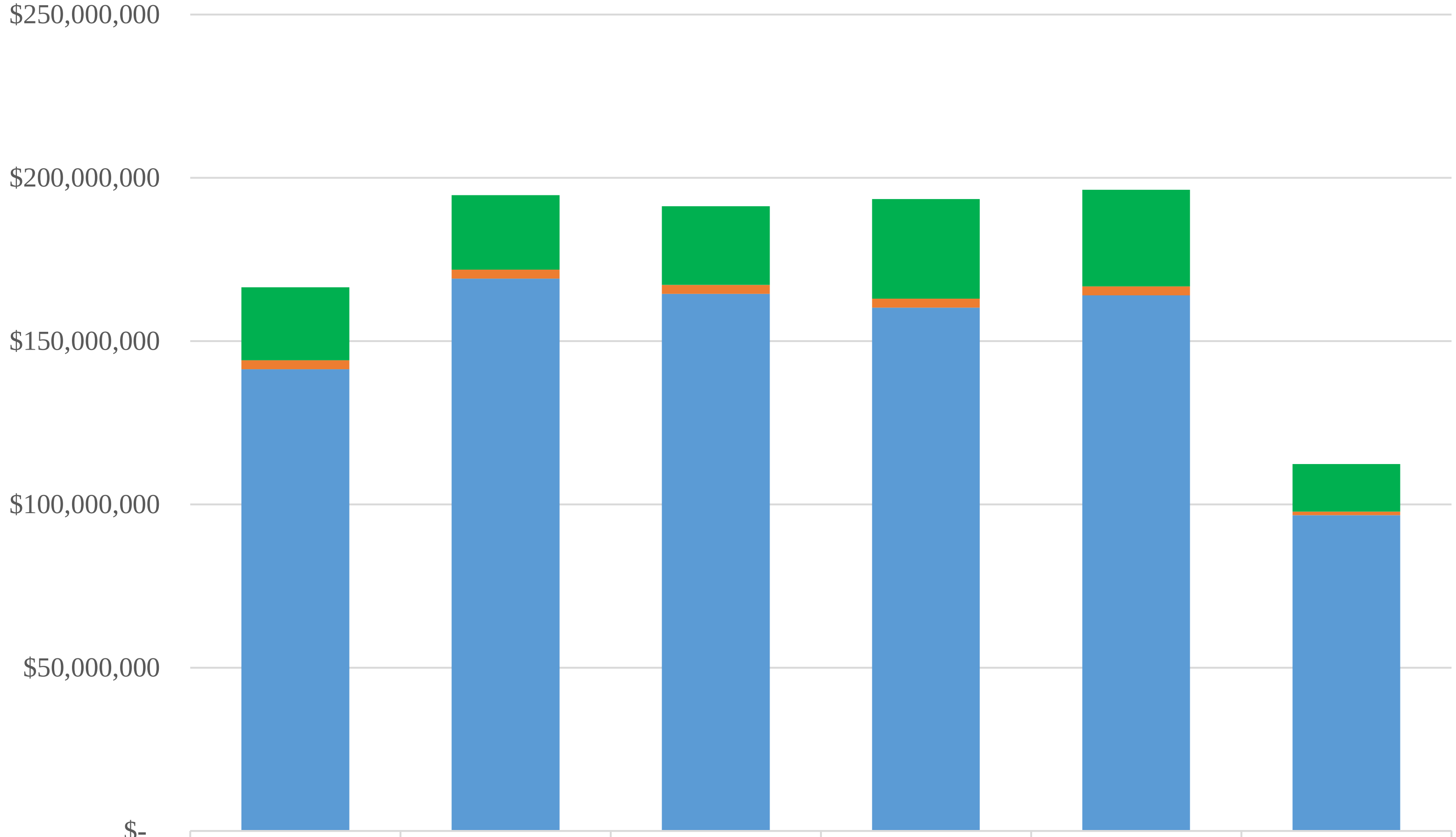
Exhibit C

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFC ADMINISTRATIVE QUESTIONED COSTS

