



City of New York

OFFICE OF THE COMPTROLLER

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COMPTROLLER



MANAGEMENT AUDIT

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Deputy Comptroller for Audit

Audit Report on the Department of
Education's Controls over Payments to
Providers of Related Services to
School-Aged Students

MD16-117A

August 22, 2017

<http://comptroller.nyc.gov>



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OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

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To the Residents of the City of New York:

My office has audited the New York City Department of Education (DOE) to determine whether it has adequate controls over payments to independent and contracted related-service providers who service school-aged children. We audit City operations such as this to ensure that adequate controls are in place to ensure that services that have been paid for have actually been provided and to otherwise protect City resources.

The audit found that DOE does not have adequate controls over payments to related-service providers. In addition, DOE's payment review process, which might have found errors in billing and payments, was not consistently implemented or effectively designed. Further, the audit found that DOE's process for confirming with parents and guardians that services were rendered was significantly flawed. In addition, the audit found that DOE's Vendor Portal edit checks, which should have been designed to automatically reject certain billing irregularities did not provide adequate protection against vendors' billing and receiving payment for duplicate and overlapping billing of related services. A review of the related-service billing data for Fiscal Year 2016 identified an estimated \$131,913 in erroneous payments made to 597 providers resulting from (1) overlapping sessions billed by the same provider; (2) duplicate sessions billed by different providers; and (3) overlapping sessions billed by different providers.

The audit made nine recommendations, including that DOE should: ensure that its monthly review of payments for related services is conducted effectively and consistently; consider modifying the parent verification process to increase the likelihood of responses; update the edit checks in its billing system to include validation rules that prevent billing for duplicate and overlapping sessions; and review the duplicate and overlapping payments uncovered in the audit and recoup payments for inappropriate billing.

The results of the audit have been discussed with DOE officials, and their comments have been considered in preparing this report. DOE's complete written response is attached to this report.

If you have any questions concerning this report, please e-mail my Audit Bureau at audit@comptroller.nyc.gov.

Sincerely,

Scott M. Stringer

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
Audit Findings and Conclusion	2
Audit Recommendations.....	2
Agency Response.....	3
AUDIT REPORT	4
Background	4
Objective.....	5
Scope and Methodology Statement.....	5
Discussion of Audit Results with DOE	6
FINDINGS AND RECOMMENDATIONS.....	7
Inadequate Verification That Related Services Paid for Are Adequately Supported and Actually Provided	7
DOE's Monthly Post-Payment Review Process Does Not Provide Adequate Assurance that Payments are Valid	7
Weaknesses in the Verification of Billed Services.....	9
Recommendations	10
Inconsistencies and Inaccuracies in the Vendor Portal.....	14
Vendor Portal Edit Checks are Inadequate	14
Vendor Portal Billing Report Provided by DOE Included Duplicate Entries.....	16
Recommendations	16
DETAILED SCOPE AND METHODOLOGY.....	19
ADDENDUM	

THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT

Audit Report on the Department of Education's Controls over Payments Made to Providers of Related Services to School-Aged Students

MD16-117A

EXECUTIVE SUMMARY

The objective of this audit was to determine whether the Department of Education (DOE or the Department) has adequate controls over payments to independent and contracted related-service providers who serviced school-aged students.

DOE is mandated by the Federal Individuals with Disabilities Education Act and the State Department of Education to provide special education services to students with disabilities from birth to age 21. Children are referred for special education services through a DOE Committee on Special Education (CSE). The CSE evaluates children referred to it and develops an Individualized Education Program (IEP) for each child found to need one that specifies the special education services to be provided. Those services, called "related services," may include physical therapy, occupational therapy, speech therapy and psychological counseling.

Related services can be provided by DOE staff, a DOE-contracted provider, or a non-contracted (independent) provider. When a student requires related services, DOE first attempts to identify a DOE employee who can provide them. If no suitable DOE employee is available, DOE seeks a contracted related-service provider. It is the responsibility of DOE, either through a Borough Field Support Center or the CSE, to coordinate with a contracted provider to obtain the necessary services for the student.¹ If neither a suitable DOE employee nor a contracted provider is available, DOE issues a Related-Service Authorization to the family, which enables parents or guardians to secure the services set forth in the child's IEP from an independent provider at DOE's expense.

According to DOE, the agency paid \$84,033,968 in Fiscal Year 2016 to 1,102 independent and contracted providers for related services for school-aged students.² The Mayor's Management

¹ Borough Field Support Centers provide integrated support to schools in instruction, operations and student services.

² Contracted providers can have multiple individuals who provide services to students.

Report (MMR) indicates that 251,755 school-aged students were enrolled in special education in Fiscal Year 2016.

Audit Findings and Conclusion

We found that DOE does not have adequate controls over payments to related-service providers. As a result, DOE was unable to provide reasonable assurance that related services billed to and paid for by the agency were adequately supported and actually provided. Moreover, DOE's payment review process, which might have found errors in billing and payments, was not consistently implemented or effectively designed. In addition, we found that DOE's process for confirming with parents and guardians that services were rendered was significantly flawed. Thus, we found DOE's processes were not an effective means of verifying that billed services were actually performed. Further, the DOE's Vendor Portal edit checks, which should have been designed to automatically reject certain billing irregularities did not provide adequate protection against vendors' billing and receiving payment for duplicate and overlapping billing of related services. Our review of the related-service billing data for Fiscal Year 2016 identified an estimated \$131,913 in erroneous payments made to 597 providers resulting from (1) overlapping sessions billed by the same provider; (2) duplicate sessions billed by different providers; and (3) overlapping sessions billed by different providers.

Audit Recommendations

Based on the audit, we make nine recommendations, including:

- DOE should ensure that its monthly review of payments for related services is conducted effectively and consistently, and that the process is properly tracked, documented and supervised.
- DOE should establish time frames within which its monthly payment reviews must be completed, to ensure that reviews are conducted in a timely and effective manner.
- DOE should consider modifying the parent verification process to facilitate responses, including:
 - sending parent verification letters in the language spoken in the household;
 - providing postage-paid, self-addressed reply envelopes with letters;
 - allowing persons to respond at their child's school;
 - allowing persons to respond by phone;
 - selecting a sample of letters for follow-up calls by DOE; and
 - tracking returned mail and ascertaining current home addresses.
- DOE should update the edit checks in the Vendor Portal to include data validation rules, so payments for duplicate and overlapping sessions can be avoided.
- DOE should review the duplicate and overlapping payments uncovered in this audit and ensure that it recoups payments from providers for all inappropriate billing.
- DOE should revise the existing validation rules in the Vendor Portal to ensure that they are properly designed and are working as intended. Those revisions should include

assurances that students receiving services in school were present on the days that the services were billed.

