



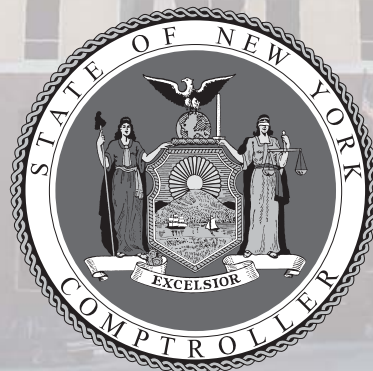
# Romulus Central School District Internal Controls Over Medicaid Reimbursement

Report of Examination

Period Covered:

July 1, 2008 — June 30, 2010

2010M-143



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

December 2010

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Romulus Central School District, entitled Internal Controls Over Medicaid Reimbursement. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*

# Introduction

## Background

The Romulus Central School District (District) is located in the Towns of Fayette, Romulus, and Varick, all in Seneca County. The District is governed by the Board of Education (Board) which comprises seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board. In addition to the Board and Superintendent, the District employs a Director of Pupil Personnel Services who is responsible for making the day-to-day management decisions relating to the special education services provided to the District's students.

There is one school in operation within the District, with 518 students and 123 employees. The District's annual budget for the 2008-09 fiscal year was approximately \$10.5 million which was funded primarily with State aid, real property taxes, and grants. The District spent approximately \$1.9 million for special education services in the 2008-09 fiscal year.

The District, like other school districts statewide, is able to obtain partial Federal reimbursement for many special education services provided to Medicaid-eligible students by submitting periodic claims documenting the services to the New York State Department of Health (DOH). Claims must be supported by documentation of the services provided to students and submitted within two years of the date services were provided.

The Director of Special Education (Director) is responsible for ensuring that all eligible claims are submitted for Medicaid reimbursement. The District has contracted with a vendor to review claims documentation for adequacy, prepare and submit the claims for reimbursement, and reconcile the claims approved for reimbursement to the claims submitted.

## Objective

The objective of our audit was to review the District's internal controls over Medicaid reimbursements. Our audit addressed the following related question:

- Is the District claiming the Medicaid reimbursement to which it is entitled for services provided to eligible special education students?

**Scope and  
Methodology**

We reviewed the District’s Medicaid reimbursement process for the period July 1, 2008 to June 30, 2010. We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

**Comments of District  
Officials and Corrective  
Action**

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our findings and recommendations and indicated that they planned to implement our recommendations to strengthen internal controls and increase Medicaid reimbursement revenues.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3)(c) of the Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk’s office.

## Medicaid Reimbursement Claims Processing

The Medicare Catastrophic Coverage Act of 1988 made it possible for school districts to obtain partial Medicaid reimbursement for many special education services that they provide to Medicaid-eligible students. The New York State Education Department (SED) and the DOH jointly established the School Supportive Health Services Program (SSHSP) to help school districts obtain Medicaid reimbursement for diagnostic and health support services<sup>1</sup> provided to eligible students with an individual education plan (IEP), and for targeted case management (TCM), which includes initial and periodic reviews and coordinating medical and non-medical procedures for students.

To administer the SSHSP, DOH has developed a monthly fee schedule for reimbursable services. Using the fee schedule, districts can submit claims to Medicaid for the gross amounts eligible for reimbursement. Districts must ensure claims are supported by adequate documentation of the services provided to students and submit the claims within two years of the date that the services were provided. Prior to April 1, 2009, the districts received Federal reimbursements of approximately 50 percent of the approved claim amounts. Because the State was entitled to one-half the Medicaid reimbursements (25 percent of the approved claim) sent to the districts, the State withheld its share from the districts' future State aid payment.

