

Office of the Auditor General
Performance Audit Report

School Services Program
Michigan Department of Health and Human Services

March 2026

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

The auditor general may make investigations pertinent to the conduct of audits.

Article IV, Section 53 of the Michigan Constitution



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Office of the Auditor General

Report Summary

Performance Audit

Report Number:
391-0741-25

School Services Program (SSP)

Michigan Department of Health and Human Services (MDHHS)

Released:
March 2026

SSP is administered by MDHHS and provides reimbursement to intermediate school districts (ISDs) for covered services provided to children in schools, including, but not limited to: speech, language, and hearing therapy; occupational and physical therapy; nursing; psychological, counseling, and social work; personal care; and orientation and mobility. MDHHS contracts with Public Consulting Group to administer sample-based random moment time studies (RMTSs) to schools to determine the portion of school staff costs attributable to SSP eligible services. During school years 2023-24 and 2024-25, payments to ISDs totaled approximately \$172 million and \$209 million, respectively.

Audit Objective			Conclusion
Objective 1: To assess the sufficiency of MDHHS's efforts to monitor ISDs' compliance with SSP requirements.			Sufficient, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDHHS delegated its credential review process to Michigan Department of Education, who had a backlog of quarterly reviews dating back to late 2020. Further, MDHHS did not take any remedial action when ISD staff were found to be without appropriate credentials, leaving the process to hold little or no value (Finding 1).	X		Agrees
MDHHS was unable to provide evidence it had, at any time, interagency agreements in place with ISDs to clearly define each party's roles and responsibilities for SSP (Finding 2).		X	Agrees
MDHHS did not obtain and review ISDs' SSP quality assurance plans, as required. Such reviews, coupled with procedures to verify ISDs' quality measures have been implemented, would increase the department's ongoing and real-time monitoring efforts to help ensure ISDs meet program requirements (Finding 3).		X	Agrees

Audit Objective			Conclusion
Objective 2: To assess the sufficiency of MDHHS's efforts to monitor the SSP contractor's administration of the RMTS process.			Not sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
<p>We noted deficiencies in MDHHS's performance of all four mechanisms for monitoring the contractor's administration of the RMTS process, such as the lack of:</p> <ul style="list-style-type: none"> Monitoring the contractor's RMTS sampling methodology, sampled moments, and time study results. Evidence MDHHS completed its quarterly validation of the contractor's coding of RMTS questionnaire responses, which indicate whether the activity is SSP reimbursable or not. Monitoring activities regarding the contractor's training of central coding staff employed by the contractor and training provided by the contractor to ISD SSP coordinators (<u>Finding 4</u>). 	X		Agrees
<p>MDHHS did not ensure the contractor submitted invoices on a routine basis, resulting in the contractor submitting invoices for 9 months of service within an 11-day period in June 2024. Also, MDHHS did not receive any itemized invoices from its contractor detailing services provided, and instead, approved payment for invoices containing quarterly lump sum amounts equal to one-fourth of the annual contract value (<u>Finding 5</u>).</p>		X	Agrees
<p>MDHHS did not evaluate the System and Organization Controls (SOC) 1, type 2 reports received from its contractor and did not obtain the SOC 2, type 2 reports required by the contract to assist in monitoring the operating effectiveness of the contractor's controls and security of SSP data (<u>Finding 6</u>).</p>		X	Agrees

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Doug A. Ringler, CPA, CIA
Auditor General

March 6, 2026

Elizabeth Hertel, Director
Michigan Department of Health and Human Services
South Grand Building
Lansing, Michigan

Director Hertel:

This is our performance audit report on the School Services Program, Michigan Department of Health and Human Services.

We organize our findings and observations by audit objective. Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* require an audited agency to develop a plan to comply with the recommendations and submit it to the State Budget Office (SBO) upon audit completion. State administrative procedures require the audited agency to develop the plan as early as practicable and within 60 days after report issuance and submit the plan to the Office of Internal Audit Services (OIAS), SBO. Within 30 days of receipt, OIAS will either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink that reads "Doug Ringler". The signature is written in a cursive, slightly slanted style.

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

MONITORING OF ISD SSP COMPLIANCE

BACKGROUND

The Michigan Department of Health and Human Services (MDHHS) is responsible for administering the School Services Program* (SSP), which provides reimbursement to intermediate school districts* (ISDs) throughout the State (see Exhibit 1) for covered services provided to children in schools. Services include, but are not limited to: speech, language, and hearing therapy; occupational and physical therapy; nursing; psychological, counseling, and social work; personal care; and orientation and mobility.

ISDs must comply with MDHHS's Medicaid Provider Manual to participate in the program, which outlines program requirements, including the requirement to have an interagency agreement in place with MDHHS and to have a written SSP quality assurance plan on file.

MDHHS uses a federally approved cost-based methodology to reimburse ISDs for covered services provided in schools. Each ISD is provided monthly interim payments based on its prior year actual costs, and MDHHS completes an annual reconciliation comparing the interim payments with actual costs at year-end. SSP payments to ISDs totaled approximately \$172 million and \$209 million, respectively, for school years 2023-24 and 2024-25.

MDHHS's monitoring of ISD compliance with SSP requirements is outlined in its federally approved School-Based Services* (SBS) Implementation Plan (see Exhibit 2) and is primarily carried out by:

- MDHHS's program policy staff who are responsible for monitoring ISD claims processing and assisting ISDs with quality assurance and compliance monitoring. MDHHS also has an interagency agreement with the Michigan Department of Education (MDE) requiring MDE staff perform a sample-based review to ensure only eligible ISD staff are included in the random moment time study* (RMTS).
- MDHHS's Bureau of Audit staff who complete financial and student claim audits of ISDs selected through its annual risk assessment process. Each audit is required to follow established audit procedures which include obtaining and reviewing select documentation, communicating potential issues, and preparing a final report.

AUDIT OBJECTIVE

To assess the sufficiency of MDHHS's efforts to monitor ISDs' compliance with SSP requirements.

* See glossary at end of report for definition.

CONCLUSION

Sufficient, with exceptions.

**FACTORS
IMPACTING
CONCLUSION**

- MDHHS's Bureau of Audit performed annual risk-based assessments of all 58 ISDs for school years 2020-21 and 2021-22 (July 1, 2020 through June 30, 2022), using reasonable risk factors and accurately calculating risk scores.
- All ISDs identified by MDHHS Bureau of Audit as high-risk during school years 2020-21 and 2021-22 (July 1, 2020 through June 30, 2022) had an audit completed, were currently undergoing an audit, or were on the plan to be audited.
- Bureau of Audit's audit procedures aligned with program requirements and were reasonable for the type of audit being performed.
- All exceptions noted from a sample of four audits released between July 1, 2022 and September 30, 2024 by MDHHS's Bureau of Audit were properly supported, consistent with the final audit report, and the amounts recovered from the exceptions appeared reasonable with the appropriate ISD's final settlement amount being adjusted in the Community Health Automated Medicaid Processing System* (CHAMPS) properly.
- All 58 ISDs were enrolled as a Medicaid provider in CHAMPS as of September 23, 2024, as required.
- One material condition* related to improved monitoring of ISD staff credentials to ensure only eligible staff are included in the quarterly SSP RMTS (Finding 1).
- Two reportable conditions* related the lack of interagency agreements with ISDs (Finding 2) and improved routine monitoring of ISD SSP quality assurance plans (Finding 3).

* See glossary at end of report for definition.

FINDING 1

Significant improvement needed in monitoring ISD staff credentials to ensure eligible staff are included in quarterly RMTS.

MDHHS needs to significantly improve its monitoring of ISD staff credentials to ensure only eligible staff are included in the quarterly SSP RMTS. Improved monitoring will help ensure ISD staff meet educational, experiential, and regulatory requirements necessary for ISD reimbursement under the RMTS allocation methodology and help to ensure children are receiving services from individuals with the appropriate training and credentials, as applicable.

ISDs identify allowable direct service and administrative costs by having staff members who spend their time performing those activities participate in a quarterly time study. MDHHS's federally approved SBS Implementation Plan establishes four staff cost pools as shown in the following table. ISDs must update their staff pool lists each quarter prior to the generation of the time study sample and certify staff meet the educational, experiential, and regulatory requirements, as applicable.

Staff Cost Pools and Examples of ISD Staff Included in Each Cost Pool
Cost Pool 1 - Administrative Activities Administrators, counselors, early identification/intervention personnel, teacher consultants, and limited licensed speech language pathologists.
Cost Pool 2 - Direct Medical Services and Administrative Activities Speech language pathologists, audiologists, counselors, licensed practical nurses, occupational therapists, occupational therapist assistants, physician assistants, nurse practitioners, certified nurse specialists, orientation and mobility specialists, physical therapists, physical therapist assistants, physician and psychiatrists, psychologists, school psychologists, registered nurses, social workers, school social workers, board certified behavior analyst, and board certified assistant behavior analyst.
Cost Pool 3 - Personal Care Services Bilingual aides, health aides, instructional aides, paraprofessionals, program assistants, teacher aides, trainable aides, and behavior support aides.
Cost Pool 4 - Targeted Case Management Staff with the following credentials: a bachelor's degree with a major in a specific special education area, coursework credit equivalent to a major in a specific special education area, minimum of three years' personal experience in the direct care of an individual with special needs, or a licensed registered nurse in Michigan.
Note: The four cost pools are mutually exclusive; no staff can be included in more than one cost pool.
Source: MDHHS's SBS Implementation Plan effective October 1, 2019, which remains current as of September 30, 2025.

MDHHS's SBS Implementation Plan states MDHHS will review staff pool lists to ensure only eligible ISD staff are included in the time studies. MDHHS informed us it has an interagency agreement with MDE for MDE staff to perform this review.

