

Public Consulting Group

**Report on Controls Placed in Operation and
Tests of Operating Effectiveness of the
Michigan Administrative Outreach Program**
For the Period July 1, 2009 through June 30, 2010

Prepared Pursuant to
Statement of Auditing Standards No. 70

**Public Consulting Group
Report on Controls Placed in Operation and
Tests of Operating Effectiveness of the
Michigan Administrative Outreach Program**

TABLE OF CONTENTS

Section	Description of Section	Page
1	Independent Service Auditor’s Report	1
2	Public Consulting Group’s (PCG) Description of Control Activities Provided by PCG	
	Overview and Background	3
	Control Environment	8
	Risk Assessment	8
	Monitoring	8
	Information and Communication	8
	Control Objectives and Related Controls	9
	PCG’s control objectives and related controls are included in Section 3 of this report - “Information Provided by Service Auditor.” Although the control objectives and related controls are presented in Section 3, they are an integral part of PCG’s description of controls. The description has been provided by and is the sole responsibility of PCG.	
3	Information Provided by the Service Auditor	
	Control Objectives, Related Controls, and Tests of Operating Effectiveness	
	Medicaid Eligibility Rate Computation	10
	Time Study Compilation	11
	Cost Data Compilation	12
	Claim Processes and Calculations	14
	Records Storage and Retention	17
	Physical and Logical Security	18
4	Other Information Provided by Public Consulting Group	
	Financial Certification Form	19

Independent Service Auditors' Report

To the President of the Public Consulting Group
148 State Street, 10th Floor
Boston, Massachusetts 02109

We have examined the accompanying description of controls related to the Medicaid Eligibility Rate Computation, Time Study Compilation, Cost Data Compilation, Claim Processes and Calculations, Records Storage and Retention, and Physical and Logical Security of Public Consulting Group (PCG) Michigan Administrative Outreach Program. Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of PCG's controls that may be relevant to a user organization's internal control as it relates to an audit of financial statements; (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily and user organizations applied the controls contemplated in the design of PCG's controls; and (3) such controls had been placed in operation as of June 30, 2009. The control objectives were specified by the management of PCG. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

In our opinion, the accompanying description of the aforementioned controls presents fairly, in all material respects, the relevant aspects of PCG's controls that had been placed in operation as of June 30, 2010. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily and user organizations applied the controls contemplated in the design of PCG's controls.

In addition to the procedures we considered necessary to render our opinion as expressed in the previous paragraph, we applied tests to specific controls, which are presented in Section 3 of this report, to obtain evidence about their effectiveness in meeting the related control objectives described therein, during the period from July 1, 2009 to June 30, 2010. The specific controls and the nature, timing, extent, and results of the tests are listed in Section 3. This information has been provided to user organizations of PCG and to their auditors to be taken into consideration, along with information about the internal control at user organizations, when making assessments of control risk for user organizations. In our opinion the controls that were tested, as described in Section 3, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified in Section 3 were achieved during the period from July 1, 2009 to June 30, 2010.

The relative effectiveness and significance of specific controls at PCG and their effect on assessments of control risk at user organizations are dependent on their interaction with the controls and other factors present at individual user organizations. We have performed no procedures to evaluate the effectiveness of controls at individual user organizations.

The description of controls at PCG's Michigan Administrative Outreach Program is as of June 30, 2010, and information about tests of the operating effectiveness of specific controls covers the period from July 1, 2009 to June 30, 2010. Any projection of such information to the future is subject to the risk that, because of change, the description may no longer portray the controls in existence. The potential effectiveness of specific controls at PCG is subject to inherent limitations, and accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions based on our findings to future periods is subject to the risk that changes made to the system or controls, or changes in processing requirements, or the failure to make needed changes to the system, controls, or processing requirements may alter the validity of such conclusions.

The information included in Section 4 of this report is presented by PCG to provide additional information to user organizations and is not a part of PCG's description of controls placed in operation. The information in Section 4 has not been subjected to the procedures applied in the examination of the description of the controls applicable to the processing of transactions for user organizations, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of PCG, its users, and the independent auditors of its user organizations and is not intended to be, and should not be, used by anyone other than these specified parties.

