



# INVESTIGATIVE REPORT

Lori Torres, Inspector General

OFFICE: INDIANA DEPARTMENT OF CHILD SERVICES (DCS)  
TITLE: DCS SERVICE PROVIDERS THEFT  
CASE ID: 2018-09-0258  
DATE: March 30, 2020

*The Inspector General's Chief Legal Counsel, Tiffany Mulligan, after an investigation by multiple Office of Inspector General Special Agents, reports as follows:*

The Indiana General Assembly charged the Office of Inspector General (OIG) with addressing fraud, waste, abuse and wrongdoing in the executive branch of state government. IC 4-2-7-2(b). The OIG investigates criminal activity and ethics violations by state workers. IC 4-2-7-3(3). The OIG also reviews complaints alleging violations of statutes or rules regarding the purchase of goods or services by persons who have a business relationship with the State. IC 4-2-7-3(3)(G).

## **Background**

In September of 2018, the Office of Inspector General (OIG) received a request from the Indiana Department of Child Services (DCS) to investigate alleged double billing by thirty-three different individual service providers. All thirty-three service providers were working for multiple DCS vendors on several DCS cases. DCS had contracted with the vendors, and the vendors then contracted with the service providers. DCS had performed an audit<sup>1</sup> of service providers for various time periods in 2014 and 2015. The audit found that based on the vendors' billings, the

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<sup>1</sup> For purposes of this Investigative Report, the term "audit" refers to a statewide review by DCS's Fraud Investigations Unit.

thirty-three service providers might have billed two or more vendors for the same hours or overlapping hours for different DCS cases.

In the normal course of business, DCS contracts with vendors to provide services to children and families under DCS's purview. A court often orders these services to assist children and families with various challenges. Services include mental health therapy; training on housekeeping, nutrition and childcare; transportation and other as-needed services. DCS's contracted vendors often subcontract with service providers to deliver the services to the children and families. The service providers are usually individuals who provide services themselves; they generally do not have employees or subcontractors working for them. The vendors set the amounts paid to the service providers based on the type of services they provide. The service providers bill the vendors, who then in turn bill DCS. DCS allows the vendors to bill DCS only for the time the service provider is face to face with the DCS client.

The DCS audit found that the thirty-three service providers were working for more than one vendor during the periods DCS audited. DCS found documentation showing that certain vendors billed DCS for the same exact date and hours for the same service providers for which another vendor billed DCS. DCS flagged this documentation as evidence of potential double billing by the service providers because a service provider cannot be in two places at one time and can only bill for face-to-face time with a client. DCS questioned whether the service providers had billed two or more DCS vendors for services for the same time or if the vendors had misreported the service providers' time.

After the audit, DCS charged the vendors for the dollar amounts the vendors had double billed for the service providers' hours. In the vast majority of cases, the vendors reimbursed DCS for these amounts pursuant to their contract with DCS.

## OIG Investigation

The OIG Special Agents investigated the allegations that the thirty-three service providers submitted bills to multiple DCS vendors for hours that overlapped. During the investigation, the OIG subpoenaed records from the vendors on each of the service providers who allegedly submitted double billings to the vendors. The OIG Special Agents compared the records against the information and documentation received as part of DCS's audit. The OIG Special Agents also spoke with several of the service providers and other potential witnesses during the course of the investigation.

The OIG found that four of the thirty-three service providers were included in a previous audit DCS performed of service providers in Lake County. The previous DCS audit partly overlapped the audit that prompted the current complaint. In 2016 and early 2017, the OIG conducted investigations, which were based on the previous DCS audit, into the four service providers<sup>2</sup> that the current complaint alleged engaged in double billing again. The OIG submitted the results of its 2016 and 2017 investigations to the Lake County Prosecutor's Office. The Lake County Prosecutor's Office charged three of the four service providers each with one count of Theft as a Class D Felony. Due to the challenges of the investigation, the Lake County Prosecutor's Office did not file charges against the fourth service provider. Because the OIG had already

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<sup>2</sup> The IG's Investigative Reports for these cases can be found as follows:

1. Renee Walton- Jenkins at <https://www.in.gov/ig/files/2015-02-0014%20DCS%20Service%20Provider%204%20Theft%20 WEB.pdf>;
2. Kim Laffoon at <https://www.in.gov/ig/files/2015-02-0014%20DCS%20Service%20Provider%203%20Theft%20 WEB.pdf>; and
3. Lalita Arnold at <https://www.in.gov/ig/files/2015-02-0014%20DCS%20Service%20Provider%20Theft WEB.pdf>.

