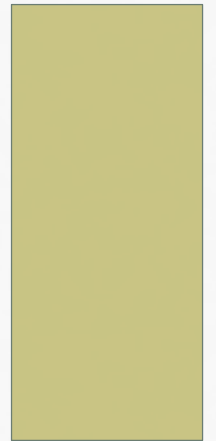


AUDITS & REVIEWS OF SCHOOL BASED SERVICES

TIM KUBU
KABEER SINGH



INTRODUCTIONS

- Tim Kubu, Manager
 - MDHHS – Bureau of Audit, Audit Division, Audit & Review Section
 - 13 Years with State of MI
- Kabeer Singh, Auditor
 - Started with the State in February, 2018
 - December, 2017 college graduate

TOPICS

- Schools & Medicaid
- The Audit Process
- Different Financial Reports
- Public Accounting Manual
- Types of Audits
 - Single Audit
 - Office of Inspector General (OIG)
 - Intro to the OIG
 - Recent OIG Audits
 - MDHHS Audits and Common Findings
- IEP Requirements

SCHOOLS & MEDICAID

- Direct Medical Services
 - Related to MAER cost report
 - Ex: Speech Therapy, Occupational Therapy, Nursing Services

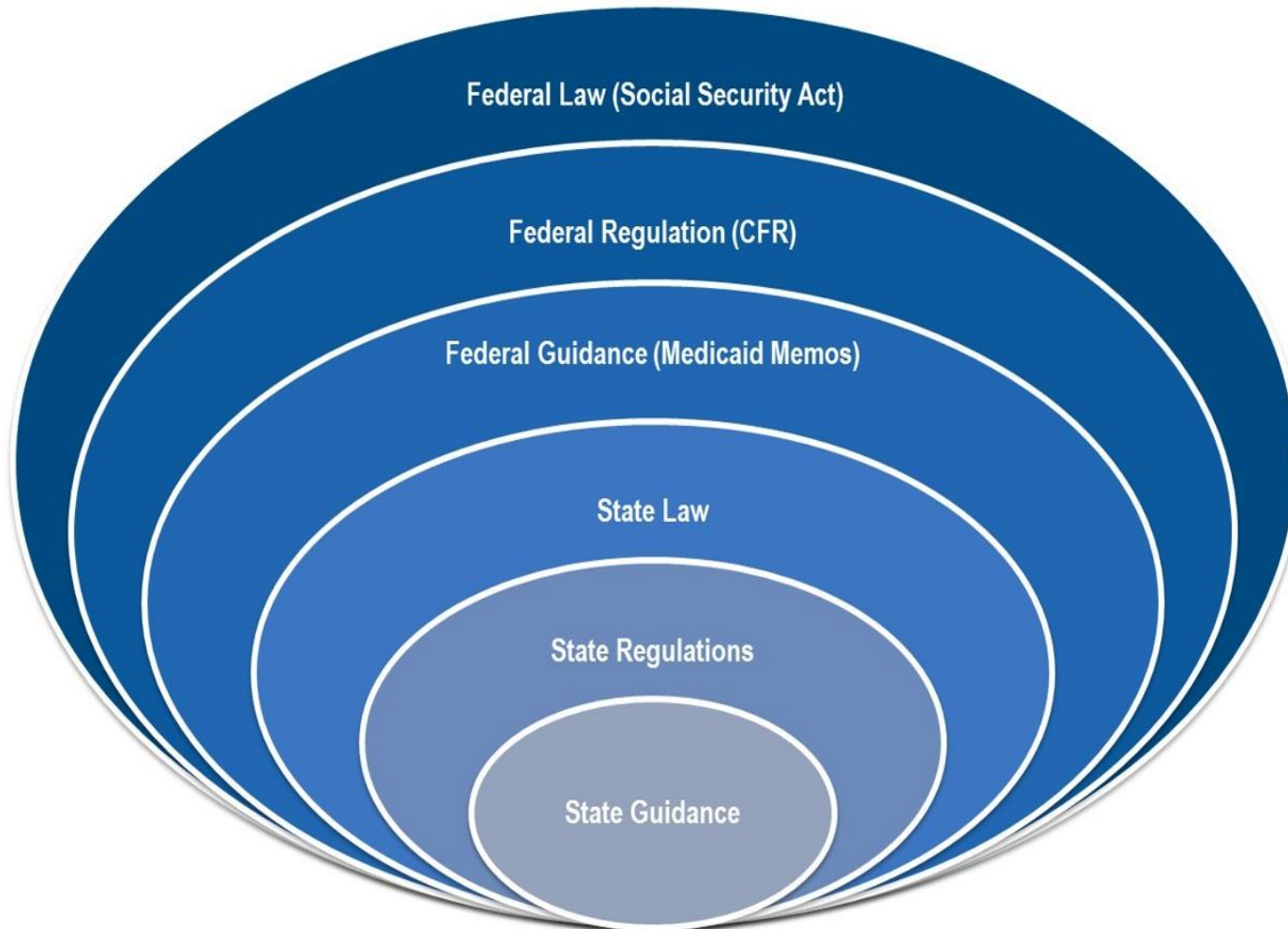
SCHOOLS & MEDICAID

- Administrative Outreach Program
 - On the quarterly financials
 - Administrative Costs

REMEMBER - MEDICAL

- To be covered by Medicaid, service must address a beneficiary's medical need that affects his/her ability
- MDHHS does not reimburse for therapies that do not have medically related goals

REFERENCE MATERIAL



AUDIT PROCESS

- Planning Phase
- Audit Fieldwork Phase
- Report Preparation Phase

PLANNING PHASE

- Sets the foundation for the audit process
- Typical activities include:
 - Conduct the audit entrance meeting
 - Develop scope and objectives
 - Develop audit plan
 - Perform risk assessment
 - Select items to be audited

PLANNING PHASE - RISK ASSESSMENT

- Single Audit findings, deficiencies
- MAER Medical Staff Costs
- Quarterly Financials
- 4094/4096

PLANNING PHASE - RA RANKING

- Low, Medium, High
- Dollar amounts and internal control issues
- Develop ranking scale
- Assess ISD and LEA's based on criteria

