
Montcalm Area Intermediate School District and Greenville Public Schools

Medicaid School Services Programs
Financial Audit

For the Period July 1, 2019, through June 30, 2020

Final Report – Issued May 2023

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





STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

GRETCHEN WHITMER
GOVERNOR

ELIZABETH HERTEL
DIRECTOR

May 4, 2023

Ms. Tricia Root, Associate Superintendent of Finance
Montcalm Area Intermediate School District
District 621 New Street
PO Box 367
Stanton, Michigan 48888

Dear Ms. Root:

Enclosed is the Michigan Department of Health and Human Services (MDHHS) audit report of the Medicaid School Based Services Program financial claims by Montcalm Area Intermediate School District for the period July 1, 2019, through June 30, 2020. This also included an audit of MAISD's Local Education Agency, Greenville Public Schools.

The Michigan Department of Health and Human Services is committed to ensuring high standards of integrity and accountability for public funds. To that end, we periodically perform audits to assess the agency's compliance with fiscal reporting and other requirements contained in MDHHS agreements, and policies and procedures, and Federal regulations.

The final report contains the following: Executive Summary; Exceptions, Recommendations and Corrective Actions; Funding Methodology; Scope and Methodology; and Glossary Abbreviations and Terms.

Thank you for the cooperation extended by your agency throughout this audit process.

Sincerely,

A handwritten signature in cursive script that reads "Tracie Bonner".

Tracie Bonner, Manager
Child Care Fund and Medicaid School Services Program Audit Section
MDHHS - Bureau of Audit

c: Matt Andres, Greenville Public Schools
Pam Myers, MDHHS, Audit
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TABLE OF CONTENTS

Executive Summary 1

Exceptions, Recommendations, and Corrective Actions

- 1. Unallowable Costs Reported on Medical Cost Report..... 2
- 2. Unallowable Employee Benefits Reported on Transportation Cost Report 4

Funding Methodology..... 6

Scope and Methodology..... 8

Glossary of Abbreviations and Terms 9

EXECUTIVE SUMMARY

Exception 1 Page 2	Unallowable Costs Reported on Medical Cost Report
Criteria	Medicaid Provider Manual, School Based Services Random Moment of Time Study, Sections 1 and 3.3
Disallowed Cost	\$60,079
Corrective Action	MAISD provided information regarding exceptions and corrective actions at county-wide meeting.
Completion Date	September 6, 2022
Person Responsible	Tricia Root, Associate Superintendent of Finance

Exception 2 Page 4	Unallowable Employee Benefits Reported on Transportation Cost Report
Criteria	Medicaid Provider Manual, School Based Services, Section 6.2.A and MDE SE-4094 Instructions, Line 7
Disallowed Cost	\$262,057
Corrective Action	MAISD provided information regarding exceptions and corrective actions at county-wide meeting.
Completion Date	September 6, 2022
Person Responsible	Tricia Root, Associate Superintendent of Finance

EXCEPTIONS, RECOMMENDATIONS, AND CORRECTIVE ACTIONS

Exception 1 Unallowable Costs Reported on Medical Cost Report

Condition

MAISD included salary and benefit costs in the Medical Cost Report for employees that were not included on the direct service staff pool list.

Criteria

The Medicaid Provider Manual, School Based Services Random Moment Time Study Chapter, Section 1 states:

In accordance with the Centers for Medicare & Medicaid Services (CMS) reimbursement policy, some activities performed by medical professionals and Intermediate School District (ISD) staff in a school-based setting are eligible for federal matching funds. These activities may be performed by staff with multiple responsibilities. CMS reimbursement requirements include the use of a random moment time study (RMTS) as a component of the Medicaid reimbursement methodology. The time study results are used to determine the amount of staff time spent on Medicaid-allowable activities. One statewide time study per staff pool is performed each quarter.

The Medicaid Provider Manual, School Based Services Random Moment of Time Study, Section 3.3 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 be sure that all appropriate personnel are submitted and that appropriate credentials are in place for billing Medicaid.

Exception

During our review, we identified that MAISD and GPS reported salaries and benefits on the Medical Cost Report for quarters that staff were not included on the direct service staff pool list.

- MAISD reported costs for two Social Workers not on the staff pool list for each quarter.
- GPS reported costs for one Social Worker not on the staff pool list for each quarter.

Disallowed Cost

Total Disallowed Cost = \$60,079

ISD/LEA	Unallowable Salaries	Unallowable Benefits	Indirect %	Indirect Costs	Total Unallowable
MAISD	\$26,331	\$17,915	15.27%	\$6,756	\$51,002
GPS	\$5,288	\$2,646	14.41%	\$1,143	\$9,077
Total	\$31,619	\$20,561		\$7,889	\$60,079

Recommendation

We recommend that MAISD implement procedures to ensure that the ISD and its LEA's Medical Cost Report only include costs reported for employees included on the direct service staff pool list in compliance with the Medicaid Provider Manual.

Corrective Action Plan

To ensure that all LEAs are reporting correctly, MAISD provided information during a county-wide business manager's meeting:

Medicaid Report

- Ensure staff pool lists are correct.
- Ensure the staff on the report are being coded correctly in the financial system.

Cost Reports (Medical and Transportation)

- Only report data in the Cost Report for staff included on the staff pool list.
- Include only eligible costs on the Cost Report.
Example - Only include costs for bus drivers and aides on the Transportation Cost Report. Bus administrators and their benefits are not eligible. Do not use budget summary reports if these categories of staff are all lumped together.

Completion Date

The information above was presented at the District's September 6, 2022, county-wide business office meeting, to ensure data reported was correct on all future reports.

