

Middle Country Central School District

Review of Special Education Revenues & Expenditures

2020-2021

June 2021

Board of Education
Middle Country Central School District
8 43rd Street
Centereach, New York 11720

CERINI & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

Board of Education:

We have been retained to function as the internal auditor for the Middle Country Central School District (hereinafter, "the District"). Our responsibility is to assess internal control systems in place within the District, and to make recommendations to improve upon possible control weaknesses or deficiencies. In doing so, we hope to provide assurance to the District's Board, management, and residents that the fiscal operations of the District are being handled appropriately and effectively.

PURPOSE:

One of the many issues impacting school districts has been the rising cost of special education services. The special education population as a percent of the total student population continues to rise in all districts making it more difficult to control special education costs. Federal legislation established a mandate to provide students with appropriate services and maintenance of effort, yet State funding continues to decrease, which presents Districts with the task of using available resources in the most efficient manner possible. As part of the risk assessment performed at the District during the 2019-2020 school year, we recommended performing a review of the processes and procedures surrounding special education revenues and expenditures. The purpose of our review was to assess whether the internal controls within the Special Education and Pupil Personnel Services (PPS) Department are adequate to ensure that the District is properly monitoring special education costs, as well as maximizing potential revenues.

SCOPE:

We first met with the District's special education department to gain an understanding of the procedures in place for providing, tracking, billing, and paying special education services. We then obtained data and reports related to students receiving special education services during 2019-2020. Based on the data received, we selected various samples to test the accuracy and appropriateness of the:

- Amounts input in the System to Track and Account for Children (STAC);
- Amounts paid to State-approved schools and BOCES for tuition and related services;
- Amounts paid to related service providers;
- Special education costs claimed and remitted to Medicaid; and
- Amounts paid to private (non-State-approved)/charter schools.

When providing special education services, school districts incur expenses and generate revenues as follows:

Expenses:

- Special education services provided to resident students who are either serviced in-District or are parentally placed in private (non-State-approved)/charter schools outside the District boundaries. The District did not have any students placed in a charter school during the 2019-2020 school year.
- Tuition charges for resident students placed by Committees on Special Education (CSE) in a public school outside the District boundaries, in a State-approved private school, or in a Boards of Cooperative Educational Services (BOCES) school.
- Related services expenses for students who receive services such as physical therapy, occupational therapy, and counseling.

Revenues:

- The STAC reimbursements from the State for special education and related services provided to resident students who are serviced within the District, placed in BOCES programs, and those who are placed in other public or State-approved private schools.
- Payments from non-resident students who are parentally placed in private (non-State-approved)/charter schools within the District's boundaries and receiving special education services.
- Payments from non-resident students receiving special education services in the District.
- Medicaid reimbursements for eligible resident, in-District students.

CONCLUSION:

Our review encompassed a historic event where school districts were forced to closed mid-March 2020 (fiscal 2019-2020). The closure caused by the COVID-19 pandemic required districts to modify their internal procedures for special education services.

In addition, due to the closures caused by COVID-19, the State delayed the opening of the online verification process in STAC and extended the deadline for claims to be verified in STAC to June 30, 2021 for all districts. It is District procedure to perform a review of the amounts entered into the STAC prior to verification. It should be noted that our review took place before the close of the verification process and prior to the District's complete review of the amounts entered into the STAC.

Further, while our review indicated areas where the District could improve internal controls, the results of our review indicated that the District has implemented sufficient internal controls and procedures to maximize revenues, minimize expenditures, and comply with District policies and State and Federal regulations. The District should be commended for its efforts.

The detailed results of our review are included in sections I through VI of this report.

I. STAC:

The District can identify and claim State Aid reimbursement for eligible students and all eligible services provided using STAC. This includes resident students receiving services within the District, through private placements, and through BOCES programs. Federal and State laws require districts to provide special education programs for students with disabilities. Students are referred to a district's Committee on Special Education (CSE) for special education services. The CSE arranges for an evaluation of the student's needs and decides if the student should receive special education services. An Individualized Education Program (IEP) is developed for each child

determined to need special services based on his/her evaluation, identifying services to be provided. The District utilizes the software application Frontline Education (formerly IEP Direct) to enter and maintain information about each student's IEP.