Agency Response

In its response, DOE generally agreed with five recommendations, but qualified that agreement with regard to three of the recommendations, stating that it agreed “inasmuch as it reflects current practice.” In addition, DOE disagreed with four recommendations, specifically, that it establish time frames for monthly payment reviews; conduct site visits to providers to request original timesheets; modify the parent verification process to facilitate responses; and review duplicate entries in DOE’s billing data identified during the audit to ensure that the vendors were not incorrectly paid.

AUDIT REPORT

Background

The City DOE is mandated by the Federal Individuals with Disabilities Education Act and the State Department of Education to provide special education services to students with disabilities from birth to age 21. Children are referred for special education services through a DOE CSE. The CSE evaluates children referred to it and develops an IEP for each child found to need one that specifies the special education services to be provided. Those services, called related services, may include physical therapy, occupational therapy, speech therapy and psychological counseling.

Related services can be provided by a DOE employee, a DOE-contracted provider, or a non-contracted (independent) provider. When a student requires related services, DOE first attempts to identify a departmental employee who can provide them. If no suitable DOE employee is available, DOE seeks a contracted provider. It is the responsibility of DOE, either through a Borough Field Support Center or the CSE to coordinate with a contracted provider to obtain the necessary services for the student. If neither a DOE nor a contracted provider is available, DOE issues a Related-Service Authorization to the family, which enables parents or guardians to secure the related services set forth in the child's IEP from an independent provider at DOE's expense.

According to DOE, the agency paid \$84,033,968 in Fiscal Year 2016 to 1,102 independent and contracted providers for related services for school-aged students. The MMR indicates that 251,755 school-aged students were enrolled in special education in Fiscal Year 2016.

DOE developed a *Municipality List of Independent Evaluators* to be used by parents/guardians whenever DOE does not have licensed or certified evaluators available to assess students and identify the special education services they need. The Department also developed an *RSA-5 Registry of Independent Providers of Related Services* for use when it issues a Related-Service Authorization. That list helps parents locate New York State-licensed or certified independent providers of related services.

Contracted and independent related-services providers are paid on a fee-for-service basis, corresponding to the frequency and duration of the services they provide. Before a provider can be paid, DOE must authorize the vendor to provide specified services, including the service type, frequency and duration, to each student in advance of service delivery. The Department's authorization is good for one year.

Each student's IEP contains "mandates" that include: (1) the types of services to be provided, such as physical therapy and speech therapy; (2) the frequency—the number of times per week each type of service should be provided; (3) the length of each session; (4) the group size—the maximum number of students to whom services may be provided at the same time; and (5) the language in which services should be provided.

Related services are provided to both preschool and school-aged students. The focus of this audit is on payments made to contracted and independent vendors who provide these services to school-aged students.

To facilitate the provision of special education services, CSE staff enter each student's IEP mandate into the Provider Assignment module, which is part of DOE's computerized database known as the Special Education Student Information System (SESIS). The SESIS Provider Assignment module communicates directly with the Vendor Portal and the actual assignment of a mandate to a provider is done through the Provider Assignment module. Once a student's individual mandate is uploaded to the Vendor Portal and assigned to a provider, the provider can accept the child in the system and begin to deliver services.

Vendors are expected to properly document the services they provide. Each vendor first enters the date of his or her first session with a student into the Provider Assignment module of SESIS. In addition, the provider should record student attendance at each related services session on a hard-copy timesheet, which must be physically stored at the provider's place of business for seven years. The timesheets must be signed by parents or guardians when services are provided at the student's home or at the provider's place of business. When services are provided in school, the principal, or his or her designee, signs the timesheets.

Several DOE units oversee related services. They include the CSE, which is charged with ensuring that children are evaluated and assigned to providers in the SESIS Provider Assignment module, and the Office of Related Services, which supports, supervises, and tracks the provision of related services, using a module in SESIS called Encounter Attendance.

In addition, DOE's Bureau of Non-Public School Payables is responsible for overseeing payments to related-service providers, assisting the providers with billing issues, and establishing internal controls to prevent erroneous and fraudulent billing. Vendors, both contracted and independent, submit invoices electronically through the Vendor Portal and certify the billing once it is accepted by the system. During our audit, DOE officials provided us with a list of validation rules or "edit checks" built into the Vendor Portal, which are intended to help DOE verify the validity of data entered into the system and prevent vendors from billing for related services that are inappropriate or do not comply with students' mandates.

The Bureau also reviews responses to Parent Verification letters, which are mailed every month to the parents or guardians of students who receive related services at home or at the provider's location and include a printout of the dates and times of the services billed in the prior month. The letters request that the parent or guardian verify the information and return the letter by mail, fax, or email, if any inaccuracies are identified. Bureau staff also perform monthly reviews of sampled related-service billing after payments are made to providers.

Objective

To determine whether DOE has adequate controls over payments to independent and contracted related-service providers who serviced school-aged students.

Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. This audit was conducted in accordance

with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope was Fiscal Year 2016, July 1, 2015 through June 30, 2016. Please refer to the Detailed Scope and Methodology at the end of this report for specific procedures and tests that were conducted.

Discussion of Audit Results with DOE

The matters covered in this report were discussed with DOE officials during and at the conclusion of this audit. A preliminary draft report was sent to DOE and discussed at an exit conference held on May 22, 2017. On June 5, 2017, we submitted a draft report to DOE with a request for written comments. We received a written response from DOE on June 19, 2017. In its response, DOE generally agreed with five recommendations, but qualified that agreement with regard to three of the recommendations, stating that it agreed “inasmuch as it reflects current practice.” In addition, DOE disagreed with four recommendations, specifically, that it establish time frames for monthly payment reviews; conduct site visits to providers to request original timesheets; modify the parent verification process to facilitate responses; and review duplicate entries in DOE’s billing data identified during the audit to ensure that the vendors were not incorrectly paid.

The full text of DOE’s response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

We determined that DOE does not have adequate controls over payments to related-service providers. DOE's controls did not provide reasonable assurance that the agency pays providers only for services that were adequately documented and actually provided. In that regard, DOE's post-payment review process was not consistently implemented and lacked an effective means of verifying that billed services were actually performed. Further, the Vendor Portal edit checks did not adequately protect DOE against vendors' receiving payment for duplicate and overlapping billing of related services. Our review of the related-service billing data for Fiscal Year 2016 identified an estimated \$131,913 in erroneous payments made to 597 providers resulting from (1) overlapping sessions billed by the same provider; (2) duplicate sessions billed by different providers; and (3) overlapping sessions billed by different providers.

