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Follow-up Audit Report on New York City Public Schools' Efforts to Maximize Medicaid Reimbursement Claims for Special Education Services

New York City Public Schools

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MARK D. LEVINE

July 22, 2026

To the Residents of the City of New York:

My office has conducted a follow-up audit on New York City Public Schools' (NYCPS) efforts to maximize Medicaid reimbursement claims for special education services. The objectives of the audit were to determine whether NYCPS implemented the recommendations made in the prior audit, and to assess the fiscal status of Medicaid claiming for covered services during FYs 2023, 2024, and 2025.

The audit found that although NYCPS implemented or partially implemented only a small number of the recommendations from the prior audit and modified policy to claim reimbursement for Occupational Therapy (OT), Physical Therapy (PT) and Speech Therapy (ST) services provided to pre-school children in certain settings, it has not improved its overall processes sufficiently to seek reimbursement for all eligible encounters or expanded its claiming to include additional types of services.

During FYs 2023 through 2025, NYCPS claimed reimbursement for only 54% of documented OT, PT, and ST services provided to Medicaid-enrolled students, resulting in at least $273.4 million in foregone Medicaid revenue. A review also found that NYCPS either failed to record or potentially failed to provide approximately 15.9% of mandated OT, PT, and ST services. If those services were provided but not documented, the amount of foregone revenue increases by up to $132.8 million, bringing the total associated with therapy services to $406.2 million. These findings raise concerns regarding both compliance with students' Individualized Education Programs (IEPs) and the adequacy of NYCPS' documentation and claiming practices.

In addition, NYCPS continues not to seek Medicaid reimbursement for several covered services provided including evaluations, re-evaluations, and psychological counseling services, resulting in at least $25.4 million in additional foregone revenue. Potential lost revenue associated with certain transportation and nursing services could not be determined because NYCPS did not provide the necessary records and information. Overall, the auditors estimate that foregone revenue for FYs 2023 to 2025 totaled $431.6 million.

The follow-up audit makes nine recommendations to improve NYCPS' Medicaid claiming practices, including that the agency: develop and implement an interim action plan to strengthen existing claim validation controls and reduce unclaimed service encounters pending full implementation of MedSys; establish routine monitoring controls to ensure that OT, PT, and ST service encounters are supported by required written orders or referrals; conduct periodic reviews of provider licensure and National Provider Identifier (NPI) information and promptly correct inaccurate or incomplete records; record all service sessions and ensure Medicaid documentation requirements are met for covered services; reassess the feasibility of implementing recommendations that remain not implemented once the Medicaid claiming team is fully staffed and operational and the new special education system has been implemented; and promptly provide information and documents that are necessary for legally authorized audits, in the interest of ensuring transparency for all New Yorkers.

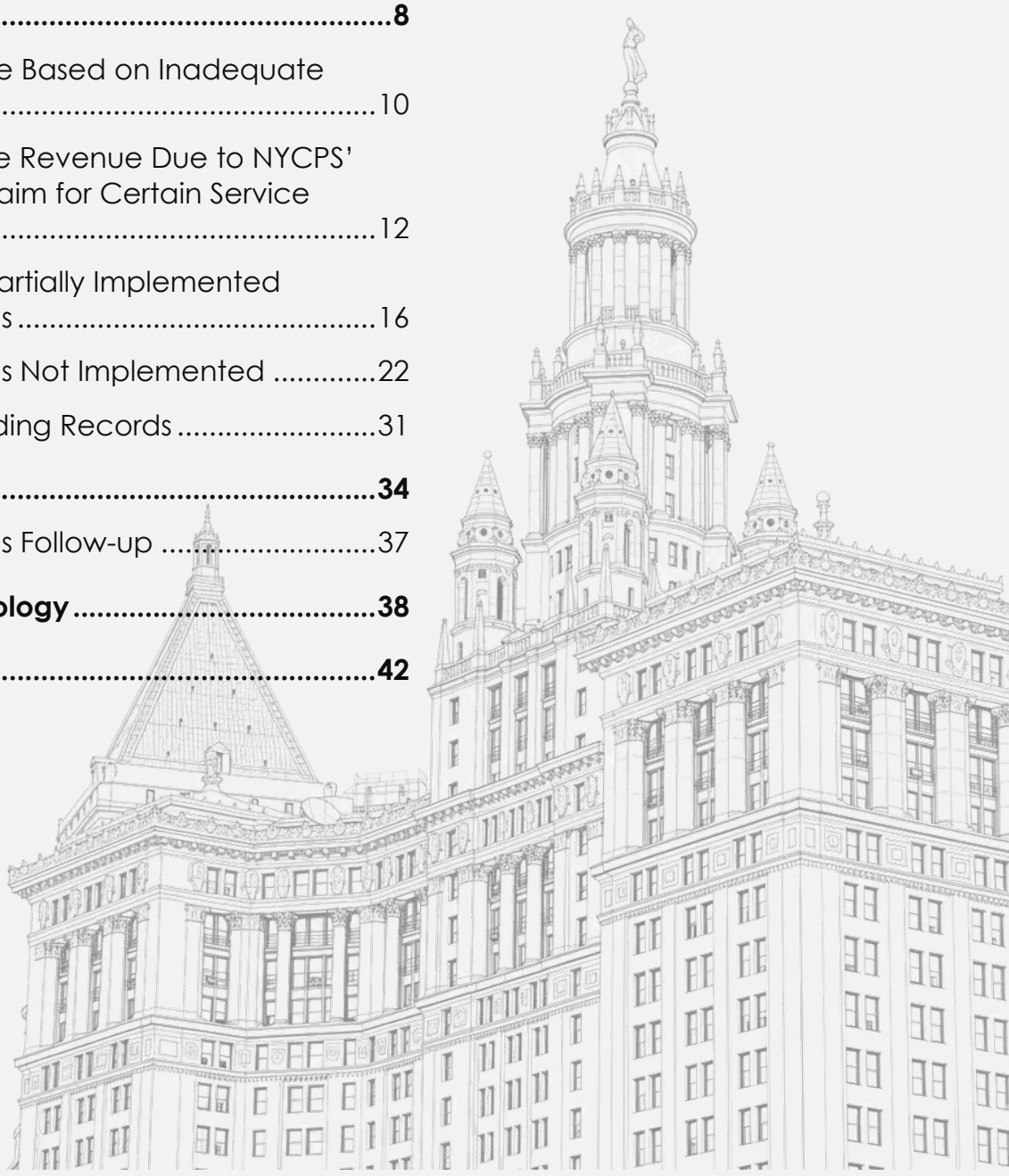
The results of this audit have been discussed with officials from NYCPS, and their comments have been considered in preparing this report. NYCPS' complete written response is attached to this report.

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

Sincerely,

Mark Levine
New York City Comptroller

Contents



Audit Impact

Summary of Findings

This office concluded in a 2021 audit that New York City Public Schools (NYCPS) did not seek Medicaid reimbursement for Individualized Education Program (IEP) services that it provided to eligible students, costing the City millions of dollars in reimbursement. The 2021 audit called on the department to make significant improvements in its claiming processes and to increase Medicaid reimbursement for allowable services.

This audit was conducted to assess NYCPS' progress since 2021. While the audit found that NYCPS has implemented or partially implemented a small number of the recommendations from the 2021 audit, and while it has also modified policy to claim reimbursement for Occupational Therapy (OT), Physical Therapy (PT), and Speech Therapy (ST) services provided to pre-school children in certain settings, NYCPS has not improved its overall processes sufficiently to seek reimbursement for all eligible encounters and has not expanded its claiming to include the additional covered services that it agreed to in 2021.

As a result of this, the auditors estimate that the City failed to claim approximately $431.6 million in Medicaid revenue during Fiscal Years 2023, 2024, and 2025. NYCPS continues not to seek reimbursement for a significant percentage of encounters that are legally reimbursable. In some cases, NYCPS chooses not to; in others, NYCPS' processes for collecting documentation needed to seek reimbursement from Medicaid are ineffective. Auditors' evaluation of services mandated in IEPs also found that there is no record of nearly 20% of all therapy services that NYCPS was required to provide to eligible students.

The auditors estimate that NYCPS failed to claim reimbursement of at least $273.4 million for the OT, PT, and ST services that it did provide to eligible students during Fiscal Years 2023, 2024, and 2025. This amount was not claimed because NYCPS failed to obtain one or more of the documents needed to file claims.

In addition, NYCPS lacks *any* record of providing 16.2% of all OT, PT, and ST services that were mandated for eligible students with IEPs. Either NYCPS simply did not provide a significant percentage of required therapy services—in which case children did not receive services that were considered medically necessary to thrive in their school environments—or NYCPS provided the services but did not collect *any* documentation needed to seek Medicaid reimbursement for them.

If the services were provided, but not documented, the total amount of foregone revenue increases by up to $132.8 million, bringing the foregone revenue from $273.4 million to as much as $406.2 million.

NYCPS' decision not to claim seven of the 10 Medicaid eligible services increases this amount by at least $25.4 million,[1] bringing the total to $431.6 million.

Intended Benefits

This audit was conducted to determine whether NYCPS made efforts to improve its Medicaid reimbursement practices since 2021, as well as to assess the fiscal impact of those practices during Fiscal Years 2023, 2024, and 2025.

[1] This amount is likely much larger; NYCPS does not collect and/or did not provide data needed to estimate foregone revenue for all seven of the covered service types it currently chooses not to seek reimbursement for.

Introduction

Background

This audit was conducted to determine whether NYCPS implemented recommendations it committed to making in response to the 2021 audit and to assess the fiscal impact of its Medicaid reimbursement practices in Fiscal Years 2023, 2024, and 2025.

Individualized Education Programs for Students with Disabilities

The Individuals with Disabilities Act (IDEA) requires NYCPS to ensure that students with disabilities have access to free, appropriate public education that emphasizes special education, and related services designed to meet their individual needs. The IDEA requires NYCPS to develop, review, and update an IEP for each student with a disability who requires special education services on an annual basis.

NYCPS is generally required to arrange IEP-mandated services within 60 school days of the receipt of consent to evaluate a student. Students with an IEP can receive special education services through placement in various school settings, including traditional public schools, charter schools, non-public schools approved by the New York State Education Department (NYSED) (NYSED-approved schools), private schools, at home, and in hospital.