AUDIT FIELDWORK PHASE

- Driven by scope, objectives, and other agreements set forth during planning
- Formal Testing
 - Financial report accuracy
 - Funding source identification
 - Claims validity
 - Preliminary Findings

REPORT PREPARATION PHASE

Typical activities include:

- Submit preliminary report
- Conduct internal quality assurance process
- Obtain preliminary response
- Conduct exit meeting
- Finalize report

FINANCIAL REPORTS: SE-4096

- Special Education Actual Cost Reports
- Required for State Aid purposes
- Records all amounts to the nearest dollar for the YEAR

FINANCIAL REPORTS: SE-4094

- Transportation Expenditures
- Records all amounts to the nearest dollar

FINANCIAL REPORT: SE-4107

- School Bus Inventory Report
- Required by districts using black and yellow vehicles
- Updated Annually
- Required to complete before 4094

FINANCIAL REPORTS: MAER MEDICAL STAFF

- Costs related to the direct medical service staff (OT, PT, RN, etc.)
 - MAER – Medical Staff Cost Report is completed on the accrual basis
- The interim monthly payments are based on prior year actual costs and reconciled on an annual basis to the current year costs.

- Costs from the MAER
- Targeted Case Management and Personal Care Services Financial Worksheets
- MDE Indirect Cost Rate
- Random Moment Time Study Percentage
- Health Related IEP Medicaid Eligibility Rate (IEP MER)
- Federal Medical Assistance Percentage (FMAP)

PUBLIC ACCOUNTING MANUAL

- Mandatory guide for classifying accounting transactions
- Generally in conformity with GAAP, GASB, and state regulations

CODING STRUCTURE

Appendix – Definitions of Account Codes

CODING STRUCTURE

EXPENDITURES

Fund	Transaction	Function	Object	Program	Grant	Facility /School	Other
XX	X	XXX	XXXX	XXX	XXXX	XXXXX	XXXX

