

State Auditor Mike Foley Issues Audit Letter on Child Care Billing Abuses

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In cooperation with the Federal Bureau of Investigation (FBI), State Auditor Mike Foley has examined billings from two Omaha-based government subsidized child care operations serving over 240 children and has found flagrant discrepancies that have likely resulted in hundreds of thousands of dollars of overpayments to the child care centers.

In a 98 page management letter issued today to the Nebraska Department of Health and Human Services (DHHS) and the Nebraska Department of Education (NDE), Foley noted that the two Omaha centers, Kids Ark Learning Center and Wise Kids, operated by the same owners, systematically over-billed and received overpayments for child care services never provided.

The child care centers used a variety of techniques to receive the overpayments. On a number of occasions, the attendance calendar records provided to DHHS showed more days of attendance than the attendance records provided to NDE even though the attendance records should have been virtually identical.

In some instances, the child care centers billed the State agencies using inflated days, hours, and hourly rates; in other instances, they billed for services supposedly rendered on days when the care facilities were not even open for business or billed for days of care when specific children were known to have been ill and not in attendance at the center.

Another discrepancy involved two child care providers both billing the State claiming to have cared for the same child on the same days. The child care providers billed DHHS for 43 days of service for one child during the month of December 2011 when the facilities were only open 22 days.

Another billing tactic of the centers was to bill DHHS for care for children in excess of the licensed capacity of the centers. Kids Ark has a licensed capacity of 78 children, while Wise Kids has a licensed capacity of 90. Yet based on the records obtained from DHHS, Wise Kids was well over its licensed capacity limits every day in December 2011. The auditors visited the Wise Kids center today and observed 112 children present, despite a licensed capacity of 90.

The State audit team meticulously examined DHHS billing invoices and the child attendance records. The audit team then compared those to the corresponding attendance records and meal count sheets submitted to NDE as part of the Federal subsidized meals program and noted discrepancies between the two.

The two child care centers have received over \$11.7 million in Federal and State funds since 2003 and are no stranger to the techniques that can result in overpayments. DHHS records document that every year since 2004, the child care centers have overbilled, with prior total overbillings during those years in excess of \$80,000. One of the two centers, Wise Kids, was placed on disciplinary probation by DHHS in 2005-2006 and was assessed a civil penalty of \$5,715.

Foley noted, "DHHS has had a long and troubled history with these particular child care centers dating back to 2004, and DHHS needs to be more vigilant in monitoring the current invoices from the care centers."

“Virtually every invoice we reviewed contained billing discrepancies all of which resulted in overpayments to the care providers” said Foley.

In December of last year, DHHS received a complaint alleging improper billings and safety, but took no action on the complaint regarding the improper billings. A month later, the State Auditor’s office stepped in to examine the situation in cooperation with the FBI, which has an interest in the case due to the large amounts of Federal funds at risk.

Finally, the management letter reports that Kids Ark filed its articles of incorporation with the Nebraska Secretary of State as a limited liability corporation (LLC) in 2003 and continues to hold itself out as an LLC. However, the entity has not made its required corporate filings or paid its appropriate fees with the Secretary of State from 2007 through 2012.

A copy of the letter can be found on the State Auditors web site:

<http://www.auditors.nebraska.gov>