

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**DISTRICT OF COLUMBIA PUBLIC SCHOOLS  
AUDIT OF THE  
SPECIAL EDUCATION PROGRAM  
FISCAL YEAR 1998**

**CHARLES C. MADDOX, ESQ.  
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA



OFFICE OF THE INSPECTOR GENERAL

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June 22, 1999

Arlene Ackerman  
Superintendent  
825 North Capitol Street, N.E.  
9<sup>th</sup> Floor  
Washington, D.C. 20002

Dear Mrs. Ackerman:

Enclosed is the final report on the audit of the District of Columbia Public School (DCPS) System Special Education Program for fiscal year 1998 (OIG-7-99GA-9916). We were requested by the DCPS Chief Financial Officer to perform an audit of the costs incurred for attorneys hired by parents to represent students who were not evaluated in a timely manner for the Special Education Program. However, we later expanded our audit to include an examination of additional programs within the system.

We found that DCPS is not in compliance with Federal or District regulations in the administration of the Special Education Program. DCPS is not: (1) evaluating and placing special education students in a timely manner; (2) conducting due process hearings or implementing determinations made by an independent hearing officer in a timely manner; (3) providing students related services specified in their individualized education programs; and (4) reporting activities of the program annually to the Board of Education. If these deficiencies are not corrected by March 2001, DCPS will lose approximately \$4 million in federal funds. We noted also that DCPS did not properly maintain Medicaid records. As a result, DCPS did not submit requests for Medicaid reimbursements, which totaled \$14 million, in a timely manner. This delay resulted in a loss to the District of approximately \$1 million in interest.

The DCPS also must improve internal accounting controls for processing special education payments. The DCPS Division of Finance certified vouchers for payments totaling \$38.5 million in the absence of a proper review of the invoices by program officials. The Special Education Division did not monitor private schools to ensure that required educational services were being provided to students. Moreover, DCPS did not have written policies and procedures for processing special education payments. DCPS did not properly maintain payment records, and as a result, could not locate records to support payments totaling \$533,032.

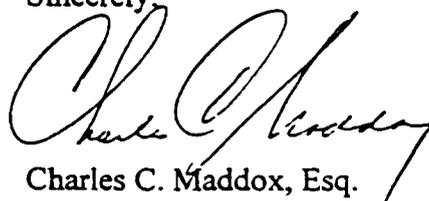
Arlene Ackerman  
Superintendent  
June 22, 1999  
Page 2 of 2

Accordingly, this report contains recommendations to eliminate the backlog of students awaiting initial assessment and placement; improve internal accounting controls; maintain Medicaid records properly; comply with laws, rules, and regulations; and provide quality assurance monitoring over private schools.

In commenting on a draft of this report, the Superintendent and the DCPS Chief Financial Officer cited specific actions initiated to improve the Special Education Program. These comments are incorporated as appropriate in the report. The full text of the responses to this report are included as Attachments II and III.

Should you have any questions or need additional information, please contact me at 727-2540 or John N. Balakos, Assistant Inspector General for Audits, at 727-9749.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles C. Maddox".

