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July 9, 2024

State Audit Exposes Millions in Improper Billings Submitted by Child Care Providers and Paid by DHHS

In a new audit conducted at the Nebraska Department of Health and Human Services (DHHS), State Auditor Mike Foley has exposed rampant abuses within the agency's Child Care NFOCUS Aid Payments program. Primarily, that wrongdoing involved DHHS credulously paying millions of dollars of improper billings submitted by child care providers. While participating in the child care subsidy program, many of those providers took full advantage of the agency's lax oversight and successfully bilked DHHS out of payments far in excess of those to which they were entitled.

The audit team reviewed a sample of the nearly \$93 million in Federal and State funds spent by DHHS on child care subsidies over a nine-month period in late 2023 and early 2024. According to a detailed audit report released by Auditor Foley's office today, as much as \$12.8 million in billings to the agency may have been, if not outright fraudulent, at least inordinately inflated by various providers.

The offending providers used an array of techniques to overstate their billings and receive payments that should not have been processed by DHHS. Those underhanded tactics proved startlingly successful in circumventing both Federal and State regulations implemented – but apparently not effectively enforced by DHHS – to restrict child care subsidies to only qualifying payments.

DHHS subsidizes child care providers on a sliding scale basis for the care of children of low-income families according to the age and any special needs of the child and the number of children served. If requesting child care to facilitate parental employment, moreover, the families served must document that the provision of subsidized child care enables them to retain employment that results in their economic self-sufficiency.

Additionally, child care providers are supposed to maintain detailed attendance logs of when each child is cared for, and the government subsidy is generally granted on a partial-day or full-day basis up to a maximum of 60 hours per week.

The following are but a handful of the many types of improper billings submitted by child care providers in violation of various administrative requirements, such as those described above, supposedly enforced by DHHS:

- DHHS paid double and triple billings for the same child during the same period of service. One child care provider billed and was paid by DHHS for a child under the "toddler" rate and then billed and was paid again for that same child under the "preschool" rate for the same two

weeks during February this year. The audit team cited another child care provider for 13 instances of similar multiple billings.

- DHHS paid for services allegedly provided on Saturday and Sunday when the parent was not working and, therefore, not entitled to subsidized child care service.
- Billings were processed and paid for child care services supposedly provided to 210 children on Thanksgiving Day 2023, when the child care centers were not even open for business.
- Billings were processed and paid for times when the child supposedly being cared for was in school and not present with the child care provider.
- Monthly provider billings were charged for far more days than were in the month covered. The audit team identified 245 instances of the number of partial days being billed exceeding the days of the corresponding month. For example, one child care provider billed DHHS and was paid for 168 partial days of service during February 2024, but only 29 partial days would have been possible. Another child care provider billed and was paid by DHHS for 120 partial days of service during January 2024 when only 31 billing days would have been possible. In another instance, the child care provider billed and was paid for 40 full days of service and 78 partial days of service in a single month for each of two children, which is simply impossible.
- Numerous provider billings exceeded the appropriate rate applicable to the child served. Generally, allowable child care rates for younger children (infants and toddlers) are higher than those allowed for older children (preschool). The audit team found 690 instances of DHHS paying rates that exceeded what was allowable based on the child's age.
- There were child care providers that failed to reduce their billings by the amounts of the co-payments made by the families served, resulting in overpayments by DHHS.
- Provider billings were found to overlap with times when the child was already being cared for by another child care provider.
- Billings were made for times when there was little or no attendance log information to document the presence of the children supposedly receiving the care.
- Child care providers billed for families whose low work pay could not possibly have given them the self-sufficiency required to receive child care subsidies for employment purposes.
- Some provider billings exceeded the 60-hour-per-week cap, and many others claimed payment for unauthorized services.
- Billings were paid to child care providers that had exceeded their licensed capacity. One provider was licensed to serve up to 12 children but billed and was paid for 15-18 children, allegedly served at the same time. Another provider was licensed to serve up to 34 children but often served 43 children and was paid accordingly.

- One owner operating two separate centers under two different licenses billed DHHS for a partial day of child care service for six children at each location even though less than five hours of service in total was provided. Of these six children, one received only a single hour of service at each location, but the owner billed and was paid for two partial days of service.

“Some of the spurious billings were so wildly excessive that one wonders whether anyone at DHHS took even the most cursory glance at them before authorizing their payment,” observed Auditor Foley. “It appears to me,” he continued, “that the invoices were routinely processed and paid with little, if any, meaningful oversight.”

During recent discussions with the senior leadership at DHHS, Auditor Foley was apprised of ongoing efforts at agency-wide reform. If successful, those measures could help to prevent, or at least minimize, improper child care billings in the future.

“I appreciate Auditor Foley’s tireless efforts to safeguard taxpayer dollars. Since being appointed CEO of DHHS just under 10 months ago, our primary focus has been to evaluate the department and begin putting in place effective safeguards to ensure taxpayer dollars are allocated properly,” said CEO Steve Corsi. “These efforts will be continued aggressively. We look forward to the ongoing collaboration with the State Auditor’s office.”

Auditor Foley remarked, “I emerged from my conversations with DHHS Chief Executive Officer Steve Corsi confident that he wants problems of this nature brought to light so that he can get them fixed. I appreciate his refreshing no-nonsense management style – as, I believe, should all Nebraska taxpayers.”

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