Chicago, Illinois
December 17, 2010

Public Consulting Group
Michigan Administrative Outreach Program

I. Overview and Background to Medicaid School Based Administrative Outreach Claiming in Michigan

The Michigan Medicaid Administrative Outreach Program (AOP) is a Medicaid program administered through the Michigan Department of Community Health (MDCH).

The program allows Intermediate School Districts (ISDs) to be reimbursed under the federal Medicaid program for portions of administrative costs associated with providing school-based health services. Examples of reimbursable activities are (but are not limited to):

- Assisting students/families apply for Medicaid
- Identifying children with health issues
- Referring students for health services
- Coordinating/monitoring Medicaid covered health service delivery systems
- Developing programs and planning for the delivery of health services

Overview

The Medicare Catastrophic Coverage Act, as amended in 1988, allows for Medicaid payments for services provided to eligible children under the Individuals with Disabilities Education Act (IDEA).

Medicaid is an open-ended entitlement program, which requires a state/local match. In Michigan, the program is designed so that funds used for outreach activities, which have historically been done by school districts, can be used as the state/local match. In this way, federal funds are obtained without additional program expenditures by the State or ISDs. In other words, schools use pre-existing activities to draw Medicaid funds.

The purpose of the Medicaid Administrative Outreach Program is to ensure the access of eligible individuals to Medicaid services. The following list identifies the services used most frequently by ISDs:

- Audiology
- Nursing
- Physical Therapy
- Occupational Therapy
- Counseling Services
- Speech Therapy

Public Consulting Group Michigan Administrative Outreach Program

The Role of Public Consulting Group

The primary goals for Public Consulting Group (PCG) are to collect financial and time study data, and generate claims for the school-based AOP.

Additional responsibilities of PCG are:

- Quality Assurance and Quality Control process.
- Administer the Medicaid Administrative Outreach Program by sending, collecting, and performing quality checks on participant staff pool lists, participants' time studies, and districts' financials.
- Conduct comprehensive training and provide technical assistance.
- Calculate and submit claims for the ISDs.

Medicaid Reimbursable Programs

There are two Medicaid reimbursable programs offered.

1. Direct Medical Services or "Fee for Service" (FFS)
2. Administrative Outreach Program (AOP)

The AOP is a companion program to the FFS program. The FFS program reimburses schools for the cost of providing direct medical services to the special education Medicaid student population. The AOP provides reimbursement for administrative activities required to identify, manage, refer and develop programs for children at risk of academic failure due to an underlying health issue, including mental health.

The AOP documentation requirements are quite different than those for the FFS program. Generally, the FFS program requires specific documentation of every encounter, while the AOP is reimbursed for activities that are performed throughout the quarter and captured by 3,000 random moment time study moments per cost pool that cover the entire quarter. The time study results determine the appropriate level of Medicaid reimbursement that each participating ISD receives.

On behalf of the participating ISDs, PCG submits ten quarterly claims per year to MDCH, one for AOP and one for Direct Service. The July-September quarter is split in half resulting in 4 claims. PCG then sends the claims to Center for Medicare & Medicaid Services (CMS) for payment. Once the claims are accepted and processed by CMS, MDCH sends reimbursement to the ISDs.

Public Consulting Group
Michigan Administrative Outreach Program

Implementing the School-Based Administrative Outreach Program in Michigan

a) Enrollment Requirements

ISDs that wish to participate in the Administrative Outreach Program in Michigan must follow the steps below to obtain reimbursement through the AOP:

- Select staff person(s) to become the liaison(s) on the AOP with PCG. Likely liaisons are members of the ISD leadership for the special education staff, assistant administrators or someone from the finance staff.
- Identify staff that perform reimbursable administrative activities related to the development, delivery or follow-up of health related services based on State guidelines.

Note: No staff members paid with 100% federal funds can be included on the AOP or Direct Service staff pool lists.

