
Van Buren Intermediate School District and South Haven Public Schools

Medicaid School Services Programs
Financial Claims Audit

For the Period July 1, 2020 – June 30, 2021

Final Report – Issued January 2024

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





STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

ELIZABETH HERTEL
DIRECTOR

January 2, 2024

Rebecca DePas, Director of Finance and Operations
Van Buren Intermediate School District
490 S. Paw Paw Street
Lawrence, Michigan 49064

Dear Ms. DePas:

This is Michigan Department of Health and Human Services' (MDHHS) audit report of the Medicaid School Services Programs financial claims of Van Buren Intermediate School District (ISD) for the period July 1, 2020 through June 30, 2021. This also includes an audit of the ISD's Local Education Agency (LEA) - South Haven Public Schools.

The Michigan Department of Health and Human Services (MDHHS) 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
Youth Services Program Audit Section
Audit Division

- c: Barbara Matthews, Van Buren Intermediate School District
Matt Murphy-Dubay, Van Buren Intermediate School District
Nancy Nelson, Van Buren Intermediate School District
Shannah Havens, Director, MDHHS – Bureau of Audit
Bryce Wooton, Director, MDHHS – Audit Division
Kevin Bauer, Specialist, MDHHS – Medicaid Program Policy Division
Steve Ireland, Manager, MDHHS – Rate Review Section
Cheryl Miller, Auditor, MDHHS – Audit Division
Kimberley Maharaj, Auditor, MDHHS – Audit Division

TABLE OF CONTENTS

Executive Summary	1
Exceptions, Recommendations, and Corrective Actions	
1. Inaccurate Costs Reported on Medical Cost Report.....	2
2. Unallowable Costs Reported on Quarterly Financial Report	3
Funding Methodology.....	5
Scope and Methodology.....	7
Glossary of Abbreviations and Terms	8

EXECUTIVE SUMMARY

Exception 1 Page 2	Inaccurate Costs Reported on Medical Cost Report
Criteria	Medicaid Provider Manual, School Based Services, Section 5.1
Under Reported Cost	(\$669,236)
Corrective Action	The ISD will review all supporting documentation and compare costs reported to ensure accuracy and completeness of the report. Training will be provided to the LEA Business Managers and random audits will be conducted.
Completion Date	December 31, 2024
People Responsible	Rebecca DePas, Director of Finance, Van Buren ISD Kara Weberg, Accountant, Van Buren ISD Susan Starkweather, Medicaid Coordinator, Van Buren ISD

Exception 2 Page 3	Unallowable Costs Reported on Quarterly Financial Report
Criteria	Medicaid Provider Manual, School Based Services - Administrative Outreach Program Claims Development, Section 2.4
Disallowed Cost	\$111,020
Corrective Action	The ISD will provide various training to the LEA Business Managers to ensure accuracy and completeness of the report. Random audits will also be conducted.
Completion Date	August 31, 2024
People Responsible	Rebecca DePas, Director of Finance, Van Buren ISD Kara Weberg, Accountant, Van Buren ISD Susan Starkweather, Medicaid Coordinator, Van Buren ISD

EXCEPTIONS, RECOMMENDATIONS, AND CORRECTIVE ACTIONS

Exception 1 Inaccurate Costs Reported on Medical Cost Report

Condition

Van Buren ISD and their LEA, South Haven Public Schools inaccurately reported costs on the Medical Cost Report.

Criteria

The Medicaid Provider Manual, School Based Services, Section 5.1 states:

The financial data reported for the Direct Medical Services (salaries, benefits, supplies, etc.) must be based on actual detailed expenditure reports obtained directly from the participating ISD's financial accounting system. The expenditures accumulated for calculating the Direct Medical Services allowable costs are to include actual non-federal expenditures incurred during the claiming period, except for the summer quarter.

Exception

During our review, we noted that Van Buren ISD understated speech therapist and social worker benefits on their Medical Cost Report. The understated costs were due to a clerical error and could not be reconciled to the financial accounting system.

We also noted that the LEA reported social worker salary and benefits in Function Code 216 on its Medical Cost Report when the costs were reported in its financial accounting system as guidance counseling Function Code 212, which is not an allowable function code. The LEA states the costs were moved to the incorrect function code in error.

Understated Cost

Total Understated Amount = (\$669,236)

	Line item	Salary	Benefits	Indirect %	Indirect Costs	Total
Van Buren ISD	Speech Therapist		(\$1,984)	12.85%	(\$255)	(\$2,239)
Van Buren ISD	Social Worker		(\$662,813)	12.85%	(\$85,171)	(\$747,984)
LEA	Social Worker	\$38,638	\$26,923	23.53%	\$15,426	\$80,987
	Total	\$38,368	(\$637,874)		(\$70,000)	(\$669,236)

Recommendation

We recommend Van Buren ISD implement controls to ensure accuracy of financial data reported on the Medical Cost Report in compliance with the Medicaid Provider Manual.

Corrective Action Plan

1. The ISD Director of Finance will closely review all supporting backup documentation that is used for reporting ISD costs on the Medical Cost Report. Initials and comments will be noted on the spreadsheet certifying this review.
2. The Accountant who is preparing the report will compare all costs that are reported in the Medical Cost Report with the SE-4096 and general ledger to ensure all costs are reported accurately.
3. The ISD will utilize checklists when completing the Medical Cost Report to ensure the completeness of the report.
4. The ISD will provide Medical Cost Report training to the local LEA Business Managers ensuring that information is provided on how to complete the report and review of eligible costs and function codes.
5. The ISD will conduct random audits on a sample of the LEA's Medical Cost Report requiring backup accounting ledgers from the financial accounting system and all other supporting documentation.

