

# Audit Report

Oakland Intermediate School District  
Medicaid Administrative Outreach Claim

For the Year Ended September 30, 2005



Office of Audit  
Central Regional Office  
April 2007



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF COMMUNITY HEALTH  
OFFICE OF AUDIT  
400 S. PINE; LANSING, MI 48933

JANET OLSZEWSKI  
DIRECTOR

April 17, 2007

Dr. Vickie L. Markavitch, Superintendent  
Oakland Schools  
2111 Pontiac Lake Road  
Waterford, Michigan 48328-2736

CERTIFIED MAIL  
7002 2410 0001 1162 1211

Dear Dr. Markavitch:

Enclosed is the final report from the Michigan Department of Community Health (MDCH) audit of the Oakland Schools' Medicaid claims for Administrative Outreach Program (AOP) costs during the period October 1, 2004 through September 30, 2005.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions, findings and recommendations. The conclusions, findings, and recommendations are organized by audit objective. Attached to the written report are schedules that summarize the costs reported by Oakland Schools and the local districts, and the amounts considered allowable or unallowable for each cost reporting period. The reasons for adjusting the costs are noted in the schedules with reference to the written report.

Approximately \$198.3 million of the \$200 million reported costs during the audit period are considered allowable. After allocations based on rates in effect as of February 9, 2007, \$12,491 of the Federal reimbursement based on those costs is considered unallowable. Oakland Schools was paid \$7,495 for its share of the unallowable costs.

If you agree with our findings and recommendations then no further action, other than the implementation of the recommendations, is required by Oakland Schools. The MDCH Policy Section will notify your billing agent to make the necessary adjustments after a 30 day period for filing appeals has elapsed. If you choose your right to appeal our findings, the procedures are described below.

#### Appeal Procedures

If Oakland Schools disagrees with the MDCH audit findings, the Oakland Schools may use the administrative review process as specified for Medicaid Provider Reviews and Hearings. To use the Medicaid Provider Reviews and Hearings, Oakland Schools must request a conference or hearing within 30 days of receipt of this notice. The adjustments presented in this final report are an adverse action as defined by MAC R 400.3401. If Oakland Schools disagrees with this adverse action, they have a right to request a preliminary conference, bureau conference or an administrative hearing pursuant to MCL 400.1 et seq. and MAC R 400.3401, et seq. The request should identify the specific audit adjustment(s) under dispute, explain the reason(s) for the disagreement, and state the dollar amount(s) involved, if any. Oakland Schools should also

Dr. Vickie Markavitch, Superintendent  
Oakland Schools  
Page 2  
April 17, 2007

include any substantive documentary evidence to support their position. Requests must specifically identify whether Oakland Schools is seeking a preliminary conference, a bureau conference or an administrative hearing.

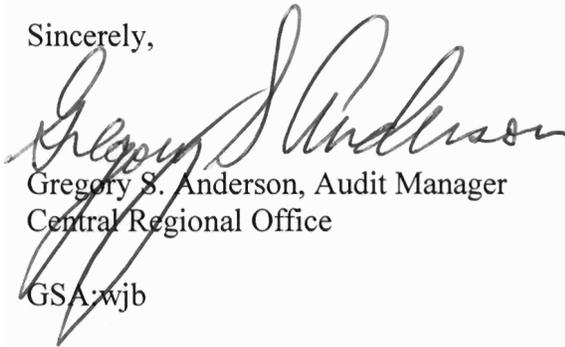
If you choose to request a preliminary conference, bureau conference, or administrative hearing, the request must be sent within 30 days of receipt of this letter to:

Administrative Tribunal & Appeals Division  
Michigan Department of Community Health  
1033 S. Washington  
P.O. Box 30763  
Lansing, Michigan 48909

If Oakland Schools does not appeal this adverse action within 30 days of receipt of this notice, this letter will constitute MDCH's Final Determination Notice according to MAC R 400.3405, and we will implement the adjustments as outlined above and in this final report.

Thank you for the cooperation extended throughout this audit process.

Sincerely,



Gregory S. Anderson, Audit Manager  
Central Regional Office  
GSA:wjb

Enclosure

cc: Mr. Robert Moore, Deputy Superintendent, Oakland Schools Finance and Operations  
Mr. Paul Reinhart, Senior Deputy Director, Medical Services Administration

## TABLE OF CONTENTS

	Page
Description of Agency .....	1
Background.....	1
Funding Methodology.....	2
Purpose and Objectives.....	2
Scope and Methodology .....	3
 <u>Conclusions, Findings and Recommendations</u>  	
<u>Financial Reporting</u>	
1. Systematic Cost Reporting Errors.....	4
2. Miscellaneous and Clerical Errors.....	7
<u>Allocation Percentages</u> .....	8
Glossary of Acronyms and Terms .....	9
 <u>Schedules</u>  	
Schedule A – Summary of Costs Audited, Recommended For Adjustment, and Accepted .....	10
Schedule A-1 – QE 12-31-04 Costs Audited, Recommended For Adjustment, and Accepted.....	11
Schedule A-2 – QE 3-31-05 Costs Audited, Recommended For Adjustment, and Accepted.....	12
Schedule A-3 – QE 6-30-05 Costs Audited, Recommended For Adjustment, and Accepted.....	13
Schedule A-4 – QE 9-30-05A Costs Audited, Recommended For Adjustment, and Accepted...	14
Schedule A-5 – QE 9-30-05B Costs Audited, Recommended For Adjustment, and Accepted ...	15
Notes to Schedule A through Schedule A-5 .....	16

## **DESCRIPTION OF AGENCY**

Oakland Schools, one of 57 intermediate school districts (ISDs) in Michigan, was established in 1962. The ISDs are regional service agencies that offer support services to school personnel that are best delivered regionally, as measured by cost, size and quality advantages. Oakland Schools is an autonomous, tax supported public school district governed by Michigan General School Laws.