Students may receive special education services from teachers within the District or may attend programs in other school facilities such as BOCES, a State-approved private special education school (e.g., Developmental Disabilities Institute), or in another public school. Districts may receive State Aid reimbursement of approved costs per student from the New York State Education Department (NYSED) by utilizing the STAC (online system). Such costs must be equal to or exceed the District's threshold amount, as determined by NYSED. Before payment is made to a district, an Automated Verified Listing (AVL) is generated with information submitted for each STAC, and the district must verify the information on the AVL in the STAC claiming process. Therefore, it is crucial that districts have procedures in place to identify students receiving services who would exceed the threshold.

Our review of the District's STAC processes is documented below.

a) **In-District Placements:** As part of our review, we reviewed resident students receiving special education services to determine whether the District properly captured students in the STAC. During the school year, the Senior Account Clerk responsible for inputting costs into the STAC, obtains student schedules, teacher aide names, and other information for students who may meet the high-cost STAC threshold. Students who may meet the threshold include those students who receive 1:1 aide services, consultant teacher services, multiple related services, and those students placed in low, self-contained class sizes. If it is clear the student will not meet the threshold during an initial calculation, the spreadsheet is cleared, and the student is not input into the STAC. A high-cost STAC worksheet is completed in the STAC for those students near the threshold.

   We obtained listings from Frontline of in-District students with aide service, students in self-contained classes, and students with related services. We judgmentally filtered the listings based on the special class ratio, number of related services, and the aide services provided to identify those students who are more likely to be eligible for high-cost STAC reimbursement. We selected 10 of the 51 students that appeared on at least 2 of the listings and tested to determine whether the students were correctly included in or excluded from the STAC. **No exceptions were noted.**

   We also obtained a listing from the STAC of those students who were captured in the system as high-cost and selected 10 of the 19 students listed to ensure all eligible costs were included.

      Issue #1: We noted 4 students for whom the District did not include parent training services provided in the STAC. Through discussions with the Senior Account Clerk, we were informed that the trainings/workshops attended were unclear about whether parent training services were to be included as a service in the high-cost worksheet. As this is a systemic issue, we did not expand testing.

      Risk: The District is not maximizing revenue.

      Level: Moderate

Recommendation: We recommend the District ensure all eligible costs are included in the STAC for reimbursement. Specifically, parent training is considered a direct service if the provider is working directly with a student's parents and as such, is eligible for high-cost STAC reimbursement. We are aware the Senior Account Clerk attends various trainings, and due to the complexity of this area, we recommend continued training related to STAC procedures and special education revenues and expenditures.

Management's Response: *The Senior Account Clerk attends annual STAC workshops presented by Questar and the STAC Unit. The trainings instilled that a service had to be "directly provided to the student" to be included in the STAC high-cost worksheet. Currently, the Senior Account Clerk includes parent training costs when a contracted services provider delivers this service in the student's home as providing this service in the home increased the likelihood of the child being involved. In-district parent training does not include the student. It is important to note that potential lost revenue for 2019-2020 is minimal. The PPS department will go through and add parent training services to high-cost worksheets for fiscal 2019-2020 and going forward.*

Planned Completion Date: *June 30, 2022*

b) **Out-of-District Placements:** Per NYSED, "After the consideration of all other IEP components, the Committee determines the recommended placement. Placement may be in a public school, Board of Cooperative Educational Services (BOCES), approved private school, State-operated school, State-supported school, or a Special Act School District. Placement decisions must be based on the child's strengths and needs and reflect consideration of whether the child can achieve his or her IEP goals in a regular class with the use of supplementary aids and services and/or modifications to the curriculum." As part of our review, we assessed whether the District is paying the appropriate costs related to the education of resident students with disabilities who are placed by CSE in another public school or in a State-approved private school. In addition, we reviewed whether applicable students are properly captured in the STAC for State Aid reimbursement.