- Distribute paper-based random moment time study notifications generated by PCG on a weekly basis and follow-up with participants to make sure they complete their moments.
- Complete a quarterly financial workbook identifying the salary, benefits and other expenditures associated with the staff participating in AOP and Direct Service for each district in each ISD. Some of the other expenditures might include staff travel, employee training, and supplies/materials. Training guides and a hotline are provided to the financial contacts that complete the financial workbook to ensure understanding of the program, that the proper data is provided, and the required reporting methodology is used.
- Maintain documentation for audit purposes. This documentation includes financial information as well as staff pool list development paperwork. ISDs must maintain supporting documentation for a minimum of six (6) years.

b) Staff Pool List Development

The identified district staff members who perform AOP related activities become “AOP participants” on the district’s “AOP Staff Pool List”. A representative sample of the participants on the staff pool list will be selected each quarter to participate in the time study process, helping to determine the level of Medicaid reimbursement that the ISDs receive. The list below identifies the most likely school district personnel categories that may perform administrative functions.

Public Consulting Group Michigan Administrative Outreach Program

- Speech Language Therapists(Non 3c's), Occupational Therapists & COTAs
- Physical Therapists, Physical Therapy Assistants
- Social Workers (MSW (Non-State Licensed) or BSW)
- Counselors
- Early Identification/Intervention Personnel
- Psychologists & Interns (Non-State Licensed)
- Psychiatrists (Non-State Licensed)
- Registered Nurses, Nurse Practitioners (Non-State Licensed)
- Audiologists
- Administrators
- Program Specialists
- Orientation and Mobility Specialists

Staff that directly support one or more time study participants in conducting administrative activities can be included in the financial reporting, but they do not have to complete the time study. These staff members are called Direct Support Staff. Staff examples include: Special Education Secretaries, Receptionists and Clerks.

c) Submitting the Staff Pool List

PCG assists ISDs with correctly identifying the types of staff that should be included. Upon completion, ISDs submit the staff pool list electronically to PCG. The staff pool list contains the participants' first name, middle initial, last name, district, ISD, job category, job status (Part-time, Full-time, or Contracted) and if supporting documentation is present. The staff pool lists must be submitted within the designated time assigned by PCG. Once received, the list is reviewed to ensure there are no errors.

The staff pool list identifies all existing and new participants. The staff pool lists should also identify staff on paid or unpaid leave of absence. PCG enters the returned staff pool list into the RMTS system which is used to manage the participant information.

Information as to when the staff pool list is due is provided to the ISDs when each quarter's staff pool list update request is sent to the ISDs.

A pilot was conducted in the April-June 2010 quarter which allowed ISDs and/or LEAs to update their staff pool list via the Random Moment Time Study Website. The ISDs participating in this pilot were Berrien RESA, Oakland ISD and Traverse-Bay Area ISD.

