



# Richmond City Council

*The Voice of the People.*

*Richmond, Virginia*

## OFFICE OF THE CITY AUDITOR

REPORT # 2010-10

*on the*

**Richmond Department of Social Services**

**DSS Overbilling Investigation**

March 2010

## OFFICIAL GOVERNMENT REPORT

*Richmond City Council*

**OFFICE OF THE CITY AUDITOR**

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*Committed to increasing government efficiency, effectiveness,  
and accountability on behalf of the Citizens of Richmond.*



CITY OF RICHMOND  
CITY AUDITOR

March 5, 2010

The Honorable Richmond City Council Members  
The Honorable Dwight C. Jones, Mayor  
Mr. Byron C. Marshall, Chief Administrative Officer

**Re: Department of Social Services (DSS) Title IV-E Overbilling**

***Background***

During May 2009, the City Auditor's Office received an allegation that significant discrepancies existed between the reimbursement figures reported to the State of Virginia and the figures that existed in the Harmony System. Payments were transferred between various funding sources. In August 2009, while the City Auditor's Office was in the process of investigating this allegation, the Department of Social Services (DSS) announced the discovery of a \$3.8 million overbilling error in FY2009. The City Auditor's Office intensified their investigation. The City Auditor's Office dedicated a team of several staff members along with assistance from VDSS personnel for the investigation. A significant portion of the total overbilling was believed to have occurred in November 2008 and January 2009. Therefore, the auditor selected the payments for the months of November 2008, December 2008 and January 2009 to determine which payments were allowed based upon client eligibility and service type.

**Title IV-E Background**

Title IV-E is a federal program that helps states to provide proper care for eligible children who are placed outside of their homes in foster families or residential facilities. The funds assist the states with:

- foster care maintenance for eligible children;
- administrative costs to manage the program; and
- training costs for staff, foster parents, and certain private agency staff.

Localities are reimbursed **100%** of the foster care maintenance costs (e.g. food, clothing, shelter, supervision, etc.) incurred for eligible and reimbursable clients.

## **Comprehensive Services Act (CSA)**

CSA is a Virginia law enacted in 1993 to provide for high quality, child centered family focused, cost effective, community based services to high risk youth and their families. Basic maintenance needs such as clothing and personal allowances are reimbursable from pool funds if the needs are specific to an individual child. Localities are reimbursed for services purchased specifically for identified youths and their families. DSS is reimbursed for **60%** of program costs. Therefore, if the CSA costs are recovered from IV-E program funding, it will ultimately result in overbilling to the federal government.

## **Relationship between Title IV-E and CSA**

Upon entering into DSS custody, clients are screened for Title IV-E eligibility. Only allowable costs for eligible and reimbursable clients can be charged to and reimbursed by Title IV-E. Unallowable costs (e.g. therapy, education, counseling, etc.) and expenditures for ineligible or non-reimbursable clients are charged to other allowable funding sources such as CSA.

## ***Methodology***

- VDSS Title IV-E Program Staff determined the eligibility status for approximately 800 children who received payments during the scope of the review.
  - The City Auditor staff and state personnel reviewed approximately 4,200 transactions and concluded on the appropriateness of the payments based upon the eligibility status of the clients and the allowable costs. Using the identified discrepancies in the IVE payments, the Auditors projected the total overbilling.
- The DSS staff had manually captured certain expenditures twice while seeking reimbursement from the state. This event also resulted in overbilling. The auditors quantified the overbilling.

## ***Results***

The overbilling was a result of various types of discrepancies as follows:

### ***Manual Error***

The State made changes to the FY09 reporting requirements for the Comprehensive Services Act for At Risk Youth and Families (CSA). Some of the reporting categories were expanded and others were collapsed. To coincide with the FY09 reporting requirements, DSS activated new expenditure codes in September 2008 and deactivated the existing expenditure codes in November 2008. However, DSS inappropriately mapped some of the CSA code combinations to the IV-E general ledger accounts. Also,

the IV-E account codes, which are utilized in the State's reimbursement systems (Laser), were erroneously attached to several CSA codes.

This occurrence and lack of appropriate communication amongst DSS staff resulted in one of the DSS Finance staff members including certain CSA expenditures for IV-E reimbursement. Whereas, another DSS Finance staff member selected the same expenditures for CSA billing causing double billing. Had DSS regularly reconciled expenditures captured in the Harmony system with the actual expenditures captured in the City's general ledger, this error would have been discovered.

***Unallowable Services***

Unallowable services such as case management and education were inappropriately posted to IV-E.

***Inappropriate Payments Posted***

Payments were inappropriately posted to IV-E for clients who were IV-E ineligible and/or non-reimbursable.

DSS overbilled the State by approximately \$3.4 million during FY09 as follows:

Manual Errors	\$1,951,732.98	
Unallowable services	\$1,158,282.69	
Payments posted to CSA instead of IV-E	<u>(\$231,971.78)</u>	
<b><i>Subtotal</i></b>		<b>\$2,878,043.89</b>
Payments inappropriately posted to IV-E		\$532,251.43
<b>Total</b>		<b>\$3,410,295.32</b>

The control weaknesses, which led to the overbilling, will be addressed in detail within the upcoming CSA/Foster Care/Harmony audit. These figures have been reviewed and agreed to by both state and DSS staff.

Sincerely,

A handwritten signature in black ink, appearing to read "Umesh Dalal", written in a cursive style.

Umesh Dalal, CPA, CIA, CIG  
City Auditor