Secretary of State

State of Oregon

DEPARTMENT OF HUMAN RESOURCES

State Office for Services to Children and Families

Mental Health and Developmental Disabilities Services Division

INVESTIGATION of SEIDERS ENTERPRISES, INC.

Audits Division

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Audits Division

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This report provides the results of our review of financial transactions between Seiders Enterprises, Inc. and the Department of Human Resources Office for Services to Children and Families and the state's Medicaid program operated by the Mental Health and Developmental Disabilities Division.

The review was performed at the initiation of and in coordination with the Oregon State Police, which was conducting a criminal investigation. We provided our results to the Oregon State Police on an on-going basis as the investigation proceeded. We also have subsequently provided access to our files to the Malheur County District Attorney's office for its use in consideration of criminal prosecution. Furthermore, we have referred our results to the Department of Justice's Medicaid Fraud Unit for review.

The scope of our review was limited to evaluating the available records and documentation of Seiders Enterprises, Inc. for its billings to state programs, thus, we reviewed the period of January 1995 through March 1996. Although there were later, additional payments to Seiders Enterprises, Inc., we did not learn of these transactions until after fieldwork had been completed. We also interviewed state agency personnel and reviewed relevant payment and billing records.

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This report summarizes the results of our review of those records and incorporates recommendations to improve monitoring of state program expenditures and reduce the risk of conflicts of interest occurring. We concluded that Seiders Enterprises, Inc. billed the state for services that do not appear to have been provided. As described in the report, we also concluded that the state agencies can provide better oversight to lessen the risk of similar situations.

OREGON AUDITS DIVISION

John N. Lattimer
Director

Fieldwork Completion Date:
October 2, 1996

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SUMMARY

In March 1996, the Oregon State Police contacted the Oregon Audits Division to report possible misappropriation of public funds. An entity being investigated, Seiders Enterprises Inc.(Seiders), received public funds for providing residential treatment services and mental health therapy to special-needs children. The residential services included both group home and foster home settings for children under the oversight of the State Office for Services to Children and Families (SCF), within the Department of Human Resources. The mental health therapy was paid through the "Early and Periodic Screening, Diagnosis and Treatment" (EPSDT), a Medicaid program administered by the Mental Health and Developmental Disability Services Division (MHDDSD) within the same department.

We reviewed available financial and client records for the period of January 1995 through March 1996. During this 15-month period, Seiders billed $759,516 for the EPSDT services, TPCC contracts, and group home services; Pam Seiders also billed $43,667 for foster home services. Subsequently through May 1997, SCF and MHDDSD have paid Seiders another $55,730 for EPSDT, Target Planning and Consultation Committee (TPCC), and group home services; and an additional $750 to Pam Seiders for the foster home services contract.

As a result of our review, on an on-going basis during the investigation, we referred the following matters to the Oregon State Police.

- Based on a review of available progress notes for January 1995 through February 1996, as much as $20,236 of $86,627 paid to Seiders for EPSDT services appeared ineligible for reimbursement under the Medicaid program. Besides those billed services which were apparently unallowable, MHDDSD identified another $18,137 of billed services as potentially ineligible for reimbursement.

- Progress notes were not found which would support services billed to the EPSDT program for December 1995 through February 1996. In total, the Seiders billed $50,761 for EPSDT services to all its clients during this 3-month period. In addition, therapy progress notes were not found to support another $4,055 in EPSDT services billed by and paid to the Seiders in other time periods.

- Payments totaling $1,821 to Seiders for EPSDT services performed by therapists were not supported by the therapists' timesheets or invoices. Therefore, it does not appear the billed services were actually provided to the MHDDSD clients.

- While reviewing Seiders' files, we found evidence that progress notes were being prepared to support EPSDT billings that had been submitted for payment rather than billings being based on records of services provided. As a result, the validity of progress notes that were available as documentation of billed services could be doubtful.

- We identified additional miscellaneous EPSDT billing errors totaling $432 that resulted in overpayments to Seiders. In all the testing performed, we only identified one billing error made in the state's favor; it resulted in an underpayment of $44.

- Based on a comparison of billings to travel records, it appears $1,730 of billed therapy could not have occurred due to the travel status of either the therapist or the client involved.

- For October 1995 through March 1996, Seiders billed SCF $1,210 for transporting one client to medical appointments in Portland, as provided by a special SCF contract. Our review of financial and client files found that this client was only transported to one medical appointment in Portland. As a result, Seiders billed SCF $960 for services not performed.

In addition to the matters above, which were referred to OSP, we identified further concerns as summarized below:

- A 1994 MHDDSD Medicaid audit of Seiders' records found a 33 percent error rate when comparing billed therapy to the clients' treatment plans. However, testing was not expanded, and Seiders was given an overall 96 percent score for service documentation.

- Recognizing Seiders' high cost of care, MHDDSD focused on achieving the long-term solution of getting Seiders into a managed care plan from the existing fee-for-service billing. However, MHDDSD did not perform another on-site review subsequent to the 1994 review, to determine whether the Seiders' Medicaid billings were valid.

- An SCF employee was assigned to serve as "liaison" to Seiders. This employee arranged for his wife to provide bookkeeping services to Seiders. Seiders paid the SCF employee's wife partially by installation of a sprinkler system at their home and partially by salary payments. This matter has been referred to the Government Standards and Practices Commission for its review of potential personal gain through official position.

- Payments by state agencies were not stopped after the investigation began. As noted above, subsequent to March 26, 1996, an additional $56,480 was paid to Seiders for group home, special services, EPSDT and foster care contracts. While some of these payments were made in April 1996, others were made during 1997. Of these amounts, about $34,000 was paid for services prior to March 26, 1996, while the other $22,000 was for services after the Seiders' closing. Because we were not informed of these payments, they were not included in our audit of billing and service records.

- SCF contracts for group home services are based on an average daily population, rather than the actual number of clients in the home. Based on SCF's accounting reports, there were potential overpayments to Seiders of $59,011 in fiscal year 1995 and $23,785 for fiscal year 1996 (through February 1996). In addition, the reports for monitoring Seiders' utilization rates were not developed from appropriate sources of data. Furthermore, SCF paid Seiders for March 1996 although Seiders did not submit an invoice for services provided and for April 1996 although no children were in Seiders' care at that time.

- There is not a centralized data source for funding paid for each child cared for by the state. Even within the Department of Human Resources, separate financial data had to be gathered from SCF, MHDDSD, and Vocational Rehabilitation Division. SCF contracts had to be obtained from various caseworkers around the state who were responsible for the children in Seiders' care.

- Furthermore, the multiple, separate contracts for some of the children appear to pay for duplicate services. For contracts requiring specific goods or services, SCF does not require documentation to ensure reimbursement is for actual costs incurred by the care provider.

- SCF's administrative rules require all monies belonging to children under care to be deposited into a central Trust Account. However, Seiders' records indicated bank accounts had been established for at least two children in the group or foster homes. SCF caseworkers were unaware of the accounts and did not know if the funds had been transferred to the children's new placement facilities.

Our report included recommendations to improve SCF's and MHDDSD's monitoring of state program expenditures. Further recommendations directed at SCF are included to reduce the risk of conflicts of interest occurring. In its response, which is attached, the Department of Human Resources generally agreed with the report.

BACKGROUND

In March 1996, the Oregon State Police contacted the Oregon Audits Division to report possible misappropriation of public funds. An entity being investigated, Seiders Enterprises Inc. (Seiders), received funds through the Department of Human Resources, State Office for Services to Children and Families (SCF), for providing residential treatment services in a group home setting for special-needs children. Seiders also supervised the provision of foster home services for other special-needs children who were under SCF's oversight. During the 15-month period of January 1995 through May 1997, SCF paid Seiders the following:

Service type	**January 1995 through March 1996**	**April 1996 through May 1997**	**Totals by service type**
Group home	$269,034	$17,936	$286,970
Special care contracts	$201,539	$13,602	$215,141
Foster care (Seiders only)	$ 43,667	$ 750	$ 44,417
Totals for each period	$514,240	$32,288	$546,528

Furthermore, Seiders received state and federal Medicaid funding for providing group and individual mental health therapy to many of these same children. This therapy was paid through the "Early and Periodic Screening, Diagnosis and Treatment" (EPSDT) program administered by the Mental Health and Developmental Disability Services Division (MHDDSD) within the Department of Human Resources. Between January 1995 through March 1996, Seiders received $288,943 for EPSDT therapy services; in 1997, Seiders was paid another $24,192 for services billed as having been provided prior to the March closing date.