Charles C. Maddox, Esq.  
Inspector General

Enclosure

**DISTRICT OF COLUMBIA PUBLIC SCHOOLS  
 AUDIT OF THE SPECIAL EDUCATION PROGRAM  
 FISCAL YEAR 1998**

**TABLE OF CONTENTS**

**INTRODUCTION AND PURPOSE** .....1

**BACKGROUND** .....2

**SCOPE AND METHODOLOGY** .....2

**FINDINGS AND RECOMMENDATIONS** .....3

1. **Lack of Compliance with Federal or District Regulations** .....3

Recommendations.....4

2. **Internal Controls for Processing Payments Need to be Improved**.....5

Invoices Not Properly Reviewed .....6

Payment Records Not Properly Maintained .....7

Private Schools Not Monitored.....7

Policies and Procedures Not Established for Processing Payments .....8

Recommendations.....8

3. **Medicaid Records Not Properly Maintained** .....9

Recommendations.....10

**ATTACHMENTS**

I Review of Special Education Schedule of Interest Calculation

II Superintendent of DCPS Response to Draft Report

III Chief Financial Officer of DCPS Response to Draft Report

**DISTRICT OF COLUMBIA GOVERNMENT  
OFFICE OF THE INSPECTOR GENERAL**

**DISTRICT OF COLUMBIA PUBLIC SCHOOLS  
AUDIT OF THE SPECIAL EDUCATION PROGRAM  
FISCAL YEAR 1998**

**INTRODUCTION AND PURPOSE**

The District of Columbia Office of the Inspector General (OIG) has completed an audit of the District of Columbia Public Schools (DCPS) Special Education Program. The audit was performed at the request of the Chief Financial Officer (CFO), DCPS due to concerns over the increasing annual costs of private school tuition fees, related services and attorney fees for special education students. The audit was conducted to determine whether the DCPS complied with applicable laws, rules, and regulations in the administration of the special education program and to determine whether internal controls were adequate over the processing of payments for private school tuition fees, related services and attorney fees.

The audit showed that DCPS is not in compliance with Federal or District regulations in the administration of the Special Education Program. DCPS is not: (1) evaluating and placing special education students in a timely manner; (2) conducting due process hearings or implementing determinations made by an independent hearing officer in a timely manner; (3) providing students related services specified in their individualized education programs (IEP); and (4) reporting activities of the program annually to the Board of Education. These deficiencies must be corrected by March 2001, or DCPS will lose approximately \$4 million in Federal funds. Additionally, we noted that DCPS did not properly maintain Medicaid records. As a result, DCPS did not submit requests for Medicaid reimbursements, which totaled \$14 million, in a timely manner. The delay in requesting these reimbursements resulted in the District losing approximately \$1 million in interest income on investments.

The DCPS also needs to improve internal accounting controls for processing special education payments. The Division of Finance certified vouchers for payments totaling \$38.5 million without a proper review of the invoices by program officials. The Special Education Division did not monitor private schools to ensure that required educational services were being provided to students. Moreover, DCPS did not have written policies and procedures for processing special education payments. DCPS did not properly maintain payment records, and as a result, could not locate records to support payments totaling \$533,032.

We recommended that the Superintendent, DCPS, take action to ensure that: (1) resources are provided where needed, to eliminate the backlog of students awaiting initial assessment and placement; (2) policies and procedures are established to improve internal accounting controls; (3) Medicaid records are properly maintained; and (4) laws, rules, and regulations are adhered to; and (5) private schools are sufficiently monitored for quality assurance.

## **BACKGROUND**

The mission of DCPS is to provide a viable comprehensive system of publicly supported education for students from pre-kindergarten through grade twelve. In this capacity, DCPS provides comprehensive programs at the elementary, junior, and senior high school levels. Additionally, DCPS provides educational services for students with special needs and career training opportunities for adults at the career development center.

The Individuals with Disabilities Education Act (20 U.S.Code et seq., as amended) was enacted to "*...ensure that all children with disabilities have available to them a free appropriate public education that emphasizes special education and related services designed to meet their unique needs and prepare them for employment and independent living....*" Part B, Section 611 of the Individuals with Disabilities Education Act (IDEA) provides "*...The Secretary shall make grants to States and outlying areas; and provide funds to the Secretary of Interior, to assist them to provide special education and related services to children with disabilities....*" Section 612 of IDEA contains the conditions for states to be eligible to receive Federal funds.

Section 34 of the Code of Federal Regulations also contains applicable regulations for special education programs. Additionally, Chapter 30, Title V of the District of Columbia Municipal Regulations (DCMR) contains regulations for administering special education programs. The regulations include requirements for DCPS to submit an annual report to the Board of Education that summarizes the number of students referred, evaluated, and provided services during the school year.

## **SCOPE AND METHODOLOGY**

The audit covered the period October 1, 1997 to September 30, 1998 and included a review of 325 statistically selected payments for private school tuition and attorney fees, which totaled over \$8 million. We also reviewed reports from the District's Financial Management System (FMS) and other financial documents and information obtained from DCPS.

We also conducted interviews with officials of the DCPS Special Education Division, Office of the General Counsel, and the Division of Finance to determine the procedures used by DCPS to review invoices received from private schools and attorneys. In addition, we held discussions with officials of the D.C. Department of Health (DOH) and the contractor procured by DCPS to process Medicaid claims, to obtain information regarding two administrative claims for Medicaid reimbursements made by DCPS. We did not review personal services (employee salaries) or transportation costs for the special education program.