To ensure students are receiving their required services, NYCPS must assign a provider. NYCPS assigns providers to students in the following order: NYCPS first attempts to assign an NYCPS employee; if NYCPS is unable to do so, they next work with a contracted agency to identify a provider; if they are unable to assign either an NYCPS employee or a contracted provider, NYCPS issues a voucher, which allows the parent to find an independent provider.

Title XIX of the Social Security Act provides Medicaid reimbursement for certain services included in the IEP for Medicaid-enrolled children. New York State Social Services Law permits reimbursement to public school districts for expenditures made by or on behalf of local school districts for medical care and services furnished to Medicaid-eligible children ages three to up to 21.

Medicaid Reimbursement for Services Provided Under NYS Preschool/School Supportive Health Services Program

The New York State Department of Health (NYSDOH) and NYSED jointly developed and currently administer the Preschool/School Supportive Health Services Program (SSHSP). Under SSHSP, the New York State Medicaid Program reimburses the City for eligible Medicaid claims, to help school districts obtain Medicaid reimbursement for 10 Medicaid-covered services, listed below. Currently, the State and City share gross Medicaid Reimbursements equally (50% each). NYCPS can claim reimbursement for all 10 of these services if they are provided to Medicaid-enrolled students with IEPs between the ages of three and up to 21 and assuming all claiming requirements are met. NYCPS must also collect the necessary documentation to support claims for reimbursement.

The 10 services eligible for reimbursement are:

- Physical Therapy (PT);
- Occupational Therapy (OT);
- Speech Therapy (ST);
- Psychological Evaluations;
- Psychological Counseling;
- Skilled Nursing Services;
- Medical Evaluation;
- Medical Specialist Evaluations;
- Audiological Evaluations; and
- Special Transportation Services.

Under SSHSP, NYCPS is required to obtain and submit the following documentation to NYS Medicaid to support claims for Medicaid reimbursement:

- The student's IEP;
- Current certification, licensure, National Provider Identifier (NPI), and/or registration (as relevant) of the clinician providing the service;
- Parental consent for release of the student's information and to verify the student's Medicaid eligibility;
- Written orders/referrals (prescriptions), which establish medical necessity for the related service; and

- Session notes for each billable service, documenting that the service provider delivered certain diagnostic and/or treatment services to a student on a particular date. Notes must include, among other things, a brief description of each student's progress.

Under the Medicaid rules, failure to meet a single requirement prevents a claim of reimbursement, even if all other requirements are met.

Within NYCPS, the Office of Medicaid Operations (OMO) is responsible for coordinating programmatic and administrative efforts to maximize Medicaid reimbursement claims.[2] OMO is tasked with ensuring that all Medicaid reimbursement claims submitted by NYCPS meet all regulatory requirements, as well as with finding efficiencies to increase the volume and accuracy of claims. As part of NYCPS' Medicaid claims process, OMO performs data validation to identify services that meet all documentation requirements and are eligible for Medicaid reimbursement. NYCPS' deadline to submit claims is 15 months after a service has been provided. According to NYCPS, if claims are rejected and the issue is correctable (e.g., if the student's gender was incorrect) it will correct the issue and resubmit rejected claims. However, if issues are not correctable, such as a lapse in Medicaid coverage, these claims are not reimbursable and therefore are not resubmitted.

NYCPS uses two systems—Special Education Student Information System (SESIS) and EasyTrac—to document service encounters (i.e., sessions) provided to students.

Traditional public schools, charter schools, private and religious schools, and those receiving home and hospital instruction use SESIS to: (1) record IEP information for all school-age students, and (2) document the provision of related services.

Other non-public schools that provide school day and/or residential (24-hours a day) programs for school-age and preschool-age students with disabilities (which NYCPS refers to as "NYSED-approved schools") use EasyTrac to assist NYCPS in collecting and documenting parental consent forms and written orders/referrals. EasyTrac is also used to document the provision of related services.[3]

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[2] As discussed in more detail in this report, during the audit scope period NYCPS only claimed Medicaid reimbursement for OT, PT, and ST services.

[3] NYSED approves special education programs operated pursuant to sections 853, 4201, and 4410 of the New York State Education Law. Section 853 and 4410 schools are operated by private agencies and provide day and/or residential program for school-age and preschool-age students with disabilities, respectively. Section 4201 schools provide educational services to school-age students with disabilities including deafness, blindness, severe emotional disability, or severe physical disabilities.

2021 Audit Findings and NYCPS Responses

At the time of the prior audit, NYCPS claimed reimbursements only for Occupational Therapy (OT), Physical Therapy (PT), and Speech Therapy (ST) services provided to Medicaid-eligible students in grades K-12. The audit found, however, that NYCPS failed to ensure that encounters for these three service types met all Medicaid reimbursement requirements and therefore could not pursue reimbursement for approximately 1.6 million (24%) of the 6.8 million documented encounters that occurred during the period from July 1, 2018 through June 30, 2019. Auditors estimated that NYCPS could not claim as much as $154.5 million for OT, PT, and ST services provided to eligible students during School Year (SY) 2018–2019 because NYCPS had not collected the information needed to file a claim.

The auditors concluded that reimbursement requirements were not met because NYCPS did not:

- adequately review or follow-up on service encounters that failed NYCPS' validation processes;
- obtain written orders or referrals prior to rendering services;
- ensure providers' credentials were obtained and verified;
- obtain Parental Consent forms;
- ensure that providers certified session notes;
- ensure that providers selected appropriate CPT codes;
- ensure that providers adequately described students' progress; and/or
- document service encounters as required.

The prior audit also found that NYCPS' decision not to submit claims for seven other types of Medicaid-covered services, and not to claim for services provided in all eligible settings, for all eligible age groups, had additional fiscal consequences for the City.

The auditors made 30 recommendations intended to improve NYCPS' ability to collect required information and documentation and recommended that NYCPS expand the scope of services for which it claimed in order to maximize Medicaid reimbursement. NYCPS agreed to implement 25 of the 30 recommendations and disagreed with five.

Objectives

The objectives of this audit were to determine whether NYCPS implemented the recommendations made in the prior audit and to assess the fiscal status of Medicaid claiming for covered services during FYs 2023, 2024, and 2025.

Discussion of Audit Results with NYCPS

The matters covered in this report were discussed with NYCPS officials during and at the conclusion of this audit. An Exit Conference Summary was sent to NYCPS on May 7, 2026 and discussed with NYCPS officials at an exit conference held on May 21, 2026. On June 10, 2026, we submitted a Draft Report to NYCPS with a request for written comments. We received a written response from NYCPS on June 25, 2026. In its response, NYCPS agreed with four of the new recommendations from this follow-up audit, partially agreed with four, and disagreed with one recommendation.

NYCPS also submitted a written response to the draft report. These echo comments already discussed at the Exit Conference and already addressed in the draft report. Where necessary, additional comments have been made in this final report.

The full text of NYCPS' response is included as an addendum to this report.

Detailed Findings

Although NYCPS has implemented or partially implemented some of the recommendations it agreed to implement in response to the prior audit, and although it has modified policy to claim reimbursement for OT, PT and ST services provided to pre-school children in certain settings, it has not improved its overall processes sufficiently to seek reimbursement for all eligible encounters or expanded its claiming to include additional types of services. As a result, NYCPS continues not to seek reimbursement for a significant percentage of encounters that are legally reimbursable. This represents considerable foregone revenue for the City and State.[4]

During FYs 2023, 2024, and 2025, NYCPS' policy was to submit reimbursement claims for all OT, PT, and ST services provided to Medicaid-eligible students in pre-K to Grade 12. This represents the addition of children in pre-K. Despite this expansion, however, NYCPS only claimed reimbursement for 54% of all documented OT, PT, and ST services provided to Medicaid-enrolled pre-K to Grade 12 students. This resulted in at least $273.4 million in foregone revenue for FYs 2023, 2024, and 2025.

Of the 17.2 million therapy service encounters provided to approximately 145,000 Medicaid-enrolled students in this category during this three-year period, NYCPS only submitted claims for 9.3 million, or slightly more than half. This was because NYCPS did not collect the required information and documentation needed to support reimbursement.

In addition, based on a comparison of OT, PT, and ST services mandated for a sample of 180 Medicaid-enrolled students and the number of encounter sessions recorded by providers in SESIS and EasyTrac, NYCPS either did not record or failed to provide 15.9% of mandated services in FY2023, did not record or failed to provide 16.3% of mandated services in FY2024, and did not record or failed to provide 16.5% of mandated services in FY2025. If NYCPS failed to provide the mandated services, it raises serious concerns regarding IEP compliance. If these services were provided, but NYCPS failed to ensure they were recorded and claimed, this increases the total estimated lost revenue by up to $132.8 million, bringing the total from $273.4 million to $406.2 million during the three-fiscal-year period.

[4] As noted in the Background section of the report, Medicaid reimbursement is shared on a 50/50 basis with New York State. The foregone revenue figures used in this report represent total combined lost revenue to the City and the State. This is consistent with the approach taken in the 2021 report.