MDHHS requires its contractor to provide quarterly 5% random samples per staff pool per ISD to MDE for its credential review process. MDE staff manually verify credentials for the sampled staff, primarily through publicly available information such as MDE's Michigan Online Educator Certification System* and the Department of Licensing and Regulatory Affairs' licensing website and forwards any issues to MDHHS for remedial action. For the most recently completed reviews, each quarterly sample included about 300 ISD staff.

Our review of MDHHS and MDE's credential review process noted:

- MDE reviews only the direct services cost pool, representing only one of the four cost pools, because it has the most specific and least flexible credential requirements when compared with the other pools.
- Timeliness issues, including:
 - The review is designed to be delayed, with each review covering a quarterly cost pool from about two years prior. MDE informed us it intends to keep its reviews on pace with MDHHS Bureau of Audit's post-audit period, which is typically two years prior.
 - A backlog of quarterly reviews, with quarterly samples dating back to October through December 2020 not yet completed as of our review in September 2024. Also, the four most recently completed reviews (for school year 2019-20) took eight months, on average, to complete. MDE informed us the administrative support staff who previously worked on the reviews left employment in 2020.
- Lack of MDHHS remedial action. MDE's four most recently completed quarterly reviews (for school year 2019-20) noted eight instances of school staff without appropriate credentials related to seven unique ISDs. Upon notification from MDE of these individuals, MDHHS did not:
 - Notify the applicable ISD of the identified staff or required corrective action(s).
 - Ensure the ISD removed costs associated with the identified staff from the ISD's applicable SSP claim reimbursement.

MDHHS did not take remedial action when ISD staff without appropriate credentials were identified by MDE.

* See glossary at end of report for definition.

- Ensure the identified staff were excluded from subsequent quarter cost pools, as applicable.
- Have a process in place to evaluate the results of the sample-based credential reviews. Results from a sample should be used to draw conclusions about the entire population of data. For the credential review process, the sample results should be used to evaluate whether all ISD staff hold appropriate credentials, not just those individuals without appropriate credentials identified in the sample.

Without remedial action, when ISD staff are found not to hold appropriate credentials, the manual credential review process likely has little or no value.

The effectiveness* and efficiency* of the credential review process were likely impacted by the following factors:

- Lack of detail in MDHHS's SBS Implementation Plan for the review. The plan states "Staff lists are reviewed to ensure only eligible staff are included in the RMTS," without further detail about responsible parties, frequency, nature (sample-based vs. review of all credentials), necessary corrective actions, or other relevant information.
- The age of MDHHS's interagency agreement with MDE, which is dated October 2002, has not been updated in over 20 years. Also, the agreement only briefly describes MDE's credential review responsibilities in one sentence, which does not clearly define credential review requirements.
- Lack of MDHHS written internal policies or procedures for the credential review process, which are important considering the SBS Implementation Plan and interagency agreement (noted in the two immediately preceding bullets) do not contain detailed requirements for the review.

We consider this finding to be a material condition because of the process-level deficiencies' significant impact on MDHHS's ability to monitor ISD staff pool eligibility for inclusion in RMTSs and the potential non-credentialed individuals may be providing services to students.

RECOMMENDATION

We recommend MDHHS evaluate the effectiveness and efficiency of the credential review process and/or whether an alternative method(s) could better meet its monitoring objective to ensure only eligible ISD staff are included in RMTSs.

* See glossary at end of report for definition.

**AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

MDHHS agrees with the finding and will update the interagency agreement with Michigan Department of Education (MDE) to include a defined timeline and oversight requirements for the credential review of the indirect service staff pool list. Also, MDHHS will establish a written internal monitoring process to ensure that a comprehensive credential review is conducted and maintained by both MDHHS and MDE.

In addition, MDHHS will incorporate training for the Administrative Outreach Program, Targeted Case Management, and Personal Care Services Staff Pool Lists as part of the new staff pool list training required by CMS as part of the new State Plan Amendment to enhance the monitoring of ISD staff eligibility.

FINDING 2

MDHHS did not have interagency agreements in place with ISDs.

MDHHS did not have interagency agreements in place with ISDs to ensure clearly defined roles and responsibilities exist for all parties participating in an SSP, as required.

Federal regulations and the Centers for Medicare and Medicaid Services* (CMS) issued SBS guidance requiring MDHHS to have an interagency agreement with ISDs describing and defining the relationship between the department and the ISD. The agreement must include the specific services being provided, oversight activities and responsibilities, and information about payments, among others.

According to MDHHS's federally approved SBS Implementation Plan effective October 2019, which remains current as of September 30, 2025, MDHHS asserted it has a memorandum of understanding* (MOU) with the participating ISDs which clearly states the responsibilities for all parties. However, we were unable to obtain evidence MDHHS had, at any time, interagency agreements (or MOUs) in place with any ISD. We also sent an inquiry to all 58 Michigan ISDs to ask about their participation in SSP, and none of the 47 responding ISDs had an interagency agreement or MOU with MDHHS.

MDHHS informed us it retained these agreements at one time but may not have converted all files to a digital format. However, MDHHS was unable to provide us with evidence to corroborate this assertion.

RECOMMENDATION

We recommend MDHHS enter into interagency agreements with ISDs, as required.

AGENCY PRELIMINARY RESPONSE

MDHHS provided us with the following response:

MDHHS agrees with the finding and will re-establish and properly maintain agreements with all participating ISDs using a standardized MOU template. Although interagency agreements were not in place, the ISDs were still required to comply with federal regulations and the Medicaid Provider Manual requirements specific to the School Services Program. MDHHS conducted audits of various ISDs, based on risk, throughout the audit period as part of fiscal oversight to ensure that payments were made in accordance with both federal regulations and the Medicaid Provider Manual.

* See glossary at end of report for definition.

FINDING 3

Routine monitoring of ISD SSP quality assurance plans needed.

MDHHS should improve its routine monitoring of ISDs by obtaining and reviewing ISD SSP quality assurance plans. Routine review of ISD plans would be a simple, low-cost monitoring procedure through which MDHHS could provide real-time feedback to ISDs for improved quality measures to ensure the effectiveness and efficiency of operations, reliability of financial information, and compliance with applicable laws and regulations.

CMS guidance states ISDs are expected to have a system of quality controls in place as part of their SSP oversight and monitoring processes. To implement this requirement, MDHHS's Medicaid Provider Manual requires each ISD to have a written quality assurance plan on file including the elements in the following table. The Medicaid Provider Manual also states MDHHS policy staff will oversee ISD plans to ensure they provide oversight and monitoring of such things as documentation, provider credentials, record retention, and confidentiality:

MDHHS Medicaid Provider Manual Excerpt Regarding ISD Quality Assurance Plan Requirements

[ISDs] must have a written quality assurance plan on file. An acceptable quality assurance plan must address each of the following quality assurance standards:

- Covered services are medically necessary, as determined and documented through appropriate and objective testing, evaluation and diagnosis.
- The plan of care identifies which covered services are to be provided and the service frequency, duration, goals and objectives.
- A monitoring program exists to ensure that services are appropriate, effective and delivered in a cost-effective manner consistent with the reduction of physical or mental disabilities and assisting the beneficiary to benefit from education services.
- Billings are reviewed for accuracy.
- Staff qualifications meet current license, certification and program requirements.
- Established coordination and collaboration exists to develop plan of cares with all other providers, (e.g., Public Health, MDHHS, Community Mental Health Services Programs, Medicaid Health Plans, Hearing Centers, Outpatient Hospitals).
- Parent/guardian and beneficiary participation exists outside of the plan of care team process in evaluating the impact of SSP on the educational setting, service quality and outcomes.

Source: MDHHS Medicaid Provider Manual, SSP Chapter, Section 3.1

Our review noted MDHHS policy staff do not obtain or review ISD quality assurance plans, or updates to plans, as part of their routine monitoring. To broadly evaluate the existence of these plans, we requested them from all 58 ISDs as part of our questionnaire and noted 2 (4%) of the 47 responding ISDs stated they did not have a plan. For the 45 plans we received, our cursory review showed they varied in length, from 3 to 15 pages, potentially suggesting varying levels of thoroughness and/or detail in the quality controls described. While this cursory observation is not necessarily indicative of issues with the ISDs' quality

assurance plans, it may point to areas for needed ISD improvements and/or improved guidance from MDHHS.

MDHHS's monitoring review of ISD quality assurance plans could also include requesting documentation from the ISDs to verify the quality measures described in the ISDs' plans have been implemented. Review of the plans and underlying documentation may identify concerns and, when communicated by MDHHS policy staff to the MDHHS Bureau of Audit, may increase the Bureau's assessed risk for the ISD and potentially prompt an audit. Reviews may identify instances in which MDHHS needs to improve its SSP guidance or instruction broadly to all ISDs Statewide.

MDHHS policy staff informed us they rely on MDHHS's Bureau of Audit for review of ISD quality assurance plans, despite the Medicaid Provider Manual indicating MDHHS policy staff are responsible for this review. Also, while Bureau of Audit does broadly verify ISD plans have all required elements (as listed in the table on the previous page), selection of an ISD for audit is risk based, not required on a cyclical basis, with about 5 ISD audits completed per fiscal year and 15 ISDs having never received an audit, as of September 2025.

Implementing policy staff routine review of ISD quality assurance plans would increase the department's ongoing and real-time monitoring efforts to help ensure existing quality measures meet program requirements, instead of relying solely on risk-based post-audits, which by their nature are intended to identify deficiencies that already occurred.

RECOMMENDATION

We recommend MDHHS improve its routine monitoring of ISDs by obtaining and reviewing ISD SSP quality assurance plans.

**AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

MDHHS agrees with the finding. To strengthen oversight and ensure compliance with CMS guidance and the Medicaid Provider Manual, MDHHS will require all participating ISDs to meet defined quality assurance metrics and submit quality assurance plans as part of their interagency agreements. MDHHS policy will develop and implement a process to review ISD SSP quality assurance plans to ensure program requirements are met.

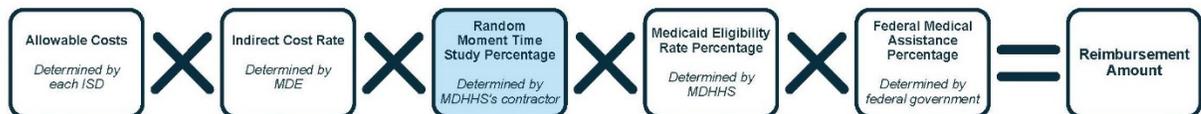
MONITORING OF SSP CONTRACTOR'S ADMINISTRATION OF RMTS

BACKGROUND

MDHHS contracted with Public Consulting Group, LLC* to assist in administration of SSP including data collection, reporting, claims processing, and claims development responsibilities. A primary responsibility for the contractor is administering the SSP RMTS process, which is a way to observe and measure how ISD staff members' time is allocated across a range of activities. The RMTS methodology is used to identify what proportion of ISD costs are allowable and attributable to eligible beneficiaries, and are therefore reimbursable by SSP.

The contractor's RMTS duties included:

- Sample selection. The contractor selects a sample of specific 1-minute "moments" and ISD school staff from staff pool lists.
- Notification to participants. The contractor sends e-mail notification to the sampled school staff containing a link for the individual to complete the online RMTS questionnaire. The sampled staff complete the questionnaire explaining what they were doing for a specified 1-minute moment (e.g., October 22, 2025 at 1:23 p.m.).
- Coding responses. Contractor staff review the RMTS questionnaire responses and assign a single activity code to each completed moment, signifying whether the moment is SSP reimbursable or not (see Exhibit 3). The contractor may follow up with the sampled individual if additional information is needed about their questionnaire response.
- Compiling results. The contractor uses the quarterly RMTS responses to calculate a Statewide annual time study percentage, which is used by MDHHS to calculate ISD SSP reimbursement amounts as follows:



MDHHS is responsible for monitoring its contractor in accordance with State procurement policies to ensure contractual obligations are met. MDHHS's federally approved SBS Implementation Plan states it will monitor the contractor's RMTS process through four primary mechanisms including review of ISD staff pool lists, quarterly time studies, coding of RMTS responses, and compliance with training requirements (see second page of Exhibit 2).

* See glossary at end of report for definition.

MDHHS's contract with Public Consulting Group for the 7-year period from October 1, 2018 through September 30, 2025 totaled approximately \$14 million for SSP RMTS services. After our audit period, MDHHS executed a new 5-year contract with Public Consulting Group, with two, 1-year options.

AUDIT OBJECTIVE

To assess the sufficiency of MDHHS's efforts to monitor the SSP contractor's administration of the RMTS process.

CONCLUSION

Not sufficient.

**FACTORS
IMPACTING
CONCLUSION**

- One material condition related to MDHHS's monitoring of the contractor's administration of the RMTS process (Finding 4).
- Two reportable conditions related to MDHHS's monitoring of the SSP contractor's billing practices (Finding 5) and evaluation of the contractor's System and Organization Controls* (SOC) reports (Finding 6).
- MDHHS obtained all required annual and quarterly reports from the contractor that were applicable for the quarters selected.
- MDHHS maintained evidence it regularly met and communicated with the contractor throughout the audit period.

* See glossary at end of report for definition.

FINDING 4

Significant improvement needed in monitoring of the contractor's administration of the RMTS process.

MDHHS needs to significantly improve its monitoring of the contractor's administration of the RMTS process. Inadequate oversight creates vulnerabilities in MDHHS's use of RMTS to allocate ISD costs associated with SSP administrative and health services provided to children in the school setting, and could potentially result in a loss of federal funding.

In addition to contract monitoring requirements contained in State procurement policies, federally issued SBS guidance requires MDHHS to implement a system of quality controls to oversee and monitor the RMTS system, including oversight of any outside entities contracted to operate the program. MDHHS's federally approved SBS Implementation Plan states it will monitor its contractor's RMTS process through four primary mechanisms, including review of ISD staff pool lists, quarterly time studies, coding of RMTS questionnaire responses, and compliance with training requirements.

Our review noted deficiencies in MDHHS's performance of all four monitoring mechanisms. Specifically, we noted MDHHS:

- a. Needs to significantly improve its monitoring of ISD staff credentials to ensure only eligible school staff are included in the staff pool list used in the contractor's RMTS process (see Finding 1).
- b. Did not perform monitoring activities to evaluate the contractor's performance of quarterly time studies. MDHHS did not review the contractor's:

- (1) RMTS sampling methodology or sampled moments to ensure it complied with MDHHS's federally approved SBS Implementation Plan.

CMS guidance states documentation of the sample universe, sample selection, sampling forms, detail of sampling techniques used, the seed number used to generate random moments, among others, should be retained. The guidance indicates samples which cannot be replicated by an independent third party are not considered valid as a basis for federal funding.

MDHHS stated it reviewed the contractor's methodology when the program was established in 2008; however, MDHHS was unable to provide us with evidence to support that review or any subsequent reviews. The department also informed us it relied on the contractor to pull the RMTS samples as prescribed in the contract.

- (2) Time study results which would help to ensure the accuracy of the annual percentages applied to program costs used to determine each ISD's

reimbursement amount. MDHHS's Medicaid Provider Manual states MDHHS policy staff responsibilities include reviewing the results against historical benchmarks, investigating anomalies in results, and determining policy changes based on the results of any anomaly reviews. Our review noted a lack of clear responsibility assigned within MDHHS for this task.

- c. Needs to significantly improve its monitoring reviews of the contractor's coding of school staff RMTS questionnaire responses.

The contractor codes approximately 12,500 RMTS questionnaire responses from schools each quarter indicating whether the activity occurring at the sampled moment is SSP reimbursable or not (see Exhibit 3). MDHHS obtains a sample of 5% of the contractor's coded moments to validate the contractor assigned appropriate coding to the moments, equating to MDHHS's review of approximately 625 moments each quarter. MDHHS's contract states its coding review is an essential part of the RMTS finalization process and gives MDHHS important oversight into the contractor's coding of random moments; however, our review of the department's validation of the contractor's coding noted MDHHS:

- (1) Relied on the contractor to select the quarterly 5% random sample of moments, yet MDHHS did not perform procedures to ensure its contractor selected an appropriate, representative sample from all coded moments. MDHHS stated it relied on the contractor to pull the coding samples as prescribed in the contract.

For example, our cursory review of the samples noted one quarter did not include 5% of the quarterly moments, instead it incorrectly omitted 24 of the required 620 moments.

- (2) Did not document its quarterly validation of the contractor's coding of RMTS questionnaire responses. The only evidence MDHHS retained to support its validation reviews were its e-mails to the contractor stating the reviews were complete.

MDHHS did not identify any coding discrepancies and did not ask its contractor any questions about the assigned coding for the approximately 2,500 moments we reviewed.

Further, we noted MDHHS did not identify any coding discrepancies and did not ask its contractor any questions about the assigned coding, despite asserting it reviewed the coding for approximately 2,500 moments across the four quarters we reviewed. Considering the sometimes-subjective nature of coding school staff RMTS questionnaire responses, we believe a thorough coding review

for nearly 2,500 moments would result in, at a minimum, MDHHS sending some questions to its contractor and potentially some observed coding discrepancies.

- (3) Did not trace RMTS questionnaire responses to ISD supporting documentation to help ensure the accuracy and quality of the RMTS coding.

CMS-issued SBS guidance indicates MDHHS should trace moment responses to supporting documentation, such as leave approvals, worker schedules, and activity logs.

To illustrate the importance of this review, we noted an instance in which two separate RMTS questionnaire responses appeared to show two speech language pathologists attended similar professional development training. While one staff person's moment was coded by the contractor as medical training (SSP reimbursable), the other staff person's moment was coded as non-medical training (not SSP reimbursable). Obtaining the training materials from the ISDs for these two moments could have assisted MDHHS in performing a better evaluation of the contractor's coding and making recommendations to its contractor for more consistent coding in the future.

d. Did not monitor the contractor's training of:

- (1) Central coding staff employed by the contractor who are responsible for assigning each moment a code indicating whether the activity is reimbursable.

The SBS Implementation Plan states it will monitor training of the contractor's central coders; however, MDHHS stated it relied on the contractor to ensure its staff are properly trained in coding moments.

- (2) ISD SSP coordinators who attend initial and annual training provided by the contractor, covering topics such as the RMTS software system, RMTS updates, process modifications, and compliance issues.

ISD SSP coordinators must understand their role as the liaison between MDHHS, the contractor, and other staff. The training is essential to ensure ISD SSP coordinators understand the purpose of the time studies, the appropriate completion of the random moments, and the time frames and deadlines for participation.

We noted MDHHS tracked whether any individual from an ISD attended contractor-provided training; however, it could not identify if each ISD's designated SSP coordinator attended the training. Also, it did not appear MDHHS maintained a complete and accurate list of the names of each ISD's SSP coordinator. Considering the importance of the coordinator's role, MDHHS needs to ensure it can identify ISD SSP coordinators by name and track individual trainee attendance.

MDHHS's SBS Implementation Plan did not provide any details about how it intended to carry out the four specified monitoring mechanisms for RMTS, providing only brief, 1-sentence descriptions.

