

Section 3.15 School Based Services Benefit (SBS) – Use for audits of fiscal years ending June 30, 2014. Contact DHSAuditors@WI.gov for guidance for 2015 audits.

This section is applicable to audits of agencies that receive funding for the School Based Services Benefit directly from the Department of Health Services.

Funding: Medical Assistance, CFDA number 93.778. The federal government has identified Medical Assistance as a program of higher risk. Auditors will need to ensure that they meet the federal requirements for testing a major program within the context of also ensuring they meet the requirements from the Department of Health Services.

Background

The School Based Services (SBS) benefit is designed to provide federal Medicaid funding to Wisconsin schools to help pay for medically-related special education services for children who are eligible for the Medicaid program. Participants in this program include many of Wisconsin's school districts and the Brown County and Walworth County Children with Disabilities Education Boards.

Wisconsin Medicaid issues interim payments and final cost reconciliation adjustments to Medicaid-certified SBS providers. Interim payments are based on the specific service provided and the rate associated with that service. In addition, each SBS provider must complete an annual cost report. Districts may bill for services for up to 365 days following the date of service, and payment adjustments may be made up to two years after the date of service. As a result, during any given period, a school district could receive payments for the current period and the two prior periods.

All school districts that bill Medicaid for eligible students must report through an online Medicaid cost reporting tool (<https://costreporting.pcgus.com/wi>). This website contains all pertinent guides, training presentations and information regarding the cost reporting process. For additional questions please contact the State's vendor, Public Consulting Group, at WiCostReport@pcgus.com or (877) 395-5015, option 3.

Risk assessment

The Department of Health Services has designated SBS to be a Type A program when 1) the auditee has a single audit and 2) the department pays the auditee \$100,000 for SBS during the audit period. The department will provide a list of payments made for this program between July 1, 2013 and June 30, 2014 on the *State Single Audit Guidelines* website (www.ssag.state.wi.us) to use for confirming the amount of funding paid to the agency.

Risk factors:

- The SBS program has not been audited in at least one of the last two audits.
- The auditor identified significant findings for SBS in the most recent audit.

- The auditee has had significant changes in personnel or systems affecting the SBS program.
- The SBS program is new for this auditee.
- Test the auditee's general compliance in light of *DHS Audit Guide* (www.ssag.state.wi.us), Section 2.1 "Segregation of Duties," Section 2.3 "Allowable Costs," Section 2.6 "Reporting," and Section 2.10 "Illegal Acts and Other Misconduct." SBS cost reporting places extensive reliance on existing reporting. The SBS cost report was designed to take advantage of existing records that have financial audit and DPI review to assure their accuracy. Any problems with general compliance will call into question the accurate determination of SBS allowable costs. Proper use of existing records in completion of the SBS cost report is covered under program specific risk factors.
- The accuracy of the SBS costs should be reviewed in light of any problems found in the financial statement audit, including review of the WUFAR accounts, or the single audit. In particular, the accuracy of SBS costs should be reviewed in light of problems with the classification of cost that is revealed by Special Education and School Age Parents Aide Audit Procedures in Section 3.2 of the *Appendix to the State Single Audit Guidelines for Programs from the Department of Public Instruction* (www.ssag.state.wi.us). Audit steps for specific parts of the cost report can be found below.

Compliance requirements and suggested audit procedures

SBS A. Individual Education Program (IEP) and Consent to Bill Wisconsin Medicaid (M-5)

Compliance requirement(s)

In order to be reimbursed by Medicaid, all school-based services must be identified in the Individual Education Program (IEP). The IEP must be updated annually and approved by the parent or guardian annually. No reimbursement can be made for a Medicaid-coverable service not specified in the student's IEP. See the *SBS Handbook* and the *State Medicaid Updates* for detailed information on this approval

(<https://www.forwardhealth.wi.gov/WIPortal/Online%20Handbooks/Display/tabid/152/Default.aspx?ia=1&p=1&sa=58&s=2&c=61> and <https://www.forwardhealth.wi.gov/WIPortal/Tab/42/icscontent/Provider/Updates/Index.htm.spag e> respectively).

Following a Department of Public Instruction (DPI) directive

(<http://dpi.wisconsin.gov/sped/bul07-02.html>), all local education agencies (LEAs) that are Medicaid-certified SBS providers are required to have a signed and dated "Consent to Bill Wisconsin Medicaid for Medically Related Special Education and Related Services," DPI form M-5 (10/07), from the parent or guardian of a student with an IEP before claims for BadgerCare Plus services can be submitted. The DPI form M-5 is used in addition to the required parental consent to provide the special education and related services defined in a student's IEP. Previously, the application for Medicaid enrollment was considered valid parental consent to bill Wisconsin Medicaid for services and to share information. (BadgerCare+ Update, February 2008 (<https://www.forwardhealth.wi.gov/kw/pdf/2008-17.pdf>))

A signed and dated DPI form M-5 is required if a district intends to bill for services rendered. DPI form M-5 should be kept available in district's records.