TRANSACTION DATE	TRANSACTION DESCRIPTION	AMOUNT TESTED	APA QUESTIONED COST
12/31/2016	Payment to Nonprofit Hub, appears to be a nonprofit conference for two individuals.	$ 398.00	$ 398.00
5/31/2017	Two purchases to OfficeMax for photo frames.	$ 658.19	$ 380.46
12/31/2016	Prior period expenses from 2015.	$ 329.72	$ 329.72
10/1/2016	Payment to individual for youth services, no support provided.	$ 300.00	$ 300.00
3/10/2017-6/30/2017	Payment to Itex Corporation for exchange of goods and services. Expenditures appeared to be related to donations, catering, gift cards, and restaurants.	$ 294.75	$ 294.75
3/29/2017	Payment to the Greater Omaha Chamber of Commerce for the hall of fame gala (dinner).	$ 250.00	$ 250.00
12/31/2016	ACSI, unknown what payment was for, NFC removed this item, therefore, APA questioned the costs.	$ 230.31	$ 230.31
3/31/2017	Payment to Vimeo Pro for annual membership for video storage, etc. Per NFC this is used for marketing and social media videos.	$ 199.00	$ 199.00
11/30/2016	Payment to Office Depot for photo frames.	$ 156.66	$ 156.66
1/31/2017	Payment to Metropolitan Utilities. NFC removed this item, therefore, APA questioned the costs.	$ 136.00	$ 136.00
1/31/2017	Payment to OPPD (Omaha Public Power District). NFC removed this item, therefore, APA questioned the costs.	$ 135.00	$ 135.00
10/31/2016	Payment to Wal-Mart for misc. items.	$ 127.57	$ 127.57
4/30/2017	Payment to Amazon for prime membership, this was a duplicate expense, as this was paid on 3/10/17.	$ 104.45	$ 104.45
6/30/2017	Payment to Amazon for candy.	$ 85.84	$ 85.84
4/30/2017	Payment to PF Changs restaurant. NFC removed this item, therefore, APA questioned the costs.	$ 56.55	$ 56.55
4/30/2017	Payment to Menards for artwork supplies.	$ 41.36	$ 41.36
9/30/2016	Payment to Amazon, no support provided.	$ 32.56	$ 32.56
4/30/2017	Payment to Gates Bar B Que, no support provided.	$ 31.34	$ 31.34
4/30/2017	Payment to Sapp Bros. NFC removed this item, therefore, APA questioned the costs.	$ 24.15	$ 24.15
4/30/2017	Payment to Kwik Zone, no support provided.	$ 21.90	$ 21.90
6/30/2017	Payment to Wine Bar, no detailed receipt available.	$ 16.04	$ 16.04
10/31/2016	Payment to Amazon for two pounds of candy sticks.	$ 15.75	$ 15.75
10/31/2016	Payment to Amazon for stickers.	$ 15.36	$ 15.36
9/30/2016	Payment to Wal-Mart. NFC removed this item, therefore, APA questioned the costs.	$ 13.85	$ 13.85
6/30/2017	Payment to Tequilas Mexican restaurant, no detailed receipt available.	$ 12.67	$ 12.67
10/31/2016	Payment to Hockenbergs Foods for an aluminum scoop.	$ 11.66	$ 11.66
		Questioned Costs	**$ 1,110,336.59**