The audit was conducted in accordance with generally accepted government auditing standards.

## **FINDINGS AND RECOMMENDATIONS**

### **LACK OF COMPLIANCE WITH FEDERAL OR DISTRICT REGULATIONS**

On March 10, 1998, the United States Department of Education (USDE) determined that DCPS was not in compliance with the requirements of Part B of IDEA, and that full compliance could not be achieved in a short period of time. As a result, on March 16, 1998, DCPS entered into a **Compliance Agreement with the USDE to correct program deficiencies by March 16, 2001 or lose \$4 million in Federal funds given annually.**

*“Specifically, the Compliance Agreement sets forth commitments and timetables for DCPS to meet in coming into compliance with its Part B obligations. In addition, DCPS is required to submit documentation concerning its compliance with these goals and timetables.”*

*Title 5 of the DCMR, Section 3002.4 provides, “ An annual report shall be submitted to the Board of Education indicating the number of handicapped students referred, evaluated, and provided service during the school year, and indicating the number of newly identified handicapped students.”*

The Division of Special Education did not provide the OIG sufficient information on student assessments for fiscal year 1998 to determine all of the reasons for the backlog of approximately 1,100 students awaiting an initial evaluation and placement in the special education program. Also, statistical information requested from DCPS (i.e., the number of students in the special education program, the number of students placed in private schools, and the number of requests for due process hearings etc..) was not provided for our review in a timely manner. Once reviewed, the information was determined not to be accurate. However, based upon the information provided, we identified the following conditions at DCPS, which in our opinion hindered the effective management of special education program, and contribute to the eleven program deficiencies mentioned in this report.

- Pertinent data on special education students such as, request for evaluations date, hearing date, evaluation and reevaluation date, placement date, IED requirements, tuition rates etc., is not integrated in one computerized data base;
- Current resources (personnel and equipment) are not sufficient to account for and track approximately 1,500 special education students placed in private schools; or to eliminate the backlog of 1,100 students awaiting an initial assessment and placement;
- Management turnover at the top position. The Special Education Division has not had a permanent Director for the last three years;
- Written policies and procedures have not been established to verify or monitor special education services provided by attorneys, private schools, and other service providers; and

- Lack of regard for all special education program laws, rules and regulations.

We noted eleven program deficiencies identified by USDE, which requires DCPS to correct by March 16, 2001, or lose some \$4 million in Federal funds given annually. The eleven program deficiencies are shown below:

1. Initial evaluations, placements and re-evaluations are not made in a timely manner;
2. All children with disabilities are not receiving the related services specified in their individualized education programs (IEP);
3. Final decisions are not made within the required time frame (45 days), after the receipt of a request for a due process hearing;
4. Determinations made by an independent hearing officers are not implemented within a timely manner;
5. A Child Find System was not established to identify and locate all children with disabilities;
6. All children with disabilities are not placed in a least restrictive environment as required;
7. State complaint procedures were not implemented;
8. A statement of needed transition services is not included in each students IEP;
9. A State Advisory Panel was not established;
10. Procedures for wards of the state were not implemented; and
11. Sufficient personnel are not available for students with disabilities who are limited in English proficiency.

DCPS officials told us six of eleven deficiencies identified by USDE have been corrected (noted above numbers 5,6,7,8,9, and 10). We reviewed documentation for those six deficiencies and noted that DCPS has taken action to correct the deficiencies. We were also told that steps have been taken to procure additional lawyers to eliminate the backlog of request for due process hearings. However, DCPS officials did not explain why District regulations were not complied with, regarding annually reporting to the Board of Education on special education activities.

### Recommendations

The OIG recommended that the Superintendent, DCPS, take the necessary measures to ensure that:

1. Pertinent data on special education students is integrated and maintained in one computerized database;
2. The necessary resources are provided to account for and track special education students placed in private schools; and to eliminate the backlog of 1,100 students awaiting an initial assessment and placement;
3. A permanent Director for the Special Education Division is hired;
4. Written policies and procedures are consistently followed to verify and/or monitor special education services provided by attorneys, private schools, and other services providers; and
5. All special education program laws, rules and regulations are adhered to.

