



***Pearl River School District***

***Report on Internal Controls Pertaining to the Special Services Cycle***

***June 2019***

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**Scope of Engagement**

Pursuant to the request of the Pearl River School District and in accordance with the District's December 2018 Risk Assessment, we have reviewed the policies, procedures, and internal controls pertaining to the District's Special Services Cycle.

The objective of our analysis was to determine whether the internal controls pertaining to Special Services procedures are adequate and that duties are properly performed thus safeguarding the District's assets.

**Work Performed**

1. We have analyzed the financial and operational documents made available to us by the Business Office and the Office of Special Services including the following:
  - a) Appropriation status reports generated by WinCap indicating budgetary and actual expenditures pertaining to Special Services for the fiscal years 2015/2016 through 2017/2018.
  - b) Cash disbursement listing generated by WinCap indicating expenditures applicable to Special Services for the 2017/2018 fiscal year.
  - c) Copies of forms utilized by the Special Services Department.

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- d) Board approved policies pertaining to the District's Special Services function.
  - e) Service contracts entered into by the District and various vendors during the fiscal year 2017/2018.
  - f) Sample of student files maintained by the Office of Special Services for services provided during the fiscal year 2017/2018.
  - g) Sample of print screens indicating verifications of student placement with the online STAC system for the fiscal year 2017/2018.
  - h) 2017/2018 Private and High Cost Public Verified STAC Student Backup for Aidable Excess Cost Calculated on 2017/2018 Private Excess Cost Aid Output (PRI) and 2017/2018 Public Excess Cost & Excess Cost Aid Set-Aside Output Reports (PUB) issued by the New York State Education Department.
  - i) High cost STAC-3 Amendment Report (HCSAR) and Automated Verification Listing (AVL) applicable to BOCES high cost students issued by the New York State Education Department for the 2017/2018 fiscal year.
  - j) High cost STAC-3 Amendment Report (HCSAR) and Automated Verification Listing (AVL) applicable to private students issued by the New York State Education Department for the 2017/2018 fiscal year.
  - k) STAC-3 Approval Information Listing applicable to BOCES high cost students issued by the New York State Education Department for the 2017/2018 fiscal year.
  - l) STAC-3 Approval Information Listing applicable to private students issued by the New York State Education Department for the 2017/2018 fiscal year.
  - m) Year-end final cost report for high cost students issued by BOCES for the 2017/2018 fiscal year.
  - n) List of Medicaid eligible students for the 2017/2018 fiscal year.
  - o) Listing of Medicaid claims submitted by the District during the 2017/2018 fiscal year.
  - p) Listing of Medicaid claims paid and/or denied during the 2017/2018 fiscal year.
2. Interviewed the Director of Special Services, Assistant Superintendent for Business, Treasurer and other District employees involved in the Special Services Cycle. During our meetings, we had the opportunity to review documents and direct inquiries regarding transactional records, supporting documents, and timely reporting. The purpose of these interviews was to obtain knowledge as to each individual's job duties and involvement as they pertain to the Special Services process, day-to-day responsibilities, who they report to and who they supervise.
3. Assessed possible improvements pertaining to the internal controls of the Special Services Cycle. Such recommendations are presented within each applicable report section.

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**Assessment of Special Services Procedures**

The District's current Special Services procedures are structured around seven (7) distinct categories. We have analyzed and tested each categorical procedure during the course of our audit. We have documented the Special Services process by way of narratives for each categorical procedure within Exhibits I through 6. For ease of reference, the categories are listed below:

- ***Organizational Structure***
- ***Budget & Actual Expenditures***
- ***Planning Procedures***
- ***Reporting and Recordkeeping Procedures***
- ***Request for Proposals for Professional Service Procedures***
- ***System to Track and Account for Children (STAC) Reimbursement Procedures***
- ***Medicaid Reimbursement Procedures***

**Organizational Structure (Exhibit I)**

The attached Exhibit I summarizes the organizational structure of the Special Services Cycle. Based upon our analysis of general Special Services organizational structure we have made the following observations and recommendations:

- The following table summarizes the processes currently carried out by each Administrator/Department:

<u>Department</u>	<u>Function</u>
Board of Education	Approves service vendor contracts
Superintendent	Signs off on the Automated Verification Listing (AVL)
Business Office	Maintains recordkeeping in WinCap. Obtains APR from NYSED.
Office of Special Services	Develops service contracts with service providers. Conducts CSE meetings. Maintains Student files. Enrolls students within the STAC website. Monitors services provided to students and tracks vendor expenditures. Verifies year-end costs to AVL. Track the cost of students that have exceeded the STAC limit.

**Observation/Recommendation #1**

The District has adopted Board approved policies, maintains documented guidelines regarding service referrals, special education programs, committee meetings, evaluations and placements, safeguards, and record access and confidentiality, and has developed standardized forms to document the flow of information to and from the building level, Office of Special Services and Business Offices. The enclosed narratives (See Exhibits I through 6) describe the procedures carried out by the Office of Special Services regarding planning, expenditure accounting, reporting and recordkeeping, request for proposals, the STAC application processing, Medicaid reimbursements, state reporting, and review of year-end reimbursements.