Exhibit D

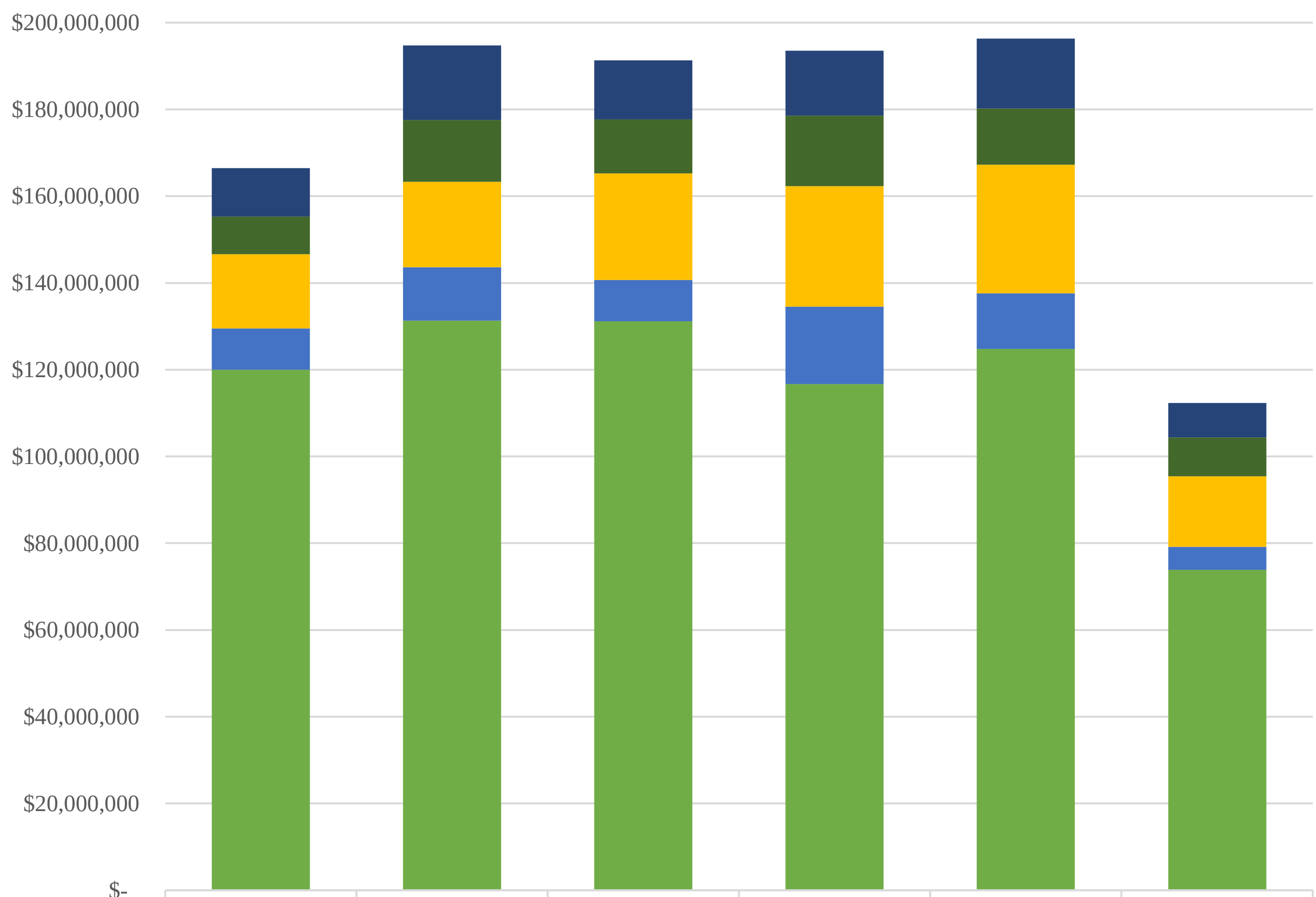
NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
EXPENDITURES BY FUND TYPE
July 1, 2012, through December 31, 2017



	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	July-Dec 2017
Federal Fund	$22,321,354	$22,863,480	$24,143,990	$30,523,314	$29,614,715	$14,544,130
Cash Fund	$2,734,444	$2,734,444	$2,734,444	$2,734,444	$2,734,444	$1,139,352
General Fund	$141,402,572	$169,116,440	$164,466,139	$160,248,805	$164,007,240	$96,671,591

Exhibit E

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
EXPENDITURES BY SUBPROGRAM
July 1, 2012, through December 31, 2017