### **DCPS Response**

DCPS concurred with these recommendations and has initiated corrective actions to implement a comprehensive database, eliminate the backlog of students awaiting initial assessment and placement, hire needed staff, and to ensure written policies and procedures are followed.

### **OIG's Comments**

The actions taken by DCPS are considered responsive to the recommendations.

### **INTERNAL CONTROLS FOR PROCESSING PAYMENTS NEED TO BE IMPROVED**

DCPS needs to improve its internal accounting controls for processing special education payments and management controls over the quality of education at private schools. We noted vouchers were certified for payment without a proper review of the invoices; records to support payments were not properly maintained; and private schools were not monitored to ensure that required educational services were provided to students. In addition, DCPS has not established written procedures for processing special education payments.

The management of DCPS is responsible for establishing and maintaining an internal control system to ensure assets are safeguarded; transactions are properly authorized; applicable laws, regulations and policies are adhered to; and resources are efficiently and effectively managed.

*Mayor's Memorandum 83-68, dated November 29, 1983, provides guidelines for District's agencies and departments for document processing, pre-audit, and other internal control mechanisms necessary to assure that charges against the D.C. Government are proper and supportable. Section C., states... "existing internal controls should be reviewed for assurance that every phase of the certification process will function properly. For example:*

1. assurance of the legality of proposed charges under an appropriation or fund;
2. assurance that material and services are received as ordered and billed;
3. assurance that distribution of charges are properly recorded and related liabilities are accurately established and processed for payment within a time frame that maximizes benefit to the District;
4. assurance that filing systems will provide convenient accessibility to every certified voucher and its supporting documentation as well as to records of original and subsequent entry into FMS...."

### **Invoices Not Properly Reviewed**

The DCPS Division of Finance certified vouchers for payments totaling approximately \$38.5 million in the absence of a proper review of the invoices by program officials. As a result, we could not determine whether the correct amount was paid by DCPS, for the services that were actually provided.

Specifically, we noted:

- \$37 million of invoices received from private schools (in fiscal year 1998) which represented tuition fees for special education students, were not compared or verified to the monthly School Enrollment Report prepared and maintained by the Division of Special Education; and
- \$1.5 million of invoices received from attorneys (in July 1998) which represented the costs of providing legal services to students requesting special education services, were not verified to the listing of Pending Special Education Cases maintained by the Student Hearing Office and /or the Office of the General Counsel.

Division of Finance officials told us the Division of Special Education maintained the documents and reports necessary to review the monthly invoices; and therefore, should have reviewed the invoices. Additionally, the vouchers were certified for payment to comply with a court ordered automated payment arrangement. The arrangement, called the Petties Automated Payment System, requires DCPS to make payments to private schools by the 25<sup>th</sup> day of month.

Officials of the DCPS Office of the General Counsel informed us that a routine review of the invoices from attorneys was not performed due to staff shortages, for the month of July 1998. We noted that the Office of the General Counsel resumed reviewing invoices received from attorneys subsequent to July 1998. Also, prior to the completion of our audit, DCPS established written procedures for payment of attorney fees, which includes a maximum amount of compensation for attorneys and other restrictions.

**Payment Records Not Properly Maintained**

DPCS did not properly maintain payment records, and therefore, could not locate records to support payments made. Without proper documents to support the payments, we could not determine the propriety of the payments. As a result 17 payment vouchers totaling about \$523,000 along with the supporting documentation, were not available for review.

After the completion of our fieldwork, the Division of Finance informed us that it was still attempting to locate the missing invoices. We were informed that 8 of the 17 missing payment vouchers, which totaled \$424,861, had been located. Therefore, nine payment vouchers totaling \$98,113 were still missing as noted below.