- ***In addition to the existing policies, documented procedures, and forms, the Office of Special Services should develop documented guidelines regarding planning, expenditure accounting, reporting and recordkeeping, request for proposals, the STAC application processing, Medicaid reimbursements, state reporting, and review of year-end reimbursements. Procedures should be periodically reviewed to ensure that responsibilities are adequately performed at the District and comply with New York State Education regulations. The narratives and flowcharts attached to***

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*this report should serve as supplemental enclosures to the District's existing documented procedures.*

**Budget & Actual Expenditures**

The following table summarizes the District's Special Services expenditures during the 2015/2016 through 2017/2018 fiscal years:

<u>Code</u>	<u>Description</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>
A 2250	Special Education	8,791,452	9,403,103	10,255,413
Change from Prior Year		N/A	611,651	852,310
% Change from Prior Year		N/A	6.96%	9.06%

As noted above, the District's Special Services expenditures increased by approximately seventeen percent (16.65%) from \$8,791,452 during 2015/2016 to \$10,255,413 during 2017/2018.

**Observation/Recommendation #2**

We have analyzed the budget appropriations status report applicable to special education services for the fiscal year 2017/2018. The following table summarizes the variances between the initial budgetary and actual Special Service expenditures within the following categories:

<u>Accounts</u>	<u>Description</u>	<u>Initial Budget</u>	<u>Expenditures</u>	<u>Difference</u>	
00-2250-490-000	DIST SPEC ED BOCES SER	4,834,130	5,460,894	626,764	12.97%
00-2250-471-000	DIST SPEC ED TUITION PB	288,000	701,733	413,733	143.66%
08-2250-150-000	HIGH SPEC ED CERT SAL	787,272	858,693	71,421	9.07%
00-2250-155-000	DIST SPEC ED CERT OT	-	50,501	50,501	100.00%
30-2250-150-000	MIDL SPEC ED CERT SAL	965,369	1,012,341	46,972	4.87%
00-2250-150-000	DIST SPEC ED CERT SAL	193,364	212,592	19,228	9.94%
04-2250-160-000	LINC SPEC ED N/C SAL TA	-	13,433	13,433	100.00%
02-2250-160-000	EVNS SPEC ED N/C SAL TA	21,687	32,489	10,802	49.81%
00-2250-491-000	DIST SPEC ED BOCES I&II	-	3,850	3,850	100.00%
00-2250-405-000	DIST SPEC ED TESTING	22,000	23,886	1,886	8.57%
00-2250-402-000	DIST SPEC ED MILEAGE	2,000	2,935	935	46.77%
03-2250-150-000	FRNK SPEC ED CERT SAL	119,669	120,598	929	0.78%
00-2250-404-000	DIST SPEC ED STAFF DEV	-	761	761	100.00%
30-2250-166-000	MIDL SPEC ED N/C OT TA	-	299	299	100.00%
08-2250-402-000	HIGH SPEC ED MILEAGE	300	493	193	64.18%
00-2250-407-000	DIST SPEC ED MEMBRSHIPS	-	59	59	100.00%
00-2250-401-000	DIST SPEC ED MAINT EQUIP	700	700	-	0.00%
00-2250-492-000	DIST SPEC ED BOCES LSE	82,000	81,881	(119)	-0.15%
08-2250-450-000	HIGH SPEC ED OTHER SUP	400	-	(400)	-100.00%
00-2250-166-000	DIST SPEC ED N/C OT	1,000	-	(1,000)	-100.00%
00-2250-450-000	DIST SPEC ED OTHER SUP	2,000	787	(1,213)	-60.67%
30-2250-160-000	MIDL SPEC ED N/C SAL TA	60,211	57,457	(2,754)	-4.57%
03-2250-160-000	FRNK SPEC ED N/C SAL TA	24,727	8,620	(16,107)	-65.14%
00-2250-472-000	DIST SPEC ED TUITION PR	490,000	471,867	(18,133)	-3.70%
04-2250-150-000	LINC SPEC ED CERT SAL	201,608	173,155	(28,453)	-14.11%
00-2250-160-000	DIST SPEC ED N/C SAL	124,718	95,967	(28,751)	-23.05%
00-2250-441-000	DIST SPEC ED LEGAL SERV	35,000	-	(35,000)	-100.00%
02-2250-150-000	EVNS SPEC ED CERT SAL	741,104	705,793	(35,311)	-4.76%
08-2250-160-000	HIGH SPEC ED N/C SAL TA	94,651	30,120	(64,531)	-68.18%
00-2250-449-000	DIST SPEC ED PROF&TECH	275,000	133,511	(141,489)	-51.45%
<b>Total</b>		<b>9,366,910</b>	<b>10,255,413</b>	<b>888,503</b>	<b>9.49%</b>

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As noted above, there was a variance of \$888,503, or 9.49%, between the initial total budgetary expenditures and the actual expenditures during the 2017/2018 fiscal year.

