



FEB 14 1996

Memorandum

Date June Gibbs Brown
From Inspector General *June G Brown*

Subject Review of Training Contract Practices at the New York Department of Social Services
(A-02-93-02006)

To Mary Jo Bane
Assistant Secretary
for Children and Families

The attached final audit report provides you with the results of a review conducted by the Department of Health and Human Services (HHS), Office of Inspector General (OIG) to assist the Department of Justice (DOJ) in its investigation of training contract costs claimed by the New York State Department of Social Services (NYSDSS) in the period April 1, 1983 through June 30, 1994. The training contract costs reviewed were claimed under programs administered by the Administration for Children and Families, Health Care Financing Administration (HCFA), Department of Agriculture, and Social Security Administration. The objective of the review was to determine if there was any validity to allegations that were made by a former NYSDSS employee in an action filed on December 14, 1992 under the qui tam provisions of the False Claims Act. In the qui tam suit, the former employee alleged that NYSDSS submitted false claims to the Federal Government for programs established by the Social Security Act and other Federal Statutes.

As part of the review, OIG concluded that NYSDSS and several components of the State University of New York overbilled the Federal programs for the training of social service workers. Specifically, the OIG determined that NYSDSS:

- o Used third party in-kind contributions from private contractors, from April 1, 1983 to June 30, 1994, to meet the State's share of training expenditures.
- o Failed to credit administrative fees, collected from private training contractors in the period April 1, 1983 through June 30, 1994, against training costs charged to the Federal Government.
- o Included unallowable costs relating to the operation of a children's summer camp in the training contract costs it submitted to the Federal Government during 1989 and 1990.
- o Failed to offset the training costs charged to the Federal Government for training fees paid by private agencies for the period September 1, 1989 through June 30, 1994.

The review also disclosed that:

- o The State University College at Buffalo, the Research Foundation of State University of New York, and the City University of New York submitted inflated claims, in the period January 1, 1986 through December 31, 1993, under training contracts awarded by NYSDSS. And, NYSDSS passed on the inflated claims for reimbursement to the Federal Government.
- o The NYSDSS and several components of the State University, for the period January 1, 1984 through June 30, 1993, used Federal training funds to finance the salaries and related costs of personnel hired under training contracts who performed nontraining functions.

On December 20, 1994, the State of New York signed a settlement agreement with DOJ, OIG, and HHS Division of Cost Allocation. In return for a cash payment of \$26,970,000, the Federal Government agreed to settle the above cited issues. In addition to the cash payment, the State agreed to: review its expenditure report for the quarter July 1, 1994 through September 30, 1994 and exclude similar costs which may have been included; amend its current procedures to ensure that any future costs of the type described will not be claimed; and not claim any legal or administrative costs incurred by the State in its own investigation of the allegations contained in this suit or in the settlement of these matters.

The Assistant Secretary for Management and Budget (ASMB) has been assigned responsibility to resolve accounting issues that impact several public assistance programs. Moreover, since similar training contract practices found in the joint review of NYSDSS may also exist in varying degrees in other States, we are alerting you, HCFA and ASMB to the conditions found in this review.

We are recommending to ASMB that it coordinate the efforts of your office and the other involved entities to ensure the States' compliance with regulations that cover the allocation and claiming of training contract costs. To assist in this effort, we have initiated a review of training contract practices in six additional States. The six States are New Jersey, Florida, Illinois, Oklahoma, Missouri, and California.

We also recommend that future training expenditures claimed by NYSDSS be periodically reviewed to ensure that NYDSS continues to adhere to the terms of its settlement agreement with DOJ.

In responding to our draft audit report (Appendix F), your office indicated concurrence with our findings and recommendations. In addition, we received comments from

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ASMB (Appendix D) and HCFA officials (Appendix E) who also agreed with our findings and recommendations.

We would appreciate the status of any further action taken or contemplated on our recommendations within the next 60 days. If you have any questions, please call me or have your staff contact John A. Ferris, Assistant Inspector General for Administrations of Children, Family, and Aging Audits, at (202) 619-1175.

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Memorandum

Date June Gibbs Brown
From Inspector General *June G Brown*

Subject Review of Training Contract Practices at the New York Department of Social Services
(A-02-93-02006)

To Bruce C. Vladeck
Administrator
Health Care Financing Administration

The attached final audit report provides you with the results of a review conducted by the Department of Health and Human Services (HHS), Office of Inspector General (OIG) to assist the Department of Justice (DOJ) in its investigation of training contract costs claimed by the New York State Department of Social Services (NYSDSS) in the period April 1, 1983 through June 30, 1994. The training contract costs reviewed were claimed under programs administered by the Administration for Children and Families (ACF), Health Care Financing Administration (HCFA), Department of Agriculture, and Social Security Administration. The objective of the review was to determine if there was any validity to allegations that were made by a former NYSDSS employee in an action filed on December 14, 1992 under the qui tam provisions of the False Claims Act. In the qui tam suit, the former employee alleged that NYSDSS submitted false claims to the Federal Government for programs established by the Social Security Act and other Federal Statutes.

As part of the review, OIG concluded that NYSDSS and several components of the State University of New York overbilled the Federal programs for the training of social service workers. Specifically, the OIG determined that NYSDSS:

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The review also disclosed that:

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The Assistant Secretary for Management and Budget (ASMB) has been assigned responsibility to resolve accounting issues that impact several public assistance programs. Moreover, since similar training contract practices found in the joint review of NYSDSS may also exist in varying degrees in other States, we are alerting you, ACF and ASMB to the conditions found in this review.

We are recommending to ASMB that it coordinate the efforts of your office and the other involved entities to ensure the States' compliance with regulations that cover the allocation and claiming of training contract costs. To assist in this effort, we have initiated a review of training contract practices in six additional States. The six States are New Jersey, Florida, Illinois, Oklahoma, Missouri, and California.

We also recommend that future training expenditures claimed by NYSDSS be periodically reviewed to ensure that NYDSS continues to adhere to the terms of its settlement agreement with DOJ.

In responding to our draft audit report (Appendix E), your office indicated concurrence with our findings and recommendations. In addition, we received comments from

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ASMB (Appendix D) and ACF officials (Appendix F) who also agreed with our findings and recommendations.

We would appreciate the status of any further action taken or contemplated on our recommendations within the next 60 days. If you have any questions, please call me or have your staff contact John A. Ferris, Assistant Inspector General for Administrations of Children, Family, and Aging Audits, at (202) 619-1175.

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Date

June Gibbs Brown

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Inspector General

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Subject

Review of Training Contract Practices at the New York Department of Social Services
(A-02-93-02006)

To

John J. Callahan
Assistant Secretary
for Management and Budget

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As part of the review, OIG concluded that NYSDSS and several components of the State University of New York overbilled the Federal programs for the training of social service workers. Specifically, the OIG determined that NYSDSS:

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- o The NYSDSS and several components of the State University, for the period January 1, 1984 through June 30, 1993, used Federal training funds to finance the salaries and related costs of personnel hired under training contracts who performed nontraining functions.

On December 20, 1994, the State of New York signed a settlement agreement with DOJ, OIG, and HHS Division of Cost Allocation. In return for a cash payment of \$26,970,000, the Federal Government agreed to settle the above cited issues. In addition to the cash payment, the State agreed to: review its expenditure report for the quarter July 1, 1994 through September 30, 1994 and exclude similar costs which may have been included; amend its current procedures to ensure that any future costs of the type described will not be claimed; and not claim any legal or administrative costs incurred by the State in its own investigation of the allegations contained in this suit or in the settlement of these matters.

The Assistant Secretary for Management and Budget (ASMB) has been assigned responsibility to resolve accounting issues that impact several public assistance programs. Moreover, since similar training contract practices found in the joint review of NYSDSS may also exist in varying degrees in other States, we are alerting you, HCFA and ACF to the conditions found in this review.

We are recommending to ASMB that it coordinate the efforts of the involved entities to ensure the States' compliance with regulations that cover the allocation and claiming of training contract costs. To assist in this effort, we have initiated a review of training contract practices in six additional States. The six States are New Jersey, Florida, Illinois, Oklahoma, Missouri, and California.

We also recommend that future training expenditures claimed by NYSDSS be periodically reviewed to ensure that NYDSS continues to adhere to the terms of its settlement agreement with DOJ.

In responding to our draft audit report (Appendix D), your office indicated concurrence with our findings and recommendations. In addition, we received comments from

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ACF (Appendix F) and HCFA officials (Appendix E) who also agreed with our findings and recommendations.

We would appreciate the status of any further action taken or contemplated on our recommendations within the next 60 days. If you have any questions, please call me or have your staff contact John A. Ferris, Assistant Inspector General for Administrations of Children, Family, and Aging Audits, at (202) 619-1175.

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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF TRAINING CONTRACT
PRACTICES AT THE NEW YORK
DEPARTMENT OF SOCIAL SERVICES**



JUNE GIBBS BROWN
Inspector General

FEBRUARY 1996
A-02-93-02006

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ABBREVIATIONS

DOJ	Department of Justice
NYSOSS	New York State Department of Social Services
OIG	Office of Inspector General
ASMB	Assistant Secretary for Management and Budget
HCFA	Health Care Financing Administration
ACF	Administration for Children and Families
OHRD	Office of Human Resource Development
FFP	Federal financial participation
AFDC	Aid to Families with Dependent Children
SSI	Supplemental Security Income
USDA	Department of Agriculture
SUNY	State University of New York
RFSUNY	Research Foundation of State University of New York
SUC	State University College
CUNY	City University of New York
HHS	Department of Health and Human Services
DCA	Division of Cost Allocation
CIN	Common Identification Number
NYS	New York State
LDTF	Local District Training Fee
OCFAA	Office of Civil Fraud and Administrative Adjudication
OI	Office of Investigations
OMB	Office of Management and Budget
CFR	Code of Federal Regulations
RFCUNY	Research Foundation of City University of New York

EXECUTIVE SUMMARY

This report contains the results of our review to assist the Department of Justice (DOJ) in its investigation of training contract costs claimed by the New York State Department of Social Services (NYSDSS) in the period April 1, 1983 through June 30, 1994. The objective of the joint review was to determine if there

was any validity to allegations that were made by a former NYSDSS employee in an action filed on December 14, 1992 under the qui tam provisions of the False Claims Act. In the qui tam suit, the former employee alleged that NYSDSS submitted false claims to the Federal Government for programs established by the Social Security Act and other Federal statutes. Two of the allegations included in the suit related to issues which had previously been reviewed and reported on in two prior audit reports issued by the Office of Inspector General (OIG).