<u>Voucher Number</u>	<u>Amount</u>	<u>Provider</u>
GAD81219	\$15,484.72	A
GA000093	14,987.14	B
GAD82284	34,992.13	C
GAD82861	8,902.50	D
GAD80373	8,592.00	E
GAD80677	617.80	F
GAD82034	2,497.00	G
GAD82203	8,165.00	H
GAD82584	<u>3,874.98</u>	I
	<u>\$98,113.27</u>	

Additionally, we noted that Private school placement records for 37 students were not updated in a timely manner and, therefore, were not listed on the October 8, 1998, monthly School Enrollment Report. Furthermore, officials of the Division of Special Education could not provide us an official placement letter or a settlement agreement for 3 of those 37 students to justify their placement in a private school. The monthly tuition fees for the three students (for September 1998) totaled \$10,059.

**Private Schools Not Monitored**

The Division of Special Education did not monitor private schools that provide required educational services (in accordance with students IEP's) to approximately 1,500 special education students. As a result, we can not be assured the students received all the required educational services.

The Division of Special Education officials informed us private schools were not monitored because of staff limitations. We also noted that DCPS has not established written procedures for monitoring private schools. Furthermore, we discovered one private school, which was paid approximately \$300,000 during fiscal year 1998, is currently under investigation by the U.S. Attorney's Office.

We noted that DCPS plans to hire additional personnel to periodically monitor private schools; and to review monthly invoices received from private schools. We also noted, that a new committee (called the Non Public Committee) was established and has developed strategies (such as, improving the student tracking system and developing contracts with private schools) to improve this functional area of the special education program.

### **Policies and Procedures Not Established for Processing Payments**

DCPS did not have written policies and procedures for processing special education payments. Written policies and procedures are necessary to establish guidelines for personnel involved in day-to-day payment processing activities. Policies and procedures are also necessary to ensure consistency in the performance of these activities by personnel; to clearly define duties and responsibilities; and to ensure a uniform interpretation of the policies and procedures used.

Prior to the completion of the audit, we obtained a draft copy of written procedures for processing special education payments. However, the procedures have not been officially approved.

### **Recommendations**

The OIG recommended that the Superintendent, DCPS, take the necessary measures to ensure that:

1. Invoices from private schools are properly reviewed, prior to certifying the voucher for payment. The review should include a comparison or verification of student attendance to the monthly School Enrollment Report;
2. Vouchers and related documents are maintained to support payments;
3. Placement letters and/or settlement agreements are maintained to support the placement of students in private schools and related costs;
4. Private schools are routinely monitored; and
5. Written policies and procedures are established for processing special education payments.

### **DCPS Response**

DCPS response indicates agreement with the recommendations and provides for reviewing and certifying vouchers for payment, maintaining support for payments, and establishing written procedures for special education payments.

### **OIG's Comments**

The actions taken by DCPS meet the intent of the recommendations.

## MEDICAID RECORDS NOT PROPERLY MAINTAINED

DCPS did not properly maintain Medicaid records. As a result, DCPS did not submit requests for Medicaid reimbursements (for administrative costs incurred in fiscal years 1996 and 1997) in a timely manner. The delay in requesting the reimbursements resulted in a loss of revenue for the District of approximately \$1 million.

We noted the following:

- The request for a Medicaid reimbursement for fiscal year 1996 was due on October 1, 1996, but not submitted to the D.C. Office of Health Care Financing (DCHCF) until December 8, 1998. The total time elapsed between the due date and submission date was 797 days. The tentative settlement amount paid to DCPS was \$7.2 million. The amount of interest revenue lost was \$821,313; and
- The request for a \$6.7 million Medicaid reimbursement for fiscal year 1997 was due on October 1, 1997, but not submitted to the DCHCF until September 14, 1998. The total time elapsed between the due date and submission date was 349 days. The tentative settlement amount paid to DCPS was \$6.7 million. The amount of interest revenue lost was \$331,351.

The Medicaid recovery contractor told us that the administrative claims for FY 1996 and 1997 were not processed until January 1998, because DCPS (the Division of Finance and the Division of Special Education) did not properly maintain Medicaid records. Also, a former official of the Division of Finance informed us that Medicaid records were not properly kept. Therefore, we requested and reviewed documents obtained from DCHCF related to claims for reimbursement, which were submitted by DCPS, but were denied or deferred. We noted that claims were denied or deferred for the following reasons.

- Exceeding the 180-day time limit (for filing for reimbursement);
- Services not properly documented (more than one claim on the date of service); and
- Incorrect billing (not accurately reflecting Medicaid costs).