- *The Office of Special Services and the Business Office should meet and obtain explanations applicable to the special service expenditure variances noted above. Additionally, the Office of Special Services should perform a budget to actual analysis of the special service expenditures on a monthly basis. The budget to actual analysis should be communicated monthly to the Assistant Superintendent for Business.*

We randomly selected five (5) special education related expenditures to test the cash disbursement procedures against our audit criteria. The objectives of our testing were to:

- a) Verify that vendors paid through special education codes were subject to bidding, RFP, or Quotations
- b) Verify that there is reasonable claim for payment
- c) Verify that the rates on the contract agree to the rates used on the invoices selected
- d) Verify that the contract was signed by the District and vendor prior to services rendered

- *No recommendations at this time.*

***Planning Procedures (Exhibit 2)***

The attached Exhibit 2 summarizes the procedures pertaining to Special Services planning. Based upon our analysis of the Special Services planning procedures we have made the following observations and recommendations:

- The Office of Special Services schedules a meeting with the Committee on Special Education (CSE) panel comprised of the building stakeholders (Parent, Social Worker, Teacher, and Psychologist). The Office of Special Services is required to hold a meeting with the CSE within sixty (60) days of the parent's consent for initial evaluations. It was indicated that the Office of Special Services schedules CSE meetings on Monday through Friday and the frequency is determined on an as needed basis.

- *No recommendations at this time.*

***Reporting & Recordkeeping Procedures (Exhibit 3)***

The attached Exhibit 3 summarizes the procedures pertaining to reporting and recordkeeping. Based upon our analysis of the reporting and recordkeeping procedures we have summarized the following observations and recommendations:

- The Office of Special Services tracks and monitors the students' IEP and performance through the web-based system IEP Direct. The Office of Special Services enters students' IEP mandates and monitors the delivery of mandated services. Additionally, the Office of Special Services maintains on-going communications with the service providers and the parents to monitor that services are properly delivered, and education plans are being met.

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**Observation/Recommendation #3**

We have randomly selected 15 out of the 489 students, or 3.07%, that the Office of Special Services applied for STAC reimbursement for special education services provided during the 2017/2018 fiscal year and tested the contents of applicable student files. Based upon the testing procedures performed, we noted a small number of instances that the special education service files did not include student related documentation. We have summarized our observations in the following table:

<u>Category</u>	<u>Number of Students</u> <u>Missing Document</u>
Social History Update	2
Annual Medical Examination	15
Student Observation	1
Educational Assessment	1

➤ *In addition to the existing documents, the Special Education Service Department should maintain the following documents within each student file:*

- a) Individualized Education Program*
- b) Amendment to I.E.P (if applicable)*
- c) Student Information Summary*
- d) Student Assessment*
- e) CSE Meeting Notice*
- f) Agreement to Amend and IEP without a Formal Committee (if applicable)*
- g) CSE- Meeting/Prior Written Notice Minutes Form & Attendance Sheet*
- h) Committee Recommendation for Continuation of Services*
- i) Incident Report (if applicable)*
- j) Emails with parents or providers*
- k) Social History Update*
- l) Consent for Evaluation*
- m) Student Evaluations or Reassessment*
- n) Quarterly Progress Report (IEP)*
- o) Annual Medical Examination*
- p) Annual Review*
- q) Triennial Assessment (if applicable)*
- r) Student Observation*
- s) Educational Assessment*

*In addition, the Special Education Service Department should develop a checklist indicating the existence of the above student related documents.*

**Observation/Recommendation #4**

During the course of our audit, we noted that the Special Education Services Department did not maintain an access log sheet for each student file.

➤ *Requests for access to special education related records should be documented and formally approved by the Director of Special Education. Additionally, the Special Education Department should develop an access log and attach one to each student's file.*

**Request for Proposals for Professional Services Procedures (Exhibit 4)**

The attached Exhibit 4 summarizes the procedures pertaining to request for proposals for professional services. Based upon our analysis of the request for proposal procedures for professional services we have made the following observations and recommendations:

**Observation/Recommendation #5**

Testing procedures were conducted to assess the bidding process on a select sample of five (5) special education service vendors that were subject to request for proposal. Based on the testing procedures performed, we noted that the Purchasing Department and Office of Special Services have developed annual contracts for each provider which were signed by the Board President or Superintendent of Schools and that the related payments were reviewed for proper approvals and accuracy by the District's Claims Auditor. It was represented that the District is unable to determine when the last Request for Proposal (RFP) for student related service providers was performed.

- *The solicitation of special education services should follow the District purchasing policy and the General Municipal Law requirement and the Purchasing Department and Office of Special Services should issue a Request for Proposal for such services to ensure the District is obtaining these services in a prudent and economical manner.*

**Observation/Recommendation #6**

During the course of our audit, we noted that the District does not require special education service vendors, who provide services to special education students, to obtain liability insurance.

- *The District and the service providers should enter into written agreements. The written agreement should define the contractual relationship and responsibilities between the service organization and the District, including the terms, service periods, cost of services to be provided, and minimum amount of liability insurance. The District should obtain proof of liability insurance from the service provider.*

**System to Track and Account for Children (STAC) Reimbursement Procedures (Exhibit 5)**

The attached Exhibit 5 summarizes the procedures pertaining to STAC billing and reimbursement procedures. Based upon our analysis of the STAC reimbursement procedures we have made the following observations and recommendations:

We have randomly selected 10 out of 90 students, or 11.11% that the Office of Special Services applied for STAC reimbursement for special education services provided during the 2017/2018 fiscal year and tested them against our audit criteria. Please note that our sample size included five (5) out of 70 BOCES students, or 7.14%, and 5 out of the 20 Private students, or 25%. Based on the testing procedures performed, we noted the following:

- The Office of Special Services properly generated STAC applications for students that received high cost special education services during the 2017/2018 fiscal year at BOCES, and at private placements.
- All High Cost STAC Amendment Reports (HCSAR) for the 2017/2018 fiscal year were submitted to the New York State Education Department prior to their due date.