d) Financial Schedules

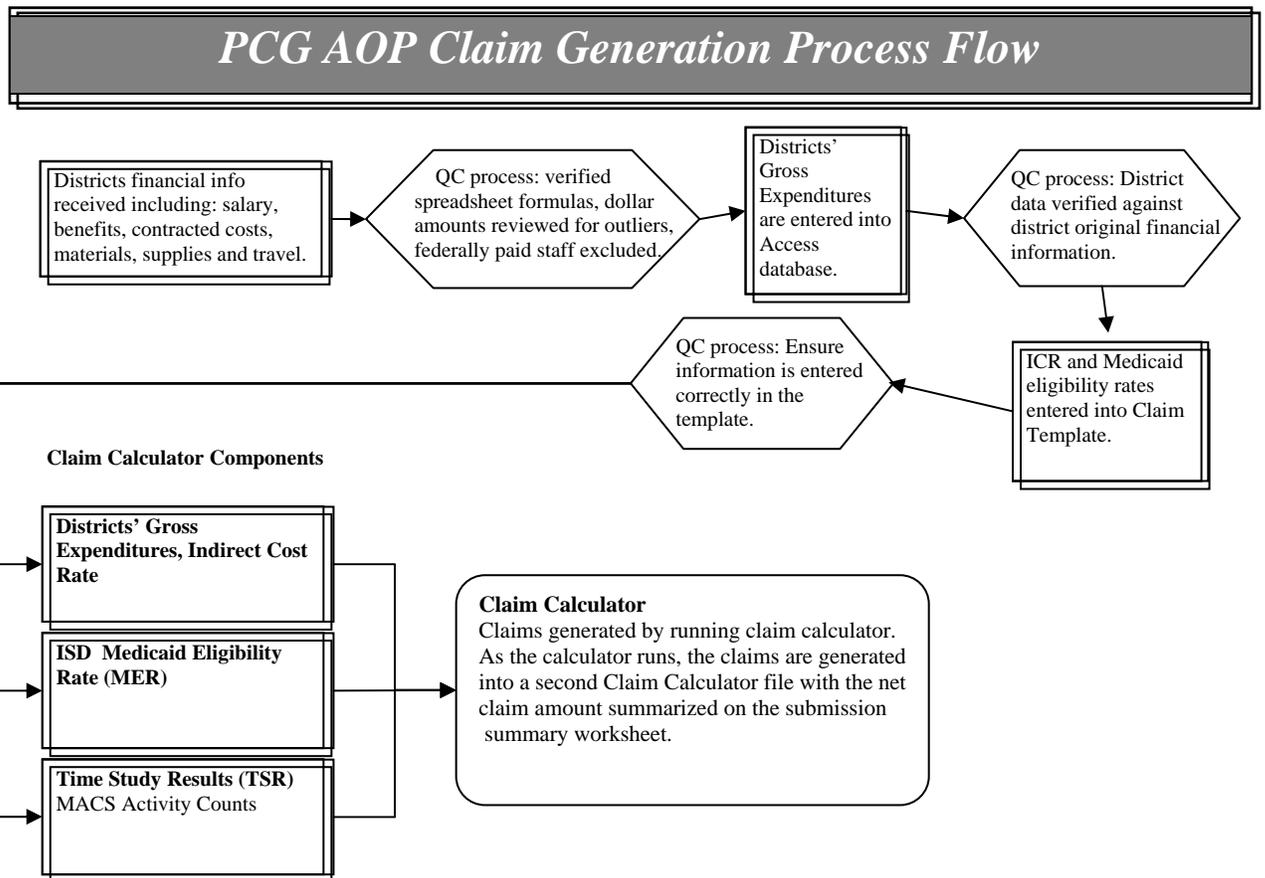
Each quarter, the business manager for every district in each ISD that PCG works with is supplied with an Excel file, containing the name, position, and job status of each staff pool list participant. Each district is responsible for completing the file with the salaries,

**Public Consulting Group
Michigan Administrative Outreach Program**

benefits, material and supply costs and travel expenses for each staff pool list participant. These financial costs are the basis for determining the level of Medicaid reimbursement that each district receives.

e) Time Study

A sample of the staff pool list participants will be selected each quarter to complete a random moment time study. A random moment is one minute of a participant’s day. The purpose of the time study is to determine the level of claimable activities the participants perform. Staff members normally perform a number of activities, some of which are claimable under AOP, and some of which are not. Sorting out the portion of the participant’s activity that is claimable to AOP and to non-Medicaid service programs requires an allocation methodology that is objective and empirical (i.e., based on documented data). The time study is representative and reflects how participants’ time is distributed across a range of activities and a range of days.



II. Control Environment

Section Two – Description of Control Activities Provided by PCG

Public Consulting Group
Michigan Administrative Outreach Program

Operations are under the direction of the President and Principals. PCG employs a staff of about 300 people serving clients throughout the United States of America.

Written position descriptions for employees are maintained by the human resources department. The descriptions are reviewed annually and revised as necessary.

References are sought for all PCG personnel hired. The confidentiality of user-organization information is stressed during the hiring process and is emphasized in the personnel manual issued to each employee.

III. Risk Assessment

PCG has placed into operation a risk assessment process to identify and manage risks that could affect PCG's ability to provide reliable information. This process requires management to identify significant risks in their areas of responsibility and to implement appropriate measures to address those risks.

IV. Monitoring

PCG's management and supervisory personnel monitor the quality of internal control performance as a routine part of their activities. To assist them in this monitoring, a blueprint committee is set up to perform periodic reviews of the administrative claiming process to ensure compliance with the requirements of the State of Michigan.

