

# OSSE Lacked an Effective Methodology for Developing the D.C. Early Intervention Program Budget

December 7, 2018

A report by the Office of the District of Columbia Auditor



# Executive Summary

## Why ODCA Did This Audit

The Office of the D.C. Auditor (ODCA) initiated this audit in response to concerns raised by Council of the District of Columbia Education Committee Chairman David Grosso regarding the budgeting practices and fiscal management of the D.C. Early Intervention Program (DC EIP).

## What ODCA Recommends

Our recommendations include that:

1. OSSE should develop a written budget methodology for the program, follow it in a transparent fashion, and provide documentation to the D.C. Council and the public.
2. OSSE should continue its collaboration with DHCF to ensure that procedures are in place for the timely submission of Medicaid claims for reimbursement. The agency should also explore additional sources of funding for the program.
3. OSSE should continue the enhancement of the new data system to ensure data integrity and report reliability, particularly in the number of children who receive services and the number of service hours provided. OSSE should also monitor the impact brought about by any changes in funding to the number of service hours and participants in DC EIP.
4. OSSE and OCP should continue to collaborate through documented bi-weekly meetings and ensure that all contracts (Blanket Purchase Agreements, Human Care Agreements, and contract modifications) are fully executed with signatures and requirements and are compliant with applicable policies, laws, and regulations.
5. OSSE should strengthen its internal controls and develop written policies and procedures for a timely and documented invoice review, approval for payment of supported invoices, and provide training to relevant staff on those policies and procedures.
6. The OCFO and OSSE should work to ensure compliance with policies and procedures regarding booking of year-end accruals and obligations.

**For more information: 202-727-3600**

## What ODCA Found

During the scope of our review (fiscal years 2015-2017) we found that the Office of the State Superintendent of Education (OSSE) lacked an effective written methodology for developing the DC EIP budget. This created internal management challenges as staff members changed during this period and institutional knowledge was lost. We acknowledge that the program has improved its budget process over the past year.

In addition, we found that OSSE did not have a working policy or methodology for estimating the number of young children to receive DC EIP services annually for use in budget development. Without a comprehensive budget methodology, there was no means to connect the number of children being served with the funding needed to serve them.

During the scope of our review we found that Medicaid reimbursement procedures for the cost of services provided to manage care organization fee-for-service participants were not in effect so DC EIP bore this cost that could otherwise have been saved or funneled into the program.

Our review found that there is a need to strengthen internal controls in OSSE's review, approval, and payment processes of invoices from service providers. Delayed payments to vendors should also be addressed and monitored because such delays can contribute to vendors' lack of confidence in OSSE's ability to meet financial obligations on time and cause a negative financial impact on their businesses. This could potentially impede the service providers ability to continue to do business with the District and could also hamper DC EIP's ability to retain qualified service providers.

There also is a need to strengthen controls in executing contract agreements and modifications to ensure that they are signed by all contracting parties and that key requirements are incorporated into the contract agreements and modifications. Lastly, we found that accruals booked in FY 2016 and FY 2017 were not supported with a detailed description of the methodology used for the estimation of accruals.



September 28, 2018

The Honorable David Grosso  
Chairman, Committee on Education  
Council of the District of Columbia  
1350 Pennsylvania Ave., N.W.  
Washington, DC 20004

Dear Councilmember Grosso:

On August 19, 2016, you asked the Office of the District of Columbia Auditor (ODCA) to conduct an audit of the Office of the State Superintendent for Education (OSSE) D.C. Early Intervention Program (DC EIP; see Appendix A). You wrote, "I believe early intervention can truly make a difference in the lives of children and families in need; however, I am concerned about the budgeting practices and fiscal management of the program."

Specifically, you asked ODCA to address the following questions:

- For FY 2011 through FY 2017, what methodology was used to develop D.C.'s Part C budget?
- What is the DC EIP's approved budget and actual expenditures for the past five fiscal years?
- How does the program estimate annually the number of children to be served, and how does the number inform budgeting for DC EIP?
- What, if any, policy or procedural issues, such as eligibility definition, or credentialing, have impacted the budget for DC EIP since 2009?
- What is the average cost per child and the average number of hours of service per child?
- Have children served by DC EIP experienced any reduction in services rendered as a result of funding challenges over the past five years?
- Is D.C.'s payment schedule reasonable for the services provided in comparison to similar and surrounding jurisdictions?
- What is the contracting and procurement process for DC EIP and are the program's practices compliant with D.C. and federal law?
- Is the invoice verification billing process and Medicaid billing process used by OSSE for DC EIP compliant with D.C. and federal law?
- Has D.C. realized any benefits via cost savings or otherwise as a result of expanded eligibility for DC EIP?

The following report responds to each question with information provided through interviews and reviews of program and financial records. For questions 8 and 9 we provide a deeper dive that assesses the program's internal controls. We note that the timeframe for our review concluded more than a year ago and we acknowledge that the agency had

made significant improvement in budgeting over the past year. We report on surveys we conducted with program participants, child care center employees, and pediatricians, with their reflections on program strengths and areas for improvement. Twenty-four families provided responses, indicating the vast majority said the program met their expectations and made a difference for their children.

We hope you find this information useful in your ongoing oversight of this important program for the Districts families and children.

Sincerely yours,

A handwritten signature in blue ink that reads "Kathleen Patterson". The signature is written in a cursive style with a large, stylized "K" and "P".

Kathleen Patterson  
Auditor of the District of Columbia



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# Objectives, Scope and Methodology

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## Objectives

The objectives of this audit were to respond to the 10 questions above.

## Scope

The period under review is FY 2016 and FY 2017, or October 1, 2015, through September 30, 2017.

## Methodology

To accomplish our audit objectives and test for internal controls, we interviewed relevant staff of OSSE, the Office of the Chief Financial Officer (OCFO), the Office of Contracting and Procurement (OCP), Department of Health Care Finance (DHCF), and relevant DC EIP service providers. We also reviewed OSSE records including invoices, contracts, case files, and service records. Last, we reviewed relevant laws and regulations for determining compliance with early intervention programming requirements including:

- Federal regulations for Title 34 CFR Part 303, Early Intervention Program (EIP) for Infants and Toddlers with Disabilities, as amended per eCFR IDEA Part C as of September 26, 2017.
- Individuals with Disabilities Education Improvement Act (IDEA) of 2004, Part C – Infants and Toddler with Disabilities.

We also conducted a survey of D.C. Early Intervention Program participants and professionals who work with children and make referrals, to collect information related to:

- How participation in the DC EIP made a difference in the lives of children and their families.
- What the D.C. Early Intervention Program is doing well.
- What the D.C. Early Intervention Program could do better.

The results of this survey can be found at the end of this report.

This report was drafted, reviewed and approved in accordance with the standards outlined in ODCA's Policy and Procedures Manual.

# Background

## Federal Law

In 1975, Congress Passed Public Law 94-142, the Education of All Handicapped Children Act (the EHA), which guaranteed that all children aged 3 to 21 would receive a free appropriate public education (FAPE) in every state and locality. Although school-aged children were included in the 1975 Act, early intervention services for *infants and toddlers with disabilities* were not part of the 1975 Act. The early intervention services for infants and toddlers—from birth through age 2—with disabilities and developmental delays did not become part of the Act until 1986 with its reauthorization (in Public Law 99-457). In 1986 Congress established the program of early intervention for infants and toddlers to meet the needs to:

- Enhance the development of infants and toddlers with disabilities and development delays and to minimize their potential for developmental delay.
- Reduce the educational costs to society, including the nation’s schools, by minimizing the need for special education and related services after infants and toddlers with developmental delays reach school age.
- Enhance the capacity of families to meet the special needs of their infants and toddlers with disabilities and developmental delays.<sup>1</sup>

Legislation supporting the establishment of early intervention for infants and toddlers finds that “significant brain development occurs during a child’s first 3 years of life” and further establishes the prioritized need to “enhance the capacity of State and local agencies and service providers to identify, evaluate, and meet the needs of all children, particularly minority, low-income, inner city, and rural children, and infants and toddlers in foster care.”<sup>2</sup>

As first authorized in 1986, the early intervention program was known as part H of what is now known as the Individuals with Disabilities Education Act (IDEA)<sup>3</sup>. It became part C with the reauthorization of IDEA in 1997<sup>4</sup> and continues as Part C to the present day. In 2011 new implementing regulations for IDEA Part C were published by the Office of Special Education Programs, U.S. Department of Education.<sup>5</sup>

Currently, all states and territories are eligible to participate in IDEA Part C. Annual funding to each state is based upon census figures of the number of children, birth through age 2, in the general population. The Office of the State Superintendent for Education (OSSE) is the lead agency responsible for administering early intervention services to eligible infants and toddlers in the District under IDEA Part C.

## D.C. Early Intervention Services Eligibility

Prior to July 2013, infants and toddlers were required to have a 50 percent delay in at least one developmental area to be eligible for D.C. Early Intervention Program (DC EIP) services. The eligibility threshold was expanded to include infants and toddlers with a 25 percent delay in two or more developmental areas.<sup>6</sup> In 2014 eligibility was again increased to allow children to continue to receive DC EIP services beyond age 3 until the beginning of the school year following the child’s 4th birthday.<sup>7</sup> Also, in 2014, the Council passed legislation that became effective July 1, 2018, further expanding the eligibility threshold to allow children with a 25 percent delay in a *single* developmental area to be provided with DC EIP services.<sup>8</sup>

1. See Education of the Handicapped Act (EHA) Amendments of 1986, P.L. 99-457, § 101, 100 Stat. 1145 (1986).

2. See Individuals with Disabilities Education Improvement Act of 2004, P.L. 108-446, 118 Stat. 2744 (2004).

3. The 1990 Amendments to EHA (P.L. 101-476) changed the name to the Individuals with Disabilities Education Act.

4. Individuals with Disabilities Education Act Amendments of 1997, P.L. 105-17, 111 Stat. 37 (1997).

5. See 34 C.F.R. § 303.

6. See DCMR § 5-A3108.3.

7. See DCMR § 5-A3110.

8. See Fiscal Year 2019 Budget Support Emergency Act of 2018, Title VII, Subtitle B. Subject-to-Appropriations Amendments, applicable July 1, 2018. A corresponding provision is included in the permanent Fiscal Year 2019 Budget Support Act (B-22-753), which is not yet enacted.

## Office of the State Superintendent of Education (OSSE)

DC EIP is housed within OSSE's Division of Early Learning. The program is also commonly referred to by OSSE as "Strong Start" or "Part C." For purposes of clarification, we will refer to the program as DC EIP throughout this report. As required by IDEA Part C regulations, a significant effort is made to continuously identify children who may need early intervention services.<sup>9</sup> A referral to DC EIP can come from a medical provider, a child care service provider, or a parent. OSSE's Policies for Implementing the *IDEA Part C* manual includes provisions for the use of "Child Find" service providers, who actively seek out children who may qualify for and benefit from early intervention services, while also educating families and promoting the program in places where children and their families frequent (medical offices, child care facilities, etc.).<sup>10</sup>

In the District, Child Find services, evaluation services, service coordination, and therapeutic services are provided to children and their families by qualified vendors through contracts administered by OSSE. In FY 2018, 22 full-time equivalent positions were added to the DC EIP to better coordinate DC EIP services to eligible infants and toddlers, a function previously carried-out by vendors. OSSE believes that by having service coordination provided by District employees under the direct supervision of agency leadership, the quality of service delivery will be improved and sustained.

## Structure of This Report

What follows are detailed responses to each question posed by Councilmember Grosso. To respond to questions 8 and 9 concerning procurement processes and billing procedures we provide a comprehensive review consistent with generally accepted government auditing standards to assess the program's internal controls. We present findings and numbered recommendations throughout the text. A final section reports on surveys of program participants, child care centers and pediatricians with their reflections on program strengths and areas for improvement.

9. See 34 C.F.R. § 300.111.

10. **Child Find:** Under the Individuals with Disabilities Education Act (IDEA), Child Find is a process of continuous public awareness activities designed to locate, identify, and evaluate children who may require early intervention or special education services. [<https://osse.dc.gov/publication/dceip-child-find>]

# Auditor's Analysis and Response to Specific Questions

## Question 1: For fiscal years (FYs) 2011 to 2017, what methodology was used to develop the DC EIP budget?

**Finding:** Overall, we found that OSSE did not have an effective written budget methodology. For FYs 2011 to 2017, OSSE could not provide any documents, in either paper or electronic form, that supported the DC EIP budget development. Additionally, none of the current DC EIP staff responsible for budget development were present at OSSE prior to FY 2015. As a result, we found limited or no institutional knowledge of the process prior to FY 2015.

For developing the FY 2018 budget, OSSE did provide a budget formulation they cited as methodology. We reviewed this formulation they cited as methodology and found inconsistencies in the development of some of the largest budget line items. The U.S. Government Accountability Office (GAO) recommends that agencies base their budgets on reasonable assumptions about factors affecting program costs or budgetary resources, and look back to assess accuracy of previous estimates, adjusting methods as necessary.

The National Advisory Council on State and Local Budgeting recommends that agencies have policies and plans to address items such as groups or populations to be served, service delivery issues, examples of possible programs, standards of performance (including level of service standards or other measures to gauge success), expected costs, time frames for achievement of goals, issues pertaining to organizational structure, and priorities for service provision.

We found insufficient evidence that OSSE created a definitive policy, utilized reasonable assumptions about factors affecting costs, or addressed standards of performance when developing the FY 2018 DC EIP budget. We address this in more detail later in the report.