School districts should take timely action to correct errors found in IEPs and to prevent future errors, as well as to correct claims on the cost reports for ineligible recipients. The auditor does not need to identify questioned costs at this point because school districts have a full year to file the final report for the activity during the audit period. However, the auditor should consider errors in IEPs and reporting for ineligible recipients to be significant findings that preclude the program from being low-risk in the subsequent audit, and auditors must verify that the school district corrected the IEPs and the reporting errors.

Suggested audit procedure(s)

- Determine IEP status and whether the parent or guardian approved the IEP.
- Determine whether the services billed were authorized in the plans.
- Determine whether the school district has a current signed and dated DPI form M-5.

SBS B. School-Based Services Medical Salaries and Benefits Costs Quarterly Financial Submissions

Compliance requirement(s)

School Districts report salary and benefit information for direct medical service providers through *Quarterly Financial Submissions*, which aggregate automatically into the annual cost report.

School districts should take timely action to correct errors found in *Quarterly Financial Submissions* and to prevent future errors. The auditor does not need to identify questioned costs at this point because school districts have a full year to file the final report for the activity during the audit period. However, the auditor must consider errors in reporting for the *Quarterly Financial Submissions* to be significant findings that preclude the program from being low-risk in the subsequent audit, and auditors must verify that the school district corrected its reporting errors.

Suggested audit procedure(s)

- Trace salaries and fringe benefits on the *Quarterly Financial Submissions* back to payroll, financial ledgers and supporting aide sheets.
- Trace the amounts on the *Quarterly Financial Submissions* ensuring that all federal funds are appropriately identified in the federal funds column.
- Trace the amounts included on the *Quarterly Financial Submissions* to allocation worksheets provided by the CESAs. The salaries and benefits of employees of CESAs and other school districts should be included. The school district should obtain these amounts from the CESAs and other school districts from which they hired employees. The CESAs and school districts should have information on how they arrived at the salaries and benefits they provided the school districts.
- If applicable, trace the salary and benefits amounts reported for any contracted staff listed on the *Quarterly Financial Submissions* to the appropriate invoices.

SBS C. Final Cost Report

The auditor must consider errors in reporting for the *Final Cost Report* to be significant findings that preclude the program from being low-risk in the subsequent audit. The auditor must identify questioned costs when it is practicable to determine the effect of reporting errors.

SBS C.1. Medicaid Eligibility Rate for Medical Services IEP Ratio (Reported under General and Statistical Information)

Compliance requirement(s)

The IEP Ratio is reported under the General and Statistical Information section of the online annual cost report. Providers should have an ongoing program with sufficient internal control to accurately identify total students enrolled in IEPs that include medical services. That system must identify total IEP students receiving medical services each year for each of the following service areas: speech language and hearing services, social work, counseling services, health (nursing), psychological services, occupational therapy, attendant care, and physical therapy. The total amount of IEP students with a service should be reported in the denominator of this ratio. Of those students, those who are Medicaid eligible will be reported in the numerator.

Suggested audit procedure(s)

- Review the provider's system for identifying the total IEP students receiving medical services by service area.
- Trace the provider's records that identify the total number of IEP students receiving a medical service by service area to the cost report.

SBS C.2. Purchased Medical Services and Medical Supplies Direct Medical Services Other Costs Summary Direct Medical Services Equipment Depreciation

Compliance requirement(s)

Purchased Medical Services and Medical Supplies (along with depreciation for items costing more than \$5,000) are reported under the Direct Medical Services Other Costs Summary and the Direct Medical Services Equipment Depreciation section of the online annual cost report. The Direct Medical Services Other Costs Summary section of the SBS cost report allows for the reporting of IEP purchased medical services, professional dues and fees, depreciation of direct medical equipment, employee travel, and medical supplies obtained from the annual report data and school district invoices. Providers may only report, on the cost report, the costs of purchased services that are IEP medical services and the cost of employee travel and medical supplies that are used for IEP medical services. All materials and supplies reported on the annual cost report must tie back to the *CMS List of Allowable Materials and Supplies* (https://costreporting.pcgus.com/dlcontent/WI/CMS_List_of_Allowable_Direct_Medical_Services_Supplies_and_Materials.pdf).

Suggested audit procedure(s)

- Test the invoices to verify that districts only include costs for IEP medical services, medical supplies used in IEP medical services, and employee travel related to IEP medical services on the cost report.