The Oakland Schools administrative offices are located in Waterford, Michigan, serving the 28 local school districts in Oakland County. The Oakland Schools board of education consists of five members. Under current rules, board members are elected to six years terms by single representatives designated by each of the local school districts.

## **BACKGROUND**

On August 31, 2000 the Centers for Medicare and Medicaid Services (CMS) issued a disallowance letter for school administrative costs claimed for Medicaid reimbursement by MDCH. The disallowance included all costs claimed for three fiscal quarters under MDCH's school based administrative outreach program. The primary concern of CMS was that the claiming mechanism implemented by MDCH did not properly differentiate between the costs of allowable Medicaid administrative activities and unallowable activities in the school districts. Subsequent actions by CMS for similar reasons extended their deferrals and disallowances to several years of Michigan's school based service claims.

In May 2002 the United States Department of Health and Human Services, acting through CMS, entered into a settlement agreement with MDCH in the matter of the school based Medicaid administrative costs. As a result of that agreement MDCH implemented a new claims development methodology that became effective January 1, 2004. Highlights of the new methodology include:

- A random moment time study (RMTS) using the Medicaid Administrative Claiming System (MACS) software.
- New time study activities.
- Two options for claim development.
- Establishment of central administrative responsibilities related to the administration of the RMTS.
- A single method of determining a discounted Medicaid eligibility rate to be used in the MACS.
- A special monitoring system.

This new claims process may also be used to generate backcasting information for the settlement of past CMS deferrals and disallowances, based on the allowable cost claimed by MDCH under the new methodology.

MDCH contracted with Public Consulting Group (PCG) to perform random moment time studies, determine the Medicaid eligibility rate for each intermediate school district, provide

training, and perform certain other functions needed to develop Medicaid claims. Each school district or consortium of districts that qualified as a Medicaid provider was free to choose PCG for completing its Medicaid claim, or to employ others to complete the claims' development.

The settlement agreement required MDCH and CMS to monitor the newly developed claim procedures for at least the first two quarters of its use. For its part, MDCH hired a subcontractor (MAXIMUS) and added one position to its Office of Audit to monitor the claim development. The subcontractor reviewed all aspects of the RMTS, monitored the providers' understanding of the claim development and verified that formulas embedded within the Medicaid claim documents will generate the correct claim amounts. The auditor's function is primarily to: 1) evaluate the new AOP claims processing system; 2) determine whether the costs reported to PCG and used to develop the Medicaid claim were reasonable, allocable and allowable under Federal and State criteria; and 3) determine whether certain allocation percentages were accurate and properly applied to the ISD's costs, resulting in the appropriate amounts reported for Medicaid claims and for backcasting.

### **FUNDING METHODOLOGY**

Oakland Schools uses PCG to prepare its Medicaid claims. Staff salaries and related costs are reported directly to PCG by each of the 28 local school districts and Oakland Schools. PCG then combines the costs, applies various allocation percentages and submits the claim directly to MDCH. The ISDs' Medicaid claims are submitted to the MDCH for review, processing and payment each fiscal quarter. Development of the claim for reimbursement 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 actually spent on Medicaid-type activities is identified by the RMTS. Reallocation of administrative activities found in the RMTS and certain other allocation percentages are applied to the Medicaid activities where appropriate. For most activities, the final amount claimed for Medicaid reimbursement is equal to:

$$\text{The Cost Pool} \times \text{the RMTS \%} \times \text{the \% of students enrolled in Medicaid} \times \\ (100\% + \text{Approved Indirect Cost Rate}) \times \text{Federal Financial Participation} \\ (\text{FFP}) \text{ Rate}$$

The percentage of students enrolled in Medicaid does not apply to outreach activities nor assisting with eligibility determinations, and therefore that factor is not applied to the costs for those activities. Oakland Schools receives 60 per cent of the Medicaid reimbursement paid to the MDCH.

### **PURPOSE AND OBJECTIVES**

The primary purpose of our audit was to determine whether \$2,845,948 (\$1,422,974 – Federal share) of administrative costs claimed by Oakland Schools for Medicaid reimbursement for October 1, 2004 through September 30, 2005 are reasonable, allocable and allowable using the methodology approved by CMS. These were the amounts claimed as of February 9, 2007, the latest claim revision received by the MDCH.

Our work is summarized by the following objectives:

1. To determine whether the costs reported to PCG and used to develop the Medicaid claim were reasonable, allocable and allowable under Federal and State criteria.
2. To determine whether certain allocation percentages were accurately calculated and properly applied to the ISD's costs, resulting in the appropriate amounts reported for Medicaid claims and for backcasting.

## **SCOPE AND METHODOLOGY**

Within the limitations described below, our audit included reviews of the claims development process and the costs claimed by Oakland Schools for the year ended September 30, 2005, as revised through February 9, 2007. Consequently, our review and calculations included the claim revisions made by PCG during our audit (1) for certain addition error corrections, (2) to update and correct the Medicaid eligibility rates, and (3) to claim the additional indirect costs allowed by federally approved rate revisions.

