



Department of Legislative Services
Office of Legislative Audits

Department of Juvenile Services

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Presentation to the Joint Audit Committee

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Audit Overview

- The Department of Juvenile Services (DJS) is the central administrative agency for juvenile intake, detention authorization, probation, protective supervision, and aftercare services. In addition, DJS provides residential care, diagnosis, training, education, and rehabilitation to juveniles in State facilities, and supervises community facilities operated under contractual agreements.
- During FY 2009, expenditures totaled \$275.4 million and the number of youth placements under its care (including detention programs, committed programs, probation, and aftercare) totaled approximately 33,100. The average daily population of youths under supervision (in both State and contractual facilities) totaled 2,055 for the same period.
- The audit report included 14 findings, 5 of which were repeated from the preceding audit report.



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Key Audit Issues

- Federal Medicaid funding was not maximized for eligible youth placed in residential rehabilitation facilities and adequate controls were not established to ensure Medicaid claims were accurately submitted and reimbursed. We estimated that unreimbursed claims totaled approximately \$3 million for the period from June 2008 to August 2009.
- Significant deficiencies were noted with respect to youth care contract procurement, monitoring and auditing.
- Youth monitoring efforts were not adequately documented.
- Controls were deficient in several areas including payroll, information system security, criminal background checks, and youth restitution accounts.



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Federal Funds

Background:

- DJS' primary sources of federal fund revenues are Medicaid and Title IV-E, which during FY 2009 totaled \$4.5 million of the \$6.9 million federal fund revenue received by DJS.
- DJS obtains Medicaid reimbursement for eligible youth placed in residential rehabilitation services and Title IV-E funds for the costs of placing eligible youths in certain out-of-home settings, such as in State-licensed foster care homes or group homes.
- To claim Medicaid reimbursement, a Determination of Needs (DoN) assessment must be prepared, which assesses the presence of certain behavioral or emotional disorders that prevent the youth from functioning normally in community settings.



Federal Funds (continued)

- In an August 2010 settlement with the Federal government, DJS recovered \$2.3 million of \$4.8 million in Title IV-E FY 2008 and 2009 reimbursement requests processed for DJS by the Department of Human Resources (DHR) that were originally disallowed. The Federal government asserted that DJS and DHR were operating separate Title IV-E programs contrary to State law, and the agreement between DHR and DJS permitting the arrangement was deemed inconsistent with applicable laws.
- DJS has resolved the issue to the Federal government's satisfaction and effective July 2009 was allowed to resume requesting reimbursement for certain costs. (Federal Fund Reimbursement Disallowance)



Federal Funds (continued)

Medicaid funding was not maximized because DJS had not obtained a valid DoN assessment prior to placing the related youths in eligible residential rehabilitation facilities, as required by federal regulations. (Finding 1)

- The contractor employed by DJS to assist with Medicaid billings, reported that approximately 87,700 of 151,400 claims submitted by DJS for reimbursement (during the period from June 2008 to August 2009) were rejected by the contractor. The value of these failed claims was \$4.3 million.
- The contractor also reported that 90% or approximately 79,700 of the claims failed because DJS had not obtained a valid DoN for the related youths prior to placement.



Federal Funds (continued)

Finding 1 (continued)

- Our analysis of those 79,700 failed claims disclosed that they related to 930 youths, of whom 490 had been placed in an eligible facility for at least two months. Although DJS had successfully resubmitted 19,300 claims, the remaining 60,400 were not eligible for reimbursement because DJS had not obtained or had not provided the contractor with the youth's DoN assessment.
- We estimated that these unreimbursed claims totaled approximately \$3 million and that DJS will be unable to recover most, if not all of these claims.



Federal Funds (continued)

Adequate procedures and controls were not established to ensure Medicaid claims were accurately submitted and reimbursed. (Finding 2)

- Medicaid reimbursement claims, manually compiled by a DJS employee, were not subject to independent supervisory review and approval prior to submission for reimbursement.
- DJS did not adequately monitor the status of all requested reimbursement claims submitted to its Medicaid billing contractor nor reconcile submission activity to contractor reports.
- DJS also did not reconcile its Medicaid billing contractor's accepted claims data with Medicaid funds received from DHMH. During March 2009, claims totaling \$511,600 were processed by the contractor, but were not reimbursed until February 2010, when we brought this to DJS' attention.