The IG did not issue a public report on the fourth service provider, against whom the Lake County Prosecutor's Office did not file charges.

investigated these four service providers for much of the same time period, the OIG closed its investigation into these service providers in January of 2019.

The OIG found that for eighteen of the thirty-three service providers included in the current complaint, nearly all of the questionable billing occurred sometime in 2014. Pursuant to IC 35-41-4-2, the statute of limitations for felonies, including Theft, is five years; therefore, the service providers would not be subject to criminal prosecution for any Theft that occurred in 2014 after 2019. Any questionable billing from these eighteen service providers that occurred after 2014 totaled very small dollar amounts. The OIG closed its investigation into these eighteen service providers in May of 2019.

The OIG found that for eight of the thirty-three service providers included in the current complaint, the total dollar loss due to the questionable billing was too low to prove criminal intent to commit Theft. The low volume of double billing could have been due to errors in reporting rather than intentional Theft. In addition to billing two or more vendors for the same hours, at least four of the eight service providers allegedly billed a single vendor for duplicate hours. The OIG Special Agents determined that it would be difficult to prove the crime of Theft where the service provider was double billing a single vendor as this could have been due to poor record keeping on the part of the vendor rather than due to the service providers' wrongdoing. The OIG Special Agents determined that the cost of investigating these eight service providers would be higher than any recovery received. The OIG closed its investigation into these eight service providers in May of 2019.

Finally, the OIG found that for three of the thirty-three service providers included in the current complaint, the OIG could not determine whether the service providers or the vendors were responsible for the overlapping hours found in the DCS audit. The OIG Special Agents found that

that some of the service providers' hours that overlapped in the DCS audit were for services to the same vendor. These overlapping hours likely were due to poor internal accounting procedures or inflation of hours on the part of the vendor and not a result of the service providers' wrongdoing. During the investigation, a DCS representative stated that, on occasion, vendors have increased the actual hours of services provided to clients without the service providers' knowledge. Furthermore, the OIG Special Agents found that the vendors did not bill DCS for all of the hours that DCS listed as overlapping in their audit. DCS used multiple documents, not just billing statements, to determine which hours overlapped for purposes of their audit; therefore, the audit included hours for which the vendor never billed and DCS did not pay the vendor.

Finally, the OIG Special Agents attempted to interview the remaining three service providers; however, some of the service providers refused to speak with the Special Agent and one of the service providers could not recall details about how they billed the vendors because several years had passed. The OIG closed its investigation into these three service providers in March of 2020.

### **Conclusion**

The OIG commends DCS for performing extensive audits of its service providers to ensure that those doing business with DCS are using DCS funds to provide needed services for children and families. Although the OIG was unable to substantiate that the thirty-three service providers who were part of this investigation engaged in criminal activity, the OIG recognizes that DCS's audit revealed and remedied a significant amount of misuse of state funds. Furthermore, DCS was able to recover a large amount of the misused funds. For all of the cases in which the DCS audit found questionable billing, DCS sought recovery from the vendors pursuant to DCS's contracts with the vendors. DCS recovered funds from the vendors in the vast majority of these cases.

Even where the OIG found insufficient evidence of criminal activity, DCS's audit and recovery of funds sent a message to those doing business with DCS that DCS is monitoring how DCS dollars are spent and that the State will hold those doing business with DCS accountable for misuse of state funds. The OIG encourages DCS to continue its efforts to monitor carefully the use of DCS dollars. The OIG will continue to review complaints regarding the potential misuse of DCS dollars and evaluate potential criminal activity.

Because of the various issues the OIG Special Agents found in attempting to prove that the thirty-three service providers engaged in criminal Theft, the OIG is closing this investigation for insufficient cause.

Dated: March 30, 2020

APPROVED BY:

A handwritten signature in black ink that reads "Lori Torres". The signature is written in a cursive, flowing style.

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Lori Torres, Inspector General