The scope of our review of the claims development process was limited to parts of the process that were not monitored by others. The RMTS and the assignment of sampled moments to activities were initially monitored by MAXIMUS and CMS and were excluded from the scope of this audit. We also accepted the federally-approved indirect cost rate without review, but verified that the approved rate was used in claim calculations and applied only to costs in the specified base. We did not audit the procedures used to calculate the percentage of Medicaid eligible students in Oakland schools since these procedures apply to all ISDs and were subsequently reviewed and approved by CMS. School districts are subject to Federal single audit requirements and the independent auditors' reports on internal controls were used to identify weaknesses that might affect our review; none were reported for Oakland Schools and the other districts selected for testing.

The scope of our cost audit was generally limited to determining if the amounts reported by Oakland school districts were (1) allowable under State policies and Federal regulations, (2) allocable to the Medicaid program and (3) properly allocated using the percentages developed by others. Our audit included site visits to eleven of the twenty-nine districts that, cumulatively, included costs that generated over 60% of the Oakland Schools Medicaid claim. A limited desk review of cost reports from seven other districts was performed as part of our preliminary survey.

Our tests included judgmental samples of the costs reported to PCG by Oakland Schools and ten selected local districts. We verified the costs were directly related to individuals included in the RMTS, incurred during the sample period, did not duplicate costs claimed indirectly, were not claimed as costs of other Federal projects and were otherwise allowable under the federal regulations in OMB Circular A-87. We also verified 1) the accuracy of allocation percentages based on the number of moments assigned to each activity, and 2) that all allocation percentages

were properly applied. Our review of internal controls included gaining a general understanding of the control procedures for costs included in the cost pool.

Fieldwork was performed from March 2006 through December 2006 at the central office of MDCH, at Oakland Schools, and at the ten selected school districts listed on Schedule A of this report.

## **CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

### **FINANCIAL REPORTING**

**Objective 1:** To determine whether the costs reported to PCG and used to develop the Medicaid claim were reasonable, allocable and allowable under Federal and State criteria.

**Conclusion:** Generally, the costs reported and used to develop the Medicaid claim were reasonable, allocable and allowable under Federal and State criteria. In three districts, however, the data routinely used by the person preparing AOP cost reports was incorrect. These systematic errors resulted in \$559,963 of (net) excess costs reported for those districts (Finding 1). We also found clerical and miscellaneous errors in four of the eleven districts visited. The errors generally resulted in some costs being under-reported while others were over-reported. However, one missing decimal point in one salary on a Rochester Schools cost report was responsible for \$1,146,677 of the \$1,152,316 disallowed for miscellaneous and clerical errors. (Finding 2). In total, we found \$1,712,279 of the nearly \$200 million reported for the year ended September 30, 2005 we consider unallowable for the Medicaid claim. After all allocation percentages were applied the MDCH claimed \$24,982 (\$12,491 Federal share) for the unallowable costs; Oakland Schools was paid \$7,495 for their 60% share of the unallowable federal reimbursement.

We believe the errors were caused by inadequate reviews in some local districts prior to certifying their cost reports, and the lack of annual reviews to verify cost accumulation and reporting systems were working properly.

The amounts considered allowable and unallowable are summarized in Schedules A through A-5 of this report, with more detail provided in the findings below. The recommended corrective actions are included after Finding 2.

#### **Finding**

##### **1. Systematic Cost Reporting Errors**

Three local school districts had systems/methodologies that routinely collected incorrect amounts for their AOP cost reports. These errors were allowed to continue throughout our audit period, without question, by the responsible person in each district that certified the cost reports. The cost we consider unallowable is listed by school district in Schedule A, followed by schedules of amounts allowed and disallowed each claim period. Details of our exceptions are provided in the following paragraphs.

Waterford School District. The Waterford School District routinely used annual salary contracts divided by four to report salaries on quarterly claims. This is contrary to MDCH policy and the written instructions provided by PCG. Paragraph 6.11 of the School Based Services (SBS) Administrative Outreach Program section in the MDCH Medicaid Provider Manual (ie: MDCH Policy) states, in part:

...The financial data (salaries, benefits, supplies, etc.) used to calculate the Administrative Outreach claim are to be based on actual detailed expenditure reports obtained directly from the participating ISDs'/DPS' financial accounting system...The expenditures accumulated for calculating the Administrative Outreach claim are to include only actual expenditures incurred during the claiming period....

CMS has allowed "actual expenditures" to be reported on a cash or modified cash basis typical in school districts, rather than require full accrual accounting. This is reflected in PCG's instruction manual for reporting AOP costs, as follows:

...Enter the amount of all provider-based allowable costs paid to the participant on a cash basis for the current quarter...

And, regarding salaries:

...Enter the amount of all wages paid to the participant for the quarter....

Waterford Schools' methodology used human resource files (contractual salaries) rather than employee earnings from their financial accounting system. Dividing the annual salary by four did not equal salaries earned during a quarter since the number of bi-weekly paychecks changes each fiscal quarter.

We also noted that, although some Federally funded salaries were excluded from the AOP cost reports, an outdated list of federal programs was used.

The methodology used by Waterford resulted in an incorrect salary reported for each employee on each cost report. If our audit had attempted to identify and report each error, the resulting cost reports would have been those developed by the auditors. Any opinion on those reports would be improper and suspect since the auditors would be expressing an opinion on their own work. Under these circumstances the Waterford School officials volunteered to prepare revised AOP cost reports for our audit.

