



# **Control Cycle Audit of Special Education Medicaid Billing**

## **VICTOR CENTRAL SCHOOL DISTRICT**



**Victor Central School District  
953 High Street  
Victor, NY 14564**

**November 17, 2017**



To the Audit Committee  
Victor Central School District  
Victor, New York

We have performed a review of the internal controls of Special Education Medicaid Billing. We obtained an understanding of these internal controls by inquiry, observation and the inspection of documents and records. Our review of Special Education Medicaid Billing included examining students' Individualized Educational Programs, service providers' credentials, attendance reporting, and claims submitted to Medicaid for related services.

We conducted our review in accordance with attestation standards established by the American Institute of Certified Public Accountants. Such standards require that we understand the School District's management controls and compliance with those laws, rules and regulations that are relevant to the District's operations that are included in our scope. A review includes examining, on a test basis, evidence that supports the transactions performed in each area examined. We believe our review provides a reasonable basis for our findings, conclusions and recommendations included in this report.

It should be noted that the comments herein may be critical by nature and do not include the many strengths inherent in the District.

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**BACKGROUND:**

The Victor Central School District (District) is located in Ontario County and has a total enrollment of approximately 4,400 students. The District provides specialized services, such as physical therapy, occupational therapy, and speech therapy, to disabled students. The services are outlined in each student's Individualized Education Plan (IEP), as determined by the District's Special Education Committee. The District bills Medicaid for these services if the student has been determined to be Medicaid eligible.

**OBJECTIVE:**

The objective of our audit was to evaluate the internal controls over the Special Education Medicaid Billing function at the Victor Central School District.

**AUDIT SCOPE, PROCEDURES AND FINDINGS:**

Our overall annual goal involves assessing the adequacy of the internal controls put in place by officials to safeguard the assets of the Victor Central School District. To accomplish this, we reviewed the risk assessment of the District's internal controls evaluating the risk within each control cycle. The risk assessment evaluated the following areas or control cycles: Budgeting; Cash Receipts and Revenue; Transportation; Food Service; Extra Classroom Activity Fund; Capital Assets/Projects and Indebtedness; Purchasing, Claims, Accounts Payable and Cash Disbursements; Payroll and Personnel; and Accounting, Reporting and Information Technology. Using our updated risk assessment report dated March 15, 2017, and other criteria, the Audit Committee of the District selected to review Special Education Medicaid Billing. As a result, our testing was limited to this area.

In performing our review of Special Education Medicaid Billing of the Victor Central School District, we started by examining students' Individualized Educational Programs, service providers' credentials, attendance reporting, and claims submitted to Medicaid for related services. Our scope was limited to the period of July 1, 2016 through May 31, 2017.

**AUDIT SCOPE, PROCEDURES AND FINDINGS (Continued):**

Our examination included the following procedures:

**District Policies**

- Inquired whether the District has established a compliance program related to its Medicaid billing and whether the compliance program is comprised of the eight critical elements as mandated by the Office of the Medicaid Inspector General.
- Determined whether the District’s service providers are properly licensed with New York State for the related services they are providing to students.
- Inquired whether the District performs exclusion screening for its Medicaid providers to verify that none of the service providers are excluded from participating in the Medicaid program.
- Ensured that the District maintains Individualized Education Programs (IEP’s) for all of its students with disabilities and that these programs are periodically reviewed and updated.
- Inquired about the District’s current procedures for identifying all Medicaid eligible students that are receiving related services for which the District could bill.
- Inquired about which related services the District provides to students and bills Medicaid.
- Determined whether the District has effective methods to track all services provided to students with IEP’s.
- Met with service providers to assess the adequacy of the process used to document and track services provided.

**FINDING:**

The controls over District Policies are operating effectively with no exceptions noted.

## **AUDIT SCOPE, PROCEDURES AND FINDINGS (Continued):**

### **Billing for Related Services**

We were provided with a list of Medicaid eligible students who are currently receiving related services (Occupational Therapy, Physical Therapy, Speech Therapy) based on an approved IEP. We selected a sample of 15 of these students for detailed testing, which included:

- Ensured that the District billed Medicaid monthly for the services documented in students' IEP's.
- Verified that services were reported timely in the District's billing system.
- Determined that dates of service were entered correctly and are consistent with student attendance data.
- Determined whether the District has documentation to satisfy required elements of Medicaid regulations in order to bill for the services provided (i.e. parental consent, provider prescriptions/referrals, contemporaneous session notes, etc.).
- Inquired whether the District has billed for transportation services, when appropriate.
- Determined whether there were Medicaid eligible students with IEP's that received related services but were not billed by the District because the student has not applied for Medicaid.

### **FINDINGS:**

The controls over Billing for Related Services are operating effectively with the following exceptions noted:

1. Medicaid regulations now require that the District obtain prescriptions/referrals from the student's provider in order to substantiate the need for the approved service if the District is to submit claims for reimbursement. These prescriptions/referrals must be in place prior to the date of service in order for a claim to be valid. We identified five students in our testing for which a valid prescription/referral was not in place at the time the related services sessions began. Consequently, the sessions that had dates of service prior to the authorized date of the prescription/referral could not be billed. The total number of sessions identified that were not eligible for billing purposes was approximately 45.