We noted two significant factors contributed to MDHHS's deficient monitoring. First, the department's SBS Implementation Plan did not provide any details about how it intended to carry out the four specified monitoring mechanisms, instead providing only brief, 1-sentence descriptions (see second page of Exhibit 2). Second, MDHHS had not established internal procedures specifying how it carried out its monitoring activities over the contractor's RMTS process.

Development of a detailed plan and/or internal procedures would establish clear expectations about MDHHS's monitoring activities, improve consistency and efficiency, and promote accountability, among others. Contract monitoring can take many forms and MDHHS may consider consulting State of Michigan procurement policies and guidance in implementing corrective action, including evaluating its existing contract monitoring plan.

We consider this finding to be a material condition because of the:

- Significant deficiencies in MDHHS's oversight of the SSP contractor resulting in the department's overreliance on its contractor to adhere to contract terms and program requirements.
- Contractor's significant involvement in the RMTS process and the potential impact on ISD reimbursements when the RMTS process is not properly carried out.
- Department's noncompliance with:
 - RMTS oversight requirements in its federally approved SBS Implementation Plan.
 - State procurement policies regarding contract monitoring, which are designed to ensure public funds are used efficiently and responsibly to maximize their benefit to the public.

RECOMMENDATION

We recommend MDHHS significantly improve its monitoring of the contractor's administration of the RMTS process.

**AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

MDHHS agrees with the finding. While MDHHS met with the contractor on a monthly basis to review performance and address issues, the department will provide additional structure and documentation.

MDHHS will revise the federally approved SBS Implementation Plan to include detailed descriptions of each required monitoring mechanism and develop formal internal procedures to guide oversight. In addition, MDHHS will review the contract monitoring framework to align with State of Michigan procurement policies and provide staff training to support implementation. These corrective actions will enhance compliance and oversight to program requirements.

FINDING 5

Monitoring of SSP contractor's billing practices needs improvement.

MDHHS should improve its monitoring of its SSP contractor's billing practices to ensure it receives timely itemized invoices for services provided. Improved oversight of contractor invoices provides real-time financial insights, ensures MDHHS pays for only agreed-upon services provided, and supports accurate financial recordkeeping.

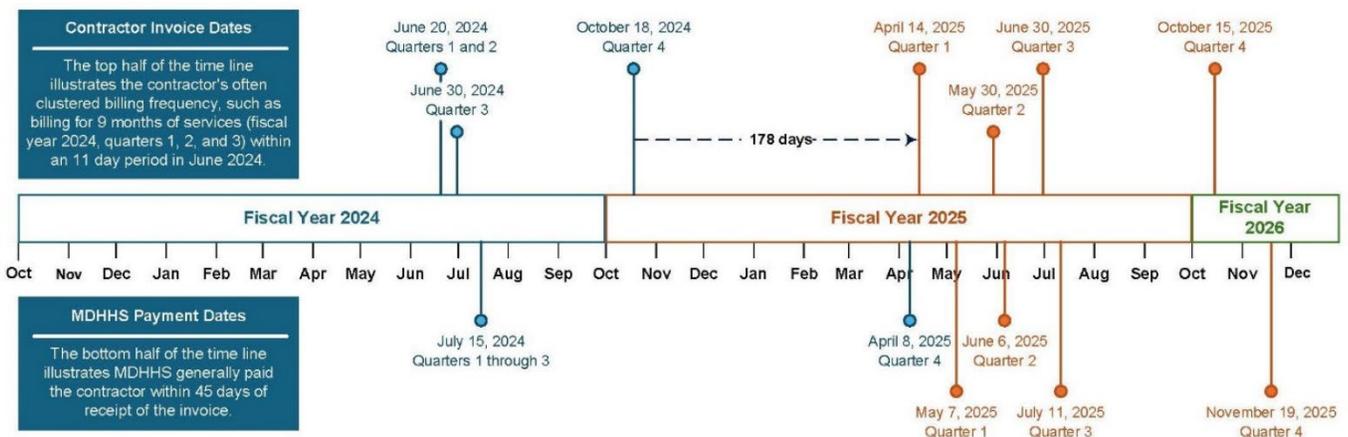
MDHHS is responsible for managing contracts in a fiscally responsible manner and ensuring its contractors meet contractual obligations. The contract program manager serves as a resource to ensure:

- All invoices comply with the terms and conditions of the contract.
- The contractor is only billing for services received and accepted by the State.
- The total payments do not exceed the contract limits.

Our review of invoices for services provided for fiscal year 2024 and 2025 noted MDHHS did not:

- Ensure the contractor submitted invoices on a routine basis.

The contractor billed for quarterly service periods totaling approximately \$500,000 each quarter; however, the contractor did not submit the invoices to MDHHS on a quarterly basis. Instead, the contractor sent invoices at varying frequencies, typically billing for 9 months of services within a 1- or 2.5-month period as illustrated in the top half of the following time line:



State contracts are required to have an appropriate payment stream, such as a payment schedule. Our review noted the contract did not specify the frequency of which the SSP contractor was required to bill for services

provided (e.g., monthly or quarterly). We inquired why its contractor submitted invoices at varied times throughout the year, and MDHHS stated it did not know and informed us it did not make attempts to obtain more timely invoices from the contractor.

Ensuring the contractor follows timely billing practices helps to better manage cash flow and ensures the State recognizes outstanding liabilities. For example, we noted MDHHS generally paid the contractor within 45 days of receipt of the contractor's invoice, as required by the contract; however, it paid its contractor late on one occasion during our review period (see the bottom half of the time line). The contract program manager informed us they mistakenly overlooked the October 2024 e-mail from the contractor containing the fiscal year 2024 fourth quarter invoice. The department first identified the missed payment in February 2025 when the State was closing its fiscal year 2024 accounting records, and the payment was made in April 2025.

MDHHS did not receive itemized invoices from the contractor.

- b. Receive any itemized invoices for the eight quarterly invoices we reviewed; instead MDHHS accepted contractor invoices containing a lump sum amount with a generic description of services provided, stating "RMTS and Administrative Outreach Program* claims development."

MDHHS's contract requires its SSP contractor to provide itemized invoices, to charge for only contract activities performed, and to include on all invoices a date, delivery order, quantity, description of the contract activities, unit price, shipping cost (if any), and total price.

We inquired how MDHHS evaluated whether the invoiced amount was appropriate prior to approving payment, and MDHHS stated its review was limited to verifying the quarterly invoiced amount was equal to one-fourth of the annual contract amount. We noted the lack of itemized invoices limited MDHHS's ability to detect payments made for services the contractor did not provide. For example, the contract pricing matrix outlines the contractor's pricing for 15 agreed upon services, such as RMTS and time study results analysis services. One service included on the pricing matrix is the contractor's development of the Medicaid eligibility rate* twice a year at an annual cost of approximately \$35,000; however, MDHHS informed us the Medicaid eligibility rate was developed only once a year beginning in 2019.

* See glossary at end of report for definition.

RECOMMENDATION

We recommend MDHHS improve its monitoring of its SSP contractor's billing practices to ensure it receives timely itemized invoices for services provided.

**AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

MDHHS agrees with the finding and is committed to strengthening oversight of its SSP contractor's billing practices. MDHHS will amend the contract to include a defined billing schedule and require itemized invoices, aligned with the established pricing matrix. Also, MDHHS will enhance monitoring of the contractor's delivery order to prevent overpayments, ensure invoices are accurately applied to the executed agreement, and that only agreed-upon services have been provided. In addition, MDHHS will evaluate the current contract pricing matrix, including the development of the MER, to ensure the department is only paying for services provided.

FINDING 6

Improved monitoring needed of the operating effectiveness of the contractor's controls and security of SSP data.

MDHHS should improve its monitoring of the operating effectiveness of the contractor's controls and security of SSP data, given the contractor serves as its third-party service organization (TPSO) with significant involvement in administering the RMTS process for SSP. Strengthened monitoring would increase MDHHS's assurance regarding the security, availability, processing integrity, and privacy of SSP information.

The State of Michigan Financial Management Guide* (Part VII, Chapter 1, Section 1000) prescribes guidelines for departments to assess and manage risks associated with TPSOs, including requiring departments to evaluate risks and the controls each service organization designs, implements, and operates for the assigned operational process and how the service organization's internal control system impacts the department's internal control system. Departments may obtain assurance on the sufficiency of the TPSO's internal control structure based on the results of an audit conducted in accordance with the American Institute of Certified Public Accountants' SOC reporting framework. The resulting report provides valuable information users need to assess and address the risks associated with an outsourced service.

We reviewed MDHHS's monitoring efforts over its SSP contractor's controls from July 1, 2022 through October 31, 2025 and noted MDHHS did not:

- a. Evaluate the two SOC 1, type 2 reports it received from the contractor.

MDHHS's contract required its contractor to submit SOC reports completed by an independent auditor. The Financial Management Guide requires departments to review SOC reports through completion of a SOC report review template to evaluate various items, such as the auditor's opinion, management's assertion of the control environment, reporting period, and complementary user entity controls.

- b. Obtain the SOC 2, type 2 reports required by the contract.

MDHHS's TPSO contract was amended effective May 29, 2024 for the sole purpose of clarifying SOC report requirements, including also requiring the contractor to annually submit a SOC 2, type 2 report. We inquired if the contractor received any SOC 2 reviews occurring after the contract was amended in May 2024 and were provided with one SOC 2, type 2 report covering from March 1, 2024 through August 31, 2024; however, it was not obtained by MDHHS from its contractor until we requested it as part of our audit.

* See glossary at end of report for definition.

MDHHS stated it believed obtaining and reviewing the SOC reports were not required because the SOC reports were not critical to departmentwide objectives.

