



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 3, 2007

Christine Peterson, Chief Executive Officer
Nebraska Department of Health and Human Services
301 Centennial Mall South, 3rd Floor
Lincoln, NE 68509

Dear Ms. Peterson:

As you know, our Attestation Report of the Health and Human Services System for the fiscal year ended June 30, 2006, included a comment and recommendation regarding accounts receivable procedures. At the conclusion of that fieldwork there were unresolved issues regarding certain Federal requirements. Those issues have been discussed with Federal regulatory agencies and the Nebraska Department of Health and Human Services (DHHS). DHHS now agrees parental financial liability can be assessed for Medicaid eligible children receiving services and Medicaid should receive their share of collections related to Medicaid clients.

We have had extensive conversations and email correspondence with several members of DHHS staff since May 2007 pertaining to parental liability. Conflicting information and answers from DHHS staff did not allow us to obtain a clear and definitive answer to the questions we asked. On September 24, 2007, a Senior DHHS official met with our office and responded on behalf of DHHS that the Department agreed with our office on the issue of parental financial liability.

Per State statutes, clients receiving services at the Regional Centers, Beatrice State Developmental Center (BSDC), and those receiving community-based developmental disability (DD) services, are liable for their cost of care, support, maintenance, and treatment. Neb. Rev. Stat. Sections 83-227.01, 83-363 through 83-379, and 83-1211 prescribe requirements related to costs of services. Title 202 of the Nebraska Administrative Code (NAC) Chapter 1 details ability-to-pay procedures. Clients or other responsible persons are billed monthly based on ability-to-pay determinations as required by statutes and regulations. For the fiscal year ended June 30, 2006, DHHS reported total client accounts receivables, to the Department of Administrative Services - State Accounting Division (DAS), for the State Comprehensive Annual Financial Report (CAFR) of \$49,787,742. As reported to DAS, allowances for doubtful accounts were \$37,881,034 for a net receivable of \$11,906,708 at June 30, 2006.

Following is a detailed summary of evaluation results related to DHHS accounts receivable procedures.

APA Summary of Evaluation Results

Regional Centers

1. DHHS implemented changes in December 2005 regarding determining Regional Center clients' ability-to-pay. These changes are in direct conflict with Title 202 NAC Chapter 1 Rules and Regulations.

Regional Center clients who did not provide financial information had their accounts receivable balances adjusted to zero. These procedures were not approved through the Rules and Regulations process and are not in the NAC Manual. If a new client, who is solely responsible for all charges, did not send in their financial information after 75 days; DHHS would change the ability-to-pay to zero and adjust all charges to zero. If an existing client, who is solely responsible for all charges, submitted no financial information, then DHHS also adjusted their charges to zero. The ability-to-pay amount is set to zero until the client submits financial information. The zero ability-to-pay amounts were valid until new information was received. Also clients were adjusted to zero for prior charges when current information was obtained. These policies were implemented in December 2005 for the Regional Centers. As a result of these procedures, DHHS was not accessing or collecting the correct amount of charges for some clients.

We recommend DHHS adhere to the rules and regulations they have established in the NAC. If the rules and regulations need to be updated or changed, DHHS should follow the proper process and get the changes made so they can adequately comply with the rules and regulations they establish. We also recommend DHHS obtain a consent form from the client upon admission, for DHHS to review tax information. Additionally, DHHS may want to confer with the Attorney General regarding legal actions they can pursue if clients do not submit financial information for the ability-to-pay determination.

Department's Response: In December 2005, the Department of Health and Human Services (DHHS) changed its' practice to not send full cost statements to new clients who failed to provide financial information within 75 days. Under State ex rel Spire v. Stodola, 228 Neb. 107 (1988), a new client may not be assessed full cost for failure to provide financial information. If there's been an ability to pay (atp) determination based on the client's financial information and the client remains in treatment but fails to provide current financial information for a redetermination for the next fiscal year, then the atp determination for the first year may remain in effect the second year under the provision in Neb. Rev. Stat. 83-373 that: "Any determination of the ability of a patient or relative to pay shall remain in effect until a redetermination is made. . . .". The Department continues to pursue the obtaining of this information and does establish an ability to pay amount once the information is received. DHHS agrees with the recommendation and will review the rules and regulations and make appropriate changes. DHHS will seek resolution on those accounts that refuse to provide financial information.

APA's Response: DHHS may want to confer with the Attorney General regarding legal actions they can pursue if clients do not submit financial information for the ability-to-pay determination.

2. DHHS did not have adequate collection procedures. The Regional Centers sent out statements to clients or clients' guardians every 30 days. The Trust Officers at each Regional Center follow up on outstanding accounts by sending a maximum of three collection letters to clients or clients' guardians. If no payment is made then DHHS Legal will send a demand letter. If the Regional Center still does not receive payment, the Trust Officer sends a note to their supervisor who discusses with DHHS Legal their authority to collect. No further action was noted.

We recommend DHHS re-evaluate and document, in writing, their collection procedures to ensure the State is collecting all revenues due. A written documented process would ensure that all employees are aware of the required procedure and DHHS could ensure that their procedures are being followed. Follow-up procedures as expected by DHHS should be included in the documentation. DHHS should consider the use of an outside collection agency, when necessary. Further, we recommend DHHS obtain legal advice from the Attorney General on the actions DHHS can take to recover monies due from clients' or client guardians.

Department's Response: DHHS agrees and has implemented new collections procedures in May 2007, which includes a negotiated contract with a collection agency effective November 2007.

The following collection procedures are required to be followed on all accounts:

1. *Demand letter (bill)*
2. *Monthly Billing Statement*
3. *Letter from Director*
4. *Letter from AG/notification regarding Collection Agency*
5. *Assign to Collection Agency*
6. *Report to Credit Bureau*
7. *Over \$500 – file complaint in District Court*
8. *Under \$500 – Stay with ICC and monthly billing statement*

Death

1. *Review Weekly Report - NE Deaths (DHHS Vital Statistics data)*
2. *Demand for notice to County Clerk upon notification of death*
3. *File a claim if notified of probate*

Bankruptcy

1. *Chapter 7: File claim if assets available*
2. *Chapter 13: File claim for possible payments under courts direction.*

3. We noted 1 of 25 Regional Center clients tested had the ability-to-pay calculation incorrect. A client at the Hastings Regional Center had an ability-to-pay amount of \$0 based on the financial information submitted; however, the Trust Officer used the total balance of the liabilities and not the monthly amount due. The monthly payment amount was not indicated on the financial questionnaire. For example, a client who has a home loan for thirty years totaling \$200,000 would have \$200,000 less the equity in the home included in the calculation for liabilities and not the monthly or annual amount of mortgage payments. There were no written procedures documenting how to perform the ability- to-pay calculation.