Appendix – Definitions of Account Codes – Fund Codes

Account Code	Fund Type	Fund Name
11	General Fund (1)	General Fund
21	Special Revenue (2)	Athletic Fund
22	Special Revenue (2)	* Special Education Fund
23	Special Revenue (2)	Community Service Fund
24	Special Revenue (2)	Bookstore Fund
25	Special Revenue (2)	Food Service Fund
26	Special Revenue (2)	*Vocational Education Fund
27	Special Revenue (2)	Cooperative Activities Fund
28	Special Revenue (2)	Private Purpose Trust Fund
31 - 39	Debt Service Funds (3)	Debt Service Funds
41 - 49	Capital Projects Fund (4)	Capital Projects Funds
51 - 59	Trust Funds (5)	Trust Funds
61 - 69	Agency Funds (6)	Agency Funds
71 - 79	Enterprise (7)	Enterprise
81 - 89	Internal Service (8)	Internal Service
91 - 99	District Wide Reporting (9)	District Wide Reporting
91	District Wide Reporting (9)	Capital Asset Accounts
92	District Wide Reporting (9)	Long Term Liability Accounts

* These funds may only be used by intermediate school district and center programs.

See Section II B.02 for a description of fund types.

TRANSACTION CODES

Account Code	Transaction
0	Revenue Accounts
1	Expenditure Accounts
2	Balance Sheet Accounts

FUNCTION & OBJECT CODES

Appendix – Definitions of Account Codes – Expenditure Function Codes

Function Code	Allowable Funds	Account Name/Description
200		Supporting Services - Supporting Services are those services which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction and to a lesser degree, community services. Supporting Services exist as adjuncts for the fulfillment of the objectives of instruction.
210		Support Services-Pupil - Consist of those activities that are designed to assess and improve the well being of pupils and to supplement the teaching process.
211	11, 22, 23,26, 27, 7x	Truancy/Absenteeism Services - Consist of those activities that have as their purpose the improvement of pupil attendance.
212	11, 22, 23, 26, 27, 7x	Guidance Services - Consist of those activities of counseling with pupils and parents, providing consultation with other staff members on learning problems, evaluating the abilities of pupils, assisting pupils to make their own educational and career plans and choices, assisting pupils in personal and social development, providing referral assistance, and working with other staff members in planning and conducting guidance programs for pupils.
213	11, 21, 22, 23, 26, 27, 7x	Health Services – Consist of physical and mental health services. Included are activities involved with providing pupils with appropriate medical, dental, nursing occupational therapy, or other health services.
214	11, 22, 26, 27, 7x	Psychological Services - Consist of those activities of administering psychological tests, interpreting the results of psychological tests, working with other staff members in planning school programs to meet the special needs of pupils as indicated by psychological tests, and planning and managing a program of psychological services including psychological counseling for the school or school system.
215	11, 22, 23, 26, 27, 7x	Speech Pathology and Audiology Services - Consist of those activities which have as their purpose the identification, assessment, and treatment of children with impairments in speech, hearing and language.
216	11, 22, 23, 26, 27, 7x	Social Work Services - Consist of those activities that have as their purpose the performance of school social work activities dealing with the problems of pupils that involve the home, school, and community.
217	11, 22, 26, 27, 7x	Visual Aid Services - Consist of those activities that have as their purpose the identification, assessment, and treatment of children with sight impairments.
218	11, 22, 23, 26, 27, 7x	Teacher Consultant - Consists of those activities for special education programs and services. See MDE Administrative Rules 340.1755 and R340.1749 for the appropriate use of special education teacher consultants.
219	11, 22, 23, 25, 26, 27, 7x	Other Pupil Support Services - This function is assigned to expenditures involving monitoring activities, such as, lunchroom monitors, hall monitors, playground monitors and crossing guards. Bus monitors are assigned to the transportation function, 271.

PROGRAM & GRANT CODES

Appendix- Definitions of Account Codes- Expenditures- Program Codes

This dimension is intended to give guidance to local school districts that wish to identify Special or Career Technical Education Services. Program codes are listed here as a means of accounting for the cost and reporting those costs to the Department of Education.

