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# Muskegon Area Intermediate School District

School Based Services Program  
Financial and Claims Audit

For the Period July 1, 2016, through June 30, 2017

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Final Report – Issued July 15, 2021

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State of Michigan  
Department of Health and Human Services  
Bureau of Audit  
Audit Division



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## EXECUTIVE SUMMARY

Below is a summary of our audit objectives, conclusions, and exceptions:

Audit Objective #1- Financial Reporting	Conclusion
To assess whether Muskegon Area Intermediate School District (MAISD) and its Local Education Agencies (LEAs) effectively developed cost claims in accordance with applicable Federal and State requirements.	Generally Effective
We identified one exception related to financial reporting.	

Audit Objective #2 - Student Claims	Conclusion
To assess whether MAISD and its LEAs effectively developed student claims in accordance with applicable Federal and State requirements.	Not Effective
We identified three exceptions related to student claims.	

Exception 1 Page 4	Unallowable Costs Claimed on Direct Medical Cost Report
<b>Criteria</b>	Medicaid Provider Manual, School Based Services Random Moment Time Study, Section 3.3
<b>Disallowed Cost</b>	\$104,231.70
<b>Corrective Action</b>	Review of processes and PCG Claiming System Michigan AOP Staff Pool Lists review and related costs with district Business Officials/Business Managers. Specific instructions on treatment for partial year staff on Staff Pool Lists will be provided to districts.
<b>Completion Date</b>	May 2021
<b>Person Responsible</b>	Monica Jenkins and Latesha Johnson, Special Education Project Specialists

<b>Exception 2</b> Page 5	<b>Lack of Document Retention For Direct Medical Claims</b>
<b>Criteria</b>	Medicaid Provider Manual, School Based Services, Section 1.7; and Medicaid Provider Manual, Section 15.1
<b>Invalid Claims</b>	8 of 60 (13.3%)
<b>Corrective Action</b>	Medicaid Quality Assurance file review was moved to a new Special Education Database document library for uploading and storing signed documentation to ensure retention compliance. Training on uploading documents was provided to district staff. MAISD reviews the library for missing documentation and notifies the district.
<b>Completion Date</b>	May 2021
<b>Person Responsible</b>	Monica Jenkins and Latesha Johnson, Special Education Project Specialists in cooperation with participating district special education administrative office staff

<b>Exception 3</b> Page 6	<b>Insufficient Treatment Plans For Direct Medical Claims</b>
<b>Criteria</b>	Medicaid Provider Manual, School Based Services, Section 1.3; and Section 1.7
<b>Invalid Claims</b>	4 of 60 (6.7%)
<b>Corrective Action</b>	Review exception with Special Education Leadership Team and Targeted Technical Assistance Team and ensure appropriate training for IEP development. Implement a peer review to the Medicaid Quality Assurance process.
<b>Completion Date</b>	January 2022
<b>Person Responsible</b>	Monica Jenkins and Latesha Johnson, Special Education Project Specialists in cooperation with participating district special education staff

<b>Exception 4</b> Page 8	<b>Insufficient Supporting Documentation For Direct Medical Claims</b>
<b>Criteria</b>	Medicaid Provider Manual, School Based Services, Section 2.7; and Section 11.2
<b>Invalid Claims</b>	3 of 60 (5%)
<b>Corrective Action</b>	Medicaid Quality Assurance file review was moved to a new Special Education Database document library for uploading and storing signed documentation to ensure retention compliance. Training was provided to district staff and MAISD reviews the library for missing documentation and notifies the district. Review system attendance requirement with the PowerSchool Team and ensure the Medicaid Quality Assurance process includes attendance review. Reporting lack of clear documentation is reported to districts bi-annually.
<b>Completion Date</b>	May 2021
<b>Person Responsible</b>	Monica Jenkins and Latesha Johnson, Special Education Project Specialists in cooperation with participating district special education administrative office staff

## **Exception 1**

### **Unallowable Costs Claimed on Direct Medical Cost Report**

#### **Condition**

Muskegon Area Intermediate School District did not ensure salaries and benefits claimed by the Local Education Agency (LEA) Muskegon Public Schools (MPS) on their Direct Medical Cost Report were for staff included in staff pool lists.