On December 14, 1992, a former NYSDSS employee filed a qui tam suit alleging NYSDSS submitted false claims to the Federal Government.

As part of the review, OIG concluded that NYSDSS and several components of the State University of New York overbilled the Federal programs for the training of social service workers. Specifically, the review disclosed that NYSDSS:

- o Used third party in-kind contributions from private contractors, from April 1, 1983 to June 30, 1994, to meet the State's share of training expenditures.
- o Failed to credit administrative fees, collected from private training contractors in the period April 1, 1983 through June 30, 1994, against training costs charged to the Federal Government.
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The review also disclosed that:

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- o The NYSDSS and several components of the State University, for the period January 1, 1984 through June 30, 1993, used Federal training funds to finance the salaries and related costs of personnel hired under training contracts who performed nontraining functions.

On December 20, 1994, the State of New York signed a settlement agreement with DOJ, the OIG, and the Division of Cost Allocation. In return for a cash payment of \$26,970,000, the Federal agencies settled the above cited issues. In addition to the cash payment, the State further agreed to: review its expenditure report for the quarter July 1, 1994 through September 30, 1994 and exclude similar costs which may have been included; amend its current procedures to ensure that any future costs of the type described will not be claimed; and not claim any legal or administrative costs incurred by New York State in its own investigation of the allegations contained in this suit or in the settlement of these matters.

On December 20, 1994, NYSDSS settled the qui tam suit in return for a cash refund of almost \$27 million.

Since the improper training contract practices found in the joint review of NYSDSS may also exist in varying degrees in other States, we recommend that the Assistant Secretary for Management and Budget (ASMB) alert the Department of Agriculture and Social Security Administration to the conditions found in this review. We are alerting the Health Care Financing Administration (HCFA) and the Administration for Children and Families (ACF) to these conditions. Further, we recommend that ASMB coordinate the efforts of the involved entities to ensure the States' compliance with regulations that cover the allocation and claiming of training contracts. Lastly, we recommend that ASMB also coordinate efforts by the involved entities to review future training expenditures claimed by NYSDSS, on a periodic basis, to ensure that it continues to adhere to the terms of its settlement agreement with DOJ.

In responding to our draft audit report (Appendix D), ASMB concurred with our findings and recommendations and agreed with our concerns that comparable conditions may also exist in varying degrees in other States. Accordingly, ASMB agreed to take quick action to ensure compliance with the our three recommendations.

The HCFA and ACF also responded to our draft report (Appendixes E and F) and indicated general concurrence with our findings and recommendations.

INTRODUCTION

Background

The New York State Department of Social Services (NYSDSS) has the responsibility for training Social Services personnel so that they will have the skill, knowledge, and proficiency to meet the stated objectives of the various Federal programs that it administers. This training encompasses both NYSDSS staff and staff of the local social services districts.

The NYSDSS conducts these activities through its Office of Human Resource Development (OHRD). This office oversees and coordinates the necessary functions to satisfy the NYSDSS' training goals. The OHRD provides direct liaison with all program areas (local, State, Federal), identifies training needs, and arranges for training resources to meet these needs. Additionally, it ensures that State and local staff are trained in management and administrative skills; maintains a recordkeeping system for all training; awards and administers training contracts; manages the Materials Resource Center and NYSDSS library; and develops appropriate evaluation systems for internal and external training activities.

While many training needs are met through internal resources, a substantial amount of training is provided through contracts with educational institutions, consultants, and other independent contractors and organizations.

A substantial portion of training is provided through contracts awarded to educational institutions and independent contractors and organizations.

Virtually all of the training contract costs incurred by NYSDSS were charged to Federal programs. During the period covered by the joint review, these Federal programs and their Federal financial participation (FFP) percentages for training, as contained in the applicable titles of the Social Security Act, were as follows:

- o IV-A - AFDC Income Maintenance (FFP 50%)
- o IV-D - Child Support Enforcement (FFP 64.85% to 70%)
- o IV-E - Foster Care and Adoption (FFP 75%)
- o XVI - SSI Disability Determination (FFP 100%)
- o XIX - Medical Assistance (FFP 50%, 75%, 90%)
- o XX - Social Services (Block Grant) (FFP 100%)

Training contract costs were also charged to the Food Stamp program, administered by the Department of Agriculture (USDA) (FFP 50%, 75%).

Training contract costs that are incurred at the State level are claimed through NYSDSS' Central Office Cost Allocation Plan. At the local level, costs that are incurred are claimed in accordance with the NYSDSS Manual Bulletin Transmittal 143b.

The training contract costs were charged directly to programs, and the administrative costs incurred by OHRD were allocated to programs based on the dollar value of the training contracts. Currently, NYSDSS issues approximately 180 contracts each year with a value of about \$44 million. The NYSDSS also incurs approximately \$3.4 million annually for administrative costs.

In December 1992, a former employee of NYSDSS filed a Complaint under the qui tam provisions of the False Claims Act. The Complaint named, among others, the State of New York, NYSDSS, OHRD, State University of New York (SUNY) Albany, SUNY Brockport, SUNY (Central Administration), Research Foundation of State University of New York (RFSUNY), State University College at Buffalo (SUC Buffalo), City University of New York (CUNY), and five NYSDSS OHRD employees as defendants. The Complaint alleged that the named entities and persons had submitted false claims, or caused the submission of false claims, for Federal funds available for training of social service workers under the Social Security Act in violation of the False Claims Act. Specifically, the former employee alleged in the Complaint that:

- o The training contractors would, at the encouragement of State officials, inflate their budgets and vouchers submitted for reimbursement, and the State would pass on the inflated amounts in claims to the Federal Government.
- o The training contractors paid NYSDSS an administrative fee of 5 percent to cover administrative costs. This fee represented 5 percent of the total value of the contract. This fee was improperly passed on to the Federal Government by inflating the vouchers submitted by the training contractors.
- o The NYSDSS would receive income such as fees collected from trainees, the sale of training materials, and donations and sale of copyrights. This revenue was not properly credited to the Federal Government as required.
- o To facilitate the training cost inflation scheme and the related scheme concerning the administrative fee, State officials conspired with contractors who would participate in the inflation of budgets and vouchers to assure that only cooperating contractors would receive contracts.
- o Contractors would receive contract extensions and budget modifications to permit expenditure of all budgeted funds even after the training services had been delivered.
- o Lastly, by operating the schemes described above, NYSDSS submitted false and fictitious claims to the Federal Government.

Prior to the initiation of the Department of Justice (DOJ) investigation, the Office of Inspector General (OIG) issued two final audit reports on issues relating to training costs claimed by NYSDSS in the period April 1, 1987 through March 31, 1991.

Prior to the initiation of the DOJ investigation, OIG issued final audit reports which related to issues included in the qui tam suit.

Our earlier reviews were performed at the request of the Department of Health and Human Services (HHS), Division of Cost Allocation (DCA). In our two prior audits, we partially examined two issues which related to the allegations included in the qui tam suit. Specifically, we reviewed NYSDSS use of third party contributions to satisfy the State's share of training costs and the 5 percent fee NYSDSS charged to training contractors.

In our two earlier audit reports (CIN: A-02-91-02002 dated July 1, 1992 and CIN: A-02-92-02007 dated November 9, 1993), we recommended financial adjustments totaling \$6.0 million (\$3.9 million Federal share) relating to third party in-kind contributions and the 5 percent fee. The findings included in our earlier reports which related to these two issues were resolved in the settlement of the qui tam suit, and our prior recommended Federal share adjustments of \$3.9 million were included in the refund of \$26,970,000.

Scope of Review

In our current review we expanded our previous review of third party in-kind contributions and the 5 percent administrative fee to cover such costs that were claimed during the period April 1, 1983 through June 30, 1994. Further, we reviewed additional issues related to training fees by private agencies and allegations related to inflated claims submitted by several components of SUNY and other contractors.

The primary objective of our review was to lend assistance to DOJ in its review of the validity of the allegations included in the qui tam suit filed by the former NYSDSS employee in December 1992. In order to accomplish our objective, we:

- Participated in meetings held with the former employee and his attorney to discuss the allegations included in the suit and the documents which were submitted by the former employee in support of his allegations.
- Met with representatives from the New York State (NYS) Office of Inspector General and discussed and reviewed working papers relating to an earlier review performed by that office of certain aspects of OHRD's training contract practices.
- Met with NYSDSS' internal auditors to discuss their prior internal audit reviews of OHRD and a number of training contractors.

The OIG lent assistance to the DOJ investigation.

We also obtained copies of portions of their audit working paper files for follow on work by our staff.