Finally, we found that the Vendor Portal billing data that DOE provided incorrectly included duplicate entries for services to the same student by the same vendor for the same date and time, which raises concerns about whether additional duplicate payments were made.

These matters are discussed in the following sections of this report.

Inadequate Verification That Related Services Paid for Are Adequately Supported and Actually Provided

According to the Comptroller's Directive #1 Financial Integrity Statement Checklist:

Expenditures and Payables are monies paid or owed for the procurement of services or goods. Due to the many steps in the procurement process and the large sum of monies that are expended, the review, authorization and inspection controls are the most important. Ongoing monitoring reduces the risk of improper actions and misappropriation, and ensures that the City obtains quality goods and services at economical prices.

However, as described below, DOE has inadequate monitoring procedures in place to ensure that payments made to related-service providers were adequately supported. As a result, DOE has limited assurance that funds are not being misappropriated.

DOE's Monthly Post-Payment Review Process Does Not Provide Adequate Assurance that Payments are Valid

DOE has no established time frames for post-payment reviews for related services, notwithstanding the fact that delays in conducting such reviews can reduce their effectiveness. Our examination of DOE records found significant amounts of time had elapsed between the dates that services were provided and the dates when DOE reviewed the payments for those services. In addition, we found insufficient controls to ensure the reliability of the documentation that DOE obtained for the purpose of verifying that the services for which it paid were in fact rendered.

Under DOE's procedures, staff members review a list of sampled payments from the Vendor Portal. Timesheets supporting those payments are requested from providers to verify whether services were actually provided on the dates and during the time periods for which payments

were made. The results of that DOE review are documented in an excel spreadsheet called “Monthly Review Database.”

Our interviews and review of DOE’s monthly post-payment review spreadsheets revealed significant time gaps between the service months and the completion of the post-payment reviews. During a walkthrough in November 2016, we found that the staff members were reviewing payments for sessions that had occurred 8 to 10 months earlier, from January through March 2016. Similarly, we found that in March 2017 DOE staff members were requesting supporting documentation for payments for sessions that occurred 9 to 11 months earlier, from April through June 2016.

Further analysis suggests that the time lags between when the services were provided and when DOE conducted its reviews of the payments might actually have been as much as nearly a year and a half. This assessment is based on our examination of two Monthly Review Database spreadsheets, one provided to us in December 2016 (covering the period November 2013 through March 2016) and a second one provided to us in March 2017 (covering the period July 2015 through June 2016). Those two spreadsheets include overlapping dates of services, July 2015 through March 2016. For that period of overlap, the spreadsheets reflect that DOE sampled 173 payments for review.

Our review of the 173 payments listed on the spreadsheet provided in December 2016 revealed that there were no results of reviews recorded for 132 (76 percent) of the payments with respect to the following three criteria: (1) whether required documents were received; (2) whether the proper signatures were present; and (3) whether the dates and times on the invoices matched those in the Vendor Portal. The absence of that information indicates that those 132 payments had not yet been reviewed as of December 2016. However, DOE’s second spreadsheet, provided three months later, in March 2017, contained the previously-absent information for 118 (89 percent) of the 132 payments. Our comparison of the two spreadsheets indicated that the DOE reviews had been completed sometime between January and March 2017. Completion of the reviews during that period would reflect a time lag of anywhere from 9 months (for sessions provided in March 2016) to 20 months (for sessions provided in July 2015).

A DOE official explained that the protocol was for staff to provide their findings to the Deputy Director who then entered the information into the Monthly Review Database spreadsheet and that the Deputy Director had fallen behind in entering the data due to other priorities. As a result, DOE contended that the actual sample reviews by staff could have occurred earlier than between January and March 2017 as indicated by the two abovementioned DOE spreadsheets. The DOE official added that the protocol has been changed to enable staff to enter their notes into the database themselves. While that change in protocol could speed up data entry, we note that even with the Deputy Director entering all the data, we found limited evidence of any supervisory review of the spreadsheets.

Moreover, even with the change in protocol, a key concern remains that DOE has not established time frames within which the related-services payment reviews should be completed. DOE’s Monthly Review Database spreadsheets reflected instances where DOE requested recoupment of prior payments based on its post-payment reviews. According to the Journal of Accountancy, the value of receivables—such as a refund owed for an overpayment—decreases as they age. As applied to DOE’s reviews, memories of whether and when a child received a service could easily fade; similarly, a provider who received an overpayment 8 to 20 months earlier might have since ceased working for DOE which could make recoupment of overpayments more difficult, if not impossible.

Reliability of Documentation

DOE does not take adequate steps to ensure that the timesheets it uses in its reviews are genuine. Providers are required to physically retain their signed hard-copy timesheets filled out for services rendered for seven years at their place of business. However, DOE staff do not go to the providers' sites to review the original timesheets that correspond to the payments they are reviewing. Instead, DOE gives the providers a list of the timesheets that DOE intends to review and asks the providers to forward copies to DOE. Under that procedure, a provider who may have inappropriately billed for services would have the opportunity to create fraudulent timesheets to support their claims. Moreover, DOE does not take steps to authenticate the timesheets the providers send, such as contacting parents or guardians to confirm their accuracy.

We randomly selected 7 of the 77 providers that received over \$100,000 in related-service payments from DOE during Fiscal Year 2016 and visited them to review their timesheets corresponding to a limited sample of 60 of those payments.³ The providers gave us adequate documentation to support 58 of the 60 payments. However, in two instances (3.3 percent) inadequate documentation was provided.

In one instance, the session times on the provider's timesheet did not match those listed in the Vendor Portal, which means that the provider billed and was paid by DOE for rendering services at times other than those reflected in the provider's time record.

In the second instance, we received two different timesheets—both purportedly reflecting the same related-service session on September 25, 2015. One timesheet was obtained from the provider on-site and the other from DOE. While at the provider's site, we were given a scanned copy of a timesheet for services rendered during multiple sessions on September 18 and 21, 2015, which had "9/25" added to the lower corner of the timesheet. When we followed up with DOE, we were given a copy of a *different* timesheet that DOE had purportedly received from the provider. That timesheet, listing a single session with the correct date, was otherwise incomplete. It included only the initials of the provider rather than the required signature, and the parent signature on this timesheet appeared not to be the same as the signature on the timesheet we obtained at the provider's site. Based on the existence of two different timesheets ostensibly reflecting one individual's work on a particular date and the irregularities observed in both timesheets, we question the validity of both documents as support for DOE's payment.