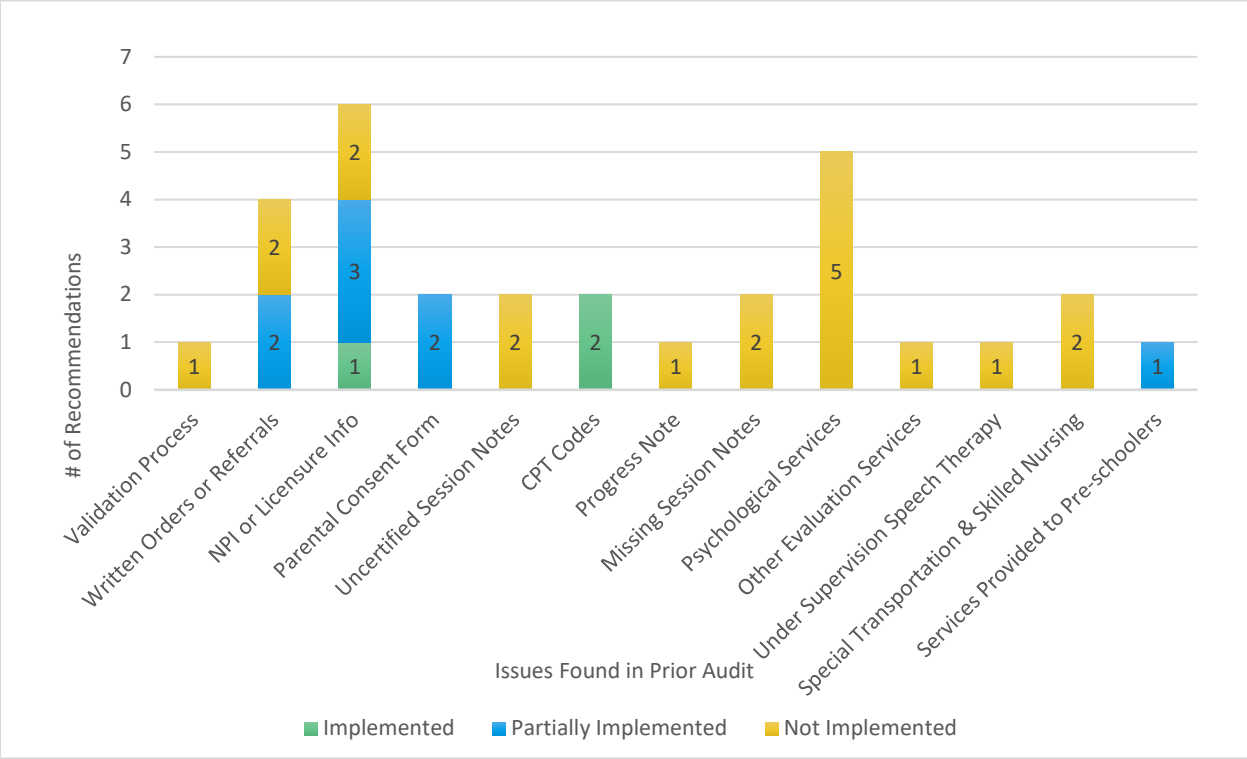
In addition to the above categories of foregone revenue, NYCPS still chooses not to seek Medicaid reimbursement for seven of the 10 covered services provided to eligible children. NYCPS' decision not to seek Medicaid reimbursement for evaluations, re-evaluations, and Psychological Counseling services resulted in additional foregone revenue conservatively estimated at $25.4 million during the audit scope period.

The auditors could not calculate foregone revenue associated with Special Transportation or Skilled Nursing services since estimating claimable amounts requires information and records that NYCPS did not provide when requested.

The auditors estimate that foregone revenue for FYs 2023 to 2025 totaled $431.6 million.

Of the 30 recommendations from the prior audit, NYCPS has fully implemented only three recommendations and partially implemented eight others, leaving a total of 19 that were not acted upon. See Chart 1 below.

Chart 1. Implementation Status of Prior Audit Recommendations



The auditors also note that cooperation with the audit process was poor. Auditors experienced significant delays in receiving requested information from NYCPS, substantially extending the time needed to complete this audit.

Foregone Revenue Based on Inadequate Documentation

The auditors assessed the fiscal status of Medicaid claiming for covered services during FYs 2023, 2024, and 2025 to determine the extent to which NYCPS sought reimbursement for documented service encounters, and identified quantified instances in which NYCPS did not claim for these encounters. This formed the basis of estimating potential unclaimed revenue.

The auditors compared all documented OT, PT, and ST service encounters for Medicaid-enrolled students aged three to 21 with parental consent to NYCPS claims for Medicaid reimbursement and identified sizeable gaps. NYCPS filed claims for Medicaid reimbursement for just 54% of the claimable encounters for OT, PT, and ST services between FYs 2023 and 2025. NYCPS sought reimbursement for only 56% of claimable OT, PT, and ST services in FY2023, 59% in FY2024, and 47% in FY2025.

Approximately 7.9 million documented encounters for FYs 2023, 2024, and 2025 went unclaimed, representing at least $273.4 million in foregone Medicaid reimbursement. This consisted of $69.3 million in FY2023 (as of September 2024), $96.5 million in FY2024 (as of September 2025), and $107.6 million in FY2025 (as of December 2025).[5]

Missing Record of Mandated Services

In addition, it appears NYCPS failed to capture—or record at all—a significant percentage of services that may have been provided. The auditors compared encounters recorded in EasyTrac and SESIS to a sample of IEPs issued to 180 Medicaid-eligible students and found that nearly 20% of services that were mandated to be provided to eligible students, based on their IEPs, were not captured in NYCPS' systems of record.

In FY2023, there are no records of 15.9% of mandated service encounters; in FY2024, there are no records of 16.3%; and in FY2025, there are no records of 16.5%. In the prior audit, this problem was also present. At that time, NYCPS argued that the services may not have been provided and therefore did not represent foregone revenue.

[5] As previously stated NYCPS' deadline to submit claims is 15 months after a service has been provided. NYCPS provided the auditors with claim data for FY2023 in September 2024, FY2024 in September 2025 and FY2025 in December 2025. Therefore, it is possible that NYCPS could have submitted claims for services after they provided the claiming data.

Either scenario represents a serious lack of accountability, with serious consequences: either NYCPS did not deliver some or all services it was mandated to provide in accordance with students' IEPs, or it failed to seek reimbursement for an additional and sizeable bucket of Medicaid claimable services that were provided and paid for by the City. If the former, the implications for students cannot be assessed without a clinical review. If services were provided, but not recorded, NYCPS failed to seek reimbursement for up to $132.8 million in additional claimable services, bringing the total foregone revenue based on poor recordkeeping to an estimated $406.2 million during FYs 2023–2025.

During the exit conference, and again in response to the Draft Report, NYCPS questioned the audit results on the basis that the sample size was too small and not statistically valid. This argument not only lacks merit but smacks of bad faith. The sampling methodology employed in this audit is entirely consistent with Generally Accepted Government Auditing Standards (GAGAS) which do not require statistical sampling, and as required, the report discloses both sample size and methodology. Moreover, the methodology and sample size were the direct result of NYCPS' refusals to timely provide data needed to establish a sample and its decisions to deny auditors read-only access to systems and onsite record reviews, which would have simultaneously reduced the need for documents to be pulled and provided by NYCPS and facilitated the review of a larger sample in a reasonable timeframe. The auditors planned to review a larger sample, but NYCPS complained about the size. The auditors reduced the size of the sample in direct response to NYCPS' requests. Additionally, the use of small samples and judgmental samples are frequently used by government auditors to support financial determinations.[6]

Trends Show Lower Proportionate Revenue Capture

As shown below in Table 1, the number of eligible OT, PT, and ST service encounters grew between FY2023 and FY2024 before decreasing somewhat in FY2025. Over the same period, estimated foregone revenue grew steadily each year—from $110.8 million in FY2023, to $126.5 million in FY2024, to $168.9 million in FY2025—indicating that NYCPS' efforts to claim reimbursement grew proportionally less successful over time.

[6] For example, HHS-OIG recently used a sample of 140 to assess the validity of 5.7 million personal care claims submitted by NYS seeking reimbursement: https://oig.hhs.gov/reports/all/2020/new-york-improved-its-monitoring-of-its-personal-care-services-program-but-still-made-improper-medicaid-payments-of-more-than-54-million/ See also the State Comptroller audit of BRC that identified sizeable overpayments based purely on judgmental sampling: https://www.osc.ny.gov/state-agencies/audits/2021/12/30/oversight-contract-expenditures-bowery-residents-committee

Over the three-fiscal-year period under review, NYCPS successfully claimed only 50.6% of the total revenue it intended to claim, leaving the remaining 49.4% unclaimed.

Table 1. Estimated Foregone Revenue for OT, PT, and ST Services for the State and the City

FY	# of Eligible Encounters	# of Unclaimed Encounters	# of Claimed Encounters	Estimated # of Unrecorded or Not Provided Encounters	Actual Revenue[7] (in millions)	Total Estimated Foregone Revenue (in millions)	% of Estimated Foregone Revenue
2023	4,648,577	2,034,342	2,614,235	905,228	$120	$110.8	48.0%
2024	6,751,843	2,788,909	3,962,934	883,740	$134.1	$126.5	48.5%
2025[8]	5,834,299	3,085,733	2,748,566	1,041,505	$162	$168.9	51.1%
Total	**17,234,719**	**7,908,984**	**9,325,735**	**2,830,473**	**$416**	**$406.2**	**49.4%**

As discussed in detail below, the amount of foregone revenue was even higher if NYCPS' decision not to seek reimbursement for other types of covered services is factored in.

Potential Foregone Revenue Due to NYCPS' Decision Not to Claim for Certain Service Types

It is still NYCPS' policy not to claim for seven of the 10 service types for which Medicaid reimbursement is available, despite making a commitment in response to the 2021 audit to expand claiming to include Special Transportation and Skilled Nursing services, and to consider claiming for Psychological Counseling and evaluations and re-evaluations. NYCPS still makes no effort to claim for evaluations, re-evaluations, Psychological Counseling, Special Transportation, or Skilled Nursing services provided to Medicaid-enrolled public and non-public school students.

[7] Source: New York City Annual Comprehensive Financial Reports (ACFR). The actual revenue amounts reported in the ACFR represent the City's portion of Medicaid reimbursements. However, as previously stated, the State and City split the total reimbursed amounts evenly; therefore, the total reimbursed amounts are doubled.

[8] As previously stated, NYCPS' deadline to submit claims is 15 months after a service has been provided. Therefore, it is possible that some of the FY 2023 to 2025 amounts may be claimed at a later date.

Psychological Counseling Not Claimed

According to NYCPS, it decided not to submit claims for Psychological Counseling because it did not provide a substantial amount of such services. In the 2021 audit, auditors determined that NYCPS did not bill Medicaid for 61,792 Psychological Counseling service encounters in FY2019 that were documented in SESIS for school-aged students, and which were performed by qualifying providers, along with an unknown number of additional encounters that were not recorded in EasyTrac for the same period. Given the number of Psychological Counseling service encounters, the 2021 audit recommended that staff include Psychological Counseling in IEPs when determined to be clinically appropriate.

During this audit, for the period from FY2023 to FY2025, the auditors identified 222,472 Psychological Counseling services provided to Medicaid-eligible students ages three to 21 performed by NYCPS staff hired as social workers or school psychologists. Based on a sample of 50 providers with the highest number of encounters, 64% of the staff performing these services to eligible students held a valid NYS license, making their services potentially eligible for Medicaid reimbursement. Based on this sample review, auditors estimate that 142,382 of the Psychological Counseling encounters provided by NYCPS staff may have been eligible for $6.1 million in Medicaid reimbursement over the three-year period if the students' IEPs prescribed Psychological Counseling services. This does not include encounters provided by non-NYCPS staff, such as contractors and voucher holders. If included, the total amount may be significantly higher.

