

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

RECONCILIATION OF EXPENDITURES

**TITLE IV-A EMERGENCY ASSISTANCE PROGRAM
NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM**



**JUNE GIBBS BROWN
Inspector General**

**APRIL 1999
A-07-98-01035**



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Office of Audit Services

Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

CIN: A-07-98-01035

April 13, 1999

Mr. Ron Ross
Director
Nebraska Health and Human Services System
301 Centennial Mall South - 5th Floor
P.O. Box 95026
Lincoln, Nebraska 68509

Dear Mr. Ross:

This report provides you with the results of our audit entitled *Reconciliation of Expenditures* reported for the Title IV-A Emergency Assistance (EA) program by the Nebraska Health and Human Services System (Department), Lincoln, Nebraska. Our objective was to reconcile \$44,885,320 (Federal share \$22,442,665) in EA costs claimed for the 26-month period ended November 30, 1996 to supporting records. We determined that the costs claimed included unapplied EA credits, duplicate charges and unsupported costs totaling \$1,271,105 (Federal share \$635,552). We are recommending that the Department reduce Federal accounts for improper costs claimed, take steps to preclude a future recurrence and adjust the base costs used to calculate awards under the Temporary Assistance to Needy Families (TANF) program.

The Department concurred with our findings and recommendations. A copy of the Department's response to our draft report is provided in its entirety as Appendix A.

INTRODUCTION

Background

The EA program was authorized in 1968 under Section 406 of Title IV-A of the Social Security Act through the enactment of Public Law 90-248. The intent of the EA program was to provide temporary financial assistance and social services to needy families in emergency situations to prevent the destitution of a child and/or to provide living arrangements. Effective December 1, 1996, the Department's EA program was replaced by a block grant under the TANF program. The initial TANF awards were based in part on prior EA expenditures.

At the Federal level, the EA program was administered by the Department of Health and Human Services (HHS), Administration for Children and Families (ACF). The ACF Regional Office approved states' service plans after the plans were reviewed by ACF Central Office. The HHS Division of Cost Allocation must approve states' plans for identifying and allocating costs.

Attachment A of the Office of Management and Budget Circular A-87 addresses Federal cost principles for determining the allowability of costs claimed by State, Local, and Indian Tribal Governments.

The Department was the single State agency in Nebraska responsible for the administration of the EA program. The Department consolidated expenditure reports of Counties/other State agencies and claimed Federal reimbursement by submitting quarterly fiscal reports to ACF.

In August 1994, the Department contracted with the MAXIMUS consulting firm for services designed to identify additional EA clients and sources of Federal reimbursement. MAXIMUS reviewed the case files of children in state-only assistance programs to determine if the eligibility requirements for EA could be met. Based on these reviews, MAXIMUS provided the Department with reports for claiming additional EA costs. MAXIMUS fee was based on a percentage of the increased Federal revenues.

Scope of Review

Our reconciliation of EA expenditures reported by the Department was conducted in accordance with generally accepted government auditing standards. The objective of our review was to reconcile reported EA expenditures to the Department's supporting documents. For the 26-month period ended November 30, 1996, these expenditures totaled \$44,885,320 (Federal share \$22,442,665).

Our review was limited to obtaining an understanding of the methodology used by the Department to identify EA payments and prepare the required expenditure reports. We did not review the overall internal control structure of the Department. We relied on the internal control testing performed by the State's independent auditors for the Single Audit Report.

To accomplish our objective, we compared EA expenditures reported to ACF with the Department's work sheets that identified expenditures eligible for Federal reimbursement. Then, we reviewed supporting schedules, invoices, and adjustment reports compiled by the Department, MAXIMUS, and other State agencies.

This report is one of two covering the EA costs claimed during the 26-month period. Our second report will address our conclusions on the eligibility of selected EA clients and the related costs claimed.

Our field work was performed during the period June through December 1998 at the Department's office located in Lincoln, Nebraska.