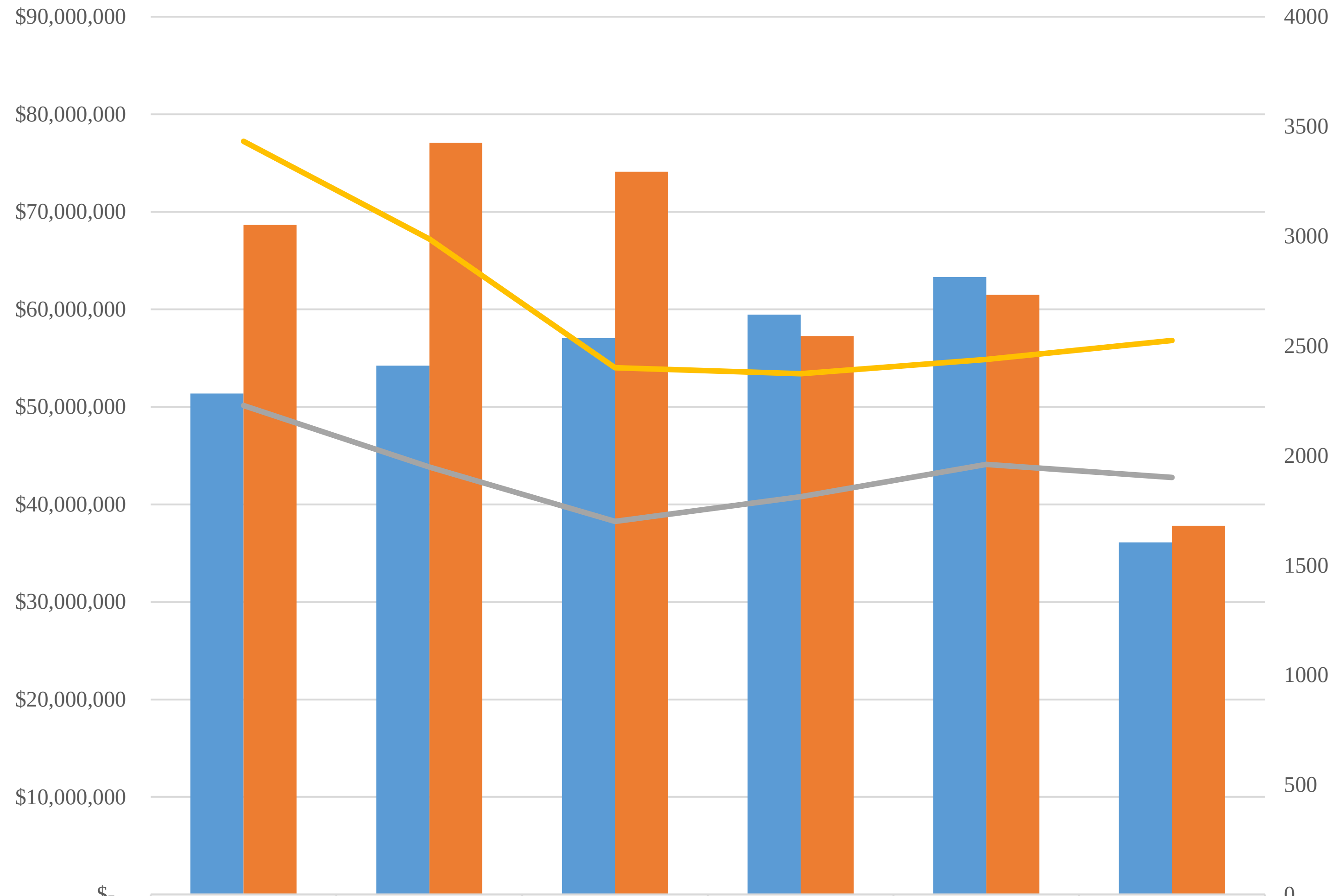


	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	July-Dec 2017
Other Subprograms	$11,173,452	$17,122,260	$13,644,881	$14,940,934	$16,153,506	$7,976,016
36 - State Ward Education Asssistance	$8,684,725	$14,295,518	$12,484,031	$16,234,452	$12,935,385	$8,933,211
31 - IV-E Adoption Assistance	$17,104,345	$19,659,646	$24,562,020	$27,774,901	$29,644,253	$16,289,104
30 - IV-E Foster Care	$9,482,769	$12,334,928	$9,507,346	$17,841,555	$12,842,022	$5,256,293
48 - Child Welfare	$120,013,079	$131,302,012	$131,146,295	$116,714,721	$124,781,233	$73,900,449

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

SUBPROGRAM 48 CHILD WELFARE EXPENDITURES AND AVERAGE # OF WARDS, NFC AND NON-NFC

July 1, 2012, through December 31, 2017



	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	July-Dec 2017
NFC $	$51,349,900	$54,226,768	$57,038,189	$59,458,529	$63,311,114	$36,112,247
Non NFC $	$68,663,179	$77,075,244	$74,108,106	$57,256,192	$61,470,119	$37,788,202
NFC Wards	2228	1948	1700	1812	1960	1900
Non NFC Wards	3432	2986	2400	2373	2438	2525

Exhibit G

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
EXPENDITURES BY PAYEE, CONTRACTORS OVER $500,000
For the Period July 1, 2016, through December 31, 2017