Additionally, we noted the reimbursement check in the amount of \$7.2 million was mailed by the D.C. Office of the Treasury to DCPS on February 18, 1999, but was mailed to the wrong address and not received by DCPS for several weeks. The DCPS should establish a lockbox or other similar arrangements to receive Medicaid reimbursement checks and/or revenue related checks to properly safeguard the funds; and to ensure that the maximum interest on the District's investments can be earned.

**Recommendations**

The OIG recommended that the Superintendent, DCPS, take the necessary measures to ensure that:

1. Medicaid records are properly maintained;
2. Reimbursements are requested in a timely manner; and
3. A lockbox or another similar arrangement is made to receive Medicaid reimbursement checks and other types of revenue related checks.

**DCPS Response**

DCPS concurred with these recommendations and has implemented corrective actions (see Attachment II and Attachment III for the complete response). Nevertheless, the Chief Financial Officer (CFO) of DCPS took exception to our conclusion that the delay resulted in a loss of revenue for the District.

**OIG Comments**

Subsequent to receipt of the CFO's response, the issue relative to revenue enhancements to the District was resolved to the satisfaction of the CFO and the OIG. The facts remain as stated in the OIG's report. Accordingly, we find the DCPS response to the recommendations acceptable.

Office of the Inspector General  
 Review of Special Education  
 Schedule of Interest Calculation

OIG No. 7-99-GA  
 Attachment 1

Reimbursement for Fiscal Year	Due Date	Date Submitted	Number of Days	Amount Due	Annualized Interest Rate	Amt of Interest Revenue Lost
FY 1996	10/1/96	12/8/98	365	\$7,299,478.00	(FY 1997) 5.18	\$378,113.00
			432	\$7,299,478.00	(FY 1998) 5.13%	\$443,200.00
FY 1997	10/1/97	9/14/98	349	\$6,755,231.00	(FY 1998) 5.13%	\$331,351.00
<b>TOTAL</b>						<b>\$1,152,664.00</b>

**DISTRICT OF COLUMBIA  
PUBLIC SCHOOLS***Office of the Superintendent*

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June 4, 1999

Mr. Charles C. Maddox, Esq.  
Interim Inspector General  
717 14<sup>th</sup> Street, N.W., 5<sup>th</sup> Floor  
Washington, D.C. 20005

Re: Draft Audit of the District of Columbia Public Schools Special Education  
Program for Fiscal Year 1998

Dear Mr. Maddox:

This is in response to the draft audit of the District of Columbia Public Schools special education program for Fiscal Year 1998. I will respond to each of the recommendations contained in this report below.

**Lack of Compliance with Federal or District Regulations**

**Recommendation 1:** That the Superintendent, DCPS take the necessary measures to ensure that pertinent data on special education students is integrated and maintained in one computerized database.

**Response 1:** DCPS is now reviewing software packages that will enable our school system to have such a comprehensive database. In addition, the new spending plan for the DCPS central special education office includes a data specialist responsible for maintaining and updating this database.

**Recommendation 2:** That the Superintendent, DCPS take the necessary measures to ensure that necessary resources are provided to account for and track special education students placed in private schools, and to eliminate the backlog of 1,100 students awaiting an initial assessment and placement.

**Response 2:** This spending plan also includes funds for monitors for special education students placed in private schools and a fiscal assistant responsible for reviewing private school tuition and related services bills. Additional assessment teams have also been deployed to eliminate the backlog of students awaiting initial assessment and placement.

Additionally, pursuant to the recent reorganization of DCPS special education, principals, with the help of technical assistants included in the spending plan, are now responsible and will be held accountable for ensuring that all students are assessed and placed in a timely fashion. In this way, we plan to avoid having an assessment backlog in the future.

**Recommendation 3:** That the Superintendent, DCPS take the necessary measures to ensure that a permanent Director for the Special Education Division is hired.

**Response 3:** A new Director for the Special Education Division has been hired and will assume her new position June 22<sup>nd</sup>.

**Recommendation 4:** That the Superintendent, DCPS take the necessary measures to ensure that written policies and procedures are consistently followed to verify and/or monitor special education services and fee requests provided by attorneys for parents, private schools, and other service providers.