We were not informed of the payments made subsequent to March 1996, therefore, we did not audit the records related to these amounts. Our work was further limited to payments made to Seiders Enterprises, Inc. We did not audit the foster care payments to Pam Seiders. Therefore, our audit encompassed the $759,516 paid during January 1995 through March 1996 for group home services, special care contracts and EPSDT therapy.

Our audit results are presented in two chapters: the first relating to unsupported or questionable billings by Seiders; the second regarding state agency oversight of the Seiders' programs.

CHAPTER I: SEIDERS BILLINGS TO STATE AGENCIES

QUESTIONED MEDICAID BILLINGS

Overview

During the period February 3, 1994 through February 19, 1996, Seiders Enterprises Inc. (Seiders), received $288,944 for providing group and individual mental health therapy to children determined eligible under Title XIX (Medicaid) of the Social Security Act, Section 1905 (a)(13). This therapy was paid through the "Early and Periodic Screening, Diagnosis and Treatment" (EPSDT) program administered by the state of Oregon, Mental Health and Developmental Disability Services Division within the Department of Human Resources.

To be eligible for payment, services must represent allowable mental health services received from a qualified provider. To be allowable, a service must be considered a medical necessity as described in the Oregon Administrative Rules (OAR) 309-16-005 (15). This administrative rule requires the "determination by a licensed physician that a service is reasonably necessary to diagnose, correct, cure, alleviate or prevent the worsening of conditions that endanger life or cause suffering or pain, or result in illness or infirmity, or threaten to cause or aggravate a handicap, or cause physical deformity or malfunction." The rule also states that there "must also be no other equally effective, more conservative, or less costly course of treatment available or suitable for the person requesting the service."

Delivery of service is documented through progress notes. Progress notes are completed by the therapists and are required to show the relationship of the services to the treatment regimen (OAR 309-16-080(5)(f)).

Our audit disclosed instances in which Seiders billed and was paid for therapy that may not have occurred or been allowable under the EPSDT program.

Allowability of Therapy Paid

At our request, Mental Health and Developmental Disability Services Division (MHDDSD) staff reviewed 1,030 progress notes written during the period of January 1995 through February 1996 to support $86,628 in payments to Seiders. The reviewers evaluated each progress note and categorized the described services as unacceptable, questionable, or acceptable as to allowability. The division's Title XIX (Medicaid) reviewers evaluated the progress notes because of their familiarity with program and billing requirements.

From their review, the MHDDSD reviewers commented that many of the progress notes did not represent allowable mental health services as defined by administrative rules or the Division's Medicaid Rehabilitative Services Procedure Codes. Instead, the reviewers explained, the described services represented recreational, vocational, educational or daily supervisory activities, such as errands and shopping. Further, they commented, "mental health interventions must be therapeutic in focus; this is not evident in the majority of these notes."

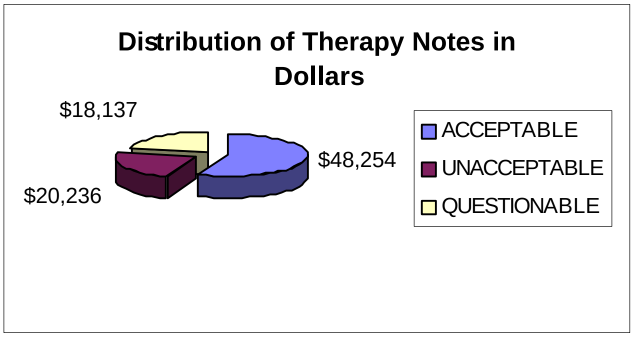
Among the unallowable and questionable notes, Seiders had billed the following:

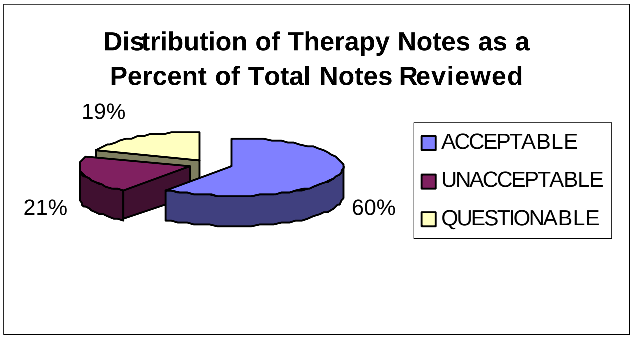
- "[Client] did great in class. He interacted [with] peers. He followed directions. He was very comfortable socializing [with] other students." This note was marked as 2 hours of individual therapy at school, and billed to the EPSDT program.

- "Group celebrated a staff member's [birthday] and rewarded members who had been working on their anger management. [Client] is doing fantastic. He was focused, organized and on task." This note was billed as 2 hours of group therapy.

- [Client]"Had a good practice no negative behavior." This note was billed as 2 hours of individual therapy.

We compiled the results of the MHDDSD review by matching the reviewed progress notes to the related billings. As depicted in the following graphs, 21% of the 1,030 progress notes, or 212 notes representing $20,236 in payments, were considered unallowable for the EPSDT program. An additional 198 progress notes, or approximately 19% of those reviewed, representing $18,137 in payments, were considered questionable.





In total, $38,373 of the $86,627 billed services, or 44% of those reviewed, were evaluated as unacceptable or questionable to have been billed to the EPSDT program.

Unsupported EPSDT Billings

To determine if documentation existed for billed services, we compared specific EPSDT billings paid to Seiders to progress notes for several selected clients. We also compared hours and descriptive comments on employee timesheets and contractor invoices to hours and services on billings and progress notes. During the period reviewed, progress notes indicate therapy was provided by Pam Seiders, other therapists employed by Seiders, and a contractor.

During testing, we found the following exceptions:

- There were no progress notes to support services billed for December 1995 through February 1996 in any of the available Seiders' files. Therefore, the billed services for this 3-month period are not supported by Seiders' records as having actually occurred. Billings during this period for the selected clients we originally intended to test totaled $30,904.

Payments for the month of:

Client:	**December 1995**	**January 1996**	**February 1996**	**Total**
A	$ 1,726	$ 2,097	$2,147	$ 5,970
B	$ 1,436	$ 1,955	$ -0-	$ 3,392
C	$ 1,467	$ 1,747	$ 750	$ 3,964
D	$ 814	$ 1,093	$1,839	$ 3,747
E	$ -0-	$ -0-	$ -0-	$ -0-
F	$ 809	$ 1,081	$ -0-	$ 1,890
G	$ 2,004	$ 1,430	$ -0-	$ 3,434
H	$ 2,087	$ 2,162	$ -0-	$ 4,248
I	$ 1,564	$ 1,667	$1,027	$ 4,259
Totals	$11,907	$13,232	$5,763	$30,904

NOTES:
* Files for two clients were not available for testing, so payments for their services are n
included in this summary. This summary only includes those clients selected for testing f
whom Seiders' files were available.

* Client G's "Dec 1995" amount includes $667 for November services. Since there were no therapy notes in his file for any month, the November payments were not deducted from this total.

* For Client E, December 95 services were billed, but not paid.

Because we were unable to find the December 1995 through February 1996 progress notes for these selected clients, we reviewed all available client files; we did not find any progress notes for this period. In total, Seiders billed EPSDT services $50,761 for all its clients during this 3-month period.

- While testing therapy billings of selected clients, we identified another $4,055 billed by and paid to Seiders during other time periods for which there were no supporting progress notes. The client amounts presented in the table below summarize the unsupported individual billings with service dates during the indicated months.

Client	Time Period of Unsupported Billings	Amount
A	April, May, and November 1995	$ 312
B	August through November 1995	$ 543
C	September through November 1995	$1,205
D	September through November 1995	$1,366
E	February and November 1995	$ 55
F	September and November 1995	$ 369
G	September and November 1995	$ 205
	Total	$4,055

Without the required progress notes, there is no evidence that these services which Seiders billed were actually provided.

- In comparing therapists' timesheets or invoices to service billings, we found $1,821 billed by Seiders for EPSDT services which were not supported. Progress notes are handwritten, signed, and dated by the therapist performing the treatment. Thus, service dates and descriptions on the employees' signed timesheets or the contractor's invoices should agree with the progress notes. However, we found progress notes written by therapists for dates on which they did not work or had performed different services according to their timesheets or invoices.