We recommend DHHS establish and document in writing the procedures for ability-to-pay calculations to be reviewed by a second individual to ensure accuracy.

Department's Response: The Trust Officer did use the correct amount when determining the ability to pay. DHHS agrees with the recommendation and will implement procedures and training to on all ability to pay calculations to ensure they are done consistently and require a second review on all transactions.

4. DHHS performs adjustments to client accounts. These adjustments are related to uncollectible amounts, undue hardships that were granted, untimely filings to insurance companies and Medicaid, and current financial information applied retroactively. Several of the adjustments were actually write-offs; however, they were not submitted to the State Claims Board. We noted during testing of adjustments at the Regional Centers:
- The client account adjustments were not considered reasonable for 3 of 10 tested at the Hastings Regional Center. DHHS made these adjustments because they failed to submit claims to insurance companies or Medicaid. There was a retroactive ability-to-pay determination and a lack of follow up on claims denied by Medicaid. The total amount of adjustments made during fiscal year 2006 at the Hastings Regional Center for claims not filed timely to insurance companies or Medicaid was \$381,563.
 - Adjustments made by DHHS staff were reviewed by the Trust Officers of the Regional Centers; however, there was not a review of adjustments made solely by the Trust Officers. For FY 2006, we noted over \$18 million in adjustments, which includes write-offs, uncollectible amounts, granting undue hardships, and untimely filing of insurance and Medicaid claims and others. There was not a documented review of adjustments for:
 - 3 of 10 adjustments tested at the Hastings Regional Center (HRC),
 - 5 of 5 adjustments tested at the Norfolk Regional Center (NRC),
 - 8 of 10 adjustments tested at the Lincoln Regional Center (LRC).
 - Adjustments were made to the Regional Center clients' accounts from 5 to 34 months after the Trust Officers were made aware that adjustments should be made to the accounts for 9 of 25 adjustments tested.
 - During the review of adjustments at the Regional Centers, it was noted 2 of 25 clients tested had an undue hardship granted without verifying income or liabilities of the client.

We recommend DHHS implement written procedures:

- To ensure adjustments are made within a reasonable amount of time and are properly approved by a second individual to ensure the adjustment is accurate and is truly needed.
- To ensure all adjustments have adequate supporting documentation explaining the need for the adjustment
- To make certain claims are being submitted to insurance companies or Medicaid within the required time frame.
- To make certain all financial information is verified through adequate documentation before determining an undue hardship.
- Outlining specific items to be included in the undue hardship calculation relating to income and liabilities.

Department's Response: DHHS agrees the Trust Officer did not file timely claims and will adjust those charges back on the account to be reviewed. DHHS agrees with the recommendation and will implement procedures and training to ensure that all adjustments will be made timely and require a second review on all transactions

5. We noted a client at HRC did not have an annual re-determination calculation to determine if their ability-to-pay had changed since being admitted. There was documentation in the client's file requesting the client send in the financial questionnaire and tax information in order to do the annual re-determination. Auditor noted three letters were sent; however, the client never sent in the requested information. The client's ability-to-pay calculation was done when admitted in December 2003 based on 2002 tax information and since the client did not submit any updated financial information their ability-to-pay amount remained the same through FY 2006; however, it should have gone to full cost per 202 NAC 1-005.

We recommend DHHS adjust the ability-to-pay to full cost as per the NAC. Additionally, DHHS may want to confer with the Attorney General regarding legal actions they can pursue if clients do not submit financial information for the ability-to-pay determination.

Department's Response: State Statute 83 - 373 provides that a valid determination based on client financial information "shall remain in effect until a redetermination is made". DHHS will revise Rules and Regulations to comply with Stodola v. Spire.

6. We noted 1 of 7 LRC clients tested did not have supporting documentation for the asset amount used in their ability-to-pay calculation at the time of our examination. Subsequent to our examination DHHS requested and received the information.

We recommend DHHS document and maintain supporting financial documentation and information for each client at all times.

Department's Response: DHHS agrees with the recommendation and will implement procedures and training to ensure that all documentation for ability to pay amounts are received timely and maintained.

7. DHHS allows a \$4,000 exclusion for each - the Regional Center client, spouse, and each of their dependents- when calculating the chargeable asset amount for the client's ability-to-pay. Title 202 NAC 1 was updated on October 13, 2003 and the exclusion amount was increased from \$1,250 to \$4,000; however, it does not provide an exclusion amount per dependent.

We recommend DHHS follow the NAC manual as it stands currently, exclusion of \$4,000. If DHHS wants to have the NAC include the exclusion amount per dependent for the calculation of a patient's ability-to-pay, they should then update the NAC through the proper process to have the change completed.

Department's Response: When DHHS Rules and Regulations were revised in October 2003, the exclusion allowance for dependents was inadvertently dropped from the Regulation. DHHS agrees with the recommendation and will revise the Rules and Regulation to include dependents.

Developmental Disabilities

8. One person performed the calculation to determine the Developmental Disabilities (DD) clients' ability-to-pay and entered it into N-FOCUS. The same individual completed the clients' adjustment calculations and posted this amount to N-FOCUS and no one reviewed the adjustment. The same individual also performed the undue hardship calculations and no one reviewed the calculation or the final ability-to-pay amount determined from this calculation. No one reviewed the calculations or the ability-to-pay amount in N-FOCUS.

We recommend DHHS implement written procedures to ensure there is an adequate segregation of duties including a separate review of all calculations made by another individual.

Department's Response: DHHS agrees with the recommendation and will implement procedures and training to ensure all calculations and adjustments have a separate review and approval.

9. DD accounts receivable balance at June 30, 2006 was \$10,477,970; however, \$8,918,632 of the receivable balance was identified as an allowance for doubtful accounts. There has been no attempt by DHHS to collect past due balances other than to send monthly statements. During the DD accounts receivable testing, 28 of 28 cases tested had no documentation that any collection procedures had been performed.

For DD, DHHS requested financial information from clients or other responsible parties to determine the client's ability-to-pay; however, if DHHS did not receive the financial information then the client was billed at full cost as required by State statutes. For those clients who submit their financial information, DHHS calculates the ability-to-pay and

determines the monthly amount billed. However, there is no enforcement by DHHS for clients or their parents that do not submit the financial information. DD will provide services even if the information is not received. There is also no follow up or continued effort from DHHS in attempts to receive the financial information and no procedures to attempt collection. One specific example is a client with parents who have over \$750,000 in property under their name and have not submitted any financial information. The parents were assessed the full cost for the child's ability-to-pay until 2000 when the child turned 19. They have a large unpaid balance and no collection procedures have been performed. See **Attachment A, Client #26**, for further details.