FINDINGS AND RECOMMENDATIONS

Reconciliation of Expenditures

For the 26-month period ended November 30, 1996, the Department reported expenditures totaling \$44,885,320 (Federal share \$22,442,665) to ACF. Contrary to Federal cost principles, the Department:

- ◆ did not apply EA credits of \$332,448 (Federal share \$166,224).
- ◆ claimed duplicate charges totaling \$614,383 (Federal share \$307,191).
- ◆ did not have support in the accounting records for cost claims totaling \$324,274 (Federal share \$162,137).

The improper costs claimed could also have an impact on the calculation of Nebraska's TANF awards.

We are recommending the Department reduce Federal accounts by \$1,271,105 (Federal share \$635,552) for the improper costs claimed, take steps to preclude a future recurrence and adjust the base costs used to establish TANF awards.

Federal Cost Principles

Applicable Federal cost principles for determining the allowability of costs claimed by State governments are included in Attachment A of the Office of Management and Budget Circular A-87. Section C of this Attachment states that costs claimed for Federal reimbursement must be (1) necessary and reasonable for the proper and efficient performance and administration of Federal awards; (2) net of all credits; and (3) adequately documented.

EA Credits

The Department did not apply net credits of \$332,448 (Federal share \$166,224) to EA accounts. In one instance, the Department understated EA costs by recording a credit twice. In another instance, EA costs were overstated when applicable credits were not recorded.

- ◆ The claim for the quarter ended June 30, 1995 included a prior period adjustment of \$197,270 for *refunds and unearned income* which reduced EA costs. Because this credit was also included on the claim for the quarter ended September 30, 1995, EA expenditures were *understated* by \$197,270 (Federal share \$98,635).
- ◆ The claim for the quarter ended September 30, 1996 included EA payments identified by the Department consultant but excluded refunds and cancellations identified by the consultant. This omission resulted in the EA payments being *overstated* by \$529,718 (Federal share \$264,859).

Duplicate Costs

The Department charged duplicate costs totaling \$614,383 (Federal share \$307,191) to EA accounts. We found three instances where invoices or other cost data was processed for payment twice, resulting in the overstatement of EA costs.

- ◆ The claim for the quarter ended June 30, 1995 included identical invoices for Domestic Abuse EA payments of \$43,310. The duplicated documents had identical: dates of services, clients served, and expenditure amounts. The first invoice was approved for payment on May 18, 1994 and the second invoice was approved on June 12, 1995. As a result, EA was overcharged \$43,310 (Federal share \$21,655).
- ◆ The claim for the quarter ended September 30, 1995 was amended to identify EA payments under new codes, FC-32 and FC-33. However, the consultant hired by the Department had already included the FC-32 EA payments on a separate listing. As a result, the FC-32 costs were claimed twice and EA was overcharged \$530,509 (Federal share \$265,254).
- ◆ The claim for the quarter ended March 31, 1996 included duplicated charges of \$40,564 for administrative costs. This amount was identified by the random moment time study and included on claim work papers twice, once as a separate line item and again in the total for all EA administrative costs allocated by the random moment time study. As a result, EA was overcharged \$40,564 (Federal share \$20,282).

Unsupported Costs

The Department could not furnish us with documentation to support EA costs totaling \$324,274 (Federal share \$162,137). In two instances, the amounts claimed were only partially supported by Department records. In two other cases, the Department could not provide us with records to support any of the amounts claimed.

- ◆ For the quarter ending March 31, 1996, the *Emergency Assistance Expenditure RECAP* work sheet listed the FC-32 expenditures as \$1,922,506. The actual expenditures reported to the Department on the consultant report was \$1,867,152. As a result, EA expenditures were overstated by \$55,354 (Federal share \$27,677).

- ◆ As shown in the following chart, other EA costs totaling \$268,920 (Federal share \$134,460) were not supported.