Although we found that most of the sampled payments were adequately supported, the internal control weaknesses we also identified in DOE's post-payment reviews—time lags between service months and reviews, DOE's total reliance on its vendors to produce selected timesheets without attempting to verify their authenticity, and the absence of discernible supervisory reviews—expose DOE to the increased risk that erroneous and fraudulent billings could occur and go undetected. Moreover, the results of the small sample we selected for closer review give further evidence of the ways these control weaknesses could increase the likelihood of inappropriate payments being made without detection.

Weaknesses in the Verification of Billed Services

DOE attempts to verify the accuracy of related-services bills by mailing verification letters each month to the parents and guardians of students who receive related services at home or at a

³ According to the payment data DOE generated from the Vendor Portal, DOE made 120,142 payments to the seven providers in Fiscal Year 2016.

provider's location. However, that effort is not designed in a way that would best ensure the identification of errors. The letters, sent through the United States Postal Service, include a printout of the dates and times of the services billed in the prior month. They request that the parent or guardian verify that information and return the letter by mail, fax, or email, *only* if any inaccuracies are identified. DOE tracks the letters and returned responses in a Parent Verification Letter spreadsheet. Thus, as a control mechanism, the parent-verification letter is premised on DOE's expectation that the parents and guardians will report inaccuracies as requested. DOE contended that a low response rate does not necessarily reflect that the process is not working as intended. We question the validity of DOE's premise for the reasons explained below.

First, we found that DOE undertakes little effort to ensure that parents respond when there are inaccuracies. Notably, the verification letters are sent in English only, even to households in which the primary language is not English. According to the New York City Department of City Planning, nearly one-half of all New Yorkers speak a language other than English at home, and almost 25 percent of City residents age five and over, or 1.8 million persons, are not proficient in English. If parents/guardians in non-English-speaking households do not know what is being asked of them in those letters, they have a limited ability or likelihood of responding. In addition, the Department asks that responses be returned by mail, fax, or email, but does not include a self-addressed stamped envelope to facilitate returns, for example, from parents and guardians who may not have fax machines or computers available. Finally, DOE does nothing to follow-up on unreturned letters and does not note on the Parent Verification Letter spreadsheet when letters are returned as undeliverable.

Very few parents respond, but under the circumstances, the reason for the absence of a response is unclear. It might mean, as DOE contends, that the parent or guardian agrees that the services identified in the letter were provided. However, it could also mean that the parent or guardian did not receive or did not understand DOE's letter or that the parent did not have the means to respond.

Based on our findings, we have limited assurance that DOE's parent verification letters provide reasonable assurance that payments made to related-service providers are for services actually provided. We found that of the 53,312 parent verification letters that DOE sent out in Fiscal Year 2016, only 190 (0.36 percent) responses were returned. However, we do not know to what extent that low response rate is due to the deficiencies in the process discussed above. Thus, we question the effectiveness of DOE's letter verification process as a control mechanism.

The lack of effective controls could itself encourage fraudulent billing and increase the risk that such will go undetected. That is especially true in light of the inability of DOE's Vendor Portal edits to detect and reject billing for duplicate and overlapped services, as discussed in the following section of this report.

Recommendations

1. DOE should ensure that its monthly review of payments for related services is conducted effectively and consistently, and that the process is properly tracked, documented and supervised.

DOE Response: "The DOE agrees with this recommendation inasmuch as it reflects current practice. . . .

The limited review of invoices conducted by the office of Non-Public School Payables ("NPSP") should not be viewed as controls that DOE relies upon to verify

payment for related service invoices. As explained to the auditors, the DOE's electronic billing system ('Vendor Portal') processes over 85,000 transactions every year, and the Vendor Portal applies multiple controls to the invoiced data before payments are approved. . . .

The primary purpose of the monthly review conducted by the [office of Non-Public School Payables (NPSP)] is to monitor the integrity of the billing data certified by the vendors. As such, the timing of the review does not impact the test nor its level of assurance. Since vendors can submit their related service invoices at any time during the school year through September 30 of the subsequent school year, transactions are selected from a time period that spans six to nine months (e.g., tests for January 2017 services, would be selected around August 2017). This strategy allows the vendors ample time to submit invoices for a given month and the NPSP's sampled transaction therefore come from a population that is more likely to include most of the services rendered."

Auditor Comment: DOE places an unwarranted level of confidence in and reliance on the controls incorporated in the Vendor Portal. However, as discussed in the following section of this report, we found that the Vendor Portal edit checks do not provide sufficient protection against duplicate and overlapping billing, and for that reason they are not a substitute for effective, consistent, supervised reviews to ensure that payments are made only for authorized services that were actually provided. Further, we disagree with DOE's position regarding the timing of these reviews for the reasons discussed in "Auditor Comments" under Recommendation 2. Finally, DOE's statement that it selects transactions for review from a time period that spans "six to nine months" is inaccurate; our analysis revealed that the time span between a payment and the review of that payment ranged between 9 to 20 months.

We found that monthly reviews were not performed and tracked on a consistent basis and that there was limited evidence of supervisory oversight. DOE's avowed purpose for conducting monthly reviews, "to monitor the integrity of the billing data," is a vital control in and of itself. Consequently, we urge DOE to fully implement this recommendation.

2. DOE should establish time frames within which its monthly payment reviews must be completed, to ensure that reviews are conducted in a timely and effective manner.

DOE Response: "The DOE disagrees with the recommendation.

As explained above, the monthly review is closely monitored to make sure that it is completed within a reasonable timeframe and satisfactorily. Furthermore, there are numerous factors such as the number of transactions sampled, the location of service and the type of vendor that affect the vendor's response time to the request for records and impacts the time it takes to complete the review."

Auditor Comment: DOE's rationale for deferring its invoice reviews is inconsistent with the rationale it provides for such reviews and with the circumstances in which they are conducted. As noted in the report, the passage of time increases the difficulty reviewers would likely face in determining whether a billed service was provided at a particular time because memories fade, providers may cease working for DOE and become unavailable, and records could be lost or destroyed. Further, DOE's assertion that delaying the reviews for

periods of six to nine months is necessary to allow time for vendors to submit their bills is not entirely consistent with its own policies. DOE requires its independent vendors (although not its contracted providers) to submit invoices within 90 days after the end of the month in which services were provided. In addition, our review of a sample of 25 payments indicated that in most cases the providers submitted their bills *within a month* of service, and in all but one case the providers submitted the bills within three months of service. (The bill for the remaining payment was submitted within five months of service.)