V. Information and Communication

PCG has implemented various methods of communication to ensure that all employees understand their individual roles and responsibilities over transaction processing and controls, and to ensure that significant events are communicated in a timely manner.

PCG maintains a toll-free hotline in order to assist participants in the time study training with any questions that may arise. In order to facilitate the response time, numerous staff members can answer the toll-free line. The toll-free line also has a voice-mail feature that is checked regularly by staff. Supervisors or senior staff are available to answer any questions that cannot be resolved at the time of the initial call.

VI. Control Objectives and Related Controls

Public Consulting Group
Michigan Administrative Outreach Program

PCG's control objectives and related controls are included in Section 3 of this report - "Information Provided by Service Auditor." Although the control objectives and related controls are presented in Section 3, they are an integral part of PCG's description of controls.

CONTROL OBJECTIVES, RELATED CONTROLS, AND TESTS OF OPERATING EFFECTIVENESS

MEDICAID ELIGIBILITY RATE COMPUTATION

Control Objective 1

Controls should provide reasonable assurance that the Medicaid Eligibility Rate (MER) for each Intermediate School District (ISD) is properly calculated.

Description of Controls

Each ISD submits to CEPI their student information file. Each file is audited by the state and is available approximately six months after the actual survey date. CEPI sends the statewide student information files to PCG. MDCH provides PCG the Medicaid eligibility files. PCG reviews both files to eliminate duplicate records. PCG electronically matches the Medicaid eligibility files with the student file. The match results and student file are used to determine the number of students and the number of Medicaid eligible students in each ISD. The ISD's MER is then calculated by dividing the number of students who are Medicaid eligible by the total number of students by ISD.

The student files are requested twice a year, one file will contain the student counts from September and the second file will contain the student counts from February. These student files are matched to Medicaid enrollment files for the corresponding months (September and February).

Per the MSA bulletin from October 15, 2003, the MER calculated using the September counts will be used in the October-December and January-March claims. The MER calculated using the February counts will be used in the April-June and July-September claims.

Test of Operating Effectiveness

Reviewed the accuracy of the MER (rate) by recalculating the rate for 10 ISDs. The total student counts and Medicaid Eligible counts for February 2009, September 2009 and February 2010 were obtained and used for the recalculation.

Results of Tests

No relevant exceptions noted.

CONTROL OBJECTIVES, RELATED CONTROLS, AND TESTS OF OPERATING EFFECTIVENESS – Continued

TIME STUDY COMPILATION

Control Objective 2

Controls provide reasonable assurance that selected participants in the Time Study process are notified of participation requirements and that data entered into the claim calculation system accurately reflects information provided by participants.

Description of Controls

The purpose of conducting the time study is to determine the percentage of time spent on health related administrative activities that support direct health services provided by a district's clinical staff. These percentages are calculated by compiling the time study results. The RMTS system reports the time study units by activity code.

Forms coded as code 18 or determined invalid are not included in the calculation of time study activity percentages.

ISD contacts are required on a quarterly basis to review and update their staff pool list to identify who meets the qualifications of the program. The ISD staff members are placed into the RMTS system for the purpose of generating the sample. A validity check of the time study results is completed each quarter prior to the calculation of the claim. The validity check ensures that the minimum number (2,401) of responses is received each quarter to meet the 95% confidence level with a +/- 2% precision level. Current quarter time study results are compared against those of the previous time study quarter. More staff are selected than the minimum required to meet the validity levels. The number of completed and returned time studies is analyzed to confirm that the confidence level requirements have been met. Once the validity of the sample has been confirmed, the time study results are calculated and prepared for the calculation of the quarterly claim.

Tests of Operating Effectiveness

- Reviewed time studies completed by sampling 69 participants from 8 ISDs to determine if participants completed the time study forms accurately.
- Reviewed the accuracy of data input of the time study results into the claim calculator by comparing the data in the claim calculator with Access database that aggregates the time study units by activity code.
- Ensured that the minimum number of responses was received to meet the 95% confidence level with the required precision level by obtaining the summary result of the scanned time study forms and comparing it with the minimum number of responses.