Federal Funds (continued)

DJS determined it was unable to claim Title IV-E funding for many eligible youths in its care because the related court orders for the removal of the youths from their homes did not contain specific language that met federal requirements. Despite DJS' efforts to work with the Judiciary, DJS still has a large number of ineligible cases because of court orders did not contain the required language. (Finding 3)

- According to DJS records, in FY 2009, there were 1,554 court determinations, of which 17.8% were ineligible because of a lack of the required language. In FY 2007, 20.9% of the 1,040 court determinations were ineligible.
 - In May 2009, DJS submitted a revised prototype court order to the Judiciary; however, as of April 2010, it had not been approved by the Judiciary. Furthermore, while improvement has been noted in some jurisdictions throughout the State, other jurisdictions continue to issue court decisions without the required federal language.
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Youth Care Contracts

Background:

- DJS enters into numerous contracts for its Purchase of Care program to provide services (such as education, mental health, therapy, vocational services, and counseling) to juveniles placed in non-residential or licensed residential facilities (such as treatment foster care).
 - Two main types of purchase of care contracts:
 - Per diem contracts, which represent the majority of the purchase of care contracts, are primarily used for residential care providers who are paid based on predetermined rates.
 - Fixed rate contracts are primarily used for non-residential providers who are paid a specified amount each month to provide certain services.
 - From FY 2007 to 2009, DJS paid approximately \$220.5 million to contractors providing youth care services.
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Youth Care Contracts (continued)

Significant deficiencies were noted with respect to the procurement and monitoring of purchase of care contracts, including the assessment of liquidated damages. (Finding 4)

- Per diem contracts were not always executed prior to the contract start date, nor were all such contracts submitted to Board of Public Works (BPW) for approval. Upon bringing this to DJS' attention, DJS contacted the BPW to seek the retroactive approval for 52 contracts valued at \$148.5 million.
 - DJS did not monitor or maintain proper cost controls to ensure that payments to contractors on per diem contracts did not exceed the total contract values. For 5 of 10 contracts tested, DJS approved payments that exceeded the FY 2009 contract maximums by \$2.9 million without modifying the contracts.
 - DJS lacked adequate procedures to determine whether liquidated damages should be assessed when contractors under fixed rate contracts do not comply with performance requirements.
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Youth Care Contracts (continued)

DJS lacked sufficient procedures for monitoring and performing audits of youth care contract expenditures. During the period from August 1, 2006 through October 18, 2009, DJS performed 204 contract audits, resulting in approximately \$1.9 million due from contractors for overpayments. (Finding 5)

- DJS did not maintain a complete list of youth care contracts nor establish a formal policy defining audit frequency. As of March 2010, DJS records, which were incomplete, indicated that audits had not been performed for approximately 300 contracts with FYE dates of June 30, 2009 or earlier.
- DJS did not ensure audited financial statements were being submitted by residential youth care services contractors within the required 150 days after the fiscal year ending date, and did not adequately follow-up with contractors to obtain the financial statements. The statements are used in the audit process to identify overpayments.



Youth Monitoring and Case File Records

DJS did not always timely implement or review youth treatment service plans (TSP), document supervision contacts, or assess youth progress through the Violence Prevention Initiative (VPI). Our review of 25 youth cases under DJS supervision in September 2009 disclosed the following: (Finding 7)

- For 17 youths, DJS did not document the implementation of the TSP within 25 days of the youth's court disposition, as required by law.
 - For 10 youths, DJS had not reviewed the TSP in the past 90 days, as required by DJS policy.
 - For 14 youths, DJS did not adequately document that the required number of case manager supervision contacts had been conducted; including 7 youths assigned to the VPI program.
 - Four youths progressed through the VPI program levels quicker than the recommended time frame, without adequate documentation of consistent compliance with services and supervision.
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Other Issues

- DJS paid its pharmaceutical contractor without ensuring the invoiced costs were proper. DJS records indicate that payments made from 4/07 to 9/09 to the contractor exceeded the contract amount by \$360,000 and no contract modification was processed. (Finding 6)
- Proper security was not established over access to certain computer resources, such as the State's FMIS and DJS' youth case management system. (Findings 8 and 9)
- Certain employees improperly received overtime compensation or received duplicate salary payments. (Finding 10)
- Employee criminal background checks were not always conducted in a timely manner. (Finding 11)
- Access to the youth restitution accounts receivable system was not adequately controlled, and adequate controls and record keeping procedures had not been established. (Finding 12).



Conclusion

DJS should:

- Take steps to maximize eligible federal funding, including Medicaid reimbursement for youths in residential rehabilitation facilities, and continue efforts to help ensure that court decisions contain required language for the recovery of Title IV-E funds.
 - Establish appropriate controls over contracts, including executing contracts prior to their coverage periods, obtaining BPW approval for required contracts and modifications, implementing contract cost controls, maintaining a complete listing of all youth care contracts and conducting timely audits.
 - Require case managers to timely implement and review treatment plans and properly conduct and document the required number of youth contacts.
 - Verify pharmacy costs and implement effective controls over payroll, computer resources, criminal background checks, and youth restitution activities.
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