Finally, apart from the question of *what* specific time frame would be reasonable for DOE's monthly payment reviews, DOE refuses to establish *any* specific time frame for that function. With *no* defined reference points for timeliness it is not clear how DOE can "make sure that [the monthly payment review] is completed in a reasonable time frame," as DOE claims it does. Accordingly, we urge DOE to reconsider its position and implement this recommendation.

3. DOE should strengthen its procedure for reviewing providers' timesheets, in part by conducting site visits to providers and requesting, without prior notice, original timesheets, to ensure that payments are adequately supported and that original documentation is maintained.

DOE Response: "The DOE disagrees with the recommendation.

There are multiple reasons why Recommendation three is not practical. It is important to understand that the DOE contracts with approximately 2,000 vendors and a large number of them are one-person operation with no specific office space. A large number of the services take place at the students' schools and/or homes and provided during the day. Our current process has proven successful in identifying deficiencies in the invoiced data and recouping any overpayment as applicable."

Auditor Comment: DOE's position appears to contradict its earlier statement that the monthly reviews are intended solely to "monitor the integrity of the billing data certified by the vendors" and not "as [a] control[] that DOE relies upon to verify payment for related service invoices." Nonetheless, as we state in the report, the fact remains that DOE's current process of providing advance notice to vendors increases the risk that a vendor could provide DOE with a timesheet that is inauthentic, created after-the-fact in response to DOE's particular request.

With respect to DOE's concerns about the practicality of our recommendation, we note that although a large number of vendors may be one-person operations, they account for only a small percentage of the total related service payments. In Fiscal Year 2016, almost 90 percent of the total amount DOE paid for related services went to 43 contracted vendors with multiple providers. By visiting a handful of those vendors each month, DOE could efficiently review a substantial sample of timesheets, test the vendors' compliance with record-retention requirements, and give the vendors an additional reason to ensure the accuracy and integrity of their own recordkeeping systems.

DOE states that its existing process has proven successful; however, our limited review of sampled payments identified discrepancies between the invoiced data and the documentation maintained by the providers. We urge DOE to reconsider its response and implement this recommendation.

4. DOE should consider modifying the parent verification process to facilitate responses, including:
- sending parent verification letters in the language spoken in the household;
 - providing postage-paid, self-addressed reply envelopes with letters;
 - allowing persons to respond at their child's school;
 - allowing persons to respond by phone;
 - selecting a sample of letters for follow-up calls by DOE; and
 - tracking returned mail and ascertaining current home addresses.

DOE Response: "The DOE disagrees with the recommendation.

First, the DOE calls into question the basis for this finding since when asked by the DOE the auditors failed to identify any criteria used to evaluate the efficiency and timeliness of the process they are calling into question."

Auditor Comment: The "criteria" is clear: to ensure that services billed for were in fact provided. DOE established the parent verification letter process as an internal control to help identify inaccurate related-services bills. In accordance with GAGAS Section 6.16, we are required to assess whether internal controls have been properly designed and implemented. Further, pursuant to GAGAS Section 7.18, if deficiencies are identified, we are obligated to report such deficiencies.⁴ Where, as in New York City, nearly one-half of all New Yorkers speak a language other than English at home, and almost 25 percent of City residents age five and over, or 1.8 million persons, are not proficient in English, mailing letters in only English, in and of itself, calls into question the reasonableness of this control.

DOE Response: "Second, as noted in the audit report, 53,312 verification letters were sent to parents and legal guardians and 190 responses that identified discrepancies were returned to NPSP. Without providing a basis to support its assertion, the auditors characterized the number of responses as low. We would like to highlight that parents and legal guardians are given the opportunity to reply by email, fax, and mail and the level of returns are more likely to reflect the parents and guardians confirmation of the services reported. For these reasons, we do not think it is fiscally prudent to incur additional expenses by including 53,312 postage paid self-addressed envelopes, as it would have been the case for school year 2015-2016."

Auditor Comment: The response rate based on DOE's figures is 0.36 percent, which qualifies as low. As we say in the report, however, we do not know to what extent that low response rate is due to the deficiencies in the process discussed herein. We therefore recommend that DOE take additional, reasonable steps to encourage and facilitate parental responses. As to the expense of sending postage paid return envelopes, DOE would be charged postage for only those envelopes that are actually used to return responses.

⁴ GAGAS Section 6.16 states, "For internal control that is significant within the context of the audit objectives, auditors should assess whether internal control has been properly designed and implemented. . . ." GAGAS Section 7.18 states, "Auditors should also report deficiencies in internal control . . . that have occurred . . . and are significant within the context of the audit objectives."

DOE Response: “Third, the recommendation that parents be allowed to reply directly to the student’s school is further indication of the auditors misunderstanding of how and where related services are provided. As mentioned to the auditors the notifications to parents and guardians are only sent for students who receive service at their home or at the vendor’s place of business. As a result, reporting discrepancies to school staff who have no knowledge of these services are bound to create confusion and delay in the identification of these discrepancies. Furthermore, verification letters that are returned to the DOE as undeliverable are tracked in a spreadsheet and the information is sent to the Division of Instructional and Information Technology for follow-up.”

Auditor Comment: In making this recommendation, we had no “misunderstanding of how and where related services are provided.” We fully understand where the services are provided. The “confusion” DOE suggests might occur could be easily remedied by directing schools to forward parental responses to NPSP. Overall, we believe it is clear that significant, achievable opportunities exist for improving DOE’s current parent-verification-letter process. Accordingly, we urge DOE to implement this recommendation.

Inconsistencies and Inaccuracies in the Vendor Portal

Vendor Portal Edit Checks Are Inadequate

DOE’s Vendor Portal is programmed with edit checks (also known as “data validation checks”) designed to prevent facially inappropriate billing and payments for related services, but we found them to be ineffective in several key respects. As a result, the Vendor Portal does not provide an adequate level of protection against inappropriate duplicate and overlapping billing.

According to the Vendor Portal validation rules, the portal is programmed with an edit routine that “checks the duplicate or overlapping invoices for same students on the same fiscal year of that vendor.” However, we found that the edit check described in the validation rules is not operating as intended. Through our review, we found instances of overlapping sessions billed by the same providers. In addition, we found that the Vendor Portal has no validation or edit checks in place to check for duplicate or overlapping sessions billed by two different providers. As a result, we found instances where duplicate and overlapping sessions were billed by different providers.

When we discussed this issue with DOE officials during the course of our audit, they acknowledged that the Bureau of Non-Public School Payables does not perform analytical reviews of the related-service billing data to identify unusual trends or payments. Subsequently, at the audit exit conference, a different DOE official stated that DOE’s Office of the Auditor General does perform such analytical reviews, but DOE provided no evidence of such reviews. We also note that the bills for duplicate and overlapping sessions we identified in our reviews were not identified by DOE and were erroneously paid.