While NYCPS continues to disagree with the 2021 audit's recommendation to include Psychological Counseling in IEPs when determined to be clinically appropriate, the auditors reiterate this recommendation. Testing suggests that a significant number of potentially Medicaid-eligible Psychological Counseling services were provided during the scope period during FYs 2023, 2024 and 2025. A records review of 30 students who received Psychological Counseling services found that four of the 30 (13.3%) received recurring services, during successive weeks, raising the likelihood that these should have been included in IEPs and were potentially claimable under Medicaid.

In addition, according to Medicaid Alert 26-06, New York State has filed a plan amendment (SPA 23-0072) which will support future reimbursement of Psychological Counseling service encounters based on a non-IEP treatment plan.[9] [10] NYCPS should ensure that Psychological Counselling service encounters are documented and tracked to support future billing.

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[9] Medicaid Alert 26-06

[10] SPA 23-0072

Evaluations and Re-evaluations Not Claimed

In addition, NYCPS' policy not to claim reimbursement for evaluations and re-evaluations resulted in at least $19.3 million in foregone revenue. Based on a review of the NYCPS Annual Special Data Report, the auditors estimate that NYCPS conducted 13,313 initial evaluations for eligible students in FY2023, 13,765 in FY2024, and 14,111 in FY2025. In each instance, these evaluations resulted in the issuance of an IEP. NYCPS also conducted 59,866, 55,016, and 61,121 re-evaluations of Medicaid-eligible students during the same period.

Based on the bill rates in the SSHSP Medicaid Provider Policy and Billing Handbook, auditors estimated that NYCPS' decision not to claim for medical, ST, PT, and OT evaluations represented $1 million, $1.7 million, and $1.8 million in foregone revenue in FYs 2023, 2024, and 2025, and a further $3.4 million, $5.4 million, and $6 million during the same period for re-evaluations that were not claimed.[11]

During the exit conference, NYCPS stated that medical evaluations are only reimbursable when they lead to a service of the same type being included in the student's IEP. However, initial medical evaluations (distinct from psychological evaluations) and re-evaluations are Medicaid-reimbursable even without the need for an ongoing service to be included in the student's IEP.[12] [13]

After the exit conference, NYCPS provided OT, PT, ST, and psychological evaluation data, but it does not include CPT codes for those evaluations and does not record whether the evaluation was an initial evaluation or re-evaluation. Initial OT, PT, ST, and psychological evaluations are only reimbursable when they lead to a service of the same type being included in the student's IEP. OT, PT, ST, and psychological re-evaluations are reimbursable regardless of whether services of that same therapy type will continue to be included in the student's IEP. Without this distinction in the data, the amount of foregone revenue cannot be estimated.

Lastly, while NYCPS' Medicaid reimbursable psychological evaluations are currently limited, once SPA 23-0072 is approved, psychological evaluations and counseling will not need to be recommended in an IEP to be reimbursable. During FYs 2023 to 2025, NYCPS performed 198,876 reimbursable services in this category, including neurological, neuropsychological, psychiatric, psychoeducational assessments, and psychological updates. NYCPS should ensure that evaluations

[11] Numbers do not total due to rounding.

[12] Medicaid claiming rules for evaluations and re-evaluations differ by the nature of the evaluation; general medical evaluations and re-evaluations are distinct from psychological evaluations and re-evaluations.

[13] SSHSP Medicaid Provider Policy and Billing Handbook (Update 10) pages 27 and 40.

are conducted and documented in a way that allows it to submit Medicaid reimbursement claims for allowable psychological evaluations.

Special Transportation and Skilled Nursing Not Claimed

In order to claim Medicaid reimbursement for Special Transportation, the IEP must state the need for transportation services and a detailed bus/transportation log—which includes the student's name, origination of the trip and time of pickup, destination and time of drop off, bus or license plate number, and full name of the driver providing transportation—must also be provided. Acceptable transportation logs can indicate the actual time the first student was picked up and time the last student was dropped off, and the bus manifest and/or schedule may serve as documentation of pickup locations and times in between the first pickup and last drop off. The auditors requested records documenting Special Transportation services provided to students, but NYCPS could not provide the necessary information.

As detailed in a prior NYC Comptroller audit of NYCPS' Oversight of its Contracted Bus Services, NYCPS maintains bus schedules, global positing system (GPS) data, and Trip Card data which could be used to facilitate the Special Transportation claiming process. [14] [15]

To claim Medicaid reimbursement for Skilled Nursing services, the services must be medically necessary and included in the IEP, the providers must be Medicaid qualified, and the encounters must be documented either in the form of a Medication Administration Record (MAR) or session note for other nursing services. The auditors requested records documenting Skilled Nursing services provided to students. These were not provided.

Without the number of Special Transportation trips provided pursuant to IEPs, and without the number of Skilled Nursing service encounters provided to Medicaid-enrolled students with IEPs, it was not possible to estimate the amount of revenue lost by the City based on NYCPS' decision not to seek Medicaid reimbursement for such services.

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[14] NYC Comptroller, Audit Report of the New York City Department of Education's Oversight of Its Contracted Bus Services

[15] Trip cards, which include the drivers name and bus number, are completed daily for each route and document the location and time of the first pick-up and arrival time at each school served. In addition, Trip Cards document the afternoon pick-up time for each school and location and time of the last drop-off. Drivers and matrons, if applicable, sign cards to attest that information is true and accurate.

Implemented or Partially Implemented Recommendations

Auditors assessed the current implementation status of each recommendation made in the 2021 report, on a case-by-case basis. Recommendations were considered "implemented" if NYCPS addressed them fully and no issues were found in testing. Recommendations were considered "partially implemented" if audit testing revealed remaining errors and exceptions, indicating the need for further corrective action. In cases where testing revealed little or no improvement, or when NYCPS continued to disagree with recommendations, they were considered "not implemented."

Recommendation #2 – PARTIALLY IMPLEMENTED

Engage additional qualified Medicaid providers to write orders and referrals for OT and PT service encounters for which NYCPS could potentially submit Medicaid reimbursement claims.

In response to the prior audit, NYCPS agreed with this recommendation as resources permit and stated that "the Department had already taken steps to increase physician work hours."

NYCPS did subsequently increase physicians' workday from five hours to seven hours in Spring 2021, and a sample-based review during this audit showed some improvement; however, NYCPS still did not obtain required orders and referrals to enable it to submit claims for all covered services.

The auditors reviewed 180 service encounters from SESIS and EasyTrac for the period July 1, 2022 and June 30, 2025, and found that 15 (8.3%) were missing the required written orders or referrals. This represents an improvement from the 28.5% of encounters missing orders or referrals in the prior audit.

While seemingly small, any aspect of non-compliance results in NYCPS not being able to submit claims for Medicaid reimbursement for service encounters. Therefore, NYCPS should continue to make improvements needed to ensure that all services provided are supported by written orders or referrals, to enable Medicaid reimbursement.

This recommendation was PARTIALLY IMPLEMENTED.

Recommendation #4 – PARTIALLY IMPLEMENTED

Enforce contract requirements and hold contracted vendors and NYSED-approved schools fully accountable for obtaining written orders or referrals.

This recommendation was directed at improving the accountability of contracted vendors and NYSED-approved schools to ensure NYCPS obtained needed orders and referrals. NYCPS agreed in principle with this recommendation but questioned the audit's conclusion that it was not already holding them accountable.

NYCPS requests that contracted providers either obtain prescriptions through parents or arrange for a contracted physician to visit the provider's site to assess students and issue prescriptions, as appropriate. Contracted speech-language pathologists (SLPs) can also enter speech referrals directly in SESIS.

Based on a review of 90 sampled encounters in SESIS, only six were serviced by contracted vendors and all of them had written orders or referrals on file.

NYCPS has also implemented an automated process in EasyTrac for tracking written orders and referrals made for students attending NYSED-approved schools. This process was designed to identify students who lack written orders or referrals for needed services. The system generates a monthly alert to remind school administrators to follow up. Based on a review of 90 sampled encounters at NYSED-approved schools recorded in EasyTrac, five (5.6%) still lacked written orders or referrals on file as required.

These test results indicate that while NYCPS' automated process may reduce the number of instances when written orders or referrals are not in place at NYSED-approved schools from 14.1% in the 2021 audit to 5.6%, it has not resulted in full compliance. As previously mentioned, any aspect of non-compliance results in NYCPS not being able to submit claims for Medicaid reimbursement for service encounters.

This recommendation was PARTIALLY IMPLEMENTED.

Recommendations #6 and #7 – PARTIALLY IMPLEMENTED

Conduct a comprehensive review of provider license and NPI data to identify providers, including NYCPS employees, who do not have a valid license and NPI on file; and

Follow up with providers to obtain current license and NPI data.

NYCPS agreed with these recommendations, stating that they conformed with longstanding agency practice.

Medicaid claims must include the providers' National Provider Identifiers (NPI) and the providers must have valid licenses. During FY2019, NYCPS did not ensure that 16.1% of the providers' licenses and 26.1% of the providers' NPIs were obtained and verified for OT, PT, and ST service encounters.

During the current audit, a sample-based review of 180 service encounters rendered by 177 unique providers revealed that NYCPS lacked required licensure and/or valid NPIs for a total of 33 (18.6%) providers—nine providers lacked valid NPIs, three lacked valid licenses, and 21 lacked both a valid NPI and valid license. Compared to the prior audit, providers without valid licenses decreased from 16.1% to 13.6%, and providers without valid NPIs decreased from 26.1% to 16.9%. While the percentages of providers without valid licenses or NPIs decreased, a significant percentage of providers still lacked a valid NPI and/or valid license, resulting in NYCPS being unable to submit Medicaid claims for a significant number of services.

Although NYCPS represented to the audit team that all service providers undergo appropriate license and enrollment verification processes—including mandated prescribed steps in the Galaxy system and payment restrictions in SESIS and NYCPS—these do not appear to have effectively ensured providers met the criteria for Medicaid reimbursement claims.

These recommendations were PARTIALLY IMPLEMENTED.

Recommendation #9 - IMPLEMENTED

Ensure that it exercises its contractual right to withhold payments from contracted vendors that fail to submit NPI data.