- Held discussions with representatives from RFSUNY regarding allegations raised by a former employee of SUC Buffalo. We examined working papers related to an internal review which was made of the allegations and copied portions of the working papers for follow on work.
- Audited the total amount of training contract costs that were claimed by NYSDSS during the period 1983 through 1993. This included analyzing both the charging instructions for all training contracts and NYSDSS' methodology for allocating contract and administrative costs to benefiting programs.
- Audited the Training Management and Evaluation Fund, the Local District Training Fee (LDTF) special revenue account, and analyzed NYSDSS' procedure for using third party contributions as its share of training costs.
- Examined the propriety of OHRD's administrative costs and training expenditures claimed under contracts NYSDSS awarded to eight private and four public contractors. We provided narrative summaries of findings and related recommendations to DOJ.
- Participated with OIG's Office of Investigations (OI), Office of Civil Fraud and Administrative Adjudication (OCFAA), and DOJ in interviews with and depositions of training contractor personnel and current and former NYSDSS employees. We assisted OI, OCFAA, and DOJ in seeking evidence from contractors and State officials.
- Determined whether the Federal Government received proper credit for refunds and reimbursements from contractors.
- Held discussions with cognizant NYS and Federal officials regarding training policies, procedures, and regulations.
- Calculated the single damages for seven issues raised in the civil fraud investigation which covered the period April 1, 1983 through June 30, 1994. The seven issues included:
 1. Unallowable costs resulting from private in-kind contributions or donations of the State match from 1983 through June 30, 1994.
 2. Unallowable costs resulting from the 5 percent administrative fees collected from private contractors for the period 1983 through June 30, 1994.

3. Unallowable costs resulting from the failure to credit training fees revenue received from provider agencies to the Federal Government from September 1, 1989 through June 30, 1994.
 4. Unallowable costs resulting from the hiring of on-site contract staff for the period January 1, 1984 through June 30, 1993, expressed both as an absolute dollar figure and as a percentage of all federally reimbursed contract expenditures associated with on-site contract staff.
 5. Unallowable costs related to RFSUNY's internal review of SUC Buffalo.
 6. Unallowable costs resulting from the improper claiming of a special summer program entitled, "Project Liberty."
 7. Unallowable costs resulting from the improper claiming of direct and indirect costs for a training contract awarded to CUNY.
- Calculated the audit and investigative costs of the joint review incurred by HHS and DOJ. We also calculated an estimate of the interest income earned by NYSDSS through its short term investment pool on costs which were overbilled to the Federal Government.

Our review was conducted in accordance with generally accepted governmental auditing standards, except for certain financial projections calculated at the request of DOJ that would not fully satisfy these standards. A review of NYSDSS' internal control structure was performed as part of our two earlier audit reviews, and our related comments on internal controls are contained in our earlier issued audit reports. We did not expand on our earlier examination of NYSDSS internal control structure since the primary objective of this review was to determine the validity of the allegations included in the qui tam suit. Our audit field work was performed primarily at NYSDSS and RFSUNY in Albany, New York during the period January 1991 to November 1994.

FINDINGS AND RECOMMENDATIONS

Based on a audit review and investigation of the allegations contained in the former NYSDSS employee's qui tam suit, we concluded that NYSDSS submitted false claims in order to obtain Federal funds made available under the Social Security

Act for the training of social service

workers. The review team found seven areas which implicated the civil False Claim Act.

The seven areas are discussed below.

The OIG concluded NYSDSS made false claims to the Federal Government.

Third Party In-Kind Contributions

The training contracts awarded by NYSDSS in the period April 1, 1983 to June 30, 1994 included provisions which required training contractors to cost share on the average 12 to 33 percent of the costs of the training provided. To illustrate, if a contractor was awarded a \$100,000 contract to provide training to social service employees, and the terms of the contract required the contractor to cost share 25 percent, then NYSDSS would only be required to reimburse the contractor \$75,000. The NYSDSS referred to the required cost sharing provisions included in its contract awards as "third party in-kind contributions." In the above example, the contractor would bill NYSDSS for \$100,000 of its incurred costs. And, although NYSDSS would only reimburse the contractor \$75,000, NYSDSS would include \$100,000 of contractor costs in its claim submitted to the Federal Government. The NYSDSS explained this practice by claiming that its contractors were voluntarily contributing to the State's share of training social service employees. In the above example, the contractor was expected to absorb the remaining \$25,000 of costs incurred. However, as will be discussed below, this did not occur.

In two prior OIG audits of NYSDSS training activities (CIN: A-02-91-02002 and CIN: A-02-92-02007), we found that NYSDSS was using the training contractors' in-kind contributions to meet the State's share of training costs claimed under titles IV-A, IV-D, IV-E, and XIX.

This practice was not in compliance with Federal regulations and program directives with regard to the cost sharing provided by private contractors (i.e., contractors which were not an agency of the State such as SUNY). Consequently, in our two earlier reports, which covered the period April 1, 1987 through March 31, 1991, we recommended adjustments totaling approximately \$4.6 million (Federal share \$3.0 million). The amount recommended for adjustment represented all the cost sharing expenses provided by private contractors which NYSDSS had claimed to meet its share of training costs in the period we had audited. In our earlier reviews, we did not recommend adjustments to the cost sharing

The NYSDSS used training contractor in-kind contributions to meet its share of training costs.

provided by public contractors because they were not third parties. They were State entities which were generally able to document the cost sharing by claiming indirect costs computed at rates which were less than those negotiated with DCA.

As part of our joint review with DOJ, we examined the propriety of training expenditures which were claimed under contracts that NYSDSS awarded to eight private and four public (State and City University campuses) contractors.

We determined that NYSDSS allowed contractors to inflate their claimed training expenditures in order to recover the cost sharing expenses which were allegedly incurred. Training contractors advised us that NYSDSS employees told them there were various "methods" they could use to recover their true costs and thus contract with NYSDSS without "losing money." We found that private contractors inflated their costs to cover required cost sharing in a variety of ways. Several examples of the various inflation methods employed by contractors follow:

The NYSDSS allowed training contractors to inflate costs to cover their cost sharing requirement.

- o Allocating more than 100 percent of actual personnel and fringe benefit costs to training contracts.
- o Claiming duplicate costs. Contractors would claim the same training costs on two contracts with overlapping performance periods.
- o Claiming rental and user rates for equipment owned.
- o Claiming undocumented costs. For example, contractors claimed "in-house" publication costs for which no documentation existed.
- o Claiming an inflated value for consultants who were paid less. Also, contractors claimed indirect and fringe benefit costs at inflated rates or at rates which could not be documented.

Based upon additional work performed, we concluded that private training contractors did not actually incur any of the cost sharing expenses which NYSDSS claimed in the period April 1, 1983 through June 30, 1994. As a result, NYSDSS was asked to refund \$9,873,944 (Federal share \$6,557,082) it had claimed under the titles IV-A, IV-D, IV-E, and XIX programs during that period. For a breakdown of this amount by Federal program, see Appendix A. The NYSDSS discontinued using third party contributions provided by private contractors to meet its share of training costs effective July 1, 1994.

As of July 1, 1994, NYSDSS discontinued the practice of using private contractor in-kind contributions to meet its share of training costs.

The NYSDSS settled this issue on December 20, 1994 (see Appendix B - Copy of Settlement Agreement) and paid double damages of \$13,114,164 to the Federal Government.

Administrative Fee

In addition to the amounts paid by NYSDSS to the contractors, the training contracts awarded by NYSDSS in the period April 1, 1993 to June 30, 1994 also included a provision which required training contractors to pay NYSDSS a fee to cover the State's share of administrative costs. The fee was assessed at 5 percent of the total contract amount. To illustrate, if a contractor provided training to social service employees at a cost of \$100,000, the terms of the contract awarded by NYSDSS required the contractor to pay NYSDSS a fee of \$5,000 ($\$100,000 \times 5$ percent).

In our two previous audits (CIN: A-02-91-02002 and CIN: A-02-92-02007), which covered the period April 1, 1987 through March 31, 1991, we determined that NYSDSS did not treat the 5 percent fee charged to private contractors as an applicable credit in accordance with Office of Management and Budget (OMB) Circular No. A-87. Consequently, we recommended adjustments totaling \$1.4 million (Federal share \$881,658). Further, we recommended that in the future NYSDSS apply the 5 percent fee as an applicable credit to the total OHRD administrative costs prior to claiming for Federal share.

The NYSDSS did not apply the 5 percent administrative fee assessed to training contractors as a credit to Federal programs.

As part of our joint review with DOJ, we examined training expenses claimed on selected contracts. We determined that NYSDSS encouraged contractors to inflate their claimed training expenditures in order to recover the 5 percent administrative fee which they were assessed. Training contractors advised us that NYSDSS employees told them to use the same methods as described for "Third Party In-Kind Contributions" to recover the fee.

Based upon additional work performed, we concluded that private contractors inflated their training expenditures to cover their 5 percent fees in the period April 1, 1983 through

The OIG concluded private contractors inflated claims to cover the 5 percent fee.

June 30, 1994. As a result, NYSDSS improperly claimed \$3,678,454 and received Federal funds of \$2,249,474 in that period. For a breakdown of this amount by Federal program, see Appendix A. The NYSDSS corrected the application of the 5 percent fee received from private contractors effective July 1, 1994.

The NYSDSS settled this issue (See Appendix B - Copy of Settlement Agreement) and paid \$4,064,336 to the Federal Government. This amount was based on a multiplier of 1.81 percent of single damages that was voluntarily agreed to as part of the settlement.

Project Liberty

The NYSDSS awarded contract No. C-002763 to Hudson Valley Community College (a component of SUNY) in March 1988. Under the terms of this contract, SUNY was to provide general management and systems training intended to enhance the job skills of NYSDSS employees. The period of performance of the originally issued contract agreement was from April 1, 1988 to May 31, 1989, and the costs for providing the training were initially estimated to be \$449,258. Before the original contract term expired in May 1989, NYSDSS extended the period of performance to March 31, 1990, increased the estimated cost by \$335,270, and amended this contract to include the operation of a program titled, "Project Liberty." By amending this existing contract, NYSDSS was able to bypass the formal request for proposal and bid process and award the project to this contractor.

