



STATE OF MICHIGAN  
DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

GRETCHEN WHITMER  
GOVERNOR

ROBERT GORDON  
DIRECTOR

January 21, 2021

Mrs. Belinda Shaffer, Chief Financial Officer  
Hillsdale County Intermediate School District  
310 West Bacon Road  
Hillsdale, Michigan 49242

Dear Mrs. Shaffer:

Enclosed is our final report for the Michigan Department of Health and Human Services (MDHHS) audit of the Hillsdale County Intermediate School District Medicaid School Based Services Program for the period July 1, 2016 through June 30, 2017.

The final report contains the following: Executive Summary with objective and conclusion, Funding Methodology; Scope and Methodology; and Glossary.

Thank you for the courtesy and cooperation throughout this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy J. Kubu".

Timothy J. Kubu, CIA, CISA  
Manager, Audit and Review Section  
Audit Division

Enclosure

- c: Ms. Ralena LoPresto, Grant Coordinator/Pupil Auditor, Hillsdale County ISD
- Ms. Deb Hallenbeck, Director, Audit Division, MDHHS
- Ms. Tracie Bonner, CPA, Auditor, Audit and Review Section, MDHHS
- Mr. Kabeer Singh, Auditor, Audit and Review Section, MDHHS
- Mr. Kevin Bauer, Specialist, Medicaid Program Policy Division, MDHHS
- Mr. Steve Ireland, Manager, Rate Review Section, MDHHS

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# Hillsdale County Intermediate School District

School Based Services Program  
Financial Audit

For the Period October 1, 2016 through September 30, 2017

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Audit Report – Issued January 21, 2021

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



## TABLE OF CONTENTS

Executive Summary .....	1
Funding Methodology .....	2
Scope and Methodology .....	4
Glossary of Abbreviations and Terms .....	5

## EXECUTIVE SUMMARY

Below is a summary of our audit objective and conclusion:

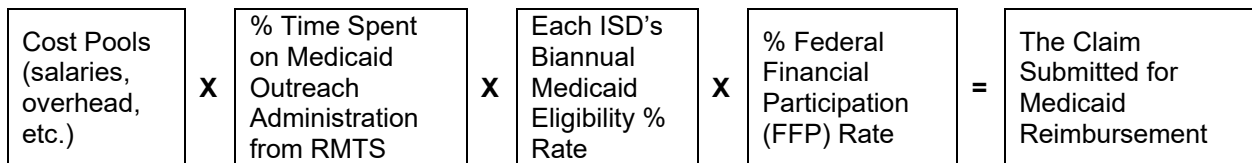
Audit Objective - Financial Reporting	Conclusion
To assess whether Hillsdale County ISD and its LEAs effectively developed cost claims in accordance with applicable Federal and State requirements.	Effective
No exceptions identified.	

## 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

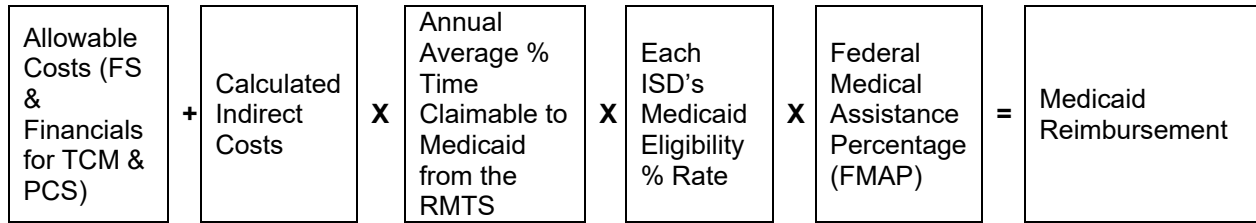
Staff salaries and related costs are reported directly to a hired contractor, the Public Consulting Group (PCG), on quarterly financial reports by each of the Local Education Agencies (LEAs). PCG combines the costs per Intermediate School District (ISD), applies various allocation percentages and submits 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 ISD's and LEAs' records and activities for the period July 1, 2016 through June 30, 2017.

Our audit procedures included the following:

- Performed onsite fieldwork at the Hillsdale County ISD and reviewed 2 of 11 LEAs including: Camden-Frontier Schools and Pittsford Area Schools.
- 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 Physical Therapists.
- 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 transportation cost reports, payroll documentation, and all required supporting documentation for a sample of transportation costs.
- 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.

## 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
MDE	Michigan Department of Education
MDHHS	Michigan Department of Health and Human Services
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