RECOMMENDATION

We recommend MDHHS improve its monitoring of the SSP contractor's controls through evaluation of SOC reports, as required.

**AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

MDHHS agrees there are opportunities to improve monitoring of the SSP contractor's controls. Although the SSP contractor's activities do not present an enterprise-level material risk under the State of Michigan Financial Management Guide, MDHHS recognizes that obtaining and reviewing the contractor's SOC reports is one method to obtain assurance the contractor's controls are sufficient.

MDHHS will continue to meet with the contractor monthly to review performance and ensure compliance with contract requirements. Also, MDHHS will review the most recent SOC reports for the contractor and discuss any deficiencies identified during monthly meetings. In addition, MDHHS will evaluate the contract monitoring framework to determine the most efficient methods for ensuring sufficient oversight of the contractor's controls are in place and ensure monitoring activities are aligned with program needs and risk considerations.

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit 1

SCHOOL SERVICES PROGRAM Michigan Department of Health and Human Services

Approximate SSP School Year Payments, Student Enrollment, and Staff Count by ISD
For School Years 2022-23, 2023-24, and 2024-25

ISD Name	SSP Payment Amount			Student Enrollment Count			Staff Count		
	2022-23	2023-24	2024-25	2022-23	2023-24	2024-25	2022-23	2023-24	2024-25
Allegan Area ESA	\$ 1,580,000	\$ 1,420,000	\$ 1,730,000	13,630	13,510	13,300	1,980	2,080	2,190
Alpena-Montmorency-Alcona ESD	1,300,000	1,160,000	1,370,000	5,080	5,030	4,970	900	910	910
Barry ISD	460,000	480,000	620,000	3,670	3,640	3,640	510	560	610
Bay-Arenac ISD	2,950,000	2,630,000	2,890,000	14,730	14,630	14,420	2,280	2,360	2,370
Berrien RESA	4,340,000	3,430,000	4,610,000	24,650	24,770	24,600	3,630	3,840	3,890
Branch ISD	750,000	730,000	1,140,000	5,600	5,580	5,650	940	990	1,030
Calhoun ISD	3,510,000	2,990,000	3,750,000	21,660	21,110	20,610	3,530	3,660	3,780
Charlevoix-Emmet ISD	1,130,000	1,200,000	1,550,000	7,900	7,830	7,680	1,440	1,470	1,560
Cheboygan-Otsego-Presque Isle ESD	1,270,000	1,050,000	1,220,000	7,450	7,360	7,280	1,170	1,210	1,240
Clare-Gladwin RESD	1,960,000	1,340,000	1,810,000	6,470	6,430	6,320	1,210	1,230	1,250
Clinton County RESA	890,000	590,000	770,000	10,440	10,660	10,770	1,490	1,470	1,580
Crawford-Oscoda-Ogemaw-Roscommon ISD	950,000	1,090,000	1,060,000	7,250	7,180	7,060	1,320	1,260	1,340
Copper Country ISD	730,000	1,920,000	670,000	6,190	6,180	6,180	900	980	1,010
Delta-Schoolcraft ISD	560,000	990,000	830,000	5,990	6,020	5,970	900	900	950
Detroit Public Schools Community District	10,770,000	9,290,000	9,510,000	48,750	48,480	49,040	7,360	7,180	7,440
Dickinson-Iron ISD	440,000	520,000	630,000	4,970	4,950	4,870	730	750	760
Eastern Upper Peninsula ISD	1,740,000	1,370,000	1,770,000	6,310	6,190	6,040	1,200	1,210	1,290
Eaton RESA	1,820,000	1,610,000	4,030,000	12,500	12,660	12,850	2,050	2,040	2,180
Genesee ISD	7,810,000	7,670,000	9,100,000	59,610	58,440	57,350	9,920	10,160	10,320
Gogebic-Ontonagon ISD	670,000	600,000	770,000	1,970	1,980	2,020	390	410	440
Gratiot-Isabella RESD	2,940,000	2,230,000	2,650,000	11,770	11,640	11,510	2,150	2,160	2,240
Heritage Southwest ISD	1,070,000	950,000	1,130,000	6,140	6,030	5,910	990	1,020	1,000
Hillsdale County ISD	1,060,000	1,050,000	1,420,000	5,350	5,280	5,080	940	930	920
Huron ISD	920,000	750,000	910,000	3,770	3,690	3,630	770	790	800
Ingham ISD	7,660,000	5,330,000	8,340,000	42,200	41,650	41,540	6,630	6,970	7,500
Ionia County ISD	1,850,000	1,480,000	1,910,000	9,130	8,930	8,860	1,530	1,560	1,620
Iosco RESA	600,000	540,000	620,000	3,570	3,580	3,500	540	580	580
Jackson County ISD	4,120,000	3,420,000	4,720,000	22,290	21,910	21,710	3,550	3,600	3,700
Kalamazoo RESA	2,720,000	3,010,000	3,490,000	33,860	33,990	34,060	5,260	5,360	5,720
Kent ISD	13,030,000	12,330,000	12,790,000	100,770	100,150	99,730	16,060	16,110	16,850
Lapeer County ISD	1,380,000	1,160,000	1,530,000	10,920	10,810	10,650	1,700	1,740	1,760
Lenawee ISD	1,060,000	1,410,000	1,410,000	14,410	14,220	13,950	2,300	2,380	2,420
Livingston ESA	2,420,000	1,900,000	2,250,000	24,530	24,080	24,280	3,510	3,680	3,760
Macomb ISD	17,290,000	12,290,000	17,510,000	118,830	118,240	117,600	15,910	16,690	17,020
Manistee ISD	530,000	680,000	700,000	5,870	5,960	6,400	720	800	820
Marquette-Alger RESA	1,410,000	1,020,000	1,460,000	8,800	8,770	8,600	1,420	1,540	1,550
Mecosta-Osceola ISD	1,310,000	1,060,000	1,520,000	7,920	7,860	7,770	1,280	1,330	1,370
Menominee County ISD	410,000	310,000	390,000	2,910	2,780	2,640	490	480	510
Midland County ESA	2,060,000	1,790,000	2,340,000	11,440	11,450	11,370	1,780	1,840	1,890
Monroe County ISD	2,750,000	2,340,000	2,790,000	19,820	19,560	19,400	3,290	3,360	3,450
Montcalm Area ISD	3,010,000	2,200,000	2,730,000	12,270	12,090	11,650	1,850	1,830	1,860
Muskegon Area ISD	3,610,000	2,580,000	4,100,000	25,590	25,400	25,220	4,190	4,220	4,460
Newaygo County RESA	930,000	1,330,000	1,410,000	7,080	6,930	6,790	1,160	1,180	1,210
Northwest Education Services	4,630,000	4,330,000	3,750,000	20,400	20,090	19,890	3,460	3,530	3,580
Oakland County ISD	16,990,000	15,930,000	18,200,000	172,970	170,600	169,380	26,580	27,400	27,780
Ottawa Area ISD	3,860,000	3,840,000	5,000,000	47,490	46,660	46,310	7,150	7,410	7,840
Saginaw ISD	4,180,000	3,740,000	4,280,000	25,850	25,590	25,440	4,770	4,690	4,650
Sanilac ISD	890,000	590,000	690,000	5,670	5,530	5,390	980	980	960
Michigan School for the Deaf	80,000	60,000	90,000	80	90	90	90	90	90
Shiawassee RESD	950,000	1,250,000	1,300,000	10,100	10,010	9,820	1,610	1,630	1,690
St. Clair County RESA	2,250,000	2,190,000	2,860,000	19,700	19,380	18,880	3,080	3,280	3,280
St. Joseph County ISD	1,510,000	1,230,000	1,750,000	9,830	9,890	9,540	1,530	1,580	1,610
Tuscola ISD	2,090,000	1,910,000	2,330,000	7,450	7,290	7,110	1,410	1,450	1,480
Van Buren ISD	2,450,000	2,400,000	2,560,000	15,500	15,610	15,510	2,690	2,710	2,720
Washtenaw ISD	7,260,000	6,450,000	7,980,000	43,450	43,350	43,230	7,430	7,570	7,570
Wayne RESA	22,790,000	22,620,000	27,720,000	259,450	259,640	260,860	35,580	36,530	37,460
West Shore ESD	1,210,000	980,000	1,190,000	7,250	7,020	7,030	1,370	1,430	1,400
Wexford-Missaukee ISD	\$ 1,120,000	\$ 1,030,000	\$ 1,650,000	10,670	11,020	11,570	1,550	1,680	1,730
Total	\$ 192,030,000	\$ 171,790,000	\$ 209,300,000	1,439,920	1,429,400	1,422,520	221,150	226,780	232,990

Note: The payment amounts included in the table reflect all amounts received by an ISD during the applicable school year. Because of MDHHS's reimbursement methodology, interim and final settlement transactions are not processed until approximately 7 to 9 and 12 to 18 months, respectively, after the school year end. Therefore, the total payment amount for an ISD included in the table may not directly tie to the final cost settlement reimbursement amount for the same school year.

Source: The OAG compiled this exhibit using rounded SIGMA expenditure data provided by MDHHS, and student and staff information obtained from the MI School Data website.