#### **Criteria**

The Medicaid Provider Manual, School Based Services Random Moment Time Study, Section 3.3 – Time Study Staff Pools states:

*When providing the staff pool list of those eligible to participate in the time studies, school districts must certify the list of participants and activities to be claimed to ensure all appropriate personnel are submitted and that appropriate credentials are in place for billing Medicaid.*

#### **Exception**

During our review, we identified that MPS submitted salaries and benefits for two Social Work employees on the Direct Medical Cost Reports without identifying them on the Staff Pool Lists. One employee was incorrectly claimed for the full year, while the 2<sup>nd</sup> employee was excluded from the SPL for two quarters when they were performing allowable activities.

#### **Disallowed Cost**

\$104,231.70 (\$91,391.23 direct, \$12,840.47 indirect)

#### **Recommendation**

We recommend the MAISD and MPS implement a system of oversight for the Staff Pool Listing and Cost Report to ensure only costs for allowable employees are claimed on the Cost Report matching the periods they are on the Staff Pool Listing.

#### **Corrective Action Plan**

- In the fall of 2018, the disconnect in FTE definitions between Facility Settlement and the SE-4096 had been identified. As a result, the Facility Settlement meetings with LEA Business Managers were updated to include a reminder on how to use the PCG Claiming System, Michigan AOP Annual Staff Pool List as a final review for reporting costs. Going forward, MAISD will identify partial year staff on the PCG Claiming System, AOP Annual Staff Pool List and incorporate instructions on treatment of partial-year staff pool members, with reminder not to include full-year costs and to only include costs by staff pool membership quarter(s).
- On May 14, 2021, the audit exception was reviewed with the LEA Business Managers.

**Completion Date**

This will be implemented during the next Facility Settlement process, approximately **November 2021**.

**Responsible Individual(s) [Name and Title]**

Monica Jenkins and Latesha Johnson, Special Education Project Specialists

**Exception 2****Lack of Document Retention For Direct Medical Claims****Condition**

Muskegon Area Intermediate School District and its LEAs did not maintain records according to the Medicaid Provider Manual retention requirements.

**Criteria**

The Medicaid Provider Manual, School Based Services, Section 1.7 – Treatment Plan states:

*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...*

The Medicaid Provider Manual, Section 15.1 – Record Retention states:

*The records are to be retained for a period of not less than seven years from the DOS (Date of Service), regardless of change in ownership or termination of participation in Medicaid for any reason...*

**Exception**

During our review, we identified eight of sixty (13.3%) claims reviewed where MAISD and its LEAs did not maintain signed copies of the IEPs/Treatment Plans for the required retention period when students left the district.

**Recommendation**

We recommend that the MAISD and its LEAs implement policies and procedures to incorporate retention schedules of all financial and clinical documentation in compliance with the Medicaid Provider Manual.

**Corrective Action Plan**

- In January 2018, Medicaid Quality Assurance file review process was moved to Special Education database system document library review only to encourage LEAs to continue to get signed documentation into the system for better retention. MAISD reviews the Special Education database system for lack of uploaded

signed documentation and reports out to local districts. The process of uploading and review of documentation into the Special Education system will be ongoing.

- Ongoing training is provided for users to upload signed documentation into the Special Education database system to ensure retention compliance, even if the student moves or hard copies are shredded in error.
- In April and May 2021, MAISD conducted process reviews with all participating LEA special education office support staff. Medicaid Quality Assurance file reviews incorporating the Special Education database system document library review will continue to be completed with LEA special education administrative office staff annually.

### **Completion Date**

The implementation of the Special Education database system's document review only took place in January 2018. Process reviews with participating LEA staff was completed in May 2021.

### **Responsible Individual(s) [Name and Title]**

Monica Jenkins and Latesha Johnson, Special Education Project Specialists in cooperation with participating district special education administrative office staff.

## **Exception 3**

### **Insufficient Treatment Plans For Direct Medical Claims**

#### **Condition**

Muskegon Area Intermediate School District and its LEAs did not have all necessary components included in its IEPs/Treatment Plans according to Medicaid Provider Manual requirements.