To ensure that all eligible services are submitted and reimbursed, it is important that District officials establish procedures for documenting and submitting claims, reconcile their submitted claims to reimbursements received, and review disallowed amounts to identify claims that can be resubmitted. District staff and service providers must be trained properly in the claims submission process, which includes explaining what types of documentation service providers must submit to adequately document the services provided and when staff must submit claims for reimbursement (deadlines for submission). Medicaid regulations also require that District officials use qualified service providers to ensure that they receive reimbursement for the services. Further, the District cannot release

<sup>1</sup> Reimbursable services include physical and occupational therapy, speech pathology, psychological counseling, skilled nursing services, basic and comprehensive psychological evaluations, medical evaluations, medical specialist evaluations, audiological evaluations and transportation.

certain confidential student information without parental consent.<sup>2</sup> Finally, District officials must monitor the reimbursement process to ensure that the District receives all Medicaid reimbursements to which it is entitled.

During the 2008-09 fiscal year, the District engaged a third-party vendor to prepare, submit, and reconcile the Medicaid claims submitted for reimbursement for services provided to Medicaid-eligible special education students. The Wayne-Finger Lakes Board of Cooperative Educational Services (BOCES) provided a web-based application for District staff and service providers to report and document service data, so the third-party vendor may submit claims for reimbursement. The District's contract with the vendor requires the vendor to provide monthly claims reports to the District and reconcile the claims submitted with those approved and denied for payment by the New York State Office of the Medicaid Inspector General (OMIG).

The District lacked written policies and procedures to define the responsibilities for collecting data and documentation, submitting and reconciling claims, and monitoring the reimbursement process during the 2008-09 fiscal year. Further, while the claims processing vendor provided the claims reports and reconciled the claims submitted against those approved for payment by OMIG, District officials did not follow up on denied claims and did not reconcile the claims approved for payment by OMIG with the Medicaid reimbursements received. As a result, the District did not claim and receive \$41,080 in potential Medicaid reimbursements for IEP-related services during the 2008-09 year.

Individual Education Plan-Related Services — IEP-related services that are eligible for Medicaid reimbursement under the SSHSP include physical and occupational therapy, speech therapy, psychological counseling, and skilled nursing services. We reviewed the case records for the District's 33 Medicaid-eligible students with IEPs and found that 29 of the students received 494 services at a cost of \$180,252. Forty-four of these 494 services, totaling \$15,932, were not eligible for reimbursement because the student was not Medicaid-eligible when the service was provided.

Of the remaining 450 services totaling \$164,320 that were not submitted, 286 services totaling \$94,314 (57 percent) were ineligible

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<sup>2</sup> The Federal Family Educational Rights and Privacy Act (FERPA, also known as the Buckley Amendment) and Medicaid regulations require that the identity of a student with a disability and any identification of services provided be kept confidential and not released without expressed consent of the parent. The District must therefore obtain parental consent to bill Medicaid for student services.



for reimbursement because the District-provided services did not meet Federal requirements. Specifically:

- The student’s IEP did not cover the whole period the services were provided.
- The student’s IEP could not be located.
- The District did not obtain parental consent for release of information.
- The District did not have the required medical referral for services on file.
- Counseling services were not provided by a dually licensed social worker.
- Certain counseling services were not eligible because reimbursement was suspended by the SED pending verification of provider qualifications, and the District was not allowed to submit these claims.

Had District officials ensured that procedures were in place to meet these requirements, the District could have realized an additional \$23,578 in Medicaid reimbursement. These claims cannot subsequently be submitted.

The remaining 164 services, totaling \$70,006, which were eligible for reimbursement but for which the District did not submit claims, resulted in the District losing \$17,502 in Medicaid reimbursement.

The following chart details the District’s lost IEP-related Medicaid reimbursement by cause.