For the FY 2018 budget, we were provided the following budget formulation at the Comptroller Source Group (CSG) level aligning with where the activity the budget funds were allocated. (See Figure 1)

**Figure 1: DC EIP FY 2018 Budget Formulation Detail**

Comptroller Source Group (CSG)	Description	Amount
11	Supervisory Direct Service Coordinators	162,100
11	Direct Service Coordinators	1,406,900
14	Fringe Benefits	384,567
41	Translation Services	154,033
41	Interpretation Services (ASL)	10,000
41	Child Find <sup>11</sup> (Connections Therapy)	79,500
41	Child Find (Mary's Center)	109,124
41	Child Find (MACS)	53,000
41	Professional Development <sup>12</sup>	120,000

<sup>11</sup> Child Find is a process of continuous public awareness activities designed to locate, identify, and evaluate children who may require early intervention or special education services.

<sup>12</sup> Professional Development - Assessment, Evaluation, and Programming System (AEPS) for Infants and Children is a system being used by Strong Start evaluators to assess children to ascertain if they meet Part C eligibility criteria for developmental delay. Professional development also includes Training on Evidence-based practices (EBP) which are considered critical to the development and maintenance of mental health services and programs.



Comptroller Source Group (CSG)	Description	Amount
41	Brookes Publishing <sup>13</sup>	200,000
41	Database Maintenance	274,342
50	Evaluations and Assessments	1,771,200
50	Reassessments	199,287
50	<b>Direct Services (DS)<sup>14</sup></b>	<b>8,323,688</b>
	<b>Total Local Budget</b>	<b>13,247,741</b>
11	Strong Start Staff	1,567,156
11	IDEA Part B Coordinator (1 FTE funded by IDEA Part B)	92,026
14	Fringe Benefits	383,271
41	Georgetown (Comprehensive System of Personnel Development) <sup>15</sup>	262,205
50	Additional Direct Services	20,000
	<b>Total Federal Budget</b>	<b>2,324,658</b>
	<b>Grand Total</b>	<b>15,572,399</b>

Source: OSSE

To test for a connection between the DC EIP budget and the underlying factors that inform the budget we had to rely solely on statements made by DC EIP managers regarding how they developed the FY 2018 budget and compare that to the budget formulation provided by OSSE in the figure above.

As part of our testing, we attempted to validate the budget figures provided by OSSE, focusing on CSG 50, the largest CSG. CSG 50 included the following four activities: evaluations, reassessments, direct services, and additional direct services. According to OSSE the total budgeted amounts for these four activities were based on the number of “units of service,” and that available population data within OSSE databases were used to determine the number of units of service required. Figure 2 below presents the calculation methods provided by OSSE for CSG 50.

**Figure 2: OSSE Budget Calculation Methods**

CSG	Description	Item Detail	Amount
50	Evaluations and Assessments (E&A)	1,968 projected E&A x 12 units x 2 Evaluators x \$37.50/unit	1,771,200
50	Reassessments	664 projected Reassessments x 8 units x 1 provider x \$37.50/unit	199,200
50	Direct Services	222,104 projected billable units x \$37.50/unit	8,328,900
50	Additional Direct Services	NA	20,000

13. Brookes Publishing Company provides a web-based management system for AEPS which aids and facilitates assessment, goal development, intervention, and evaluation of children.

14. Includes services prescribed by Individual Family Service Plans (IFSP).

15. OSSE's Comprehensive System of Personnel Development (CSPD) includes a partnership with Georgetown University to offer an Early Intervention Certificate Program which accepts 20 students annually. The training prepares students to: assess and promote social, emotional, developmental, and behavioral health of infants, toddlers, and young children in partnership with families in the context of their community; identify developmental, behavioral, and social emotional delays and disorders early; intervene effectively using evidence-based knowledge and practices; develop and manage effective systems of supports and service.

In an email correspondence an OSSE official stated that to arrive at the FY 2018 number of “units of service” they used the actual number of units of service provided in FY 2016 as a baseline and then applied a multiplier of 10 percent, which they described as, “a 10 percent increase to account for FY 2017, and then another 10 percent” increase to reach expected service needs for developing the FY 2018 DC EIP budget. OSSE further stated that the 10% increases for annual growth were “based on prior years’ trends in programmatic growth.”

Our calculations found, however, as presented in Figure 3, that based upon available population data there should have been approximately 112,000 more services units used by OSSE to develop the FY 2018 budget. We created the analysis, using information from the Strong Start Child and Family Data System (SSCFDS). Not only did OSSE fail to use their own stated methodology in budgeting for FY 2018; they also failed to use readily available data to develop a more accurate projection.

**Figure 3: Comparison of OSSE Reported Process to Actual Budgeted Figures – Units of Service**

	FY16 Actual	Projected FY17 (10% Over FY16 Actual)	Projected FY18 (10% Over FY17 Projected)	FY18 Budgeted per OSSE	Difference
Units of Service	319,706	351,677	386,845	274,648	(112,197)

Overall an effective budget development and methodology should be clearly documented, should use high quality data, and assumptions used should be reliable and verifiable. The lack of documentation, clear policy, or logical connection between stated factors and issued budget figures is significant for many reasons. It creates internal management challenges as time passes and staff members change, and institutional knowledge is lost. It also limits the ability of the D.C. Council to conduct proper oversight of the agency operations.

Assumptions made in the budget processes also have serious impacts on agency operations. For DC EIP, this is important because the program is used to provide critical development and education services to a vulnerable population. The lack of a written methodology heightens the risk that if current staff were to leave, incoming staff would be left without substantive guidance on how the DC EIP budgets are developed.

#### **Recommendation 1**

OSSE should develop a written budget methodology for the program, follow it in a transparent fashion, and provide documentation to the D.C. Council and the public.

### **Question 2: What is the DC EIP’s approved budget and actual expenditures for the past five fiscal years?**

#### **Approved and revised budgets**

For FYs 2013 and 2014, line items for DC EIP were clearly delineated in the District’s Proposed Budget and Financial Plan Congressional Submission, more commonly referred to as the “Budget Book.” For these years the program was listed as Idea Part C Early Intervention Program EIP (D903), with distinct divisions and activities within OSSE’s overall budget. In FY 2015 and 2016 we found the DC EIP was nested within a different OSSE budget line/activity: Professional Development Assistance (D805). We were not able to clearly carve out which items were budgeted for DC EIP and which were budgeted for other programs as that level of detail was unavailable.

In FYs 2017 and 2018 the DC EIP was a line item in OSSE's budget and was renamed the Office of Early Intervention (E803). Figure 4 below summarizes the original budget approved by the D.C. Council and transmitted to the Congress, and the subsequent revised budgets for FYs 2013 to 2018; these include both local funds and federal grant funds.

**Figure 4: DC EIP Original Approved and Revised Budgets for FYs 2013-2018 (in 000's)**

Fiscal Year	Original Approved Budget	Revised Budget	Difference	Program Code	Description/Justification for Difference
2013	\$2,875	\$6,227	\$3,352	D903 IDEA Part C Early Intervention Program EIP	\$ 4.3 million reprogrammed from Non-Public Tuition and Child and Family Services Agency to OSSE. (REPROG20-42) This reprogramming ensures that OSSE is able to cover the costs required by the Early Intervention, Part C Regulations, due to an increase in the number of eligible special education children. Funds moved from NPT's Nonpublic Tuition program, Comptroller Source Group (CSG) 50 (Subsidies and Transfers) <sup>16</sup> and from CFSA's Child Placement Activity program, CSG 50 (Subsidies and Transfers), to OSSE's Special Education program, CSG 50 (Subsidies and Transfers). Budget reduction of \$577k from local funds. Described in SOAR as: "Reduce FY13 for rollover to FY14". <sup>17</sup>
2014	\$8,180	\$8,757	\$577	D903 IDEA Part C Early Intervention Program EIP	Non-Local funds comprise the bulk of additional funds allocated to EIP. This includes \$214k "To Establish Infant Carryover", and \$359k for "Budget Modification." These figures were balanced against various reductions such as \$62k for "Closeout of Grant Mods" <sup>18</sup>
2015	\$15,265	\$17,879	\$2,614	D805 Professional Development Assistance	\$2.2 million reprogrammed from the Department of Youth and Rehabilitation Services to OSSE. "This reprogramming that OSSE will be able to address budget pressures related to billing assessments, the Individuals with Disabilities Education Act Part C program, and infant and toddler facility expansion". <sup>19</sup>  \$414k added in Federal Grant Funds

16. Office of the Chief Financial Officer Summary of FY 2013 Reprogramming Request April 1, 2013 through June 30, 2013

17. ODCA was unable to obtain additional evidence to corroborate this budget action at the time of this report.

18. SOAR Reports reviewed by ODCA Agency Fiscal Officer.

19. Office of the Chief Financial Officer Summary of FY 2015 Reprogramming Request July 1, 2015 through November 7, 2015.

Fiscal Year	Original Approved Budget	Revised Budget	Difference	Program Code	Description/Justification for Difference
2016	\$11,552	\$8,311	(\$3,241)	D805 Professional Development Assistance	<p>\$2.3 Million added to original budget via Emergency Adjustment Act of 2016 (A21-415) Funds were transferred from OSSE Nutrition Services (program D500/D501, index LD500, PCA LF501, object 0506) to Professional Development Assistance (program D800/D805, index LD800, PCA LF805, object 0409)<sup>20</sup></p> <p>\$5.6 million subtracted via Reprogramming to the Housing Production Trust Fund (REPROG21-0250). This reprogramming ensures the allocation of funding projected from agency savings in the current fiscal year to the HPTF, which is a non-lapsing account. The additional funding covers costs associated with the continued production of affordable housing for Fiscal Year 2017. This action will reprogram budget authority from several agency programs, activities, and Comptroller Source Groups (CSGs). Reductions will occur from the following agencies: Housing Authority Subsidy, Child and Family Services Agency, Metropolitan Police Department, Department of Health Care Finance, Department of Youth Rehabilitation Services, Department on Disability Services, Special Education Transportation, Non-Public Tuition, and the Office of the State Superintendent of Education. A total of \$40,000,000 was reprogrammed to the Housing Production Trust Fund program, CSG 50 (Subsidies and Transfers).<sup>21</sup></p> <p>\$203k added via Intra-District Transfers from the Department of Health.<sup>22</sup></p>
2017	\$16,734	\$15,921	(\$813)	E803 Office of Early Intervention	<p>\$700k was subtracted via Reprogramming actions. The SOAR Reports indicate the funds were sent to the District's "Workforce Investments" fund.<sup>23</sup> The District budgets an amount for Workforce Investments for pay increases and reforms that are expected the budgeted year but are not finalized.<sup>24</sup></p> <p>\$493k was subtracted through decreases in Federal Grants.</p> <p>\$380k was added via Intra-District Transfers from the Department of Health Care Finance<sup>25</sup></p>

20. Emergency Adjustment Act of 2016 (A21-415)

21. Office of the Chief Financial Officer Summary of FY 2016 Reprogramming Request July 1, 2016, through November 7, 2016.

22. Intra-District Report to Council for FY 2016 4th Quarter (July 1, 2016 – September 30, 2016). "To provide early intervention services for those eligible under the individuals with disabilities education act".

23. SOAR Reports pulled by ODCA AFO have descriptions that read "REPROGRAM FROM VARIOUS TO UP0". UP0 is the districts Workforce Investments fund.

24. FY2019 OCFO Budget Chapter for agency code UP0, Workforce Investments.

25. Intra-District Report to Council for FY 2017 3rd Quarter (April 1, 2017 – June 30, 2017). "Medicaid funding to support transportation costs for students with special needs."

Fiscal Year	Original Approved Budget	Revised Budget	Difference	Program Code	Description/Justification for Difference
2018	\$16,425	\$16,129	(\$286)	E803 Office of Early Intervention	<p>\$349K reduction in local funds primarily for COLA Corrections and a variety of Reprogramming Actions which fell below the threshold for council action (E.g., \$180k reprogrammed for "Out of School Time".</p> <p>\$323k reduction in non-local funds through a variety of budget actions described in SOAR as "Budget Mod" and "Transfer from 0041 to 0050"<sup>26</sup></p> <p>\$296k added via intra-district transfer from the Department of Health<sup>27</sup></p>
Source: System of Accounting and Record (SOAR)					

## Expenditures

DC EIP incurred the following expenditures in FY 2013 to FY 2017.

**Figure 5: DC EIP Expenditures FY 2013 to FY 2017 (in 000's)<sup>28</sup>**

Fiscal Year	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
IDEA Part C Expenditures	\$6,041	\$7,473	\$14,963	\$16,231	\$13,557
Source: OSSE Proposed Budget and Financial Plan Reports and SOAR					

The DC EIP is funded with local and federal grant funds. According to OSSE, local funds are budgeted for non-personnel services while federal grant funds are used for personnel services that include DC EIP staff salaries and benefits. Although outside of the scope of this audit, it is worth noting that in FY 2018, OSSE transitioned the service coordination function into the DC EIP and hired 22 service coordinators. This is in accordance with OSSE's efforts to improve service delivery and ensure a more consistent and supportive service coordination for families. These positions were funded with local dollars.

### Question 3: How does the program estimate annually the number of children to be served, and how does the number inform budgeting for DC EIP?

**Finding: OSSE did not have a working policy or methodology for estimating the number of children to be provided DC EIP services annually for use in budget development.** The agency stated they used FY 2016 as a base and applied a 10 percent annual increase to arrive at the budgeted units of service for FY 2018. This however did not translate to determining the number of children served annually. Without a comprehensive budget methodology, there is no means to connect the number of children being served with the funding needed to serve them.

