

Early Intervention Program

Fiscal Audit Procedures for Municipalities

As Local Administrators of the Early Intervention Program



**New York State Department of Health
Bureau of Early Intervention
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EARLY INTERVENTION (EI) PROGRAM FISCAL AUDIT PROCESS

Public Health Law (PHL) §2557(3) authorizes the NYS Department of Health (Department) to perform audits, which may include a site visit, of all or any of the following: municipalities, service coordinators, evaluators, or providers of early intervention services. Pursuant to PHL §2557(3), the Department is required to provide municipalities with a copy of the audit findings. This document provides a general overview of the Early Intervention Program's routine fiscal audit process for a municipality in its capacity as local administrator of the Early Intervention Program. The Department reserves the right to modify these procedures without notice as it deems appropriate. There may be variation in audit procedures reflecting differences in local administration of the Early Intervention Program or based upon the need to conduct a specific audit of an entity. Audits will be conducted in accordance with generally accepted government auditing standards contained in the Government Auditing Standards issued by the Comptroller General of the United States and will include a review of internal controls related to the Early Intervention Program.

- A telephone call will be made to the municipality to be audited three to four weeks before the date(s) of the audit. The municipality will be notified also as to the types of records and documents to be examined by the auditors.
- The telephone call to the municipality to be audited will be followed up with an “entrance” letter confirming the audit dates, what records and documents are to be made available for the audit, and providing a brief overview of the audit process.
- Auditors will review applicable records and documents during the audit. Questions that arise will be discussed with municipalities, service providers, or Department EI staff, as appropriate.
- When field work is completed, a report will be prepared and then formally shared with the municipality at the exit conference.
- The municipality has 30 days to comment on the audit findings.
- Since the Department may recoup or withhold funds from a municipality based upon audit findings of early intervention providers, the Department will also notify affected municipality(ies) regarding the initial results of provider audits as contained in the audit report.
- When the findings in the audit report indicate that a withholding of funds from a municipality would be appropriate, either as a result of the direct fiscal audit of a municipality in its capacity as the local administrator of the early intervention program or as a service provider, the Department will consider an appeal of the issue(s) in question by the municipality if requested in writing within 30 days after the date of the fiscal audit report findings. The municipality's appeal will be considered by an audit appeals committee convened by the Department.

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- If funds are withheld from a municipality as a result of an audit, the Department will notify the State Early Intervention Coordinating Council (EICC) and the chair of the county's Local Early Intervention Coordinating Council (LEICC). No recoveries or claims adjustments to recover questioned costs will be initiated against the municipality until the appeals process has been completed and the EICC has been given the opportunity to recommend and vote on alternative recommendations to any recoupment proposed by the Department.
- The Department will consider formal EICC recommendation(s).
- The Department will finalize the audit report and take appropriate follow-up action, including a possible withholding of funds from the municipality. The municipality may seek recovery from the provider.

ENTRANCE CONFERENCE

During the entrance conference, auditors will:

1. document the names/titles of all individuals in attendance at the audit;
2. review the scope of the audit with attendees, including:
 - period covered by the audit
 - focus of the audit (claiming, Early Intervention (EI) administration contract, prior fiscal corrective actions);
3. review the areas that will be examined, including:
 - EI service claiming, including to commercial insurance, Child Health Plus, Medicaid and the State Department of Health
 - claiming
 - receipts
 - disbursements
 - municipal fiscal audits, if conducted;
 - EI administration contract
 - personal service
 - other than personal service, including equipment and contracts; and,
4. discuss the audit process.

**EXAMINATION OF EARLY INTERVENTION (EI) CLAIMING TO
COMMERCIAL INSURANCE, CHILD HEALTH PLUS, MEDICAID,
AND THE STATE DEPARTMENT OF HEALTH (SDOH)**

Pursuant to PHL §§2557 - 2559, the municipality is responsible for claiming to commercial insurance, Medicaid, and other public insurance programs and SDOH. The audit will include an examination of the municipality's process for EI claiming to commercial insurance, Medicaid, and other public insurance programs (for example, Child Health Plus), as well as municipality claiming to SDOH. During this examination, auditors will interview and observe relevant staff, examine documentation, request data and reports from the Kids Integrated Data System (KIDS), and identify the internal controls the municipality has in place for the claiming process.

If the municipality utilizes a fiscal agent for claiming, the municipality is responsible for ensuring appropriate claiming activities are carried out by its fiscal agent. In addition, the municipality will be examined to determine whether it obtains, either from direct staff service coordinators or contractors, a child's commercial insurance coverage, Medicaid and Child Health Plus enrollment status, as required by PHL §2543(3) and 10NYCRR 69-4.7(h).