NYCPS agreed with this recommendation.

NYCPS implemented system changes that prevent providers who do not enter a valid NPI number from creating invoices and ultimately getting paid. Additionally, NYCPS revised its Related Services User Guide (last revised on August 18, 2023) to require providers to enter their NPI numbers in the Vendor Portal. Based on a review of the sampled contracted vendors, the auditors did not find any invalid NPIs following the release of the new user guide and the implemented system updates.

This recommendation was IMPLEMENTED.

Recommendation #10 – PARTIALLY IMPLEMENTED

Review NYCPS provider and NPI data to ensure that it is accurate and complete and properly identifies appropriately credentialed providers.

NYCPS agreed with this recommendation, stating that it was consistent with agency practice and longstanding policy.

During this follow-up audit, NYCPS stated that when hiring occupational therapists, physical therapists or speech-language pathologists (SLPs), there are prescribed steps in Galaxy to ensure employees have the required licensure and

have completed background checks to work with students. NPI data is reviewed and validated by Human Resources staff before an applicant's hiring is finalized.

However, the prescribed steps provided by NYCPS are applied only to the new hires; no corrective actions were identified for the existing employees. Based on a review of 90 NYCPS providers in SESIS, seven still lacked valid NPIs. Therefore, NYCPS will not be able to submit Medicaid reimbursement for these providers' service encounters.

This recommendation was PARTIALLY IMPLEMENTED.

Recommendation #12 – PARTIALLY IMPLEMENTED

Ensure that Parental Consent Forms are distributed to and tracked for all public and non-public school students who are mandated to receive special education services.

NYCPS agreed with this recommendation, stating that it was consistent with agency practice and longstanding policy.

NYCPS is required to obtain parental consent to bill Medicaid for services provided to IEP students. Specifically, NYCPS asks all families of students with disabilities to sign a Medicaid Consent Form (parental consent) and provides Annual Written Notifications to families that previously signed a Medicaid Consent Form. NYCPS collects parental consent forms online through a web portal and physically. During the prior audit, NYCPS did not obtain parental consent to bill Medicaid for OT, PT, and ST in 10.4% of the service encounters reviewed.

During this follow-up audit, NYCPS stated that it publishes annual guidance in the Principal Digest concerning the request and collection of parental consent forms, as well as the Annual Written Notification of intent to continue seeking reimbursements given to families that have previously signed a Medicaid Consent Form. For NYSED-approved schools, an automated process identifies students without consent forms and generates a monthly alert for the school administrators to follow up. NYCPS provided auditors with a sample copy of the monthly email notification.

Based on a review of 180 sampled service encounters, NYCPS was unable to show that it obtained parental consent forms for nine students.[16] While missing consent forms decreased from 10.4% to 5% when compared to the prior scope period, NYCPS has not achieved full compliance in this area. While seemingly small, a 5%

[16] Based on review of the hardcopy of the consent forms and/or the electronic records of NYCPS consent database.

non-compliance rate translates to a loss of reimbursements associated with 5% of student encounters.

NYCPS should ensure that all parental consents are collected for each IEP student.

This recommendation was PARTIALLY IMPLEMENTED.

Recommendation #13 – PARTIALLY IMPLEMENTED

Continue its efforts to work with Charter schools to obtain Parental Consent Forms and prioritize efforts for those Charter schools with poor collection rates.

NYCPS agreed with this recommendation, stating that it was consistent with information already shared with the auditors and that the agency had no plans to discontinue these efforts.

During this follow-up audit, NYCPS stated that it holds annual training to explain the process of collecting parental consent forms and best practices, and that it sends biweekly reminders to charter schools that have not collected parental consent forms for all eligible students.

Of the 18,300 IEP students with Medicaid who attended charter schools during FYs 2023, 2024, and 2025, NYCPS lacked consent forms for 5,131 students (28%) compared to 58% in FY2019.

This recommendation was PARTIALLY IMPLEMENTED.

Recommendation #16 – IMPLEMENTED

Implement a system edit which prepopulates applicable and appropriate CPT code options for the provider to select based on service type and group size selected by the provider.

NYCPS agreed with this recommendation, asserting that the system edit had already been implemented.

During this follow-up audit, NYCPS stated that a SESIS system edit (which allows for the prepopulation of applicable and appropriate CPT codes based on service type and group setting) was implemented in 2017. NYCPS also stated that EasyTrac includes a system edit implemented in 2020 that prepopulates CPT code options based on service type. The system edits do not require providers to select a CPT code until the session is certified, which is the final step needed to document that the service was delivered, and that recorded information is accurate.

While EasyTrac does not currently support further filtering of CPT codes based on group setting, the codes are displayed along with a description that indicates whether the code is specific to group or individual services.

The auditors conducted a walkthrough with NYCPS of both systems and observed that the system edits had been made. Additionally, based on a review of 180 encounter sessions, 178 had a CPT code selected for the service rendered with the appropriate group setting. For the remaining two sessions, the providers did not select a CPT code because the sessions were not certified.

This recommendation was IMPLEMENTED.

Recommendation #17 – IMPLEMENTED

Implement a system edit which requires providers to select an applicable and appropriate CPT code for covered services which were rendered and recorded.

NYCPS agreed with this recommendation, as this system edit had already been implemented.

During this follow-up audit, NYCPS stated that "this feature is available in SESIS and EasyTrac." Additionally, the auditors conducted a walkthrough with NYCPS and noted that a system edit had been made. However, the system edit only works when the provider certifies the session, not when the service was initially rendered and recorded. Therefore, if the provider does not certify the session, selecting a CPT code is not a mandatory action. Based on the review of 180 service encounters, a CPT code was selected in 178 instances. For the remaining two sessions, the providers did not select a CPT code because the sessions were not certified.

This recommendation was IMPLEMENTED.

Recommendation #30 – PARTIALLY IMPLEMENTED

Take all necessary steps to ensure that Medicaid documentation claiming requirements are met for covered services provided to preschool-age students and submit Medicaid reimbursement claims for those services where appropriate.

In the prior audit, NYCPS did not submit Medicaid reimbursement claims for covered services provided to pre-school students who attended traditional public schools, charter schools, or private schools other than NYSED-approved pre-school special education programs, or for pre-school students who received instruction at home.

NYCPS agreed with this recommendation, stating that it had described its efforts to document services provided to pre-school students in both public and private preschools, as well as the technical and operational challenges involved. NYCPS

also indicated that its success in overcoming challenges to ensure that NYCPS can collect parental consents, obtain orders and referrals, and document SESIS session notes for these students in School Year 2021–2022.

During this follow-up audit, NYCPS stated that claiming for Pre-K is in place for NYSED-approved schools, and that it is in the process of implementing a new system for Special Education which is expected to support Pre-K students. In the interim, NYCPS has planned to enhance SESIS to increase the capture rate of encounters. NYCPS stated that it would achieve this by integrating Pre-K students' provider assignments in the Child Assistance Program (which would allow providers to create session notes in SESIS for Pre-K students) and integrating Pre-K students in SESIS's Provider Assignment Module (which would increase the efficiency of allocating non-NYCPS providers to Pre-K students). These enhancements would also improve service delivery and session note creation downstream.

From FY2023 through FY2025, a total of 969,190 service encounters were recorded in SESIS and 479,278 were recorded in EasyTrac. Of these recorded service encounters for pre-school students, only 46% of the encounters in SESIS and 79% in EasyTrac were submitted to Medicaid for reimbursement.

While NYCPS submitted a portion of service encounters for Medicaid reimbursement, there remains an opportunity to improve its claim submission rate.

This recommendation was PARTIALLY IMPLEMENTED.

Recommendations Not Implemented

Recommendation #1– NOT IMPLEMENTED

Perform a systematic analysis of those OT, PT, and ST service encounters that do not pass the claim validation process to determine why those encounters did not meet Medicaid claiming requirements and to identify and prioritize corrective actions to maximize future Medicaid reimbursement revenues.

Despite NYCPS' agreement to implement this recommendation, the audit found that it was not implemented, and as a result, improvements in claiming rates and revenue capture have not been achieved. The prior audit, which covered FY2019, determined that reimbursement was not claimed for approximately 24% of all covered OT, PT, and ST services because NYCPS was unable to meet the claiming requirements.

As previously stated, this audit revealed that the percentage of unclaimed encounters was significantly higher: 44% in FY2023, 41% in FY2024, and 53% in

FY2025. Cumulatively, for all three fiscal years, NYCPS failed to submit claims for 46% of all covered OT, PT, ST services.[17]

Despite these poor outcomes, NYCPS asserts that it "performed a systematic analysis of OT, PT, and ST service encounters that d[id] not pass the claim validation process to determine why those encounters did not meet Medicaid claiming requirements and to identify and prioritize corrective actions to maximize future Medicaid reimbursement revenues." It further asserts that it has made meaningful improvements, such as working with the State to improve access to Client Identification Numbers (CINs) for Medicaid-eligible students with IEPs, creating a new portal for uploading parental consent forms, increasing the working hours of physicians to improve access to written referrals and allowing SLPs to create referrals directly in SESIS.[18]

In December 2023, NYCPS stated that it planned to roll out a new system (MedSys) which should have included comprehensive monitoring and an alert mechanism to address validation failures; however, as of June 2026, the system had not been implemented. According to NYCPS, a limited version of MedSys for automated Medicaid claiming is expected to begin rollout in July 2026, with a full product rollout in December 2026. It remains to be seen whether the planned system will generate sufficient improvements.

This recommendation was NOT IMPLEMENTED.

Recommendation #3 – NOT IMPLEMENTED

Enforce the Memorandum of Agreement between the NYCPS and the United Federation of Teachers and ensure that NYCPS SLPs write referrals for ST services which they provide or supervise within 10 school days of first serving a student.

NYCPS agreed with this recommendation, stating it was consistent with its practice and longstanding policy.

NYCPS outlined to auditors the steps it currently takes to obtain referrals from SLPs; these are the same steps that were in place by the end of the prior audit. No new corrective action has been taken by NYCPS to differentiate whether providers are NYCPS employees, contracted vendors, or independent providers.

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[17] As previously stated, NYCPS' deadline to submit claims is 15 months after a service has been provided. NYCPS provided the auditors with claim data for FY2023 in September 2024, FY2024 in September 2025, and FY2025 in December 2025. Therefore, it is possible that NYCPS could have submitted claims for services after they provided the claiming data.