We selected 10 (7 BOCES, 1 public school, and 2 private schools) of the 96 students receiving special education services through State-approved private schools, other public schools, or BOCES during the 2019-2020 school year.

i. **Public and State-Approved Private School Placements:** The District (the district of residence) is billed by the district of location (DoL) for the special education services provided. The tuition costs can be based either on the estimated rate established by the NYSED or on actual costs incurred by the DoL. The State will issue both prospective and reconciled rates for each school year. Pursuant to the contract between the public/State-approved private school and the District, if the school's rates are modified upward or downward by NYSED, the parties are permitted to adjust the tuition payments so that the District will have paid in accordance with the approved rates applicable to the respective year tuition.

During our review, we verified whether a contract was executed with either the DoL or the State-approved school. We then confirmed whether services billed to the District were in accordance with the student's IEP and that the District was billed for

the correct tuition rate. We also confirmed whether the District properly used the STAC to claim State Aid reimbursement for the correct amount for the 2019-2020 school year tuition, and the extended school year tuition and transportation, if applicable. We noted that District procedure is to compare the prospective tuition rate with the reconciled rates on an annual basis to determine whether any credits due to a reduction in the rates need to be obtained. **No exceptions were noted.**

ii. **BOCES Placements:** When BOCES invoices are received, they are reviewed by the special education staff to ensure that invoiced amounts are correct and agree to what is mandated on each student's IEP. During our review, we determined whether the District is paying the tuition and other special education costs for resident students who are CSE-placed in BOCES and verified whether the costs billed to the District agreed to the contracted rates. We then compared the services billed to those services mandated by the student's IEP. Finally, we verified whether the District claimed State Aid reimbursement on the STAC for all eligible costs billed to the District, including the extended school year tuition and transportation, if applicable.

Issue #2: We noted 1 student who did not receive services in accordance with his/her IEP. Through discussions with PPS, school closures due to COVID-19 and the absence of parent/student availability for teleservices prevented services from being rendered; however, correspondence was not adequately documented in the student's file.

Risk: The District may not be in compliance with State regulations surrounding IEP implementation.

Level: Moderate - High

Recommendation: To ensure the District is in compliance with State regulations, we recommend the District develop documented procedures to ensure each student receives all services listed on his/her IEP and that documentation be maintained in student files should those services not be provided notating the reason services could not be provided, the attempts to provide those services, and communication with parents regarding those services.

Management's Response: BOCES provided the PPS Coordinator with a verbal response as to why the student was not receiving the PCT during the COVID shutdown in the Spring. The District will follow up with BOCES to request documentation of students who are not receiving services in writing, so we are aware.

Planned Completion Date: *June 30, 2022*

II. CSE PLACED, OUT-OF-DISTRICT (Revenue):

Based on the CSE meeting, a student may be placed in another public school district to receive special education services if that district has specific resources in place that would be more cost effective for the district of residence (DoR) to utilize rather than implementing the program in-house. The DoR is billed by the DoL (the District) for the special education services provided using the non-resident tuition (NRT) rate.

We selected all 4 of the non-resident students receiving special education services through the District for whom the District billed the DoR during fiscal 2020. We assessed whether the District billed the DoR at the correct non-resident tuition rate and whether the District maintained a contract with the DoR. **No exceptions were noted.**

Auditor's Comment: We noted the District did not use the estimated NRT rate for the year in which they were billing a DoR for students CSE-placed in the District; however, we noted the District is correctly sending a reconciled bill to the DoR when the actual NRT rate is available. The District should use the estimated NRT for the school year for which the District is billing the DoR.

In addition, we noted inconsistencies in the tuition calculations when billing the DOR. Specifically, the District uses a daily rate for some calculations and a monthly rate for others. While we did not note errors in the calculation, to reduce the risk of miscalculation, the District should use a standard method of calculating the cost of tuition when billing.