We found the allowable salaries and fringe benefits identified in the revised cost reports were \$410,506 less than originally reported. The actual earnings and fringe benefits for AOP employees were \$25,321 higher than originally reported, but \$435,827 of the wages were funded by, or allocable to, other Federal programs. The MDCH policy (Section 6.12 of the SBS AOP policy in the current MDCH Medicaid Provider Manual) states:

*...Claims for approved Medicaid SBS administrative outreach functions may not include expenditures of:*

- *Federal funds received by the district directly*
- *Federal funds that have been passed through a State or local agency....*

Costs to support the AOP staff while working for the other Federal grants are costs allocable to those other grants, whether or not the schools can receive Federal reimbursement for the support workers' salaries. This is required by 2 CFR part 225 (formerly Attachment A of OMB Circular A-87, paragraph C), as follows:

3. *Allocable costs.*
  - a. *A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received...*
  - c. *Any cost allocable to a particular Federal award or cost objective under the principles provided for in 2 CFR part 225 may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons.*

Rochester School District. Salaries in the Rochester School District's cost reports were based on quarterly printouts that did not include account numbers. Once the account numbers were identified for our sample it became apparent that all taxable payments were being reported. We identified \$201,598 of unallowable costs in our review of two quarterly claims. The costs were considered unallowable because they were (1) funded by other federal programs (\$122,371) and not allowed by the previously cited MDCH policy, (2) taxable fringe benefits (\$74,412) reported with salaries that duplicated costs reported as fringe benefits, and (3) a small amount (\$4,815) of overtime pay. The overtime pay should not have been reported because it was for work outside the normal school hours included in the RMTS and therefore was not allocable to Medicaid claims.

Pontiac School District. The person that prepared cost reports for the Pontiac School District was given an unsupported fringe benefit rate for use in AOP reports, and did not use a current list of federal account numbers to remove federally funded costs. The net result was that \$52,141 of allowable costs were never included on AOP cost reports.

The cost reports were prepared using a 50% fringe benefit rate which was not entirely supported by available documentation. Using known rates and insurance costs we were able to support an amount \$68,689 less than was reported during our audit period.

We also found salaries not reported because they were thought to be funded by other federal programs based on an obsolete chart of accounts. Salaries were removed from the cost report incorrectly based on old account numbers while other, federally funded, salaries remained in claims for Medicaid reimbursement. The net effect was that \$120,830 of allowable AOP salaries were never reported.

## **Finding**

### **2. Miscellaneous and Clerical Errors**

Four of eleven school districts' cost reports contained clerical and miscellaneous errors resulting in cost reports overstated by a net amount of \$1,152,316. Two districts misplaced one decimal point when recording salaries on their AOP cost reports. As a result, one district over-reported costs by about \$1.1 million for one employee and the other under-reported costs by \$17,700. The errors were simply missed by both the local district and PCG review procedures. In several other districts the employees preparing the cost reports overlooked relatively minor amounts or were unaware of special situations the affected allowable costs.

Rochester Schools inadvertently reported \$824,442.00 for one clerical worker that was paid regular earnings of \$8,244.42 for the quarter ended June 30, 2005. Several other, miscellaneous, errors were identified, but for minor amounts that nearly offset each other and had little effect on cost reports during our audit period. The miscellaneous errors included \$2,100 of allowable vacation pay and \$2,176 of longevity payments omitted from the costs reported, offset by \$4,474 of accrued salaries that were also claimed when paid. The net effect of the clerical and miscellaneous errors was to report \$816,396 of unallowable salaries. Because Rochester uses a fringe benefit rate for the AOP cost reports, an additional \$330,559 (40.49% of the unallowable salaries) is considered unallowable.

Oak Park City School District reported \$2,014.95 for an employee that earned \$19,714.95. The \$17,700 difference is allowed.

The Birmingham School District inadvertently included \$4,560 for salaries and fringe benefits that were not earned during normal school hours. Birmingham's accounting personnel determined minor pay supplements included in our sampled salaries were not for pay during regular hours, and identified \$3,260 of similar payments reported as AOP salaries during our audit period. Because allowable Medicaid costs are determined from RMTS percentages, derived from moments sampled during normal school hours, amounts earned for work other than normal activities is not properly allocable with the regular earnings paid employees. Therefore the salaries they identified plus the \$1,300 of related fringe benefits must be disallowed.

Our sample of Huron Valley's cost report for the quarter ended June 30, 2005 disclosed one pay period for one employee did not print out on the report used to prepare their cost report. Another employee had a negative adjustment that was not subtracted when calculating his quarterly earnings. The net result from these errors was to under-report salaries by \$1,661. As explained below, we also found fringe benefits were overstated by a net amount of \$20,162, although much of the error was from minor or unique occurrences.

Huron Valley determined fringe benefit costs by adding the actual cost of insurances to a calculated amount for retirement, Social Security and Medicare. The calculation multiplied the appropriate percentages times employee earnings. Although this is a generally acceptable method for reporting fringe benefits, certain special occurrences can affect the results. Because the person that prepared the cost report did not work with payroll on a daily basis, some of these special situations were overlooked.

We found salaries reported in June 2005 included \$71,633 for severance pay that was not taxed by Social Security or Medicare, travel stipends (\$12,025) that were taxed but not in the salaries used to calculate fringe benefits, and minor amounts paid to Social Security for other reasons but not claimed. The net result was to report \$4,126 more fringe benefits for the quarter ended June 30, 2005 than were actually paid. For the quarter ended December 2004 we found the Social Security and Medicare tax claimed was \$16,036 more than actually paid, primarily because several AOP employees had reached the maximum salary taxable under Social Security.

### **Recommendations**

Each of the three school districts found to have systematic errors voluntarily revised their cost reporting methodologies prior to the completion of this audit. Our reviews of their revised procedures found them acceptable for identifying AOP costs. However, we believe those errors, combined with the clerical errors reported, indicates a lack of cost report review by some local districts.