Areas to be examined include the following:

1. service coordination procedures for identifying a child's commercial insurance coverage, Medicaid or Child Health Plus enrollment status, including:
 - obtaining commercial insurance policy number and/or child's Medicaid or Child Health Plus number(s) from the family;
 - informing families that commercial insurance, Medicaid, or Child Health Plus payment for services is required under the Early Intervention Program and explaining how parent protections apply;
 - if service coordination is not directly provided by the county, prompt notification to the municipality of the child's commercial insurance, Medicaid, or Child Health Plus status;
2. efforts made to assist the parent in identifying and applying for Medicaid or other public benefits programs (such as Child Health Plus or SSI) for which the family may be eligible;
3. efforts made to collect the social security numbers of the eligible child and his/her parents consistent with PHL §2552(4) and the guidance document, "Guidance on Claiming Commercial Insurance for Early Intervention," issued by the Department;
4. efforts made to seek recovery from commercial insurance, Medicaid and Child Health Plus before claiming to SDOH and documentation of those efforts consistent with PHL §2559 and the Department's guidance document, "Guidance on Claiming Commercial Insurance for Early Intervention";
5. reconciliation process for payment received or denied from commercial insurance, Medicaid, and Child Health Plus;
6. procedures for paying or covering deductibles and co-payments incurred by parents; and,

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7. written procedures that ensure that commercial insurance, Medicaid, and Child Health Plus claiming occurs in a manner that is consistent with the Department's guidance document, "Guidance on Claiming Commercial Insurance for Early Intervention Services."

Documents to be made available include, but are not limited to, the following:

1. written procedures for EI claiming to commercial insurance, Medicaid, or Child Health Plus and SDOH, including tracking and follow-up procedures which are consistent with PHL §2552(4) and "Guidance on Claiming Commercial Insurance for Early Intervention" guidance document issued by the Department;
2. subrogation notices;
3. documentation that the child's insurance policy is or is not subject to NYS Insurance Law;
4. selected children's records to confirm efforts by the municipality to recover third party payment contribution, including a copy of the municipality's notification to the State if a parent refuses to provide insurance information;
5. forms, letters, and other appropriate documentation of efforts to claim to commercial insurance consistent with the requirements of the insurer (e.g., referral requirements for primary care or out-of-network providers, preauthorization/medical necessity requirements);
6. requests from insurers for additional information;
7. denials for technical errors (i.e., incorrect policy numbers, procedure codes, dates of service, missing diagnoses, duplicate dates of services);
8. responses by the municipality to requests for additional information and correction of technical errors from insurers as referenced by and consistent with the SDOH guidance document on claiming commercial insurance reimbursement;
9. Explanation of Benefits (EOB), rejection notices, or other documentation of claims rejection;
10. any complaints to the State Insurance Department pursued by the municipality;
11. reports from KIDS (e.g., "Early Intervention Program Bill Report");
12. documentation demonstrating submission of adjustment disks;
13. documentation, including letters and forms, used by municipalities and/or the EI Official to ensure families are informed about their rights and responsibilities (i.e., requirements to access insurance, protections under the law, etc.); and,
14. documentation from fiscal agents, as required.

**EXAMINATION OF THE PROCESS OF MUNICIPAL OVERSIGHT
OF BILLING FOR SERVICES DELIVERED BY PROVIDERS**

The audit will include an examination of the process of municipal oversight of billing by providers contracted with the municipality. Areas to be examined include, but are not limited to, the following:

1. a valid contract existed between the provider and the municipality, and the municipality notified SDOH within 10 working days that a contract had been finalized and the time period of the contract as required by 10NYCRR 69.4.5(C);
2. the provider had State approval to deliver the type of early intervention service billed for;
3. services billed were provided by qualified personnel;
4. written procedures on provider billing existed, and providers had been notified of such policies;
5. services were actually provided by the provider;
6. bills for duplicate or overlapping services;
7. the frequency, units, and service delivery model (i.e., basic home and community, etc.) corresponded with those authorized in the IFSP;
8. IFSP services were provided only to eligible children;
9. the provider's bill for services was mathematically correct;
10. overpayments for services inappropriately billed for were recouped from the provider and reported to SDOH via submission of adjustment disks; and,
11. claims to the State for reimbursement were correct and followed statutory and regulatory requirements.

Documents to be made available include, but are not limited to, the following:

1. policies and procedures issued by municipalities to providers regarding provision of services, documentation of services, or documentation required for billing that were in effect during the period of time being audited;
2. IFSPs of children included in the audit sample;
3. service authorizations for children included in the audit sample;
4. contracts with EI service providers and fiscal agents;
5. provider invoices and supporting documentation;
6. reports from KIDS (e.g., "Early Intervention Program Bill Report");
7. municipal fiscal audit reports and recoupment documentation; and,
8. documentation demonstrating submission of adjustment disks.