		Billings			
Therapist	Service Date	Hours	Cost	Hours Worked	Overbilled
M. Holbrook	5/10/95	9	$225	0	$ 225
M. Holbrook	5/24/95	7	$175	0	$ 175
M. Holbrook	7/10/95	4	$212	3	$ 53
M. Holbrook	7/22/95	2	$106	0	$ 106
M. Holbrook	7/28/95	12	$600	6	$ 450
S. Shelton	7/13/95	4	$256	0	$ 256
S. Shelton	10/1/95	2	$150	0	$ 150
S. Shelton	11/1/95	10	$750	8	$ 150
S. Russo	10/18/95	2	$150	0	$ 150
J. Gonzales	11/29/95	2	$106	*	$ 106
				Total Overbilled	$1,821

* Sufficient total hours were worked by employee this day. However, employee's timesheet lists "group home" as his duty while these hours were billed as individual therapy. Furthermore, the related progress note signed by the employee states he accompanied the child on a middle school outing, a supervisory task which would not appear allowable for EPSDT billing.

Normally, billings should be prepared based on services provided, i.e. from the progress notes completed by the therapists. However, among the documents from the Seiders' employee mailboxes, we found a note dated March 13, 1996, from a Seiders' employee to a therapist stating, "Progress notes need to be filled out for the 010's [mental health assessments] for February." She then listed the clients and units of services to be documented, with a comment, "These are the ones I am aware of (attached are their blank progress sheets)." The note also listed two clients for whom March services were to be documented with this comment, "date [the services] 3/4/96 due to EPSDT exam date." Similarly, in another employee's mailbox were therapy summaries for four clients, with asterisks by some of the indicated services. Each of the four pages contained a handwritten notation explaining the asterisk as "need a group note."

Based on these documents, it appears Seiders prepared progress notes to support billings rather than to document therapy that had been provided. Therefore, it appears possible that even when progress notes existed for billed therapy, the services may have not been provided.

- On February 24, 1995, a Seiders' therapist billed a one-hour consultation service for a particular client. The related progress note described the consultation as being with a foster parent. However, the meeting was billed as "BA017" consultation service code. The service definition states, "Consultation is the planned professional advice ... to another professional involved in the child's treatment.... Advice given to...foster care parents...is not considered consultation." This unallowable billing totaled $75.

- During testing, we identified other miscellaneous billing errors totaling $432. These errors included the following:

    1. two progress notes which documented fewer units of service than were billed ($57),

    2. two progress notes where the service type billed was different than indicated as provided ($200),

    3. an unsigned, incomplete progress note which was billed ($25), and

4. a progress note marked, "cannot bill, already met his quota of 32 units/month," which was successfully billed ($150).

In all the testing we performed, we identified only one billing error made in the state's favor; it resulted in an underpayment of $44 to Seiders.

Comparison of Therapy Billings to Travel Records

We compared therapy billings to travel records to determine whether the named therapist and client were in the same location when services reportedly were provided. Using travel records, such as travel agency billings and credit card statements, we identified travel dates and any named therapists and clients. We then identified billings submitted on the identified travel dates. Using progress notes, we determined which therapist provided the billed client services. In comparing the travelers to the clients and therapists associated with the billings, we found the following discrepancies.

Seiders billed for providing medication management services to five clients on February 2, 1996. This service is provided by a medical doctor who travels to Ontario from Portland approximately once a month. Travel agency records indicate the doctor traveled to Ontario on February 2, 1996. However, travel agency records also indicate that one of the five clients for whom services were billed was in Portland from February 1 through February 5, 1996. The unsupported medication management billing totals $55.

A particular client flew to Portland from Ontario on April 14, 1995, then returned on April 20, 1995. During this time period, Seiders billed for providing him the following therapy:

April 14 – group skills development,
April 17 – group therapy, and
April 18 – individual therapy.

This client's file was not available to determine whether progress notes described how services were provided by Seiders in Portland. However, there were no travel records indicating any of Sieders' staff also went to Portland on these dates. These unsupported therapy billings totaled $182.

- During a spring break trip in 1995, Pam Seiders billed for providing 13 hours therapy to three clients. The trip, as reflected through credit card purchases and cell phone records, included visits to Portland, Vancouver, Albany, Beaverton, Eugene, Winston, Cottage Grove, and The Dalles from March 18 through March 25, 1995. Charges to Pam Seiders' individual American Express account confirm that she went on the spring break trip. The individual clients who went on the trip were not named in any records we could find. However, given the busy travel schedule and number of people making the trip, it appears unlikely that 13 hours of therapy, five hours of which were billed as individual sessions, could have been provided. These unsupported therapy billings totaled $575.

- Pam and Benny Seiders were in Portland from February 9 through February 11, 1995, to interview potential clients. During this Portland trip, Pam Seiders billed 9 hours of individual therapy and consultations for four clients on February 9, individual therapy for one client on February 10, and a consultation service for the same client on February 11.

  Based on the Boise-to-Portland flight's 4:45 p.m. departure time, it is improbable that Pam Seiders could have given 9 hours of individual therapy and school consultations prior to Seiders' required departure time from Ontario on February 9. Furthermore, there is no travel expense record indicating the client for whom therapy was billed on February 10 and 11 was in Portland on those dates. Similarly, the 10:10 p.m. arrival time for the return flight to Boise on February 11 would not have allowed Pam Seiders to provide the 1-hour client consultation as billed for that date. The February 9 through 11, 1995, therapy and consultations billed by Pam Seiders for a total of $256 do not appear to have actually occurred, even though progress notes were written to support the billed charges.

- Pam Seiders made purchases using personal debit and credit cards during a February 23 through 25, 1995 trip to Twin Falls, Idaho. These purchases confirm she was away from the Seiders' Ontario location during this 3-day period.

  However, Pam Seiders billed for providing 2 hours per day of individual therapy for one particular client on February 23 and 24, 1995, at $106 for each day. School attendance records do not reflect this client as being absent;

therefore, it is not likely he was in Idaho receiving therapy from Pam Seiders on February 23 or 24, 1995.

Besides the two hours mentioned above, there were six additional hours, totaling $450, billed for school consultations on February 23. The Seiders' files for two of the five clients were not available to determine which therapist billed the service. However, a review of billings and progress notes showed that only Pam Seiders billed this service type during this time period. Therefore, we have considered these billings to also be Pam Seiders' charges.

Cellular phone records show that Pam Seiders made calls from the Twin Falls service region on February 23 at 2:14 p.m. and later. We obtained a copy of the cellular phone service region map representing Twin Falls roaming charges; the region begins approximately at the border of Twin Falls. According to map mileage charts, Twin Falls is 184 miles from Ontario, or approximately a 3-hour drive. Therefore, Pam Seiders would have left Ontario by around 11 a.m. However, 8 hours were billed for her therapy and consultation services on February 23, 1995, for a total of $556.

Based on these facts, it is unlikely the school consultations and individual therapy billed by Pam Seiders actually occurred on February 23 and 24, 1995. The billings for these services totaled $662.

In addition to the billings which were not supported by Seiders' records, other billings appeared questionable due to the circumstances surrounding them. Examples are as follows:

- For the six available dates, we compared the Portland medical doctor's travel times to scheduled appointments with Seiders' clients for consistency. For two of the six dates, the scheduled "begin" time for the first appointment was improbable given the doctor's flight arrival time in Boise, which is approximately an hour's drive from Ontario. Although actual departure times were not available for these two dates, the usual 8:25 p.m. departure time combined with the arrival times made it unlikely that all billed appointments could have occurred for these dates. For two additional days, the "begin" and "end" times for appointments required precise arrival and departures, no other delays occurring. From flight times and appointment schedules, it appears that some appointments were not kept or were shorter than the 1/2-hour block of time billed for each medication management service.

- Comparison of the "Spring Break Schedule – March 20-25, 1995" and therapy billings showed that Seiders billed for five clients who were not scheduled for therapy during spring break. The available progress notes prepared to support these billings were signed by two therapists who were in Ontario. Nothing in the progress notes indicated an emergency or other reason these clients had to be seen for unscheduled therapy. Furthermore, we were unable to confirm the clients were also in Ontario during spring break. These questionable therapy billings totaled $525.