CONTROL OBJECTIVES, RELATED CONTROLS, AND TESTS OF OPERATING EFFECTIVENESS – Continued

- Recomputed the summarization of the random moment counts per activity code.
- Recomputed the random moment percentages used in the claim calculation.

Result of Tests

No relevant exceptions noted.

COST DATA COMPILATION

Control Objective 3

Controls provide reasonable assurance that cost data entered into the system accurately reflects the data received from the school districts.

Description of Controls

As a part of the Financial Training, all districts in each ISD receive the AOP Financial Guide. This guide provides districts with detailed instructions on what information is needed by the district, how to complete the workbook, how to make any adjustments, and also includes base AOP information for the business contacts to have a working knowledge of the AOP program. The guide also provides the business managers with an example financial workbook as a guide to complete the district's financial workbook. The financial guide is updated whenever a change in methodology is made and is reviewed yearly to see if any changes or enhancements are needed.

Financial training was provided to one representative of each LEA and ISD in March 2004. Additional financial training is provided at the request of the ISD.

The quarterly financial reporting is based on the participant staff pool list for the designated quarter. For instance, the staff pool list that was generated to be used for the time study sampling for the October – December selection will be the same staff pool list used to create the October – December financial schedule.

PCG keeps an updated list of district financial contacts. The contact list is used to send the financial workbook to the school district. Once the quarterly financials are prepared by PCG, the districts are sent the financial schedule via e-mail.

CONTROL OBJECTIVES, RELATED CONTROLS, AND TESTS OF OPERATING EFFECTIVENESS – Continued

The districts are required to complete a financial data workbook, reporting quarterly costs associated with the AOP participants. The file is electronically sent to the district within a few days of the end of the quarter. The districts have 45 days once they receive the financial schedule to complete and submit the financial workbook.

Once the district has completed the financial workbook, the business contact returns the entire financial workbook to PCG via e-mail and faxes a signed copy of the LEA summary.

After all expenditure data has been gathered, PCG performs comparisons of expenditures to identify, at a high level, whether costs appear to be reasonable. Any material discrepancies are investigated. If acceptable explanations are not found for material cost discrepancies, those costs are excluded from the claim. The accuracy of the submitted financials must be certified by the districts and will be documented on a quarterly certification form. The district will sign the certification statement confirming the amount listed.

PCG reviews the data supporting claims, as adjustments come in any quarter for any prior period. PCG will adjust the claim amount previously filed to account for the adjustment and subsequently resubmit the claim with the state during the next quarterly filing time. The state does not provide a time frame for filing adjustments in which amounts were over claimed, those must be corrected at any time they are identified. Districts have 24 months to file adjustments in cases where they under claimed dollars.

Tests of Operating Effectiveness

- Evaluated how financials were inputted into the claim calculator and the process for obtaining those financials from each school district.
- Determined the accuracy of financial data input into the claim calculator by comparing the financial data in the claim calculator with the district summary/certification forms submitted by each school district in 10 ISDs.

Result of Tests

No relevant exceptions noted.

CONTROL OBJECTIVES, RELATED CONTROLS, AND TESTS OF OPERATING EFFECTIVENESS – Continued

CLAIM PROCESSES AND CALCULATIONS

Control Objective 4

Controls provide reasonable assurance that the calculations and processes performed by the system conform to the federal/state regulations and policies that provide the framework for the PCG claiming procedures.

Description of Controls

Following are the components needed to prepare an AOP claim:

1. Time Study Results

The results derived from quarterly time studies are critical to administrative claiming. The purpose of conducting the time study is to determine the percentage of time spent on health related administrative activities that support direct health services provided by a district's clinical staff. These percentages are calculated by compiling the time study results.

A sample of 3,000 moments per cost pool is drawn every quarter from the state wide list of participants. The exception is the July-September quarter, where 800 moments are selected instead of 3,000 due to the shortened time study time frame. The number of completed and returned time studies is analyzed to confirm that the confidence level requirements have been met. Once the validity of the sample has been confirmed, the time study results are calculated and prepared for the calculation of the quarterly claim.