Payee/Explanation	Amount	Payee/Explanation	Amount
Nebraska Families Collaborative	$ 99,423,360	Lancaster County - Juvenile Detention	$ 1,483,233
Better Living Counseling Services	8,530,845	Omaha Home For Boys	1,376,657
Father Flanagan's Boys' Home	8,268,203	Project Harmony	1,370,060
Cedars Youth Services Inc.	7,042,093	Cathedral Home For Children	1,260,813
Pathfinder Support Services	5,544,841	Family Skill Building Services	1,250,454
KVC Behavioral Healthcare Nebr.	5,472,141	Nebraska Children's Home-Omaha	1,146,577
Schmidt, Jeffrey S.	5,390,904	MLCS Family And Youth Services	1,090,778
Owens & Associates Inc.	5,186,604	Boys Town Home National Research	1,087,137
Rite Of Passage Inc	4,496,155	Camelot Transportation Inc.	1,087,081
Building Blocks For Comm. Enrichment	4,223,071	Paradigm Inc	1,062,106
Compass	3,983,501	Option Care Enterprises Inc.	1,056,886
Christian Heritage	3,968,167	Seward Public Schools	1,014,170
Prime Home Developmental Services	3,577,786	Epworth Village Inc	1,005,423
Nebr. Children & Families Foundation	3,329,861	Midwest Special Services Inc	946,906
Good Life Counseling & Support	2,896,546	Heartland Family Service- Omaha	919,206
Omni Behavioral Health - Owner	2,845,538	Guardian Light Family Services	894,648
South Central Behavioral Services	2,664,102	Fillmore Central Public School	874,531
Behavioral Health Specialists	2,352,389	Community Monitoring Services	855,782
BSM Incorporated	2,207,390	Child Advocacy Center	753,323
Saint Francis Community Service	2,154,257	Cornerstone Families LLC	736,206
Omaha Tribe Of Nebraska	2,153,946	Golden Plains Services Transportation	728,014
Winnebago Tribe Of Nebraska	2,130,934	Mosaic - Holdrege	711,221
Nova Therapeutic Community Inc	2,011,000	Sarpy County	610,877
Right Turn LLC	1,996,084	Lutheran Family Services Of Nebr.	561,467
Kids TLC Inc	1,718,408	Integrated Life Choices Inc.	517,865
Dept of Health and Human Services**	1,621,239	Nebraska Family Advantage	503,253
Douglas County	1,558,585	Payees < $500,000	94,852,695
Futures Family Services LLC	1,501,707	Journal Entries and other*	(9,295,554)
		Total Expenditures	$ 308,711,472

Source: EnterpriseOne General Ledger. Auditor sorted and subtotaled payment transaction types (PV, P9, PD, OV)
*Other payment transaction types, journal entries and cash receipts (J1, JE, J9, RC)
**State ward education payments for wards attending school in DHHS facilities, such as Morton School, which is part of the Whitehall program and the Lincoln Regional Center.

Exhibit H

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFOCUS CLAIMS BY SERVICE TYPE
For the Period July 1, 2016, through December 31, 2017

