

Appropriations Committee and Health and Human Services Committee
Legislative Resolution 535
November 14, 2014

Thomas Pristow, Director
Division of Children and Family Services
Department of Health and Human Services

Good afternoon members of the Appropriations Committee and Health and Human Services Committee. My name is Thomas Pristow (T-h-o-m-a-s P-r-i-s-t-o-w) and I am the Director of the Division of Children and Family Services in DHHS.

In July 2013 the Department was notified by the federal Administration for Children and Families (ACF) that Title IV-E foster care maintenance claims, expenditures and estimates, were being deferred until proper claiming could be demonstrated with adequate supporting documentation. This was due to amounts paid to agency-supported foster care providers being claimed to foster care maintenance which included amounts kept by providers for administering their foster care programs. Only amounts paid to foster parents, in addition to other services, is allowable under Title IV-E foster care maintenance claims. This was discovered by the Department during an appeal of a federal fiscal year 2010 disallowance in April 2013.

Based on successful negotiations, ACF agreed in October 2013 to partially lift the deferral on allowable IV-E foster care maintenance claims paid directly by the Department for federal fiscal year 2013.

The Department had to go back to 19 agency-supported foster care providers to obtain 100 percent source documentation to substantiate amounts paid directly to foster parents for all of federal fiscal year 2013. This information was submitted to ACF for their review and the Department received notification from ACF in September 2014 of approval of total computable claims of \$1,584,934 for total federal funds of \$883,759. This amount will be reimbursed to the Department in state fiscal year 2015.

In January 2014, the Department received a Title IV-E disallowance from ACF for all foster care maintenance claims for federal fiscal year 2010 through 2012 of

\$21.9 million. The Department filed an appeal in February 2014 and currently has a stay on the appeal until December 17, 2014. The Department was able to substantiate over \$7.3 million in claims that are allowable under Title IV-E paid directly by the Department. Because ACF was provided 100 percent of source documentation related to federal fiscal year 2013, ACF agreed to a sample by provider, by service type for the 21 agency-supported foster care providers. Four providers failed to provide any or complete source documentation. The sample selected by ACF will then be extrapolated across each service type by provider. This information was provided to ACF in July 2014 for their review and based on their review, they have requested 100 percent source documentation for three providers. This is because the rates paid vary greatly and lacked consistency which couldn't be extrapolated as appropriate. This information was due from these providers to the Department on November 12, 2014. The Department will review and submit to ACF soon thereafter.

Nebraska Families Collaborative federal fiscal year 2013 amounts paid to foster parents was submitted to the Department on October 31, 2014. This information will be submitted to ACF to select a sample where actual source documentation will have to be provided. The sample will then be extrapolated across all claims by service type. This same process will occur for federal fiscal year 2014, which is due from NFC to the Department on November 28, 2014.

The Department is also currently working with the agency-supported foster care providers to obtain the last quarter of claims for amounts paid directly to foster parents for federal fiscal year 2014 quarter four. A sample will then be selected by ACF for actual source documentation to be extrapolated across all claims by provider, and by service type for federal fiscal year 2014.

The Department is currently operating under a Title IV-E waiver which caps the amount of foster care maintenance and administrative claims. The Department continues to work with NFC and ACF on NFC's Cost Allocation Plan, with a two-year limit on claiming under Title IV-E, much of the time has been spent getting the foster care maintenance claims in for all agency-supported foster care providers for federal fiscal year 2013 and 2014, in addition to appeal claims pertaining to federal fiscal year's 2010 – 2012.

Due to the complexity of the various Child Care Development Fund (CCDF) funding sources (Mandatory, Matching, Discretionary and Maintenance of Effort), each have different periods of obligation and availability for each funding source, it is difficult for NFOCUS to properly categorize CCDF expenditures. NFOCUS provides claims level detail, then a reconciliation needs to occur between NFOCUS and Enterprise One which is the Department's accounting system. Then, expenditures need to be properly categorized into the allowable funding sources as reported on the quarterly ACF-696.

DHHS' Financial Services and Division of Children and Family Services have weekly phone calls with ACF to address their concerns, and work through financial reporting and programmatic issues. In addition, there are frequent meetings between Financial Services and Division of Children and Family Services to ensure both finance and program are on the same page related to federal grants and financial reporting.