Completion Date

December 31, 2024

Responsible Individuals

Rebecca DePas, Director of Finance, Van Buren ISD

Kara Weberg, Accountant, Van Buren ISD

Susan Starkweather, Medicaid Coordinator, Van Buren ISD

Exception 2

Unallowable Costs Reported on Quarterly Financial Report

Condition

Van Buren ISD did not have sufficient controls to ensure that its LEA reported only actual allowable expenses on the Quarterly Financial Report.

Criteria

The Medicaid Provider Manual, School Based Services Administrative Outreach Program Claims Development, section 2.4A states:

The financial data reported (salaries, benefits, supplies, etc.) must be based on actual detailed expenditure reports obtained directly from the participating ISD/DPS's financial accounting system. Further, the expenditures accumulated for calculating the Administrative Outreach claim are to include only actual expenditures incurred during the claiming period, except summer quarter.

Exception

During our review, we noted that Van Buren ISD's LEA – South Haven Public Schools reported unallowable case manager costs on its Quarterly Financial Report for two employees:

- Salary and benefits were reported for one case manager who was no longer performing eligible special education tasks.
- Salary and benefits were reported for one case manager that was not supported by the financial accounting system.

Amounts disallowed on the Quarterly Financial Report for Case Managers automatically effect the Medical Cost Report by the same amount.

Disallowed Cost

Total Disallowed Cost = \$111,020

Line item	Unallowable Salaries	Unallowable Benefits	Indirect %	Indirect Costs	Total Unallowable
Case Managers	\$48,336	\$41,537	23.53%	\$21,147	\$111,020

Recommendation

We recommend Van Buren ISD implement controls to ensure their LEAs only report allowable costs on the Quarterly Financial Report that are supported by the financial accounting system in compliance with the Medicaid Provider Manual.

Corrective Action Plan

1. The ISD will provide Quarterly Financial Report training to the local LEA Business Managers, ensuring that information is provided on how to complete the report, on appropriate coding of costs in the financial software, and review of allowable and unallowable costs.
2. The ISD will provide training on who is allowable on the staff pool list to ensure only allowable costs are reported.
3. The ISD will conduct random audits on a sample of the LEA's Quarterly Financial Report requiring backup accounting ledgers from the financial accounting system and all other supporting documentation.

Completion Date

August 31, 2024

Responsible Individuals

Rebecca DePas, Director of Finance, Van Buren ISD

Kara Weberg, Accountant, Van Buren ISD

Susan Starkweather, Medicaid Coordinator, Van Buren ISD

FUNDING METHODOLOGY

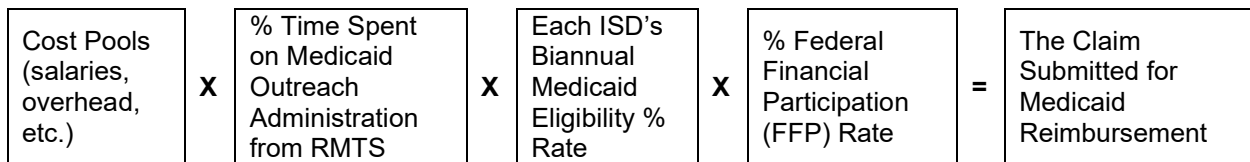
The School Services Program (SSP) includes the Administrative Outreach Program (AOP); Direct Service Claiming (DSC), formerly School Based Services (SBS); and Caring 4 Students (C4S).

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:



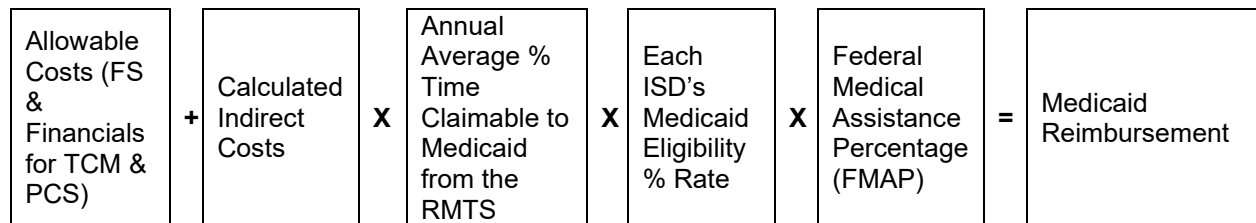
Direct Service Claiming and Caring 4 Students

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:



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 Van Buren Intermediate School District's records and activities for the period July 1, 2020 through June 30, 2021.

Our audit procedures included the following:

- Performed audit procedures remotely for Van Buren Intermediate School District and 1 of 12 Local Education Agencies: South Haven 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 Psychologist/Psych, Speech Therapist and Social Worker.
- Reviewed payroll documentation, and all required supporting documentation for a sample of Targeted Case Management, Personal Care Service, and Administrative Outreach Program personnel for the October – December 2020 quarter.
- 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 Other Supplies/Repair Parts.
- 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
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