SCHOOL SERVICES PROGRAM
Michigan Department of Health and Human Services

Program Oversight and Monitoring Section of MDHHS's SBS Implementation Plan

PROGRAM OVERSIGHT AND MONITORING

Documentation & Recordkeeping Requirements

It is required that all ISDs/LEAs maintain documentation supporting SBS claiming. The ISDs/LEAs must maintain and have available upon request by state or federal entities the Memorandum of Understanding with the state to participate in the SBS program. Some documentation must be maintained quarterly. This information must be available upon request by state or federal entities. Each participating ISD/LEA will maintain a quarterly audit file containing, at a minimum, the following information:

For AOP Claiming:

- A roster of eligible individuals, by category, submitted for inclusion in the RMTS staff pool
- Financial data used to develop the expenditures and revenues for the claim calculations including state/local match used for certification of expenditures
- Documentation of the LEA's approved indirect rate (if applicable)
- A copy of the completed and signed AOP certification form

For DSC and C4S Claiming:

Medical records must clearly document all information pertinent to Medicaid-covered services provided to beneficiaries. The medical record must be sufficiently detailed to allow reconstruction of what transpired for each service billed. All documentation for services provided must include the following:

- The beneficiary name and date of birth;
- The actual date of service;
- Be signed and dated by the rendering health care professional;
- Indicate the medically necessary service provided and specific findings or results of diagnostic or therapeutic procedures;
- Changes to the course of treatment with rationale as applicable.

For services that are time-specific according to the procedure code billed, providers must indicate in the medical record the actual begin time and end time of the particular service.

Retention period

Documentation must be retained for the minimum federally required time period. Federal guidelines (42 CFR 433.32) state the retention period is three years unless there is an outstanding audit. ISDs/LEAs to maintain SBS claiming documentation for seven years or until such time all outstanding audit issues and/or exceptions are resolved.

Oversight and Monitoring

Federal guidelines require the oversight and monitoring of the SBS claiming programs. This oversight and monitoring must be done at both the LEA and state level.

Revision on April 27, 2020, was made to include the State of Emergency Exception Section

This exhibit continued on next page.

State Level Oversight and Monitoring

The state is charged with performing appropriate oversight and monitoring of the SBS program to ensure compliance with state and federal guidelines. MDHHS is the responsible agency for this required monitoring and oversight effort. MDHHS has a Memorandum of Understanding (MOU) with the participating LEAs. The MOU clearly states the responsibilities for all parties.

MDHHS will monitor and review various components of the SBS program operating in the state. The areas of review include, but are not limited to:

For RMTS Monitoring:

- Participant List / Roster—ensure only eligible categories of staff are reported on the participant list based on the approved RMTS categories in the implementation plan. Staff lists are reviewed to ensure only eligible staff are included in the RMTS.
- RMTS Time Study – sampling methodology, the sample, and time study results
- RMTS Central Coding – review at a minimum a 5% sample per quarter of the completed coding
- Training – Compliance with training requirements: program contact, central coder and LEA staff

For AOP Monitoring:

- Financial Reporting – Costs are only reported for eligible cost categories and meet reporting requirements.

School Service Audit Activities to be performed by MDHHS Bureau of Audit

MDHHS audit review of selected ISD cost reports for school services may include the following activities:

- Verification that the ISD accurately reported the allowable costs incurred for the appropriate period.
- Verification that the salaries listed for employees/positions included in the RMTS staff pool match the payroll records for the same period as the time study.
- A review of the salaries of employees who changed positions during the time study period.
- If a replacement was hired/transferred, the auditor may verify that only the salary earned while working in a position on the staff pool list was reported, and that salaries for both the original and replacement employees were not duplicated on the report for the same period.
- Confirmation that none of the direct costs reported were also claimed as an unrestricted indirect cost, that the proper unrestricted indirect cost rate was used, and the rate was applied only to costs in the base. The employees in non-standard job categories are the most likely to be considered indirect type employees; therefore, documentation may be reviewed for these individuals.
- Verification that no federal funds were claimed on cost reports and that costs were not accepted for cost-sharing.
- A standard review of other areas, such as confirmation that reported costs were actually paid, support documentation was maintained as required, and costs were properly charged to the correct accounts may occur.

Revision on April 27, 2020, was made to include the State of Emergency Exception Section

This exhibit continued on next page.

- Any other area deemed necessary.

ISDs should be prepared to direct the auditor to any document used to support and identify the reported costs.

Student Claims Audit Activities to be Performed by MDHHS Bureau of Audit

MDHHS audit review of selected ISD for approved school-services programs student claims may include the following activities:

- Verification that appropriate prescriptions/referrals/authorizations or standing orders are updated annually or more often, as necessary and ordered by the appropriate individual.
- Verification that medical necessity has been established.
- Confirmation that services requiring the student to be in attendance have support documentation (i.e., attendance records) on file.
- Confirmation that the providers performing the service have the required licensure/certification.
- Verification that the providers requiring supervision both “under the direction of” and “under the supervision of” have the necessary support documentation on file.
- Verification that group therapy or treatment was provided in groups of two to eight.
- A standard review of the Plan of Care supporting the service provided.
- Any other area deemed necessary.

The ISD should be prepared to direct the auditor to any document used to support and identify the reported student claims.

Audit Findings and Resolution

Audit findings and resolution may include the following:

- Identified overstatement of expenditures on the cost report will require the revision of the cost report and a revised final settlement for all specifically identified overstatements.
- Cor claim error rates identified, the recovery may be the error percentage over 15% multiplied by total Medicaid paid to the ISD during the period covered by the audit.

Frequency

All ISDs will be included in an annual risk-based analysis to determine potential financial and student claims risk. ISDs/LEAs identified as high-risk will be reviewed/monitored. This monitoring will consist of either an on-site, desk, or combination review. Based on the findings from the review, additional area/time periods may be selected for further review. Participating ISDs/LEAs will be required to fully cooperate in providing information and access to necessary staff in a timely manner to facilitate these efforts. ISDs/LEAs that do not fully cooperate in the review process may be subject to sanctions.

In addition to the monitoring described above, trends will be examined as a component of an ongoing review process. Examples of the trends to be monitored include: RMTS results, RMTS compliance, RMTS response times, total claims and reimbursement levels. Any significant

Revision on April 27, 2020, was made to include the State of Emergency Exception Section

This exhibit continued on next page.

variations from historical trending will be communicated to the ISDs/LEAs for explanation of the variance.

MDHHS is in constant communication with the contractor, often daily, to discuss any issues that may arise. MDHHS will schedule and participate in regular meetings and/or conference calls (at least monthly) with their contractor to discuss time study trends, the 85% ISD valid moment response rate, coding and any other RMTS issues.

Remedial Actions

The state will pursue remedial action for ISDs/LEAs that fail to meet SBS program requirements or fail to correct problems identified during review. Examples of actions that will cause implementation of sanctions include, but are not limited to:

- Repeated and/or uncorrected errors in financial reporting, including failure to use the Contractor provided financial reporting worksheets
- Failure to cooperate with state and/or federal staff during reviews or other requests for information
- Failure to maintain adequate documentation
- Failure to provide accurate and timely information to the Contractor as required

Sanctions the state may impose include suspending payment of AOP and Direct Service claims, conducting more frequent reviews, and the recoupment of funds. Once an ISD/LEA has been notified of the need for remedial action, the ISD/LEA will be given thirty (30) days to submit a corrective action plan to the state, and the state will have an additional thirty (30) days to approve or amend the corrective action plan.

Quarterly RMTS Contractor Level Oversight

Training regarding RMTS

- Review of statewide RMTS valid moment response rate and help ensure each ISD/LEA meets the 85% valid moment response rate requirement
- Help ensure the ISD/LEA coordinator understands how critical the response rate is per ISD/LEA and that he/she is aware of applicable sanctions for non-compliance.

Roster Updates

- Prepare roster update and email to ISD/LEA contact
- Receive updated roster from ISD/LEA in the system
- Review and perform quality checks on the roster updates

Time Study Tasks

- Randomly select time study participants from database
- Notify selected participants of their sampled moment date and time 1 day prior to their selected moment and send reminders after the moment if it has not been completed with a copy to the supervisor and/or ISD/LEA Coordinator

Revision on April 27, 2020, was made to include the State of Emergency Exception Section

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- Review documented responses and code time study received from selected participants
- Conduct follow-up if necessary for the determination of the appropriate time study code
- Quality Check received and coded time study data
- Prepare data for the AOP claim

Financial Tasks

- Conduct financial training with ISD/LEA, as needed
- Prepare quarterly financial schedules in claiming system for the designated financial contacts
- Receive completed schedules and validate edit check responses
- If necessary, re-open claiming system for LEA's financial contact for revisions
- Prepare financial information for the AOP claim
- Send Personal Care and Targeted Case Management costs to MDHHS annually
 - Develop the quarterly AOP claim and submit to MDHHS

Miscellaneous Tasks

- Participate in monthly and quarterly update meetings with MDHHS
- Answer general questions from the ISD/LEA throughout the quarter
- Collect annual unrestricted indirect cost rate (ICR) from MDE
- Conduct quality assurance reviews as needed
- Serve as liaison between ISD/LEA and MDHHS

Local ISD/LEA Level Oversight and Monitoring

Each ISD/LEA participating in the SBS program must take appropriate oversight and monitoring actions that will ensure compliance with SBS program requirements.

Actions must be taken to ensure, at a minimum, that:

- The staff pool list is updated correctly
- Participants respond to RMTS timely
- The financial data submitted is true and correct
- Appropriate documentation is maintained to support the staff pool list and the claim

Required Personnel

Each ISD/LEA must designate an employee as the ISD/LEA coordinator or SBS program contact. This single individual is designated within the ISD/LEA to provide oversight for the implementation of the SBS program and to ensure that policy decisions are implemented appropriately.

Revision on April 27, 2020, was made to include the State of Emergency Exception Section

Source: MDHHS's SBS Implementation Plan effective October 1, 2019, which remains current as of September 30, 2025.