III. PARENTALLY-PLACED (Revenue & Expenses):

a) **Expenses:** Actual costs related to CSE administration, evaluations, and special education services provided to a non-resident student may be recovered from a student's DoR school. In addition, the proportionate share of IDEA Federal funds and applicable State Aid received by the DoL should, in general, be credited to the DoR. The District is billed by other educating districts for Middle Country students who are parentally placed and receiving special education services in private (non-State-approved)/charter schools outside of the District. Contracts, though not required by school law, are generally executed at the beginning of the fiscal year with districts servicing Middle Country students. The District ensures the student is a Middle Country resident, and the detailed bills are reviewed by clerical personnel in the Special Education/Pupil Services Department prior to the District processing payment to other districts. We performed testing to determine whether the District is paying appropriate costs related to the education of Middle Country students parentally placed in private (non-State-approved)/charter schools outside the District.

   We selected all 6 school districts from which Middle Country received an invoice for students who were parentally placed in private (non-State-approved)/charter schools receiving special education services during the 2019-2020 school year based on the listing provided by the District. We selected 10 of the 31 students from the invoices to evaluate whether the amounts charged agreed with the contract, the invoice had supporting documentation attached, the services provided were on the student's IEP, and the District was properly credited for any proportionate share of Federal funds and/or State Aid, if applicable. **No exceptions were noted.**

b) **Revenue:** The District has one private (non-State-approved) school located within the Middle Country school district boundary. The District is permitted to bill the DoR for non-resident students attending these schools and receiving special education services (similarly to how the District is billed by other school districts). We performed testing to assess whether the District is accurately billing the DoR for non-resident, parentally-placed students in the private (non-State-approved) school within the District.

We selected all 7 of the non-resident students who attended a private (non-State-approved) school within District borders in the 2019-2020 school year. We determined whether the District billed the DoR for the health and welfare services and included any additional costs, if applicable. **No exceptions were noted.**

IV. CONTRACTED RELATED SERVICE EXPENSES:

Related services include speech therapy, occupational therapy, physical therapy, and rehabilitation counseling, as well as other services to enhance a student's ability to function in an education program. Related services may be among those services that are recommended for a student at a CSE meeting. Once recommended, it is the District's responsibility to ensure that mandated services, as noted on a student's IEP, are being provided either through District employees or through contracted providers. If related services are provided by outside vendors, the District must execute a contract with the vendors. We tested related services to assess whether rates billed on the invoices agreed to vendor contracts.

We selected 5 different vendors who provided related services accounting for more than half of the total related services expenditures during the 2019-2020 school year. We then selected various months during the year and selected various charges included on the invoices selected and performed testing to verify that the rates for services charged agreed to the rates listed in the vendor's contract. We also verified that the invoices were mathematically accurate. **No exceptions were noted.**

Auditor's Comment: We noted one service included on an invoice was billed at the incorrect rate. As a result, the District underpaid for 4 sessions of counselling (total $4 underpayment). The District was already aware of the discrepancy and contacted the vendor prior to our review who agreed not to adjust the invoice.

V. MEDICAID REIMBURSEMENT:

The Medicaid claims reimbursement process is a complex process with a myriad of ever–changing regulations which all districts must adhere to. School districts receive Medicaid reimbursement for certain health support services provided to eligible students with an IEP. The process requires monitoring changes in regulations and effective communication of such changes to staff to ensure that correct procedures are followed to claim Medicaid reimbursements. Reimbursable services include, but are not limited to, physical therapy, occupational therapy, and speech therapy services. The New York State Department of Health (DOH) has developed a monthly fee schedule for such services. Districts receive reimbursement based on the approved amounts, with the State withholding its share from a district's State Aid. Individuals who order/prescribe/refer/attend services payable by the fee-for-service Medicaid Program must be enroll in the fee-for-service Medicaid Program.