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- We conducted a comparative analysis of the service costs reported on the 2017/2018 Automated Verification Listings to the amounts reported on the service provider invoices and STAC applications. No discrepancies were noted.
- The Business Office actively monitors the status of the Excess Cost Aid received as reimbursement from the New York State Education Department.

**Observation/Recommendation #7**

It was represented that the District does not monitor In-District students that received high cost special education services for the purpose of generating STAC applications.

- *The Office of Special Services should prepare a worksheet to document the expenses associated with each student's special education services to assess whether or not the student meets the District's high cost threshold for the purpose of generating STAC applications. This will assist the District in maximizing its Excess Cost Aid.*

*Subsequent to our review, the District has started to monitor In-District students that receive high cost special education services. Three (3) In-District students were entered into the STAC system for 2017/2018 and the District is in the process of preparing the 2018/2019 calculations.*

**Medicaid Reimbursement Procedures (Exhibit 6)**

The attached Exhibit 6 summarizes the procedures pertaining to Medicaid reimbursement procedures. Based upon our analysis within the area of the Medicaid reimbursement procedures we have made the following observations and recommendations:

Currently, the District maintains all the supporting documentation to file the Medicaid reimbursements. During 2017/2018, the District had 79 eligible students for Medicaid reimbursement. It was indicated that all claims have been filed to date and denied claims are reviewed with providers for possible resubmission.

We have randomly selected 10 out of 15 students, or 66.66%, for which the Office of Special Services applied for Medicaid reimbursement for special education services provided during the 2017/2018 fiscal year and tested them against our audit criteria. Based on the testing procedures performed, we noted the following:

- All student files tested contained session notes to support the number of claimed sessions.
- All session notes made available to us were properly signed by the applicable therapists.
- All student files tested properly contained parental consent forms on file.
- All student files tested contained prescription notes for the claimed services, where applicable.
- We also verified that the District received payment for claims submitted.

**Observation/Recommendation #8**

We noted instances in which claims were denied for reasons such as not meeting filing deadline, provider not being certified, and lapse in coverage. In addition, it was indicated that the District was not enrolled as a participating provider in the New York Medicaid Program for the period of September 2016 through December 2017.



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- ***The District should develop formal procedures regarding enrollment, compliance, recordkeeping, and claiming reimbursement for Medicaid reimbursable services. This will provide for more accurate recordkeeping and student related service documentation. It will also assist the District in receiving the maximum reimbursement for each Medicaid eligible student.***

**Risk Rating and Opinion**

**Inherent Risk Rating:** High

**Control Risk Rating:** Low

**Audit Opinion:** Satisfactory

**Audit Comment:** The District's Special Services processing and related controls are satisfactory. The recommendations noted above are aimed to improve the already efficient internal controls within the Special Services Department.