SCHOOL SERVICES PROGRAM
Michigan Department of Health and Human Services

RMTS Codes and Indicators Included in MDHHS's SBS Implementation Plan

3A. RMTS Codes

Code	Activity Description	Indicator
1.a	Non-Medicaid outreach	Unallowable
1.b	Medicaid outreach	Total Medicaid
2.a	Facilitating non-Medicaid eligibility	Unallowable
2.b	Facilitating Medicaid eligibility determination	Total Medicaid
3	School related & educational activities	Unallowable
4.a	Direct medical services - Not covered as Individuals with Disabilities Education Act or Individual Education Program service, not covered on a Medical plan of care	Unallowable
4.b	Direct medical services - Covered as Individuals with Disabilities Education Act or Individual Education Program Service	Individual Education Program Ratio
4.c	Direct medical services - Covered on a medical plan of care, not covered as Individuals with Disabilities Education Act or Individual Education Program Service	Caring for Students Ratio
5.a	Transportation non-Medicaid	Unallowable
5.b	Medicaid transportation	Proportional Medicaid
6.a	Non-Medicaid translation	Unallowable
6.b	Medicaid translation	Proportional Medicaid
7.a	Program planning, development and interagency coordination non-medical	Unallowable
7.b	Program planning, development and interagency coordination medical	Proportional Medicaid
8.a	Non-medical/non-Medicaid related training	Unallowable
8.b	Medical/Medicaid related training	Proportional Medicaid
9.a	Referral, coordination, and monitoring non-Medicaid services	Unallowable
9.b	Referral, coordination, and monitoring of Medicaid services	Proportional Medicaid
10	General administration	Reallocated
11	Not paid/not worked	Unallowable

3B. RMTS Code Indicators

Indicator	Description
Unallowable	Refers to an activity that is unallowable under the Medicaid program. This is regardless of whether or not the population served includes Medicaid eligible individuals.
Total Medicaid	Refers to an activity that is 100% allowable as administration under the Medicaid program.
Proportional Medicaid	Refers to an activity which is allowable as Medicaid administration under the Medicaid program, but for which the allocable share of costs must be determined by the application of the proportional Medicaid share (using the Medicaid eligibility rate, the IEP ratio, or the C4S ratio). The proportional Medicaid share will be determined for each ISD. <ul style="list-style-type: none"> For the AOP Program, the Medicaid share is determined as the ratio of Medicaid eligible students to total students. For the DSC cost settlement process, the Medicaid share is defined as the ratio of Medicaid eligible special education students with a billable direct service on the IEP to the total special education students with a direct billable service on the IEP. For the C4S cost settlement process, the C4S ratio is determined as the ratio of Medicaid eligible students to total students.
Reallocated	Refers to those general administrative activities which must be reallocated across the other activity codes on a pro rata basis. These reallocated activities are reported under Code 10, General Administration.
Individual Education Program Ratio	Special education Medicaid eligibility rate (IEP ratio): <ul style="list-style-type: none"> Using the fall general collection student count data, a file containing the names and birthdates of the special education students within the ISD with a health related IEP is transmitted to MDHHS. MDHHS uses this list to run an eligibility match process against the Medicaid eligibility system. The ratio of the total number of Medicaid eligible students with health related IEPs to the total number of students with health related IEPs is used to determine the special education Medicaid eligibility rate percentage (IEP ratio).
Caring for Students Ratio	C4S Ratio: <ul style="list-style-type: none"> Using the fall general collection student count data, a file containing the names and birthdates of all students within the ISD is transmitted to MDHHS. MDHHS uses this list to run an eligibility match process against the Medicaid eligibility system. The ratio of the total number of Medicaid eligible students to the total number of students is used to determine the Medicaid eligibility rate percentage.

Source: The OAG prepared this exhibit based on information included in MDHHS's SBS Implementation Plan.

PROGRAM DESCRIPTION

SSP is administered by MDHHS and provides reimbursement to ISDs for covered services provided to children in schools, including, but not limited to: speech, language, and hearing therapy; occupational and physical therapy; nursing; psychological, counseling, and social work; personal care; and orientation and mobility. SSP includes the direct service claiming* program covering services provided to special education students, the caring for students* program covering services provided to general education students with a plan of care, and Administrative Outreach Program covering administrative and outreach services intended to support access to these services.

SSP is carried out in accordance with MDHHS's federally approved Medicaid State Plan, providing the State with flexibility in the design and operation of SSP within certain federal rules.

* See glossary at end of report for definition.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine MDHHS's efforts to monitor ISD compliance with SSP requirements and the SSP contractor. We conducted this performance audit* in accordance with generally accepted government auditing standards. 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.

As part of the audit, we considered the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring activities) relative to the audit objectives and determined all components were significant.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered July 1, 2022 through September 30, 2024.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of SSP's operations to formulate a basis for establishing our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed MDHHS, MDE, and contractor management and staff to obtain an understanding of their respective roles and responsibilities related to SSP.
- Reviewed applicable federal requirements and guidance; State policies and interagency agreements; and MDHHS's Medicaid State Plan, Medicaid Provider Manual, and SBS Implementation Plan.
- Reviewed the SSP contractor's contract and change notices for deliverables and key activities related to SSP.
- Analyzed MDHHS SSP expenditure data from October 1, 2022 through July 31, 2024 to obtain an understanding of payments made to ISDs.

OBJECTIVE 1

To assess the sufficiency of MDHHS's efforts to monitor ISDs' compliance with SSP requirements.

* See glossary at end of report for definition.

To accomplish this objective, we:

- Reviewed MDHHS's federally approved SBS Implementation Plan to obtain an understanding of MDHHS's planned monitoring of ISD compliance with SSP requirements.
- Interviewed MDHHS policy and MDHHS Bureau of Audit staff. In addition, we reviewed the Bureau of Audit's fiscal and compliance monitoring policies to obtain an understanding of the monitoring activities performed over ISD compliance with SSP requirements.
- Inquired whether MDHHS:
 - Had any interagency agreements and/or memorandums of understanding in place with ISDs for SSP, which define the relationship between MDHHS and ISDs as required by federal regulations and MDHHS's federally approved SBS Implementation Plan.
 - Obtained and reviewed any ISD SSP quality assurance plans to ensure ISD plans provide oversight and monitoring of such things as documentation, provider credentials, record retention, and confidentiality as required by MDHHS's Medicaid Provider Manual.
- Reviewed CHAMPS as of September 23, 2024 to determine whether all 58 ISDs were enrolled Medicaid providers, as required by MDHHS's SBS Implementation Plan.
- Sent an e-mail inquiry to all 58 ISDs' SSP coordinators on January 13, 2025 and examined the 47 responses received related to ISD agreements with MDHHS (or lack thereof), MDHHS's SSP guidance to ISDs, and their experiences participating in SSP.
- Compiled and analyzed the Bureau of Audit's historical listing of completed audits for July 1, 2011 through June 30, 2022 (school years 2011-12 through 2021-22) to determine the number of completed student claims and financial audits.
- Compiled and analyzed a historical listing of exceptions identified by the Bureau of Audit for July 1, 2011 through June 30, 2021 (school years 2011-12 through 2020-21) to determine how many have been reported, the types of exceptions, and whether MDHHS communicates common exceptions to ISDs.

- Reviewed the Bureau of Audit's risk assessments for ISD financial and student claims audits for July 1, 2020 through June 30, 2022 (school years 2020-21 and 2021-22) to determine whether they:
 - Performed annual risk-based assessments, including an evaluation of all 58 ISDs.
 - Utilized reasonable risk factors to identify high-risk ISDs.
 - Evaluated all risk factors for each ISD and mathematically calculated risk scores accurately.
 - Completed an audit, were currently undergoing an audit, or were planning to audit all ISDs identified as high-risk.

- Reviewed Bureau of Audit's school year 2021-22, 2022-23, and 2023-24 (July 1, 2021 through June 30, 2024) audit plans to verify they aligned with the corresponding risk assessments.

- Randomly and judgmentally selected 4 of 14 audits issued by the Bureau of Audit from July 1, 2022 through September 30, 2024 and reviewed MDHHS's audit working papers for each selected audit to determine whether:
 - All planned financial and/or student claims audit procedures were completed and supported by audit working papers.
 - Exceptions identified were supported and consistent with the final audit report.
 - The amounts MDHHS recovered related to exceptions identified appeared reasonable and the proper recoveries were made.
 - ISD corrective action plans were obtained and reviewed, as applicable.
 - A final audit report was issued in a timely manner.

- Reviewed the Bureau of Audit's fiscal and compliance monitoring policy for school year 2021-22 (July 1, 2021 through June 30, 2022) audits to ensure its audit procedures aligned with program requirements and appeared reasonable for student claims and financial audits.

- Analyzed a historical listing of ISD staff credential reviews completed by MDE as of September 30, 2024 to evaluate

whether credential reviews were completed in a timely manner.

- Determined as of September 30, 2024, the most recent school year for which MDE completed its quarterly credential reviews was school year 2019-20 (July 1, 2019 through June 30, 2020). For MDE's credential review for school year 2019-20, we:
 - Obtained documentation to evaluate whether MDE documented its credential review and communicated exceptions to MDHHS for all four quarters.
 - Inquired whether MDHHS took remedial action for exceptions communicated by MDE for all four quarters.
 - Determined whether the credential review samples contained 5% of staff per cost pool per ISD through a comparison with ISD staff pool lists for all four quarters.
 - Reviewed two judgmentally selected quarters' staff pool lists to determine whether the job categories contained in each cost pool appeared to be reasonable and aligned with program guidance.

We selected our random samples to eliminate bias and enable us to project the results to the respective populations. We selected other samples judgmentally to ensure representativeness or based on risk and could not project those results to the respective populations.

OBJECTIVE 2

To assess the sufficiency of MDHHS's efforts to monitor the SSP contractor's administration of the RMTS process.