We recommend that:

- 1.) MDCH Policy instruct PCG to prepare revised claims for Oakland Schools that exclude the \$1,712,279 of unallowable cost found during our audit. The amounts for each claim period are shown in the schedules following this report.
- 2.) Oakland Schools remind the local districts of the need to review each cost report prior to submission to PCG, and
- 3.) Oakland Schools suggest to each local district that they annually perform a simple test of their cost accumulation procedures to assure they are reporting only the actual AOP costs not funded by, or allocable to, other Federal programs.

### **Auditee Comments**

Oakland Schools provided no additional comments regarding our Findings and related recommendations.

## **ALLOCATION PERCENTAGES**

**Objective 2:** To determine whether certain allocation percentages were accurately calculated and properly applied to the costs reported by the ISD, resulting in the appropriate amounts reported for Medicaid claims and for backcasting.

**Conclusion:** We found the Medicaid claim, and the amount requested for Federal reimbursement were properly calculated based on the allocation percentages in effect as of February 9, 2007.

## **GLOSSARY OF ACRONYMS AND TERMS**

- AOP - Administrative Outreach Program
- CMS - Centers for Medicare & Medicaid Services (the Federal Medicaid agency)
- FFP - Federal Financial Participation (the portion of claimed cost Federally reimbursed)
- ISD - Intermediate School District
- LEA - Local Education Agency (a local school district)
- MACS - Medicaid Administrative Claiming System
- MDCH - Michigan Department of Community Health (the State Medicaid agency)
- MDE - Michigan Department of Education
- PCG - Public Consulting Group - the current State contractor for the AOP RMTS and billing agent for the Oakland Schools.
- RMTS - Random Moment Time Study
- SBS - School Based Services

SUMMARY SCHEDULE OF COSTS AUDITED, RECOMMENDED FOR ADJUSTMENT, AND ACCEPTED FOR THE YEAR ENDED SEPTEMBER 30, 2005

SCHOOL DISTRICT	AOP Cost Reported to PCG	Medicaid Claim for Cost Reported	Recommended Adjustments To Reported Costs, Allowed or (Disallowed), for :				Costs Recommended for Acceptance	Medicaid Claim Recommended for Acceptance
			Systematic Cost Reporting Errors	Miscellaneous and Clerical Errors	School District Totals	Recommended Adjustments' Effect on the Medicaid Claim		
Districts we reviewed :								
Birmingham	\$ 11,088,707	\$ 159,362	Note 1 \$ -	\$ (4,560)	\$ (4,560)	\$ (66)	\$ 11,084,147	\$ 159,296
Bloomfield Hills	11,137,047	161,789	-	-	-	-	11,137,047	161,789
Farmington	12,389,192	180,359	-	-	-	-	12,389,192	180,359
Huron Valley	10,070,840	146,027	Note 2 -	(18,501)	(18,501)	(248)	10,052,339	145,779
Oakland Schools (ISD)	6,245,245	88,402	-	-	-	-	6,245,245	88,402
Oak Park	2,095,251	30,322	Note 3 -	17,700	17,700	233	2,112,951	30,555
Pontiac	5,443,935	79,517	Note 4 52,141	-	52,141	612	5,496,076	80,129
Rochester	16,676,056	234,503	Note 5,6 (201,598)	(1,146,955)	(1,348,553)	(19,173)	15,327,503	215,330
Southfield	15,567,965	224,240	-	-	-	-	15,567,965	224,240
Walled Lake	14,042,938	203,978	-	-	-	-	14,042,938	203,978
Waterford	<u>14,753,308</u>	213,542	Note 7 (410,506)	-	(410,506)	(6,340)	<u>14,342,802</u>	<u>207,202</u>
Sub-totals for Districts reviewed	\$ 119,510,484	\$ 1,722,041	\$ (559,963)	\$ (1,152,316)	\$ (1,712,279)	\$ (24,982)	\$ 117,798,205	\$ 1,697,059
Districts with no site visit (18)	<u>80,456,714</u>	<u>1,123,907</u>	<u>----- 0 -----</u>	<u>----- 0 -----</u>	<u>----- 0 -----</u>	<u>----- 0 -----</u>	<u>80,456,714</u>	<u>1,123,907</u>
Totals	<u>\$199,967,198</u>	\$2,845,948	<u>\$ (559,963)</u>	<u>\$ (1,152,316)</u>	<u>\$ (1,712,279)</u>	\$ (24,982)	<u>\$198,254,919</u>	\$ 2,820,966
Medicaid FFP Rate		X 50%				X 50%		X 50%
Claim for Federal Reimbursement		\$1,422,974				(12,491)		\$ 1,410,483
		X 60%				X 60%		X 60%
Oakland Schools' Share of Federal Reimbursement		<u>\$ 853,784</u>				<u>(7,495)</u>		<u>\$ 846,290</u>

NOTES applicable to this summary (Schedule A) and Schedules A-1 through A-5 are presented following Schedule A-5.

Some totals may vary by + or - \$1 due to rounding.