We also found that certain Vendor Portal validations related to student attendance were disabled. Consequently, there were no automatic checks to ensure that an attendance code was entered or to determine whether a student was present or absent on the date of service specified in the provider’s invoice. By disabling those edit checks, DOE cannot reliably meet its obligation to ensure that students who receive related services in school were present on the dates for which services were billed.

DOE officials provided auditors with a list of the validations that they represented are supposed to be in place in the Vendor Portal. However, as to three of them, the error message listed (what the provider would see if the information was determined not to be valid) was “#N/A,” which is not a valid error message. Those three edit checks were:

- A check to determine whether duplicate or overlapping invoices for the same student were submitted by that vendor, in the same fiscal year.
- A check to ensure that the actual session duration was less than, or equal to, the recommended duration.
- A check in DOE’s Personnel Eligibility Tracking System to determine whether the provider is eligible, based on the provider’s identification number.

According to a DOE official, these validations had multiple error codes and as a result, since the programmer who produced the report we received was uncertain of which ones to display, the list provided to us included “#N/A” for these validations. The official stated that these three validations were in effect and operating as intended, but we have no assurance that this is in fact the case, especially since we identified instances of overlapping sessions billed by the same provider. Following our discussion of this issue with DOE, we were given a revised list of the Vendor Portal edit checks which no longer included the edit checks related to student attendance. The revised list of Vendor Portal edit checks that DOE provided also included error messages rather than “#N/A” for the three edits checks mentioned above. Inadequate edit checks in the Vendor Portal increase the risk of inappropriate payments and misuse of City funds.

Inadequate Edit Checks Failed to Prevent an Estimated \$131,913 in Duplicate Payments

We analyzed billing data supplied by DOE for Fiscal Year 2016 to identify erroneous duplicate payments that resulted from (1) overlapping sessions billed by the same provider; (2) duplicate sessions billed by different providers; and (3) overlapping sessions billed by different providers.⁵ Those are the types of billing irregularities that DOE’s Vendor Portal checks should have been designed to prevent. However, through our analysis, we found an estimated \$131,913 in erroneous payments. Specifically, we identified:

- 1,477 duplicate sessions billed by different providers totaling an estimated \$64,271;
- 1,536 overlapping sessions billed by different providers totaling an estimated \$66,758; and
- 20 overlapping sessions billed by the same provider totaling an estimated \$884.

Those payments reflect control weaknesses in the Vendor Portal that should be addressed by DOE. The types of billing problems reflected by our findings should be the easiest for DOE to prevent with the implementation of adequate controls. The information needed to prevent these inappropriate payments is all in DOE’s possession and should all be contained in its databases. The absence of necessary controls over the Vendor Portal, along with the inadequate service verification procedures and review of payments described above, leaves DOE more vulnerable to the risk that fraudulent billing can occur, be processed and approved for payment through the Vendor Portal, and go undetected thereafter.

⁵ We estimated the erroneous payments by extracting each different rate that was paid for the specific services (i.e., counseling-group, counseling – individual, occupational – group, etc.) from the rate schedule provided by DOE for Fiscal Year 2016. We calculated the average rate paid for each type of service and applied the average rate to the duplicate or overlapping sessions based on type of service.

Vendor Portal Billing Report Provided by DOE Included Duplicate Entries

The Vendor Portal billing data that DOE provided included thousands of duplicate entries for service by the same provider, to the same students, for the same date and time. Although through limited testing, we identified only one duplicate payment, we remain concerned that the duplicate entries in the data we received could reflect system weaknesses that may allow additional erroneous payments.

Our review of Vendor Portal billing data that DOE provided for Fiscal Year 2016 found duplicate entries for services that were ostensibly provided by the same providers to the same students, on the same day and time. The data included what appeared to be 23,102 billings for duplicate services by the same providers, ranging from two to four sessions. In one case, for example, the data indicated that one student received three sessions of speech therapy on June 2, 2016 from 10:00 a.m. to 10:30 a.m., all by the same provider.

Based on limited testing, we identified one instance where a provider was paid two times as a result of duplicate billing for a single session (i.e., two bills paid to a single provider with the same date and same start and end times). The amount of the overpayment was \$44. We subsequently selected a limited random sample of 50 instances to determine whether the providers were paid twice as a result of duplicate billings for a single session. Our review identified no additional instances of duplicate payments.

According to DOE, the data provided to us was extracted from the Vendor Portal by retrieving the related-service invoice session details for Fiscal Year 2016. The details of each session were compared with each student's mandate, by matching data including Student ID, Vendor ID, Actual Provider ID, service subtype and session data between the beginning and end of a mandate period. According to DOE, in some cases, this matching resulted in multiple mandates being retrieved, leading to duplicate rows in the report. A DOE official explained that these multiple billings were due to "duplicate mandates" that had been entered by the CSEs.

However, in subsequent discussions, DOE officials claimed that there are no duplicate mandates in the Vendor Portal and that the duplicate entries resulted instead from an error in the way the data was extracted. However, we were unable to confirm that all 23,102 instances of duplicate entries were the result of an error in the way the data was extracted.

Based on the large number of duplicate entries we identified—the number and dollar value of potential erroneous payments totaled more than 23,000 and an estimated \$934,080, respectively—we have no assurance that all duplicate entries for the same provider were the result of the errors claimed by DOE. We also do not know whether providers were paid incorrectly for duplicate sessions.

Recommendations

5. DOE should update the edit checks in the Vendor Portal to include data validation rules, so payments for duplicate and overlapping sessions can be avoided.

DOE Response: "The DOE agrees with the recommendation.

The edit to prevent payment for overlapping and duplicate related service sessions has been corrected. Though we take any error in the data seriously, it is

important to note that 99.9% of over two million sessions billed by vendors in school year 2015-2016 had no errors identified.”

Auditor Comment: Edit checks in a system, when working properly, should allow no exceptions. The fact that a small percentage was allowed indicates that the edit check was not working as intended and exposes a vulnerability that must be corrected.

6. DOE should review the duplicate and overlapping payments uncovered in this audit and ensure that it recoups payments from providers for all inappropriate billing.

DOE Response: “The DOE agrees with the recommendation.

The identified discrepancies will be reviewed and appropriate actions will be taken.”

7. DOE should better analyze related-service payment data in the Vendor Portal, to identify unusual payments or trends and ensure that corrective measures can be taken in a timelier manner.