**Response 4:** The newly-appointed DCPS Counsel for Compliance will ensure that the written policies and procedures for verifying the special education services and attorneys' fee requests provided by attorneys for parents are consistently followed, a responsibility that she first assumed in December, 1998, while serving in her prior position. As indicated above, new monitors and a fiscal assistant, all of whom are included in the new special education spending plan, will ensure that the procedures for verifying and monitoring special education services provided by private schools and other service providers are verified and monitored.

**Recommendation 5:** That the Superintendent, DCPS take the necessary measures to ensure that all special education program laws, rules and regulations are adhered to.

**Response 5:** The newly-appointed Counsel for Compliance will be responsible for ensuring that all special education program laws, rules and regulations are adhered to.

**Internal Controls for Processing Payments Need to be Improved**

**Recommendation 1:** That the Superintendent, DCPS take the necessary measures to ensure that invoices from private schools are properly reviewed, prior to certifying the voucher for payment. This review should include a comparison or verification of student attendance to the monthly School Enrollment Report.

**Response 1:** As indicated above, a fiscal assistant, to be appointed in the near future, with the help of monitors who will also be hired soon, will be responsible for reviewing these bills and certifying vouchers prior to their payment. His or her review will include a comparison or verification of student attendance to the monthly School Enrollment Report.

**Recommendation 2:** That the Superintendent, DCPS take the necessary measures to ensure that vouchers and related documents are maintained to support payments.

**Response 2:** The fiscal assistant and staff from the DCPS Division of Finance will be responsible for maintaining vouchers and related documents to support payments.

**Recommendation 3:** That the Superintendent, DCPS take the necessary measures to ensure that placement letters and/or settlement agreements are maintained to support the placement of students in private schools and related costs.

**Response 3:** The Counsel for Compliance, the private school monitors, and the fiscal assistant will be held accountable for ensuring that placement letters, settlement agreements, and hearing officer decisions are maintained to support the placement of students in private schools and related costs.

**Recommendation 4:** That the Superintendent, DCPS take the necessary measures to ensure that private schools are routinely monitored.

**Response 4:** The private school monitors will assume this responsibility.

**Recommendation 5:** That the Superintendent, DCPS take the necessary measures to ensure that written policies and procedures are established for processing special education payments.

**Response 5:** These procedures have been established and will be implemented by the new Counsel for Compliance and the fiscal assistant.

**Medicaid Records Not Properly Maintained**

**Recommendation 1:** That the Superintendent, DCPS take the necessary measures to ensure that Medicaid records are properly maintained.

**Response 1:** Special education technical support supervisors, working in conjunction with the Medicaid specialist housed in the DCPS Division of Finance, will assume this responsibility.

**Recommendation 2:** That the Superintendent, DCPS take the necessary measures to ensure that reimbursements are requested in a timely manner.

**Response 2:** The Medicaid specialist in the DCPS Division of Finance will be held accountable for such timely submissions.

**Recommendation 3:** That the Superintendent, DCPS take the necessary measures to ensure that a lockbox or another similar arrangement is made to receive Medicaid reimbursement checks and any other revenue related checks.

**Response 3:** The DCPS Division of Finance will see to this arrangement.

In short, DCPS agrees with all of your recommendations and is taking steps to ensure that those that are not yet being implemented are effected in the very near future. If you wish to discuss this subject further, please feel free to contact me or have your staff call Paula Perelman, DCPS Counsel for Compliance, at 442-5511.

Respectfully,



Arlene Ackerman  
Superintendent of Schools

AA/dcs



**DISTRICT OF COLUMBIA  
PUBLIC SCHOOLS**

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June 16, 1999

Charles C. Maddox, Esq.  
Inspector General  
717 14<sup>th</sup> Street, N.W., 5<sup>th</sup> Floor  
Washington, D.C. 20005

Dear Mr. Maddox:

We would like to thank you for responding to our request for an audit of the Special Education Program. The audit findings will greatly assist us with our Special Education reform efforts. Our responses and corrective actions to address the financial issues identified in the draft audit report follow:

1. Invoices Not Properly Reviewed

DCPS Response

We concur that the private school invoices were not verified to the monthly School Enrollment Report on a consistent basis. The Special Education staff is responsible for that initial review which includes verifying the payment to the Individualized Education Plan (IEP), the school's attendance records and DCPS' Student Information System. The Finance Office performs a review of invoices which includes verification of the name of the school and the school's address to the vendor table in the financial management system, the mathematical accuracy of the invoices and the student's name to the LaShawn and Commission on Mental Health student listings.