Responsible Individual

Patricia Root, Montcalm Area ISD, Associate Superintendent of Finance

Exception 2 Unallowable Employee Benefits Reported on the Transportation Cost Report

Condition

MAISD reported unallowable employee benefits on the Transportation Cost report.

Criteria

The Medicaid Provider Manual, School Based Services, Section 6.2.A. states:

Specialized transportation costs reported on the Michigan Department of Education Transportation Expenditure Report (form SE-40194) are the only costs associated with the special education buses, taxis or private vehicles used for the specific purpose of transporting only special education children. This report does not include any federal dollars.

Medicaid-allowable specialized transportation costs include... Employee Benefits (Bus Drivers and Aides only).

MDE, SE-4094 Instructions, Line 7

Benefits should be prorated between regular education and special education by the same method as the salaries are prorated on an employee basis.

Exception

During our review, we identified that MAISD and GPS included unallowable benefit costs on the Transportation Cost Report.

- MAISD included benefits for employees other than Bus Drivers and Bus Aides on the Transportation Cost Report
- GPS reported benefit costs for Bus Drivers and Aides on the Transportation Cost Report that were allocated to special education based on a group average instead of on an employee basis.

Disallowed Cost

Total Disallowed Cost = \$262,057

ISD/LEA	Unallowable Benefits	Indirect %	Indirect Costs	Total
MAISD	\$210,213	15.27%	\$32,100	\$242,313
GPS	\$17,257	14.41%	\$2,487	\$19,744
Total	\$227,470		\$34,587	\$262,057

Recommendation

We recommend MAISD implement procedures to ensure that the ISD and its LEA's transportation benefits are calculated appropriately, and only allowable costs are reported on the Transportation Cost Report in compliance with the Medicaid Provider Manual and MDE instructions for the SE-4094 Instructions.

Corrective Action Plan

To ensure that all LEAs are reporting correctly, MAISD provided information during a county-wide business manager's meeting:

Medicaid Report

- Ensure staff pool lists are correct.
- Ensure the staff on the report are being coded correctly in the financial system.

Cost Reports (Medical and Transportation)

- Only report data in the Cost Report for staff included on the staff pool list.
- Include only eligible costs on the Cost Report.
Example - Only include costs for bus drivers and aides on the Transportation Cost Report. Bus administrators and their benefits are not eligible. Do not use budget summary reports if these categories of staff are all lumped together.

Completion Date

The information above was presented at the District's September 6, 2022, county-wide business office meeting, to ensure data reported was correct on all future reports.

Responsible Individual

Patricia Root, Montcalm Area ISD, Associate Superintendent of Finance

FUNDING METHODOLOGY

The School Services Program (SSP) includes the Administrative Outreach Program (AOP); Direct Service Claiming (DSC), formerly School Based Services (SBS); and Caring 4 Students (C4S).

The amounts reported by the ISD for the SSP programs are gross amounts and subject to the Funding Methodology. Any exceptions identified in this audit report reflect the gross amounts as reported by the ISD.

AOP

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.

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:

Cost Pools (salaries, overhead, etc.)	x	% Time Spent on Medicaid Outreach Administration from RMTS	x	Each ISD's Biannual Medicaid Eligibility % Rate	x	% Federal Financial Participation (FFP) Rate	=	The Claim Submitted for Medicaid Reimbursement
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Direct Service Claiming and Caring 4 Students

The DSC Program reimburses schools for the cost of providing direct medical services to the special education Medicaid student population. The C4S Program provides reimbursement for the cost of providing direct medical services to general education Medicaid student populations, primarily for behavioral health and nursing services.

DSC and C4S providers are required to submit service 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.

Providers receive DSC/C4S 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:

Allowable Costs (FS & Financials for TCM & PCS)	+	Calculated Indirect Costs	X	Annual Average % Time Claimable to Medicaid from the RMTS	X	Each ISD's Medicaid Eligibility % Rate	X	Federal Medical Assistance Percentage (FMAP)	=	Medicaid Reimbursement
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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 MAISD records and activities for the period July 1, 2019, through June 30, 2020.

Our audit procedures included the following:

- Performed audit procedures remotely for Montcalm Area Intermediate School District and 1 of 8 of the Local Education Agencies; Greenville Public Schools
- Reviewed the School district's 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 the Quality Assurance Plan and responses to the Audit Questionnaire.
- Reviewed costs reported on the Cost Reports were appropriately supported by the books and records of the agency.
- Reviewed Employee level payroll documentation, certification/licensure, and all required supporting documentation for a sample of Speech Therapists and Social Workers.
- Reviewed payroll documentation, and all required supporting documentation for a sample of Targeted Case Management, Personal Care Service, and Administrative Outreach Program personnel for October to December 2019.
- Reviewed transaction documentation, and all required supporting documentation for that line which may include payroll records, contracts, invoices, etc. for a sample of costs reported on the Transportation Cost Report for Employee Benefits and Bus Amortization.
- Verified that reported costs were directly related to individuals included in the RMTS staff pool list, 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

GENERAL ABBREVIATIONS	
AOP	Administrative Outreach Program
C4S	Caring 4 Students
CHAMPS	Community Health Automated Medicaid Processing System
CMS	Centers for Medicare & Medicaid Services
DSC	Direct Service Claiming
FFP	Federal Financial Participation
FMAP	Federal Medical Assistance Percentage
FS	Facility Settlement
IDEA	Individuals with Disabilities Education Act
IEP	Individual Education Plan
IFSP	Individualized Family Services 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
SSP	School Services Programs
TCM	Targeted Case Management

SCHOOL ABBREVIATIONS	
MAISD	Montcalm Area Intermediate School District
GPS	Greenville Public Schools