

FOR IMMEDIATE RELEASE
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State Auditor Mike Foley Issues Report on the *"I Believe In Me Ranch"* in Kearney

Report Exposes Significant Weakness in State Oversight of Contractors

State Auditor Mike Foley announced today the release of an audit of the "*I Believe in Me Ranch*" located in Kearney, Nebraska. The Ranch operates with roughly \$1.5 million per year in funds provided through the Nebraska Department of Health and Human Services (DHHS).

The Ranch serves 25 special-needs children aged 8 – 12 at two small rural facilities in the Kearney area. The Ranch Director, her family members, and former spouse own the Ranch properties and have received extraordinary rental income in recent years from the public funds used to operate the program. Foley noted that his office believes the properties have a fair market rental value radically less than what the owners have collected.

Foley observed, "The Ranch may be providing some needed services to troubled children but the finances of the business appear to be built on a disturbing pattern of self-dealing that may be improperly enriching the Ranch director far beyond the \$90,000 annual salary and other financial perks she is already receiving from public funds. The Ranch operates under the illusion of a so-called nonprofit corporation."

Foley noted, "For many years, the Ranch director, her family members, and former spouse have been receiving \$15,000 per month rental income on a few old converted homes in rural Nebraska (see photos). At least \$10,000 per month if not considerably more of this sum is clearly in excess of what is reasonable and far beyond the cost of comparable rental properties. Since 2001, the Ranch property owners have collected over \$1.3 million in rental income directly from public funds intended for the care of the children."

Foley said, "The report findings raise serious questions as to whether or not the Ranch Board of Directors have failed miserably in their obligations under Nebraska law to have allowed this scheme to occur and continue for so long. I have already discussed this matter in some detail with Nebraska Attorney General Jon Bruning and my office will work closely with his as he determines what actions are appropriate under his authority over nonprofit corporations."

The report finds that DHHS violated its own regulations by allowing this arrangement to occur. Under the State regulations for care providers like the "*I Believe in Me Ranch*", DHHS is required to review detailed operational cost reports submitted by the providers and DHHS has the authority to disallow costs that are deemed to be unreasonable. However, in this instance, DHHS established rates for the care of the children without regard to actual costs and never required the provider to submit cost data that would have exposed this problem long ago.

The report notes that the lack of oversight in this case has broad policy implications that reach far beyond the I Believe in Me Ranch as over fifty other DHHS providers with contracts of a combined value in excess of \$50 million are operating without the review of cost data as is required by the regulations.

Foley thanked DHHS Chief Operating Officer Bob Zagozda and Medicaid Director Vivianne Chaumont, both of whom are relatively new with the agency, for working closely with his auditors to untangle the regulations governing the "I Believe in Me Ranch" and the many other providers who should be operating under these regulations. Foley said, "I know of their determination to root out and solve problems like this."

Director Chaumont informed the State Auditor of the Department's intent to promulgate revised regulations to address the matter. Foley expressed his view that any new regulations should continue to specify that public funds cannot be spent on certain costs such as alcohol, personal expenses, or any other unreasonable cost not associated with the provision of services to clients. Without such prohibitions, the risk of improper use of public funds increases significantly.

"Every public dollar squandered by one of the State's many healthcare contractors is one fewer dollar available to assist needy clients," said Foley.

A complete copy of the report can be found under "What's New" on the State Auditor's web site: <http://www.auditors.state.ne.us>

Photos of I Believe in Me Ranch below:

Ranch Office (on 3 acres)

Property owners are collecting \$9,000 per month in rental income on this house and the house pictured in the 2nd photo (below right) and use these converted houses for the Ranch Office and School respectively.



Ranch Office (on 3 acres)



Ranch School Building (over 100 years old)

Residential Treatment Group Home On One Acre

Property owners are collecting rent of \$6,000 per month on this house