The NYSDSS charged all the expenditures relating to "Project Liberty" to the Federal Government as training expenses in Fiscal Year 1990. Based on our review, we determined that "Project Liberty" was begun as a summer residential program for disadvantaged youth and later was

Project Liberty was not related to training, and all costs were improperly claimed.

expanded as an academic program throughout the school year. We concluded that the expenses relating to "Project Liberty" were not related to the training of social service employees and NYSDSS improperly claimed \$251,243 and improperly received \$136,465 in Federal funds for the "Project Liberty" program.

The NYSDSS did not dispute our conclusion and settled this issue by paying double damages of \$272,930 to the Federal Government (see Appendix B - Copy of Settlement Agreement). For a breakdown of this amount by Federal program, see Appendix A.

State University College at Buffalo

Our review disclosed that training contracts awarded to RFSUNY by NYSDSS were being audited by RFSUNY's internal audit group. Specifically, RFSUNY's internal auditors were examining six NYSDSS contracts awarded to SUC Buffalo during the period October 1985 through December 1993. The objective of the internal audit review was to address written complaints from a former SUC Buffalo employee concerning improper practices on training contracts awarded by NYSDSS. The results of RFSUNY's internal review were provided to us.

We tested the reliability of the internal auditors' working papers and determined that we could rely on the audit work they performed. The internal auditors found a number of problems with costs that SUC Buffalo had charged directly to the NYSDSS training contracts. To illustrate,

the internal auditors identified 15 SUC Buffalo janitorial and custodial employees who were improperly classified as clerical staff. The salary and related costs of the 15 employees were charged as training expenses on the contracts. The internal auditors also found 36 other SUC Buffalo employees who were not performing training functions. Yet, their salaries and related expenses were also claimed on the training contracts.

Salary and related costs for janitors and custodians were claimed as training expenses.

Also, RFSUNY internal auditors found that seven equipment items charged to the NYSDSS training contracts could not be located, and 35 other items acquired with training contract funds were not used for training purposes. The internal auditors also noted that 17 of the 35 items were physically located at sites other than on the SUC Buffalo campus.

Equipment acquired with training contract funds was not used for training purposes.

We calculated that RFSUNY erroneously claimed \$742,390 for salaries and related fringe benefit and indirect costs and \$63,867 for equipment costs under the NYSDSS training contracts performed by the SUC Buffalo campus. Additionally, we concluded that RFSUNY had improperly received \$529,327 in Federal funds as a result of its erroneous claims. For a breakdown of this amount by Federal program, see Appendix A.

The NYSDSS settled this issue (see Appendix B - Copy of Settlement Agreement) and paid double damages of \$1,058,654 to the Federal Government.

Private Provider Training Fees

The NYSDSS charged provider agencies a fee for their staff to attend training sessions. The revenue received from the training fees was deposited into the LDTF special revenue account, and was not reported to the Federal Government. Instead, NYSDSS used the fees to pay for its share of the training contract costs that were claimed under Social Security titles IV-A, IV-D, IV-E, IV-F, XVI, XIX, and XX as well as title 7, U.S. Code, during the period September 1, 1989 through June 30, 1994.

The NYSDSS advised us that it considered the fees collected from provider agencies to be program income as defined in OMB Circular No. A-102, Attachment E. Further, NYSDSS advised that section E.5 of Circular No. A-102 permitted it to use the program income to finance the State's share of the training contract costs incurred.

Our review of section E.5 indicated that NYSDSS was allowed to use the revenue received from training fees to finance the State's share of training contract costs only if it had obtained the prior approval of the Federal sponsoring agencies, which it had not. Moreover, the regulations contained in 45 CFR 74.42 provide that the fees must be used to offset costs unless the Federal granting agency had approved the use of the fees either to meet cost-sharing requirements of the program or for costs which were in addition to the allowable costs of the program.

We discussed this issue with representatives of the Administration for Children and Families (ACF). The ACF advised us that it had not approved or permitted NYSDSS to use provider agency fees to finance the nonfederal share of the allowable costs of the programs. It was ACF's position that the provider agency training fees collected by NYSDSS should therefore be used as an offset to the total allowable costs to determine the net allowable costs on which the State may then make its claim in accordance with the appropriate Federal share rate.

The NYSDSS' use of provider agency fees to finance the nonfederal share of program costs was not approved by ACF.

In addition to determining that NYSDSS had not complied with applicable regulatory criteria, the investigation revealed that NYSDSS deliberately failed to notify Federal sponsoring agencies of the revenue collected from provider agencies. It was evident that NYSDSS disregarded program income regulations. Accordingly, NYSDSS erroneously claimed \$1,120,154 and improperly received Federal funds of \$500,569 for the period September 1, 1989 through June 30, 1994. For a breakdown of this amount by Federal program, see Appendix A. The NYSDSS corrected its method of accounting for provider agency training fees effective July 1, 1994.

The NYSDSS settled this issue (see Appendix B - Copy of Settlement Agreement) and paid \$904,425 to the Federal Government. This amount was based on a factor of 1.81 of single damages.

The Research Foundation of the City University of New York (RFCUNY)

The NYSDSS awarded contract No. C-003732 to RFCUNY to provide training to State and social services district staff on legal issues, including fair hearing related matters. The contract agreement contained an approved budget of \$1,410,930 for the period October 1, 1989 through March 31, 1993.

We reviewed the \$941,071 of expenses RFCUNY claimed under this contract in the period October 1, 1989 through November 30, 1991. The claimed indirect costs on this contract were based on the on-campus indirect cost rate of 71.4 percent, which RFCUNY negotiated with

The RFCUNY should have claimed indirect expenses at a lower indirect cost rate.

DCA for agreements performed at its Queens College campus. However, because more than 50 percent of the direct costs charged to the contract were incurred off-campus, the claimed indirect costs should have been based on the off-campus indirect cost rate of 42.5 percent, which RFCUNY negotiated with DCA. As a result, RFCUNY overclaimed \$148,756 of indirect costs. Our review also disclosed that \$38,834 of trainee travel expenses and related indirect costs of \$16,505 were unnecessary contract expenditures.

Overall, \$204,095 of training expenditures were improperly claimed under contract No. C-003732 for the period we reviewed. Of that amount, \$136,744 was reimbursed by the Federal Government. For a breakdown of this amount by Federal program, see Appendix A.

The NYSDSS settled this issue on December 20, 1994 (see Appendix B - Copy of Settlement Agreement) and paid \$247,068 to the Federal Government. This amount was based on a factor of 1.81 of single damages.

On-Site Training Contract Staff

We found that certain employees, who were hired to work under training contracts awarded to RFSUNY, were working in NYSDSS offices throughout the State. The NYSDSS referred to these RFSUNY training contract employees as "on-site" NYSDSS contract staff. We asked

Employees hired under training contracts awarded to SUNY actually worked on-site in NYSDSS offices.

RFSUNY to provide us with a listing of all contract employees who worked on-site at NYSDSS offices during the past 10 years. The RFSUNY subsequently furnished us a list of 156 employees who were placed in NYSDSS offices during the period January 1, 1984 through June 30, 1993. The salary and related costs of the 156 employees were charged entirely to training contracts NYSDSS awarded to SUNY Albany and SUC Buffalo.

In order to determine if the on-site contract employees were actually performing training under the contracts where their salaries were charged, 40 of the on-site staff were interviewed. We were able to determine the activities performed by all 40 staff during the period they were charged to the training contracts. In addition, based on conversations with the 40 individuals interviewed, we were also able to obtain information concerning the duties performed by another 44 NYSDSS on-site contract staff.

The interviews showed that most were often performing duties other than training or they were performing no training at all. These activities included:

On-site contract staff performed duties other than training.

- o Student interns conducting research on Medicaid-related issues. Interns were responsible for the analysis and resolution of questions regarding recipient and provider litigation patterns, and the analysis, refinement, and development of Medicaid systems. In addition, they focused on the analysis and resolution of Medicaid program management problems in such areas as cost containment, cost/benefit analysis of services and eligibility policies, and other organizational policy and management issues.
- o Contract staff involved in preparing procedural manuals. Specifically, staff were involved in the development of the Foster Care Manual for New York City. Issues in the manual included time frames, review process, practice concepts, and project oversight.
- o Contract staff discussing legislative developments. Certain staff were responsible for refining NYSDSS' computer system and making recommendations for redesign. Their duties included analyzing both new and existing computer systems to ensure the data generated was in compliance with Federal regulations.
- o Regional contract staff monitoring and evaluating local district operations. Staff were given a certain number of local district sites to look over the existing equipment and room configurations. A site packet was prepared, new equipment purchased and installed, and ultimately, the local staff was shown how to use the new equipment.
- o The NYSDSS computer hotline staff providing assistance related to hardware and other computer problems. We believe the hotline employees fixed problems as opposed to actually performing training.

For the 84 NYSDSS on-site employees whose work activities were reviewed, we concluded that 47 did not perform any training, 30 performed training part of the time, and the remaining 7 trained 100 percent of the time. We estimated the percentage of effort and the related costs that did not benefit the training contracts and calculated that, for the period January 1, 1984 through June 30, 1993, NYSDSS erroneously claimed \$7,772,114 for salaries and related costs. Of that amount, NYSDSS improperly received Federal reimbursement of \$4,045,029. For a breakdown by Federal program, see Appendix A.

The NYSDSS settled this issue (see Appendix B - Copy of Settlement Agreement) and paid \$7,308,533 to the Federal Government. This amount was based on a factor of 1.81 of single damages.

SUMMARY AND RECOMMENDATIONS

On December 20, 1994, the State of New York signed a settlement agreement with DOJ, OIG, and DCA. In return for a cash payment of \$26,970,000, the Federal agencies settled the above cited issues. In addition to the cash payment, the State further agreed to: review its expenditure report for the quarter ended September 30, 1994 and exclude similar costs which may have been included; amend its current procedures to ensure that any future costs of the type described will not be claimed; and not claim any legal or administrative costs incurred by the State in its own investigation of the allegations contained in this suit or in the settlement of these matters.