<u>Quarter Ending</u>	<u>Cost Area</u>	<u>Amount Claimed</u>	<u>Amount Supported</u>	<u>Amount Unsupported</u>
12/31/95	DPI/LRC	\$ 39,552	\$ 0	\$ 39,552
06/30/96	DPI/LRC	\$334,978	\$174,201	\$160,777
12/31/96	Maximus	\$ 68,591	\$ 0	\$ 68,591
			Total	\$268,920

In summary, the aggregate improper claim totaled \$1,271,105 (Federal share \$635,552), which should be returned. Because the base year for the subsequent TANF award was computed in part from total expenditures claimed, any improper EA costs claimed could also inappropriately increase the amount of Nebraska's TANF awards.

Department officials said that the omissions and errors were an oversight. These officials said they would continue to look for missing EA records.

Recommendations

We recommend that the Department:

- (1) adjust the Federal claim to reduce EA costs by \$1,271,105 (Federal share \$635,552);
- (2) implement controls to assure that cost claimed meet the requirements for Federal reimbursement; and
- (3) ascertain the extent to which improper EA costs were included in the base used to calculate Nebraska's TANF award and make the appropriate adjustment.

Auditee Comments

The Department concurred with our findings and recommendations (See Appendix A). Department's officials said they would seek ACF's assistance in adjusting the Federal EA claim and recalculating Nebraska's TANF award. The officials also said they had established a Cost Accounting Unit to assure that costs claimed for reimbursement meet Federal requirements.

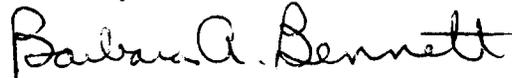
INSTRUCTIONS FOR AUDITEE RESPONSE

Final determinations as to actions to be taken on all matters reported will be made by the HHS Action Official identified below. We request that you respond to the HHS Action Official identified below within 30 days from the date of this report. Your response should address each recommendation and present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of information Act (Public Law 90-23), OIG, OAS reports issued to HHS' grantees and contractors are made available if requested, to members of the press and general public to the extent information contained therein is not subjected to exemptions in the Act which HHS chooses to exercise. (See 45 Code of Federal Regulations, part 5.)

If you have any questions, please contact Joseph Green, Audit Manager, at (515) 323-2147. Please refer to the Common Identification Number (CIN) in all correspondence relating to this report.

Sincerely,



Barbara A. Bennett
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official
Linda Lewis
Regional Administrator, Region VII
HHS/Administration for Children and Families
601 East 12th Street, Room 276
Kansas City, Missouri 64106



March 19, 1999

Ms. Barbara A. Bennett
Regional Inspector General for Audit Services
Department of Health and Human Services Region VII
601 East 12th Street - Room 284A
Kansas City, MO 64106

RE: CIN: A-07-98-01035

Dear Ms. Bennett:

We completed our review of your audit entitled *Reconciliation of Expenditures* reported for the Title IV-A Emergency Assistance (EA) program in the State of Nebraska for the twenty-six month period ended November 30, 1996. We agree with all findings. The omissions and errors were oversights and the records to support some claims were misplaced, probably due to work with our consultants and/or staff office relocations.

Specifically we will do the following to comply with your recommendations:

- (1) We will adjust the Federal claim to reduce Emergency Assistance costs by \$1,271,105 (Federal share, \$635,552). We will need technical assistance from the Administration for Children and Families to complete the claim adjustments within the new program and funding method.
- (2) We have established a new Cost Accounting Unit that will develop the information for the claims that we file. We believe that development of the cost information in a form that relates to the report data will assure that costs claimed for the various programs will meet the Federal reimbursement requirements.
- (3) We will work with the Administration for Children and Families to recalculate the Nebraska Temporary Assistance to Needy Families grant and to make the appropriate adjustments to the amounts drawn on the grant.

I regret the problems cited in the audit and will work to improve the quality of our service for the future. Thank you for assistance in helping us to meet our responsibility for the Emergency Assistance program. If you need further information, please contact Larry Morrison, our Cost Accounting Manager, at 402-471-9373.

Sincerely,

Jeff Elliott, Director
Department of Health & Human Services Finance & Support

c. Ron Ross
Willard Bouwens
Larry Morrison
Jim Boshart