

Paradigm Healthcare Services
311 California Street, Suite 200
San Francisco, CA 94104

TEL (888) 536-0920
FAX (415) 616-0910
paradigm-healthcare.com

1. After reviewing the bulk of OIG school Medicaid audits, OIG appears to focus primarily on fiscal integrity, leaving programmatic and policy recommendations to CMS.
2. "FAQs About OIG Audits, Evaluations, and Inspections," Office of Inspector General website. Accessed 02/02/2013, <http://www.oig.doc.gov/Pages/FAQs-About-OIG-Audits.aspx>
3. "FAQs About OIG Investigations," Office of Inspector General website. Accessed 02/02/2013, <http://www.oig.doc.gov/Pages/FAQs-About-OIG-Investigations.aspx>

Assessing Audit Compliance in a RMTS Program

Review of School Medicaid OIG Audit Findings

Overview

This policy brief provides a summary of findings from recent school Medicaid program audits by the federal Office of Inspector General (OIG) in states using the random moment time study (RMTS) method. In light of the OIG's presence in California, and with a new school Medi-Cal administrative claiming plan in the works, this information may be relevant to those interested in what past audits can say about future compliance. As part of our RMTS series, this publication serves as a jumping-off point for additional policy briefs that will further explore select audit findings.

OIG Audits

The OIG is a division of the U.S. Department of Health and Human Services (HHS), similar to the federal Centers for Medicare and Medicaid Services (CMS).¹ The role of OIG within HHS is to "promote economy, efficiency, and effectiveness in the administration of [program operations], and... prevent and detect fraud and abuse."² This is accomplished through detailed program reviews, audits, and investigations. Resulting recommendations are presented in a final report to the audited party, the public, and final decision makers at HHS who are charged with making final determinations on the opinions expressed in the report.

Audits and Investigations: Two Very Different Types of Review

Before presenting OIG audit findings for school Medicaid programs, it is important to note that there is a difference between reviews classified as an 'audit' and those classified as an 'investigation'; none of the school Medicaid audits reviewed for this brief were classified as an investigation.

OIG explains the intentional difference between an audit and investigation as, "...an investigation is carried out to resolve specific allegations, complaints, or information concerning possible violations of law, regulation, or policy. In contrast, an OIG audit or evaluation is conducted to examine organizational program performance or financial management matters."³

Paradigm Healthcare Services
 311 California Street, Suite 200
 San Francisco, CA 94104

 TEL (888) 536-0920
 FAX (415) 616-0910
 paradigm-healthcare.com

School Medicaid Audits, 2006-Current

Dating back to 2006, OIG has conducted 10 audit reviews of school Medicaid programs utilizing the RMTS method. These audits were evenly split between administrative claiming and direct service billing programs. The following tables break down each audit by program and findings type.

Table 1: Administrative Claiming Audit Findings by Type

- Finding 1 - Improper or Unallowable Indirect Costs
- Finding 2 - Inaccurate or Unallowable Administrative Costs Included in Medicaid Administration Cost Pool - *also includes unallowable overhead costs, salaries and wages*
- Finding 3 - Inadequate Documentation to Support Sampling Methodology
- Finding 4 - Lack of Adequate Monitoring Controls
- Finding 5 - Medicaid Eligibility Rates Not Documented
- Finding 6 - RMTS Deviated from Acceptable Statistical Sampling Practices - *also includes improperly coding observations and failing to reduce the potential for bias*
- Finding 7 - RMTS Observations Improperly Coded as Medicaid Reimbursable
- Finding 8 - Sampling Methodology Not Fully Consistent with Federal Requirements - *also includes inappropriately discarded sample items and incomplete or incorrect sample universes*

Audit ⁴	Program	Finding 1	Finding 2	Finding 3	Finding 4	Finding 5	Finding 6	Finding 7	Finding 8
Arizona Jan. 2013	Admin			x	x				x
New Jersey Mar. 2012	Admin		x			x	x	x	
New Jersey Nov. 2011	Admin		x			x	x		
Missouri Mar. 2010	Admin	x	x						x
Minnesota Sept. 2006	Admin	x	x			x			

4. Dates listed for state audits correspond to the month and year that the final report was published by OIG.

Paradigm Healthcare Services
 311 California Street, Suite 200
 San Francisco, CA 94104

TEL (888) 536-0920
 FAX (415) 616-0910
 paradigm-healthcare.com

Table 2: Direct Service Billing Audit Findings by Type

Finding 1 - Inaccurate or Unallowable Costs Claimed - *also includes incorrectly calculated IEP ratios, missing documentation, and improperly claimed federal Medicaid reimbursement*

Finding 2 - Inadequate Oversight and Incorrect Guidance

Finding 3 - Inaccurate Transportation Costs Reported or Requirements Not Met to Support Transportation

Finding 4 - Lack of Adequate Monitoring Controls

Finding 5 - Medical Services Overbilled, Not Supported, or Unallowable - *also includes services not documented in a child's plan, not provided, or referral and prescription requirements not met*

Finding 6 - RMTS Moments Inaccurately Coded

Finding 7 - Unqualified Health Care Professionals

Audit	Program	Finding 1	Finding 2	Finding 3	Finding 4	Finding 5	Finding 6	Finding 7
Colorado April 2012	Direct Service	x		x	x		x	x
New Hampshire Jan. 2012	Direct Service	x	x	x	x	x		
New Jersey Sept. 2010	Direct Service				x	x		x
New Jersey Apr. 2010	Direct Service		x		x	x		x
Arizona Mar. 2010	Direct Service	x	x	x		x		x

Audit Recommendations

The OIG audits of school Medicaid programs have most commonly resulted in a combination of the following recommendations:

1. Refund the federal government - each OIG audit reviewed resulted in a recommendation to refund the federal government for expenditures found to be unallowable. These amounts varying by state, scope of review, and state agency responses to the findings (state responses vary from disagreement and rebuttals, to agreements and acknowledgements of implemented, or forthcoming, policy changes to address the OIG findings).
2. Strengthen oversight and policy and procedures - the most common cause attributed to findings of improper claiming are attributed to misinformation or inaccurate interpretation of federal regulations by state agencies or their vendors. In these

Paradigm Healthcare Services
311 California Street, Suite 200
San Francisco, CA 94104

TEL (888) 536-0920
FAX (415) 616-0910
paradigm-healthcare.com

circumstances, OIG has made recommendations to increase efforts to ensure the state is compliant with existing state and federal requirements.

3. Consult with CMS/revise policy manuals - while a handful of reviews recommended a state agency work directly with CMS to determine additional overpayments based on findings of programmatic compliance errors, the majority recommended a broader approach that the state work to revise its policy manuals to ensure compliance with all state and federal requirements.

Looking Forward

The intent of this brief is to provide a broad overview of recent school Medicaid program audits by the federal OIG in states using the RMTS method. As part of a larger publication series exploring the various aspects of RMTS, it is important to underscore that these publications are not intended as guidance on current claiming plans, but rather as reference materials for local stakeholders who may be looking ahead to the implementation of a RMTS program.

Forthcoming publications will expand on topics covered in this brief and previous, including: RMTS program management, audit compliance, and quality assurance measures.

About Us | Paradigm's Policy & Research division is dedicated to providing information that promotes program awareness and positive resolutions to issues affecting Medicaid reimbursement programs for schools and public agencies. Publications and additional resources are made available through our online [Policy Center](#).