We recommend DHHS develop written procedures to follow up with clients or other responsible parties who do not provide their financial information in order to adequately determine their ability-to-pay. Additionally, DHHS may want to confer with the Attorney General regarding legal actions they can pursue if responsible parties do not submit financial information for the ability-to-pay determination. Also, DHHS should develop written procedures to address the past due balances and follow through with collection procedures. DHHS should possibly consider the use of an outside collection agency, when necessary. DHHS should obtain legal advice from the Attorney General on actions DHHS can take to recover those collections.

Department's Response: DHHS agrees and has implemented new collections procedures in May 2007, which includes a negotiated contract with a collection agency effective November 2007.

The following collection procedures are required to be followed on all accounts:

1. *Demand letter (bill)*
2. *Monthly Billing Statement*
3. *Letter from Director*
4. *Letter from AG/notification regarding Collection Agency*
5. *Assign to Collection Agency*
6. *Report to Credit Bureau*
7. *Over \$500 – file complaint in District Court*
8. *Under \$500 – Stay with ICC and monthly billing statement*

Death

1. *Review Weekly Report - NE Deaths (DHHS Vital Statistics data)*
2. *Demand for notice to County Clerk upon notification of death*
3. *File a claim if notified of probate*

Bankruptcy

1. *Chapter 7: File claim if assets available*
2. *Chapter 13: File claim for possible payments under courts direction.*

10. DD adjustments or write-offs codes which can be made by DHHS staff such as cost of collection exceeds amount to be recovered, deceased, statute of limitations, and unable to locate do not appear to be valid adjustments or write-offs codes and should be submitted to the State Claims Board for appropriate State action. Per State Statutes the State Claims Board is the authority for reporting and approving uncollectible debts. Agencies are to use the “Request for Writing Off State Uncollectible Debts” form found on the State Claims Board’s website.

We recommend DHHS use the “Request for Writing Off State Uncollectible Debts” form found on the State Claims Board’s website and follow the State Claims Board’s procedures for appropriate action of removing uncollectible debt.

Department’s Response: DHHS adjustment codes mentioned by the Auditors did exist but were not used unless the account had been approved through the State Claims Board Process.

11. DHHS uses current financial information to apply to previous years. During testing of DD accounts receivable, 16 of 18 cases had adjustments which do not appear to be appropriate. DHHS assessed the current ability-to-pay amounts to previous years and made adjustments to the accounts. It was also noted the ability-to-pay calculated from an undue hardship for the current year was applied to previous years even though a previous ability-to-pay existed and a hardship had not been granted for the previous amount due.

We recommend DHHS implement written procedures to ensure all financial information is received for each year and the information for the correct year is used to assess the ability-to-pay amounts.

Department’s Response: DHHS agrees with the recommendation and will implement procedures and training to ensure that all financial information is received. DHHS has applied undue hardship determination based on current financial circumstances. The balances were based on financial circumstances in prior years and the undue hardship is based on current financial circumstances.

12. An undue hardship was granted for 10 of 10 DD clients tested without verifying liabilities and 9 of those clients had an undue hardship granted without verifying income. DHHS has no written policy identifying which liabilities are to be included in the undue hardship calculation. It was noted, during testing, the liabilities included in the calculations were inconsistent and were made at the discretion of the individual granting the undue hardship. One specific example of an undue hardship granted included an individual that has a house valued at \$287,900, 2007 Chevy Tahoe, 2006 Lexus GX470, 2000 Dolphin 36Ft Motorhome titled in their name, 2000 Mountain Aire Motorhome titled in their name, and Nebraska taxable income of \$829,228. See **Attachment A, Client 31 and Attachment B** for further details.

We recommend DHHS establish written procedures outlining specific items to be included in the undue hardship calculation relating to income and liabilities to ensure consistency. The items included for exclusion should warrant a true undue hardship to the individuals involved. We also recommend DHHS implement written procedures to ensure the financial information is verified through adequate documentation before determining an undue hardship.

Department's Response: DHHS agrees with the recommendation and will implement procedures and training to ensure the undue hardship calculation is done correctly and consistently. DHHS has not considered assets when calculating an undue hardship but will begin implementing this process. It instead uses current average net monthly income in excess of poverty level less the amount of monthly liabilities. DHHS has all undue hardship requests in writing but has not verified the information provided. DHHS will require documentation of all information used in the calculation of undue hardship.

13. Tax returns were not in the client's case file or available at the time of the examination for 8 of 22 client cases examined by the Auditor even though the client had a signed release form to request a copy of the State tax return from the Nebraska Department of Revenue. We also noted 30 of 31 client cases did not have all information available for both parents. Further, we noted information in the case file was not date stamped as to when the information was actually received by DHHS.

We recommend DHHS establish written procedures to ensure all information is properly requested for all responsible parties. We also recommend DHHS establish written procedures to ensure all requests are followed through when requested and all information received is maintained on file. DHHS should date stamp all information received to ensure the actual date they received the information is documented and maintained in the case files.

Department's Response: DHHS agrees with the recommendation and will implement procedures and training to ensure that all supporting documentation must be in the files.

14. Additional items noted in the DD ability-to-pay calculations include:
 - The line item used from the Nebraska Income Tax Return for the DD ability-to-pay calculation was inconsistent. DHHS does not have a written policy documenting which line from the Nebraska Income Tax Return is to be used in the ability-to-pay calculation. The form states to use Line 11, which is Nebraska Income Before Adjustments. However, calculations were also made using Line 14, Nebraska Net Taxable Income. This can have a dramatic impact on the ability-to-pay calculation.

- Some calculations appeared incorrect based on the exemption amount used. There is no written policy documenting the process of determining the exemption amount used in determining taxable income. A variety of amounts were obtained during calculations for the exemption amount.
- There were instances when the ability-to-pay was assessed with no documentation of the calculation in the client's case file at the time of the examination.
- The amount used from W-2's may not be correct because it does not reflect total Nebraska income as reported on the tax return. When a parent is remarried and files a joint return with a spouse who is not responsible for the child, the parent must submit their W-2's in order to establish the income for the client's actual parent. There is no written policy or procedure to follow when using the W-2 information to determine taxable income.
- Information was not obtained from the Medicaid division if the parent was on Medicaid. When a parent is on Medicaid, their financial information should be available from the Medicaid Division within DHHS. This information should be obtained and used to determine a parent's ability-to-pay, if the parent has not submitted the needed information. It was also noted several of these cases were assessed full cost.