A time study is conducted each quarter according to the Michigan AOP policy.

2. Medicaid Eligibility Rate

For certain Medicaid allowable administrative activities, Medicaid only reimburses districts for that portion of allowable time that relates to Medicaid-eligible children. Each ISD's Medicaid eligibility rate (MER) is calculated and applied to claim calculations after time study results are compiled. The number of Medicaid-eligible students combined with the student population for an ISD determine the MER. The calculation for MER will be done twice a year based on the student counts as of September and February and the proportion of these that are eligible for Medicaid. The September calculation is used for the October-December and January-March claims. The February calculation is used for the April-June and the July-September claims.

CONTROL OBJECTIVES, RELATED CONTROLS, AND TESTS OF OPERATING EFFECTIVENESS – Continued

3. Financial Data

Prior to preparing an AOP claim, districts are provided with the AOP Financial Guide to ensure the costs reported are allowable and those that are not allowed are not reported. Once eligible individuals have been identified, the districts are electronically sent a financial workbook to complete. PCG collects the financial workbooks for all participating districts on a quarterly basis. All administrative claims prepared on behalf of ISDs are consistent with Office of Management and Budget Circular A-87 (OMB A-87) federal cost allocation guidelines.

Administrative Outreach claiming uses a modified cash basis of accounting. This means that all expenditures being claimed for a particular quarter must have been paid during the quarter. Specific criteria for acceptable cost types and allocation are provided in OMB Circular A-87. The following list describes the cost elements that comprise a cost pool:

- *Salaries* – Salary expenditures for the quarter are an allowable expense and are defined as the gross salary paid to a staff member for the quarter. Salaries, like all costs, are allowable on a cash basis. Therefore, salary costs are included in the administrative claim in the quarter in which the employee is paid and not based on when the services are rendered for that payment.
- *Fringe Benefits* – Allowable fringe benefits include: Health Insurance, Life Insurance, Dental Insurance, Disability Insurance, Pension (payments made to the State Teacher’s Retirement fund on behalf of AOP time study participants are an AOP allowable expense), Medicare and Social Security Tax (FICA), Unemployment Insurance, and Worker’s Compensation.
- *Material and Supply Costs* – Operating costs known as material and supply costs are non-salary expenditures paid during the current quarter for items/services in support of the personnel included in claim.
- *Travel and Training* – Travel and training costs covers such costs that are non-salary expenditures paid during the current quarter such as travel cost and dues/fees associated with participants on the staff pool list.
- *Dues and Fees* – These costs cover any expenses that are paid for the participant in order to maintain their credentials or expenses for any fees to belong to an organization

This information comes directly from the district and is provided on the financial workbook submitted by the district on a quarterly basis.

CONTROL OBJECTIVES, RELATED CONTROLS, AND TESTS OF OPERATING EFFECTIVENESS – Continued

4) Indirect Cost Rate

The Indirect Cost Rate (ICR) is provided by the Michigan Department of Education on a yearly basis. Each district has its own ICR. The unrestricted indirect cost rate is used for the AOP per Michigan policy.

Allocation of Salaries and Benefits of the Direct Support Staff

Examples of direct support staff may include clerical personnel. Salaries and benefits of the direct support staff need to be allocated to the claim based upon the ratio of time the support person supports the participant listed on the staff pool list.

Note: The districts are responsible for the accuracy of the data submitted to PCG for inclusion into the claim calculation process.

Tests of Operating Effectiveness

- Reviewed various elements of the claim calculation and then used those elements to recreate a claim amount for 8 ISDs. The review consisted of the following:
 - 1) Compared financial summary/certifications for all districts in 8 ISDs with the claim calculator.
 - 2) Verified the accuracy of data input of ICR and MER to the claim calculator.
 - 3) Traced indirect cost rates used to the schedule of indirect cost rates provided by the State of Michigan.
 - 4) Verified the accuracy of data input of the random moment percentages into the claim calculator.
- Compared the results per above testing with the actual claims submitted by PCG to MDCH.

Result of Tests

No relevant exceptions noted.