**QE 12-31-04 SCHEDULE OF COSTS AUDITED, RECOMMENDED FOR ADJUSTMENT, AND ACCEPTED**

SCHOOL DISTRICT	AOP Cost Reported to PCG	Medicaid Claim for Cost Reported	Recommended Adjustments To Reported Costs, Allowed or (Disallowed), for :				Reported Costs Recommended for Acceptance	Medicaid Claim Recommended for Acceptance
			Systematic Cost Reporting Errors	Miscellaneous and Clerical Errors	School District Totals	Recommended Adjustments' Effect on the Medicaid Claim		
Districts we reviewed :								
Birmingham	\$ 2,977,752	\$ 39,167 Note 1	\$ -	\$ (1,040)	\$ (1,040)	\$ (14)	\$ 2,976,712	\$ 39,153
Bloomfield Hills	2,945,332	38,741	-	-	-	-	2,945,332	38,741
Farmington	3,209,343	42,214	-	-	-	-	3,209,343	42,214
Huron Valley	2,472,049	32,516 Note 2	-	(16,036)	(16,036)	(211)	2,456,013	32,305
Oakland Schools (ISD)	1,641,230	21,588	-	-	-	-	1,641,230	21,588
Oak Park	604,959	7,957 Note 3	-	17,700	17,700	233	622,659	8,190
Pontiac	1,254,643	16,503 Note 4	43,427	-	43,427	571	1,298,070	17,074
Rochester	4,454,402	58,590 Note 5, 6	(79,702)	2,154	(77,548)	(1,020)	4,376,854	57,570
Southfield	4,047,180	53,234	-	-	-	-	4,047,180	53,234
Walled Lake	3,587,924	47,193	-	-	-	-	3,587,924	47,193
Waterford	3,782,083	49,747 Note 7	112,194	-	112,194	1,476	3,894,277	51,223
Sub-totals	\$ 30,976,897	\$ 407,450	\$ 75,919	\$ 2,778	\$ 78,697	\$ 1,035	\$ 31,055,594	\$ 408,485
Districts with no site visit (12)	<u>21,360,528</u>	<u>276,899</u>	<u>----- 0 -----</u>	<u>----- 0 -----</u>	<u>----- 0 -----</u>	<u>----- 0 -----</u>	<u>21,360,528</u>	<u>276,899</u>
Totals	<u>\$52,337,425</u>	\$ 684,349	<u>\$ 75,919</u>	<u>\$ 2,778</u>	<u>\$ 78,697</u>	\$ 1,035	\$52,416,122	\$ 685,384
Medicaid FFP Rate		<u>X 50%</u>				<u>X 50%</u>		<u>X 50%</u>
Claim for Federal Reimbursement		<u>\$ 342,175</u>				<u>\$ 518</u>		<u>\$ 342,692</u>

NOTES applicable to this summary (Schedule A) and Schedules A-1 through A-5 are presented following Schedule A-5.

Some totals may vary by + or - \$1 due to rounding.

QE 3-31-05 SCHEDULE OF COSTS AUDITED, RECOMMENDED FOR ADJUSTMENT, AND ACCEPTED

SCHOOL DISTRICT	AOP Cost Reported to PCG	Medicaid Claim for Cost Reported	Recommended Adjustments To Reported Costs, Allowed or (Disallowed), for :				Costs Recommended for Acceptance	Medicaid Claim Recommended for Acceptance
			Systematic Cost Reporting Errors	Miscellaneous and Clerical Errors	School District Totals	Recommended Adjustments' Effect on the Medicaid Claim		
Districts we reviewed :								
Birmingham	\$ 2,683,505	\$ 35,962	Note 1 \$ -	\$ (1,440)	\$ (1,440)	\$ (19)	\$ 2,682,065	\$ 35,943
Bloomfield Hills	2,598,801	34,827	-	-	-	-	2,598,801	34,827
Farmington	3,168,196	42,457	-	-	-	-	3,168,196	42,457
Huron Valley	2,458,352	32,945	-	-	-	-	2,458,352	32,945
Oakland Schools (ISD)	1,576,444	21,126	-	-	-	-	1,576,444	21,126
Oak Park	519,066	6,956	-	-	-	-	519,066	6,956
Pontiac	1,352,376	18,123	Note 4 29,401	-	29,401	394	1,381,777	18,517
Rochester	3,573,125	47,884	-	-	-	-	3,573,125	47,884
Southfield	3,223,362	43,197	-	-	-	-	3,223,362	43,197
Walled Lake	3,215,428	43,090	-	-	-	-	3,215,428	43,090
Waterford	<u>3,633,216</u>	<u>48,689</u>	Note 7 (318,301)	-	(318,301)	(4,266)	<u>3,314,915</u>	<u>44,423</u>
Sub-totals	\$ 28,001,871	\$ 375,256	\$ (288,900)	\$ -	\$ (1,440)	\$ (3,891)	\$ 27,711,531	\$ 371,365
Districts with no site visit (12)	<u>19,478,459</u>	<u>257,234</u>	<u>----- 0 -----</u>	<u>----- 0 -----</u>	<u>----- 0 -----</u>	<u>----- 0 -----</u>	<u>19,478,459</u>	<u>257,234</u>
Totals	<u>\$ 47,480,330</u>	<u>\$ 632,490</u>	<u>\$ (288,900)</u>	<u>\$ (1,440)</u>	<u>\$ (290,340)</u>	<u>\$ (3,891)</u>	<u>\$ 47,189,990</u>	<u>\$ 628,599</u>
Medicaid FFP Rate		X 50%				X 50%		X 50%
Claim for Federal Reimbursement		<u>\$ 316,245</u>				<u>\$ (1,946)</u>		<u>\$ 314,300</u>

NOTES applicable to this summary (Schedule A) and Schedules A-1 through A-5 are presented following Schedule A-5.

Some totals may vary by + or - \$1 due to rounding.