Child Care Development Fund (CCDF)

In April 2014, the Department was notified by ACF that the Child Care Development Fund (CCDF) was put on a restricted draw down. This restriction was imposed due to late, incomplete and/or missing financial expenditure reports for federal fiscal years 2010 through 2013 and a history of audit findings. In addition, the Department had been unable to satisfy ACF requests for readily reviewable source documentation to verify claims against CCDF grants.

The restrictive draw down sets up a process by which The Department must provide ACF acceptable documentation before accessing the federal CCDF funds. The original restrictive draw down effected any CCDF grant funds which were considered 'open' and not yet expended. Since the regulations for CCDF allow for up to three years to expend funds this effected CCDF federal funding for federal fiscal years 2012 through 2014. At the time the drawdown was put in place there was approximately \$861,000 in unexpended 2012 federal funds, \$3.5M in unexpended 2013 federal funds and \$21M in unexpended 2014 funds.

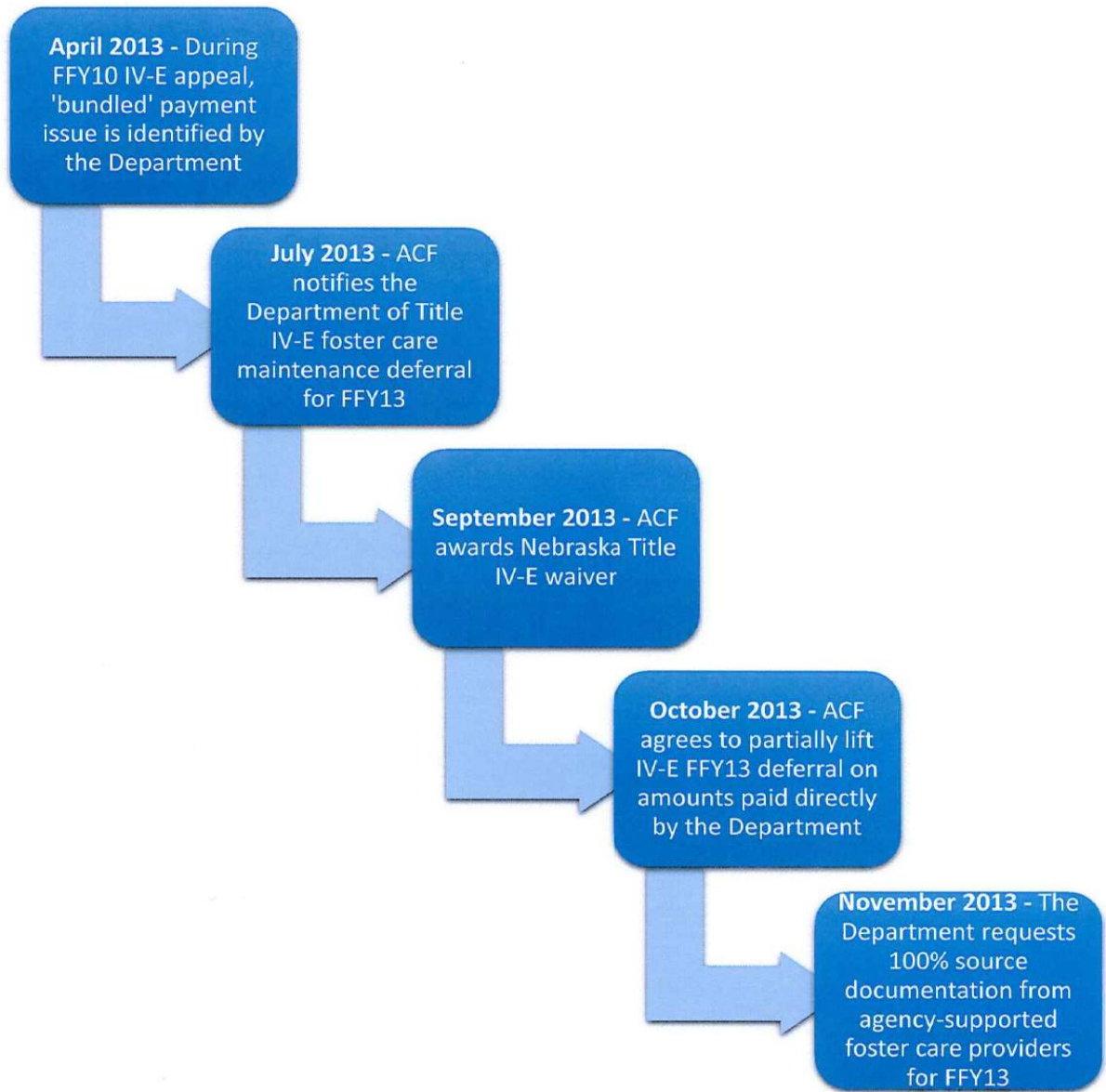
Immediately after the restrictive draw down was imposed Department staff from both Financial Services and Division of Children and Family Services met with ACF officials in Kansas City to discuss how to resolve the issues that led to the draw down. Since this time these staff have continued working with ACF staff through

weekly phone calls to address the financial reporting and programmatic issues. In addition, there are frequent meetings between Financial Services and Division of Children and Family Services to ensure both finance and program are on the same page related to managing the CCDF funds and financial reporting.