- Review materials and supplies listed on invoices to ensure the tie back to the *CMS List of Allowable Materials and Supplies*

Compliance requirement(s)

Districts must report all IEP purchased medical services, medical supplies, and employee travel costs in separate WUFAR sub-accounts. These WUFAR sub-accounts include:

- Object Code 311: IEP Personal Purchased Medical Services
- Object Code 344: Contracted Service Travel – IEP Medical Services
- Object Code 346: Employee Travel for IEP Medical Services
- Object Code 390: Inter-Governmental Payments for Services – Purchased IEP Medical Services
- Object Code 391: Payment to Municipalities
- Object Code 395: Payment to County
- Object Code 399: Payment to WTCS
- Object Code 418: Medical Supplies for IEP Medical Services

Suggested audit procedure(s)

- Test the district’s General Ledger to verify that districts are using the sub-accounts for IEP medical services listed above in reporting costs incurred during the applicable school year.
- Determine whether the costs reported through the cost report are supported by the district’s records.

**SBS C.3. SBS Transportation Costs Transportation Payroll Information
Transportation Other Costs Transportation Equipment Depreciation**

Compliance requirement(s)

All appropriate specialized transportation costs are reported on the following sections of the online annual cost report including: Transportation Payroll Information, Transportation Other Costs, and Transportation Equipment Depreciation. Transportation costs that are charged to SBS must be supported by payroll information, asset ledgers, and all other applicable financial documentation relating to the provision of special education transportation.

Suggested audit procedure(s)

- Trace the transportation amounts on the cost report to relevant financial data.
- Review all costs to ensure that they tie to the provision of special education transportation only, and they are not exclusively for general education transportation.

SBS C.4. Medicaid Eligibility Rate for Transportation One Way Trips Ratio (Reported under General and Statistical Information) Vehicle Ratio (Reported Under General and Statistical Information)

Compliance requirement(s)

The One Way Trips Ratio is reported under the General and Statistical section of the online

annual cost report. Providers should have an ongoing program with sufficient internal control to accurately identify total one-way student trips on transportation reported. The number of one-way trips on IEP transportation should be properly reported on the cost report. The numerator of this ratio is the total number of one way trips taken by Medicaid eligible students with specialized transportation needs documented in their IEP, receiving a direct medical service (also relating to their IEP) on that day. The denominator is the total number of one way trips taken by all students with specialized transportation needs in their IEP (regardless of whether they received a service that day). The maximum amount of trips reported on a single day is two per student.

If a district cannot discreetly identify costs as special education costs from all transportation costs (for instance a mechanic works on special education and regular education vehicles), they may report costs as “not only specialized transportation.” When this occurs, the district will be required to report a Vehicle Ratio under the General and Statistical Information section. The numerator of this ratio is vehicles used to transport students with specialized transportation needs in their IEP, and the denominator is all busses used for all transportation.

Suggested audit procedure(s)

- Review the provider’s system for identifying the total number of one-way trips on IEP transportation busses, which include any bus whose cost is included on the cost report.
- Trace the provider’s records that identify the total number of one-way trips on IEP transportation busses to the cost report.
- Ensure the district has bus logs and attendance sheets which support that the Medicaid eligible child was on the bus, and received a direct medical service that day (pursuant to an IEP) for the numerator of the one way trips ratio.
- If applicable, review vehicle counts to determine the validity of the vehicle ratio.

Presentation of SBS in the Schedule of Expenditures of Federal Awards

At minimum, the department recommends presenting the following information for SBS in the Schedule of Expenditures of Federal Awards:

Federal awarding agency:	Department of Health and Human Services
Pass-through agency:	Wisconsin Department of Health Services
Program name:	Medical Assistance Program
CFDA Number:	93.778
Expenditures:	(Amount billed during audit period)

Presentation of findings

See Section 4.11 of the *Main Document to the State Single Audit Guidelines* (www.ssag.state.wi.us) for guidance on development of an audit finding. When presenting findings, identify the program and the specific compliance requirement, for example “SBS A. Individual Education Program (IEP) and Consent to Bill Wisconsin Medicaid (M-5).”

Sending the audit report to the Department of Health Services

The Department of Health Services needs to receive a copy of the audit report as a requirement for SBS only if the auditee had a single audit and if SBS was a Type A program for the auditee, i.e. the department paid the auditee \$100,000 or more during the auditee's fiscal year. Audit reports may be required regardless of SBS funding for auditees that also have other funding from the department.

Audit reports shall be sent by the auditor via email to DHSAuditors@Wisconsin.gov with cc to the auditee. The audit reports shall be electronically created pdf files that are text searchable, unlocked, and unencrypted. (To ensure that pdf files are unlocked and text-searchable, do not scan a physical copy of the audit report and do not change the default security settings in your pdf creator.) Audit reports for the year ended June 30, 2014 are due to the Department of Health Services no later than the due date for the Department of Public Instruction, which is December 1, 2014.

Questions

Please send questions by email to DHSAuditors@Wisconsin.gov and include the identifier for the audit procedure (example "SBS A. Individual Education Program (IEP) and Consent to Bill Wisconsin Medicaid (M-5)") and the name of the auditee in the message.