**QE 6-30-05 SCHEDULE OF COSTS AUDITED, RECOMMENDED FOR ADJUSTMENT, AND ACCEPTED**

SCHOOL DISTRICT	AOP Cost Reported to PCG	Medicaid Claim for Cost Reported	Recommended Adjustments To Reported Costs, Allowed or (Disallowed), for :				Costs Recommended for Acceptance	Medicaid Claim Recommended for Acceptance
			Systematic Cost Reporting Errors	Miscellaneous and Clerical Errors	School District Totals	Recommended Adjustments' Effect on the Medicaid Claim		
Districts we reviewed :								
Birmingham	\$ 3,313,333	\$ 50,503 Note 1	\$ -	\$ (1,040)	\$ (1,040)	\$ (16)	\$ 3,312,293	\$ 50,487
Bloomfield Hills	2,883,830	43,956	-	-	-	-	2,883,830	43,956
Farmington	2,933,823	44,593	-	-	-	-	2,933,823	44,593
Huron Valley	2,730,670	40,833 Note 2	-	(2,465)	(2,465)	(37)	2,728,205	40,796
Oakland Schools (ISD)	1,771,325	24,997	-	-	-	-	1,771,325	24,997
Oak Park	508,145	7,745	-	-	-	-	508,145	7,745
Pontiac	1,660,347	25,308 Note 4	(6,787)	-	(6,787)	(104)	1,653,560	25,204
Rochester	5,509,998	78,697 Note 5, 6	(121,896)	(1,149,109)	(1,271,005)	(18,153)	4,238,993	60,544
Southfield	4,697,764	68,632	-	-	-	-	4,697,764	68,632
Walled Lake	3,496,079	53,288	-	-	-	-	3,496,079	53,288
Waterford	3,579,502	53,691 Note 7	135,581	-	135,581	2,034	3,715,083	55,725
Sub-totals	\$ 33,084,816	\$ 492,243	\$ 6,898	\$ (1,152,614)	\$ (1,145,716)	\$ (16,276)	\$ 31,939,100	\$ 475,967
Districts with no site visit (12)	21,102,844	297,564	----- 0 -----	----- 0 -----	----- 0 -----	----- 0 -----	21,102,844	297,564
Totals	\$ 54,187,660	\$ 789,807	\$ 6,898	\$ (1,152,614)	\$ (1,145,716)	\$ (16,276)	\$ 53,041,944	\$ 773,531
Medicaid FFP Rate		X 50%				X 50%		X 50%
Claim for Federal Reimbursement		\$ 394,904				\$ (8,138)		\$ 386,766

NOTES applicable to this summary (Schedule A) and Schedules A-1 through A-5 are presented following Schedule A-5.

Some totals may vary by + or - \$1 due to rounding.

**QE 9-30-05 A SCHEDULE OF COSTS AUDITED, RECOMMENDED FOR ADJUSTMENT, AND ACCEPTED**

SCHOOL DISTRICT	AOP Cost Reported to PCG	Medicaid Claim for Cost Reported	Recommended Adjustments To Reported Costs, Allowed or (Disallowed), for :				Costs Recommended for Acceptance	Medicaid Claim Recommended for Acceptance	
			Systematic Cost Reporting Errors	Miscellaneous and Clerical Errors	School District Totals	Recommended Adjustments' Effect on the Medicaid Claim			
Districts we reviewed :									
Birmingham	\$ 1,063,178	\$ 16,298	Note 1	\$ -	\$ (520)	\$ (520)	\$ (8)	\$ 1,062,658	\$ 16,290
Bloomfield Hills	1,617,271	25,579		-	-	-	-	1,617,271	25,579
Farmington	1,217,963	19,264		-	-	-	-	1,217,963	19,264
Huron Valley	1,157,467	18,304		-	-	-	-	1,157,467	18,304
Oakland Schools (ISD)	646,463	10,255		-	-	-	-	646,463	10,255
Oak Park	201,173	3,182		-	-	-	-	201,173	3,182
Pontiac	426,044	6,738	Note 4	8,299	-	8,299	131	434,343	6,869
Rochester	1,480,167	22,264		-	-	-	-	1,480,167	22,264
Southfield	1,586,511	24,970		-	-	-	-	1,586,511	24,970
Walled Lake	1,397,210	21,443		-	-	-	-	1,397,210	21,443
Waterford	<u>1,883,362</u>	<u>29,564</u>	Note 7	<u>(150,322)</u>	<u>-</u>	<u>(150,322)</u>	<u>(2,363)</u>	<u>1,733,040</u>	<u>27,201</u>
Sub-totals	\$ 12,676,809	\$ 197,861		\$ (142,023)	\$ (520)	\$ (142,543)	\$ (2,240)	\$ 12,534,266	\$ 195,621
Districts with no site visit (12)	<u>8,730,594</u>	<u>132,050</u>		<u>----- 0 -----</u>	<u>----- 0 -----</u>	<u>----- 0 -----</u>	<u>----- 0 -----</u>	<u>8,730,594</u>	<u>132,050</u>
Totals	<u>\$ 21,407,403</u>	<u>\$ 329,911</u>		<u>\$ (142,023)</u>	<u>\$ (520)</u>	<u>\$ (142,543)</u>	<u>\$ (2,240)</u>	<u>\$ 21,264,860</u>	<u>\$ 327,671</u>
Medicaid FFP Rate		<u>X 50%</u>					<u>X 50%</u>		<u>X 50%</u>
Claim for Federal Reimbursement		<u>\$ 164,956</u>					<u>\$ (1,120)</u>		<u>\$ 163,836</u>

NOTES applicable to this summary (Schedule A) and Schedules A-1 through A-5 are presented following Schedule A-5.