We recommend DHHS establish written procedures to identify the specific line item from the Nebraska State Tax Return to be used in the ability-to-pay calculation. We also recommend DHHS establish written procedures pertaining to the process to be used in determining the amount used as exemptions and the amount to be used from W-2's for the ability-to-pay calculation. DHHS should make certain all calculations are adequately documented. Furthermore, we recommend DHHS obtain all information that is available for a client within DHHS.

Department's Response: DHHS agrees with the recommendation and will implement procedures and training on all ability to pay calculations. The ability to pay form had been revised to say "Nebraska Taxable Income" which will remove the error of using the wrong line.

Included with this letter are two attachments with further information for the Developmental Disabilities findings. **Attachment A** is a detail of 31 DD client accounts for individuals under the age of 27. We noted on the spreadsheet the client's balance at June 30, 2006, the dollar value of adjustments made and Medicaid eligibility for the child and parents. We also noted when the client turned the age of 19, as the parents would not be liable for the ability-to-pay amount after that date. Also, we noted from a search of assessor's websites the value of any real estate property under the parents' name. Finally, from a search of the Department of Motor Vehicles records; we counted the number of vehicles listed under the parents' name. The summary column is a description of the items we noted during testing.

Beatrice State Developmental Center

15. We noted during testing of the Beatrice State Development Center client accounts, adjustments were made which did not appear reasonable and did not have adequate supporting documentation for the reason of the adjustment. These adjustments were made per Management for amounts older than 12 months. The specific reason for each adjustment was not noted and may have been for the State's share, an incorrect rate billed to Medicaid, or it was not sent to Medicaid within 12 months. The BSDC accounts receivable balance at June 30, 2006, was \$25,569,171; however \$22,139,794 was identified as unapplied payments. Per DHHS, the unapplied payments were unapplied Medicaid payments that were received and not applied to the subsidiary accounts receivable in Advanced Institutional Management Systems (AIMS); however, we were unable to verify this to any supporting documentation.

We recommend DHHS implement written procedures:

- To ensure adjustments are made within a reasonable amount of time and are properly approved by a second individual to ensure the adjustment is accurate and is truly needed.
- To ensure all adjustments have adequate supporting documentation explaining the need for the adjustment.
- To make certain claims are being submitted to insurance companies or Medicaid within the required time frame.
- To ensure collection procedures are followed on all accounts receivable balances.

Department's Response: DHHS agrees with the recommendation and will implement procedures and training at the Beatrice State Developmental Center. The Trust Officer at Beatrice State Developmental Center did not post payments timely to accounts. All accounts will be posted by November 30, 2007.

16. BSDC policy is to adjust the ability-to-pay to zero if no financial information is received within 3 months; however, the NAC requires billing at full cost if financial information is not received. We did not note any of these adjustments during the examination.

We recommend DHHS adhere to the rules and regulations they have established in the NAC. If the rules and regulations need to be updated or changed, DHHS should follow the proper process and get the changes made so they can adequately comply with the rules and regulations they establish.

Department's Response: DHHS agrees with the recommendation and will review the rules and regulations and make appropriate changes.

Medicaid

17. Per Federal Regulations, DHHS was not crediting Medicaid for ability-to-pay amounts collected for Medicaid clients.

We recommend DHHS follow State and Federal regulations and credit Medicaid for ability-to-pay amounts received from Medicaid clients.

Department's Response: DHHS agrees that all payments from ability to pay received on behalf of Medicaid clients will be credited to Medicaid. DHHS has included an amount for these payments in its CMS-64 report filed with the Federal Government for the quarter ending September 30, 2007.

This letter is intended solely for the information and use of DHHS and the appropriate Federal and regulatory agencies. However, this letter is a matter of public record and its distribution is not limited.

We appreciate the cooperation and courtesy extended to our staff during the course of the examination.

Sincerely,



Mike Foley
State Auditor



Pat Reding
Assistant Deputy Auditor

DHHS
DD Accounts Receivable Summary of Clients
FYE 6/30/06

<u>Client #</u>	<u>Balance at 6/30/06</u>	<u>Adjustments Made</u>	<u>Child is Medicaid Eligible</u>	<u>Parent is Medicaid Eligible</u>	<u>Client turns 19</u>	<u>Property Value</u>	<u>Total # of Vehicles Registered</u>	<u>Summary</u>
1	\$ 99,777.33	\$ -	Yes 4/1/98 to Current	Yes - Mother 4/1/98 to 3/31/00 7/1/01 to 3/31/06 10/1/06 to 2/28/07	9/21/2005	\$ -	1	<p>The mother had a balance due and collection procedures were not performed.</p> <p>The mother signed a request for her 2000 and 2001 tax returns but no returns were on file.</p> <p>The mother did not submit a 1997, 1998, 2002, 2003, or 2004 tax return or sign a request for these returns. She stated she did not file returns for the 1997 or 1998 years. No verification with the Dept of Revenue.</p> <p>There was no information on file for the father of the child.</p> <p>Additional Notes: Ability-to-pay was determined \$0 for FY 02 & 03 because the mother is on Medicaid. The mother was on Medicaid most of the time, therefore her financial information should have been available from the Medicaid division, however she was assessed at full cost for FY 06.</p>
2	\$ 58,786.70	\$ -	Yes 12/1/98 to Current	No	10/12/2005	\$ -	1	<p>The mother had a balance due and collection procedures were not performed.</p> <p>An undue hardship was granted for FY 97. There was no verification of the liabilities or income used in the calculation.</p> <p>The mother signed a request for the 2000 tax return but no return was on file.</p> <p>There was no information on file for the father of the child.</p> <p>The mother did not file a 1998 tax return or a return after the 2000 tax return or sign requests for these returns.</p> <p>Additional Notes: The calculation for ability-to-pay for FY 99 appears incorrect based on exemption amount. Assessed ability-to-pay for FY 99 to FY 01 at \$0 with no documentation of calculation.</p>
3	\$ 131,040.98	\$145,939.50 in FY 07	Yes 9/1/97 to Current	No	3/9/2011	\$ -	1	<p>Adjustments were made in Feb 2007 for FY 03 to FY 07 based on an ability-to-pay calculation from the 2005 tax return.</p> <p>The mother had a balance due and collection procedures were not performed.</p> <p>The mother did not submit a 1997, 1998, 2001, 2002, 2003, or a 2004 tax return or sign a request for these returns.</p> <p>There was no information on file for the father of the child. The father does pay \$250 in child support which is credited to the DD payment.</p> <p>Additional Notes: The ability-to-pay calculation for FY 01 appears incorrect based on exemption amount. Mother did submit an undue hardship letter, however no calculation in the file or letter granting undue hardship. It appears the ability-to-pay calculation exemption amount was adjusted based on this but no calculation on file.</p> <p>Ability-to-pay calculation from the 1999 tax return was applied to FY 99 through FY 01 because the 1997 or 1998 tax returns were not submitted.</p> <p>Ability-to-pay calculation from the 2005 tax return was applied to FY 03 through FY 07 because the 2001, 2002, 2003, and 2004 tax returns were not submitted.</p>