As we previously explained, vouchers were certified for payment by Finance without the above-mentioned verification of the Special Education staff. This was done in order to comply with a court ordered automated payment arrangement. Your draft report states that "The arrangement, called the Petties Automated Payment System (PAPS), requires DCPS to make payments to private schools within 45 days of receipt of the invoice." As a point of clarification regarding payment time frames, the PAPS arrangement requires DCPS to make payment by the 25<sup>th</sup> of each month. It is the Non-PAPS invoices that must be paid within 45 days of receipt of the invoice. The majority of our special education invoices are PAPS and thus are under a mandatory legal requirement for payment that must be adhered to. Hefty fines are levied for non-compliance.

In order to address the private school invoice verification issue, The Special Education Program Office plans to hire a Fiscal Officer by July 30, 1999 to oversee all Special Education payments for Nonpublic Special Education Day and Residential Schools. That office will also hire a Fiscal

Specialist to review the invoices. The review will include a verification of student attendance to the monthly School Enrollment Report.

We agree that \$1.5 million of invoices received from attorneys in July 1998 were not reviewed by the General Counsel. This occurred because of personnel turnover/shortages in the General Counsel's office. Currently, the Office of Policy and Planning is reviewing legal invoices. The review responsibility has been with that office since March 1999.

## 2. Payment Records Not Properly Maintained

### DCPS Response

We concur. The timing of your audit coincided with the relocation of our offices as well as another audit. Also, the new filing system was not installed until late October 1998. These circumstances made it difficult for us to properly maintain and retrieve files.

We are currently implementing a new filing system where vouchers and related documents are maintained to support payments and the documents are filed for easy retrieval.

## 3. Medicaid Records Not Properly Maintained

### DCPS Response

We concur that DCPS should improve its record keeping of Medicaid related expenditures and reimbursements. However, the reason for late submission of the 1996 and 1997 cost settlement claims was not the record keeping. The reason for the delay was that the State Plan Amendment allowing DCPS to be reimbursed under the cost settlement method was not approved until April 1998 and was retroactive to 1995. Prior to this amendment, DCPS was reimbursed for Medicaid health related services under the fee-for-service method. Until this amendment was approved, DCPS did not have the authority to submit a cost settlement claim for further reimbursement.

Since DCPS was not allowed to submit requests for reimbursement of administrative costs until April 1998, we disagree that the delay resulted in a loss of revenue for the District of approximately \$1 million dollars. DCPS had no authority to apply for reimbursement prior to April 1998.

Also as a point of clarification, your draft report states that the due date for the Fiscal year 1996 and 1997 cost reports was October 1, 1996 and October 1, 1997, respectively. Cost settlement claims are due within 150 days after the closing period. The closing period for DCPS is its fiscal year end of September 30. The elapsed time for filing as shown in your audit report should be recalculated based on the due date.

DCPS is taking the following actions to ensure that Medicaid records are properly maintained:

- Procuring a comprehensive student data base management system. The estimated procurement date is by the end of June 1999. The system will capture all aspects of each student's experience including special education services prescribed and obtained.

Charles C. Maddox, Esq.  
Inspector General  
DCPS Responses to Special Education Audit

- Creating a new unit to provide oversight of and ensure proper record keeping for Medicaid reimbursable services across the entire agency.
- Developing a policy and procedures manual to provide clear instructions and directions to all end users regarding the agency's established method of maintaining Medicaid records.
- Coordinating the agency's billing and record keeping efforts. A new vendor is constructing a customized system and process for our independent use.

Finally, to ensure that Medicaid reimbursement checks are received timely, we are making arrangements with District Medicaid to pay DCPS by wire transfer. It is a more efficient payment process.

If you have any questions, please call me on 442-5229.

Sincerely,

  
Donald Rickford  
Chief Financial Officer