DOE Response: “The DOE agrees with the recommendations inasmuch as it reflects current practice.

The Office of Auditor General (OAG) has performed audits of related service providers which included analysis of payment data processed by the Vendor Portal. Furthermore, the DOE explained that a review was planned by OAG at the time the Comptroller’s audit was initiated, which was suspended due to their audit. Additional analyses will be conducted by OAG in the future.”

Auditor Comment: DOE provided us with evidence of one audit that was completed in February 2014 for payments that were made in School Year 2012. A DOE official stated that no subsequent audits have been performed. Considering that our audit scope covered School Year 2016, OAG has conducted no audits of the periods covering School Years 2013 through 2015 (in addition to School Year 2016).

8. DOE should revise the existing validation rules in the Vendor Portal to ensure that they are properly designed and are working as intended. Those revisions should include assurances that students receiving services in school were present on the days that the services were billed.

DOE Response: “The DOE agrees with the recommendation inasmuch as it reflects the current practice.

As explained to the auditor, the verification of services against a student’s school attendance was not a viable edit. The DOE had evaluated this potential control and it concluded that it was not practical to implement it. Students who are in attendance and receive their related service are often marked absent due to arriving late. This creates a significant number of errors in the data, rendering the control unusable.”

Auditor Comment: DOE’s response rejecting the aspect of the recommendation to revise the edit check for student attendance is premised on the contention that the attendance information in DOE’s Automate the Schools (ATS) system is inaccurate and unreliable, which raises its own concerns. Moreover, DOE

provides no evidence of the extent of those inaccuracies, beyond its statement that they occur “often.” Such evidence would be necessary for a valid, informed decision on whether DOE’s student attendance records could be used to identify potentially inaccurate billing claims to prevent overpayments and waste of City funds. At a minimum, a match of attendance information against billing data for related services provided in school could be a starting point for payment-review sampling.

9. DOE should review the duplicate entries in the related-service billing data provided to ensure that no additional duplicate entries were in fact cases where a vendor was incorrectly paid multiple times.

DOE Response: “The DOE disagrees with the recommendation.

The recommendation is based on an initial data report shared with the auditors that incorrectly matched a student’s recommended service during the school year with payment data, resulting in the generation of 23,000 duplicated entries. The 23,000 entries were reviewed by the DOE and no duplicate payments were associated with these entries.”

Auditor Comment: DOE states that it disagrees with this recommendation, yet later states that the entries were reviewed and no duplicates were found. We do not know whether DOE’s statement was based on a cursory review or whether a more in depth review was performed. If the former, we urge DOE to reconsider its response and implement this recommendation.

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The primary audit scope was Fiscal Year 2016.

In order to obtain an understanding of DOE's controls over payments made to related-service providers, we conducted walkthrough meetings and interviews with the DOE staff in charge of processing, tracking, and supervising the related-services provision and payment process.

To assess the controls over the processing of the related-service payments we obtained and reviewed the following: *Citywide Related Services Policy and Practice: Assignment of Related Service Providers*; the *Manual RSA and SETSS Processing*; the *Related Manual Mandate Upload*; the *Standard Operating Procedures Manual: The Referral, Evaluation, and Placement of School-Age Students with Disabilities*; the *SESIS Provider Assignment* manual; and any relevant documentation printed from the website or provided by the units or staff in charge of the process. In addition, we reviewed the organization chart of the units that play a role in the process. Furthermore, we obtained and examined the listing of all payments made to related-service providers in Fiscal Year 2016 for school-aged students, called *FY2016 Related Service Payment Report 081716*.

To determine whether DOE had adequate controls over payments made to both independent and contracted providers for school-age students, we randomly selected five contracted vendors from a population of 43 and two independent vendors from a population of 34 that received over \$100,000 in related-service payments during Fiscal Year 2016. We visited these providers' premises to gain an understanding of their invoicing process and to obtain related documentation for our sampled payments. We randomly selected, from the *FY2016 Related Service Payment Report 081716*, 10 individual payments made to each contracted provider and five to each independent provider. The total of these payments, 60 in all, came to \$2,700. We also determined whether our sampled 60 payments were appropriately supported by timesheets.

To evaluate the completeness and accuracy of the *FY2016 Related Service Payments Report 081716*, we examined the supporting timesheets for 35 payments pulled from the vendors' files. We also determined whether they were accurately recorded in the payment report. We also compared critical information—including service times, service dates, group size, and frequency on the timesheets—for the same 60 randomly selected payments to information in the payment report. Furthermore, using the Audit Command Language program, we reviewed the report for any duplicates or unusual payments.

To assess the controls over and the adequacy of DOE's monthly payment review process, we requested and reviewed the Monthly Review Database report. We received two versions of the report covering different time periods: one from July 2015 through December 2016, and one from January 2016 through March 2017. We reviewed the reports for completeness and to determine the timeliness and outcomes of the reviews.

To evaluate DOE's controls over the parent verification letter process, we obtained and reviewed the most up-to date Parent Verification Letter spreadsheet maintained by the department.

To assess controls over the billing process in the Vendor Portal and the effectiveness of the embedded edit checks within the Vendor Portal System, we reviewed the edit checks report provided to us by DOE. We also conducted two demonstrations of the processing of test data by the Vendor Portal in presence of DOE related-services staff. During the demonstrations, we verified whether the edit checks could prevent different inappropriate billing outcomes from occurring. Furthermore, we determined whether the Vendor Portal has effective embedded controls. Using the Audit Command Language program, we extracted duplicate and overlapping billings from the related-services payments report we received. We also verified whether a few of the duplicate and overlapped sessions we identified were billed and paid in the Vendor Portal.

Although the results of our sampling tests were not statistically projected to their respective populations, these results, together with the results of our other audit procedures and tests, provided a reasonable basis to determine whether DOE has adequate controls over payments to related-service providers who provided services to school-aged students.



Raymond J. Orlando
Chief Financial Officer

June 19, 2017

Ms. Marjorie Landa
Deputy Comptroller for Audits
New York City Office of the Comptroller
1 Centre Street, Room 1100
New York, NY 10007-2341

Re: Audit Report on the Department of Education's Controls over Payments to Providers of Related-Services to School-Aged Students (MD16-117A)

Dear Ms. Landa:

This letter will serve as the New York City Department of Education's (DOE) formal response to the New York City Office of the Comptroller's (Comptroller) draft audit report of the *Department of Education's Controls over Payments to Providers of Related-Services to School-Aged Students (Report)*.