<b>IEP-Related Services</b>			
	<b>Number of Services</b>	<b>Cost of Services</b>	<b>Lost Reimbursement Revenue (25 Percent of Claims Total)</b>
Services ineligible <sup>(a)</sup> for Medicaid reimbursement	286	\$94,314	\$23,578
Services eligible <sup>(b)</sup> for Medicaid reimbursement	164	\$70,006	\$17,502
<b>Total services provided to Medicaid-eligible students</b>	<b>450</b>	<b>\$164,320</b>	<b>\$41,080</b>
<sup>(a)</sup> These services were ineligible either because they did not meet certain Federal requirements, or because SED suspended reimbursement. Claims for these services can never be submitted for reimbursement.			
<sup>(b)</sup> These claims can still be submitted for reimbursement within the two-year filing period.			



For eligible services, the District has a two-year time period in which it can submit Medicaid claims for reimbursement for services provided before July 1, 2009. Since the two-year timeframe begins on the date the service was provided, the District can still submit eligible claims for services provided during the 2008-09 school year, provided the date of service was within two years of the filing deadline.

Because the District lacked policies and procedures to define the responsibilities for data collection, documentation, and claims submission and reconciliation — and did not monitor the claims processing activities performed by the District’s vendor — it lost a potential \$41,080 in Medicaid reimbursement for the period July 1, 2008 through June 30, 2009.

The New York State Medicaid Plan (State Plan) requires the State to administer Medicaid in accordance with Federal law and policy. As a result of the American Recovery and Reinvestment Act enacted in 2009, the Medicaid reimbursement rate for claims paid between April 1, 2009 and December 31, 2010 has been temporarily increased to over 60 percent. Furthermore, in accordance with statutory changes to Education Law, the State is no longer entitled to any of the districts’ reimbursements for claims with a date of service after June 30, 2009. The State is currently developing guidelines for the submission of claims in accordance with the recently approved SSHSP State Plan Amendment (SPA) #09-61 to meet all the requirements of the SPA #09-61.<sup>3</sup> Lastly, according to the terms of a Compliance Agreement between the State and Federal governments, there is a requirement that all service providers and all school district staff and other individuals involved with the reimbursement process must obtain annual training regarding the Compliance Agreement before the district is allowed to submit claims for reimbursement.

As of May 24, 2010, the District has submitted claims totaling \$60,032 from the 2008-09 school year for Medicaid reimbursement, and \$53,084 of these claims were approved for reimbursement at a rate of 31 percent, resulting in \$16,456 in Medicaid reimbursement. We encourage District officials to continue to submit eligible claims for reimbursement so they can maximize Medicaid reimbursement revenues.

Because the guidelines for submitting claims for services delivered after June 30, 2009 are still being developed, the District has not

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<sup>3</sup> SPA #09-61 defines the services, providers and their qualifications, and reimbursement methodology for the SSHSP and was approved by Centers for Medicare and Medicaid Services on April 26, 2010 with an effective date of September 1, 2009. Services provided between July 1, 2009 and August 31, 2009 do not have Federal approval and may not be submitted for reimbursement.

submitted claims for reimbursable services delivered since the beginning of the 2009-10 fiscal year. When these guidelines become available, District officials should develop policies and procedures that promote careful compliance with the guidelines to help ensure the District receives all the reimbursement revenue to which it is entitled.

## **Recommendations**

1. The Board and District officials should ensure that District personnel, as well as any vendors who process claims for the District, are aware of all Federal eligibility requirements for IEP-related claims (including the properly specified period of services, parental consent for release of information, medical referrals, and licensing of social workers) to ensure that the maximum number of special-education claims will be eligible for Medicaid reimbursement.
2. District officials should reconcile the amounts claimed for Medicaid reimbursement with the reimbursement amounts received, review any rejections or disallowances to determine whether the claims may be resubmitted with additional documentation or explanation, and ensure that such claims are properly resubmitted.
3. The Board should establish written policies and procedures that comply with the new Medicaid requirements to ensure that the District claims all Medicaid reimbursements to which it is entitled. These policies and procedures should include the establishment of personnel responsibilities and guidance on determining student eligibility and the claims process, including documentation requirements and timely submission of claims. District officials should also ensure that individuals who process Medicaid reimbursement claims understand these requirements and guidelines, and that District employees, as well as all District service providers, receive the annual training required by the Compliance Agreement.