The Division of Early Learning has made updates to the database and software that track their activities since early 2017, creating an opportunity to find efficiencies, provide for better tracking, and potentially lead to program improvements. During the period of our review the agency implemented the Strong Start Child and Family Data System, which includes additional tracking and reporting capabilities. Reports produced by the Division and reviewed by ODCA, allow for a much more granular view of agency operations. This includes the ability to accurately review how

<sup>26</sup> For local and non-local funds SOAR reports were created by ODCA AFO

<sup>27</sup> Intra-District Report to Council for FY 2018 3rd Quarter (April 1, 2018 – June 30, 2018). "To promote the integration of an early childhood system that facilitates easy access to support services for children from birth through age three and their families."

<sup>28</sup> DC EIP expenditure data are obtained from OSSE Proposed Budget and Financial Plan Reports and System of Accounting and Reporting (SOAR) Reports.



many children are in the program, what services they are receiving, the number of hours of services provided, who the payor is, and dates of entry or exit from Part C. These improvements were requested by and implemented by the current Division Director. These electronic tools now in use should be able to provide OSSE with reliable service data along with the number of children served to better inform budgetary and operational planning efforts.

Moving forward we would encourage the agency to utilize the reporting tools that are now in place to support future budgeting efforts.

#### **Question 4: What, if any, policy or procedural issues such as eligibility definition or credentialing have impacted the budget for DC EIP since 2009?**

As stated in the background, prior to July 2013, infants and toddlers were required to have a 50 percent delay in at least one developmental area to be eligible for DC Early Intervention Program (DC EIP) services. The eligibility threshold was expanded to include infants and toddlers with a 25 percent delay in two or more developmental areas. In 2014 eligibility was again increased to allow children to continue to receive DC EIP services beyond age 3 until the beginning of the school year following the child's 4th birthday. Also, in 2014, the Council passed legislation, that became effective July 1, 2018, that further expanded the eligibility threshold to allow children with a 25 percent delay in a *single* developmental area to be provided with DC EIP services.

#### **Budgetary Changes**

Following most legislative changes there have been increases to the DC EIP budget. In FY 2013 the D.C. Council approved increasing the budget to cover expanded eligibility. In FY 2015 the D.C. Council approved a reprogramming request, initiated by the Mayor, increasing the DC EIP budget with an additional \$2.2 million. The D.C. Council approved a similar reprogramming of \$2.3 million to DC EIP in FY 2016. In FY 2017 the D.C. Council approved increasing the DC EIP budget by roughly \$2.3 million dollars through the regular budget process to provide required Maintenance of Effort (MOE) funds (required by terms of federal grants). Between FY 2014 and FY 2018 budget, the DC EIP budget doubled from \$8.2 million to over \$16.4 million.

**Figure 6: Summary of Council Legislative Actions and Related Change to Budget (in 000's)**

2013	2014	2015	2016	2017	2018
Change to Eligibility	Change to Eligibility	Change to Eligibility	Change to Eligibility	Change to Eligibility	Change to Eligibility
Effective July 2013 eligibility was expanded to children with 25% delays in two areas	Enhanced Special Education Services Act of 2014 Passed. <sup>29</sup>	Effective March 2015, EIP services may be extended until the beginning of the school year following the child's fourth birthday	None	None	Effective July 2018 child eligible with a 25% delay in just one developmental area
Change to Budget	Change to Budget	Change to Budget	Change to Budget	Change to Budget	Change to Budget
\$3,352	\$577	\$2,614	\$-3,241	\$-813	\$-286

29. In 2014, the Council passed legislation, that became effective July 1, 2018, that further expanded the eligibility threshold to allow children with a 25% delay in a single developmental area to be provided with DC EIP services. See Fiscal Year 2019 Budget Support Emergency Act of 2018, Title VII, Subtitle B. Subject-to-Appropriations Amendments, applicable July 1, 2018. A corresponding provision is included in the permanent Fiscal Year 2019 Budget Support Act (B-22-753), which is not yet enacted.

The Fiscal Impact Statement presented to Chairman Mendelson on October 6, 2014, following the passage of B20-724, shows an understanding that expanding eligibility would likely have a significant impact on funding needs for the program. However, as indicated in Fiscal Impact Statement for the "Fiscal Year 2019 Budget Support Act of 2018", because of various improvements to OSSE's program model, OSSE's current budget could absorb the projected impact of expanding eligibility without additional funding in FY18 and FY19, assuming that funding levels remain consistent.

### Question 5: What is the average cost per child and the average number of hours of service per child?

#### Average cost per child

In FY 2017, OSSE estimated \$19,000 as the average annual cost of providing early intervention services per child. The agency also estimated that the average number of hours of service per child was 5.76 hours while ODCA's calculated estimate was close at 5.70 hours.

OSSE provided the details of their estimate of the average annual cost per child in the table below.

**Figure 7: Average Cost Per Child for Early Intervention Services Based on FY 16 Expenditures**

Financial Categories	Average Annual Cost Per Child
Direct Services	\$12,000
Evaluations and Assessments	\$2,500
Service Coordination	\$3,000
Admin/Operations (CF, Data Systems, Salaries, Personnel Training)	\$1,500
<b>TOTAL</b>	<b>\$19,000</b>
<i>Source: OSSE</i>	

OSSE's Special Assistant Part C, through email, offered the following explanation for arriving at the estimates:

- Direct services were calculated by analyzing the actual services delivered and determining the average cost per month per child based on a unit rate of \$37.50 for each 15-minute interval of service.<sup>30</sup>
- Evaluations/assessments were estimated based on a child receiving an initial evaluation, 6-month and annual AEPS progress assessment.
- Service coordination was calculated by determining total expenditures for service coordination divided by the actual average annual number of children served.
- The administrative/operations expenditures (Child Find, non-service coordinator salaries, data system etc.) were divided by the actual number of children served to obtain the per child cost.

30. The rate is based on the Medicaid Fee Schedule found in DCMR § 29.988.1, and cited OSSE's, Division of Early Learning, Strong Start DC Early Intervention Program Finance and Billing Policies. DCMR § 29.988.3 states that "DHCF shall review the Medicaid fee schedule periodically. The Medicaid fee schedule may be adjusted where necessary to... [c]omply with changes in federal or District requirements..." The \$37.50 rate is for direct services commonly used for early intervention service therapies such as physical, occupational and speech language therapy, which comprise the majority of early intervention services provided to eligible children (as also cited in OSSE's, Division of Early Learning, Strong Start DC Early Intervention Program Finance and Billing Policies).

### Average Service Hours Per Child

In the absence of actual data reference points and given that OSSE's calculations were based on various estimates made in each cost category, ODCA's attempt to recreate OSSE's computation of the average cost per child was futile. We were unable to replicate a process that would generate a reliable measure of an average cost of providing early intervention services per child.<sup>31</sup> For the average number of service hours per child, please see Figure 8 below that provides a summary for FYs 2015 to 2017.

**Figure 8: Number of Service Hours Per Child, FYs 2015-2017**

Child Level Service Data	OSSE-Provided FY15 Data	OSSE -Provided FY16 Data	OSSE-Provided FY17 Data	ODCA-Calculated FY17 Data Based on Information Provided by OSSE
Number of children	1388	1,566	1,567	1,571
Average children per month	777	895	837	861
Average hours provided per month	5546	6,661	4,826	4,906
Average hours per child per month	7.14	7.42	5.76	5.70

OSSE provided data to calculate services hour per child for FYs 2015 to 2017. ODCA recalculated and confirmed this information for FYs 2015 to 2016. ODCA found only minor differences between the data OSSE provided for FY 2017 as indicated in the last two columns of the Figure 8 above.

It is important to have a realistic estimate of service cost per child and number of service hours because they provide a good basis for sound budget planning and decision making for the program.

### Recommendation 2

OSSE should formulate and document a process to accurately determine the average cost per child and the average number of service hours per child.

### Question 6: Have children served by DC EIP experienced any reduction in services rendered as a result of funding challenges over the past five years?

OSSE's Assistant Superintendent states that the provision of early intervention services to children has not been affected by funding challenges over the past few years. In the past three years, the D.C. Council has approved additional funding to the DC EIP and this may have alleviated any gaps in the program's funding requirements. In FYs 2015 and 2016, there were reprogrammings of \$2.2 million and \$2.3 million to the DC EIP, respectively. In FY 2017 the D.C. Council approved increasing the DC EIP budget by approximately \$2.3 million dollars through the regular budget process to provide required Maintenance of Effort funds (as required by terms of federal grants).

Our review of the impact of funding challenges on the provision of early intervention services was also inconclusive given ongoing activities and initiatives that may have affected the provision of services to infants and toddlers. These activities and initiatives include implementation of the primary service provider model, which could tend to be a more cost-effective method of providing early intervention services.

31. In the absence of actual data reference points and given that OSSE's calculations were based on various estimates made in each cost category we reviewed individual invoices because SOAR reports do not show categories of EIS like direct services, evaluation and assessment, service coordination, and child find services. Further, since invoices represent only non-personnel expenditures, we generated another report to derive the personnel expenditures, then added the two expenditures together to derive the totals for FY 2016 which was the basis of OSSE's calculation. We derived \$15,600 average cost per child vs. OSSE's \$19,000.

The cost of providing early intervention services to eligible children is measured in terms of the number of service hours or units, generally in 15-minute segments. ODCA reviewed data from FYs 2015 to 2017 provided by OSSE and compared the DC EIP budget against the number of service units or hours, as well as the number of children in the program in each fiscal year. Figure 9 below presents a summary of our analysis.

**Figure 9: DC EIP Budget, Expenditures and Number of Service Hours, FYs 2015-2017**

Fiscal Year	FY15	FY16	FY17
Revised Budget (in 000s)	\$17,879	\$8,311	\$15,921
Expenditures (in 000s)	\$14,963	\$16,231	\$13,557
Child Level Service Data			
Number of children	1,388*	1,566**	1,571*
Average children per month	777*	895**	861*
Average hours provided per month	5,546*	6,661**	4,906*
Average hours per child per month	7.14*	7.42**	5.7*
*Data was derived by ODCA based on information from OSSE's database.			
**Data was provided by OSSE and confirmed by ODCA.			

ODCA's review of FY 2015 to 2017 data was inconclusive because, as shown in the above table, an increase in the program budget was followed by a decrease in the number of service hours provided to children, and a decrease in the program budget showed the opposite outcome. When the program budget decreased in FY 2016 from the FY 2015 level, the number of average hours provided per month increased from 5,546 hours in FY 2015 to 6,661 hours in FY 2016. However, they declined from 6,661 to 4,906 hours when the budget increased from FY 2016 to FY 2017, respectively. The average hours of service per child per month also increased from FY 2015 to FY 2016 from 7.14 to 7.42 hours and decreased from 7.42 to 5.70 hours from FY 2016 to FY 2017.

In the case of the number of children served by DC EIP, the same pattern occurred. The number of children served increased from 1,388 in FY 2015 to 1,566 in FY 2016 when the budget decreased. However, the number of children served was almost flat from FY 2016 to FY 2017.

We also compared the number of service hours and the number of children served against DC EIP reported expenditures and found a positive relationship between the two (See Figure 9 above). When expenditures increased from approximately \$14.96 million in FY 2015 to \$16.23 million in FY 2016, the number of average service hours provided per month increased from 5,546 to 6,661 hours. When expenditures decreased from approximately \$16.23 million in FY 2016 to \$13.55 million in FY 2017, the number of service hours decreased from 6,661 in FY 2016 to 4,906 in FY 2017. The same trend is true in average number of service hours provided per child per month during those years.

According to OSSE, in FY 2017 they began to implement a primary service provider model. OSSE staff members explained that the number of service hours may have declined in FY 2017, in spite of the increase in budget, due to the agency's programmatic focus on natural learning environment practices of having one primary service provider who works directly with a family and consults with and receives support and coaching from other team members in the program. OSSE further indicated that the primary service provider model has one focal point for service provision and it benefits from inter-team consultations and sharing of information and strategies.

Another reason provided by OSSE staff regarding the unusual trend was the transition to a new data system and migration of data in October 2016; the change may have affected the integrity of some data points making reported information unreliable.

### Recommendation 3

OSSE should continue the enhancement of the new data system to ensure data integrity and report reliability, particularly in the number of children who receive services and the number of service hours provided. OSSE should also monitor the impact brought about by any changes in funding to the number of service hours and participants of the program.

### Question 7: Is D.C.'s payment/rate schedule reasonable for the services provided in comparison to similar and surrounding jurisdictions?

**Finding:** The District's payment rates for early intervention services provided to DC EIP participants are comparable to surrounding jurisdictions. We compared rates for the District with Maryland (MD), Virginia (VA), Pennsylvania (PA), and North Carolina (NC).

Figures 10 and 11 below illustrate the comparison of payment rates for the provision of key early intervention services. The rates indicated in Figure 11 are based upon a 15-minute unit of service.