DHHS
DD Accounts Receivable Summary of Clients
FYE 6/30/06

<u>Client #</u>	<u>Balance at 6/30/06</u>	<u>Adjustments Made</u>	<u>Child is Medicaid Eligible</u>	<u>Parent is Medicaid Eligible</u>	<u>Client turns 19</u>	<u>Property Value</u>	<u>Total # of Vehicles Registered</u>	<u>Summary</u>
4	\$ 101,240.16	\$ 135,755.50 in FY 07	Yes 6/1/98 to Current	Yes - Mother 6/1/02 to 10/31/02 10/1/03 to 4/30/04 12/1/06 to Current	5/31/2007	\$ 83,328	1	<p>Adjustments were made in March 2007 for FY 05 to FY 07 based on an ability-to-pay calculation from the 2005 tax return.</p> <p>The mother had a balance due and collection procedures were not performed.</p> <p>An undue hardship was granted for FY 98. There was no verification of the liabilities or income used in the calculation.</p> <p>The mother did not submit a 1997, 1998, 1999, 2000, 2001, 2003 or a 2004 tax return or sign a request for these returns. There was no information on file for the father of the child.</p> <p><u>Additional Notes:</u> FY 99 to FY 03 was assessed an ability-to-pay of \$0 because the mother was on Medicaid. FY 04 was assessed an ability-to-pay of \$0 because of low income on 2002 tax return. The mother was on Medicaid some of the time, therefore her financial information should have been available from the Medicaid division.</p>
5	\$ 144,419.25	\$ -	Yes 4/1/98 to Current	No	8/1/2003	\$ 46,980	0	<p>The mother had a balance due and collection procedures were not performed.</p> <p>The mother has not submitted any Nebraska tax returns or signed a request for any of the returns. There was no information on file for the father of the child.</p> <p><u>Additional Notes:</u> Child was a ward of Dodge County Court until 11/28/01.</p>
6	\$ 99,028.82	\$ 68,603.66 in FY 07	Yes 4/1/1997 to 4/30/97 7/1/97 to 7/31/97 9/1/97 to Current	No	5/18/2005	\$ 58,100	1	<p>Adjustments were made in February 2007 for December 2003 through May 2005 based on an ability-to-pay calculation from the 2005 tax return.</p> <p>The mother had a balance due and collection procedures were not performed.</p> <p>An undue hardship was granted for FY 03. There was no verification of the liabilities or income used in the calculation.</p> <p>The mother did not submit a 2002, 2003 or 2004 tax return or sign a request for these returns. There was no information on file for the father of the child.</p> <p><u>Additional Notes:</u> Child was billed his Medicaid share of cost for June 2003 through October 2003.</p>
7	\$ 196,225.08	\$ 235,203.20 in FY 07	Yes 5/1/97 to 12/31/99 2/1/00 to Current	Yes-Mother 5/1/97 to 5/31/98 7/1/98 to 12/31/99 2/1/00 to 1/31/04	7/19/2010	\$ -	0	<p>Adjustments were made in February 2007 for FY 2004 through FY 2007 based on an ability-to-pay calculation from the 2005 tax return.</p> <p>The mother had a balance due and collection procedures were not performed.</p> <p>The mother only submitted the 2005 tax return and did not sign a request for any of the other returns. There was no information on file for the father of the child.</p> <p><u>Additional Notes:</u> The mother was on Medicaid some of the time, therefore her financial information should have been available from the Medicaid division.</p>

DHHS
DD Accounts Receivable Summary of Clients
FYE 6/30/06

<u>Client #</u>	<u>Balance at 6/30/06</u>	<u>Adjustments Made</u>	<u>Child is Medicaid Eligible</u>	<u>Parent is Medicaid Eligible</u>	<u>Client turns 19</u>	<u>Property Value</u>	<u>Total # of Vehicles Registered</u>	<u>Summary</u>
8	\$ 105,402.44	\$133,490.46 in FY 07	Yes 3/1/01 to Current	Yes-Mother 3/1/01 to 1/31/03 4/1/03 to 9/30/05 11/1/05 to Current	8/18/2013	\$ -	0	<p>Adjustments were made in December 2006 for FY 2005 through FY 2007 based on an ability-to-pay calculation from the 2005 tax return.</p> <p>The mother had a balance due and collection procedures were not performed.</p> <p>The mother only submitted the 2005 tax return and did not sign a request for any of the other returns. There was no information on file for the father of the child.</p> <p>Additional Notes: The mother was on Medicaid most of the time, therefore her financial information should have been available from the Medicaid division, however she was assessed at full cost for FY 06.</p>
9	\$ 153,037.10	\$ -	Yes 12/1/97 to 1/31/01 6/1/01 to Current	No	8/11/2012	\$ -	1	<p>An adjustment was made on 11/1/03 for \$6,505.65 for October 2003. There was no documentation for the reason of this adjustment.</p> <p>The mother had a balance due and collection procedures were not performed.</p> <p>The mother did not submit any tax returns after the 2000 return or sign a request for any of these returns. There was only a handwritten note stating father does not have parental rights; no official documentation was on file.</p>
10	\$ 192,552.03	\$ -	Yes 11/1/98 to 8/31/02 11/1/02 to Current	No	2/26/2010	\$ 132,600	1	<p>Adjustments were made in April 2006 for FY 04 through FY 06 based on an undue hardship granted for FY 06.</p> <p>The mother had a balance due and collection procedures were not performed.</p> <p>An undue hardship was granted for FY 02, FY 03, FY 04, FY 05, FY 06 & FY 07 for the father. There was no verification of the liabilities or income used in the calculation.</p> <p>The mother's W-2's were on file for 2003 through 2005 only. There was no other information on file for the mother.</p> <p>Additional Notes: Tax returns were on file for the father. Adjustments were also made for the father. The father was also granted undue hardships. The ability-to-pay calculation for the father for FY 01 appeared incorrect based on the exemption amount.</p>
11	\$ 190,076.15	\$ -	Yes 9/1/02 to Current	No	4/15/2011	\$ 101,045	1	<p>The parents had a balance due and collection procedures were not performed.</p> <p>An undue hardship was granted for FY 01 & FY 02. There was no verification of the liabilities or income used in the calculation.</p> <p>The parents are married and did not submit their 2000, 2002 or 2003 tax returns or sign requests for these returns.</p> <p>Additional Notes: Ability-to-pay calculation from the 2004 tax return was applied for FY 04 through FY 06 because the 2002 and 2003 tax returns were not submitted. Undue hardship was extended to FY 02 from FY 01 per phone conversation and no calculation.</p>