[18] Client Identification Number is a unique number assigned to each Medicaid recipient. This number is used by the providers to submit claims to Medicaid.

Of the sample of 90 service encounters reviewed by auditors, 55 were for ST encounters rendered by NYCPS providers, but in five instances (9.1%) NYCPS lacked a written referral on file. Similarly, the 2021 audit found that SLPs did not write referrals for 10.4% of ST service encounters.

This recommendation was NOT IMPLEMENTED.

Recommendation #5 – NOT IMPLEMENTED

Contractually require independent providers who have an SLP to write referrals for ST services.

NYCPS agreed with this recommendation but informed the auditors that NYCPS subsequently decided to delay implementation until it deploys the new special education data management system, which is currently in progress.[19]

This recommendation was NOT IMPLEMENTED.

Recommendation #8 – NOT IMPLEMENTED

Enforce contracted vendor, independent provider, and NYSED-approved school contract terms to ensure that services are provided by appropriately credentialed individuals.

NYCPS agreed with this recommendation, stating that it was consistent with NYCPS' practice and longstanding policy.

As stated above, NYCPS must approve independent providers to work with students. It is the contracted vendors' responsibility to ensure that providers rendering services under the IEP are appropriately credentialled and enrolled in Medicaid if required.

However, the NPI and licensure data that NYCPS captures does not readily indicate whether the providers were contracted vendors, independent providers, or NYCPS employees. Therefore, NYCPS cannot readily determine whether the providers supplied by vendors are properly credentialled and hold valid NPIs.

After the exit conference, NYCPS stated that it requires providers that are paid through its vendor portal to have a valid NPI. However, based on a review of six contracted vendors and one independent provider who provided services during FY2023 to FY2025, the auditors still found missing NPIs—one FY2023 contracted

[19] NYCPS informed the auditors that MedSys was initially supposed to roll out in summer 2024 but had been pushed back to August 2025. However, as of April 2026, the system had not yet been implemented and is expected to begin roll out in July 2026, with a full product roll out in December 2026.

vendor did not have a valid NPI or license and another contracted vendor did not have a valid license in FY2025.

This recommendation was NOT IMPLEMENTED.

Recommendation #11 – NOT IMPLEMENTED

Review the NYSED Office of the Professions license data and inform NYSED Office of the Professions about data integrity issues, including but not limited to, social security numbers which include alpha characters and social security numbers which were reported as "000000000."

NYCPS disagreed with this recommendation, stating that it already had a mechanism in place to prevent any missing data or non-conforming entry from being transferred to a Medicaid claim.

During this follow-up audit, NYCPS continued to disagree with this recommendation.

This recommendation was NOT IMPLEMENTED.

Recommendations #14 and #15 – NOT IMPLEMENTED

Determine whether it is feasible to employ system edits in SESIS to ensure that providers certify session notes; and

Review uncertified session notes and follow-up with those providers who partially completed session notes and providers who completed but did not certify session notes.

As part of the Medicaid reimbursement process, each provider is required to certify that a claimable service was delivered. During the prior audit, NYCPS did not ensure that providers certified session notes for 27,627 of the 1,471,343 OT, PT, and ST service encounters. These two recommendations were intended to address the uncertified session notes in Medicaid claims.

NYCPS disagreed with these recommendations and continued to disagree with them during this follow-up audit, insisting that it used uncertified session notes appropriately. The auditors' review of 90 SESIS encounter sessions found three were not certified.

These recommendations were NOT IMPLEMENTED.

Recommendation #18 – NOT IMPLEMENTED

Review SESIS encounter descriptions of students' progress to ensure they are adequate (i.e., greater than 20 characters) or add a system edit to SESIS which

requires the provider to enter at least 20 characters in the session note when describing the student's progress for all therapy sessions.

In the prior audit, NYCPS did not ensure that providers' recorded notes adequately described students' progress (i.e., notes containing more than 20 characters) for 16,373 of the 1,471,343 OT, PT, and ST service encounters. This recommendation was intended to address the absence of adequate descriptions of students' progress as required for Medicaid claims.

NYCPS stated that it would take this recommendation under advisement, in connection with the Request for Proposals for a new special education data management system that was being planned at that time.

During this follow-up audit, NYCPS stated that the required changes were not implemented because NYCPS' capacity to modify SESIS is limited due to staff constraints and the allocation of resources to development of the new special education data management system. NYCPS indicated that it plans to implement this recommendation in the "Encountering" module of ATLAS (Accessible Tool for Learning about Students)—the replacement system for SESIS and CAP (Child Assistance Program).

However, NYCPS rolled out ATLAS in January 2026, and it does not include functionality allowing users to record session notes.

This recommendation was NOT IMPLEMENTED.

Recommendations #19 and #20 – NOT IMPLEMENTED

Regularly compare students' IEP mandates and SESIS and EasyTrac provider assignment and encounter data to identify schools and providers that are not recording session notes as required.

Follow up with those schools and providers that are not recording session notes as required and take appropriate corrective action.

In the prior audit, the auditors found that NYCPS failed to ensure providers documented session notes, also known as encounters. The auditors estimated that providers did not record session notes for 189,026 OT, PT, and ST service encounters.[20]

NYCPS agreed with these recommendations, stating that they were consistent with the agency's practice and longstanding policy.

[20] The prior audit assumed NYCPS provided all required sessions to the students as prescribed in the student's IEP and the unrecorded sessions were potential revenue loss to the City.

During this follow-up audit, NYCPS stated that Related Services Supervisors use a dashboard that combines and compares data from the SESIS Mandated Service Report and SESIS Encounter Attendance. The dashboard displays Encounter Attendance data at both the provider and student level and provides an estimate of the expected number of encounters based on each student's mandate. Supervisors use this information to identify providers that may be behind in entering their Encounter Attendance and to follow up with appropriate support.

For the services provided to students who attend NYSED-approved schools, NYCPS runs the EasyTrac Percentage Report Summary every quarter, which reflects the percentage of sessions that have been provided compared to IEP mandates for each related service.

NYCPS Program Specialists use these reports to identify schools that are providing less than 60% of all mandates for one or more service type. They also monitor EasyTrac session data annually during site visits. Program Specialists review a site's overall percentage, percentage by service type, and compare students' EasyTrac notes against the mandated services noted in their IEPs. The findings are discussed during a feedback meeting. Program Specialists also conduct follow-up if a site's percentage of provided session is low.

While the dashboard and EasyTrac Percentage Report Summaries ostensibly enable the Related Service Supervisors to compare the mandated IEP services with the services recorded by individual students, providers, schools, and districts, it has not ensured that providers are recording session notes as required.

Using the same students from the sample of 180 service encounters previously tested, based on a comparison of students' IEP and recorded sessions in SESIS and EasyTrac for FYs 2023 to 2025, the auditors found that 1,522 (16.2%) of required service sessions were not recorded in either EasyTrac or SESIS.

These recommendations were NOT IMPLEMENTED.

Recommendation #21 – NOT IMPLEMENTED

Provide guidance and training to staff responsible for developing IEPs as to the types of related services--i.e., Counseling and Psychological Counseling which fall within the description of Counseling and Psychological Counseling services, and when Counseling should be recommended by the IEP team and when Psychological Counseling should be recommended by the IEP team.

NYCPS agreed with this recommendation, stating that it was consistent with its practice and longstanding policy.

During this follow-up audit, NYCPS stated that it conducts regular training to ensure that IEP teams recommend related services based on identified student

needs and IEP goals, rather than to promote the recommendation of a particular service type.

However, NYCPS' current practice is to provide general guidance to the IEP staff, not guidance or training specific to Psychological Counseling.

This recommendation was NOT IMPLEMENTED.

Recommendation #22 – NOT IMPLEMENTED

Ensure that staff include Psychological Counseling on IEPs when determined to be clinically appropriate.

NYCPS disagreed with this recommendation.

During this follow-up audit, NYCPS continued to disagree with this recommendation.

This recommendation was NOT IMPLEMENTED.

Recommendation #23 – NOT IMPLEMENTED

Ensure that IEPs which include Psychological Counseling services and other student records identify the specific behavioral and emotional problems, describe them as severe or as requiring treatment where appropriate, and in such cases, specify that they are to be provided by a service provider type identified in SPA #09-61.

NYCPS agreed with this recommendation.

During this follow-up audit, NYCPS stated that it conducts regular training to ensure that IEP teams recommend Special Education Services such as Related Services in support of identified student needs and to address IEP goals but reiterated that it does not claim Psychological Counseling services.

Based on the auditors' review of 30 students who received psychological counseling based on CPT codes, four (13.3%) generally received weekly recurring psychological counseling sessions, but that service type was not included in the students' IEPs.

This recommendation was NOT IMPLEMENTED.

Recommendation #24 – NOT IMPLEMENTED

Ensure that NYSED-approved schools document Psychological Counseling service encounters in EasyTrac.

In the prior audit, NYCPS stated it would take this recommendation under advisement.

During this follow-up audit, NYCPS stated that EasyTrac currently captures Psychological Counseling service encounters.

The audit team requested that NYCPS provide all Related Services (i.e., Psychological Counseling) encounters in EasyTrac; however, the data files only contained information for OT, PT, and ST. No evidence of other Related Services encounters in the data was provided to auditors.

This recommendation was NOT IMPLEMENTED.

Recommendation #25 – NOT IMPLEMENTED

Submit Medicaid reimbursement claims for Psychological Counseling service encounters which meet State and federal requirements.

In the prior audit, NYCPS stated it would take this recommendation under advisement.

During this follow-up audit, NYCPS stated that this recommendation was not implemented because "under current New York State (NYS) Medicaid guidelines, Psychological Counseling can only be claimed if the service is provided by either a licensed psychologist, licensed psychiatrist, or a licensed clinical social worker, none of which are significantly utilized by NYCPS to provide IEP counseling services. In schools the services are typically provided by either school social workers or a guidance counselor. Even though both titles are licensed by NYS, services provided by them cannot be claimed under the current state plan."

As previously stated, the auditors estimate that 142,382 of the Psychological Counseling encounters provided by NYCPS staff may have been eligible for $6.1 million in Medicaid reimbursement over the three-year period if the students' IEPs prescribed Psychological Counseling services.

Even if limited, NYCPS should claim for allowable Psychological Counseling services.