**Exhibits**

***Exhibit 1*** Flowchart of Special Services Organizational Structure

***Exhibit 2*** Narratives of Planning Procedures

***Exhibit 3*** Narratives of Reporting and Recordkeeping Procedures

***Exhibit 4*** Narratives of Request for Proposals for Professional Service Providers

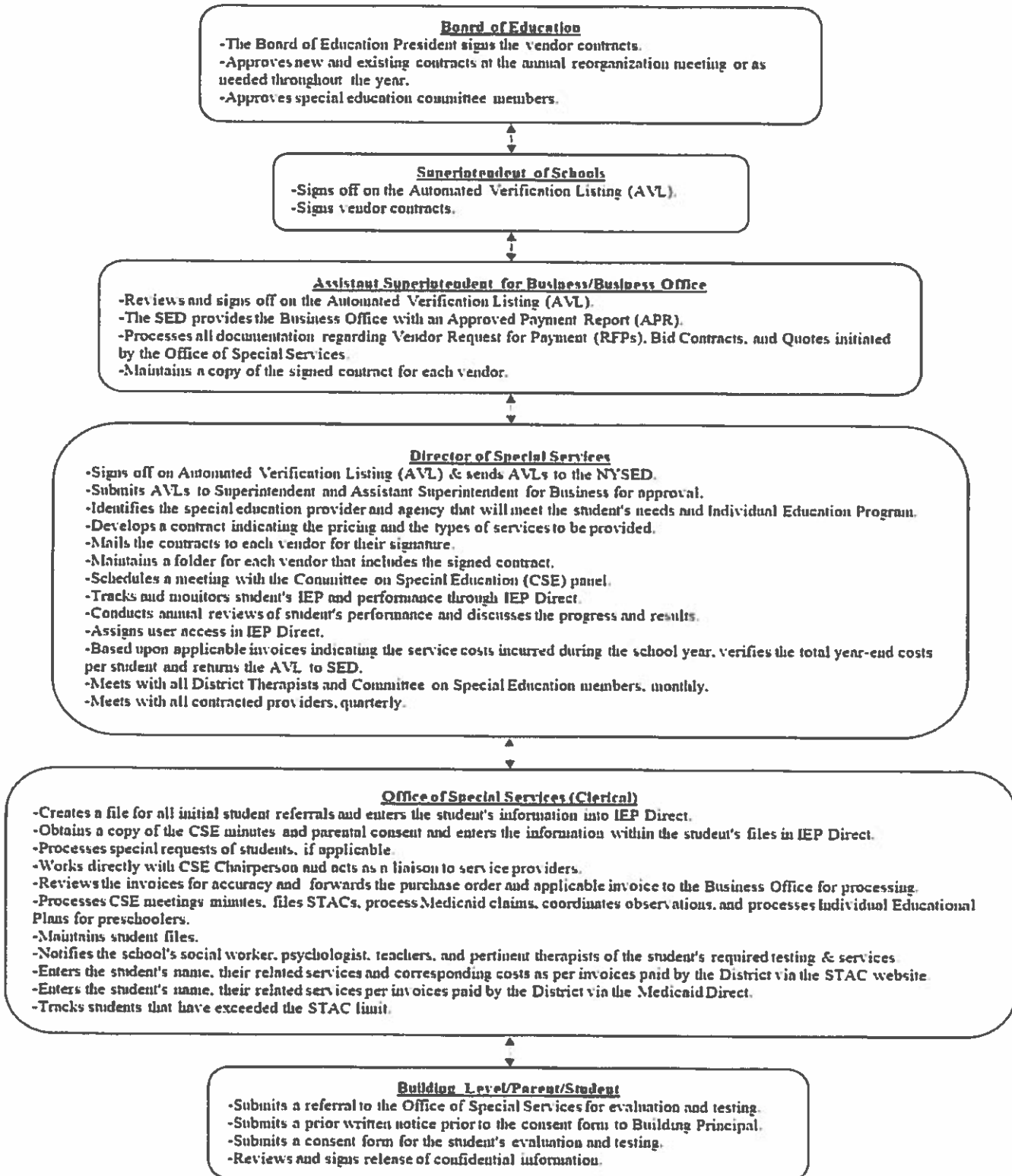
***Exhibit 5*** Narratives of System to Track and Account for Children (STAC) Reimbursement Procedures

***Exhibit 6*** Narratives of Medicaid Reimbursement Procedures

Please contact our Melville, New York office @ 631-756-9500 if you should have any questions in this regard.

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*Organizational Chart  
Exhibit I*



**Pearl River School District  
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***Narratives of Planning Procedures  
Exhibit 2***

1. The Parents or School Personnel submit a referral to the Office of Special Services requesting for evaluation and testing, if necessary
2. The Instructional Support Team completes a "Referral Form" detailing the reason for the referral, strategies used, and parent concerns.
3. The Office of Special Services creates a file for the student and enters the student's information into IEP Direct.
4. The Parent submits a consent form for the student's evaluation and testing to the building level Psychologist or the Office of Special Services.
5. Upon approval, the Office of Special Services notifies the school's social worker, psychologist, teacher, and pertinent therapists of the requested testing. The following table summarizes the type of evaluations and testing procedures made available by the District to assess the student's educational and behavioral needs:

<u>Title</u>	<u>Testing Services</u>
Psychologist	IQ Evaluation and Cognitive Skills
Special Education Personnel	Academic and Reading Skills
Speech/Language Pathologist	Language Skills
Occupational Therapist	Fine Motor Skills
Physical Therapist	Gross Motor Skills
Psychiatrist	Psychiatric Evaluation
Vision/Hearing Therapist	Vision/Hearing Evaluation

6. The Office of Special Services schedules a meeting with the Committee on Special Education (CSE) panel comprised of the building stakeholders (Parent, Social Worker, Teacher, and Psychologist). The Office of Special Services is required to hold a meeting with the CSE within sixty (60) days of the parent's consent for testing. The Office of Special Services schedules CSE meetings on Monday through Friday and the frequency is determined on an as needed basis.
7. Evaluations are sent home a minimum of five (5) days prior to the CSE meeting, for the student's parents to review.
8. During the meeting, the CSE discusses the following:
  - a) Present level of performance, including work samples, progress reports and report cards.
  - b) Results and observations from the building level testing and evaluations.
  - c) Student's Individual Education Program indicating the goals and services to be provided.
  - d) The frequency and type of Student Services to be provided.
  - e) The consultants/personnel that would provide services.

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***Narratives of Planning Procedures  
Exhibit 2***

9. The CSE maintains minutes of the discussion points and obtains parental consent for the services to be provided. The CSE also maintains sign-in sheets of the attending participants.
10. The Office of Special Services obtains a copy of the CSE minutes and parental consent and enters the information within the student's files in IEP Direct.
11. The Office of Special Services contacts the consultants/personnel to provide the required services and the student's parents to obtain physician prescription information pertaining to the student's medical condition, if any.
12. The consultants/personnel schedule appointments and provide services for the student based on the Office of Special Services instructions, the student's availability and IEP.
13. The Office of Special Services and the CSE conduct annual reviews of student's performance and discusses the progress and results. The Office of Special Services obtains parental consent for additional evaluations or testing, if deemed necessary.
14. The Office of Special Services and the CSE conduct complete reviews of all the student's services every three (3) years.
15. Depending on the students' progress, the consultants/personnel providing services may recommend declassification or further evaluations and assessments to the Office of Special Services.