- Seiders billed for one hour of group therapy for a client on December 29, 1995. However, Seiders' travel expense records show that this client had airline tickets leaving on December 22 and returning on December 29, 1995. We could not locate a copy of the tickets to determine the destination or the departure and arrival times. However, a Christmas holiday schedule in Seiders' records shows this client was expected to return on December 29 at 3:10 p.m. Assuming his plane arrived on schedule, the client would have returned to Ontario at approximately 5 p.m. that Friday night. There are no progress notes available for December 1995, therefore, we cannot determine if the billed service occurred.

Target Planning and Consultation Committee (TPCC) Contract Overbilling

SCF uses the TPCC program to address special needs of children in its care. The TPCC contracts are written to a specific provider for an individual child, and specify the services and fees to be provided.

For October 1995 through March 1996, Seiders submitted monthly billings for transporting one client to medical appointments in Portland, based on TPCC contracts during this period. The original emergency contract, formed in October 1995, provided $1,200 to pay for "Contracted services to include extra supervision, transportation to medical appointments in Portland, and the purchase of a motion monitor." Subsequent contracts also allowed $1,200 per month, but specified $950 per month for "extra supervision, alarms, motion detectors, and administrative costs" plus $250 per month for “transportation to and from medical appointments in Portland, Oregon for metabolic and chromosome testing.” The October contract had a handwritten note indicating “Admin $200, Alarms $150, Supervision $600, Transport $250”; however, the contract itself did not specify any fee split among services.

Our review of financial and client files found that this client was only transported to one medical appointment in Portland. Actual costs associated with this November 1995 trip totaled $415. However, Seiders billed each month from November 1995 through March 1996 at the $250 rate for medical transportation. The contract provided for “an amount not to exceed $750 paid at the rate of $250 per month for a maximum of 1,000 miles per month paid at the rate of $.25 per mile.”

Month	Claimed	Actual cost	Allowed by contract	Overbilled
November 1995	$ 250	$ 415	$ 250	$ -0-
December 1995	$ 250	$ -0-	$ -0-	$ 250
January 1996	$ 250	$ -0-	$ -0-	$ 250
February 1996	$ 250	$ -0-	$ -0-	$ 250
March 1996 (26 days)	$ 210	$ -0-	$ -0-	$ 210
Totals	$1,210	$ 415	$ 250	$ 960

As shown in the table above, although actual costs totaled $415, allowable costs were $250 for this one medical appointment. As a result, Seiders overbilled SCF by $960 based on the contract’s terms.

Because these matters have been referred to the Oregon State Police and the Malheur County District Attorney for consideration of prosecution, we make no specific recommendations in this report regarding their resolution.

CHAPTER II: STATE AGENCY OVERSIGHT

While we did not conduct an audit of the policies and procedures of the Mental Health and Developmental Disabilities Services Division (MHDDSD) and the State Office for Services to Children and Families (SCF), during the course of this audit, we noted areas where the agencies can improve their monitoring of state program expenditures.

MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES SERVICES DIVISION (MHDDSD)

Medicaid Reviews

When the MHDDSD Title XIX (Medicaid) Audit Section staff reviewed Seiders' billing and treatment records in 1994, they found three of nine services (a 33 percent error rate) billed did not relate to the clients' treatment plans. Despite its individual significance, this error rate was averaged with the results of related testing, and Seiders was given a 96 percent score for service documentation. Furthermore, testing was not expanded from the initial sample size of one billed service per client to more fully evaluate the scope and effect of this noncompliance.

From available Seiders' client files, we obtained three of the nine progress notes tested in this 1994 review. One of these three available notes had been determined to be an error due to the billed service not matching the client's treatment plan. The MHDDSD reviewer's comments, taken in context with the actual progress note, make it clear that this therapy billing was questioned because it was for a therapy type that was not in the client's treatment plan rather than based on the activities described. For example, the reviewer wrote that the billed service, intensive daily therapeutic structure and support, was not prescribed in the treatment plan and the described service appeared to be group therapy. Although the related progress notes were not in the available Seiders' files, the other two errors found during the 1994 review were described similarly in the MHDDSD review file.

The other available progress notes written during the period encompassed by the 1994 MHDDSD review did not reflect billed therapy activities like those currently being questioned. For example, during 1995 and 1996 Seiders billed as therapy client activities such as trips to the mall, fishing trips, birthday parties, bike rides, job shadowing, etc.

The MHDDSD staff did not perform another on-site review subsequent to this 1994 review to determine whether the Seiders' billings were valid.

Payment Controls

While auditing the Seiders' billings and the related payments, we found that controls are not in place to prevent certain types of overpayments.

1. Billing limits exist for some types of services. While comparing Seiders' progress notes to the paid billings, we noticed one note with a comment that it could not be billed due to service limits. However, this progress note was billed by Seiders and paid by the Office of Medical Assistance Programs (OMAP). At our request, DHR's Information Systems staff tested payment records on the Medicaid Management Information System (MMIS) for March 1995 through August 1995. For this 6-month period, 132 claims were filed which exceeded allowable limits for this service type with excessive payments to providers of approximately $26,000. As of June 1997, these overpayments have not been recovered from the various providers.

   We also referred this apparent system problem to our auditors who were engaged in an audit of the MMIS. Subsequently, this audit identified $800,000 of overpayments caused by service limit edit failures. That report, number 97-83 issued in December 1997, recommended OMAP recover the identified overpayments and make necessary adjustments to the MMIS to effectively limit payments.

2. In January and February 1997, Seiders was paid an additional $24,192 for EPSDT services claimed for January through March 1996. MHDDSD staff stated that the claims were being reviewed and approved prior to payments being made. Due to the questions surrounding claims already paid to Seiders, continuing to make additional payments seems inappropriate. We were making periodic inquiries during the investigation to identify payments made and claims filed to ensure we audited all relevant billings. We were not asked about the advisability of making these 1997

payments, nor informed they had been made. As a result, these EPSDT billings and the Seiders' related progress notes have not been audited for these payments and, therefore, may represent additional overpayments.

Serving a Population With Special Needs

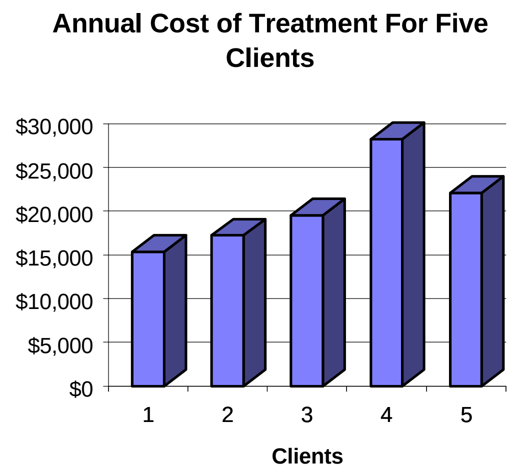
Seiders provided services to a population of children with special needs. The difficulty of placing children with special needs resulted in SCF placing children from around the state with Seiders. An internal memorandum dated April 10, 1995, from the manager of the MHDDSD Health Plan Unit to the assistant administrator for Office of Mental Health Services and the deputy administrator (both with MHDDSD states: "
is a unique resource—CSD [Children's Services Division, which is now SCF] says the only one of its kind in the State and is therefore by definition a state-wide resource." Being a statewide resource provided Seiders with the opportunity to remain on a fee-for-service basis (charging individual fees for separate services) rather than be required to join a managed care plan. In a managed care plan, the plan administrator would have been paid a fixed monthly amount for each qualifying client. Seiders, in turn, would have been paid by the plan administrator for treatment services at a price negotiated with the plan administrator. The plan administrator would have been responsible for evaluating the necessity and managing the cost of Seiders' treatment billings. However, Seiders instead received fee-for-service payments from the Department of Human Resources' Office of Medical Assistance Programs (OMAP) through the Medicaid program.

In 1996 we performed an audit of the OMAP's Provider Postpayment Reviews. In its response to that report, OMAP quoted from the U. S. General Accounting Office's, February 1994 report titled *Medicaid: A Program Highly Vulnerable to Fraud*: ' "...managed care programs substantially discourage both provider and recipient fraud schemes often found in fee-for-service Medicaid." ' OMAP also stated in its response, "Managed care is a critical component in Oregon's efforts to expand health care coverage, maximizing access to and quality of care for all individuals with income below the federal poverty level by using resources appropriately and <u>avoiding unnecessary costs</u>, including provider overpayments." [1]

[1] Ibid., p. 35.