Recommendations

The Assistant Secretary for Management and Budget (ASMB) has been assigned responsibility to negotiate all public assistance cost allocation plans. This responsibility also includes resolution of all government-wide accounting issues that impact public assistance programs. All administrative costs (direct and indirect) are normally charged to Federal programs by implementing the public assistance cost allocation plan. Therefore, since the improper training contract practices found in our joint review of NYSDSS may also exist in varying degrees in other States, we recommend that ASMB:

- Alert other departments administering training contracts to the conditions found in this review.
- Advise and coordinate the efforts of ACF, the Health Care Financing Administration, USDA, and the Social Security Administration with regard to the need to more closely monitor and coordinate States' compliance with regulations that cover the allocation and claiming of training contract costs. We believe that, as a minimum, other States should be queried as to whether the improper practices identified in the review of NYS have been adopted elsewhere. To assist in this review, we have initiated a nationwide review of training contract costs. Our nationwide review will include the following six States: New Jersey, Florida, Illinois, Oklahoma, Missouri, and California. The objective of the nationwide review will be to determine the appropriateness of training contract costs charged to Federal programs in the selected States.
- Review future training expenditures claimed by NYSDSS, on a periodic basis, to ensure that it continues to adhere to the terms of its settlement agreement with DOJ.

ASMB Response

In a memorandum dated September 8, 1995, ASMB agreed with our conclusions and indicated it shared our concerns that comparable conditions may also exist in varying degrees in other states. Accordingly, ASMB stated quick action would be taken to ensure compliance with the report's three recommendations. Specifically, ASMB stated DCA will:

- Alert other Federal agencies which also fund training contracts to the conditions disclosed in our report.
- Advise and coordinate efforts of HHS Operating Divisions and other Federal agencies to more closely monitor and coordinate States' compliance with regulations affecting the allocation and claiming of training contract costs.
- Review future training expenditures claimed by NYSDSS, on a periodic basis, to ensure continued compliance with the terms of the settlement agreement.

HCFA Response

The HCFA concurred with our findings and recommendations.

ACF Response

The ACF concurred with our findings and recommendations.

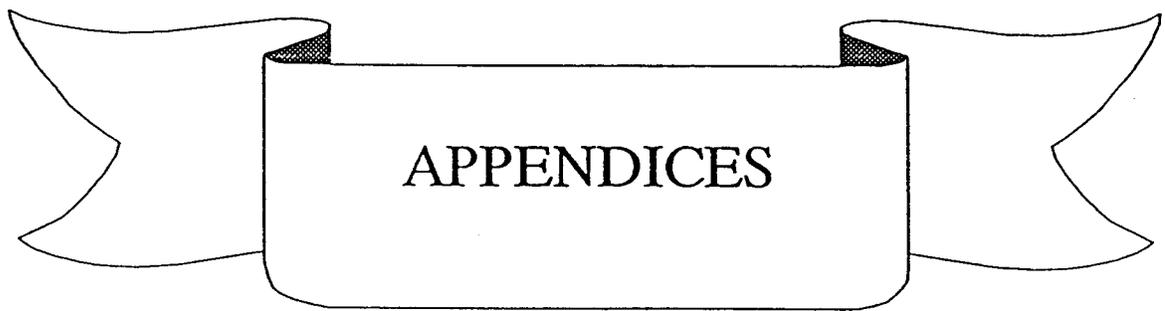
The ACF also offered a general comment indicating it would be beneficial to ACF in carrying out its responsibility to monitor States in the administration of individual programs if our report detailed improper claims filed by the State under titles IV-A, IV-D, IV-E, and XX on a program-by-program basis. We discussed this with ACF officials who recognized that we did not perform a program audit of training contracts to assess whether the training was proper or relevant. Therefore, we did not detail the improper claims on a program-by-program basis.

In addition, ACF made two specific comments on third party in-kind contributions. The first related to ACF's interpretation of the finding, whereby officials understood the report to imply that training contract provisions requiring contractors to pay the State amounts in addition to the reasonable and fair market values of the services provided would be acceptable except for the fact that contractors failed to actually provide "contributions." During a discussion with ACF officials, we explained such a funding methodology was not acceptable. In fact, the report stated, "This practice was not in compliance with Federal

regulations and program directives with regard to the cost sharing provided by private contractors...."

The second specific comment was made in reference to the example we provided in the report under Third Party In-Kind Contributions. The example illustrated a provision requiring a contractor to cost share under a training contract and the way in which NYSDSS subsequently reimbursed the contractor and claimed the costs to the Federal Government. The ACF wanted the example clarified to show that the Federal Government would only share in the adjustment amount and not the total award.

We contacted ACF officials and explained that our methodology for calculating the adjustment did agree with theirs and that the example only illustrated the terms of the training contracts. The ACF officials were satisfied with our explanation and agreed that the report should not have to be changed.



APPENDICES

**SCHEDULE OF AMOUNTS REFUNDED BY NYSDSS
BY FEDERAL AWARDING AGENCY AND PROGRAM**

AUDIT FINDING	ACF TITLES IV-A, IV-D, IV-E, and XX	HCFA TITLE XIX	SSA TITLE XVI	DOA TITLE VII	MISCELLANEOUS OTHER	TOTAL SETTLEMENT
Third Party In-Kind Contributions	\$5,880,192	\$676,890	\$0	\$0	\$0	\$6,557,082
Project Liberty	\$109,144	\$14,013	\$13,308	\$0	\$0	\$136,465
State University College Buffalo	\$440,309	\$83,398	\$0	\$22	\$5,598	\$529,327
Subtotal (Settlement)	\$6,429,645	\$774,301	\$13,308	\$22	\$5,598	\$7,222,874
X Multiplier	X2	X2	X2	X2	X2	X2
TOTAL (DOUBLED)	\$12,859,290	\$1,548,602	\$26,616	\$44	\$11,196	\$14,445,748
Administrative Fee Charged to Privates	\$2,039,460	\$158,081	\$42,850	\$9,083	\$0	\$2,249,474
Private Provider Training Fees	\$422,303	\$68,901	\$1,997	\$7,368	\$0	\$500,569
RFCUNY	\$101,601	\$23,690	\$0	\$11,453	\$0	\$136,744
On-Site Training Contract Staff	\$3,539,713	\$435,045	\$3,951	\$54,578	\$11,742	\$4,045,029
Subtotal (Settlement)	\$6,103,077	\$685,717	\$48,798	\$82,482	\$11,742	\$6,931,816
X Multiplier	X1.81	X1.81	X1.81	X1.81	X1.81	X1.81
TOTAL (1.81s)	\$11,027,002	\$1,238,949	\$88,168	\$149,028	\$21,215	\$12,524,362
GRAND TOTAL (DOUBLES and 1.81s)	\$23,886,292	\$2,787,551	\$114,784	\$149,072	\$32,411	\$26,970,110

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA)
ex rel., GEORGE J. DENONCOURT,)
)
Plaintiff,)
)
v.)
)
STATE OF NEW YORK, et al.)
)
Defendants)

Civil No. 92-2808 PF

FILED

Filed Under Seal

DEC 27 1994

CLERK U.S. DISTRICT COURT
DISTRICT OF COLUMBIA

STIPULATION OF SETTLEMENT AND DISMISSAL OF CLAIMS INVOLVING STATE
OF NEW YORK, AND ORDER

Plaintiff the United States of America ("United States"),
Qui Tam Plaintiff George Denoncourt, and defendants the State of
New York, the New York State, Department of Social Services
(NYSDSS), the Office of Human Resource Development (OHRD), the
State University of New York (SUNY) at Albany, SUNY Brockport,
SUNY Central Administration, The Research Foundation of SUNY, the
State University Colleges at Buffalo (SUC Buffalo), the City
University of New York, and NYSDSS employees Robert Donahue,
Robert Hagstrom, Carol Polnak, Carol DeCosmo and Will Zwick
(collectively referred to herein as the "State of New York"),
hereby stipulate and agree that, subject to the approval of the
Court, the following action should be taken in this matter:

The United States shall be permitted to intervene in this
action for the further limited purpose of resolving its claims
against the State of New York, and hereby does so intervene;

The United States' claims against the State of New York
described in the attached Settlement Agreement and Release, and
Mr. Denoncourt's claims described in the Settlement Agreement and

Release, shall be resolved on the terms set forth in that Settlement Agreement and Release;

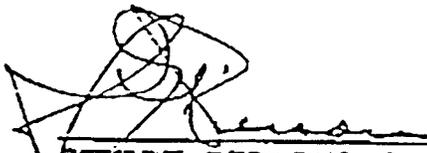
The Court shall have jurisdiction over the parties to enforce the terms of the Settlement Agreement and Release;

The claims of the United States and Mr. Denoncourt against the State of New York asserted in Claim One of the Complaint in this action are hereby dismissed;

The seal of this action shall be further lifted to the extent necessary for the United States and the State of New York to comply with their policies and procedures for notifying the public of settlements;

In all other respects, the seal in this action shall remain in effect until April 30, 1995, to allow the United States to continue its investigation of the remaining defendants, and attempt to resolve claims where appropriate.

Respectfully submitted,



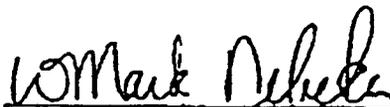
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SUNY Brockport, the State
University Colleges
at Buffalo, SUNY Central
Administration, and the City
University of New York.