Service Type	Dollars
ADOPTION SUBSIDY	$ 46,752,743.31
OUT OF HOME MAINTENANCE	$ 23,623,415.80
PARENTING TIME/SUPERVISED VISITATION	$ 20,088,429.64
AGENCY SUPPORTED FOSTER CARE	$ 17,965,247.43
CHILD CARE (Infant, Toddler, Preschool, School Age and Special Needs)	$ 9,948,036.67
GUARDIANSHIP SUBSIDY	$ 8,609,172.57
TRAVEL TIME AND DISTANCE - PARENTING/SUPERVISED VISITS	$ 7,536,293.16
DRUG TESTING AND SPECIMEN COLLECTION	$ 5,666,193.52
FAMILY SUPPORT SERVICES	$ 4,954,600.26
OUT OF HOME STRUCTURE	$ 4,808,747.77
RESPITE CARE FOR ADOPTION SUBSIDY	$ 3,554,382.00
LOA (Letter of Agreement) OUT OF STATE PRTF NON-SPECIALIZED	$ 2,730,830.69
INTENSIVE FAMILY PRESERVATION	$ 1,964,725.34
TRANSPORTATION COMMERCIAL	$ 1,759,341.78
LOA DAY HABILITATION SERVICES	$ 1,707,527.63
GROUP HOME CARE	$ 1,642,740.50
TRAVEL TIME AND DISTANCE - FAMILY SUPPORT	$ 1,347,867.90
PRTF (Psychiatric Residential Treatment Facility) HOSPITAL BASED	$ 1,322,872.08
PRESCRIBED DRUGS AND MEDICAL SUPPLIES	$ 1,213,832.41
TRANSPORTATION FAMILY VISITATION	$ 1,165,706.82
TRAVEL TIME AND DISTANCE	$ 896,309.92
LEGAL FEES	$ 682,523.85
FAMILY FINDING	$ 679,575.00
TRAVEL TIME AND DISTANCE - AGENCY SUPPORTED FC	$ 535,247.13
LOA OUT OF STATE THGH OUT OF HOME TREATMENT	$ 514,475.25
LOA OUT OF STATE PRTF HOSPITAL BASED	$ 371,395.82
EMERGENCY SHELTER CENTER	$ 288,734.00
PSYCHOTHERAPY INDIVIDUAL	$ 281,488.37
LOA GROUP HOME CARE	$ 250,742.00
THGH (Therapeutic Group Home) OUT OF HOME MAINTENANCE	$ 249,682.59
LOA OUT OF HOME MAINTENANCE STIPEND	$ 247,648.44
INTERVENTION HOURS	$ 245,102.62
TRANSITIONAL LIVING	$ 230,469.00
LOA OUT OF STATE THGH OUT OF HOME MAINTENANCE	$ 214,936.84
THERAPEUTIC GROUP HOME OUT OF HOME TREATMENT	$ 196,811.69
MOTOR VEHICLE PRIVATE	$ 186,938.06
FOSTER PARENT RESPITE CARE	$ 179,628.17
MOTOR VEHICLE GAS	$ 167,583.56
PSYCHOLOGICAL TESTING	$ 155,849.95
DORM FEES	$ 136,677.65
TRANSPORTATION YRTC	$ 135,128.64
CLOTHING	$ 125,215.17
RENT	$ 122,588.59
MOTEL/HOTEL	$ 112,428.92
PRTF NON-SPECIALIZED	$ 108,926.40
Services Less than $100,000*	$ 2,045,970.75
TOTAL NFOCUS PAYMENTS JULY 1, 2016 TO DECEMBER 31, 2017**	$ 177,724,785.66

*Various services such as groceries, motor vehicle repairs, dental and hospital services.

**Total payment vouchers through NFOCUS originally charged to Program 354, does not reflect amounts subsequently journal entried to or from other programs.

Source: NFOCUS and EnterpriseOne General Ledger

Exhibit I

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
COUNT OF WARDS
December 2013 through December 2017

Count of Wards on the First Monday of the Month				
		Wards In Home	Wards Out of Home	Total Wards
State	Dec-13	1427	3568	4995
	Jan-14	1419	3434	4853
	Feb-14	1336	3405	4741
	Mar-14	1242	3439	4681
	Apr-14	1190	3435	4625
	May-14	1135	3410	4545
	Jun-14	1121	3306	4427
	Jul-14	1059	3136	4195
	Aug-14	1026	3113	4139
	Sep-14	1017	3096	4113
	Oct-14	982	3153	4135
	Nov-14	898	3201	4099
	Dec-14	912	3144	4056
	Jan-15	922	3070	3992
	Feb-15	883	3143	4026
	Mar-15	889	3179	4068
	Apr-15	875	3219	4094
	May-15	872	3277	4149
	Jun-15	868	3254	4122
	Jul-15	899	3235	4134
	Aug-15	881	3252	4133
	Sep-15	919	3211	4130
	Oct-15	859	3206	4065
	Nov-15	844	3258	4102
	Dec-15	813	3216	4029
	Jan-16	836	3245	4081
	Feb-16	868	3318	4186
	Mar-16	896	3384	4285
	Apr-16	914	3411	4325
	May-16	907	3465	4372
	Jun-16	928	3444	4372
	Jul-16	926	3419	4345
	Aug-16	913	3398	4311
	Sep-16	918	3391	4309
	Oct-16	903	3468	4371
	Nov-16	866	3514	4380
	Dec-16	824	3516	4340
	Jan-17	873	3452	4325
	Feb-17	875	3554	4429
	Mar-17	902	3625	4527
	Apr-17	929	3602	4531
	May-17	874	3598	4472
	Jun-17	847	3589	4436
	Jul-17	806	3606	4412
	Aug-17	816	3577	4393
	Sep-17	870	3558	4428
	Oct-17	835	3640	4475
	Nov-17	855	3626	4481
	Dec-17	828	3545	4373