Response to Recommendations:

Recommendation 1. *DOE should ensure that its monthly review of payments for related services is conducted effectively and consistently, and that the process is properly tracked, documented and supervised.*

Response. The DOE agrees with this recommendation inasmuch as it reflects current practice.

The limited review of invoices conducted by the office of Non-Public School Payables ("NPSP") should not be viewed as controls that DOE relies upon to verify payment for related service invoices. As explained to the auditors, the DOE's electronic billing system ("Vendor Portal") processes over 85,000 transactions every year, and the Vendor Portal applies multiple controls to the invoiced data before payments are approved. Furthermore, for students who received related services outside of a public school settings, a statement of service is mailed to parents/legal guardians asking that they report any discrepancies.

The primary purpose of the monthly review conducted by the NPSP is to monitor the integrity of the billing data certified by the vendors. As such, the timing of the review does not impact the test nor its level of assurance. Since vendors can submit their related service invoices at any time during the school

year through September 30 of the subsequent school year, transactions are selected from a time period that spans six to nine months (e.g., tests for January 2017 services, would be selected around August 2017). This strategy allows the vendors ample time to submit invoices for a given month and the NPSP's sampled transaction therefore come from a population that is more likely to include most of the services rendered.

As to the procedures followed to complete and document the reviews, the process and its results are tracked in a database, which is monitored and reviewed by NPSP's administrative staff, including the Deputy Director. As part of the review, the Deputy Director meets with staff whose reviews have not been completed to discuss any issues causing delay and provide guidance to address those issues.

Recommendation 2. *DOE should establish timeframes within which its monthly payment reviews must be completed, to ensure that reviews are conducted in a timely and effective manner.*

Response. The DOE disagrees with the recommendation.

As explained above, the monthly review is closely monitored to make sure that it is completed within a reasonable timeframe and satisfactorily. Furthermore, there are numerous factors such as the number of transactions sampled, the location of service and the type of vendor that affect the vendor's response time to the request for records and impacts the time it takes to complete the review.

Recommendation 3. *DOE should strengthen its procedure for reviewing providers' timesheets, in part by conducting site visits to providers and requesting, without prior notice, original timesheets, to ensure that payments are adequately supported and that original documentation is maintained.*

Response. The DOE disagrees with the recommendation.

There are multiple reasons why Recommendation three is not practical. It is important to understand that the DOE contracts with approximately 2,000 vendors and a large number of them are one-person operation with no specific office space. A large number of the services take place at the students' schools and/or homes and provided during the day. Our current process has proven successful in identifying deficiencies in the invoiced data and recouping any overpayment as applicable.

Recommendation 4. *DOE should consider modifying the parent verification process to facilitate responses, including:*

- *sending parent verification letters in the language spoken in the household;*
- *providing postage-paid, self-addressed reply envelopes with letters;*
- *allowing persons to respond at their child's school;*
- *allowing persons to respond by phone;*
- *selecting a sample of letters for follow-up calls by DOE; and*
- *tracking returned mail and ascertaining current home addresses.*

Response. The DOE disagrees with the recommendation.

First, the DOE calls into question the basis for this finding since when asked by the DOE the auditors failed to identify any criteria used to evaluate the efficiency and timeliness of the process they are calling into question.

Second, as noted in the audit report, 53,312 verification letters were sent to parents and legal guardians and 190 responses that identified discrepancies were returned to NPSP. Without providing a basis to support its assertion, the auditors characterized the number of responses as low. We would like to highlight that parents and legal guardians are given the opportunity to reply by email, fax, and mail and the level of returns are more likely to reflect the parents and guardians confirmation of the services reported. For these reasons, we do not think it is fiscally prudent to incur additional expenses by including 53,312 postage paid self-addressed envelopes, as it would have been the case for school year 2015-2016.

Third, the recommendation that parents be allowed to reply directly to the student's school is further indication of the auditors misunderstanding of how and where related services are provided. As mentioned to the auditors the notifications to parents and guardians are only sent for students who receive service at their home or at the vendor's place of business. As a result, reporting discrepancies to school staff who have no knowledge of these services are bound to create confusion and delay in the identification of these discrepancies. Furthermore, verification letters that are returned to the DOE as undeliverable are tracked in a spreadsheet and the information is sent to the Division of Instructional and Information Technology for follow-up.

Recommendation 5. *DOE should update the edit checks in the Vendor Portal to include data validation rules, so payments for duplicate and overlapping sessions can be avoided.*

Response. The DOE agrees with the recommendation.

The edit to prevent payment for overlapping and duplicate related service sessions has been corrected. Though we take any error in the data seriously, it is important to note that 99.9% of over two million sessions billed by vendors in school year 2015-2016 had no errors identified.

Recommendation 6. *DOE should review the duplicate and overlapping payments uncovered in this audit and ensure that it recoups payments from providers for all inappropriate billing.*

Response. The DOE agrees with the recommendation.

The identified discrepancies will be reviewed and appropriate actions will be taken.

Recommendation 7. *DOE should better analyze related-service payment data in the Vendor Portal, to identify unusual payments or trends and ensure that corrective measures can be taken in a timelier manner.*

Response. The DOE agrees with the recommendations inasmuch as it reflects current practice.

The Office of Auditor General (OAG) has performed audits of related service providers which included analysis of payment data processed by the Vendor Portal. Furthermore, the DOE explained that a review was planned by OAG at the time the Comptroller's audit was initiated, which was suspended due to their audit. Additional analyses will be conducted by OAG in the future.

Recommendation 8. *DOE should revise the existing validation rules in the Vendor Portal to ensure that*

they are properly designed and are working as intended. Those revisions should include assurances that students receiving services in school were present on the days that the services were billed.

Response. The DOE agrees with the recommendation inasmuch as it reflects the current practice.

As explained to the auditor, the verification of services against a student's school attendance was not a viable edit. The DOE had evaluated this potential control and it concluded that it was not practical to implement it. Students who are in attendance and receive their related service are often marked absent due to arriving late. This creates a significant number of errors in the data, rendering the control unusable.

Recommendation 9. *DOE should review the duplicate entries in the related-service billing data provided to ensure that no additional duplicate entries were in fact cases where a vendor was incorrectly paid multiple times.*

Response. The DOE disagrees with the recommendation.

The recommendation is based on an initial data report shared with the auditors that incorrectly matched a student's recommended service during the school year with payment data, resulting in the generation of 23,000 duplicated entries. The 23,000 entries were reviewed by the DOE and no duplicate payments were associated with these entries.

Sincerely yours,

A handwritten signature in black ink, appearing to read "R. J. Orlando", written in a cursive style.

Raymond J. Orlando
Chief Financial Officer