**Figure 10: Comparison of Rates for Key Early Intervention Services in D.C. MD, VA, PA, and NC**

	State	District of Columbia	Maryland	Virginia	Pennsylvania	North Carolina
	Source	D.C. Municipal Regulations and D.C. Register	Maryland Department of Health	Infant and Toddler Connection of Virginia (VA Dept. of Behavioral Health and Developmental Services)	Pennsylvania Office of Child Development and Early Learning	North Carolina Division of Medical Assistance
Rates by Service Unit (15 min.)	<b>Audiology</b>	\$37.50	\$46.80	\$37.50	\$40.94	\$37.80
	<b>Initial Assessment for Service Planning (IFSP)</b>	\$37.50	NA*	\$37.50	NA**	NA**
	<b>Physical Therapy</b>	\$37.50	\$29.03	\$37.50	\$31.76	\$22.90
	<b>Occupational Therapy</b>	\$37.50	\$30.56	\$37.50	\$31.76	\$24.10
	<b>Speech-Language Therapy</b>	\$37.50	\$63.99	\$37.50	\$31.76	\$66.89
<p>*The MD Initial Assessment for Service Planning (IFSP) was not comparable with the District. MD had a flat rate of \$500 per child per initial IFSP.</p> <p>**Initial Assessment and Service Planning Rates were not available for PA and NC.</p>						



**Figure 11: Comparative Analysis of Medicaid Rates Between D.C., MD, VA, PA and NC.**

% of District Fee	Maryland	Virginia	Pennsylvania	North Carolina
Audiology	125%	100%	109%	101%
Assessment for Service Planning	NA*	100%	NA**	NA**
Physical Therapy	77%	100%	85%	61%
Occupational Therapy	81%	100%	85%	64%
Speech-Language Therapy	85%	100%	85%	178%
AVG Percent	92%	100%	91%	101%
Difference	8%	0%	9%	1%
*The MD Initial Assessment for Service Planning (IFSP) was not comparable with the District. MD had a flat rate of \$500 per child per initial IFSP.				
**Initial Assessment and Service Planning Rates were not available for PA and NC.				

Figure 11 shows that:

- VA's rate structure is identical to the District's.
- MD rates are within 8 percent of the District's.
- NC's rates on average are at par with the District rates.
- PA's rates are 9 percent below the District's.

### **Question 8: What is the contracting and procurement process for DC EIP and are the program's practices compliant with D.C. and federal law?**

The contracting and procurement process starts with the identification of a need and the submission of a requisition through the District's Procurement Automated Support System (PASS). The program supervisor must approve the requisition and a budget analyst must approve the encumbrance of funds. A purchase order is then created and the vendor places their order. The vendor then delivers the goods or services and submits an invoice for payment. After receiving the goods and approving the invoice the vendor is then paid. DC EIP's contracting and procurement practices are generally compliant with DC and federal law but there are areas that could be improved.

#### **Finding: Vendor performed work that was not consistent with the scope of work stated in the contract.**

Child Find vendor contracts outline requirements, including a detailed Scope of Work, Reporting Requirements and Deliverables, and serve as the basis for monitoring early intervention services provided to identify DC EIP children and their families.

Our review identified one Child Find vendor who did not perform core Child Find services as outlined in the contract Scope of Work, such as conducting outreach and identification activities, providing developmental screenings, and distributing materials to targeted communities. We found that this vendor performed administrative duties and her workstation was at the DC EIP office. These duties included answering incoming calls on the Child Find hotline, data entry, and providing coverage for other DC EIP staff including the receptionist.

Child Find is an integral tool of DC EIP and serves as the primary means for identification and referral of children eligible for early intervention services. If funds allocated for the Child Find service are used for other purposes, that

effectively reduces the overall outreach and could reduce the number of eligible children who are identified, referred, and ultimately able to take advantage of the early intervention services provided by the District.

#### **Recommendation 4**

OSSE should review the current contracts with Child Find vendors and ensure that work performed against the contracts fulfills the requirements for Child Find services.

#### **Finding: Agreements and contract modifications were missing signatures and key requirements.**

The District has Blanket Purchase Agreements (BPA) and Human Care Agreements (HCA) with Service Providers and Child Find vendors that outline the specific services to be provided, as well as reporting requirements. Our review of Blanket Purchase Agreements, Human Care Agreements, and Contract Modification documents for Child Find vendors and Service Providers in effect for FY 2016 and FY 2017 for the DC EIP revealed instances where signatures were missing, fields were left blank, and required clauses were omitted.

In addition, there were language inconsistencies between agreements for the provision of essentially the same services. For example:

- We reviewed 49 contract modifications that included Child Find and Service Provider agreements. The modifications evidenced exercising option years and the District's formal agreement with the vendors. All of the documents were bilateral agreements and forms used by OCP requiring signatures of both the vendor and the Office of Contracting and Procurement. Ten modification documents (20%) were missing a vendor's signature.
- We reviewed 37 Service Provider Human Care Agreements and documented that the field for the vendor's name in section 1.1 was left blank 21 times (57%). We further found that the requirement to conduct an exit evaluation was missing in 7 instances (19%), the requirement to establish a comprehensive system of personnel development was missing in 16 instances (43%), and the requirement to establish a system for compiling and reporting data was missing in 14 instances (38%).
- In our review of the six Child Find agreements we found no written requirement to: conduct trainings for childcare, home visits, or community outreach (2 agreements), or report unusual incidents (2 agreements). These are all requirements of IDEA Public Law 108-446.

In the creation of the agreements, OSSE initially provided OCP with information for the Scope of Work, and then OCP was responsible for completing and finalizing the agreements, including standard contract language as well as DC EIP requirements. Our review of executed agreements revealed inconsistencies and omissions as noted above. In the absence of fully executed (signed) agreement documents and agreements that list all requirements the District cannot effectively monitor delivery of early intervention services to eligible children.

#### **Recommendation 5**

OSSE and OCP should continue to work collaboratively through documented bi-weekly meetings and ensure that all contracts (Blanket Purchase Agreements, Human Care Agreements, and contract modifications) are fully executed with signatures and requirements and are compliant with applicable policies, laws and regulations.

### **Question 9: Is the invoice verification billing process and Medicaid billing process used by OSSE for DC EIP compliant with D.C and federal law?**

OSSE's invoice verification billing process is generally compliant with federal and D.C. laws but there is a need to strengthen internal controls. The Medicaid billing process is non-existent and should be put in place.

#### **Invoice Verification Billing Process**

We identified the following internal control weaknesses in the DC EIP invoicing verification billing processes.

#### **Finding: OSSE lacks adequate controls for its invoice review and approval processes that could result in paying contractors for undelivered services.**

OSSE contracts with a number of vendors to provide DC EIP direct services, evaluation services, dedicated service coordination, and Child Find services. Prior to payment for services under these contracts, OSSE's DC EIP Finance and Billing policies require that providers submit invoices with supporting documentation to DC EIP for payment. Invoices are to be submitted by the 10th of each month.

DC EIP staff are to review provider invoices and supporting documentation before they are processed for payment. After payment, DC EIP staff log payment data into OSSE's Running Budget and Payments Tracker (tracker). Information in the tracker includes total and remaining balances of a purchase order issued to each provider. The tracker is also to include data on invoices received and paid for by type of service provided by each specific vendor, including Child Find.

Child Find vendors are required to submit a monthly report with their invoices, documenting their work for the preceding month. Their reports are intended to serve as comprehensive documentation of the provider's work completed during each reporting period, including number of activities performed, number of materials distributed, number of screenings performed, number of children referred to OSSE for further services, and collaborative agreements established to enhance Child Find activities.

In addition, the monthly reports can be utilized by agency staff to determine a vendor's level of compliance with service provision and contract requirements. Payment of monthly invoices submitted by Child Find vendors is based on "invoices with supporting source documentation" according to language in the Reporting Requirements section of their contracts.

DC EIP staff stated that during their review of invoices they refer to providers' contracts and where applicable, the child's Individual Family Service Plan (IFSP) to ensure that services being billed are in accordance with the stated terms of the vendor contract. We found, however, that OSSE had no written standard operating procedures for these reviews. We found there was no documented evidence of this review, nor communication of results of the review to the second level invoice reviewer (Contract Administrator and Program Director) prior to approval of invoice payment.

We tested and reviewed a sample of 60 out of the population of 1,357 (4.4%) invoices submitted by DC EIP vendors during FYs 2016 and 2017. We found during this period DC EIP used 68 separate vendors and our sample included 39 (57%) of these vendors. These vendors provide direct services, dedicated service coordination, and evaluation services. We found that supporting documentation for nine of 60 invoices did not accurately support the amounts in the invoices which were subsequently paid for their original values.

We also tested all 65 of the Child Find invoices submitted during FY 2016 and FY 2017. Of that 65 Child Find invoices, 63 of them were not accompanied by a required monthly report. In addition to not enforcing the requirement to

submit a monthly report we found that OSSE had no documentation to accurately support that Child Find activities were performed or that OSSE was actively monitoring contract performance. Due to the lack of monthly reports, we were also unable to determine whether Child Find services were delivered equitably across all wards of the city to identify eligible children.

It should be noted that OSSE developed a reporting template in August of 2017—the DC EIP Child Find Monthly Data Report—in response to the recurring absence of vendor monthly reports, and implemented its use beginning in September 2017, at the end of the timeframe covered in this audit.

Two of the remaining 65 monthly reports from our sample were submitted after September 2017 and our review also revealed discrepancies in these two as follows.

- The Connections Therapy, LLC, September 2017 report reflected the same six participants in two separate outreach event categories: *Total Providers That Attended Childcare Center Trainings/Screening Events*, and *Total Participants Reached at Community Outreach Events*. It should be noted that the number of participants during outreach events does not impact the amount vendors are paid. The vendors' contracts require targeted community outreach, and this represents double-counting the same set of participants, making it appear that the vendor conducted more work than they actually did.
- A sign-in sheet for a different outreach event, CentroNia DC Health Fair on September 16, 2017, was submitted to OSSE as support by two different vendors—Connections Therapy, LLC and Mary's Center—along with their monthly reports. The entire headcount of the same 10 participants was reflected on the September 2017 monthly report for both vendor, which means that these participants were likely double-counted.

Individual Child Find vendors appropriately collaborate at various outreach events and activities. Nevertheless, it is important that the number of activities or number of people reached is not overstated. The absence of standard operating procedures for the review of vendors' work, and no evidence that reviews are being conducted, could both contribute to inaccuracies in payment amounts and could result in payments for services that were not actually delivered.

### **Recommendation 6**

OSSE should develop written policies and procedures for documented invoice review and approval and provide training to relevant staff on those policies and procedures.

### **Recommendation 7**

OSSE should discontinue the practice of authorizing payment for invoices that lack required monthly reports and supporting documentation.

### **Finding: OSSE did not always pay invoices within 30 days and interest payments were not paid to eligible vendors.**

OSSE DC EIP Finance and Billing Policies state that the District of Columbia is to pay invoices within 30 days of submission unless the invoice is submitted beyond the due date or the invoice has been revised and resubmitted. The District of Columbia Government Quick Payment Act of 1984<sup>32</sup> (QPA) also requires that the D.C. government make timely payments to its suppliers, within 30 calendar days of receipt of a proper invoice (excluding holidays); otherwise interest penalty on amounts due to vendors shall apply.

Similarly, D.C. regulations specifically require the payment date for goods and services as the 30th day after the receipt of a proper invoice by the designated payment officer.<sup>33</sup> The regulations further require that a business

32. District of Columbia Quick Payment Act of 1984, D.C. Law 5-164, effective March 15, 1985, as amended, D.C. Code §§ 2-221.01 to 2-221.06.

33. DCMR § 1-1707.2(c).

concern shall be entitled to receive an interest penalty payment automatically if specific conditions are met (and if payment is not made on or before the end of the 15th calendar day after the payment date.<sup>34, 35</sup>

We reviewed a sample of 60 invoices and found that 25 or 42% of them were paid past the 30th day after their receipt. Payment delays ranged from three to 79 days. Five of the 25 or 8% of the 60 payments were delayed for 45 days or more, making the vendor eligible to receive an interest penalty payment. We found that no interest payments were made for these five late payments and there were no indications in supporting documentation that these five invoices were revised or returned to vendors for correction.

According to OSSE staff, payment delays occurred due to the DC EIP's multi-level invoice review and payment approval processes. The invoice process starts with service providers sending their invoices to DC EIP by the 10th of each month. Each invoice is then logged and submitted to the Early Intervention Specialist for review. The specialist ascertains compliance of billed services with contractual and Individual Family Service Plan (IFSP)<sup>36</sup> requirements. After the specialist's review, it is submitted to the Contract Administrator and also to the DC EIP Program Officer for review for allowable expenditures and approval for payment. The invoice is then submitted to OSSE's Assistant Superintendent or the Director of Operations and Grants Management for final approval. Once approved, the invoice is conveyed to the OCFO Accounts Payable Office for payment.

The internal transmittal delays between DC EIP signatories and the accounts payable department in the Office of the Chief Financial Officer also contributed to the delay in the payment process. Such delays can contribute to vendors' lack of confidence in OSSE's ability to meet financial obligations on time and cause a negative financial impact on their businesses, potentially impeding their ability to continue to do business with the District. It can also hamper DC EIP's ability to provide quality early intervention services due to inability to retain qualified service providers. According to OSSE, in March 2018 (outside the scope of this review), OCFO started assessing and paying interest penalties for valid invoices paid beyond the 45-day period.

### Recommendation 8

OSSE should review its payment processing process and identify areas for improvement to expedite the process and ensure that vendors are paid within 30 days as stipulated in OSSE policies and procedures.