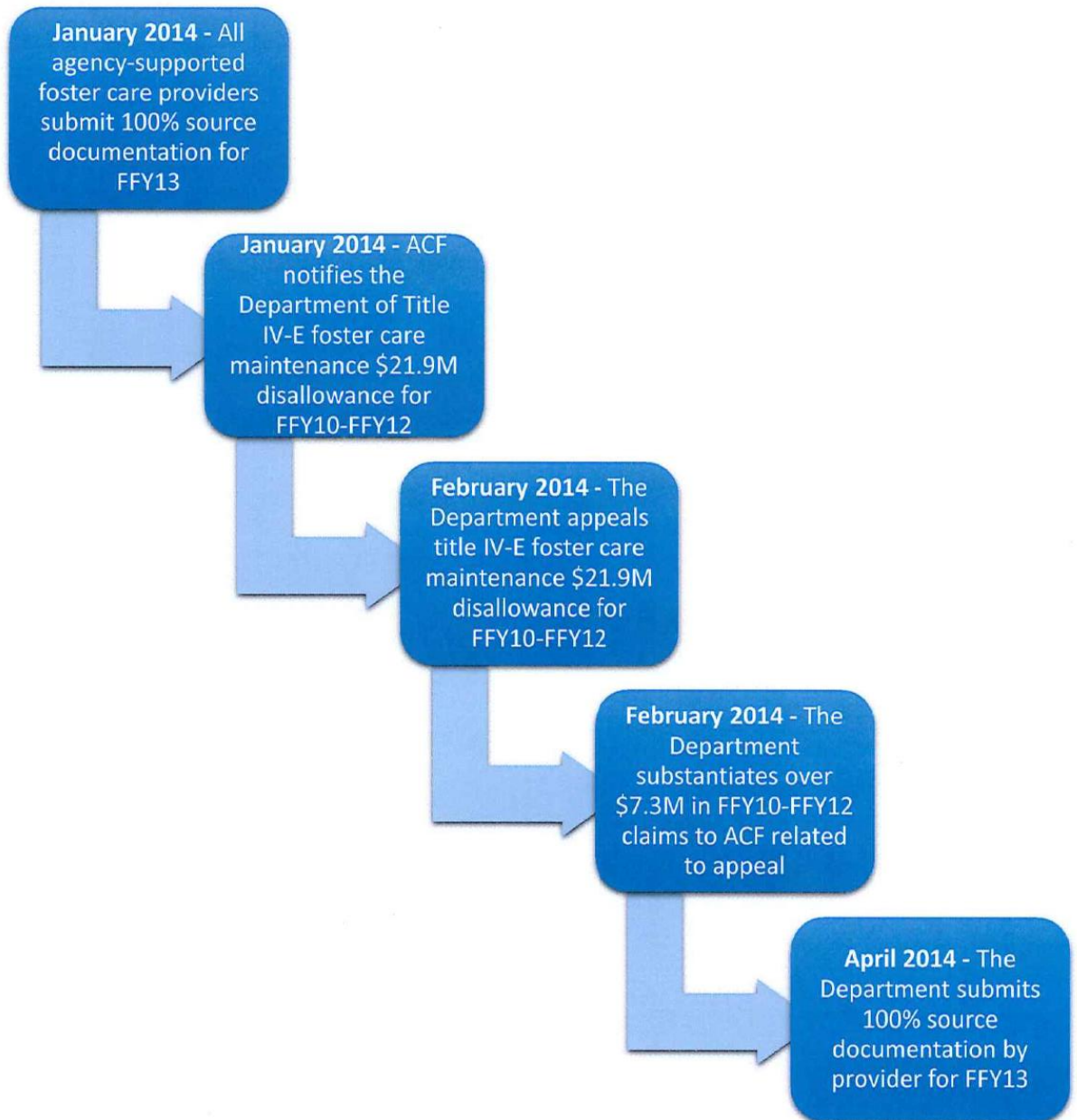
Through this collaboration with ACF, the Department has made significant progress in identifying accurate source documentation of claims, correcting reports and addressing audit findings. Internal control processes are being identified and developed to provide for ongoing improvements in financial reporting. While we anticipate the restrictive draw down will continue into the spring, the work that is being accomplished should avoid CCDF disallowances.