James R. Dennehey *Shelley R. Slade*

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Counsel for Defendant The
 Research Foundation of
 State University of New York

SO ORDERED:

DATE: Dec. 27, 1994

Gladys Kessler

 UNITED STATES DISTRICT JUDGE

FILED

DEC 27 1994

SETTLEMENT AGREEMENT AND RELEASE

Parties

CLERK, U.S. DISTRICT CO
DISTRICT OF COLUMBIA

This Settlement Agreement and Release ("Agreement") is made this 20th day of December, 1994, among the United States of America ("United States"), acting through the Department of Justice and the Office of Inspector General and the Division of Cost Allocation of the Department of Health & Human Services, and the State of New York, acting through the State Attorney General, the Department of Social Services, and the General Counsel of The Research Foundation of State University of New York, and George Denoncourt (collectively referred to herein as "the Parties"). The State of New York as used herein is intended by the Parties to encompass the following entities and persons: the State of New York, the New York State Department of Social Services (NYSOSS), the Office of Human Resource Development (OHRD) of NYSDSS, the State University of New York (SUNY) at Albany, SUNY Brockport, SUNY Central Administration, The Research Foundation of SUNY, the State University Colleges at Buffalo (SUC Buffalo), the City University of New York (CUNY), and NYSDSS employees Robert Donahue, Robert Hagstrom, Carol Polnak, Carol DeCosmo and Will Zwink.

Recitals

1. WHEREAS, the Civil Division of the United States Department of Justice (DOJ), with the Office of U.S. Attorney for the District of Columbia, and the Office of Audit Services and Office of Investigations of the Office of Inspector General of the Department of Health & Human Services (HHS)

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investigating allegations that NYSDSS knowingly submitted false claims in order to obtain federal funds made available under the Social Security Act for the training of social service workers, and thereby violated the civil False Claims Act, 31 U.S.C. § 3729 et seq.;

2. WHEREAS, DOJ also has been investigating allegations that SUNY and its components and agents, and CUNY at Queens, Law Center, knowingly submitted false claims, and caused the submission of false claims, in order to obtain federal funds made available under the Social Security Act for the training of social service workers, and thereby violated the civil False Claims Act, 31 U.S.C. § 3729 et seq.;

3. WHEREAS, the United States has alleged that NYSDSS knowingly has made false statements and submitted false claims for federal funds as a result of the following conduct: (i) failing to credit training fees collected from private providers and administrative fees charged private contractors against training costs charged to the federal government, in knowing violation of federal regulations, from 1983 through June 30, 1994; (ii) using third party in-kind contributions for the state share of training expenditures, in knowing violation of federal regulations and policies, from 1983 through June 30, 1994; (iii) knowingly using federal training funds to finance the salaries and related costs of personnel hired under training contracts who worked on-site at NYSDSS and performed non-training functions, through September 30, 1994; (iv) using federal training funds to

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Camp Liberty during the 1989-1990 state fiscal year, in knowing violation of the law; (v) knowingly submitting claims for federal funds based upon unallowable, unsubstantiated and/or inflated (a) private training contractor costs during the period 1983 through June 30, 1994, through methods that included, but were not limited to, the extension and/or modification of contracts, unsubstantiated indirect cost rates, rental and user fees for equipment owned by the contractor, and "market value" charges for consultants that exceeded actual costs; (b) SUC Buffalo salaried personnel, equipment and consultant training costs during the period covering January 1, 1986 through December 31, 1993, and (c) CUNY training costs during the period October 1, 1989 through September 30, 1992; and (vi) failing to allocate training costs to benefitting state programs, in knowing violation of federal regulations;

4. WHEREAS, the United States has alleged that (i) SUNY Albany, SUC Buffalo and the Research Foundation of SUNY knowingly have caused the submission of false claims for federal funds as a result of the knowing submission of claims under training contracts with NYSDSS, and the Memorandum of Understanding between the Research Foundation of State University of New York and NYSDSS ("MOU"), for expenditures for personnel working on-site at NYSDSS who performed non-training functions, and (ii) SUC Buffalo and the Research Foundation of SUNY knowingly have caused the submission of false claims under the MOU for salaried personnel, equipment and consultant

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1. 1986 through December 31, 1993 period that did not benefit the training contract;

5. WHEREAS, the United States has alleged that CUNY knowingly has caused the submission of false claims for federal funds by knowingly submitting claims for inflated, unallowable or unsubstantiated training costs under Contract No. C-003732 during the October 1, 1989 through September 30, 1992 period;

6. WHEREAS, DOJ's investigation also has concerned (i) NYSDSS's failure to credit training fees collected from local districts, and revenue from the sale of training material, against training costs charged to the federal government; and (ii) allegations that OHRD employees engaged in "bid-rigging" or other improper conduct with respect to the procurement of the 1990-1991 "MAPPER Contract" for computer training.

7. WHEREAS, on December 14, 1992, George Denoncourt filed a Complaint under the qui tam provisions of the False Claims Act, 31 U.S.C. § 3730(b), captioned United States ex rel. Denoncourt v. New York State Department of Social Services et al., Civil Action No. 92-2808 (D.D.C.), that named, among others, the State of New York, NYSDSS, OHRD, SUNY Albany, SUNY Brockport, SUNY (Central Administration) and Research Foundation, SUC Buffalo, CUNY, Robert Donahue, Robert Hagstrom, Carol Polnak, Carol DeCosmo and Will Zwink as defendants, and alleged that these entities and persons have submitted false claims, or caused the submission of false claims, for federal funds available for the

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in violation of the False Claims Act, and whereas Mr. Denoncourt amended that Complaint by a First Amended Complaint and a Proposed Second Amended Complaint (hereinafter these three complaints are collectively referred to as "the Complaint");

8. WHEREAS, the State of New York does not admit the truth or validity of any of the allegations set forth in Paragraphs 1 through 7 above, or of any of the allegations in the Complaint, First Amended Complaint or Second Amended Complaint in the action captioned United States ex rel. Denoncourt v. New York State Department of Social Services, et al., Civil Action No. 92-2808 (D.D.C.), nor does the State of New York admit that any of the alleged actions of the State of New York constitute violations of the False Claims Act. Neither this agreement nor any provision of this agreement may be cited or interpreted as an admission or acknowledgement by the State of New York of the validity of any of the allegations set forth in Paragraphs 1 through 7 above, or any of the allegations in the above-referenced action.

9. WHEREAS, the United States, the State of New York and George Denoncourt are desirous of a final negotiated settlement and compromise of all claims of the United States and George Denoncourt against the State of New York under the False Claims Act, 31 U.S.C. §§ 3729 et seq., under the common law of fraud, deceit, unjust enrichment, contract or payment by mistake of fact, or under any other statute creating causes of action for civil damages or civil penalties, and all actions by HHS to disallow as Federal financial participation claims by the State

- 6 -

of New York, for the alleged conduct described in Paragraphs 3, 4 and 5, with the exception of the allegation in clause (vi) in Paragraph 3, above, concerning NYSDSS's failure to allocate training costs to benefitting state programs in knowing violation of federal regulations;

10. WHEREAS, the United States, the State of New York and George Denoncourt are desirous of a final negotiated settlement of any and all claims of the United States against the State of New York under the False Claims Act or the common law of fraud for (i) NYSDSS's failure to credit local district training fees and revenue from the sale of training material against expenditures charged to the federal government; (ii) allegations that OHRD employees engaged in "bid-rigging" or other improper conduct with respect to the procurement of the 1990-1991 "MAPPER Contract" for computer training; and (iii) NYSDSS's alleged failure to allocate training costs to benefitting state programs in knowing violation of federal regulations.

11. WHEREAS, the United States and George Denoncourt are desirous of a final negotiated settlement and compromise of any and all claims of George Denoncourt against the United States under 31 U.S.C. § 3730(d) arising from Mr. Denoncourt's claims against the State of New York set forth in Claim One of the Complaint described in Paragraph 7, above.

12. WHEREAS, the State of New York and George Denoncourt are desirous of a final negotiated settlement and compromise of any and all claims of Mr. Denoncourt asserted on behalf of the

- 7 -

United States against the State of New York under 31 U.S.C. § 3730(b) in Claim One of the Complaint described in Paragraph 7, above;

NOW THEREFORE, in reliance on the representations contained herein and in consideration of the mutual promises, covenants and obligations in this Agreement, and for good and valuable consideration, receipt of which is hereby acknowledged, the Parties agree as follows:

Terms of Agreement

13. In settlement and compromise of any and all claims of the United States and Mr. Denoncourt against the State of New York described in Paragraphs 9 and 10, above, the State of New York agrees to pay \$26.97 million to the United States as follows:

On or before December 27, 1994, counsel for the State of New York will deliver a check in the amount of \$26.97 million made out to the order of the Treasurer of the United States, to the following:

Michael Hertz, Director
Attn: Shelley Slade
Commercial Litigation Branch
Civil Division
U.S. Department of Justice
10th St. and Constitution Ave., N.W.,
Rm. 3720
Washington, D.C. 20530

14. Contingent upon the United States receiving the payment from the State of New York set forth in Paragraph 13, and in settlement and compromise of any and all claims of Mr. Denoncourt against the United States described in Paragraph 11, above, the

- 8 -

United States agrees to pay \$4.05 million to George Denoncourt, as follows:

As soon as feasible after receiving the payment described in Paragraph 13, the United States will make an electronic transfer for George Denoncourt in the amount of \$4.05 million to DAVIS WRIGHT TREMAINE, Attn: Alma Clark, Seattle First National Bank, 4th & Madison, Seattle, WA. 98101, ABA No. 125000024, Account No. 50033414, Client No. 31596.