Five children each received mental health treatment services for at least a twelve-month period between January 1995 through March 1996. Using Medicaid payment information from the Department of Human Resources, Medicaid Management Information System (MMIS), we calculated the average amount paid for these five children. For four of the five, the twelve-month period was March 1, 1995 through March 1, 1996; for the fifth child, the applicable period covered February 1, 1995 through February 1, 1996.

The following graph illustrates the annual amounts paid for each client's mental health services for the pertinent twelve-month period.



We found the annual amounts paid to Seiders per child ranged from $15,346 to $28,229, with an average annual case cost of $20,481. In contrast, based on data provided by MHDDSD staff, the average cost per case for outpatient mental health treatment was approximately $3,600 per year.

In view of the high cost for clients in Seiders' care, MHDDSD staff decided to negotiate managed care through the Oregon Health Plan for the children. Documentation in MHDDSD's file indicated these children would be placed in managed care under the Oregon Health Plan as of April 1, 1995. At that time the "fee-for-service" arrangement would cease.

MHDDSD staff stated that the Greater Oregon Behavioral Health, Inc. (GOBHI), which would be responsible along with the Malheur County Mental Health Department for pre-authorizing the children's level of services, did not want to include children in Seiders' care in its managed care plan. First, the children receiving treatment from Seiders were from all over Oregon, not just Eastern Oregon. (Thus, health dollars would be spent for non-regional clients.) Second, GOBHI was concerned that the state managed care rates paid to GOBHI would not cover the "high cost of care of

The MHDDSD memorandum dated April 10, 1995, stated that GOBHI was willing to take responsibility for managing the Seiders' Eastern Oregon children but not the children originating from out of the area. The memorandum also states, "They [GOBHI] have already developed tx. [treatment] plans for the Eastern OR kids at Seider's (sic) which are approximately half what Seider's (sic) was billing for, and Pam Seider (sic) is OK with this."

According to MHDDSD personnel, negotiations with GOBHI continued and, as of January 1996, GOBHI had agreed to accept all the eligible children in Seiders' care, with funding to be paid through the Oregon Health Plan. GOBHI would have to subsequently negotiate treatment payment amounts directly with Seiders. Due to delays in implementation, non-Eastern Oregon children removed from Seiders' care in March 1996 were not placed under the Oregon Health Plan.

In the meantime, while negotiations with GOBHI were ongoing, MHDDSD had to continue working within the "fee-for-service" framework for clients who had been placed in Seiders' care by SCF.

Remaining with the fee-for-service arrangement made it more difficult for MHDDSD to contain costs. Previously, in February 1994, MHDDSD presented to the state Emergency Board a report which projected a deficit ranging from $7.2 to $12.8 million in the state's General Fund for the 1993-95 biennium for children's mental health services. The report also presented options MHDDSD intended to pursue to reduce costs. One of those options resulted in Oregon Administrative Rule (OAR) 309-16-005 (19), which requires an approved Plan of Care for any child needing more than 15 hours of community mental health treatment services in any calendar month. The Plan of Care is required to be authorized by a Medicaid Authorization Specialist (MAS) prior to the provision of services.

However, despite the rule, the MMIS does not have an automated control to prevent payments in excess of 15 hours which have not been authorized. MHDDSD was aware Seiders was billing significantly more than 15 hours per month per child. Initially, MHDDSD attempted to enforce the service limits, but Seiders challenged the limits being enforced on seven children. In a letter dated October 26, 1994, the Eastern Oregon Human Services Consortium notified Seiders that the amount, duration, and scope of community mental health services requested for 15 children was not authorized. As a result, administrative appeals were filed on behalf of seven of the children. The level of service requested by the Seiders for these children was denied because the Medicaid Authorization Specialist believed the data submitted by the Seiders did not support the need for mental health treatment in excess of 60 hours a month. At a pre-hearing conference held in February 1995, MHDDSD agreed to contract with a psychiatrist to perform an independent review of the children whose level of service was questioned. As a result of this review, three children were approved for the level of services requested and four were not. Subsequently one of the four was approved when Seiders located his treatment records. Thus, four of the seven were approved for the higher levels of treatment. When we interviewed them in August 1996, MHDDSD staff were aware that the remaining three children were not subsequently approved by the MAS, but assumed that the MMIS prevented paying for billed treatment in excess of 15 hours per month.

After this time-consuming and costly attempt to enforce limits on Seiders, MHDDSD began focusing on the long-term solution of getting Seiders into the Oregon Health Plan rather than controlling the short-term costs. However, based on the review results described in the first chapter of this report, a more immediate result might have been obtained by performing Medicaid reviews to determine whether the billed services were actually being provided and were allowable under the EPSDT program.

OFFICE FOR SERVICES TO CHILDREN AND FAMILIES (SCF)

SCF Contracts

SCF contracted with Seiders for a variety of services, including foster home care, a group home, and other special services. The group home contract provided for room, board, 24-hour supervision, personal care services, and treatment intervention for an average population of 4.75 children. Foster home contracts were written for individual children in the care of Ben and Pam Seiders or Seiders' employees. Besides the standard foster care, these contracts provided additional payments for special services tailored to meet the needs of each child. Other special services were also paid for through individual contracts with Seiders by the Target Planning and Consultation Committee (TPCC).

Potential Conflict of Interest

An SCF employee was assigned to serve as "liaison" to Seiders. According to the SCF Ontario branch manager, the liaison's primary duties included attending quarterly reviews of the children's treatment staffing and reviewing intake packets to determine the appropriateness of placements into Seiders' facilities.

While serving in his official capacity as liaison, the SCF employee sold computer equipment and services to Seiders. In February 1995, Seiders purchased a used computer from Dan McGowan for $550. A $15 payment in November 1994 to McGowan was labeled as "computer supplies."

During his visits with Seiders, the SCF employee reportedly became aware of their recordkeeping needs. The SCF employee subsequently arranged for his wife to provide bookkeeping services to Seiders beginning sometime in 1992. We were told the SCF employee's wife was initially not paid for her bookkeeping services. As his wife and Seiders discussed a possible payment rate of $10 per hour, the SCF employee indicated the McGowans needed a sprinkler system at their home. In the summer of 1994, Benny Seiders and a work crew of clients reportedly installed a sprinkler system at the McGowans' home as payment for work the SCF employee's wife had performed to date. While we did not find records to indicate the value of work performed installing the sprinklers, the employee's wife estimated she would have been owed approximately $2,000 using the $10 per hour rate. In addition, the Seiders' financial records verified salary payments to the employee's wife totaling $1,972 in 1994; $740 in 1995; and $131 in 1996.

This matter has been referred to the Government Standards and Practices Commission for its review of potential personal gain through official position.

Payment Controls

Subsequent to March 26, 1996, when the children were removed from Seiders' care, SCF paid an additional $32,288 on the group home, TPCC, and foster care contracts. Although we were making periodic inquiries about payments made to ensure all relevant records were audited, we were not informed of these additional payments. Some of these payments are known to be overpayments while others are potentially.

1. Payments for group home services are routinely made in advance of SCF receiving the provider's monthly invoice listing the children served. After being closed, Seiders did not submit an invoice listing the children actually served during the month of March 1996. For this month services were provided for a partial month; however, on April 29, 1996, SCF paid Seiders $17,935 for April 1996 group home services although no children were in their care at that time.

2. Seiders was paid $17, 935 for group home services for March 1996. According to the group home contract, when services are provided for less than a full month, the payment is to be prorated. Therefore, SCF overpaid Seiders by $2,893 for the period of March 27 through 31, 1996, after the children were removed from their care.

3. Seiders was paid for foster home services for March 1996. This represents an overpayment of $403 for the period of March 27 through 31, 1996, after the children were removed from Seiders' care.

4. TPCC contract payments made in May 1996 included $348 for the period of March 27 through 31, 1996, after the children were removed from Seiders' care.

We reviewed the completed contract termination form for the Seiders group home. The form was signed by the contract officer on April 2, after the children's removal on March 26, 1996. The disbursement section indicated receiving the form on April 3, 1996. However, the payment system was not coded to prevent payments to Seiders at the time the form was completed. That action should have prevented the $17,935 overpayment. In addition, the disbursement unit could have prevented the overpayment by holding all checks made payable to the Seiders.

While reviewing how this overpayment occurred, we were also told that the accounting unit is supposed to compare placement facilities' invoiced amounts to actual payments made each month. However, due to staff reductions during 1996, these comparisons are not always being made. As of June 1997, more than a year since Seiders' contract was terminated, a review of this contract had not been completed.

