
Calhoun Intermediate School District

School Based Services Program
Financial and Student Claims Audit

For the Period July 1, 2013 through June 30, 2014

Audit Report – Issued March 11, 2020

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

ROBERT GORDON
DIRECTOR

March 11, 2020

Mr. Mark Ludlow, Chief Accountant
Calhoun Intermediate School District
17111 G. Drive North
Marshall, Michigan 49068

Dear Mr. Ludlow:

Enclosed is our final Audit Report for the Michigan Department of Health and Human Services (MDHHS) audit of the Calhoun Intermediate School District Medicaid School Based Services Program for the period July 1, 2013 through June 30, 2014.

The final report contains the following: Executive Summary with objectives and conclusions, Funding Information; Scope and Methodology; and Glossary.

Thank you for the courtesy and cooperation extended throughout this audit process.

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

cc: Toni Sturgis, Coordinator for Medicaid Services, Calhoun ISD
Deb Hallenbeck, Director, MDHHS – Audit Division
Kabeer Singh, Auditor, MDHHS – Audit Division
Tracie Bonner, Senior Auditor, MDHHS – Audit Division
Kevin Bauer, Specialist, MDHHS – Medicaid Program Policy Division
Steve Ireland, Manager, MDHHS – Rate Review Section

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EXECUTIVE SUMMARY

Below is a summary of our audit objectives and conclusions:

Audit Objective #1 - Student Claims	Conclusion
To assess whether Calhoun ISD and its LEAs effectively developed student claims in accordance with applicable Federal and State requirements.	Effective
No findings reported.	

Audit Objective #2 - Financial Reporting	Conclusion
To assess whether Calhoun ISD and its LEAs effectively developed cost claims in accordance with applicable Federal and State requirements.	Effective
No findings reported.	

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

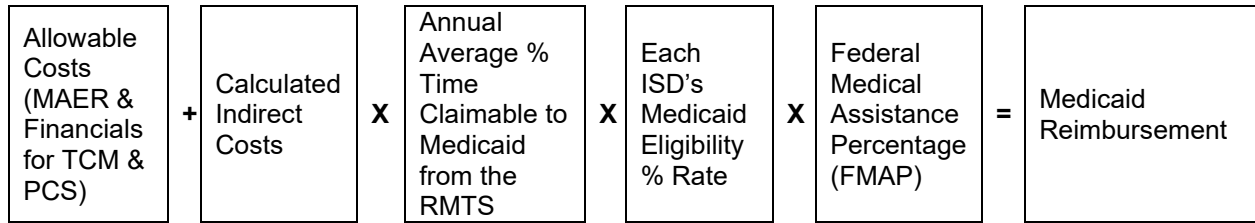
Staff salaries and related costs are reported directly to a hired contractor, the Public Consulting Group (PCG), on quarterly financial reports by each of the Local Education Agencies (LEAs). PCG combines the costs per Intermediate School District (ISD), applies various allocation percentages and submits 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:

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 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 on the Medicaid Allowable Expenditure Report (MAER). 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 MAER Transportation 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, 2013 through June 30, 2014.

Our audit procedures included the following:

- Performed onsite fieldwork at the Calhoun ISD and reviewed 4 of 18 LEAs including; Albion Public Schools, Battle Creek Public Schools, Lakeview School District, and Pennfield 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, IEP/IFSPs and all required supporting documentation for a sample of Direct Medical Services claims.
- Reviewed payroll documentation, certification/licensure, and all required supporting documentation for a sample of AOP 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) Circular A-87 (located at 2 CFR Part 225).
- Verified the approved indirect cost rate was used in claim calculations and applied only to costs in the specified base.

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
HCRD	Hospital and Clinic Reimbursement Division
IEP	Individualized Education Program
IFSP	Individualized Family Service Plan
ISD	Intermediate School District
LEA	Local Education Agency
MAER	Medicaid Allowable Expenditure Report
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