Some totals may vary by + or - \$1 due to rounding.

QE 9-30-05 B SCHEDULE OF COSTS AUDITED, RECOMMENDED FOR ADJUSTMENT, AND ACCEPTED

SCHOOL DISTRICT	AOP Cost Reported to PCG	Medicaid Claim for Cost Reported	<u>Recommended Adjustments To Reported Costs, Allowed or (Disallowed), for :</u>				Reported Cost Recommended for Acceptance	Medicaid Claim Recommended for Acceptance
			<u>Systematic Cost Reporting Errors</u>	<u>Miscellaneous and Clerical Errors</u>	<u>School District Totals</u>	<u>Recommended Adjustments' Effect on the Medicaid Claim</u>		
Districts we reviewed :								
Birmingham	\$ 1,050,939	\$ 17,432	Note 1 \$ -	\$ (520)	\$ (520)	\$ (9)	\$ 1,050,419	\$ 17,423
Bloomfield Hills	1,091,813	18,686	-	-	-	-	1,091,813	18,686
Farmington	1,859,867	31,831	-	-	-	-	1,859,867	31,831
Huron Valley	1,252,302	21,429	-	-	-	-	1,252,302	21,429
Oakland Schools (ISD)	609,783	10,436	-	-	-	-	609,783	10,436
Oak Park	261,908	4,482	-	-	-	-	261,908	4,482
Pontiac	750,525	12,845	Note 4 (22,199)	-	(22,199)	(380)	728,326	12,465
Rochester	1,662,984	27,068	-	-	-	-	1,662,984	27,068
Southfield	2,008,528	34,207	-	-	-	-	2,008,528	34,207
Walled Lake	2,346,297	38,964	-	-	-	-	2,346,297	38,964
Waterford	<u>1,875,145</u>	<u>31,851</u>	Note 7 (189,658)	-	(189,658)	(3,221)	1,685,487	28,630
Sub-totals	\$ 14,770,091	\$ 249,231	\$ (211,857)	\$ (520)	\$ (212,377)	\$ (3,610)	\$ 14,557,714	\$ 245,621
Districts with no site visit (12)	<u>9,784,289</u>	<u>160,160</u>	----- 0 -----	----- 0 -----	----- 0 -----	----- 0 -----	9,784,289	160,160
Totals	\$ 24,554,380	\$ 409,391	\$ (211,857)	\$ (520)	\$ (212,377)	\$ (3,610)	\$ 24,342,003	\$ 405,781
Medicaid FFP Rate		X 50%				X 50%		X 50%
Claim for Federal Reimbursement		<u>\$ 204,696</u>				<u>\$ (1,805)</u>		<u>\$ 202,891</u>

NOTES applicable to this summary (Schedule A) and Schedules A-1 through A-5 are presented following Schedule A-5.

Some totals may vary by + or - \$1 due to rounding.

## **NOTES TO SCHEDULES A through A-5**

Note 1: Birmingham's cost report inadvertently included two employees' supplemental pay for work generally performed after regular school hours and in addition to their normal duties. Because the RMTS, used to allocate the salaries to Medicaid, sampled only moments during the regular school hours, and the employees' work was different from the moments that were included in the RMTS, there is no assurance the supplemental salaries were properly allocable to Medicaid. The annual supplemental pay was pro-rated to the claim periods not sampled. See Finding 2, page 7.

Note 2: This is the net amount of several minor omissions from the cost reports sampled. One employee's earnings for one pay period was not claimed, while a negative pay adjustment for another employee was omitted. The 6.2% FICA rate for payroll tax was applied to special severance pay that was not taxed and to salaries that were over the maximum taxable earnings for Social Security; no claim was made for taxes paid on travel stipends and other taxable amounts. See Finding 2, page 7.

Note 3: There was a typographical error in listing one salary on a cost report. Finding 2, page 7.

Note 4: Pontiac used a 50% fringe benefit rate, but we could only support fringe benefits equal to about 46% of the AOP salaries. However, \$120,830 of allowable AOP salaries were not claimed because an obsolete chart of accounts indicated the salaries were funded by other Federal grants. The unclaimed salaries plus their related fringe benefits more than offset the costs overclaimed by using the unsupported 50% fringe benefit rate during most claim periods. See Finding 1, page 6.

Note 5: In Rochester, a decimal point was inadvertently omitted from the salary reported for one employee. This caused \$814,098 rather than \$8140.98 in salary to be reported. Several minor errors and the related fringe benefits increased the amount over reported to \$1,146,955. See Finding 2, page 7.

Note 6: Also in Rochester the individual preparing the cost reports was provided a listing of salaries for AOP employees without the associated account numbers. We found the payroll listing included all taxable amounts in each pay period. As a result, (1) taxable fringe benefits (\$52,966) claimed through the district's fringe benefit rate were also claimed as salaries, (2) salaries paid by other Federal programs (\$87,103) were reported for Medicaid reimbursement as well, and (3) overtime pay (\$3,427) was claimed for work after regular school hours and not allocable to AOP. After application of Rochester's 40.49% fringe benefit rate to the \$143,496 of disallowed salaries, we found \$201,598 excess reported during two sampled quarters.

Note 7: Waterford reported wages based on the AOP workers' contracts, divided by 4 to report quarterly salaries, rather than actual amounts paid as required by MDCH policy. Actual salaries were under-reported by \$25,321 during our audit period, but \$435,828 of the wages were funded by other Federal grants and can not also be reported for Medicaid reimbursement. See Finding