15. In settlement and compromise of any and all claims of the United States described in Paragraphs 9 and 10, above, the State of New York further agrees not to engage in certain practices underlying the United States' fraud claims, as follows:

a. Beginning in 1995, NYSDSS will no longer enter into contracts that provide, and NYSDSS will not otherwise request or require, that private training contractors contribute the state match of training expenses through in-kind contributions. Any and all amendments made in and after 1995 to contracts with private training contractors will eliminate the requirement of a contractor in-kind contribution of the state match.

b. Beginning with the July to September 1994 quarter, and for all quarters thereafter, for training contracts with private entities, NYSDSS will claim federal reimbursement by multiplying the applicable federal financial participating (FFP) rate for the various programs by the actual payments made by NYSDSS to the private training entities. Thus, for example, if NYSDSS pays a private contractor \$1000 in a

- 9 -

under Title IV-A, which has a 50% FFP rate, the State of New York will claim \$500 from the federal government, or 50% of the actual payment to the contractor.

c. NYSDSS need not comply with the requirements in subparagraphs (a) and (b) above for a particular subtitle of the Social Security Act, if future amendments to that subtitle, or future judicial decisions, HHS Departmental Appeals Board (DAB) decisions, HHS policy interpretation questions (PIQs), HHS action transmittals, or other written HHS policy statements addressed to states, expressly permit states to use in-kind contributions from private training contractors for the state match of training expenses, without the need for advance approval. In addition, NYSDSS need not comply with subparagraphs (a) and (b) above for a particular subtitle of the Social Security Act, if HHS provides advance approval for the State to use in-kind contributions from private training contractors for claims made under that subtitle. Such approval must expressly reference the State's intent to use in-kind contributions from private training contractors for the state match, the regulatory provision authorizing HHS's approval of the practice, and the subtitle of the Social Security Act under which the practice will be allowed.

d. Beginning with the July to September 1994 quarter, and for all quarters thereafter, NYSDSS agrees to deduct any and all fees paid by private entities for training from the training costs for which the State claims federal financial participation in accordance with 45 C.F.R. § 74.42(c), unless the State

- 10 -

receives advance, written approval from the applicable HHS program operating divisions to use the income from private provider training fees in the manner described in 45 C.F.R. § 74.42(d) or (e). Such written approval must specifically reference NYSDSS's income from fees paid by private entities for training, and must specifically identify the use(s) that NYSDSS may make of such income, and the subsection(s) of 45 C.F.R. § 74.42 authorizing HHS to approve such use(s).

e. Beginning with the July to September 1994 quarter, and for all quarters thereafter, in accordance with 45 C.F.R. § 74.42(c), NYSDSS agrees to deduct any and all administrative fees collected from private training contractors from the administrative costs of the NYSDSS entity responsible for administering training contracts, before allocating and charging such costs to federal and state funding sources, unless the State receives advance, written approval from the applicable HHS program operating divisions to use the income from private training contractor administrative fees in the manner described in 45 C.F.R. § 74.42(d) or (e). Such written approval must specifically reference NYSDSS's income from private training contractor administrative fees, and must specifically identify the use(s) that NYSDSS may make of such income, and the subsection(s) of 45 C.F.R. § 74.42 authorizing HHS's approval of such use(s).

f. NYSDSS need not comply with subparagraphs (d) and (e) above if future amendments to the Social Security Act, or future

- 11 -

judicial decisions, HHS Departmental Appeals Board (DAB) decisions, HHS policy interpretation questions (PIQs), HHS action transmittals, or other written HHS policy statements addressed to states, allow the State to use program income for something other than the deduction alternative currently described in 45 C.F.R. § 74.42(c), without the need for permission under the grant. In such case, NYSDSS must treat administrative fees paid by private contractors, and fees paid by private entities for training, as program income according to the new requirements governing same.

g. Beginning with the October to December 1994 quarter, and for all quarters thereafter, NYSDSS will claim FFP at the rates applicable to training activities only where such costs reflect only the development of curricula, instruction and other activities eligible for reimbursement at the FFP rates applicable to training pursuant to any provisions or statements thereon found in the Social Security Act, HHS's regulations, judicial decisions, HHS DAB decisions, HHS PIQs, HHS action transmittals, and other HHS written policy statements addressed to states.

h. To the extent that this Paragraph imposes obligations on the State of New York that exceed the State of New York's obligations under the law, the State of New York will not be obliged to comply with this Paragraph after December 31, 2001.

i. Nothing in this Paragraph is intended to, or shall be interpreted by the Parties, to authorize the State of New York to violate the Social Security Act, HHS's regulations, judicial decisions, HHS DAB decisions, HHS PIQs, HHS action transmittals,

- 12 -

other HES written policy statements addressed to states, or other federal law.

j. The State of New York agrees to pay the United States treble damages in the event it knowingly resumes a practice in violation of the agreements set forth in this Paragraph. Damages shall be computed by assessing the fiscal impact on the federal government of the State of New York's knowing continuation of the practice or practices in question. The words "knowingly" and "knowing" used in this Paragraph shall be defined in accordance with 31 U.S.C. § 3729(b). The parties do not intend this Paragraph to cover isolated instances in which the State of New York inadvertently, and without deliberate ignorance or reckless disregard of the effect of its actions, violates one of the agreements set forth in this Paragraph.

16. It is agreed that all costs (as defined in the Federal Acquisition Regulations (FAR) 31.205-47) incurred by or on behalf of the State of New York and its officers, directors, agents and employees in connection with (i) the matters covered by this Settlement Agreement, (ii) the federal government's audit and investigation of the matters covered by this Settlement Agreement, (iii) the State of New York's investigation, defense of the matter, and any corrective actions, (iv) the negotiation of this Settlement Agreement, and (v) the payments made to the United States, to Davis Wright Tremaine, and to Mr. Denoncourt pursuant to this Settlement Agreement shall be unallowable costs for federal government reimbursement purposes, and shall not be

- 13 -

included in claims submitted to the federal government. These amounts shall be separately accounted for by the State of New York by identification of costs incurred: 1) through accounting records to the extent that is possible; 2) through memorandum records including diaries and informal logs, regardless of whether such records are part of official documentation, where accounting records are not available; and 3) through itemized estimates where no other accounting basis is available. If any such amounts have been included in claims submitted to HHS, NYSDSS, on its quarterly expenditure report for the October to December 1994 period, will make corresponding downward adjustments so that HHS is reimbursed in full for such amounts.

At the time that it makes these adjustments, the State of New York agrees to submit to HHS's Division of Cost Allocation a written report with the following information:

- a. the identification of all NYSDSS functions or activities that have incurred costs of the type described in this Paragraph;
- b. the identification of all NYSDSS functions or activities identified in response to (a) that have claimed, or will make claims under federal programs, for costs of the type described in this Paragraph;
- c. for those functions or activities identified in response to (a) that the State of New York notes will not make claims under federal programs for costs of the

- 14 -

type described in this Paragraph, the bases for the State's conclusions;

d. for those functions or activities identified in response to (b), the methods and/or procedures used by the State of New York to determine the required adjustments for each unit, including the time period of the adjustment covered for each unit; and

e. identification of the procedures in place to ensure that any future costs of the type described in this Paragraph will not be claimed from the federal government.

17. Contingent upon the United States receiving the payment set forth in Paragraph 13, above, the United States and George Denoncourt hereby release the State of New York from the claims described in Paragraphs 9 and 10, above. Contingent upon the United States receiving the payment set forth in Paragraph 13, above, Mr. Denoncourt hereby releases the State of New York from all claims that he asserts on behalf of the United States in Claim One of the Complaint described in Paragraph 7. The United States expressly reserves and does not waive any and all claims at common law other than the common law of fraud, and any and all claims under statutes other than the False Claims Act, for (i) NYSDSS's failure to credit local district training fees and revenue from the sale of training material against expenditures charged to the federal government; (ii) allegations that OHRD employees engaged in "bid-rigging" or other

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respect to the procurement of the 1990-1991 "MAPPER Contract" for computer training; and (iii) NYSDSS's alleged failure to allocate training costs to benefitting state programs, in knowing violation of federal regulations. Further, unless expressly released in the first sentence of this Paragraph, the United States expressly reserves and does not waive all other claims under the False Claims Act, or under other statutes or the common law, if any, for statements and claims made by the State of New York and its contractors. Mr. Denoncourt expressly reserves and does not waive the claims in Claims Two and Three of the Second Amended Complaint.

18. Contingent upon Mr. Denoncourt receiving the \$4.05 million payment set forth in Paragraph 14, above, Mr. Denoncourt hereby releases the United States from any claims he has or may have under 31 U.S.C. § 3730(d) arising from Mr. Denoncourt's claims against the State of New York set forth in Claim One of the Complaint described in Paragraph 7, above.

19. The United States and Mr. Denoncourt agree that the releases granted by Mr. Denoncourt herein do not bar Mr. Denoncourt from asserting claims for a share of any recoveries by the United States from defendants in the qui tam action besides the State of New York. Further, Mr. Denoncourt hereby reserves the right to take the position in the future that he is entitled to more than 15% of any recoveries by the United States from persons other than the State of New York. The United States hereby reserves the right to take the position in the future

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Mr. Denoncourt is entitled to less than 15% of any such recoveries.

20. On the same day that this Settlement Agreement is executed by the State of New York, the State of New York, including The Research Foundation of the State University of New York, agrees to have its counsel sign the Stipulation at Attachment A, which would dismiss the United States' claims against the various entities and persons defined herein as "the State of New York" that are asserted in Claim One of the action described in Paragraph 7, above. On or before December 27, 1994, and contingent upon the State of New York making the payment called for by Paragraph 13, the United States and Mr. Denoncourt agree to have their counsel sign the Stipulation. Contingent upon the performance of the other agreements in this Paragraph, the United States agrees to file the Stipulation with the Court on or before December 30, 1994.

21. The settling parties are the sole intended beneficiaries of this agreement, and all rights not expressly released are reserved.