Program Code	Allowable Functions	Account Name/Description
		SPECIAL EDUCATION - CLASSROOM PROGRAMS
110	122	Mild Cognitive Impairment (Educable Mentally Impaired)
120	122	Moderate Cognitive Impairment (Trainable Mentally Impaired)
130	122	Severe Cognitive Impairment (Severely Mentally Impaired)
140	122	Emotionally Impaired
150	122	Learning Disabled
160	122, 431	Hearing Impaired
170	122, 431	Visually Impaired
180	122	Physically and Other Health Impaired (POHI)
190	122	Severely Multiply Impaired
191	122	Early Childhood Special Education Classroom Program
192	122	Severely Language Impaired
193	122	Autistic Impaired
194	122	Resource Room
196	122	LRE Classroom instructional Aid
197	122	Instructional Aide
198	122	Non-Instructional Aide
199	122	Interpreter
		SPECIAL EDUCATION – OTHER RELATED SERVICES
011	213	Occupational Therapy
012	213	Occupational Therapy Assistant
013	213	Physical Therapy
014	213	Physical Therapy Assistant
015	213	Nurse
016	213	Physician-Diagnostic/evaluation only
017	213	Health Care Aides- Assigned to nurse/physician
021	214	Psychologist
022	214	Psychiatrist
031	215	Speech and Language Therapist
032	215	Speech and Language Pathologist
033	215	Speech and Language Pathologist Assistant

USE OF ESTIMATES

- The financial data reported must be based on actual expenditures
- Generally Accepted Governmental Accounting Standards (GAGAS)

SE-4096 VS MAER

- The MAER should be a subset of the costs reported on SE-4096/4094 because you are only including allowable participants from Time Study Rosters and allowable medically related costs within certain object codes

TYPES OF AUDITS

- Single Audits
- OIG Audits
- MDHHS Audits

SINGLE AUDIT

- For non-federal entities that receive greater than \$750,000 of federal assistance
- Generally done annually
- Provides the Federal government “Reasonable assurances”
- Encompasses both Financial and Compliance components

SINGLE AUDIT (CONT)

The Single Audit determines:

- Financial Statement Compliance
- Federal Program Compliance
- Internal Control Compliance

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Schools

Schedule of Expenditures of Federal Awards

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2013	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2014
Clusters:								
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:								
Noncash assistance (commodities)	10.555	\$ 82,385	\$ -	\$ -	\$ -	\$ 82,385	\$ 82,385	\$ -
Cash assistance:								
National School Breakfast Program 2013-14	10.553	112,249	-	-	-	112,249	112,249	-
National School Lunch Program 2012-13	10.555	531,554	531,554	16,400	-	16,400	-	-
National School Lunch Program 2013-14	10.555	508,754	-	-	-	508,754	508,754	-
Total cash assistance		1,152,557	531,554	16,400	-	637,403	621,003	-
Total Child Nutrition Cluster		1,234,942	531,554	16,400	-	719,788	703,388	-
Special Education Cluster - U.S. Department of Education: Passed through the Macomb County ISD - IDEA:								
Project number 130450/1213	84.027	1,131,331	1,131,331	384,157	-	384,157	-	-
Project number 140450/1314		992,973	-	-	-	735,957	991,168	255,211
Preschool Incentive - Project number 130460/1213	84.173	60,272	60,272	20,601	-	20,601	-	-
Preschool Incentive - Project number 140460/1314		45,583	-	-	-	37,267	45,583	8,316
Total Special Education Cluster		2,230,159	1,191,603	404,758	-	1,177,982	1,036,751	263,527
Other federal awards:								
U.S. Department of Education - Passed through the Michigan Department of Education:								
Title I - Part A:	84.010							
Project number 131530/1213		869,186	680,537	115,942	-	115,942	-	-
Project number 141530/1314		892,972	-	-	-	528,079	772,074	243,995
Total Title I		1,762,158	680,537	115,942	-	644,021	772,074	243,995

SCHEDULE OF FINDINGS & QUESTIONED COSTS

Schools

Schedule of Findings and Questioned Costs

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

OIG AUDITS - HHS OFFICE OF INSPECTOR GENERAL

- Largest Inspector Generals Office of the Federal Government
- Conducts audit to investigate misuse of the Medicaid Program
- Aimed to help promote overall efficiency of HHS resources

RECENT OIG AUDITS

- Michigan- as it related to RMTS (Sep. 2016)
 - \$954,000 in Federal Funding

- New Jersey- payment rates for School Based Services (Nov. 2017)
 - \$300 million in unallowable costs
 - \$306 million in unsupported costs

MDHHS AUDITS

- The State of Michigan SBS Audit section is responsible for conducting external compliance audits of Intermediate School Districts funded by MDHHS.
- Two main objectives:
 - Assess Internal Control over SBS Medicaid based claims.
 - Assess compliance with Federal and State laws and regulations.