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**Narratives of Reporting & Recordkeeping Procedures**  
**Exhibit 3**

**Student Files:**

1. The Office of Special Services maintains the following documents within each student's file:
  - a) Individualized Education Program
  - b) Amendment to I.E.P (if applicable)
  - c) Student Information Summary
  - d) CSE Meeting Notice
  - e) Agreement to Amend and IEP without a Formal Committee (if applicable)
  - f) Committee on Student Services- Meeting/Prior Written Notice Minutes Form & Attendance Sheet
  - g) Committee Recommendation for Continuation of Services
  - h) Incident Report (if applicable)
  - i) Emails with parents or providers
  - j) Social History Update
  - k) Consent for Evaluation
  - l) Student Evaluations or reassessment (Psychological, Communication, Visual, Occupational Therapy, Psychiatric, Physical Therapy, Speech)
  - m) Quarterly Progress Reports (IEP)
  - n) Annual Review
  - o) Triennial Assessment (if applicable)
  - p) Student Observation/Evaluation
  - q) Educational Assessment

The District also maintains these documents within the document repository within IEP Direct.

*The Office of Special Services does not maintain a checklist to confirm the completeness of the student's files.*

In addition to the above documents, the Office of Special Services maintains the following files in Google Docs:

- a) Triennial due dates
- b) Annual review dates
- c) Translation services
- d) List of students participating in additional services outside of their IEP
- e) List of student placements and related services
- f) Emergency contacts and address listing for students
- g) Technology inventory listing with location

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**Narratives of Reporting & Recordkeeping Procedures**  
**Exhibit 3**

**IEP Direct:**

1. The Office of Special Services tracks and monitors the students' IEP and performance through the web-based system IEP Direct.
2. The Providers and the Office of Special Services enter within IEP Direct the following student information:
  - a) Name
  - b) Address
  - c) Notes
  - d) Goals
  - e) Objectives
  - f) Demographic information
  - g) Meeting information
  - h) Program
  - i) Related Services
  - j) Testing Results
  - k) Medical Alerts
3. The following employee positions have permission to access the IEP Direct system:

<u>Category</u>	<u>Permission</u>	<u>Number of Users</u>
Central Office Level, Supervisor	View, Edit, Edit Final	8
School Building Level, Supervisor	View, Edit	4
School Building Level, View	View	12
School Building Level, Data Entry	View, Edit	42
Student Level, Data Entry	View, Edit	25
Central Office Level, Data Entry	View, Edit	1
Central Office Level, View	View	1
Central Office Level, Edit	View, Edit, Edit Final	2
<b>Total</b>		<b>95</b>

4. Users of the IEP Direct system sign a confidentiality agreement.
5. The system notifies the relevant users of any changes that are made within the student's profile.

***The District offers training for all users of the IEP Direct system, during orientation for new staff.***

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***Narratives of Request for Proposals for Professional Service Procedures  
Exhibit 4***

1. General Municipal Law states that goods and services that are not required by law to be bid must be procured in a prudent and economical manner. The law requires the Board of Education to adopt written policies and procedures for these purchases.
2. Procurement policies should also require that the District obtain professional services based on Board-approved written contracts that identify the services to be provided and the basis for payment.
3. The Office of Special Services identifies the provider and agency that will meet the student's needs and Individual Education Program. It is current practice for the District to select providers and agencies through the process of request for proposals.
4. The Office of Special Services develops a contract indicating the pricing and the type of services to be provided. The Business Office and the District's Counsel review the technical and legal aspects of the contracts, if deemed necessary.

***The District does not require special education service vendors, who provide services to special education students, to obtain and provide proof of liability insurance.***

5. The Office of Special Services mails the contracts to each vendor for their signature. The vendors return the completed contracts to the Office of Special Services.
6. The Board of Education President signs the contracts.
7. The Business Office provides a copy of the signed contract to the Office of Special Services and the applicable vendor for their files.
8. The Office of Special Services maintains a folder for each vendor that includes the signed contract.
9. The Board of Education approves new and existing contracts at the annual reorganization meeting.
10. Based upon the contractual provisions, the therapists provide services to the students and invoice the District monthly.
11. The Office of Special Services reviews the invoices for accuracy based on the following:
  - a. Student attendance sheets
  - b. Signatures obtained from the parents and the providers
  - c. Student progress notes
  - d. Monthly related service provider log
12. The Office of Special Services forwards the purchase order and applicable invoice to the Business Office for payment processing.

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***Narratives of System to Track and Account for Children (STAC) Reimbursement Procedures***  
***Exhibit 5***