5. In addition to possible duplicate funding for the same types of services, documentation is not required by SCF to ensure goods or services actually have been provided. Some contractual services, such as commercial transportation, alarms, and motion detectors, would be discrete purchases for which specific invoices would be available. SCF does not require invoices to be provided for reimbursement to occur; however, they are supposed to be used to evaluate reasonableness of contract rates.

As described in the first chapter of this report, sometimes the services are not provided. Also, the actual costs of the goods or services may vary significantly from the contractual rate. For example, some TPCC contracts required alarms be installed to alert the care providers if the child left the secured location. One of these contracts paid $150 per month for alarms. According to Seiders' records, the actual cost of the alarm was $873 plus a $180 annual monitoring fee. Based on the 5-month duration of the contract, the alarm cost was approximately equal to the contract payments. However, had the contract been in effect for the entire year, SCF would have paid $1,800 for the alarm service that would have cost Seiders only $1,053. In fact, a 1994 contract provided a $1,746 lump sum payment to Seiders for another child's alarm system rather than reimbursing actual cost. Without cost documentation, SCF cannot be sure its contract rates are reasonable.

Group Home Contract Payments

The SCF contracts for group home services are based on an average daily population. On a monthly basis, SCF paid Seiders $17,935 for an average of 4.75 children being in the group home. These payments were not adjusted to reflect the actual number of children approved by SCF to receive group home services from Seiders. Based on SCF's accounting reports, these potential overpayments (called "underutilization") to Seiders totaled $59,011 in fiscal year 1995 and $23,785 for fiscal year 1996 through February 1996.[2] SCF records do not reflect having received an invoice from Seiders for March 1996, although a payment was made.

According to procedures of the Residential Resources Unit, a Program Analyst is to review the under- or overutilization amounts monthly to determine if actual services provided were below 90 percent of the contracted rate. If a provider stays below 90 percent utilization for two months, the provider is to be placed on a "per capita" (or actual use) payment basis. Then the provider must have three months of greater than 90 percent utilization to return to the fixed payment basis.

Although a utilization report for the period of March 1995 through February 1996, which was prepared by SCF staff, showed Seiders as overutilized (having more children than the contract payment rate), the accounting records showed that Seiders was not operating at or above the 90 percent utilization basis. Thus, payments were not modified to the per capita basis.

In reviewing SCF's records, we discovered that invoices provided by Seiders may have been the source of utilization calculations, rather than actual services approved for payment. For the invoices reviewed, we found more children included on Seiders' invoices than were approved for services on information system. Invoiced services are entered into the information system for an automated comparison to approved services. An exception report is prepared listing children or dates of services which were billed, but not on the system as having been approved.

We obtained a copy of this exception report for December 1997; the report contained numerous exceptions dating as far back as January 1997. Since items are dropped from the report after one year, older items may have been purged without having been resolved. Because exceptions remain unresolved, the data which is used to perform the utilization analysis may be faulty. Thus, a provider who bills unapproved services may seem to be at capacity or even overutilized, but actually is not. Without determining whether the billed services were allowable, it is not possible to perform a reliable analysis of whether SCF is getting the services for which it is paying. A more reliable data source for the utilization review is the

[2] Subsequently, in March 1998, SCF reviewed these potential overpayments and determined services were provided as billed.

accounting system which reflects payments made after billings are matched with approved services.

The group home contract with Seiders provided for the contract to be re-negotiated if utilization is 10 percent more or less than the contracted average daily population. Although the contract did not specifically state that Seiders would be put on a "per capita" basis if utilization dropped below 90 percent capacity for two months, this provision is included in SCF's procedures. In addition, since the contract was paying for 4.75 placements regardless of actual use, the Seiders would have incentive to indicate they were at capacity and could not take additional children. Furthermore, because most children placed in the Seiders' group home stayed there for an extended period of time, SCF was unlikely to be able to take advantage of the three-quarters placement position. Temporary placements would have been necessary to use this partial position, but the special-needs children Seiders accepted were not adaptable to frequent change.

Overlapping State Services

The group home contracts provide for "room, board, 24-hour supervision by professionally trained staff, personal care services and treatment intervention."

- Personal care services are subject to an annual physician review and Registered Nurse assessment every 180 days. These services include assistance with daily living skills, medications, and services such as travel, shopping, etc.

- Treatment intervention services include treatment planning, therapeutic recreation, professional consultation for no less than 3 hours per month, medical support services, educational support services (as liaison with local school), vocational and occupational services (when appropriate based on treatment plan), treatment based living environment, therapeutic services (such as behavior management, individual therapy, group therapy, and others, and a one-time family assessment (if the family is willing to participate).

Specifically, the Seiders-SCF group home contract for July 1, 1994 through June 30, 1996, provided payment of $17,935 per month for these services for an average daily population of 4.75 children.

Each foster care contract provided payments for specific services to an individual child. For example, in addition to the standard $404 rate, the foster care contract for one child provided a total of $2,096 per month for special services which included: $30 for laundry, $192 for relief care, $192 for in-home assistance, $880 for 220 hours of personal care services, and $802 for "specialized placement for TPCC."

In addition to group home or foster care services, TPCC contracts provided special services for children identified as eligible for the program. These contracts included services such as 24-hour staff supervision for behavior management to maintain the child in a proctor care setting, one-to-one supervision "when deemed necessary," alarms, motion detectors, and therapeutic intervention. The TPCC contracts also stated, "Except in the event that the Department (DHR) has entered into a master contract, Contractor (Seiders) shall not be compensated for work performed under this agreement by any other agency or department of the state of Oregon."

Despite this contract wording, some children in Seiders' care were funded for similar services by more than one program or contract. For example, for one particular child, SCF paid $2,500 per month to Ben and Pam Seiders for foster care, including in-home assistance, 220 hours of personal care services, and "specialized placement for TPCC"-designated child. For this child, SCF also paid Seiders approximately $3,350 per month for "one-on-one supervision and therapeutic intervention" through a TPCC contract. For the same child, MHDDSD paid Seiders from $1,000 to $1,600 per month for group and individual therapy billed to the EPSDT program. Therefore, Seiders received around $6,800 per month, a mixture of state and federal funds paid by state agencies, to care for this one child.

Rather than being the exception, this funding situation was normal for these special-needs children. As shown by examples in the following table, most of Seiders' clients were funded from multiple sources.

Monthly Payments

		Foster Care					
Client	TPCC	Regular	Special Rate	Group Home	SCF Total	EPSDT	Total
A	$ 2,525	$404	$ 864	$ -0-	$3,793	$1,964	$5,757
B	$3,400	$404	$2,096	$ -0-	$5,900	$1,420	$7,320
C	$2,525	$404	$2,600	$ -0-	$5,529	$1,529	$7,058
D	$3,407	$404	$ 772	$ -0-	$4,583	$1,614	$6,197
E	$ -0-	$404	$ -0-	$ -0-	$ 404	$1,107	$1,511
F	$ -0-	$327	$1,673	$ -0-	$2,000	$1,045	$3,045
G	$1,200	$404	$2,596	$ -0-	$4,200	$1,145	$5,345
H	$ -0-	$404	$1,447	$ -0-	$1,851	$ 813	$2,664
I	$ -0-	$404	$2,096	$ -0-	$2,500	$1,709	$4,209
J	$2,525	$404	$ -0-	$ -0-	$2,929	$ -0-	$2,929
K	$3,042	$404	$2,673	$ -0-	$6,119	$2,272	$8,391
L	$ -0-	$ -0-	$ -0-	$3,776	$3,776	$1,147	$4,923

Other payments, such as those made by the Vocational Rehabilitation Division, the county or other sources, were relatively minor in amount and are not reflected here.

Lack of Coordinated Data

Another indicator of uncoordinated state services was the difficulty in obtaining from SCF complete financial and contract information for each child in Seiders' care.

At the initiation of the investigation, SCF employees were not able to readily determine for investigators how many children were in Seiders' care nor how much state funding was being provided. Additional funding sources were identified by auditors during the course of the investigation. We were unable to find a centralized source for all funding paid for each child by the state. Separate financial data had to be gathered from SCF and MHDDSD as well as other state sources, such as the department's Vocational Rehabilitation Division.