### **Finding: Accruals based on prior year spending estimates were booked in a manner not fully consistent with the Office of the Chief Financial Officer policies and procedures.**

OCFO financial policies and procedures state that, "The value of goods and services actually or constructively received prior to the end of the fiscal period but not paid for by the end of the period represents a valid liability, and therefore an accrual must be established, regardless of the availability of budget authority. An agency enters an accrual when the amount to be paid is recorded in the system, but the payment is not expected to be made until the following fiscal year." The policies further state that, "A liability for goods or services is incurred when it is actually or constructively received. A voucher or accrual entry should not be recorded unless a valid obligation exists. The availability of funds should only be reserved for payment of expenses incurred within the availability period."

OCFO policies go on to state that liabilities should be based upon the best available information such as an invoice, if received, or a reasonable estimate. If an estimate is used to determine the amount of a liability, a detailed description of the estimation methodology used must be prepared and made available to the Office of Financial Operations and Systems, upon request.

34. DCMR §§ 1-1709.1(d)(3).

35. DCMR § 1-1710.1 and 1710.2 further states that interest shall be calculated at the rate of one percent (1%) per month and interest shall be computed from the day after the required payment through the actual payment date.

36. An Individual Family Service Plan (IFSP) is a plan for special services for young children with developmental delays. An IFSP only applies to children from birth to three years of age.

In FYs 2016 and 2017, OSSE booked year-end accruals of \$.5 million and \$1.2 million, respectively, in anticipation of year-end expenditures. According to OSSE's Agency Fiscal Officer, OSSE booked these accruals to cover additional anticipated year-end expenditures based on prior year spending. This accrual was made without the support of a valid liability to be paid. The Agency Fiscal Officer could not however provide a detailed description of the estimation methodology used to make the accruals.

The entry in SOAR indicated "Record Unrecorded Payables Not Obligated" with OSSE indicated as the vendor. Although the improper entries were later reversed, this was not a fully compliant use of use of accruals because it gave the appearance of an already existing and valid obligation, increasing the value of DC EIP liabilities that were not based on a written estimation methodology, as required.

### **Recommendation 9**

OCFO and OSSE should work to ensure compliance with policies and procedures regarding booking of year-end accruals and obligations, that includes documentation of a detailed description of the methodology used for estimating accruals as required by OCFO-OFOS policies and procedures.

### **Medicaid Billing Process**

The Medicaid billing process used by OSSE for DC EIP is compliant with the District and federal law. The program provides early intervention services at zero cost to participating families, and in cases when a participant has no insurance, or is covered by private insurance, DC EIP is also the payor of services. These are in accordance with the provision of the 34 Code of Federal Regulations (CFR) 303.521, which identified early intervention functions that must be carried out at public expense by a state and for which no fees may be charged to parents. CFR 303.520 also stated that the state may not use the private insurance of a parent of an infant or toddler with a disability to pay for Part C services unless the parent provides parental consent.

According to the federal "Individuals with Disabilities Education Improvement Act of 2004" (Public Law 108-446), a statewide system to provide early intervention services for children with disabilities and their families shall include, among other things, a procedure for securing timely reimbursement of funds. This provision is embodied in the D.C. Municipal Regulation (DCMR) Title 5 Section 5-A3112, which states that the lead agency, in this case OSSE, shall utilize public insurance, such as Medicaid to the maximum extent possible. DHCF is tasked with the timely reimbursement for services provided in accordance with Part C services.

While the District has been providing early intervention services at zero cost to participants, other surrounding jurisdictions are doing the same but some with modified arrangements. We made a comparison of the payments and reimbursement arrangements for surrounding jurisdictions and found that:

- DC, MD, and PA provide early intervention services at zero cost to all families, even those with private insurance. As mentioned earlier, DCEIP pays for eligible participants with no insurance or those with private insurance. Per OSSE's *Policies for Implementing Part C of the IDEA*, under section Funding Sources: "The District does not access private insurance or implement family fees. All early intervention services are provided at no cost to families."
- VA and NC provide some early intervention services at no cost to families, but they may also bill private insurance and Medicaid for reimbursement.
- NC also has a cost-sharing arrangement with families in case they do not have private insurance or Medicaid.

Each state can establish its own Medicaid provider payment rates within federal guidelines. These rates are updated based on specific trending factors, such as the Medicare Economic Index or a Medicaid-specific trend factors that use a state-determined inflation adjustment rate.

In the District, there is D.C. Medicaid. There are two plans that a Medicaid eligible person can participate in:

- Managed Care Organization (MCO)
- Fee-for-Service Plan<sup>37</sup>

When a Medicaid eligible DC EIP participant is covered by an MCO, the participant's MCO health plan authorizes and pays for early intervention services. When a Medicaid eligible DC EIP participant has a Fee-for-Service Plan, DC EIP services are currently paid for by DC EIP because OSSE has not implemented the process of billing DHCF for Medicaid reimbursement.

We reviewed data provided by OSSE for FY 2016 and identified, as presented in Figure 12, that early intervention services were provided to 114 children enrolled in a Medicaid Managed Care Organization (MCO) Fee-for-Service Plan (FFS), for which the District did not seek reimbursement.

**Figure 12: Children Enrolled in Fee-for-Service Plan**

	Number of Children Served	Percentage of Total Children Served
<b>Fee-For Service</b>	114	7%
<b>DCEIP</b>	764	49%
<b>MCO</b>	688	44%
<b>Total</b>	1,566	100%

While the percentage of FFS is small at 7% (percentage of the total that includes MCO-eligible kids) or 13% (percentage of the total excluding MCO-eligible participants), non-reimbursement of FFS participants is costing the District funds that could otherwise be saved or funneled into the program. The cost of these services could be reimbursed by D.C. Medicaid but the logistics for the reimbursement process have not been finalized between DHCF and OSSE and in the meantime DC EIP bears the cost.

We found that the initiative to collect Medicaid reimbursements has been included in OSSE's FY 2014-FY2016 Performance Accountability Plans but it has not come to fruition due to absence of pertinent system infrastructures and identifiable service codes that would enable OSSE to bill Medicaid for the costs of early intervention services provided to all Medicaid-eligible children.

According to OSSE and DHCF, setting up a Medicaid reimbursement process is multifaceted and requires interface among parties like DHCF, contractors, DC EIP, and OSSE's Medicaid Recovery Unit. Further, before the process can be established and implemented, regulations need to be amended in accordance with Medicaid reimbursement requirements for early intervention services.

In the revised Fiscal Impact Statement (FIS) for the Enhanced Special Education Services Act of 2014,<sup>38</sup> dated October 6, 2014, the Office of Revenue Analysis (ORA):

"Projected that during the first full year the new eligibility standards are in place (FY2018), the number of infants and toddlers receiving early intervention services will increase by about 1,200. This projection is based on 7 percent of this

37. Fee-for-Service Plans are limited to eligible children in foster care.

38. In 2014, the Council passed legislation, that became effective July 1, 2018, that further expanded the eligibility threshold to allow children with a 25% delay in a single developmental area to be provided with DC EIP services.



age group being newly eligible for services each year,<sup>39</sup> which reflects Maryland's experience with the same eligibility as those in the legislation.<sup>40</sup>

The FIS went on to say:

"OSSE currently spends about \$18,800 per child for each year of early intervention services and it costs \$10,500 per year to serve Medicaid-eligible children.<sup>41</sup> Though OSSE believes about 60% of its early intervention population is Medicaid-eligible, it currently does not receive Medicaid reimbursements for these children and pays the full \$18,800 for every child it serves.<sup>42</sup> OSSE hopes to eventually receive Medicaid reimbursements for early intervention services, which could cut its costs by as much as half."

According to OSSE, they started working closely with DHCF in FY 2017 to facilitate setting up Medical claim application and reimbursement processes. On February 26, 2018, DHCF informed OSSE of the changes made on Medicaid procedure codes and fee schedules to ensure compliance with the American Medical Association and Healthcare Common Procedure Coding System administered by the Centers for Medicare and Medicaid Services.

During the period of our review, OSSE and DHCF further stated that the Administrative Services Organization (ASO) and OSSE's Medicaid Recovery Unit teams were working to prepare Medicaid service files for full production claim testing. According to OSSE, they aimed to begin monthly submissions of Medicaid claims for early intervention services to DHCF by the start of FY 2019. In a November 6, 2018 response to our draft report (and attached herein), DHCF indicated that "the Medicaid reimbursement procedure, which is applicable to fee-for-service beneficiaries, has been implemented and that submission and adjudication of claims for Early Intervention Services commenced in May of 2018.

We attempted to determine how this reimbursement process might affect the DC EIP and any local fund cost savings. We found that the cost of providing early intervention services, based on insurance coverage categories cannot be determined.

The U.S. Government Accountability Office (GAO) recommends that an agency produce "reliable estimates of costs and resources" incorporating several practices, including basing budget estimates on reasonable assumptions about factors affecting program costs or budgetary resources.

We further found that OSSE has no systems in place to currently track the cost of providing early intervention services, based on insurance coverage categories (children with no insurance, children covered by private insurance or MCO fee-for-service). The lack of such vital information that comprises total cost of providing early intervention services impairs DC EIP's ability to make full sound decisions concerning the program's budget and cost management. The District may also be unaware of the benefits that might be derived by adopting the practices of other jurisdictions, maximizing other sources of funds and allowing a reduction in the amount of local dollars used for DC EIP.

### **Recommendation 10**

OSSE should continue its collaboration with DHCF to ensure that procedures are in place for the timely submission of Medicaid claims for reimbursement. The agency should also examine the possibility of exploring additional sources of funding for the program.

### **Recommendation 11**

While not statutorily mandated, OSSE should develop a system to determine the cost of providing early intervention services, based on insurance coverage categories (children with no insurance, children covered by private insurance, or children covered by MCO fee-for-service).

39. ORA's analysis assumed that 30 percent of children receiving services each year exit the system, either because they become too old for early intervention services or because they no longer require treatment.

40. The source for this data was the Children's Law Center. OSSE expected that the percent of newly eligible children to be closer to 5% under the new eligibility requirements, so ORS's estimates were conservative.

41. OSSE indicated in the FIS that cost per child could potentially be lower if OSSE could reduce its cost per child to be closer to that of other jurisdictions. In the Fiscal Impact Statement for the FY 2019 Budget Support Act of 2018 dated March 21, 2018, OSSE indicated that they have made changes to the EIS program model in the last two years that has resulted in a reduction of the cost per child and the overall projected costs.

42. Children who are part of a managed-care-contract do receive reimbursement, but OSSE could sometimes be forced to pay for the services delivered for those children if the federal requirements are not met.

### Question 10: Has D.C. realized any benefits via cost savings or otherwise as a result of expanded eligibility for DC EIP?

We were unable to determine if the expansion of children's eligibility to qualify for DC EIP has translated into tangible cost savings for the District. However, there are gains that are supported by different studies on providing early intervention services.

Early intervention services are designed to meet the developmental needs of an infant or toddler (zero to three years of age) and the needs of the family to assist in the children's development in any one or more areas including physical, cognitive, communication, social or emotional, and adaptive development.

Expanded eligibility means increasing the opportunity for these children with developmental delays to qualify for participation in DC EIP. Because of this eligibility expansion, the number of potential program participants and consequently the corresponding program costs are expected to increase.

Identifying and quantifying cost savings to DC EIP that arise from expanded eligibility is a daunting task. Cost savings are reductions in cost hence we need to compare the program cost of implementing expanded eligibility against the cost or value of the benefits that accrue to infants and toddlers and their families as a result of being eligible and receiving early intervention services. To make this comparison, we would have to identify the impact on the program cost each time a new eligibility expansion was put into effect, as well as quantify results or gains such as:

- Reductions in special education.
- Reductions in remedial classes.
- Reductions in grade retention.
- Enhanced academic achievement.
- Enhanced social behavior.

While we cannot quantify and isolate specific costs and gains from expanded eligibility, we were able to measure the change in the number of participants in DC EIP during the time when eligibility expansions took place.

Figure 13 below shows an increasing number of infants and toddlers in the program between Fiscal Years 2012 through 2017. The number of children in the program increased by 236% from 467 to 1,571 children between FY 2012 and FY 2017 and the average number of children per month increased by 11% from 777 to 861 children from FY 2015 to FY 2017.

**Figure 13: Number of DC EIP Participants FY12 to FY17**

Child Level Service Data	FY12 Actual (Annual Performance Accountability Reports)	FY13 Actual Annual Performance Accountability Reports	FY14 Annual Performance Accountability Reports	FY15	FY16	FY17
Number of children	467	482	510	1,388	1,565	1,571
Average children per month	NA*	NA*	NA*	777	895	861
*There is no available reliable data for FY 2012-FY2014. Source: FY 2015-2017 data provided by OSSE and verified by ODCA.						

We cannot ascertain if the expanded eligibility prompted the positive trend or if it generated cost savings to the District. One thing is clear however: DC EIP has increasingly provided much-needed intervention services to a vulnerable segment of population in need of special attention and support.

James Heckman, a Nobel Memorial Prize winner in economics and an expert in the economics of human development, is a proponent of investment in quality early childhood development for disadvantaged children, stating that: “the highest rate of return in early childhood development comes from investing as early as possible, from birth through age five, in disadvantaged families. Starting at age three or four is too little too late, as it fails to recognize that skills beget skills in a complementary and dynamic way. Efforts should focus on the first years for the greatest efficiency and effectiveness. The best investment is in quality early childhood development from birth to five for disadvantaged children and their families.”