#### **Criteria**

The Medicaid Provider Manual, School Based Services, Section 1.3 – Medical Necessity states:

*A Medicaid service provided by an ISD is determined medically necessary when all of the following criteria are met:*

- *Addresses a medical or mental disability;*
- *Needed to attain or retain the capability for normal activity, independence or self care;*
- *Is included in the student's IEP/IFSP treatment plan; and*
- *Is ordered, in writing, by a physician or other licensed practitioner acting within the scope of his/her practice under State law. Students who require speech, language and hearing services must be referred. The written order/referral must be updated at least annually. A stamped signature is not acceptable.*



The Medicaid Provider Manual, School Based Services, Section 1.7 – Treatment Plan states:

*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...*

*The treatment plan, which is an immediate result of the evaluation, must consist of the following components (including):*

- *Time-related goals that are measurable and significant to the beneficiary's function and/or mobility;*
- *Long-term goals that identify specific functional achievement to serve as indicators that the service is no longer needed;*
- *Plan for reaching the functional goals and outcomes in the IEP/IFSP.*

### **Exception**

During our review, we identified four of sixty (6.7%) claims reviewed were invalid as follows.

- Two claims for direct medical services were invalid because the IEP/Treatment Plan did not contain the following requirements: Medical Necessity, Long Term Goals, and Time-related Goals (Short Term).
- One claim for Speech and Language Therapy was invalid because it had vague and incomplete long-term goals that were not measurable.
- One claim was invalid because the IEP/Treatment Plan was not signed by the ISD.

### **Recommendation**

We recommend MAISD implement policies and procedures and enhance oversight to ensure that IEP/Treatment Plans contain all elements necessary for proper establishment of Direct Medical Services claims according to the Medicaid Provider Manual.

- Personal Care Authorization is now an electronic template document in the Special Education database system and includes a reminder to upload signed documentation to the electronic template document.
- Districts have been encouraged to mark PowerSchool attendance records with attendance code.

### **Corrective Action Plan**

- The audit exception was reviewed with the Special Education Leadership Team on May 12, 2021. The audit exception will also be reviewed with the Targeted Technical Assistance Team to ensure training around IEP development continues to include a direct connection between PLAAFP and student goal and objectives. Training will include examples of how the language could be strengthened to clearly demonstrate that any shared goal and objectives that require medical therapy clearly address both a medical and academic need, as appropriate.

- A peer review element with redacted samples will be added to the Muskegon Area ISD Medicaid Quality Assurance process beginning with the 2021-2022 school year.
- In addition to the immediate corrective action plan, a long-term development project is being undertaken to review domain description items in Special Education database system and subarea of need insert statements for possible future development to help more clearly indicate medical necessity of therapist involvement for a goal that might appear to be only academic.

#### **Completion Date**

- Essential ISD team review is scheduled to be completed June - July 2021 with training provided starting August –September 2021.
- Peer Review schedule will vary depending on Community of Practice availability, but no later than January 2022.

#### **Responsible Individual(s) [Name and Title]**

Monica Jenkins and Latesha Johnson, Special Education Project Specialists in cooperation with participating district special education staff.

#### **Exception 4**

#### **Insufficient Supporting Documentation For Direct Medical Claims**

#### **Condition**

Muskegon Area Intermediate School District and its LEAs did not ensure documentation was maintained to support the validity of Direct Medical Service claims.

#### **Criteria**

The Medicaid Provider Manual, School Based Services, Section 2.7 – Nursing Services states:

*Direct service interventions require a physician's written order when the initial need for services is determined. Direct service interventions must be reviewed and revised annually or as medically necessary by the beneficiary's attending physician. The nurse is responsible for notifying the attending physician of any change in the beneficiary's condition which may result in a change or modification to the care plan.*

The Medicaid Provider Manual, School Based Services, Section 11.2 – Audit and Recovery Procedures states:

*Confirmation that services requiring the student to be in attendance have support documentation (i.e. attendance records) on file.*

**Exception**

During our review, we identified three of sixty (5%) claims reviewed were invalid as follows:

- Two claims were invalid because Health Services (Nursing) were provided where the ISD could not provide an appropriately signed and dated physician's order.
- One claim was invalid because the ISD could not provide an adequate attendance record that identified the student and whether that student was in attendance to receive the services provided.

**Recommendation**

We recommend MAISD implement policies and procedures to improve internal controls and ensure sufficient documentation is maintained to comply with the Medicaid Provider Manual regarding the validity of Direct Medical Service claims.