Part of the reason detailed information was not readily available from the Ontario branch relates to the manner in which SCF handles case management. Regardless of where a child is placed in the state, the caseworker from the original branch office remains responsible for overseeing the child's care. While those "originating" caseworkers can request the local branch where the child has been placed to monitor the child, that had not been done except for two of the 24 children in Seiders' care, according to the Ontario branch manager. The originating caseworkers maintain the children's files; thus, the information is not readily available in an emergency situation like this one. Furthermore, based on the quarterly review schedules in Seiders' files, it appeared that caseworkers were often not available to attend the quarterly meetings with Seiders' staff to discuss the children's treatment plans and progress.

For the children in Seiders' care in Ontario, caseworkers were located at distant locations such as Klamath Falls and Portland. The originating caseworkers' distance from the children makes monitoring their care impractical as well as costly to the state as caseworkers travel across the state to visit children in widespread placement facilities. We were told this manner of retaining case assignment was the rule rather than the exception. Prompted by an internal SCF review of the Seiders' case, the agency has indicated more emphasis will be placed on obtaining courtesy supervision from caseworkers in the placement region.

Lack of coordinated financial and contract information increases the risk of overlapping services and duplicate payments by state agencies. Because these children were under SCF's care, this agency logically would have the primary responsibility for coordinating their services among the various state and local agencies. But even more importantly, leaving caseworkers assigned who are distant from the children makes monitoring their care costly and time-consuming to effect. SCF's intention to improve courtesy supervision from area caseworkers should alleviate this concern.

Safeguarding Children's Personal Funds

During this investigation, we brought to the attention of SCF caseworkers the children's personal savings accounts we found record of in Seiders' files. Even four months after the children had been transferred to other placements, caseworkers had not ensured Seiders' or their employees' signatory authority had been removed from the accounts. When we inquired about the disposition of one child's account, we were told by the SCF caseworker that we could contact the new foster parent ourselves to find out if the child's funds were transferred with the child.

SCF has administrative rules regarding monies belonging to children in its custody. Specifically, OAR 413-310-0400 states, "...SCF maintains a Trust Account in which *all* (emphasis added) money for a child is deposited. Money received may be court ordered, voluntary donations, Social Security Administration, Supplemental Security Income (SSI), Veterans' benefits, Railroad benefits, Indian benefits, or any other source available for the child." We did not find a rule indicating foster parents or group home providers are allowed to maintain bank accounts for SCF-placed children.

Within its rules for private child-caring agencies (OAR 413-210-0140), SCF requires an individual written record for each resident of all money received or disbursed on behalf of the resident. The record is to include the dates and sources of receipts, the dates and purposes of disbursements, the amounts, and the signature of the agency's staff making each transaction. However, these rules are not applicable to SCF-licensed foster homes.

To assure funds of children in SCF placements are adequately protected, caseworkers should monitor personal account activity or require placement providers to deposit all funds with SCF in accordance with the existing administrative rule. Furthermore, when a child is transferred to a new placement, the assigned SCF caseworker should ensure the child's personal funds are also transferred. Without this safeguard, when children are transferred to new placements, particularly in sensitive situations such as this one, their personal funds could be overlooked or misappropriated.

Due to the limitations of the available records, we may not have found all accounts Seiders established for children in their care.

RECOMMENDATIONS

We recommend that MHDDSD:

1. Perform provider audits on a more frequent basis, particularly for those providers falling outside usual cost parameters for the services being billed.

2. Give more weight to more critical test results, such as those relating the service allowability, when evaluating audit results.

We recommend that SCF:

1. Monitor the performance of employees serving in liaison roles to minimize the risk of conflicts of interest occurring. Furthermore, SCF should educate its employees on state laws that apply to their relationships with SCF contractors, such as those prohibiting conflicts of interest.

2. Ensure contract payments are discontinued when a provider is no longer providing services, whether voluntarily or involuntarily.

3. Ensure over- and underutilization amounts are monitored on a periodic basis and contract payments are adjusted on a timely basis when appropriate. This will require resolving exceptions listed on edit reports on a timely basis. Utilization rates should be calculated using data from the accounting system, which reflects approved services that have been paid rather than billed services. Furthermore, contract language should be revised to be consistent with the Residential Resources Unit's procedures, i.e., to place a provider on a "per capita" reimbursement when utilization falls below 90 percent for two months. Furthermore, for providers specializing in special-needs cases which usually result in infrequent turnover, SCF should consider using full positions for the contracted average daily population rates.

4. Require documentation of actual costs incurred for purchases which are reimbursed to care providers, such as alarms, motion detectors, etc.

5. Monitor state services provided to children in its custody to minimize the risk of overlapping services with duplicate funding. This should include exchanging contract details

with MHDDSD or other state agencies serving the same clients. Caseworkers in the branch office nearest the children's placement facilities should be assigned to facilitate regular, effective monitoring of their care.

6. Require branch managers to monitor whether caseworkers are able to attend quarterly meetings for children who have been placed out of the area. When appropriate, request the local branch to assign a caseworker for courtesy supervision so that the child's care and treatment can be more effectively monitored.

7. Require caseworkers to consider the potential for bank accounts being maintained by care providers for children in SCF's custody, and to take appropriate action to get those monies deposited in the SCF Trust Account. Alternatively, SCF should develop guidelines for safeguarding children's funds which are allowed to be held by its care providers.

8. Work to develop more care providers for special-needs children so that alternatives are available when costs of care become prohibitive with one provider.

REPORT DISTRIBUTION

This report is a public record and is intended for the Department of Human Resources management, the governor of the state of Oregon, the Oregon Legislative Assembly, and all other interested parties.

COMMENDATION

The courtesies and cooperation extended by officials and employees of the Oregon State Police and the various divisions of the Department of Human Resources during the course of this review were commendable and sincerely appreciated.

AUDIT TEAM

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AGENCY'S RESPONSE TO THE AUDIT REPORT

Oregon
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May 8, 1998

Sharron Walker, CPA
Secretary of State, Audits Division
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Dear Ms. Walker:

We have received and reviewed your audit of the investigation of Seiders Enterprises Inc., and have attached our response.

State Office for Services to Children and Families (SCF)

The Department has concerns with statements made in the report on case assignment location and SCF authority.

SCF does not customarily request the court to transfer cases of children placed outside their home counties because of child welfare needs including: (a) Court jurisdiction almost always remains with the sending county; (b) there is a significant amount of administrative work such as eligibility determination and CRB review that remains in the home county; (c) the child's family is in the home county; and (d) the child will likely return to the home county when the placement service ends.

SCF does not have primary responsibility for coordinating services among various state and local agencies. Neither ORS 419.373 (Duties of legal custodian) nor ORS 419B.376 (Duties of legal guardian) provide that authority over other state and local entities.

RECOMMENDATION 1
Monitor the performance of employees serving in liaison roles to minimize the risk of conflicts of interest occurring. Furthermore, SCF should educate its employees on state laws that apply to their relationships with SCF contractors, such as those prohibiting conflicts of interest.

The Department concurs with the findings that employees need clear guidelines on conflict of interest issues. SCF has the following measures in place:

- SCF developed and published a code of ethics manual for employees in 1997.
- SCF revamped its employee handbook in 1997, which includes conflict of interest information.

- SCF provided all employees an individual copy of the code of ethics and handbook and required all supervisors to sign off that they had presented the information to employees and provided opportunities for discussion using formats provided.
- The Employee Services Assistant Administrator provided training sessions for all SCF managers on use of these materials.
- All new employees receive copies of these materials and have discussions on ethics and conflict of interest at new employee orientation and in supervisory discussions.
- All supervisors have been provided copies of DHR and DAS policies on ethics and conflict of interest.

  Employees are required by policy to submit declarations of possible conflict of interest to Employee Services. Employee Services provides written responses to the employee and supervisor on what actions are required to prevent actual and potential conflict of interest situations.

RECOMMENDATION 2
Ensure contract payments are discontinued when a provider is no longer providing services, whether voluntarily or involuntarily.

Procedures are in place in SCF, the DHR contracts section, and the DHR accounting section supporting SCF to terminate contracts on the system when necessary. However, as indicated in the audit, these sections are in need of additional staff to ensure that all controls can be carried out in a timely matter. To address the recommendation, it has been made clear to staff in both contracts and accounting that entering the termination actions on the appropriate systems in a timely manner is a priority. Additional staff was approved by the Emergency Board in April 1998 to better allow us the capacity to effectively carry out our fiduciary responsibilities in a timely manner.