A post in *New America*<sup>43</sup> cites a report from the National Center for Analysis of Longitudinal Data in Education Research<sup>44</sup> that highlights childhood programs in North Carolina that decreased third grade special education placements through early intervention. The report states that “third grade enrollment in special education is a critical benchmark, because transitions out of special education decrease dramatically after third grade” and “it also marks a turning point for students’ future education trajectory.” The report shows “that there are adverse outcomes associated with special education placements in third grade, including a widening deficit in reading ability, higher likelihood of involvement with the criminal justice system, lower academic performance, and a higher chance of missing important benchmarks such as high school completion, postsecondary education, employment, and earnings...and that students who receive special education services in the earliest years of their education and then successfully transition out of these services continue to see intellectual and academic gains across their development.”

An article from *Issues for Michigan Children*<sup>45</sup> states that “the potential long-term savings inherent in Early On (DC EIP’s counterpart in Michigan) can be estimated by looking at savings to the state for the avoidance of special education, making the case that providing early intervention will result in children no longer needing special education, or needing few services with less frequency or intensity once in school.”

Bill 20-724 or the “Enhanced Special Education Services Act of 2014” further expands eligibility for early intervention services to include infants and toddlers that demonstrate a 25% delay in at least one developmental area.<sup>46</sup> In her testimony, HyeSook Chung, the executive director of DC Action for Children, stated “that early response is critical to reduce the need for more intensive services once the student reaches school age; and that the legislation would ensure that all money saved from reduced enrollment in non-publics is reinvested in particular special education categories.”

RAND Corporation, a nonprofit organization, echoes this sentiment in a study that found “early childhood intervention programs have been shown to yield benefits in academic achievement, behavior, educational progression and attainment, delinquency and crime, and labor market success, among other domains.”<sup>47</sup>

### DC Early Intervention Survey Results

To facilitate gathering feedback from DC Early Intervention Program (DC EIP) participants and professionals who work with children and make referrals, we administered several different surveys. The survey questions were crafted to collect information related to:

- How participation in the DC EIP made a difference in the lives of children and their families.
- What the DC EIP is doing well.
- What the DC EIP could do better.

43. “How Early Education Can Reduce Special Education Placements,” by Kaycie Gillette-Mallard, July 17, 2015. <https://www.newamerica.org/education-policy/edcentral/reducing-special-education-placements-through-early-education/>

44. “Impact of North Carolina’s Early Childhood Initiatives on Special Education Placements in Third Grade,” by Clara Muschkin, Helen Ladd, and Kenneth Dodge, Feb. 2015. <https://caldercenter.org/sites/default/files/WP%20121.pdf>

45. “Early on Michigan Funding Creates Inequity in Services and Limits Cost Savings,” from *Issues for Michigan’s Children*, March 2017.

46. “Report on Bill 20-724, the Enhanced Special Education Services Act of 2014,” Council of the District of Columbia Committee on Education Committee Report, July 10, 2014.

47. “Proven Benefits of Early Childhood Interventions,” by Lynn A. Karoly, M. Rebecca Kilburn, Jill Cannon. 2005. [http://www.rand.org/pubs/research\\_briefs/RB9145.html](http://www.rand.org/pubs/research_briefs/RB9145.html)

## Program Participants

Surveys were sent to a random sample of 80 families (representing 3% of program participants from FY 2016 and FY 2017), and responses were received from 24 families. It should be noted that some respondents did not answer all survey questions.

- Pool of respondents included 17 current participants and 7 previous participants.
- Respondents represented all eight wards of the city.
- 79% of respondents (19 of 24) said the DC EIP made a difference for their children.
- Over 91% of respondents stated that they were very or somewhat familiar with the DC EIP, and their sources of information included program posters/flyers, pediatricians and staff, childcare providers and hospital staff.
- Respondents indicated that their child had been referred by their pediatrician's office (58%).
- Over 78% of respondents indicated that their initial family meeting with DC EIP was scheduled and conducted within four weeks, and 78% stated that their child began to receive services from a therapist within four weeks after the initial meeting.
- 82% of respondents (20 of 24) said that the DC EIP met their expectations, based on the Individualized Family Service Plan developed during the initial meeting.

## Childcare Centers

Surveys were sent to more than 260 childcare centers in the District, targeting directors, administrators and staff, and responses were received from 95 childcare centers. It should be noted that some respondents did not answer all survey questions.

- Pool of 95 respondents included 58 directors, 15 child care providers, and 9 office staff.
- Respondents represented childcare centers operating in all eight wards of the city.
- 78% of respondents (42 of 54) said the DC EIP made a difference for the children they work with.
- Over 93% of respondents stated that they were very or somewhat familiar with early intervention services for infants and toddlers offered by the District of Columbia.
- 59% of respondents (54 of 91) stated that they have referred children to the DC EIP for evaluation based on potential developmental delays.

## Pediatric Offices

Surveys were sent to 55 pediatric offices, targeting pediatricians, nurses and office staff who serve D.C. residents, and responses were received from eight 8 pediatric offices. It should be noted that some respondents did not answer all survey questions.

- Pool of respondents included 4 pediatricians, 3 administrators, and 1 director.
- Respondents represented businesses located in five wards of the city (Wards 1, 2, 5, 6 and 8).
- 33% of respondents (2 of 6) said the DC EIP made a difference for the children they work with.
- Over 87% of respondents stated that they were very or somewhat familiar with early intervention services for infants and toddlers offered by the District of Columbia.
- 75% of respondents stated that they have referred children to the DC EIP for evaluation based on potential developmental delays.

**What is the DC Early Intervention Program doing well?** Some of the verbatim responses included:

From participating families:

"Their willingness to make a difference."

"They make me feel like my son is always their top priority."

"Therapist is flexible and bilingual"

From pediatricians:

"Like their outreach; contact and interaction; doesn't leave parents feeling lost."

"Written feedback to providers."

From childcare providers:

"Providing detailed explanations of screenings/evaluations and eligibility."

"Direct delivery of services."

"Quick sensitive replies to parents"

"Fast scheduling of appointments for evaluations."

**What could the DC Early Intervention Program do better?** Some of the verbatim responses included:

"Keep participants informed."

"Outreach."

"More frequent visits."

# Conclusion

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This review sought to provide a better explanation to the Council of the District of Columbia and the public on the methodology used by OSSE to develop the budget for the District's Early Intervention Program (DC EIP) as well as OSSE's fiscal management and oversight of the various contractors used to support the program. The Council's concern about OSSE's budget practices and fiscal management of the program was well-founded given that for most of the scope of our review OSSE could provide no written methodology for developing the DC EIP budget.

It is imperative for an agency to have a documented, forward-looking budget that is based on quality data and reliable assumptions. A budget based solely on the past year's expenditures, as we found during our review, does not take into account changing financial climates or population in the District and does not help provide OSSE with an accurate financial plan to fully achieve the goals of the DC EIP Program. This lack of accurate information also hampers the D.C. Council in its monitoring and oversight of the program. An effectively functioning program, correctly budgeted, should not have to rely on reprogrammings, as was the case in FY 2015 and FY 2016.

We are pleased to note that during our extended review process OSSE has reported making significant strides in developing a written methodology for the DC EIP program budget. OSSE has also reported that current changes in the DC EIP leadership, service delivery model, financial procedures, and data system enhancements will help better achieve the goals of the DC EIP.

We also note that effective May 2018, in fulfillment of a longstanding performance objective included in OSSE's FY 2014 Performance Accountability Plan, OSSE and DHCF reported that they have established a system for the submission of reimbursement claims for the cost of early intervention services and OSSE had received the first Medicaid reimbursement in September 2018. This is an important feat in that these reimbursements will cover some of the cost previously borne by the District.

Close collaboration and open communication between OSSE, DHCF, OCP, the OCFO, and ODCA contributed to productive review, beneficial discussions, and the exchange of information. The comments from the agencies, which have been most cooperative, responsive, and accommodating, indicate general concurrence with ODCA's findings and recommendations.

# Agency Comments

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On September 28, 2018, we sent a draft copy of this report to OSSE for review and written comments. OSSE responded with written comments on October 31, 2018. On October 16, 2018, ODCA also sent a draft copy of this report to OCP and DHCF for review and written comments. DHCF responded with written comments on November 6, 2018. OSSE's and DHCF's comments are appended in full to this report followed by ODCA's response to specific comments on this report.





DISTRICT OF COLUMBIA

OFFICE OF THE STATE SUPERINTENDENT OF

EDUCATION

October 31, 2018

**VIA ELECTRONIC MAIL ONLY**

Ms. Kathleen Patterson  
 District of Columbia Auditor  
 Office of the District of Columbia Auditor  
 717 14<sup>th</sup> Street, Northwest  
 Suite 900  
 Washington DC 20005

Re: Draft Report entitled, "The Office of the State Superintendent of Education Lacks an Effective Methodology for Developing the DC Early Intervention Program Budget".

Dear Ms. Patterson:

This correspondence serves as the Office of the State Superintendent of Education's (OSSE) response to the Office of the District of Columbia Auditor (ODCA) draft report, *The Office of the State Superintendent of Education Lacks an Effective Methodology for Developing the DC Early Intervention Program Budget* (Draft Report), dated September 28, 2018.

As the lead agency for the Individuals with Disabilities Education Act (IDEA), Part C, OSSE sets high expectations, provides resources and support, and exercises accountability to ensure a statewide, comprehensive, coordinated, multidisciplinary, interagency system that provides high quality early intervention services to infants and toddlers with developmental delays and disabilities and their families. As the single point of entry for infants and toddlers with suspected developmental delays and disabilities from birth through two, OSSE's Strong Start DC Early Intervention Program (DC EIP) identifies and evaluates infants and toddlers with suspected developmental delays and provides high quality, age appropriate early intervention services for eligible children and their families. Families whose infants and toddlers are eligible for early intervention are entitled to receive all services listed in a child's Individualized Family Services Plan (IFSP); this plan is created in partnership with the family, the evaluation team, and the DC EIP service coordinator. Examples of early intervention services delivered by DC EIP include occupational, physical and speech/language therapy, developmental therapy, Applied Behavior Analysis (ABA), play groups, and vision and hearing services.

In recognition of the importance of early childhood development for the future success of children, the District of Columbia expanded eligibility criteria for DC EIP three times in the past five years. Infants and toddlers with a 25 percent delay in two or more developmental areas became eligible for early intervention in July 2013, whereas, before, only those with a 50 percent delay in one of five developmental areas were eligible. Then, in July 2014, the District implemented the Extended IFSP which provides families in DC EIP with the option to receive IFSP services from age three to the first day of school following the child's 4<sup>th</sup> birthday if the child has a current IFSP and is determined eligible for

preschool special education and related services.<sup>1</sup> Finally, the July 2018 expansion of program eligibility brought the District into alignment with neighboring jurisdictions, including Maryland, Virginia and Pennsylvania<sup>2</sup> – all of whom serve children with delays of 25 percent or greater in one of the five developmental areas.

OSSE recognizes how vitally important it is for children to receive interventions early. We recognize that addressing concerns as early as possible yields the best outcomes for school readiness. Many children who exhibit a 25 percent delay in one area of development have a minimal delay. Frequently, these children are able to catch up with their same-age peers given appropriate supports and interventions. Therefore, to ensure the District was prepared for the expected increase in the number of children and families eligible for and served by the program, beginning in FY16, OSSE reviewed the efficacy of our service delivery and closely examined our business processes, operating procedures and infrastructure.

As OSSE was conducting this internal review, OSSE was contacted by ODCA to conduct an audit of DC EIP between fiscal years 2016 to 2017. The objectives of the audit were two fold (1) to determine if the process used by OSSE to develop the DC EIP budget adequately supports DC EIP's mission and financial requirements and is formally documented, and (2) to respond to the questions posed by Councilmember Grosso in a letter to ODCA dated August 19, 2016. OSSE first met with the ODCA audit team on May 1, 2017 for the entrance conference. Over the last year and a half, OSSE has thoroughly engaged with the ODCA staff, attending meetings and interviews, providing detailed responses to ODCA questions and submitting all requested documentation.<sup>3</sup>

OSSE appreciates ODCA's review and audit of DC EIP as we continue to improve our current efforts and consider future actions necessary to further strengthen DC EIP. Since fiscal year 2016, and throughout the audit review period, OSSE has made significant changes to the program model, staff, practices and procedures, as described in detail below. OSSE believes that these changes have considerably addressed the eight (8) findings presented in the Draft Report and demonstrate OSSE's progress in implementing many of the Draft Report's eleven (11) recommendations.

### **III. OSSE's Responses to Recommendations**

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<sup>1</sup> 5-A DCMR § 3110

<sup>2</sup> State policies reported by the Early Childhood Technical Assistance Center; data current as of March 2015.

<sup>3</sup> During the audit period, DC EIP complied with numerous requests for documentation which included but is not limited to the following: (1) A list of all of the laws and regulations related to the Strong Start DC Early Intervention Program during fiscal years 2015 to 2017; (2) Strong Start DC EIP Finance and Billing; (3) Extended IFSP Option for Children Age 3 to Age 4 Policies and Procedures, dated April 15, 2014; (4) IDEA Part C System of General Supervision Manual, dated August 29, 2014; (5) Annual State Grant Application under Part C of the Individuals with Disabilities Education Act, Federal Fiscal Years (FFY) 2015, 2016 and 2017; (6) Policies for Implementing Part C of the Individuals with Disabilities Education Act, April 2014; (7) FFYs 2015, 2016 and 2017 Part C State Performance Plan (SPP)/Annual Performance Report (APR); (8) MOA between DHCF and OSSE for Implementation of DHCF's Managed Care Organization (DCHFP and CASSIP) Contracts, October 2016; (9) Amendment to MOA between DHCF and OSSE for Implementation of DHCF's MCO Contracts, April 2017; (10) MOU between DOH and OSSE; (11) MOA between OSSE and Early Head Start Grantees; (12) OSSE Early Childhood Transition Guidelines; (13) Families Have Rights: DC IDEA Part C Procedural Safeguards for Families, June 2013; (14) Paying for Early Intervention Services: DC EIP System of Payment Policy; (15) Contracts with Child Find vendors in FY15, FY16, and FY17; (16) Contracts with Service Coordinators in FY15 and FY16; and (17) budget detail for FY15, FY16, and FY17.