CONTROL OBJECTIVES, RELATED CONTROLS, AND TESTS OF OPERATING EFFECTIVENESS – Continued

RECORDS STORAGE AND RETENTION

Control Objective 5

Controls provide reasonable assurance that copies of claims submitted, with the appropriate claim input supporting documentation normally provided to the service center in preparation of the claim, are retained for a minimum of six years in appropriate storage locations.

Description of Controls

Original documentation of all input forms provided by Michigan ISDs and school districts and corrections made to that data, if any, are filed and stored in standard sized storage boxes which are clearly labeled as to their contents.

Boxes are stored in the PCG office for up to six months and then stored at a secure off-site storage facility.

Tests of Operating Effectiveness

- Evaluated the ability to retrieve documentation by inventorying the key elements needed for claiming purposes for 10 ISDs. Supporting documentations for claim calculation were kept in the Chicago Office.
- Obtained listing of records kept at the off-site storage facility and selected 18 boxes to verify their contents. Noted that records related to the AOP program were kept intact.
- Visited storage facility to verify security procedures and to verify contents of boxes.

Storage Location:

RH Storage
1301 W. 35th Street
Chicago, Illinois 60609

Result of Tests

No relevant exceptions noted.

CONTROL OBJECTIVES, RELATED CONTROLS, AND TESTS OF OPERATING EFFECTIVENESS – Continued

PHYSICAL AND LOGICAL SECURITY

Control Objective 6

Controls provide reasonable assurance that physical and logical access to computer systems is restricted to authorized personnel.

Description of Controls

Physical Security/Access:

Entry to the building is monitored 24 hours a day. Entrance/exit during non-work hours is only possible through the use of a photo/electronic pass or by an identification card (e.g. driver's license) and signature. Access to the PCG office is limited to employees with key. The office is locked at all times, including during the workday. Non-key holders need to ring for access.

Logical Security/Access:

Claims are run by staff that is fully trained on the claim calculation system. Changes to the system are reviewed by the Administrative claiming blueprint team leader.

Periodic reviews of the claim calculator occur as part of the blueprint best practices identification process.

Tests of Operating Effectiveness

- Ensured that physical access to the PCG office is properly secured by performing physical tour of the office noting that the office is locked at all times. Observed that access is limited to employees with keys and non-key holders needed to ring for access.
- Ensured that the person who runs the claim calculation is fully trained through interview and observation.

Result of Tests

No relevant exceptions noted.

**Public Consulting Group
Michigan Administrative Outreach Program**

MACS Claim Details, Version 2.04.

LEA	Michigan Demonstration LEA
LEA ID	012345
ISD-DPS	Michigan AOP ISD
Claiming Period	2008Q4

Unrestricted Indirect Cost Rate 25%

Instructions: Please complete the shaded areas on this page. The remaining boxes will be filled in as you complete the workbook. Once you have completed this page, please complete all of the financial information required on the attached two spreadsheets. After completing the entire workbook, please e-mail the file to miaop@pcgus.com and fax this SIGNED sheet ONLY to 312-425-0565 - ATTN: MI Schools.

Date Submitted

LEA ID	Count of Participants	TOTAL SALARIES	TOTAL BENEFITS	TOTAL CONTRACTED COST	TOTAL MATERIALS & SUPPLIES	TOTAL TRAVEL & TRAINING	DUES & FEES	TOTAL COST from WORKSHEET
012345	AOP Staff							
012345	Direct Service Staff							
012345	Case Manager Staff							
012345	Personal Care Staff							
012345	Support Staff -AOP							
012345	Support Staff -DS							
TOTAL		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CERTIFICATION STATEMENT

I certify that to the best of my knowledge, the Administrative Outreach Program claim for the claiming period stated above represents actual expenses accumulated under the provider agreement with the Michigan Department of Community Health. The claim amount is solely related to our provider agreement with the Michigan Department of Community Health and does not duplicate any Federal claims for reimbursement. I have verified that the unrestricted indirect cost rate listed above is correct for the 2008-2009 school year.

Signature _____
 Name _____
 Title _____
 Date _____