DHHS
DD Accounts Receivable Summary of Clients
FYE 6/30/06

<u>Client #</u>	<u>Balance at 6/30/06</u>	<u>Adjustments Made</u>	<u>Child is Medicaid Eligible</u>	<u>Parent is Medicaid Eligible</u>	<u>Client turns 19</u>	<u>Property Value</u>	<u>Total # of Vehicles Registered</u>	<u>Summary</u>
12	\$ 132,677.77	\$ -	Yes 7/1/98 to Current	No	11/5/2004	\$ -	0	The father had a balance due and collection procedures were not performed. There are no tax returns on file for the father. Additional Notes: A note is in the file stating the mother is deceased. The child's grandfather is the guardian, however the father still has parental rights and therefore his financial information is needed.
13	\$ 400,186.68	\$ 426,868.48 in FY 07	Yes 5/1/98 to Current	No	8/12/2010	\$ 51,740	9	Adjustments were made in November 2006 for FY 01 through FY 07 based on an ability-to-pay calculation from the 2005 tax return. The father had a balance due and collection procedures were not performed. The father did not submit his 1999, 2000, 2001, 2002, 2003 or 2004 tax returns or sign requests for these returns. There is no information on file for the child's mother.
14	\$ 57,105.72	\$ -	Yes 7/1/97 to 7/31/02	No	Passed away in July 2002	\$ 58,415	5	The parents had a balance due and collection procedures were not performed. The parents did not submit a 1998, 1999 or 2000 tax return or sign requests for these returns. Additional Notes: Ability-to-pay calculation from the 1997 tax return was applied for FY 96 through FY 99 because the 1994 and 1995 tax returns were not on file. The 1996 tax return was on file but a separate calculation was not performed.
15	\$ 90,373.24	\$ -	Yes 4/1/97 to Current	Yes-Mother 4/1/97 to Current	1/30/2005	\$ -	0	The mother had a balance due and collection procedures were not performed. There is no financial information on file for the mother. The only information on file for the father is child support payments. Additional Notes: The mother was on Medicaid and her financial information should have been available from the Medicaid division.
16	\$ 129,336.64	\$ -	Yes 4/1/98 to Current	Yes - Mother 4/1/98 to 3/31/00	11/2/2007	\$ 84,465	2	The mother had a balance due and collection procedures were not performed. The mother signed a request for her 2005 and 2006 tax returns but no returns were on file. The mother submitted her 2003, 2004 and 2005 tax returns but filed jointly with her husband who is not the father of the child. Therefore, W-2's were required and were never submitted. There was no information on file for the father of the child.
17	\$ 48,345.10	\$ 47,193.89 in FY 07	Yes 12/1/97 to Current	No	6/6/2006	\$ 34,257	4	Adjustments were made in December 2006 for FY 1996 through FY 2006 based on an ability-to-pay calculation from the 2005 tax return. The mother had a balance due and collection procedures were not performed. The mother only submitted the 2005 tax return and did not sign a request for any of her other returns. There was no information on file for the father of the child.

DHHS
DD Accounts Receivable Summary of Clients
FYE 6/30/06

<u>Client #</u>	<u>Balance at 6/30/06</u>	<u>Adjustments Made</u>	<u>Child is Medicaid Eligible</u>	<u>Parent is Medicaid Eligible</u>	<u>Client turns 19</u>	<u>Property Value</u>	<u>Total # of Vehicles Registered</u>	<u>Summary</u>
18	\$ 150,155.18	\$175,759.45 in FY 07	Yes 6/1/98 to Current	Yes-Mother 6/1/98 to 4/30/05	9/24/2007	\$ -	0	<p>Adjustments were made in February 2007 for FY 2003 through FY 2007 based on an ability-to-pay calculation from the 2005 tax return.</p> <p>The mother had a balance due and collection procedures were not performed.</p> <p>The mother signed a request for her 1997 and 1998 tax returns but no returns were on file.</p> <p>The mother did not submit the 1999, 2000, 2001, 2002, 2003 or 2004 tax returns or sign any requests for these returns.</p> <p>There was no information on file for the father of the child.</p> <p>Additional Notes: Ability-to-pay was determined \$0 for FY 00, FY 01 and FY 02 because the mother is on Medicaid. Ability-to-pay was determined \$0 for FY 99 and no calculation on file. The mother was on Medicaid some of the time, therefore her financial information should have been available from the Medicaid division, however she was assessed full cost for FY 06.</p>
19	\$ 296,022.65	\$ -	Yes 4/1/98 to Current	Yes - Mother 4/1/98 to 3/31/01	12/8/2012	\$ 73,000	1	<p>The mother had a balance due and collection procedures were not performed.</p> <p>The mother signed a request for her 2005 tax return but no return was on file.</p> <p>The mother only submitted her 1999 tax return and did not sign any requests for the other returns.</p> <p>There was no information on file for the father of the child.</p> <p>Additional Notes: The mother was on Medicaid some of the time, therefore her financial information should have been available from the Medicaid division.</p>
20	\$ 70,973.62	\$166,279.94 in FY 05	Yes 6/1/98 to Current	Yes - Mother 6/1/98 to 1/31/99 11/1/99 to 5/31/01 5/1/02 to 12/31/05	6/28/2012	\$ -	2	<p>The mother had a balance due and collection procedures were not performed.</p> <p>The mother did not submit a tax return after the 2002 return or sign any requests for the returns.</p> <p>There was no information on file for the father of the child.</p> <p>Additional Notes: The mother was on Medicaid some of the time, therefore her financial information should have been available from the Medicaid division, however she was assessed full cost for FY 06.</p>
21	\$ 64,911.63	\$ -	Yes 5/1/97 to Current	No	8/20/2005	\$ -	3	<p>The father had a balance due and collection procedures were not performed.</p> <p>There was no information on file for the father.</p> <p>There was no information on file for the mother.</p> <p>Additional Notes: Child was a State Ward until 4/23/04.</p>