OSSE has carefully reviewed and considered the eleven (11) recommendations contained in the draft report and have provided our specific responses to each recommendation below:

**Recommendation 1:**

*OSSE should develop a written budget methodology for the program, follow it in a transparent fashion, and provide documentation to the D.C. Council and the public.*

**OSSE's Response:**

Agree. OSSE has made great progress toward the full implementation of this recommendation. OSSE recognizes that having a written budget methodology is a key component of promoting high-quality services and optimal child and family outcomes. However, a traditional methodology for identifying total system costs by reviewing audited financial statements will not apply to the District's early intervention system because of the diverse service delivery. Accordingly, with information gained through participation in a U.S. Department of Education, Office of Special Education Programs (OSEP), Fiscal Cohort Technical Assistance opportunity, OSSE has worked diligently to develop a dynamic tool that includes all the variables, elements and assumptions, including a methodology for estimating the number of children and units delivered based on eligibility change, referral and service trends. This tool can be adapted for changes in policy or practice and the projected numbers of children to be served, etc.

OSSE has already used the written methodology to develop the FY19 budget for DC EIP and to ensure FY18 budget DC EIP was sufficient to serve the increase in eligible children beginning in July 2018. The development of the FY19 budget DC EIP was based on an analysis of program level data from FY2015-2018. The FY19 budget includes the following cost drivers:

- Direct Service Costs
  - Evaluations/Assessments
  - Units of service delivered, by service type
  - Service Coordination: Salaries for service coordinators and service coordination supervisors at an average caseload of 40 families per service coordinator.
  - Individual Family Service Plans (IFSP)
    - Based on the estimated number of evaluation to be conducted in FY19 and a 70 percent ratio of children being eligible, Strong Start projected the number of initial IFSPs to be conducted.
    - For ongoing IFSPs, it is assumed that a child will have one six month and one annual review. Based on the projections of the average number of children receiving services per month, Strong Start projected the IFSPs meetings to be held in FY19.
    - The cost for each IFSP meeting is \$150 and Strong Start pays for all IFSPs.
- Infrastructure costs
  - Child Find: Contract for Child Find activities;
  - Comprehensive System of Personnel Development (CSPD): Contracts for CSPD providers;
  - Data System: Enhancements, support and maintenance of the Strong Start Child and Family Data System (SSCFDS)
- Administrative costs

- State Admin: to support the salaries for the Part C Special Assistant and Supervisory Coordinator for Special Education;
- Local Admin: to support the salaries of DC EIP staff and the service coordinators that were converted from contractors

Furthermore, OSSE has been transparent about the FY19 budgeting process and shared this information with Council. In OSSE's FY19 Budget Oversight Responses, OSSE described how the agency projected the average number of new eligible children to be an additional 180 children to receive early intervention services each month, and how OSSE determined the average cost per child in FY19.<sup>4</sup>

**Recommendation 2:**

*OSSE should formulate and document a process to accurately determine the average cost per child and the average number of service hours per child.*

**OSSE's Response:**

Agree. In fact, OSSE has already fully implemented this recommendation. To accurately determine the average cost of services per child for FY19, OSSE analyzed the average costs per child and the average number of service hours for FY17 for direct services, ongoing evaluations and assessments, Individualized Family Service Plans (IFSPs) and service coordination:

- **Direct Services:** The average cost of providing direct services to each child is \$864.75 per month. With a projected increase of 180 additional children served per month, the total monthly cost is \$155,655 and the total annual cost is \$1,867,860. However, of the children served by DC Early Intervention, approximately 47 percent are served through DC's Medicaid Managed Care Organizations (MCOs). Therefore, only 53 percent of the costs for direct services are paid by OSSE, which amounts to \$989,966. Additionally, a small percentage (seven percent) of the children served by DC EIP are enrolled in fee-for-service Medicaid and these costs are eligible for Medicaid reimbursement, but in order to maintain a conservative cost projection, OSSE is not including those reimbursements in this analysis.
- **Ongoing Evaluations and Assessments:** The annual cost of ongoing evaluations is estimated to be \$1,080 per child, which amounts to a total increase of \$194,400. These costs are also eligible for reimbursements, but in order to maintain a conservative cost projection, we are not including those reimbursements in this analysis.
- **Ongoing Individualized Family Service Plans:** The annual cost of ongoing IFSPs is \$600 per year. With an additional 180 students, the total increase would be \$108,000.
- **Service Coordination:** OSSE has 27 service coordinators who can carry a caseload of 50-60 families. Therefore, there will be no additional costs for service coordination in FY18 or FY19.

**Recommendation 3:**

*OSSE should continue the enhancement of the new data system to ensure data integrity and report reliability, particularly in the number of children who receive services and the number of service hours*

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<sup>4</sup> Question 11 of OSSE's Responses to Fiscal Year 2019 Budget Oversight Questions, dated April 13, 2018. Available here: <https://osse.dc.gov/page/fiscal-year-2019-budget-oversight-responses-and-supporting-data>.

*provided. OSSE should also monitor the impact brought about by any changes in funding to the number of service hours and program participants.*

**OSSE's Response:**

Agree. OSSE has made great progress toward the full implementation of the first part of the recommendation regarding the continued enhancement of the Strong Start Child and Family Data System. The new IDEA Part C case management system, Strong Start Child and Family Data System (SSCFDS), was deployed on Oct. 1, 2016. This included migrating data from the previous system into a more robust relational database with enhanced functionality. Enhancements include improved data field checks and restrictions, a transparent user and provider directory, and improved linkages to other data systems. Linked data systems include the child development facility licensing system and the DC master address repository. All active DC EIP providers have access to the system and enhancements continue to be made in response to user feedback and to improve its overall functionality. During FY17, OSSE worked to further build out SSCFDS's functionality related to Medicaid claiming, data reporting and service monitoring. Additionally, the Strong Start Child and Family Data System will allow OSSE to track and monitor qualified early intervention therapists by service type and languages spoken. Finally, OSSE agrees with the part of the recommendation that OSSE should monitor the impact brought about any changes in funding to the number of service hours and program participants. OSSE has already fully implemented this recommendation and therefore it is no longer applicable as the SSCFDS has always had the capability to track service hours by child.

**Recommendation 4:**

*We recommend that OSSE review the current contract with this vendor and ensure that work performed against the contract fulfills the requirements for Child Find services.*

**OSSE's Response:**

Agree. In fact, OSSE has already fully implemented this recommendation. The ODCA draft report examined OSSE's Child Find contract and found that the vendor performed work that was not consistent with the scope of work stated in the contract (see Finding 3), and as a result recommends that OSSE review the current contract with this vendor. This recommendation is no longer applicable because OSSE did not renew this Child Find contract for FY19.

**Recommendation 5:**

*We recommend that OSSE and OCP create and document a process to ensure all documents are fully executed with signatures and that all requirements are included, including Blanket Purchase Agreements, Human Care Agreements, and contract modifications.*

**OSSE's Response:**

Agree in part. The ODCA draft report found that agreements and contract modifications were missing signatures and key requirements (Finding 4). OSSE agrees in part with this recommendation because OSSE works closely with the Office of Contracting and Procurement (OCP) to ensure all contracts are compliant with D.C. law. OSSE initiated bi-weekly meetings with the Contracting Officer and Contracting Specialist in Sept. 2017 to ensure all contracts are

being processed in a timely manner and executed in alignment with OCP policies and procedures, and in accordance with all applicable laws and regulations. OSSE disagrees in part with this recommendation because we believe the recommendation should be directed toward both OSSE and OCP, as presented below.

Amend Recommendation 5 to read as follows: *We recommend that OSSE and OCP continue to work collaboratively to ensure all contracts are compliant with applicable policies, regulations and laws.*

**Recommendation 6:**

*OSSE should develop written policies and procedures for invoice review and approval and provide training to relevant staff on those policies and procedures.*

**OSSE's Response:**

Agree. In fact, OSSE has already fully implemented this recommendation. On May 22, 2017, OSSE submitted the Finance and Billing Procedures manual, effective May 1, 2017 to ODCA. OSSE also discussed this specific document with ODCA. OSSE also developed an internal DCEIP Billing Invoice Review Audit Procedure manual in May 2017 which they discussed with ODCA.

In addition to the written policies and procedures, OSSE made the following significant enhancements to our data system to ensure proper and complete invoice review and approval:

- Provider Profile includes National Provider Identification, Licenses, Certificates and other supporting documentation. In the provider profile agencies can now submit requests for new users and track any missing information.
- Allows supervisors to review and cosign intervention notes, when applicable.
- Prohibits services from being added if an IFSP record has not been entered.
- All the fields that are required in the intervention log are marked as required to ensure notes are complete before saving. System requires the interventionist to enter their name and credentials as a way of "signing" the intervention log and acknowledgement of a billable note.
- Developed a submission process so interventionists have to click "Submit" in order to mark a note complete and billable. Once it is submitted it cannot be modified by the interventionist unless the note is denied and resubmitted.
- Modified the invoicing procedure and now agencies have to submit a detailed invoice per child per visit. Once it is submitted SS billing staff will need to click "Verify" in the SSCFDS. Only those verified claims will be paid.
- By the end of January the system will automatically generate claims to be submitted to Medicaid directly from SSCFDS.

**Recommendation 7:**

*OSSE should discontinue the practice of authorizing payment for invoices that lack required monthly reports and supporting documentation.*

**OSSE's Response:**

Agree. In fact, OSSE has already fully implemented this recommendation and does not approve any invoices that lack required reports and documentation. The DC EIP Internal Provider Invoice Review and Audit Process manual lays out written procedures to ensure that payments are only



authorized for proper and complete invoices. Additionally, as described above, OSSE has made significant enhancements to the data system aimed at improving reporting, documentation and billing.

**Recommendation 8:**

*DC EIP should review its payment processing process and identify areas for improvement to expedite the process and ensure that vendors are paid within 30 days as stipulated in OSSE policies and procedures.*

**OSSE's Response:**

Agree. In fact, OSSE has already fully implemented this recommendation. DC EIP developed new procedures for DC EIP billing personnel to receive and process invoices and a tracking tool for invoice processing to ensure invoices are processed in a timely manner.

**Recommendation 9:**

*OSSE should discontinue booking accruals based solely on prior year spending patterns and ensure that a valid obligation exists in compliance with OCFO policies and procedures.*

**OSSE's Response:**

Disagree. OSSE disagrees with this recommendation because OSSE works closely with the OCFO and complies with all OCFO policies and procedures regarding year-end accruals. Although this recommendation is specifically directed towards OSSE, OSSE believes that OCFO is the appropriate agency to respond this recommendation.

Amend Recommendation 9 to read as follows: *OCFO and OSSE should continue to work collaboratively to ensure compliance with all OCFO policies and procedures regarding year-end accruals and obligations.*

**Recommendation 10:**

*OSSE should expedite its collaboration with DHCF in establishing a Medicaid reimbursement procedure. The agency should also examine the possibility of exploring additional sources of funding for the program.*

**OSSE's Response:**

Agree. Federal regulations requires that since DC EIP is the payor of last resort, it's critical for the OSSE to work closely with all other public entities in the District that are involved with, and responsible for, providing services and supports to infants and toddlers (and their families) in the District. OSSE agrees that collaboration with Department of Health Care Finance (DHCF) in establishing a Medicaid reimbursement procedure is important, however this recommendation is no longer applicable as circumstances have changed since the scope of the ODCA draft report (FY16 and FY17) render the recommendation no longer relevant. OSSE has fully implemented this part of the recommendation. In FY16, DC EIP became a Medicaid provider for fee-for-service children in and subsequently worked with DHCF to establish a system for submitting claims for reimbursement for direct services and evaluation services. DHCF tracks payments and services for children enrolled in Managed Care Medicaid and OSSE received the first Medicaid reimbursement on Sept. 14, 2018 for direct services and evaluation services. OSSE will continue to bill and collect Medicaid funds for children enrolled in fee-for-service Medicaid. Furthermore, OSSE is always exploring the possibility of additional sources of funding for the program. For



example, prior to the expansion of eligibility in June 2018, OSSE worked with agency partners to align and leverage all available funding to address increased program costs, specifically:

- In FY 2016 and FY 2017, OSSE received \$200,000 in funding from DOH through its Maternal and Child Health Block Grant to support service coordinating in DC EIP;
- In FY 2016, DC EIP became a Medicaid provider for fee-for-service children; and
- In October 2016 OSSE and DHCF executed a Memorandum of Agreement (MOA) that clearly outlines Medicaid MCOs responsibilities for serving DC EIP children. Nearly 50 percent of DC EIP children belong to one of the four Medicaid MCOs in the District.

**Recommendation 11:**

*While not statutorily mandated, OSSE should develop a system to determine the cost of providing early intervention services, based on insurance coverage categories.*

**OSSE's Response:**

Agree. In fact, OSSE has already fully implemented this recommendation. During the exit meeting, OSSE asked ODCA to clarify what is meant by "the cost of providing early intervention services, based on insurance coverage categories" and ODCA explained they would like to see OSSE track the cost of providing early intervention services to the following groups: children without insurance, children enrolled in MCO, children with private insurance and fee-for-service. OSSE is already tracking this information in the Strong Start Child and Family Data System.