RECOMMENDATION 3
Ensure over- and underutilization amounts are monitored on a periodic basis and contract payments are adjusted on a timely basis when appropriate. This will require resolving exceptions listed on edit reports on a timely basis. (a) *Utilization rates should be calculated using data from the accounting system, which reflects approved services that have been paid rather than billed services.* (b) *Furthermore, contract language should be revised to be consistent with the Residential Resources Unit's procedures, i.e., to place a provider on a "per capita" reimbursement when utilization falls below 90 percent for two months.* (c) *Furthermore, for providers specializing in special-needs cases which usually result in infrequent turnover, SCF should consider using full positions for the contracted average daily population rates.*

a. The Department agrees exceptions on edit reports should be resolved and will work to develop a periodic reconciliation procedure. Experience and on-going audits find that the risk is not as great as indicated by the audit report. Administrative reductions have impaired the Department's ability to resolve exceptions on a monthly basis. The limited benefit from the higher administrative cost makes a staff increase difficult to justify.

The Department's process of monitoring utilization is based on provider billings because utilizing accounting data based on authorized services is not as accurate or timely as the provider billing records. Until DHR and SCF are staffed to preclude differences between the accounting system and billed services, utilization rates will be calculated using data from the provider billing rather than the accounting system.

b. The Department concurs with the recommendation on contract language development consistent with the agency's utilization monitoring procedures.

c. The Department prefers to contract for full rather than portions of contracted ADP. This is done whenever possible; however, when a program facility can only be licensed for 5 ADP, we are forced to contract for something less that 5 because contracting for the full capacity would never give the provider an opportunity to over-fill to make up for time when they are under-filled. Experience shows that children move in and out of a program many times over the course of a 2-year contract period. Many times a placement cannot be at the provider's door to fill the bed of the child who is leaving, necessitating that the provider have the ability to over-fill above the contracted level to make up for days when beds are empty. Contracting for the full licensed capacity puts the Department and the provider in the position of entering a contract that can never be fully met.

RECOMMENDATION 4
Require documentation of actual costs incurred for purchases which are reimbursed to care providers, such as alarms, motion detectors, etc.

SCF uses a market approach to contracting as opposed to a cost plus approach. Accordingly, we will continue to make every effort to negotiate contract purchases as close to market as is possible. We will provide training to the resource developers located in the branch offices and the contracts officers to ensure that they are aware of local market, state price lists, and other factors that could affect contract pricing. SCF will work with Financial Services to determine the best way to achieve market pricing for contracts. We do not believe that requiring documentation to be submitted to document actual costs for all components of these contracts would provide a sufficient benefit to dedicate the additional staff costs to this effort.

RECOMMENDATION 5
Monitor state services provided to children in its custody to minimize the risk of overlapping services with duplicate funding. This should include exchanging contract details with MHDDSD or other state agencies serving the same clients. Caseworkers in the branch office nearest the children's placement facilities should be assigned to facilitate regular, effective monitoring of their care.

Caseworkers' expertise and training is centered on social work and child welfare practice. SCF caseworkers lack the financial expertise and time to exercise the multiple service contract oversight recommended. DHR is expanding the links between its multiple financial data bases, but this work is complex and expensive and is a lower priority at this time because of the Year

2000 project. Lack of sufficient staff and systems support prevent DHR from complying with this recommendation.

Full compliance with the recommendation would be even broader in scope because of other state agencies (e.g., Department of Education and Oregon Youth Authority) and local entities who are also involved. Caseworkers are often unaware of these other providers or payers.

RECOMMENDATION 6
Require branch managers to monitor whether caseworkers are able to attend quarterly meetings for children who have been placed out of the area. When appropriate, request the local branch to assign a caseworker for courtesy supervision so that the child's care and treatment can be more effectively monitored.

The Department agrees with this recommendation. SCF policy 1B.3.4.3 requires caseworkers to either actively supervise cases placed out of county or request courtesy supervision of the receiving branch. SCF found workers were confused about whether or not this policy actually applied to the Seiders placements. All units were required to review the policy and comply with it.

RECOMMENDATION 7
Require caseworkers to consider the potential for bank accounts being maintained by care providers for children in SCF's custody, and to take appropriate action to get those monies deposited in the SCF Trust Account. Alternatively, SCF should develop guidelines for safeguarding children's funds which are allowed to be held by its care providers.

SCF has extensive procedures for assuring that funds for the benefit of the child in care are transferred to the child's Trust Account. Provider contracts contain a requirement that "any payment or reimbursement received from a parent or guardian or any other personal entitlement received on behalf of any child served under this contract..." be turned over to SCF promptly. (Schedule Section C.2.h.) This is NOT meant to cover the child's allowance money or earnings from full- or part-time employment. In fact, SCF policy I.A.4.1 "Rights of Children" Section n. states that the child in SCF custody has a right "To earn and keep his or her own money and to receive guidance in managing resources to prepare him or her for independence." The "Rights of Children" policy is incongruent with the Trust Account Policy; SCF will amend the Trust Account policy to clarify that children are not required to turn over their personal earnings to SCF for deposit in the Trust Account to prevent penalizing children who want to gain work experience and the benefits of earning their own money.

We believe residential treatment and foster care providers are in the best position to assure the money management skill development happens for an individual child. SCF will modify provider contracts to clarify this expectation and the expectation that any funds the child has will transfer with a child to a new placement or be refunded to the child who is emancipated.

RECOMMENDATION 8
Work to develop more care providers for special-needs children so that alternatives are available when costs of care become prohibitive with one provider.

The Department concurs with the recommendation. SCF received a portion of the requested additional funding for special needs children from the Emergency Board in 1995-97 and during the 1997 Legislative Session SCF received funding for an additional array of services to help address some of the growth in this population in SCF custody. This is clearly not enough as this caseload continues to grow.

Mental Health and Developmental Disability Services Division (MHDDSD)

RECOMMENDATION 1
Perform provider audits on a more frequent basis, particularly for those providers falling outside usual cost parameters for the services being billed..

The Department generally agrees with the recommendation. MHDDSD plans to use a risk-assessment approach whereby we will identify certain cost parameters for rehabilitative outpatient services billed on a fee-for-service basis, develop standard results for these parameters, and perform a limited scope review of providers operating at levels significantly outside of these cost parameters.

Because of the small number of staff that we have to perform review functions, we think doing more frequent reviews of all providers will not produce as significant results as a more targeted risk-based approach. By analyzing data we currently have available to assess provider performance against standard results and for any other significant deviations, we will be able to more effectively select those to be reviewed. Then by using a more focused review process, we can delve more deeply into areas where providers are operating outside of normal cost parameters. We expect to be able to develop this program within one year.

While MHDDSD performed only one Medicaid review during the time period of Seider's operation, the report points out that efforts were being made to determine whether the costs incurred by the Division on behalf of Seider's Inc. were appropriate.

MHDDSD was funding county Medicaid Authorization Specialists (MAS) whose role was to prior approve services to assist MHDDSD in containing costs in the childrens' fee-for-service system. The MAS employed by the Eastern Oregon Human Services Consortium denied the level of service requested by Seiders for children living there because the data submitted by Seiders did not support mental health treatment at that level. This decision was appealed by Seiders and, at that point, MHDDSD contracted with a psychiatrist to perform an independent review of the children to determine appropriate levels of service. Four of seven children living at the facility were approved for the service levels requested.

Therefore, MHDDSD and the Consortium were continually involved with the provider after the Medicaid review was performed to try to contain costs. However, as the report points out, this involvement did not include testing the provider's records to determine whether the billed services were actually being provided and were allowable under the EPSDT program.

RECOMMENDATION 2
Give more weight to more critical test results, such as those relating to the services allowability, when evaluating audit results.

The Department agrees with the recommendation. Reviews that we perform in the future, based on the program described in #1 above, will be more focused on the areas where providers diverg significantly from normal cost parameters in the fee-for-service system.

The Medicaid reviews used in 1994 covered four clinical and five administrative areas. Thirty-nine individual items were checked and scored in these nine areas. Therefore, the focus of these reviews was very broad and not just targeted on substantiation of costs. We agree that focusing reviews on cost substantiation when data points to significant deviations will be more beneficial

Financial Management Unit

The Department of Human Resources Financial Management Unit has reviewed these responses and concurs with the division's report.

Sincerely

Gary K. Weeks
Director

GKW/DW:mw

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