To accomplish this objective, we:

- Reviewed MDHHS's federally approved SBS Implementation Plan to obtain an understanding of MDHHS's planned monitoring of the RMTS process.
- Interviewed MDHHS staff to understand MDHHS's monitoring activities performed over the contractor's performance of quarterly time studies from July 1, 2022 through September 30, 2024.
- Compared MDHHS's SSP contract with MDHHS's federally approved SBS Implementation Plan, MDHHS's Medicaid Provider Manual, and CMS's guide for delivering services in school-based settings to determine whether

contract requirements were consistent with SSP requirements and guidance.

- Evaluated MDHHS's monitoring reviews of the contractor's coding of school staff RMTS questionnaire responses through:
 - Interview of MDHHS staff to determine whether the Department reviewed the contractor's methodology for selecting 5% samples of RMTS responses or identified any discrepancies in contractor's coding of RMTS questionnaire responses for the 5% samples for the period July 1, 2022 through September 30, 2024.
 - Random and judgmental selection of 4 of 6 quarters with an RMTS conducted from July 1, 2022 through September 30, 2024 to:
 - Determine whether MDHHS received 5% samples of RMTS responses from the contractor, reviewed and approved the samples, and documented its review of the samples.
 - Verify the samples of RMTS responses selected by the contractor and sent to MDHHS represented 5% of each cost pool as required by the contract.
- Interviewed MDHHS staff to determine whether MDHHS reviewed quarterly and annual RMTS results, in the form of percentages, provided by the contractor and documented its reviews from July 1, 2022 through June 30, 2024.
- Performed verifications of annual RMTS percentages provided by the contractor, used in the calculation to determine an ISD's reimbursement amount, by:
 - Comparing original sampled time study moments to the moments the contractor used to calculate the annual RMTS percentages for 4 of 6 randomly and judgmentally selected quarters from school years 2022-23 and 2023-24 (July 1, 2022 through June 30, 2024) to verify the contractor used accurate moment counts when calculating annual RMTS percentages.
 - Recalculating the annual RMTS percentages, using the quarterly RMTS percentages to verify the contractor provided MDHHS accurate annual RMTS percentages for school years 2020-21,

2021-22, 2022-23, and 2023-24 (July 1, 2020 through June 30, 2024).

- Interviewed MDHHS staff to determine whether MDHHS reviewed and documented its review of training provided by the contractor from July 1, 2022 through June 30, 2024 to ensure compliance with training requirements for ISD SSP coordinators and the contractor's central coding staff.
- Obtained the contractor's quarterly invoices for services provided during fiscal years 2024 and 2025 and:
 - Analyzed the timing of MDHHS's receipt and payment of the invoices to evaluate whether the contractor submitted invoices on a regular basis and MDHHS made payments within the time frame established in the contract.
 - Reviewed the invoices to determine whether they contained itemized information for services provided as required by the contract.
 - Inquired to understand MDHHS's process for reviewing the invoices prior to approving them for payment.
- Obtained the contractor's available SOC 1, type 2 reports from MDHHS covering the period July 1, 2022 through October 31, 2025 and requested the contractor's SOC 2, type 2 reports from the contractor covering the period May 29, 2024 through October 31, 2025 to determine whether MDHHS received the reports and documented its review of the report results.
- Reviewed all applicable quarterly and annual reports required by MDHHS's contract for 7 randomly and judgmentally selected quarters from the population of 9 quarters from July 1, 2022 through September 30, 2024 to determine whether MDHHS obtained and reviewed the reports, and identified any discrepancies with the reports and took necessary action, when appropriate.
- Judgmentally selected 18 of 63 quarterly and annual reports required by MDHHS's SSP contract from July 1, 2022 through September 30, 2024 to determine whether the contractor submitted the report to MDHHS in a timely manner.
- Reviewed MDHHS e-mail communications, calendar invites, and meeting agendas from July 1, 2022 through September 30, 2024 to determine whether MDHHS regularly met and communicated with its contractor.

- Interviewed MDHHS staff to determine whether MDHHS obtained the contractor's quality assurance plan, documented its review of the plan, and monitored the plan to ensure it was implemented by the contractor.

We selected our random samples to eliminate bias and enable us to project the results to the respective populations. We selected other samples judgmentally to ensure representativeness or based on risk and could not project those results to the respective populations.

CONCLUSIONS

We base our conclusions on our audit efforts and any resulting material conditions or reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

AGENCY RESPONSES

Our audit report contains 6 findings and 6 corresponding recommendations. MDHHS's preliminary response indicates it agrees with all of the recommendations.

The agency preliminary response following each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* requires an audited agency to develop a plan to comply with the recommendations and to submit it to SBO upon audit completion. The State of Michigan Financial Management Guide (Part VII, Chapter 3, Section 100) requires the audited agency to develop the plan as early as practicable and within 60 days after report issuance and submit the plan to OIAS, SBO. Within 30 days of receipt, OIAS will either accept the plan as final or contact the agency to take additional steps to finalize the plan.

SUPPLEMENTAL INFORMATION

Our audit report includes supplemental information presented as Exhibits 1 through 3. Our audit was not directed toward expressing a conclusion on this information.

GLOSSARY OF ABBREVIATIONS AND TERMS

Administrative Outreach Program	A component of SSP offering reimbursement for the cost of administrative activities which support efforts to identify and enroll potentially eligible students into Medicaid and are in support of the State Medicaid plan.
caring for students	A component of SSP enabling reimbursement of costs associated with providing services to students without an individualized education program, individualized family service plan, and/or non-public service plan.
Centers for Medicare and Medicaid Services (CMS)	The federal agency that provides health coverage through Medicare, Medicaid, the Children's Health Insurance Program, and the Health Insurance Marketplace. CMS works in partnership with the entire healthcare community to improve quality, equity, and outcomes in the healthcare system.
Community Health Automated Medicaid Processing System (CHAMPS)	MDHHS's Medicaid management system that allows for functions to be completed online including, but not limited to, provider enrollment, direct claim entry, claim adjustments/voids, and eligibility verification.
direct service claiming	A component of SSP enabling reimbursement of costs associated with providing services to students with an individualized education program, individualized family service plan, and/or non-public service plan.
effectiveness	Success in achieving mission and goals.
efficiency	Achieving the most outputs and the most outcomes practical with the minimum amount of resources.
Financial Management Guide	Represents a consolidation of State financial management policies and procedures.
intermediate school district (ISD)	A corporate body established by statute in the Michigan Revised School Code (PA 451 of 1976) that is regulated by an intermediate school board. Michigan has 56 ISDs and for purposes of this report, the term ISD also includes the Detroit Public Schools Community District and the Michigan School for the Deaf.
material condition	A matter, in the auditor's judgment, which is more severe than a reportable condition and could impair the ability of management to

operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.

MDE	Michigan Department of Education.
MDHHS	Michigan Department of Health and Human Services.
Medicaid eligibility rate	A calculation used to determine the ratio of Medicaid eligible students compared to the total students which is then used as a component of the formula for calculating the ISD's reimbursement amount.
memorandum of understanding	An agreement or understanding between two or more parties used to define a relationship between the parties, establish expectations or roles, set forth a course of action, etc.
Michigan Online Educator Certification System	A secure web-based system that allows educators to register and create private accounts and have access to all their certification data, apply for certificates and endorsements, and renew their certificates.
OIAS	Office of Internal Audit Services.
performance audit	An audit which provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
Public Consulting Group, LLC	MDHHS's contractor who assists in carrying out various items related to SSP, including data collation, reporting, claims processing, and claims development.
random moment time study (RMTS)	A random moment sampling to determine the extent to which SSP reimbursable activities are being performed by capturing what is done during a specific moment in time.
reportable condition	A matter, in the auditor's judgment, less severe than a material condition and falls within any of the following categories: a deficiency in internal control; noncompliance with provisions of laws,

regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.

SBO

State Budget Office.

school-based services (SBS)

A federal program providing funding to states for reimbursement to schools for certain health services provided to eligible students, such as physical, speech, and occupational therapy; counseling; and transportation.

School Services Program (SSP)

For purposes of this report, School Services Program refers to Michigan's SBS program which provides medically necessary Medicaid-covered services in the school setting. All Michigan ISDs and their associated local educational agencies, the Detroit Public Schools Community District, and the Michigan School for the Deaf participate in SSP.

System and Organization Controls (SOC) report

Designed to help organizations providing services to user entities build trust and confidence in their delivery processes and controls through a report by an independent certified public accountant (CPA). Each type of SOC report is designed to meet specific user needs:

- SOC 1 (Report on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting) - Intended for user entities and the CPAs auditing their financial statements in evaluating the effect of the service organization's controls on the user entities' financial statements.
- SOC 2 (Report on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy) - Intended for a broad range of users needing information and assurance about a service organization's controls relevant to any combination of the five predefined control principles.

There are two types of SOC 1 and SOC 2 reports:

- Type 1 - Reports on the fairness of management's description of a service organization's system and the suitability of the design of the controls to achieve the related control objectives included in the description, as of a specified date.
- Type 2 - Includes the information in a type 1 report and also addresses the operating effectiveness of the controls to achieve the related control objectives included in the description, throughout a specified period.

- SOC 3 (Trust Services Report for a Service Organization) - Intended for those needing assurance about a service organization's controls affecting the security, availability, or processing integrity of the systems a service organization employs to process user entities' information, or the confidentiality or privacy of information, but not having the need for or the knowledge necessary to make effective use of a SOC 2 report.
- SOC for Cybersecurity - Intended to communicate relevant information about the effectiveness of an organization's cybersecurity risk management programs.

TPSO

third-party service organization.



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