1. STAC is a unit within the New York State Education Department responsible for processing requests for Commissioner's approval for reimbursement.
2. Reimbursement is available for the costs of providing services to preschool and school-age students placed in Student Services programs at public and NYSED-approved private schools, special-act school districts, BOCES, and at state-supported and state-operated schools for the deaf and blind. The system also reimburses for students who have been determined to be homeless or runaway youth and for education services provided to incarcerated youth.
3. Costs that are available for reimbursement include tuition, share of teacher salary plus fringe benefits, share of classroom aide salary plus fringe benefits, share of related services specified on the IEP, and costs of IEP required devices and services.
4. Costs that are not available for reimbursement include permanent fixtures, administration, and regular education costs.
5. A properly completed reimbursement application (STAC-1Form) must be submitted to the NYSED by the District.
6. Although manual forms are still accepted, the preferred method of transmitting approval requests is using the STAC online system. The STAC filing deadline is February 1<sup>st</sup> of the following school year. The Office of Special Services enters the student's name, their related services and corresponding costs as per invoices paid by the District via the STAC website. Additionally, a schedule is maintained within the IEP system indicating and notifying of the deadlines for STAC application dates.
7. Upon review, the NYSED sends the District a STAC-3 Approval Form indicating the following:
  - a) Approved services
  - b) Period of service approved
  - c) Approved program rates
  - d) Approved costs
8. The District tracks those students, both in district and out of district, that have exceeded the STAC limit through IEP Direct.
9. The District claimed reimbursement for Student Services that have exceeded the following "high cost" limits per student as of June 30, 2018 as follows:

<u>Placement</u>	<u>High Cost Limit</u>	<u>Excess Cost Aid Ratio</u>
Public School/BOCES	52,092	34.40%
Private	21,042	80.70%

10. The NYSED provides in paper or on-line form the Office of Special Services with an Automated Verification Listing (AVL).



**Pearl River School District**  
**Internal Controls Pertaining to the Special Services Cycle**

**Narratives of System to Track and Account for Children (STAC) Reimbursement Procedures**  
**Exhibit 5**

11. Based upon the student's IEP, the information maintained within the student's file, and the applicable invoices indicating the service costs incurred during the school year, the Office of Special Services verifies the total year-end cost per student and returns the AVL to NYSED.
12. The Superintendent of Schools signs off on the Automated Verification Listing (AVL) and sends the listing to the Special Services Department.
13. The Office of Special Services sends the AVL to NYSED.
14. The NYSED provides the Business Office and the Office of Special Services with an Approved Payment Report (APR) indicating the following:
  - a) AVL verified period of enrollment
  - b) Approved rates ( when rates are set by NYSED)
  - c) AVL verified rates for other services
  - d) Aidable cost- Aid paid to date- Aid due to district
15. The Business Office reviews the APR for AVL/HSCAR updates.
16. Based upon the information listed on the AVL reports, the New York State Education Department calculates the Excess Cost Aid for STAC costs as of June 30, 2018 as follows:

<u>Category</u>		<u>Public</u>	<u>Private</u>	<u>Source</u>
Total Students	(a)	Count	Count	AVL
Total Cost @ FTE/Student	(b)	Amount	Amount	AVL
High Cost Threshold Rate @FTE/Student	(c )	52,092	21,042	HSCAR
High Cost Amount	(d)	Amount	Amount	Excess Cost Output Reports
Aidable Excess Cost	(e ) = (b - d)	Subtotal	Subtotal	
Excess Cost Limit	(f)	34.40%	80.70%	Excess Cost Output Reports
Excess Cost Aid	(g) = (e * f)	Total	Total	Excess Cost Output Reports, Certificate of Payment

17. The New York State Education Department makes payments to the District according to the following schedule:

<u>Month</u>	<u>Percentage</u>	<u>Balance</u>
December	25.00%	25.00%
March	45.00%	70.00%
June	16.50%	86.50%
August	13.50%	100.00%
Total	100.00%	

***Pearl River School District  
Internal Controls Pertaining to the Special Services Cycle***

***Narratives of System to Track and Account for Children (STAC) Reimbursement Procedures  
Exhibit 5***

18. The New York State Education Department reports the Excess Cost Aid and applicable payments within the NYSED SAMS website. The following reports are made available for the District to review:

- a) General Formula Aid Output Report (GEN) (line 123 – 129)
- b) Public Excess Cost Output Report (PUB) (line 4, 7, and 8)
- c) Private Excess Cost Output Report (PRI) (line 8, 12, and 13)
- d) Certificate of Payment – Excess Cost Aid Cert (line 1)
- e) School Year Aid Payment Summary (A3101 Excess Cost)

***Currently, the District maintains all the supporting documentation to file the STAC reimbursements. It was indicated that all STAC reimbursements have been filed to date.***

***The Business Office actively monitors the status of the Excess Cost Aid received as reimbursement from the New York State Education Department.***

***Pearl River School District  
Internal Controls Pertaining to the Student Services Cycle***

***Narrative of Medicaid Reimbursement Procedures  
Exhibit 6***

1. The New York State Department of Education (NYSED) together with the New York State Department of Health (NYDOH) developed the School Supportive Health Services Program (SSHSP) and the Preschool Supportive Health Services Program (PSHSP) to assist school districts in obtaining Medicaid reimbursement for related services provided to students with Individual Education Programs (IEP).
2. Services that qualify for reimbursement include physical and occupational therapy, speech pathology, psychological counseling and skilled nursing services. Services that also qualify include certain student evaluations (basic and comprehensive psychological evaluations, medical evaluations, etc) and special transportation. In order to be eligible for reimbursement, services must be provided by qualified professionals either under contract or employed with the district.
3. The NYDOH provides a monthly fee schedule for each service with the exception of evaluations and special transportation. These fees are set separately and on a per diem basis.
4. School Districts receive Federal reimbursement of approximately fifty percent (50%) of the claimed amounts. The State is entitled to half of the reimbursements sent to the District.
5. A New York State law requires that the District maintain specific supporting documentation for each student for six (6) years following the dates the services were paid.