DHHS
DD Accounts Receivable Summary of Clients
FYE 6/30/06

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22	\$ 83,134.55	\$ -	Yes 5/1/98 to 11/30/05	No	5/12/2011	\$ -	0	<p>The mother had a balance due and collection procedures were not performed.</p> <p>An undue hardship was granted for FY 97 & FY 98. There was no verification of the liabilities or income used in the calculation.</p> <p>The mother signed a request for her 1994 tax return but no return was on file.</p> <p>The mother did not submit the 1999 or 2000 tax return or any return after the 2001 return. She also did not sign any requests for these returns. There was no information on file for the father of the child.</p> <p>Additional Notes: Ability-to-pay calculation from the 2001 tax return was applied for FY 01 through FY 03. The balance due consists of the ability-to-pay amounts assessed for FY 99 through FY 03 and full cost amounts for FY 04 and FY 05. The family moved out of state in July 2005.</p>
23	\$ 200,988.41	\$ 235,672.36 in FY 07	Yes 9/1/98 to Current	Yes -Mother 6/1/98 to 8/1/98 9/1/98 to 10/31/00 3/1/01 to 9/30/02	4/27/2018	\$ 71,077	1	<p>Adjustments were made in December 2006 for FY 2004 through FY 2007 based on an ability-to-pay calculation from the 2005 tax return.</p> <p>The mother had a balance due and collection procedures were not performed.</p> <p>The mother only submitted the 2005 tax return and did not sign a request for any of these returns. There was no information on file for the father of the child.</p> <p>Additional Notes: Calculation of the ability-to-pay from the 2005 tax return appears incorrect because there was no documentation of the calculation and ability-to-pay was assessed at \$0 when there was income. The mother was on Medicaid some of the time, therefore her financial information should have been available from the Medicaid division.</p>
24	\$ 45,747.43	\$ -	Yes 7/1/98 to Current	Yes-Mother 7/1/98 to 12/31/02 10/1/03 to 1/31/04	3/2/2005	\$ -	0	<p>The mother had a balance due and collection procedures were not performed.</p> <p>There was no information on file for the father of the child. The mother did not submit the 2003 tax return or sign a request for that return.</p> <p>Additional Notes: Calculation of the ability-to-pay for FY 02 appears incorrect based on the exemption amount. The mother was on Medicaid some of the time, therefore her financial information should have been available from the Medicaid division.</p>
25	\$ 77,635.29	\$ 118,925.46 in FY 07	Yes 10/1/99 to Current	Yes - Father 10/1/99 to 4/30/00	5/10/2017	\$ 115,036	1	<p>Adjustments were made in February 2007 for FY 06 through FY 07 based on an ability-to-pay calculation from the 2005 tax return.</p> <p>The father had a balance due and collection procedures were not performed.</p> <p>The father did not submit a 2004 tax return or sign a request for this return. There was no information on file for the mother of the child.</p>

DHHS
DD Accounts Receivable Summary of Clients
FYE 6/30/06

<u>Client #</u>	<u>Balance at 6/30/06</u>	<u>Adjustments Made</u>	<u>Child is Medicaid Eligible</u>	<u>Parent is Medicaid Eligible</u>	<u>Client turns 19</u>	<u>Property Value</u>	<u>Total # of Vehicles Registered</u>	<u>Summary</u>
26	\$ 349,136.69	\$ -	Yes 11/1/97 to Current	No	7/7/2000	\$ 753,240	7	The parents had a balance due and collection procedures were not performed. The parents did not submit any financial information.
27	\$ 168,003.78	\$ -	Yes 11/1/97 to Current	No	9/14/2003	\$ -	1	The father had a balance due and collection procedures were not performed. An undue hardship was granted for FY 99, FY 00 & FY 01. There was no verification of the liabilities or income used in the calculation. The father signed a request for his 1997 & 1998 tax returns but no returns were on file. The father did not submit a tax return after the 1999 return or sign any requests for these returns. <u>Additional Notes:</u> A note in the file stated the mother had passed away.
28	\$ -	\$ 115,502.20	Yes 4/1/98 to Current	No	7/28/2012	\$ 187,600	2	Adjustments were made in August, September and October 2005 for FY 04 through FY 06. An undue hardship was granted for FY 98, FY 00, FY 05 & FY 06. There was no verification of the liabilities or income used in the calculation. The parents did not submit a 1996 tax return or sign a request for this return. <u>Additional Notes:</u> The undue hardship calculation for FY 05 appears incorrect because used bi-weekly income and monthly liabilities. Adjustments made in August 2005 were for FY 05 because the 2003 return was not submitted timely. Adjustments were made to adjust the account from the full cost amount to the ability-to-pay amount. Adjustments made in September 2005 were for February 2004 to June 2005 based on an undue hardship calculation for FY 05. Adjustments made in October 2005 were for July and August 2005 based on an undue hardship calculation for FY 06. The same income was used in the calculation for FY 05 & FY 06 undue hardships. Only one biweekly pay stub was verified for the income for these two calculations.
29	\$ -	\$ 39,934.67	Yes 4/1/98 to Current	Yes - Mother 4/1/98 to 5/31/01	4/20/2005	\$ -	1	Adjustments were made in February 2006 for FY 04 & 05 because mom was unemployed. An undue hardship was granted for FY 02 & FY 03. There was no verification of the liabilities or income used in the calculation. There was no information on file for the father of the child. <u>Additional Notes:</u> The ability-to-pay calculation for FY 02 & FY 03 appears incorrect based on the exemption amounts.

DHHS
DD Accounts Receivable Summary of Clients
FYE 6/30/06

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30	\$ 4,590.45	\$240,670.06 in FY 06	Yes 5/1/98 to Current	No	4/1/2006	\$ 232,186	3	<p>Adjustments were made in February 2006 for FY 2003 through FY 2006 based on an ability-to-pay calculation from the 2004 tax return.</p> <p>The mother had a balance due and collection procedures were not performed.</p> <p>The mother signed a request for her 1996 tax return but no return was on file.</p> <p>The mother did not submit the 1997, 1998, 1999, 2001, 2002 or 2003 tax returns or sign any requests for these returns.</p> <p>There was no information on file for the father of the child.</p> <p><u>Additional Notes:</u> There was no calculation or return used in the ability-to-pay calculation for FY 98 on file. Ability-to-pay calculation from the 2000 tax return was applied for FY 99 through FY 02 because the 1997, 1998 and 1999 tax returns were not submitted. Calculations for ability-to-pay for FY 99 through FY 06 appear incorrect based on W-2 income, personal exemptions and standard deduction amounts.</p>

31	\$ -	\$ 38,321.71 in FY 06	Yes 5/1/99 to 2/29/00 6/1/01 to 4/30/07	No	2/8/2007	\$ 287,900	2	<p>Adjustments were made in October 2005 for October 2004 through August 2005 based on an undue hardship calculation for FY 06.</p> <p>An undue hardship was granted for FY 02, FY 04 & FY 06. There was no verification of the liabilities or income used in the calculation.</p> <p><u>Additional Notes:</u> The ability-to-pay calculations for FY 00 & FY 01 appear incorrect based on the exemption amounts. Parents voluntarily sent in a check, which DHHS returned to them stating their ability-to-pay was \$0 because of an undue hardship.</p> <p>See Attachment B for further details.</p>
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Note: We selected 27 clients who were children from the DD Accounts Receivable Listing on 9/30/06 with a balance due over 180 days. We then selected 4 clients who were children from the DD Adjustment Report for FY 06.