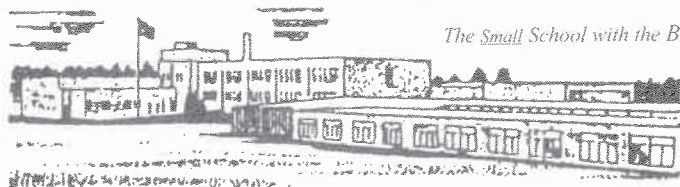
## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

The District officials' response to this audit can be found on the following pages.

## Romulus Central School

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ROMULUS, NEW YORK 14541-9551



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Edward V. Grant Jr. Chief Examiner  
Office of the State Comptroller  
Division of Local Government and School Accountability  
The Powers Building  
16 West Main Street, Suite 522  
Rochester, NY 14614

November 30, 2010

Dear Sirs,

Thank you for your recent review of our Medicaid reimbursement process. The New York State Comptroller's on-site auditors were professional and thorough throughout the audit process. The information gathered from your office will assist us in maximizing our Medicaid reimbursements in the future.

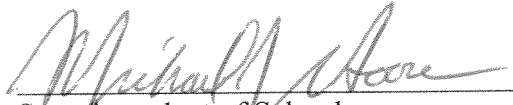
Based upon the initial input from the report, we are already in the process of modifying our policies and procedures. Your staff was also very willing to explain many of the recent changes to the process of delivering Medicaid services as well as to the new procedures for reimbursement.

We will continue to pursue the required parental permission to be reimbursed for Medicaid services and will follow up with our vendor all outstanding invoices to maximize reimbursements.

Specifically, based upon your recommendations, we offer the following response:


1. Continue the training received in 2010 by all personnel, as required.
2. Reconciliation reports will be issued by our vendor and reviewed by PPS Director and Business Official. Follow-up will occur on all un-resolved invoices.
3. Although we claim less than the \$500,000 threshold, we will seek templates for Board of Education policies from other districts for implementation in our district. The Board Policy committee will review and revise these templates to develop a specific policy that will fit the needs of the Romulus Central School District. The Superintendent and his administrative staff likewise will adopt procedures that will insure compliance with the new Medicaid requirements.

Sincerely,



---

Superintendent of Schools  
Michael J. Hoose



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Romulus Board of Education President  
Brian Sparrow

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of Medicaid reimbursement and special education.

During the initial assessment, we performed a trend analysis on the District's Medicaid reimbursements over a five-year period (July 1, 2004 through June 30, 2009). To perform the trend analysis, we obtained a summary of Medicaid claims by service and school year (July 1, 2004 to September 21, 2009) from the Office of the Medicaid Inspector General. In addition, we obtained the total K-12 population, the number of individuals with an IEP, the number of Medicaid-eligible students, and the number of free-lunch students for a three-year period (July 1, 2005 through June 30, 2008) from District officials.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft, and/or professional misconduct. We then decided on the reported objective and scope by selecting for audit those areas most at risk. We selected Medicaid reimbursement for further audit testing.

- We assessed the internal controls over the identification, monitoring, and preparation of claims for Medicaid reimbursement.
- We interviewed District personnel involved in the Medicaid reimbursement process.
- We compared the BOCES-prepared list of Medicaid-eligible students against the District's list of students with IEPs and the vendor's list of Medicaid-eligible students with IEPs.
- We reviewed the case records and billing summaries for the 33 Medicaid-eligible students with IEPs, and determined the total amount of IEP-related services provided and the number of claims for these services not submitted for reimbursement.
- We reviewed the 33 students' case files to determine if the consent for release of information was on file for each of the students and if the required medical referral for services were on file.

We conducted our performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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