Source: DHHS CFS Point in Time Report

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFC AMENDMENT ONE TIMELINE

The following is an abbreviated timeline regarding the payment reconciliation for Amendment One to the NFC contract. The timeline demonstrates that, as noted in Comment #2, DHHS paid NFC for Amendment One expenses before obtaining and testing support for the expenses. In addition, despite NFC's assurances in November 2017 that staff had "gone over the detail line by line," several revisions were necessary, and unallowable expenses were noted after DHHS and the APA started testing and questioning items.

<u>October 12, 2016</u>: Amendment One is signed, and DHHS agrees to reimburse NFC for reasonable expenses. Per Section II.C. of the amendment:

> *At the end of each month, if DHHS determines that Subrecipient's reasonable expenses have exceeded payments made under Article II, Section B (1), (2), and (3) of this subaward for the month, DHHS will reimburse Subrecipient 80% of the amount by which the reasonable expenses exceed payments for the month. Subrecipient will be responsible for the other 20% up to a total of $400,000.00 for the term of this subaward. The parties agree to amend the contract compensation cap contained in Article II, Paragraph A of this subward agreement as necessary to permit the reimbursements described in this section.*

<u>February 22, 2017</u>: NFC provides DHHS a summary and the detail of its expenses for July 2016 through December 2016.

<u>March 17, 2017</u>: Excerpt from DHHS email to NFC:

> *Our calculations show that the amount owed to cover NFC deficits through January 31, 2017 is $1,998,482.*

<u>March 21, 2017</u>: Excerpt from NFC email to DHHS:

> *NFC will accept your calculation of the deficit payment (i.e., $1,998,482) as a determination that NFC's reasonable expenses exceeded payments made by DHHS for the months July 2016 through January 2017, **subject to** the final reconciliation at the end of the contract term.*

<u>March 29, 2017</u>: DHHS processes payment for $1,998,482 to NFC.

<u>May 18, 2017</u>: DHHS processes payment for $992,609 to NFC for deficits through March 2017.

<u>June 29, 2017</u>: NFC provides May 2017 contract reconciliation to DHHS.

<u>July 21, 2017</u>: Excerpt from NFC email to DHHS:

> *I wanted to touch base on the financial reconciliation through May - is a payment in sight? We are relying pretty heavily on our line of credit these days, which is a costly source of financing.*

<u>August 14, 2017</u>: DHHS processes payment for $1,347,904 to NFC.

<u>October 26, 2017</u>: Excerpt from NFC email to DHHS:

> *So you know, I'm "fine-tooth combing" the FamCare report [direct service charges] so anything that will not be paid or is incorrectly accrued is pulled out; I will also be adjusting for any end-of-year estimate from December 2016 that has not been used yet, as I don't want that buried in the numbers (want everything to be as transparent as possible.*

Exhibit J

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFC AMENDMENT ONE TIMELINE

November 7, 2017: Excerpt from DHHS email to NFC:

> *I agree, we should schedule some of the test work. The APA through the CAFR pulled the reconciliation invoice and our own internal audit unit reviewed it as well. Our IA unit will pull a meeting together for all of us to review the findings.*

November 14, 2017: Excerpt from NFC email to DHHS:

> *I've gone over the detail line by line and am confident that it is a true reflection of our expenses for the year, and can produce support for all of it.*

November 14, 2017: Excerpt from DHHS email to NFC:

> *I have a meeting with our internal auditors on Friday and will have the opportunity to review things with them at that time. Maybe they can just test a sample of what was provided and go from there.*

November 2017: Detail from NFC to DHHS containing the request for payment through June 30, 2017:

Nebraska Families Collaborative		
Detail of Revenues and Expenses		
State Fiscal Year 2017 (July 1, 2016 - June 30,2017)		
Contract Program Revenue	$	60,670,660.89
Direct Service Costs	$	(42,591,798.43)
Banner Direct Service Costs	$	(1,678,373.82)
All Other Expenses (excluding development and grants)	$	(22,016,376.05)
Net Income	$	(5,615,887.41)
Less: NFC share	$	400,000.00
State Receivable	$	(5,215,887.41)
Payment 4/4/17	$	1,998,482.00
Payment 5/25/17	$	992,609.00
Payment 8/17/17	$	1,347,904.00
State Payments to date	$	4,338,995.00
Amount due to NFC	$	876,892.41