**Corrective Action Plan**

- In January 2018, Muskegon Area ISD Medicaid Quality Assurance file review process was moved to Special Education database system document library review only to encourage LEAs to continue to get signed documentation into the system for better retention. MAISD reviews the Special Education database system for lack of uploaded signed documentation and reports out to local districts. Ongoing training is provided for users to upload signed documentation into the Special Education database system to ensure retention compliance, even if the student moves or hard copies are shredded in error.
- In April and May 2021, MAISD conducted process reviews with all participating LEA special education office support staff. Medicaid Quality Assurance file reviews incorporating the Special Education database system document library review will continue to be completed with LEA special education administrative office staff annually.
- On May 19, 2021, reviewed system attendance requirements with MAISD PowerSchool Team. In addition, the Medicaid Quality Assurance process includes attendance review for direct services, and lack of clear documentation is noted in MAISD review reported out to LEAs bi-annually.

**Completion Date**

The system implementation, training and process reviews were completed by May 2021.

**Responsible Individual(s) [Name and Title]**

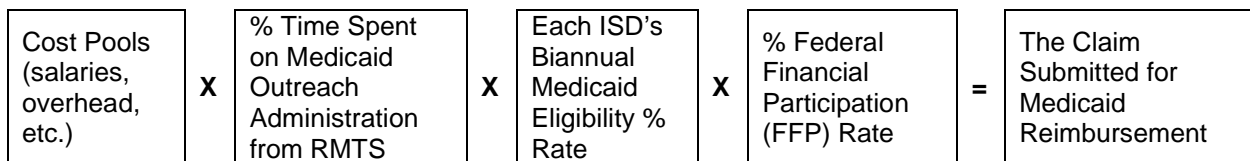
Monica Jenkins and Latesha Johnson, Special Education Project Specialists in cooperation with participating district special education administrative office staff.

## FUNDING METHODOLOGY

The Administrative Outreach Program (AOP) and Direct Medical Services Program are companion programs. 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 Direct Medical Services Program reimburses schools for the cost of providing direct medical services to the special education Medicaid student population.

### AOP

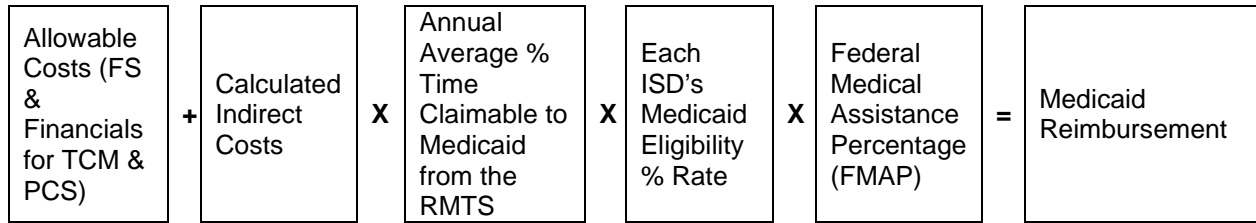
Staff salaries and related costs are reported directly to a hired contractor, the Public Consulting Group (PCG), on quarterly financial reports by each of the Local Education Agencies (LEAs). PCG combines the costs per Intermediate School District (ISD), applies various allocation percentages and submits the AOP claim directly to Michigan Department of Health and Human Services (MDHHS) for review, processing, and payment each fiscal quarter. Claim development is based on a “pool” of costs, primarily salaries, incurred by the school districts for individuals that engage in Medicaid-type activities on a regular basis. The percentage of effort spent on Medicaid-type activities is identified by a Random Moment Time Study (RMTS) that is also conducted by PCG. The final amount claimed for Medicaid reimbursement is equal to:



### Direct Medical Services

School Based Services (SBS) providers are required to submit Direct Medical Services claims for all Medicaid covered allowable services. These claims do not generate a payment but are required by the Federal Centers for Medicare and Medicaid Services (CMS) in order to monitor the services provided, the eligibility of the recipient, and provide an audit trail. These claims are submitted and processed through the Community Health Automated Medicaid Processing System (CHAMPS); however, the procedure code fee screens are set to pay zero.

SBS providers receive Direct Medical Services funding from interim monthly payments based on prior year actual costs. The interim payments are reconciled on an annual basis to the current year costs by the MDHHS Hospital and Clinic Reimbursement Division (HCRD). Cost reporting and reconciliation are based on the school fiscal year which is July 1 through June 30 of each year. Annually, ISDs and LEAs submit allowable costs to MDHHS in CHAMPS on the Facility Settlement (FS) system. The final amount claimed for Medicaid reimbursement is equal to:



The cost settlement is accomplished by comparing the interim payments to the annual Medicaid allowable costs. Any over/under settlement payments are made.