I would be happy to answer any questions you might have on the topics I have discussed today.

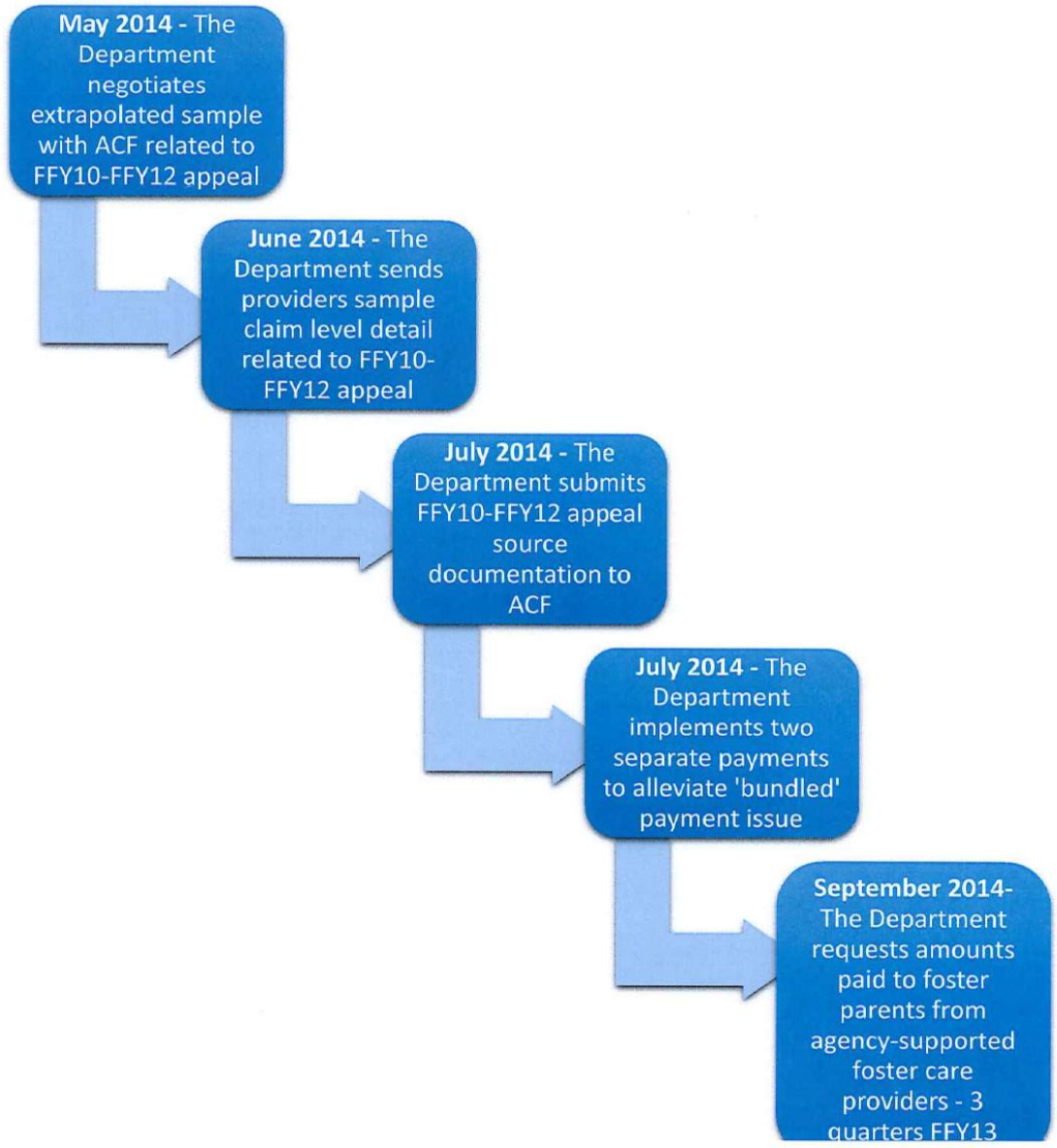
Title IV-E Flow Chart, November 2014



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