COMMON FINDINGS OF MDHHS AUDITS - QUARTERLY FINANCIALS

- Federal Funds
- Inclusion of Unallowable Expenditures
- Lack of Oversight of Financial Data Reported

COMMON FINDINGS OF MDHHS AUDITS - MAER

- Staff Pool Listing Errors
- Inclusion of Unallowable Expenditures
- Wrong Lines & Columns

COMMON FINDINGS – MAER - TRANSPORTATION

- Lack of Oversight of Financial Data Reported
 - Calculation Errors –
Overstatement/Understatement
 - Wrong Line/Column

UNALLOWABLE: TUITION

- Tuition Reimbursement (2310)
 - These costs coded under object code 2310 for employees to return to higher education to complete degree requirements are not reimbursable as a necessary cost of special education under state school aid.

<u>G/L Account Number</u>	<u>Account Description</u>	<u>Actual</u>
Account Classification 1 Code 2000 - Employee Benefits		
22.1215.2110.031.0000.12010.0000	Group Life	32.76
22.1215.2120.031.0000.12010.0000	Group Disability	235.85
22.1215.2130.031.0000.12010.0000	Group Health and Accident	9,328.52
22.1215.2140.031.0000.12010.0000	Dental Health Care	836.33
22.1215.2150.031.0000.12010.0000	Vision Care	151.20
22.1215.2310.031.0000.12010.0000	Tuition	1,100.00
22.1215.2820.031.0000.12010.0000	Contribution to State and Local Retirement Funds	14,412.23
22.1215.2830.031.0000.12010.0000	Employer Social Security	4,358.79
22.1215.2840.031.0000.12010.0000	Workman's Compensation	109.68
Account Classification 1 Code 2000 - Employee Benefits Totals		\$30,565.36

COMMON FINDINGS OF MDHHS AUDITS - STUDENT CLAIMS

- Attendance
- Missing Documentation
- Provider Notes

IEP REQUIREMENTS

- Prescription: Occupational Therapy, Orientation & Mobility Services, Physical Therapy
 - Prescribed by a physician and updated annually
- Referral: Speech, Language & Hearing Therapy
 - Referred by a physician and updated annually
- Authorization: Personal Care Services
 - Authorized by a physician or “other licensed practitioner” and updated annually
- Written Order: Nursing Services
 - Direct service interventions require a physician’s written order when the initial need for services is determined

IEP REQUIREMENTS CONTINUED

- The treatment plan must be signed, titled and dated by the qualified staff prior to billing Medicaid for services and must be retained in the beneficiary's school clinical record.

IEP MEETING PARTICIPANTS IN ATTENDANCE	
Check the box <input type="checkbox"/> indicating the IEP participant(s) who can explain the instructional implications of evaluation results.	
_____ Student (must invite at age 16 and older)	<input type="checkbox"/> District Representative/Designee
_____ Parent	<input type="checkbox"/> General Education Teacher
_____ Parent	<input type="checkbox"/> Special Education Teacher
<input type="checkbox"/> Agency Providing Secondary Transition Services (consent on file)	<input type="checkbox"/> Other
<input type="checkbox"/> Other	<input type="checkbox"/> Other
Parent and District Agreement on Attendance Not Necessary	
These members are absent; their curricular area/related services are not being modified or discussed in the meeting: _____	

Parent and District Agreement on Excusal Prior to Meeting	
These members are absent and have submitted written input to the IEP team, including the parent, prior to the meeting: _____	

IEP REQUIREMENTS CONTINUED

- Must be maintained by the provider of the special education transportation.
- Ridership must be documented for each one-way trip.

QUESTIONS

ANY
QUESTIONS
?



CONTACT INFORMATION

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