Due to NYCPS' decision not to submit claims for Psychological Counseling services, this recommendation is NOT IMPLEMENTED.

Recommendation #26 – NOT IMPLEMENTED

Ensure that evaluations are conducted and documented in a way that allows NYCPS to claim for covered services and submit Medicaid reimbursement claims for those services where appropriate.[21]

In the prior audit, NYCPS stated it would take this recommendation under advisement.

During this follow-up audit, NYCPS stated that it had performed a preliminary assessment of the feasibility of implementing this recommendation and found that existing systems/processes did not provide the ability to capture necessary information to process related claims. A detailed analysis is needed to assess feasibility and determine changes needed in the systems and processes. Once fully staffed and operational, NYCPS indicated it would consider this item for further review.

This recommendation was NOT IMPLEMENTED.

Recommendation #27 – NOT IMPLEMENTED

Reconsider the feasibility of submitting Medicaid reimbursement claims for ST services provided under the supervision of a licensed provider and provided to students in all public and non-public schools, including but not limited to, running a pilot with adequate staffing levels and compliance with timely and complete session notes.

In the prior audit period, NYCPS did not submit Medicaid claims for ST services that were provided under the direction of licensed providers, such as treatment for swallowing dysfunction and/or oral function for feeding, across all schools.

NYCPS disagreed with this recommendation, stating that it had already run an intensive pilot program for Under the Direction Of (UDO) speech services in public schools and determined that the labor costs for this program outweighed the benefits.[22]

During this follow-up audit, NYCPS continued to disagree with this recommendation.

This recommendation was NOT IMPLEMENTED.

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[21] The types of evaluation include medical evaluation, medical specialist evaluation, psychological evaluation, and audiological evaluation.

[22] UDO speech services are provided by individuals who do not have the SLP license and work under the direction of an SLP-licensed supervisor.

Recommendation #28 – NOT IMPLEMENTED

Ensure that contracted providers maintain electronic transportation logs which include Medicaid required elements for each trip and submit Medicaid reimbursement claims for Special Transportation services where appropriate.

NYCPS agreed with this recommendation and stated that the agency "ha[d] already shared with the Comptroller our plan to begin claiming for special transportation services."

During this follow-up audit, NYCPS stated that claiming for Special Transportation remains under consideration and that it will evaluate the feasibility of implementation once the Medicaid team is fully staffed and operational.

This recommendation was NOT IMPLEMENTED.

Recommendation #29 – NOT IMPLEMENTED

Immediately start claiming for Skilled Nursing services which meet federal and State requirements.

NYCPS agreed with this recommendation and stated that NYCPS shared its intent to begin developing a Skilled Nursing claiming program in School Year 2021–2022.

During this follow-up audit, NYCPS stated that claiming for Skilled Nursing Services is still under consideration and that it will evaluate feasibility once the Medicaid team is fully staffed and operational.

This recommendation was NOT IMPLEMENTED.

Timeliness of Providing Records

Agency Delays Hindered Auditors' Ability to Effectively Obtain Sufficient Evidence to Complete the Audit

This audit was conducted pursuant to the Comptroller's authority. These audits are conducted to assess the effectiveness and efficiency of agency programs, to ensure agencies are meeting their obligations to New York City residents, and to increase transparency. Agencies are expected to cooperate fully with audits that are supported by valid legal authority.

The auditors experienced significant delays in receiving information needed to complete the audit, and NYCPS denied the auditors access to the systems that contain documentation and necessary information that would have allowed the auditors to more readily determine the reasons NYCPS failed to submit claims to Medicaid. On most occasions, NYCPS did not provide the requested information

on or before the due date established by the auditors, which was typically one to two weeks after the auditors sent the requests. In some cases, multiple correspondence and reminders were sent to NYCPS to chase the status of requests.

On average, it took NYCPS 52 business days to provide requested information or documentation, and response times ranged from two to 494 business days. Between the start of the audit and the issuance of the Exit Conference Summary report, auditors had pending requests for meetings, information, and documentation from NYCPS for approximately 90% of the days spent conducting the audit.

The major delays were as follows:

- NYCPS took approximately three-and-a-half months, from October 2023 to February 2024, to provide the implementation status of the 30 recommendations made in the prior audit report.
- The auditors requested the service encounter and Medicaid claims submission data for FY2023 on April 29, 2024, and followed up on this request with NYCPS officials twice, on May 15 and May 31. NYCPS did not inform the audit team that NYCPS would like to amend the confidentiality agreement already in force at that time until June 18, 2024, almost two months after the date of the original request. Despite the Comptroller's practice to use a standard confidentiality protocol that was approved by the Law Department, it took three further months for additional language to be finalized and for the parties to execute the document in late September 2024. On September 26, 2024, the auditors received the requested data, approximately five months after the initial request.
- On December 11, 2024, the auditors requested data that contained students' New York State Medicaid Eligibility information. NYCPS officials stated in a meeting on February 20, 2025, that they checked the eligibility with the State and did not maintain data for the eligible students. However, on June 13, 2025, the audit team received the requested information, approximately six months after the initial request.
- On two separate occasions (April 29, 2024, and February 18, 2025), the auditors requested read-only access to the EasyTrac and SESIS systems. The purpose of this request was to review documentation (such as parental consent forms and physicians' written orders/prescriptions) and to determine whether proper session notes were included and providers

promptly signed off on the sessions as per Medicaid billing requirements.[23] NYCPS told the auditors that some supporting documentation was maintained in another system that was not owned by NYCPS; therefore, NYCPS could not provide access to the auditors. NYCPS officials suggested, on February 20, 2025, that they would demonstrate how to trace the supporting documentation to different systems, allowing the auditors to experience how much time is needed to trace the supporting documentation for a sampled case. However, NYCPS did not arrange such a demonstration, necessitating alternative procedures by the auditors to determine whether NYCPS maintains the required documentation to support Medicaid reimbursement.

- On December 22, 2025, the audit team inquired about the estimated timeframe for NYCPS to provide copies of the parental consents and a screenshot of the session certifications for a sample of 150 encounters. NYCPS responded that it would take four to five weeks to retrieve the documentation. The sample size subsequently increased to 180, and NYCPS provided the session certifications on February 3, 2026. However, NYCPS only provided a response for 150 parental consent forms; the auditors are still waiting for the remaining 30 parental consents.

The Appendix lists all requests that took a month or longer for NYCPS to fulfill.

Delays and incomplete requests created ripple effects in the auditors' analyses. When data became outdated, it no longer reflected NYCPS' most up-to-date claim status for Medicaid reimbursements. As a result, the auditors were required to submit new requests for updated data. This also impacted the time the auditors spent analyzing data for multiple years and how the audit team selected samples for review.

[23] The auditors first requested system access on April 29, 2024, and DOE responded on May 15, 2024, stating, "[U]nfortunately, we cannot provide access to those systems. However, we will work with your team to provide any necessary data and walkthrough that are needed to satisfy your audit objectives." On February 18, 2025, the auditors asked for systems access again.

Recommendations

To address the abovementioned findings, the auditors recommend that NYCPS should:

1. Develop and implement an interim action plan, with milestones and timelines, to strengthen existing claim validation controls and reduce unclaimed service encounters pending full implementation of MedSys.

   NYCPS Response: NYCPS partially agreed with this recommendation. Since NYCPS is currently implementing a new Medicaid claiming system, MedSys, and the new system is designed to enhance claim validation, strengthen documentation controls, and improve the identification of claimable encounters, implementing a separate interim action plan would divert efforts and resources from the development and implementation of MedSys.

   Auditor Comment: The MedSys project has been ongoing since December 2023, and according to NYCPS is slated for completion in December of 2026. Delaying efforts to strengthen claim validation controls represents a minimum of at least 6 months of foregone revenue, and more, if the project is delayed further. NYCPS should take steps to improve its claiming rates, without further delay.

2. Establish routine monitoring controls, such as sample-based reviews, to ensure that all OT, PT, and ST service encounters are supported by required written orders or referrals prior to submission for Medicaid reimbursement.

   NYCPS Response: NYCPS agreed with this recommendation to the extent that it is consistent with current practice.

   Auditor Comment: If NYCPS does not currently conduct sample-based reviews to identify missing documentation, while it is still possible to collect such documentation and submit claims for reimbursement, it should take steps to do so, to prevent further lost revenue.

3. Conduct periodic reviews of provider licensure and NPI information for existing employees and establish procedures to promptly correct inaccurate or incomplete provider records in NYCPS systems.

   NYCPS Response: NYCPS agreed with this recommendation to the extent that it is consistent with current practice and stated that it already maintains and validates provider licensure and NPI information as part of its claiming and operational process.

Auditor Comment: As detailed in the report, nearly 20% of sampled providers lacked required licensure and/or valid NPIs, indicating that current practice is not sufficient to seek reimbursement for covered services paid for by the City. Conducting periodic reviews of provider licensure and NPI information is necessary to reduce the error rate found during the audit.

4. Continue efforts to obtain parental consent forms, and again, establish monitoring controls, such as sample-based reviews, to monitor compliance.

   NYCPS Response: NYCPS did not agree with this recommendation as written and stated that its current processes already identify all students who have missing parental consent or whose parents have declined consent, but indicated that it will continue to use existing tracking and outreach processes to support collection.

   Auditor Comment: NYCPS did not obtain parental consent for 5% of sampled students. A 5% non-compliance rate translates to a loss of reimbursements associated with 5% of all student encounters paid for by the City. NYCPS should continue its efforts to obtain parental consent forms and establish monitoring controls over its outreach process for parents who do not respond or decline.

5. Record all service sessions in EasyTrac and SESIS. In relation to the service encounters found not to be recorded during the audit, NYCPS should conduct reviews to determine if services were provided but not recorded or not provided in accordance with IEP mandates. If provided but not recorded, NYCPS should take steps to ensure schools and providers are aware of the problem. If mandated services were not provided, NYCPS should investigate why not and take appropriate action.

   NYCPS Response: NYCPS agreed with this recommendation to the extent that it is consistent with current practice. NYCPS noted that it requires all delivered services to be recorded in SESIS or EasyTrac and had a process for schools and supervisors to monitor service delivery through reports and dashboards to identify gaps.

   Auditor Comment: While NYCPS requires all delivered services to be recorded and monitored, it does not enforce this requirement effectively. Audit testing revealed that NYCPS lacks any record of providing 16.2% of all OT, PT, and ST services that were mandated for eligible students with IEPs. Improvements continue to be needed in this process.