**IV. Conclusion**

Thank you for the opportunity to respond to the Draft Report. As we have shared with you throughout the audit period and as described above, OSSE has made significant changes to program leadership, staffing structure, program model delivery, financial practices and procedures and data system enhancements. As a result, OSSE has already implemented most of the recommendations presented in the Draft Report. And while, some may argue that the effectiveness of these recent changes cannot be evaluated and tested until sufficient time has elapsed, OSSE finds that the significant impact of these changes is evident. The District continues to receive a determination level of "meets requirements" related to Part C IDEA services from the U.S. Department of Education, the highest rating a state program can receive. Furthermore, DC EIP's provision of services were within the approved budgets for both FY17 and FY18 even with an increase in eligible children participating. Finally, DC EIP's ability to serve an increased number of children as a result of the July 2018 expansion of eligibility, without a request for an increase in funding for either partial implementation during FY18 (July 1-Sept 30) or full implementation in FY19, provides further confirmation that OSSE's improvements were effective.

OSSE has made progress in ensuring that our goal of providing high-quality services and supports to eligible infants and toddlers and their families in the District is realized. OSSE also recognizes that our continued focus on continuous quality improvement is necessary to support this important and complex work that relies on specialized, coordinated and individualized service delivery. OSSE appreciates the work of ODCA in furthering the District's commitment to ensuring that all children who need early intervention services are able to access high quality services. Please do not hesitate to contact me if you have questions or require additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Hanseul Kang', with a stylized flourish at the end.

Hanseul Kang  
State Superintendent  
Office of the State Superintendent

CC:

Betsy Cavendish, General Counsel, Executive Office of the Mayor  
Paul Kihn, Acting Deputy Mayor of Education  
Kevin Donahue, Deputy City Administrator

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Department of Health Care Finance**



Office of the Director

*Via Electronic Mail to [kathy.patterson@dc.gov](mailto:kathy.patterson@dc.gov)*

November 6, 2018

Kathleen Patterson  
District of Columbia Auditor  
Office of the District of Columbia Auditor  
717 14th Street, NW – Suite 900  
Washington, DC 20005

Dear Ms. Patterson:

The Department of Health Care Finance (DHCF) is in receipt of the Draft Audit Report “The Office of the State Superintendent of Education Lacks an Effective Methodology for Developing the DC early Intervention Program Budget.” You requested that DHCF provide comments to Recommendation #10, which states: “OSSE should expedite its collaboration with DHCF in establishing a Medicaid reimbursement procedure. The agency should also examine the possibility of exploring additional sources of funding for the program.”

DHCF is pleased to report that the Medicaid reimbursement procedure, which is applicable to fee-for-service beneficiaries, has been implemented. Submission and adjudication of claims for covered Early Intervention services commenced in May of 2018. Recommendation #10 should therefore be deemed as completed.

If you have any further questions, please contact Surobhi Rooney, DHCF Compliance Officer, at (202) 442-5916, or via email at [surobhi.rooney@dc.gov](mailto:surobhi.rooney@dc.gov).

Sincerely,

Melisa Byrd  
Senior Deputy Director/Medicaid Director

# OCDA Response to Agency Comments

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We greatly appreciate the responses provided by the Office of the State Superintendent of Education (OSSE) and the Department of Health Care Finance (DHCF). We note that OSSE generally agrees with all the audit recommendations. We acknowledge OSSE's report of having implemented most of the audit recommendations and their progress toward full implementation of the remaining recommendations. We will follow up with OSSE on the implementation of all recommendations during our annual recommendation compliance follow-up process.

As suggested by OSSE, in its written response, we made some adjustments in Recommendation #5 to clarify responsibilities and required actions. We also modified our draft finding and recommendation regarding OSSE's accrual processes, incorporating additional information received from the Agency Fiscal Officer for OSSE. We retain, however, the recommendation, with modification, because while the estimated accrual process used by OSSE's AFO may have been allowable under the OCFO-OFOS policies and procedures, it was not carried out in full accordance with the policy because the AFO could not provide a documented detailed description of the methodology used to estimate accruals.

We are also pleased to note, that effective May 2018, in fulfillment of a longstanding performance objective included in OSSE's FY 2014 Performance Accountability Plan, DHCF reported that it has established a system for the submission of reimbursement claims for the cost of early intervention services and reported that OSSE received the first Medicaid reimbursement in September 2018.

We will follow up with OSSE and DHCF on the implementation of all recommendations during our annual recommendation compliance follow-up process.

# Summary of Report Recommendations

Most of the recommendations in this report can be implemented without any additional costs to the agencies, have the potential to generate revenue and/or cost savings to the District, and/or help to advance the goals of OSSE, DC EIP, OCP and OCFO, as seen below.

Recommendation	Is there a Cost to the Agency to Implement?	Potential to Generate Revenue or Savings for the District?	Specific Agency or District-Wide Goal Advanced by Recommendation
1. OSSE should develop a written budget methodology for the program, follow it in a transparent fashion, and provide documentation to the D.C. Council and the public.	No	Yes	OSSE FY 2018 Strategic Objective: Create and maintain a highly efficient, transparent and responsive District government.
2. OSSE should formulate and document a process to accurately determine the average cost per child and the average number of service hours per child.	No	Yes	OSSE FY 2018 Strategic Objective: Create and maintain a highly efficient, transparent and responsive District government.
3. OSSE should continue the enhancement of the new data system to ensure data integrity and report reliability, particularly in the number of children who receive services and the number of service hours provided. OSSE should also monitor the impact brought about by any changes in funding to the number of service hours and participants of the program.	Yes	Yes	FY 2018 Proposed Budget and Financial Plan: OSSE has the responsibility for, among other things, ensuring that the state tracks and makes available accurate and reliable data, and assessing meaningful interventions to ensure quality improvements and compliance with state and federal law.
4. OSSE should review the current contracts with Child Find vendors and ensure that work performed against the contracts fulfills the requirements for Child Find services.	No	Yes	OSSE FY 2018 Strategic Objective: Create and maintain a highly efficient, transparent and responsive District government.

Recommendation	Is there a Cost to the Agency to Implement?	Potential to Generate Revenue or Savings for the District?	Specific Agency or District-Wide Goal Advanced by Recommendation
5. OSSE and OCP should continue to work collaboratively through documented bi-weekly meetings and ensure that all contracts (Blanket Purchase Agreements, Human Care Agreements, and contract modifications) are fully executed with signatures and requirements and are compliant with applicable policies, laws and regulations.	No	Yes	OSSE and OCP FY 2018 Strategic Objective: Create and maintain a highly efficient, transparent and responsive District government.
6. OSSE should develop written policies and procedures for documented invoice review and approval and provide training to relevant staff on those policies and procedures.	No	Yes	OSSE FY 2018 Strategic Objective: Create and maintain a highly efficient, transparent and responsive District government.
7. OSSE should discontinue the practice of authorizing payment for invoices that lack required monthly reports and supporting documentation.	No	Yes	OSSE FY 2018 Strategic Objective: Create and maintain a highly efficient, transparent and responsive District government.
8. OSSE should review its payment processing process and identify areas for improvement to expedite the process and ensure that vendors are paid within 30 days as stipulated in OSSE policies and procedures.	No	Yes	OSSE FY 2018 Strategic Objective: Create and maintain a highly efficient, transparent and responsive District government.
9. OCFO and OSSE should work to ensure compliance with policies and procedures regarding booking of year-end accruals and obligations, that includes documentation of a detailed description of the methodology used for estimating accruals as required by OCFO-OFOS policies and procedures.	No	Yes	OSSE FY 2018 Strategic Objective: Create and maintain a highly efficient, transparent and responsive District government.  OCFO's Strategic Objectives include improving transparency and quality of information.

Recommendation	Is there a Cost to the Agency to Implement?	Potential to Generate Revenue or Savings for the District?	Specific Agency or District-Wide Goal Advanced by Recommendation
<p>10. OSSE should continue its collaboration with DHCF to ensure that procedures are in place for the timely submission of Medicaid claims for reimbursement. The agency should also examine the possibility of exploring additional sources of funding for the program.</p>	No	Yes	<p>OSSE and DHCF FY 2018 Strategic Objective: Create and maintain a highly efficient, transparent and responsive District government.</p> <p>DHCF FY 2018 Strategic Objective: Deter fraud, waste, and abuse by promoting integrity throughout the Medicaid program.</p>
<p>11. While not statutorily mandated, OSSE should develop a system to determine the cost of providing early intervention services, based on insurance coverage categories (children with no insurance, children covered by private insurance, or children covered by MCO fee-for-service).</p>	No	Yes	<p>OSSE FY 2018 Strategic Objective: Create and maintain a highly efficient, transparent and responsive District government.</p>



# Appendix A



**COUNCIL OF THE DISTRICT OF COLUMBIA**  
**THE JOHN A. WILSON BUILDING**  
**1350 PENNSYLVANIA AVENUE, NW**  
**WASHINGTON, D.C. 20004**

**DAVID GROSSO**  
 Councilmember At-Large  
 Chair, Committee on Education

**Committee Member**  
 Finance and Revenue  
 Health and Human Services

August 19, 2016

Kathy Patterson, D.C. Auditor  
 Office of the District of Columbia Auditor  
 717 14th Street, NW  
 Washington, DC 20005

Dear Ms. Patterson,

I am writing regarding concerns with D.C.'s early intervention program. The federal Individuals with Disabilities Education Act ("IDEA") Part C, otherwise known as Early Intervention, provides services to infants and toddlers with disabilities and developmental delays from birth to age three. Research on early intervention programs shows they produce long-lasting and substantial gains in outcomes, such as reducing the need for special education placement and preventing grade retention. The Office the State Superintendent for Education ("OSSE") is the lead agency responsible for coordinating the evaluation and service delivery for DC's Early Intervention program ("DC EIP"), which has expanded considerably over the years. Before July 2013, infants and toddlers had to demonstrate a 50% delay in at least one development area to qualify for early intervention. Recognizing that infants and toddlers would be better served if interventions started even earlier, in July 2013, eligibility was expanded to include infants and toddlers who demonstrated a 25% delay in two or more developmental areas. Eligibility was expanded again in July 2014 to three-year old children who already receive early intervention services, and whose families want to postpone public school enrollment until the next school year. In 2009, approximately 300 children were receiving services through DC EIP, and to date, there are over 1300 children being served.

I believe early intervention can truly make a difference in the lives of children and families in need; however, I am concerned about the budgeting practices and fiscal management of the program. For the past three fiscal years, and perhaps for longer, DC EIP has operated with a deficit. In FY2015, the budget pressure was approximately \$3.4 million. In April of this year, OSSE informed the Council that the budget pressure for FY2016 was already at \$2.3 million. During the FY2017 budget discussions, I publicly questioned OSSE about the budget for DC EIP upon realizing that the requested FY2017 funding amount for the program was less than what had already been expended in FY2016, although the number of children served continues to increase. OSSE stated they budgeted for FY2017 using DC EIP's FY2015 expenditures because it was the most recent completed fiscal year. That method of budgeting seemed

illogical and at odds with the federal maintenance of effort requirement. Sensing that DC EIP was not appropriately funded, the Council added an additional \$2.3 million to the program for FY2017.

For years, DC EIP has been sustained through budget reprogrammings, the unpredictability of which some advocates have argued impacts DC's ability to recruit and retain high-quality service providers who are not confident they will be paid appropriately and timely. Under the Enhanced Special Education Services Amendment Act of 2014, effective March 20, 2015, eligibility is supposed to expand again to include all children with the 25% delay in at least one developmental area beginning July 2017, if funding is available. Unfortunately, I do not believe that OSSE is on the right trajectory to implement this provision given its current budget practices and fiscal management of the program. Therefore, I request that your office conduct an audit of DC's Early Intervention Program. Specifically, I would like your office to address the following questions:

1. For FY2011-2017, what methodology was used to develop D.C.'s Part C budget?
2. What is DC EIP's approved budget and actual expenditures for the past five fiscal years?
3. How does the program estimate annually the number of children to be served, and how does this number inform budgeting for DC EIP?
4. What, if any, policy or procedural issues such as eligibility definition or credentialing have impacted the budget for DC EIP since 2009?
5. What is the average cost per child and the average number of hours of service per child?
6. Have children served by DC EIP experienced any reduction in services rendered as a result of funding challenges over the past five years?
7. Is D.C.'s payment schedule reasonable for the services provided in comparison to similar and surrounding jurisdictions?
8. What is the contracting and procurement process for DC EIP and are the program's practices compliant with D.C. and federal law?
9. Is the invoice verification billing process and Medicaid billing process used by OSSE for DC EIP compliant with D.C. and federal law?
10. Has D.C. realized any benefits via cost savings or otherwise as a result of expanded eligibility for DC EIP?

I appreciate your assistance in investigating this matter. Early intervention services are too important for there to be this uncertainty in funding year after year.

Sincerely,



David Grosso  
Chairperson, Committee on Education

Cc: Phil Mendelson, Chairman of the Council of the District of Columbia

## About ODCA

The mission of the Office of the District of Columbia Auditor (ODCA) is to support the Council of the District of Columbia by making sound recommendations that improve the effectiveness, efficiency, and accountability of the District government.

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Thank you.