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State Auditor Mike Foley and Department of Health & Human Services CEO Steve Corsi Expand Their Ongoing Collaboration to Address Additional Problems Revealed by the Statewide Single Audit

Less than one month ago, State Auditor Mike Foley announced his intention to collaborate with Steve Corsi, CEO of the Department of Health and Human Services (DHHS), in rooting out “longstanding fraud and abuse” in a Medicaid-funded “personal assistance services” (PAS) program overseen by that agency.

A hard-hitting early management letter, released by Auditor Foley on February 28, 2024, to presage the pending Statewide Single Audit report by his office, was responsible for exposing numerous examples of serious financial irregularities with the PAS program. That report, along with Auditor Foley’s accompanying press release, is available on the Auditor of Public Accounts’ webpage at <https://auditors.nebraska.gov/>.

Since the issuance of the disquieting early management letter, according to Auditor Foley, CEO Corsi has taken meaningful steps to address many of the problems that – as detailed by not only that most recent letter but also other reports issued by the Auditor of Public Accounts – have plagued the PAS program for the past decade.

Most recently, however, the full Statewide Single Audit report produced by Auditor Foley’s office has brought to light yet further examples of mishandling, including lack of proper oversight, of Federal funds by DHHS. Among those are the following:

- Some \$21,410,994 in known questioned costs resulted from the inability of DHHS to document the proper expenditure of Federal Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) appropriated by the Nebraska Legislature for employee retention and recruitment by developmental disability providers, assisted-living facilities, and nursing facilities in this State. Those monies were disbursed without the subsequent verification that the receiving entities used the funds for employee retention and recruitment programs. Additionally, DHHS reported having paid \$5,000 in CSLFRF money for fraudulent nursing scholarship applications submitted by someone who claimed falsely to be enrolled in a nursing program.

- An additional \$1,939,538 in known questioned costs was occasioned by DHHS' ineffective control procedures when disbursing Federal Child Care and Development Block Grant monies. Federal regulations required those monies to be obligated by September 30, 2022; however, DHHS was spending the funds by as late as June 28, 2023.
- More Federal Child Care and Development Block Grant monies, in the amount of \$32,000, were designated questioned costs because of the failure by DHHS to ensure that recipients met the criteria for increased awards. For example, one recipient received an additional \$5,000 in student loan reduction for having her master's degree, but support provided showed that she had yet to complete her schooling – even worse, she had not completed a class since 2012. Because the questioned costs were based upon a sample testing, the potential dollars at risk are estimated to be \$5,293,516.
- DHHS expended Federal Child Care Development Fund monies, in the amount of \$163,622, in violation of Federal and State requirements. In addition to a lack of support for disbursements, payments in excess of amounts authorized and duplicate claims were noted. Moreover, clearly suspect claims were allowed. For instance, one provider billed 348 hours for School Age care provided during one month. The auditors reviewed the attendance calendar, which showed that care was provided from 6:00 a.m. to 6:00 p.m. or 9:00 p.m. every day but Sundays. This was unreasonable, as hours were included when the School Age child should have been in school. Another provider billed 240 hours of overtime in one month, but no documentation could be provided to support that amount. Such problematic expenditures were permitted by a lack of effective review on the part of DHHS staff. Shockingly, previous audits of DHHS have produced similar findings for the past 17 years.
- A sample testing of 25 long-term care facility payments revealed the known misuse of \$20,153 in Medicaid funds by DHHS. These errors stemmed primarily from the failure of DHHS to verify recipient income and resources to ensure eligibility for Medicaid. Among other things, verification of recipient bank balances and life insurance policy values were not reviewed. In one instance, a recipient sold a home for \$144,000; however, DHHS neglected to confirm the disposition of those proceeds for purposes of determining Medicaid eligibility. Based on the sample tested, the potential dollars at risk are estimated to be \$31,763,196.
- Particularly disturbing was the apparent inability of both DHHS' Program Integrity (PI) division, which investigate cases of potential Medicaid fraud, and its Special Investigations Unit (SIU), which is tasked with pursuing allegations of suspected recipient fraud, to safeguard adequately Medicaid funds entrusted to the agency. A testing of 20 PI cases and 6 SIU cases uncovered 1 SIU case and 4 PI cases of suspected wrongdoing, none of which were brought to a satisfactory resolution. One such PI case, despite being initiated by an FBI review of suspected provider overbilling, was not sufficiently investigated by DHHS. In another PI case, a client claimed to have text messages supporting that services were not provided. The investigator requested the text messages; however, no further action was taken – because, according to the program administrator, the case was not a high priority due to no health or safety risk. The other cases noted received little attention as well.

Whether the result of human error or ineptness, the above examples of DHHS' management of Medicaid funds, as addressed in the recent Statewide Single Audit report, are far from comprehensive; nevertheless, they account for tens of millions of possibly misspent or unaccounted for Federal dollars.

While disappointed by the relatively poor showing of DHHS in the Statewide Single Audit report, Auditor Foley expressed faith in the ability of CEO Corsi to implement corrective action. "None of these problems occurred on CEO Corsi's watch," Auditor Foley pointed out. "When appointed by Governor Pillen less than a year ago, he inherited an agency with some major issues."

In a very short time, Auditor Foley noted, CEO Corsi has done much to improve the overall culture of DHHS. "Based on the changes that I am beginning to see already," Auditor Foley stated, "I have high hopes for a rejuvenated and invigorated DHHS." Auditor Foley reaffirmed his commitment to collaborating with CEO Corsi to help affect the agency's needed changes, stating that he is "excited to assist with that process in any way possible, consistent with the responsibilities and parameters of my office."

CEO Corsi has reviewed Auditor Foley's findings and has reaffirmed his intention to collaborate with the Auditor's office and his commitment to correct and improve DHHS's internal safeguards regarding the use and monitoring of tax dollars. "We look forward to collaborating with Auditor Foley and his office," CEO Corsi stated. "DHHS can and will resolve these issues. Nebraskans deserve the best we have to offer. We are grateful for the partnership with Auditor Foley's office and their objective efforts to help us improve." Per CEO Corsi, DHHS has committed to improvement. "We will do the work and make the changes necessary to ensure tax dollars are spent both wisely and appropriately."