The District uses Frontline's Medicaid Direct as its Medicaid service provider. This system is linked to the District's IEP system. Frontline's systems are used to enter progress notes. The Senior Account Clerk runs a report at month end of those students and their respective services that are claimable and non-claimable. Requirements for submitting a Medicaid reimbursement claim include having a signed parental consent form to bill Medicaid, medical prescriptions establishing medical necessity, and contemporaneous session notes from providers, with information detailing Current Procedural Terminology (CPT) codes and session start and end times. Frontline informs the District of any missing items and/or what is making a claim non-claimable through Medicaid. Unless all the necessary criteria are met, a Medicaid claim will not be processed for a particular

student. In addition to month-end procedures, the Senior Account Clerk reviews Medicaid claims at various points of time to look for anticipated issues in efforts to correct them prior to claims submission. The Senior Account Clerk and the Director of Finances attend training sessions as mandated by the Office of Medicaid Inspector General's (OMIG) compliance program.

NYSED states "it is the responsibility of school districts…to verify NYS licensure and current registration [of providers] at least on an annual basis. In addition, school districts…are responsible for checking the Federal and State exclusion lists." The Office of the Medicaid Inspector General (OMIG) recommends that the exclusion list be checked every 30 days. The Senior Account Clerk has procedures in place to review the credentials of each provider for whom they are billing related services by:

- Reviewing the NYS Office of the Professions website when providers are entered in Frontline to ensure that providers are currently licensed and enrolled with NYS.
- Reviewing the National NPI website to ensure each provider has a valid NPI.
- Reviewing the exclusion list when a new provider is used and periodically thereafter, and
- Reviewing the NYS Medicaid program to ensure speech and psychological providers are enrolled as ordering/prescribing/referring/attending (OPRA) providers.

The Senior Account Clerk will notify providers when his/her license is close to expiration. If invalid or expired licensures exist in the Frontline system, the related claims will be rejected.

We assessed whether the District is in compliance with current Medicaid regulations and is claiming for all potential students and services. We selected 11 of the 101 students identified as Medicaid eligible in Frontline. We reviewed each selection to determine whether appropriate documentation was obtained to claim reimbursement from Medicaid. Such documentation includes referral to the CSE, parental consent, valid script, evaluation report, session notes, progress notes, special transportation logs (if applicable), and medication administration records (if applicable). In addition, we verified whether the clinician providing services to the selected students had valid certification, licensure, and/or registration and were not on exclusion lists. We also verified whether all private agencies or service providers with whom the District contracts (other than BOCES) had a Provider Agreement and Statement of Reassignment completed. Lastly, we tested whether the District claimed reimbursement for only Medicaid-eligible services. **No exceptions were noted.**

VI. FEDERAL IDEA GRANTS & ASEPS

The District receives Federal funding under Part B of the IDEA Section 611 and Section 619 to assist with the excess costs of providing special education to children with disabilities. Funds may be used to supplement state, local, and other Federal funds, but not supplant those funds. Districts must apply for these grants by submitting budgets, and they must also ensure that expenditures of grant funds adhere to the purpose of the IDEA. In addition, Districts may disburse Section 611 and Section 619 funds to Approved Special Education Programs (ASEPs) which serve one or more students with disabilities placed by the District. To be eligible for these "flow-through" funds, ASEPs are currently submitting Special Education Data Collection, Analysis and Reporting (SEDCAR) forms to the District, entering into contracts with the District, and providing final expenditure reports supporting how vendor funds were spent.

During our discussions with PPS, it was noted that Senior Account Clerk is properly monitoring flow-through funds to ASEPs by receiving proposed budgets and final expenditure reports from the ASEPs. In addition, we noted the Senior Account Clerk

has developed a process by which she compares the salary costs related to 611/619 grants and those salary costs input into the STAC for high-cost worksheets to ensure the salaries included in the 611/619 grants are not also included the STAC. **No exceptions were noted.**

Auditor's Comment: Since the processes involved with PPS are complex, the District should ensure these procedures are formally documented (e.g., procedures manual) to preserve historical knowledge.

We would like to thank the District for the cooperation and professionalism extended during our testing.

We understand the fiduciary duty of the Board of Education, as well as the role of the internal auditor in ensuring that the proper control systems are in place and functioning consistently with the Board's policies and procedures.

Should you have any questions regarding anything included in our report, please do not hesitate to contact us at (631) 582-1600.

Sincerely,

Cerini & Associates LLP

Cerini & Associates, LLP
Internal Auditor