## Transportation

Specialized transportation costs are the costs associated with the special education buses used for the specific purpose of transporting special education students only. On an annual basis, the cost per trip is calculated by dividing the total reimbursable cost submitted on the Facility Settlement cost report by the total special education one-way transportation trips reported by the ISD in CHAMPS. The Medicaid reimbursable amount is obtained by multiplying the cost per trip by the number of "allowable" one-way trips from CHAMPS. An "allowable" one-way trip is provided to a Medicaid-eligible beneficiary and fulfills all the following requirements:

- Documentation of ridership is on file;
- The need for specialized transportation service is identified in the Individualized Education Program (IEP) or Individual Family Service Plan (IFSP); and
- A Medicaid-covered service is provided on the same date of the trip.

The cost settlement is accomplished by comparing the monthly interim payments to the annual Medicaid allowable specialized transportation costs. The cost settlement amount for the specialized transportation is combined with the cost settlement amounts for Direct Medical, Targeted Case Management (TCM), and Personal Care Services (PCS). Any over/under adjustments are processed as one transaction.

## SCOPE AND METHODOLOGY

We examined the MAISD's and LEAs' records and activities for the period July 1, 2016 through June 30, 2017.

Our audit procedures included the following:

- Performed remote fieldwork for Muskegon Area Intermediate School District and reviewed 2 of 17 LEAs: Muskegon Public School (MPS) District and Mona Shores School (MSS) District.
- Reviewed the School districts' Single Audits and Financial Statement Audits and relied upon the independent auditors' report on internal controls to identify potential weaknesses that might affect our review.
- Reviewed payroll documentation, certification/licensure, and all required supporting documentation for a sample of Direct Medical staff for Speech and Language Therapists and Social Workers.
- Reviewed payroll documentation, and all required supporting documentation for a sample of Administrative Outreach Program personnel.
- Reviewed payroll documentation, Licensure/Qualifications and all required supporting documentation for a sample of Targeted Case Management personnel.
- Reviewed payroll documentation, and all required supporting documentation for a sample of Personal Care Service personnel.
- Verified that reported costs were directly related to individuals included in the RMTS, incurred during the sample period, did not contain duplicate costs, were not claimed as costs of other Federal projects, and were otherwise allowable under the federal regulations in Office of Management and Budget (OMB) Uniform Guidance at 2 CFR 200.
- Reviewed the Quality Assurance Plan and responses to the Audit Questionnaire.
- Reviewed a sample of Direct Medical Services claims and all required supporting documentation including:
  - o Reviewed IEP/IFSP or treatment plan for details related to services provided:
    - To verify the diagnosis and treatment are medically necessary.
    - To verify that the IEP/IFSP or treatment plan was signed.
    - To verify that the service provided in the claim was identified in the IEP/IFSP or treatment plan.
    - To verify that the student was under the age of 21 years old.

- To verify the IEP/IFSP or treatment plan contained appropriate short-term and long-term goals.
- Reviewed Student Encounter Logs, Personal Care Service Logs, Provider Verification Logs, and Provider Encounter Logs as applicable for the sample of Direct Medical Services claims.
- Reviewed provider Licenses to ensure that all providers had the appropriate credentials.
- Reviewed Prescriptions, Referrals and Authorizations to ensure they were obtained for services provided and services were authorized by appropriate professionals.
- Reviewed Attendance Records to verify student attendance on date of service.

## GLOSSARY OF ABBREVIATIONS AND TERMS

AOP	Administrative Outreach Program
CHAMPS	Community Health Automated Medicaid Processing System
CMS	Centers for Medicare and Medicaid Services
FFP	Federal Financial Participation
FMAP	Federal Medical Assistance Percentage
FS	Facility Settlement
HCRD	Hospital and Clinic Reimbursement Division
IEP	Individualized Education Program
IFSP	Individualized Family Service Plan
ISD	Intermediate School District
LEA	Local Education Agency
MAISD	Muskegon Area Intermediate School District
MDE	Michigan Department of Education
MDHHS	Michigan Department of Health and Human Services
MPS	Muskegon Public Schools
MSS	Mona Shores Schools
OMB	Office of Management and Budget
PCG	Public Consulting Group
PCS	Personal Care Services
RMTS	Random Moment Time Study
SBS	School Based Services
TCM	Targeted Case Management