### **RECOMMENDATION:**

We recommend that the District examine its process for obtaining prescriptions/referrals from providers in an effort to identify ways to ensure they are received prior to the start of the service. In particular, we suggest the District determine what may have caused the delays in the exceptions identified to determine ways of avoiding similar situations in the future. Improvements to this process can minimize the instances in which the District must forego billing due to missing or delayed documentation.

**AUDIT SCOPE, PROCEDURES AND FINDINGS (Continued):**

**Billing for Related Services (Continued)**

**DISTRICT'S RESPONSE:**

Victor related service providers contact medical providers multiple times to obtain prescriptions for related services. Often times, related service providers are faxing requests three to five times per each student to attempt to obtain these. While our providers are putting forth their best effort to obtain these referrals, they continue to provide the special education service as mandated on the student's IEP, so that the student's progress is not hindered.

2. Speech evaluations are a qualified service that can be submitted for reimbursement. We noted four instances in which a prescription/referral authorizing an evaluation was present but there was no evidence that a claim for the evaluation had been submitted. According to the District's billing vendor, the supporting documentation for these evaluations was not entered into the billing system (IEP Direct) accurately and a claim could not be submitted.

**RECOMMENDATION:**

We suggest the District work with its providers to reinforce the proper way to complete documentation associated with speech evaluations. Implementing a review process to ensure these services are properly documented should also be considered. Improvements to this process can minimize the instances where the District must forego billing due to incomplete or inaccurate documentation.

**DISTRICT'S RESPONSE:**

The process for entering speech evaluations into the billing system was re-explained at the October speech department meeting, and all speech providers have a clear understanding of the expectation that these evaluations are submitted for claiming.

3. Medicaid billing regulations require that services provided be supported by contemporaneous session notes completed by the therapist in order for the session to be eligible for reimbursement. Our testing identified two instances in which the session notes had not been completed timely (several weeks after the date of service). Consequently, these sessions could not be billed or reimbursement was denied because the notes were not considered contemporaneous.

**AUDIT SCOPE, PROCEDURES AND FINDINGS (Continued):**

**Billing for Related Services (Continued)**

**RECOMMENDATION:**

We recommend that the District work with its providers to reinforce the importance of completing session notes timely and including contemporaneous notes that document the student's progress. Minimizing these types of exceptions will reduce the instances where the District must forego billing due to missing or delayed documentation.

**DISTRICT'S RESPONSE:**

Action has been taken with all related services staff to reiterate the necessity of submitting timely session notes.

4. Medicaid billing regulations require the District to obtain parental consent (which the parent has the option to decline) in order to submit claims to Medicaid for reimbursements related to services provided to their child. This consent must be in place prior to the date of service in order for a claim to be valid. Our testing identified four cases in which parental consent had not been obtained. In two cases, the parents had chosen to decline signing the consent. In these cases, the District will be unable to submit claims for the related services provided. A third case involved a student who became Medicaid eligible after he started receiving services. It appears the District failed to recognize that he was newly eligible and parental consent was never obtained. The final case is related to a student who transferred from another district. The District failed to obtain valid parental consent applicable to Victor CSD.

**RECOMMENDATION:**

We suggest the District work with its vendor to ensure there is an effective process in place which communicates situations in which a student may become Medicaid eligible at some point during the school year. The District can then ensure that the necessary Parental Consent is obtained for these students and the District will be able to maximize the claims that can be appropriately submitted for reimbursement.

**DISTRICT'S RESPONSE:**

Since this has been brought to attention, a process has been put in place with the registrar to seek parental consent when students are registered.

**AUDIT SCOPE, PROCEDURES AND FINDINGS (Continued):**

**Billing for Related Services (Continued)**

5. Our testing identified one instance in which the District billed Medicaid for related services for a student that was reported absent from school for the date of service indicated. This type of inconsistency is often an area that the Office of Medicaid Inspector General will look for when performing their own audits and could potentially expose the District to findings that could lead to repayment of prior Medicaid payments and fines/penalties.

**RECOMMENDATION:**

We suggest the District consider ways in which it can identify inconsistencies between a student's attendance record and the dates of service that are documented in their IEP service log. Having a review process whose purpose is to validate the accuracy of this data will minimize the risk of billing errors and can help mitigate potential financial exposure to similar findings in other audits. Any such discrepancies that are identified during an internal review should be investigated and appropriate corrective action should be taken to resolve the errors.

**DISTRICT'S RESPONSE:**

This has been reviewed with all related service providers, and we will be implementing an internal review process to identify instances such as these so that errors are corrected.

**Monitoring & Oversight**

- Inquired about the District's process to review claims and identify potential errors in the billing process.
- Inquired about the District's process to follow up on denied claims, and take appropriate corrective action in order to re-bill those claims, when appropriate.
- Determined whether the District has an adequate process for updating its roster of Medicaid eligible students in order to ensure the billing process is accurate and complete.

**FINDING:**

The controls over Monitoring & Oversight are operating effectively with no exceptions noted.

**CLOSING:**

We would like to thank the staff of the Victor Central School District for their cooperation and hospitality during the audit.