December 6, 2017: Excerpt from DHHS email to NFC:

> *Thank you for providing the general ledger detail for the June 30 reconciliation payment. The DHHS Management has asked us [DHHS Internal Audit] to sample some transactions and invoices for review. I've attached a list of the transactions we are requesting invoices for supporting the expenses.*

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFC AMENDMENT ONE TIMELINE

<u>December 6, 2017</u>: Excerpt from NFC email to DHHS:

In finding support for the transactions DHHS selected for testwork, I've already come across two that shouldn't be included – both paid from our Employee Giving Fund. Once I came across those I started thinking about what else should not be included and thought of a couple more items – Duffels for Dignity is a self-supporting fund, and I believe we received some contributions related to our kinship foster parent party. I can't think of any others at this time. These are very small amounts in the grand scheme of things, but in the name of accuracy and transparency I want to be sure and exclude them from our reconciliation. These items are all entered under regular expense codes (not separated like Grants and Development) so they will take a bit of tracking down.

Unless you object, I'm going to continue to work on the samples and then will make adjustments for these items on the summary schedule once I've sent the support for the items I'm testing.

<u>December 6, 2017</u>: Excerpt from DHHS email to NFC:

Thanks for looking through that and identifying. At this point we would still want to receive all requested items including those you've already identified as unallowable. This will ensure the accuracy and thoroughness of our work papers.

<u>February 2018</u>: Detail from NFC to DHHS containing a revised request for payment through June 30, 2017, accounting for the unallowable expenditures identified above:

Nebraska Families Collaborative
Detail of Revenues and Expenses
State Fiscal Year 2017 (July 1, 2016 - June 30,2017)

Contract Program Revenue	$	60,670,660.89
Direct Service Costs	$	(42,603,296.63)
Banner Direct Service Costs	$	(1,677,373.82)
All Other Expenses (excluding development and grants)	$	(22,044,869.24)
Net Income	$	(5,654,878.80)
Less: NFC share	$	400,000.00
State Receivable	$	5,254,878.80
Payment 4/4/17	$	1,998,482.00
Payment 5/25/17	$	992,609.00
Payment 8/17/17	$	1,347,904.00
State Payments to date	$	4,338,995.00
Amount due to NFC	$	915,883.80

Exhibit J

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 354 – CHILD WELFARE AID
NFC AMENDMENT ONE TIMELINE

Less: Self-supporting and ineligible expense items			
Duffels for Dignity	$	(23,387.81)	
Kinship Party	$	(1,213.88)	amount of funds collected for party, expenses exceed this see kinship tab
Fundraising luncheon venue deposit	$	(1,800.00)	
Fundraising luncheon invitations	$	(264.94)	
Vala's Discounted Tickets	$	(3,296.25)	(purchased from NFC by employees)
Employee Giving		($24,715.50)	
Print shop JE errors		($8,830.00)	
Encumbrance roll		($5,578.93)	encumbered prior to 7/1/16
items offset by revenue entries		($775.64)	clear payroll payables,
Lobbying expense		($36,000.00)	
RFP Consultant		($39,206.46)	Washington Group
RFP Consultant		($2,986.61)	David Fairbanks
Branding Expenses		($38,767.66)	
	$	729,060.12	

March 5, 2018: The APA begins testing of DHHS payments to NFC related to Amendment One. The APA obtained the NFC expenditure files from the February 2018 request for payment, totaling $66,325,540, noted above. As documented through email communications between DHHS and NFC, revisions for unallowable expenditures were noted after DHHS Internal Audit began its test work. This was after NFC had reviewed its expenditures "line by line" and, through "fine-tooth combing," determined the files to be true and accurate for the payment reconciliation. The APA considered the items identified by DHHS Internal Audit, along with several other unallowable expenditures noted in Comment #2, to be unnecessary and unreasonable for reimbursement. Upon completion of our test work, the APA noted unallowable expenditures totaling $1,237,398, which indicates a $321,514 overpayment to NFC. DHHS and NFC were still working through the payment reconciliation to determine the final amount due to or payable from NFC at June 30, 2017.