Note: The ability-to-pay calculation for the fiscal year is based on the tax return for two years before. For example, the FY 06 ability-to-pay would use the 2004 tax return.

Below is a summary of testing a DHHS Developmental Disabilities client file. The items were noted during testing of the DD accounts receivable balances for FY 2006.

Client #31 is a male who turned 19 years old in 2007. He had been receiving services since February 1, 1999. The parents live together in a house valued at \$287,900 and have two vehicles registered in the wife's name, a 2007 Chevy Tahoe and a 2006 Lexus GX470. They also have a 2000 Dolphin 36 Ft Motorhome and a 2000 Mountain Aire Motorhome titled under their name. The client's account had adjustments of \$38,321.71 made during FY 2006.

- Based on 1997 Nebraska taxable income of \$413,573, the parents were determined to have ability-to-pay for FY 1999 of \$2,067.87 per month. The DHHS ability-to-pay calculation form states to use the income on line 11 of the Nebraska tax return which was \$900,801; however, DHHS used line 14.
- Ability-to-pay was changed to \$0 per month for June 1999 to December 1999 because the client was in BSDC.
- The parents were then determined to have a monthly ability-to-pay of \$2,038.68 for FY 2000 based on the 1998 Nebraska taxable income of \$416,446. The FY 2000 calculation for ability-to-pay included an exemption credit even though exemptions were not withheld on the tax return because the income was too high. Again, the form states to use line 11 which was \$595,711; however, DHHS used line 14.
- Based on 1999 Nebraska taxable income of \$602,762, the parents were determined to have ability-to-pay for FY 2001 of \$2,969.76 per month. Again, the calculation included an exemption credit even though exemptions were not withheld on the tax return because the income was too high. Also, the form states to use line 11 which was \$645,047; however, DHHS used line 14.
- Based on 2000 Nebraska taxable income of \$833,016, the parents were determined to have a monthly ability-to-pay for FY 2002 of \$4,165.08. Again, the form states to use line 11 which was \$839,054; however, DHHS used line 14. The parents were granted an **undue hardship** which reduced the ability-to-pay to \$2,937 based on calculation of liabilities and net monthly income. The undue hardship calculation contained liabilities that were not confirmed and an amount of other monthly obligations of \$8,587. The other obligations included monthly payments of \$860 for house repairs and maintenance, \$555 for utilities, \$567 for auto repair and insurance, \$550 for motorhome, \$729 for entertainment, \$340 for charity, \$536 for clothing, \$440 for group home, \$282 for life insurance, \$237 for legal fees, \$627 for doctor bills, \$117 for medicine, \$524 for house payment for client's grandparents, \$202 for maintenance on client's grandparents' house, \$200 for college loan, \$521 for car loan, \$100 for assistance to daughter, \$1,100 for miscellaneous expenses of bedding, housewares, etc. and \$100 for gifts. The calculation also included \$2,500 for a house payment and \$662 for living expenses for a family of 3.
- Based on 2001 Nebraska taxable income of \$297,380, the parents were determined to have a monthly ability-to-pay of \$1,486.90 for FY 2003. Again, the form states to use line 11 which was \$301,396; however, DHHS used line 14.
- Based on 2002 Nebraska taxable income of \$832,735, the parents were determined to have a monthly ability-to-pay of \$4,163.68 for FY 2004. Again, the form states to use line 11 which was \$847,620; however, DHHS used line 14. The parents were granted an **undue hardship** which reduced the ability-to-pay to \$3,764 for FY 2004 based on calculation of liabilities and net

monthly income. The undue hardship calculation contained liabilities that were not confirmed and an amount of other monthly obligations of \$22,676. The other obligations included monthly payments of \$3,974 for auto repairs, fuel and insurance, \$1,802 for motorhome, \$470 for community treatment services, \$2,513 for life insurance, \$619 for legal fees, \$183 for medical bills, \$484 for client's grandparents' housing, \$11,820 for Federal and State Tax Liability estimates, and \$811 for son's wedding. The calculation also included \$1,457 for a house payment and \$670 for living expenses for a family of 3. Adjustments of \$1,598.72 were made on 11/1/2003 for July to October 2003.

- Based on 2003 Nebraska taxable income of \$765,614, the parents were determined to have an ability-to-pay of \$3,828.07 per month for FY 2005. DHHS used line 11 this time instead of line 14.
- Based on 2004 Nebraska taxable income of \$833,093, the parents were determined to have a monthly ability-to-pay of \$4,165.47 per month for FY 2006. Again, the form states to use line 11 which was \$829,228; however, DHHS used line 14. The parents were granted an **undue hardship** for FY 2006 and did not have to contribute anything towards the services because their monthly liabilities exceeded their net monthly income. The undue hardship calculation contained liabilities that were not confirmed and an amount of other monthly obligations of \$29,409. The other obligations included monthly payments of \$909 for auto repairs, fuel and insurance, \$18,270 for motorhome, \$504 for community treatment services, \$676 for legal fees, \$100 for medical bills, and \$8,950 for a loan. The calculation also included \$2,158 for a house payment and \$704 for living expenses for a family of 3. The total monthly liabilities of \$32,271 exceeded total monthly net income of \$29,919.53 so the parents were determined to have **no ability-to-pay** for FY 2006.
- Adjustments of \$38,321.71 were made on 10/13/2005 for October 2004 to August 2005. A letter dated October 19, 2005 from DHHS to the parents stated they had received the parents' check; however, since the client had qualified for an undue hardship the account was adjusted to \$0 and the check was returned. There was no information in the file regarding a copy of the check or the amount of the check originally received and then returned.
- Client became a DHHS ward on August 8, 2005, so parents were no longer liable.

It appeared DHHS was not consistent in using the same line item on the tax returns for the Nebraska taxable income. DHHS would subtract the personal exemption amount converted to income from the taxable income and multiply this by .5% for the ability-to-pay calculation. DHHS did not always subtract out a personal exemption amount. The ability-to-pay is the monthly amount the parent owes. DHHS was also not consistent in what items were used in the undue hardship calculation. Items varied for each year's calculation and appeared to be non-hardship items.

The parents were fulfilling their obligations as required by DHHS; however, DHHS procedures were questionable and it appears the parents then had an ability-to-pay for their son's services. DHHS did not calculate the amount correctly and, therefore, under collected.