

## **Section 3.15 School Based Services Benefit (SBS) – use for audits for fiscal years ending June 30, 2013**

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**

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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 (CCDEBs).

Wisconsin Medicaid issues interim payments and final cost reconciliation adjustments to Medicaid-certified school-based services providers. Interim payments are based on the specific service provided and the rate associated with that service. In addition, each school-based services 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.

### **Risk assessment**

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The Department of Health Services has designated the School Based Services Benefit to be a Type A program when 1) the auditee has a single audit and 2) the department pays the auditee \$100,000 for the School Based Services program during the audit period. The department will provide a list of payments made for this program between July 1, 2012 and June 30, 2013 on the [State Single Audit Guidelines website](#)<sup>1</sup> to use when determining the amount of funding paid to the agency. This information also serves as a confirmation of the department's payments to school districts for the program.

#### **General risk factors:**

- The program has not been audited in at least one of the last two audits.
- The auditor identified significant findings in the most recent audit.
- The auditee has had significant changes in personnel or systems affecting the program.
- The program is new for this auditee or the program requirements have recently changed substantially.
- The program has complex administrative requirements.

- Test the auditee’s general compliance in light of [DHS Audit Guide](#)<sup>2</sup>, Section 2.1 “Segregation of Duties,” Section 2.3 “Allowable Costs,” Section 2.6 “Reporting,” and Section 2.10 “Illegal Acts and Other Misconduct.” School Based Services 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 School Based Services allowable costs. Proper use of existing records in completion of the SBS cost report is covered under program specific risk factors.

**Program 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*.<sup>3</sup> Audit steps for specific parts of the cost report can be found below.

**Compliance requirements and suggested audit procedures**

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**SBS A. Individual Education Program 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 or whenever significant changes are made. No reimbursement can be made for a Medicaid-coverable service not specified in the student’s IEP. For detailed information on this approval please see the [SBS Handbook](#)<sup>4</sup> posted on the DHS website and the and the [State Medicaid Updates](#)<sup>5</sup>.

Following a [directive issued by the Department of Public Instruction](#)<sup>6</sup> (DPI) in October 2007, all local education agencies (LEAs) that are Medicaid-certified School-Based Services (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 Individualized Education Program (IEP) before claims for BadgerCare Plus services can be submitted. The Consent to Bill Wisconsin Medicaid for Medically Related Special Education and Related Services, DPI form M-5 (10/07), 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<sup>7</sup>)

A signed and dated Consent to Bill Wisconsin Medicaid for Medically Related Special Education and Related Services, DPI form M-5, is required for each new IEP and for each updated IEP. Consent to Bill Wisconsin Medicaid for Medically Related Special Education and Related Services, DPI form M-5, should be kept available in students’ records.

*Suggested audit procedure(s)*

- Determine whether IEP's were updated within the last year and were approved by the parent or guardian within the last year or if significant changes were made.
- Determine whether the services billed were authorized in the plans.
- Determine whether the student files contain a current signed and dated Consent to Bill Wisconsin Medicaid for Medically Related Special Education and Related Services, DPI form M-5.

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

*Compliance requirement(s)*

All school districts that bill Medicaid for eligible students must complete the annual [online Medicaid cost report](#).<sup>8</sup> 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](mailto:WiCostReport@pcgus.com) or (877) 395-5015, option 3.

In addition to the annual report, districts complete quarterly Medicaid administrative claiming reports. Certain data elements, including salary and benefit information for direct medical service providers, are reported quarterly, and aggregate automatically into the annual cost report. Providers should report, on a quarterly basis, medical practitioner salary and benefit information for those providers listed in the online system.

Providers are required to have information requested in the *Quarterly Financial Submissions* on hand in the event of an audit. The information reported on the four *Quarterly Financial Submissions* for that school year is calculated and transferred automatically to the cost report via the online system.

*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 appropriate invoice.

### **SBS E. 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 Individual Education Programs (IEP) that receive 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 F. 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](#).<sup>9</sup>

#### *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.

**SBS G. School-Based Services 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 School Based Services 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 H. 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 are permitted to 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, 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 School Based Services in the Schedule of Expenditures of Federal Awards**

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At minimum, the department recommends presenting the following information for School Based Services 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**

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See Section 4.11 of the [Main Document to the State Single Audit Guidelines](#) for guidance on development of an audit finding. When presenting findings, identify the program and the specific compliance requirement, for example “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**

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The Department of Health Services needs to receive a copy of the audit report as a requirement for the School Based Services Program 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](mailto: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.)

## Questions

Please send questions by email to [DHSAuditors@Wisconsin.gov](mailto: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.

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### End note - Full URLs used in this document

<sup>1</sup> *State Single Audit Guidelines*: [www.ssag.state.wi.us](http://www.ssag.state.wi.us)

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*

<sup>4</sup> SBS Handbook:

<https://www.forwardhealth.wi.gov/WIPortal/Online%20Handbooks/Display/tabid/152/Default.aspx?ia=1&p=1&sa=58&s=2&c=61>

<sup>5</sup> State Medicaid Updates:

<https://www.forwardhealth.wi.gov/WIPortal/Tab/42/icscontent/Provider/Updates/Index.htm.spage>

<sup>6</sup> DPI directive: <http://dpi.wisconsin.gov/sped/bul07-02.html>

<sup>7</sup> BadgerCare+ Update, February, 2008: <https://www.forwardhealth.wi.gov/kw/pdf/2008-17.pdf>

<sup>8</sup> Medicaid cost report: <https://costreporting.pcgus.com/wi>

<sup>9</sup> CMS List of Allowable Materials and Supplies:

<https://costreporting.pcgus.com/dlcontent/WI/CMS%20List%20of%20Allowable%20Direct%20Medical%20Services%20Supplies%20and%20Materials.pdf>