UNITED STATES OF AMERICA

Dated: December 20, 1994

By:

Shelley R. Slade
SHELLEY R. SLADE, ESQ.
Attorney, Civil Division
Department of Justice
P.O. Box 261
Ben Franklin Station

Dated: 12/20/94

By: W. Mark Nebeker
W. MARK NEBEKER, ESQ.
Assistant U.S. Attorney
Office of U.S. Attorney for
the District of Columbia
Judiciary Center Building
555 4th St., N.W.
Washington, D.C.
(202) 514-0742 7230

Dated: 12/20/94

By: Eileen Boyd
EILEEN BOYD, ESQ.
Assistant Inspector General
for Civil Fraud and
Administrative Adjudication
Department of Health & Human
Services
330 Independence Ave., N.W.
Washington, D.C. 20201
(202) 619-0070

Dated: _____

By: Charles J. Bamundo
for VINCENT J. BAMUNDO
Director, Regional
Administrative Support
Center
Department of Health & Human
Services, Region II
26 Federal Plaza, Rm. 41-118
New York, N.Y.
(212) 264-4300

- 18 -

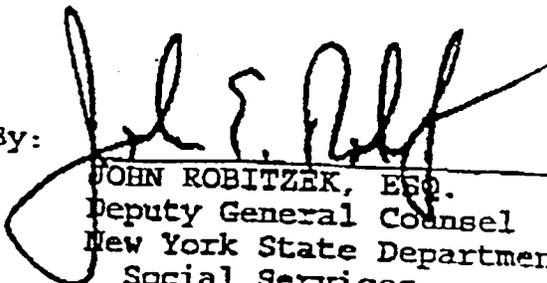
GEORGE DENONCOURT

Dated: _____

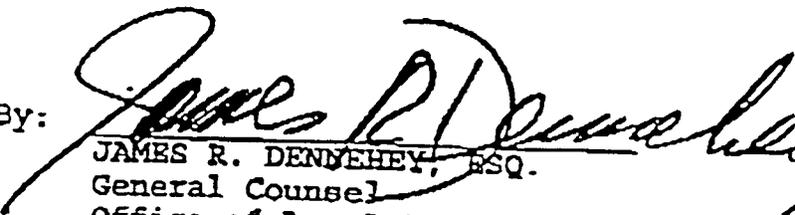
By: Stuart Pierson
STUART PIERSON, ESQ.
Davis Wright Tremaine
1155 Connecticut Ave., N.W.
Suite 700
Washington, D.C. 20036
(202) 508-6623

THE STATE OF NEW YORK

Dated: 12/20/94By: Alan S Kaufman
ALAN KAUFMAN, ESQ.
Assistant Attorney General
New York State Department of
Law
State Capitol
Albany, N.Y. 12224
(518) 473-5099Counsel for the New York State
Department of Social Services,
the Office of Human Resource
Development, Robert
Donahue, Carol Polnak, Will
Zwink, Carol DeCosmo, Robert
Hagstrom, State University of
New York (SUNY) at Albany,
SUNY Brockport, the State
University Colleges at
Buffalo, SUNY Central
Administration, and the City
University of New York.

By: 
 JOHN ROBITZEK, ESQ.
 Deputy General Counsel
 New York State Department of
 Social Services
 40 North Pearl Street
 Albany, New York 12243-0001
 (518) 474-9502

Counsel for the New York State
 Department of Social Services

By: 
 JAMES R. DENNEHEY, ESQ.
 General Counsel
 Office of Legal Affairs
 The Research Foundation of
 State University of New York
 P.O. Box 9
 Albany, N.Y. 12201-0009

Counsel for the Research
 Foundation of the State
 University of New York

DEC 22, 1994

DEPARTMENT OF TAXATION AND FINANCE-DIVISION OF THE TREASURY

State of New York

No. 78474709

78474709

21-79
215 A

KNOW YOUR ENDORSER

PAY TO THE
ORDER OF

TREASURER OF THE UNITED STATES
ATTN: SHELLY SLADE
10TH ST & CONSTITUTION AVE NW
ROOM 3720
WASHINGTON DC 20530

\$26,970,000.00

\$26,970,000.00

KEY BANK OF NEW YORK
ALBANY, N. Y.

Handwritten signature and stamp: RECEIVED BY STATE OF NEW YORK DEPARTMENT OF TAXATION AND FINANCE

GENERAL CHECKING ACCOUNT

Handwritten signature: Carl McCall
CARL MCCALL
SEAL COMPTROLLER

784747098 021300705 710 00 303 811



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

SEP 8 1995

Washington, D.C. 20201

MEMORANDUM

TO: June Gibbs Brown
Inspector General

FROM: Assistant Secretary for Management and Budget

SUBJECT: Draft Audit Report entitled *Review of Training Contract Practices at the New York Department of Social Services (A-02-93-02006)*.

RECEIVED
1995 SEP 11 P 3:13
OFFICE OF INSPECTOR
GENERAL

We have reviewed this draft report and agree with its conclusions involving improper training contract practices disclosed in your joint review with the Department of Justice. In addition, we agree with your concerns that comparable conditions may also exist in varying degrees in other states. Accordingly, quick action will be taken to ensure compliance with your three recommendations.

Administrative costs (e.g., training contract costs) are normally claimed on Federal programs by implementing an approved public assistance cost allocation plan. Since the Division of Cost Allocation is responsible for approving these plans, this Division will:

- Alert other Federal agencies (i.e., Department of Agriculture and Social Security Administration) which also fund training contracts to the conditions disclosed in this draft report.
- Advise and coordinate efforts of HHS OPDIVs (i.e., ACF, HCFA) and other Federal agencies to more closely monitor and coordinate States' compliance with regulations affecting allocation/claiming of training contract costs.
- Review future training expenditures claimed by the New York State Department of Social Services, on a periodic basis, to ensure continued compliance with terms of the settlement agreement.

Thank you for providing us the opportunity to comment on this draft report.

EG _____
BAIG _____
FDIG _____
DIG-AS _____
DIG-EI _____
DIG-OI _____
DIG-MP _____
AIG-CFAA _____
OCCTO _____
EXSEC _____
DATE SENT 9/11


John J. Callahan



DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Care
Financing Administration

Memorandum

DATE October 5, 1995
FROM Robin Magwood *Robin Magwood*
Management Planning and Analysis Staff
SUBJECT Office of Inspector General (OIG) Draft Report. "Review of Training Contract Practices at the New York Department of Social Services," (A-02-93-02006)
TO Marcella Roth
Office of Audit Services

I apologize for the delay in this action, however, the attached correspondence was inadvertently forwarded to the Office of Evaluations and Inspection, OIG dated 8/23/95. As stated, HCFA has no comment on the above mentioned draft report. Thank you for the opportunity to review and comment on this report. Please contact me if I can be of any further assistance at (410) 786-1999.

Attachment

Date: August 23, 1995

Note To: Office of Evaluations and Inspection, OIG
Executive Secretariat
Management Planning and Analysis Staff File

Subject: No additional Comments on OIG Draft Report: "Review of Training Contract practices at the New York Department of Social Services," (A-02-93-020006)

In accordance with the latest agreed to procedures, this note will serve to document closure of the ES control on the above subject draft report, as well as to notify OIG that there are no additional comments.


Robin Magwood



ADMINISTRATION FOR CHILDREN AND FAMILIES
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

DATE: September 22, 1995
TO: June Gibbs Brown
Inspector General
FROM: *Ann Rosewater*
Ann Rosewater
Deputy Assistant Secretary for
Policy and External Affairs

IG _____
SAIG _____
PDIG _____
DIG-AS _____
DIG-EI _____
DIG-OI _____
DIG-MP _____
AIG-CFAA _____
OIG/IG _____
ICEC _____
DATE SENT 9-25

RECEIVED
1995 SEP 25 A 11:58
OFFICE OF INSPECTOR
GENERAL

SUBJECT: Draft Report, "Review of Training Contract Practices at the New York Department of Social Services" (CIN: A-02-93-02006)

We have reviewed the report above and have the following comments to offer:

General Comment

The report indicates an aggregate amount of improper claims for training costs filed by the State under titles IV-A, IV-D, IV-E, and XX. It would be beneficial to this agency in carrying out its responsibility to monitor and assist States in the administration of individual programs if the improper claims were detailed on a program-by-program basis.

Specific Comment

Pages 6 - 9 The situations discussed as "Third Party In-Kind Contributions" (pp. 6-8) and "Administrative Fee" (pp. 8-9) are, essentially, identical. In each situation, the training contracts awarded by NYSDSS contain provisions requiring the contractor to pay to the State an amount in addition to the reasonable and fair market value of the services being provided.

The report correctly cites the "administrative fee" as being an "applicable credit" that should be used to reduce the State's claim for Federal funding, in accordance with the requirements of OMB Circular A-87. However, the report fails to identify the "third party in-kind contributions" as also being "applicable credits" that should be treated similarly. In fact, the report seems to imply that such a funding methodology would be acceptable except for the fact that, in this instance, the contractors failed to actually provide their "contributions."

Page 2 - June Gibbs Brown

It should be noted that under Departmental regulations at 45 CFR 74.3, third party in-kind contributions are defined as, "the value of non-cash contributions provided by non-Federal third parties." (Emphasis added.) In addition, under title IV-A and IV-D program regulations at 45 CFR 201.4(e), 301.15 (e) and 304.10, the cost sharing (including the in-kind contribution) provisions of Part 74 are specifically excluded from applicability under these programs.

In the example provided in the draft report, if a contract was awarded for \$100,000 and the contractor provided a "contribution" of \$25,000, only the net amount of \$75,000 would be eligible for Federal funding. Assuming a Federal financial participation rate of 50%, the Federal share of this contract would be \$37,500.

We recommend the wording for this section of the draft report be revised accordingly.

If you have any questions concerning this matter, please contact Ann Barbagallo at 401-5139.