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September 27, 2013

Ms. Maria Suttmeier, Superintendent  
Members of the Board of Education  
Hudson City School District  
215 Harry Howard Avenue  
Hudson, NY 12534

Report Number: 2010M-142-F

Dear Ms. Suttmeier and Members of the Board of Education:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. Further objectives are to develop and promote short-term and long-term strategies to enable and encourage school district officials to reduce costs, improve service delivery, and account for and protect school district assets. In accordance with these objectives, we conducted an audit of the Hudson City School District (District) to assess the financial operations of the District. As a result of our audit, we issued a report, dated September 23, 2010, identifying certain conditions and opportunities for District management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the District on July 31, 2013, to review the District's progress in implementing our recommendations. Our follow-up review was limited to interviews with District personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, it appears that the District has made limited progress in implementing the recommendations made in our audit report. Of the three audit recommendations, only one recommendation was implemented. Two recommendations were not implemented. By not implementing the recommendations in the report, the District is forgoing potential revenue.

### **Recommendation 1 – Establishing Policies and Procedures**

The Board should establish written policies and procedures that comply with the new Medicaid requirements to ensure that the District claims all Medicaid reimbursements to which it is entitled. These policies and procedures should include:

- The establishment of personnel responsibilities and guidance on determining student eligibility

- The claims process documentation requirements and guidelines for the timely submission of claims
- Ensuring that employees who process Medicaid reimbursement claims understand these requirements and guidelines.

Status of Corrective Action: Not Implemented

Observations/Findings: The Board has not established any written policies and procedures that ensure the District is reimbursed for all the Medicaid reimbursements it is entitled to.

### **Recommendation 2 – Medicaid Claims Process Monitoring**

District officials should monitor the Medicaid claims process to ensure that all eligible services are properly documented and that related claims are prepared in compliance with Medicaid regulations and District policies and procedures, and submitted in a timely manner.

Status of Corrective Action: Not Implemented

Observations/Findings: We found that District officials are not monitoring the claims process and did not implement the procedures outlined in their corrective action plan (CAP).

The District filed a CAP with our office in February 2011. The CAP stated that the District's Office of Student Services started procedures that provide for the periodic review of all Medicaid-eligible students' individual education plans to reconcile claims that were processed. However, these procedures have not been implemented. As a result, the District's revenue from Medicaid reimbursements has declined significantly over the last five years. We found that from the 2008-09 to 2012-13 fiscal years, Medicaid reimbursement revenues declined from \$275,000 to only \$1,352. However, the number of Medicaid-eligible students receiving services increased during that same period. The District provided services to 307 students in the 2008-09 fiscal year and to 478 students in the 2012-13 fiscal year. It is likely that the District has missed the opportunity to collect significant revenue because officials have not properly monitored the claims process.

### **Recommendation 3 – Retroactive Claims Submission**

District personnel should review documentation for each student identified as Medicaid-eligible during the 2008-09 school year and submit claims retroactively for all allowable special education services that were unclaimed.

Status of Corrective Action: Fully Implemented

Observations/Findings: District officials reviewed the students identified as Medicaid-eligible during the 2008-09 school year; however, the District was unable to retroactively submit claims for these students. District officials stated that they cannot retroactively bill for services provided

to students if the District did not have the appropriate signed consent forms when the services were first provided. District officials stated that it is difficult getting parents to sign the required paperwork for the District to receive reimbursement for the eligible services provided. District officials did, however, review all of the claims.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage you to continue with your efforts to implement our recommended improvements.

I trust that our follow-up review was of assistance to you. If you have any further questions, please contact Ms. Tenneh Blamah, Chief Examiner of our Newburgh Regional Office, at (845) 567-0858.

Sincerely,

Andrew A. SanFilippo  
Executive Deputy Comptroller  
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