**EXAMINATION OF EARLY INTERVENTION (EI) RECEIPTS FROM
COMMERCIAL INSURANCE, CHILD HEALTH PLUS, MEDICAID, SDOH,
AND FROM PROVIDER AND MUNICIPALITY RECOUPMENTS**

The audit will include an examination of all EI-related receipts. During this examination, auditors will interview and observe relevant staff and examine documentation.

Areas to be examined may include reconciliation of EI-related cash receipts to municipal revenue ledgers and KIDS data.

Documents to be made available include, but are not limited to, the following:

1. written procedures for handling receipts;
2. forms used when handling receipts;
3. selected receipts, deposits, etc.; and,
4. reports from KIDS (e.g., “Early Intervention Program Bill Report”).

EXAMINATION OF EARLY INTERVENTION (EI) DISBURSEMENTS

The audit will include an examination of EI disbursements, including those to providers, parents and fiscal agent accounts for payment to providers. During this examination, auditors will interview and observe relevant staff and examine documentation.

Areas to be examined include, but are not limited to, the following:

1. reconciliation of EI-related cash disbursements to municipal appropriations ledgers and KIDS data;
2. timeliness of payments to providers, including payments/procedures to allow for corrections and rebilling; and,
3. payment to parents for appropriate, reimbursable early intervention-related costs (e.g., transportation, respite).

Documents to be available for examination include, but are not limited to, the following:

1. written procedures to allow for processing disbursements, including corrections and rebilling;
2. forms used when handling disbursements;
3. selected available disbursement documentation; and,
4. reports from KIDS (e.g., “Early Intervention Program Bill Report”).

EXAMINATION OF FISCAL AUDITS CONDUCTED BY THE MUNICIPALITY

If the municipality has chosen to exercise its authority to perform provider fiscal audits, the State fiscal audit will include an examination of such audits performed by the municipality. State auditors will interview relevant staff and examine documentation regarding provider fiscal audits.

Staff may be interviewed regarding the following:

1. procedures followed when conducting provider fiscal audits, including coordination with the State or other municipalities to ensure municipal audits were not conducted within six months of State or other municipal audits;
2. procedures regarding recoupment and subsequent reimbursement to SDOH, if applicable; and,
3. reporting results to SDOH.

Documents examined will include, but are not limited to, the following:

1. written policies and protocols for conducting provider fiscal audits and processing recoveries, including crediting the SDOH;
2. selected provider audit reports;
3. selected recoupment records; and,
4. reports of audits and adjustments to SDOH.

**EARLY INTERVENTION (EI) ADMINISTRATION CONTRACT
EXAMINATION OF EI PERSONAL SERVICE EXPENDITURES**

The audit will include an examination of EI personal service expenditures. During this examination, the auditors will interview and observe relevant staff and examine documentation to ensure that the EI Administration contract reimbursement for personnel expenditures is related to activities that support the Early Intervention Program.

Staff may be interviewed and observed regarding the following:

1. reasonable methodology for accounting (per OMB Circular A-87, “Cost Principles for State, Local, Governments and Indian Tribal Governments”) on a routine basis for actual use of EI-funded personnel;
2. identification of cost centers; and,
3. fringe benefits.

Documents examined will include, but are not limited to, the following:

1. municipal contracts, including any municipal contract amendments;
2. payroll registers;
3. approved timesheets;
4. EI-related contracts or agreements and contract amendments;
5. time and activity documentation;
6. fringe benefits documentation;
7. tax deduction forms (W2s, W4s, etc.); and,
8. personnel files and transactions (new hires, separations, changes in salary, etc.).

**EARLY INTERVENTION (EI) ADMINISTRATION CONTRACT
EXAMINATION OF OTHER THAN PERSONAL SERVICE EXPENDITURES**

The audit will include an examination of other than personal service expenditures funded through EI. During this examination, auditors will interview relevant staff and examine documentation regarding other than personal service expenditures, including equipment. Auditors may examine the equipment itself and observe its use.

Staff may be interviewed and observed regarding the following:

1. contracts with vendors for administrative services (i.e., fiscal agent, data entry, consultants, etc.);
2. county bidding procedures related to vendor procurement;
3. inventory and disposition procedures for EI-funded equipment, including authorized users, tagging system, and responsible staff;
4. indirect cost allocations, including printing, postage, etc.;
5. EI-related travel;
6. communication costs (i.e., telephone, fax, etc.); and,
7. in-kind contribution of goods and services.

Documentation that may be reviewed for other than personal services expenditures may include, but is not limited to, the following:

1. invoices for purchase, travel, etc.;
2. evidence that goods were received/services provided;
3. travel mileage logs and related records;
4. cancelled checks;
5. EI-related contracts or agreements and contract amendments;
6. equipment ledgers/inventory, including physical verification of use;
7. leases for rental space or maintenance in lieu of rent (MILOR) allocation documentation;
8. county-wide indirect cost allocation plan;
9. telephone bills;
10. county charge-backs; and,
11. accounting for in-kind goods and services (fair market value [FMV] or cost basis).