***Currently, the District maintains all the supporting documentation to file the Medicaid reimbursements. It was indicated that all claims have been filed to date and denied claims are reviewed with providers for possible resubmission.***



## *Pearl River School District*

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September 23, 2019

Darin V. Iacobelli  
Nawrocki Smith LLP  
290 Broad Hollow Road, Suite 115E  
Melville, NY 11747

Dear Darin:

The Pearl River School District (the 'District') has received the report titled "Pearl River School District, Report on Internal Controls Pertaining to the Special Services Cycle, June 2019."

The Pearl River School District hereby submits below a Corrective Action Plan for the Report on Internal Controls Pertaining to the Special Services Cycle which is required under Section 170.12 of the Regulations of the Commissioner of Education.

**Observation/Recommendation #1:**

In addition to the existing policies, documented procedures, and forms, the Office of Special Services should develop documented guidelines regarding planning, expenditure accounting, reporting and recordkeeping, request for proposals, the STAC application processing, Medicaid reimbursements, state reporting, and review of year-end reimbursements. Procedures should be periodically reviewed to ensure that responsibilities are adequately performed at the District and comply with New York State Education regulations. The narratives and flowcharts attached to this report should serve as supplemental enclosures to the District's existing documented procedures.

**District Response:** The District will work with the Office of Special Services staff to develop any additional guidelines needed as discovered as a result of this review.

**Observation/Recommendation #2:**

The Office of Special Services and the Business Office should meet and obtain explanations applicable to the special service expenditure variances noted as a result of the review. Additionally, the Office of Special Services should perform a budget to actual analysis of the special service expenditures on a monthly basis.

**District Response:** The District has noted the recommendation and will work with the Office of Special Services staff to review budget variances regularly.

## **Observation/Recommendation #2:**

In addition to the existing documents, the Special Education Service Department should maintain the following documents within each student file:

- a) Individualized Education Program
- b) Amendment to I.E.P (If applicable)
- c) Student Information Summary
- d) Student Assessment
- e) CSE Meeting Notice
- f) Agreement to Amend and IEP without a Formal Committee (If applicable)
- g) CSE- Meeting/Prior Written Notice Minutes Form & Attendance Sheet
- h) Committee Recommendation for Continuation of Services
- i) Incident Report (If applicable)
- j) Emails with parents or providers
- k) Social History Update
- l) Consent for Evaluation
- m) Student Evaluations or Reassessment
- n) Quarterly Progress Report (IEP)
- o) Annual Medical Examination
- p) Annual Review
- q) Triennial Assessment (If applicable)
- r) Student Observation
- s) Educational Assessment

In addition, the Special Education Service Department should develop a checklist indicating the existence of the above student related documents.

**District Response:** The District has noted the recommendation and will work with the Office of Special Services staff to ensure all proper documentation is in each student file. In addition, we will work to ensure the Special Services Department develops a checklist to maintain in each file.

## **Observation/Recommendation #4**

Requests for access to special education related records should be documented and formally approved by the Director of Special Education. Additionally, the Special Education Department should develop an access log and attach one to each student's file.

**District Response:** The District has noted the recommendation and Office of Special Services staff will create an access log and attach it to each student file.

## **Observation/Recommendation #5**

The solicitation of special education services should follow the District purchasing policy and the General Municipal Law requirement and the Purchasing Department and Office of Special Services should issue a Request for Proposal for such services to ensure the District is obtaining these services in a prudent and economical manner.

**District Response:** The District has noted the recommendation and has already implemented obtaining Request for Proposals for all special education services starting with the 2019-20 School Year.

**Observation/Recommendation #6**

The District and the service providers should enter into written agreements. The written agreement should define the contractual relationship and responsibilities between the service organization and the District, including the terms, service periods, cost of services to be provided, and minimum amount of liability insurance. The District should obtain proof of liability insurance from the service provider.

**District Response:** The District has noted the recommendation and has already implemented written agreements and obtains liability insurance from all contractual vendors starting with the 2019-20 School Year.

**Observation/Recommendation #7**

The Office of Special Services should prepare a worksheet to document the expenses associated with each student's special education services to assess whether or not the student meets the District's high cost threshold for the purpose of generating STAC applications. This will assist the District in maximizing its Excess Cost Aid.

Subsequent to our review, the District has started to monitor In-District students that receive high cost special education services. Three (3) In-District students were entered into the STAC system for 2017/2018 and the District is in the process of preparing the 2018/2019 calculations.

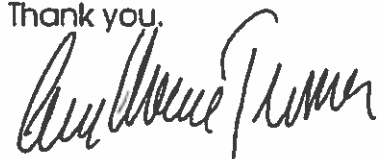
**District Response:** Per the second paragraph, this has already been implemented by the District.

**Observation/Recommendation #8**

The District should develop formal procedures regarding enrollment, compliance, recordkeeping, and claiming reimbursement for Medicaid reimbursable services. This will provide for more accurate recordkeeping and student related service documentation. It will also assist the District in receiving the maximum reimbursement for each Medicaid eligible student.

**District Response:** The District has noted the recommendation and will work with the Office of Special Services staff to create formal procedures for Medicare reimbursement procedures.

Thank you.



Ann Marie Tromer