6. Take all necessary steps to ensure that Medicaid documentation and claiming requirements are met for all covered services for K-12 and for all eligible preschool-age students and submit Medicaid reimbursement

claims for those services where appropriate within the billable window and resubmit correctable claims. This is necessary to maximize Medicaid reimbursement for the City.

NYCPS Response: NYCPS agreed with this recommendation to the extent that it is consistent with current practice in that it already performs claim validation to determine whether Medicaid documentation and claiming requirements are met and submit claims where appropriate.

Auditor Comment: Audit testing revealed that NYCPS' current processes are ineffective—NYCPS still does not claim for seven of the 10 service types reimbursed by Medicaid and only claimed reimbursement for 54% of the OT, PT, and ST services it says it claims for, costing the City and State millions in foregone revenue. Medicaid has a generous billing window and allows claims to be resubmitted once corrected. NYCPS should take steps to ensure all necessary documentation is obtained and submit claims. If documentation is missing, NYCPS should obtain it and submit or resubmit corrected claims within the billable window.

7. Perform a cost-benefit analysis to assess the sources of foregone Medicaid reimbursement revenue, determine resources needed to expand claiming, determine whether it is fiscally reasonable to do so, and develop a plan for staged expansion of claiming.

   NYCPS Response: NYCPS partially agreed with this recommendation and asserted that it already evaluates claiming opportunities based on Medicaid requirements. It did not agree that a "cost-benefit analysis should be based on unsupported estimates of 'foregone' revenue or assumptions that have not been validated at the encounter level" and stated, "Conducting further analysis based on unverified hypotheses would not be an effective use of resources."

   Auditor Comment: The recommendation is that NYCPS conduct its own cost-benefit analysis. NYCPS does not, and consistently has not, collected all data necessary to assess total revenue that could be generated by claiming for all 10 covered services. Where data was present, the auditors provided conservative estimates of lost revenue based on NYCPS' decisions not to claim for certain of these services, but in most instances, requested data was not provided. The recommendation that NYCPS determine the total potential revenue that could be generated if it claimed for all 10 covered services, and to balance this against the cost of increasing resources to do so effectively, makes good fiscal sense. NYCPS has not provided any evidence at all (not to the 2021 audit team or to the current team) that a formal cost-benefit analysis has even been conducted. This

should be undertaken as a priority, in the interest of preserving the public fisc.

8. Reassess the feasibility of implementing the recommendations that remain not implemented once the Medicaid claiming team is fully staffed and operational and the new Special Education system has been rolled out.

   NYCPS Response: NYCPS partially agreed with this recommendation and stated that it will continue to evaluate opportunities to improve Medicaid claiming, but it does not agree that all recommendations classified as not implemented should be reopened without regard to those prior determinations.

   Auditor Comment: NYCPS should implement the recommendations that audit testing revealed were not implemented. The auditors note that in 2021 NYCPS committed to implement certain recommendations that remain not implemented five years later.

9. Promptly provide information and documents that are necessary for the auditors to complete legally authorized audits, in the interest of ensuring transparency for all New Yorkers.

   NYCPS Response: NYCPS partially agreed with this recommendation. While it recognizes the importance of providing records needed for legally authorized audits, it stated that it provided the records requested during this audit and did not agree with the implications that the audit's length resulted from a lack of cooperation. NYCPS also claimed that changes in the timing and scope of the audit resulted in additional requests and expended productions, which affected the volume of records and time needed to respond.

   Auditor Comment: The finding speaks for itself and the recommendation stands. NYCPS' response times will continue to be monitored and reported on in future if improvements are not made.

Recommendations Follow-up

Follow-up will be conducted periodically to determine the implementation status of each recommendation contained in this report. Agency-reported status updates are included in the Audit Recommendations Tracker available here: https://comptroller.nyc.gov/services/for-the-public/audit/audit-recommendations-tracker/

Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). GAGAS requires 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 within the context of our audit objective(s). However, NYCPS did not provide documents related to medical initial evaluations and re-evaluations, special transportation, and skilled nursing which prevented us from calculating estimated potential foregone revenue for these covered services, which represents a limitation to the audit scope. 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 scope of this audit was July 1, 2022 through June 30, 2025. The audit objective was to determine whether NYCPS implemented the recommendations from the Office of the Comptroller's prior audit report, issued on July 14, 2021 and to assess the fiscal status of Medicaid claiming for covered services during FYs 2023, 2024, and 2025.

To obtain an understanding of the prior audit, the auditors reviewed the prior report and relevant workpapers and followed up with NYCPS regarding the implementation status of the 30 issued recommendations. To assess system enhancements and changes to the Medicaid claiming process implemented since the prior audit, the auditors met with NYCPS officials who described and demonstrated certain enhanced processes, including entering session notes, uploading parental consent forms, and selecting CPT codes from the prepopulated drop-down feature.

To determine the total number of related services provided by NYCPS and the associated Medicaid reimbursement claims submitted, the audit team obtained service encounter files and reimbursement data maintained in SESIS and EasyTrac from NYCPS during FYs 2023–2025. A total of 17,611,063 related services were provided, and of these, 9,325,735 resulted in Medicaid reimbursement claims. The auditors also used this data to analyze the yearly changes in service volume and claim amounts over the scope period and to determine whether NYCPS claimed Medicaid reimbursement for qualified services provided to preschool IEP students (ages three and four). To identify qualified service encounters provided to IEP students ages three and four that were eligible for Medicaid reimbursement, the auditors reviewed students' Medicaid eligibility from the Medicaid enrollment list, IEP status from NYCPS' list of IEP students, and the written orders and referrals data associated with IEPs for the applicable fiscal year. There were a total of 1,448,468 qualified service encounters.

To estimate the potential revenue loss related to OT, PT, and ST services, the auditors identified and separated service encounters provided to Medicaid-eligible IEP students, excluding students who had lapse Medicaid coverage, age three to 21 and compared the recorded service encounters to Medicaid reimbursement claims submitted by NYCPS for the scope period to identify qualified service encounters for which Medicaid reimbursement was not claimed. The auditors calculated the potential loss using the service rates charged in the claims reimbursement files and only considered one session per encounter, regardless of the session duration.

To determine whether NYCPS improved its Medicaid claiming process by enhancing its procedures for obtaining required documents and information for Medicaid billing, the auditors randomly selected 30 qualified service encounters from SESIS and 30 qualified service encounters from EasyTrac for each fiscal year (a total of 180 service encounters for three years).[24] Due to limitations in system accessibility, the audit team obtained screenshots from NYCPS for each sampled service encounter from SESIS and EasyTrac, including session certification records and consent documents. Based on all the information NYCPS provided, the auditors determined whether NYCPS:

- Obtained required parental consents or documented parental refusal prior to billing Medicaid, as evidenced by parental consent documentation on file;
- Obtained written orders or referrals that established medical necessity for the related services billed, as supported by information stated in the service encounter records;
- Ensured service providers held valid licenses and/or NPIs during the period services were rendered, based on a review of provider licensure and NPI information in the NPPES NPI Registry or the NYS Education Department Office of the Professions website;
- Selected a CPT and used the appropriate CPT code for the service rendered, as reflected in the service encounter and claims documentation;
- Ensured the services rendered and CPT codes billed were consistent with the students' IEPs, by comparing service details to IEP requirements;

[24] For FYs 2023, 2024, and 2025, SESIS contained 4,342,820, 6,194,510, and 5,779,449 qualified encounters, respectively, and EasyTrac contained 349,000, 617,835, and 327,449 encounters, respectively.

- Properly documented all service encounters in SESIS or EasyTrac, as shown in the system records provided; and
- Ensured service providers certified the service session in accordance with Medicaid billing requirements, as evidenced by session certification screenshots.

In addition, using the same students from the sample for 180 encounters, the auditors compared each student's IEP-mandated number of sessions to the number of sessions recorded during the school year to calculate the percentage of qualified encounters that were not recorded and submitted for Medicaid reimbursement, along with the associated potential revenue loss. The auditors considered all related encounter statuses, including Delivered/Service Provided, Cancelled, Refused, Provider Absent, and Student Absent. Differences between the required service sessions and the recorded encounters were considered sessions that were either not recorded in the systems or not provided.[25] The auditors then estimated foregone revenue by applying the percentage of unrecorded sessions to the average revenue per encounter claim.

To determine foregone revenue for the Psychological Counseling services recorded under the counseling service category, the auditors extracted the encounters that contained four psychological CPT codes and matched the service providers with the NYCPS clinician information to determine whether the services were provided by school social worker or school psychologist to provide such service. The auditors judgmentally selected 50 providers and then looked up their licensure information to determine whether the services rendered were eligible for Medicaid reimbursement.[26]

To determine the foregone revenue for initial evaluation and re-evaluations, the auditors reviewed the Annual Special Education Data Report for School Years 2023–2025. The auditors identified the numbers of "classified" initial evaluations, all re-evaluations, and all three years' re-evaluations, and then calculated the minimum foregone revenue using the bill rates in the SSHSP Medicaid Provider Policy and Billing Handbook for medical, ST, PT, and OT evaluations. The foregone revenue was calculated based on the citywide Medicaid enrollment rate provided by NYCPS and the percentage of students who received OT, PT, and ST services.

[25] For estimation of potential loss revenue for unrecorded encounters, the auditors followed the prior audit's methodology that each school year has 36 weeks.

[26] The auditors selected the top 50 providers that provided 48% of the total 222,472 psychological services during FYs 23 to 25.

The above tests, while not projectable to their respective populations wherever a sample was used, provided a reasonable basis for the auditors to evaluate NYCPS' implementation of the recommendations.

Appendix

Summary of Requested Items	Initial Request Date	Follow-up Dates	Received	# of Business Days To Receive
SESIS user manual and a listing of all reports available to be run in the system	09/27/23	10/05/23 01/05/24 01/26/24 07/25/25 08/04/25 09/12/25	09/18/25	493
Prior audit reports and consultant services on NYCPS' Medicaid Claim and SESIS	09/27/23	10/05/23 01/05/24 01/26/24	02/05/24	86
Any pending investigations on NYCPS' Medicaid claim process	09/27/23	10/05/23 01/05/24 01/26/24 07/25/25 08/04/25 09/12/25	09/18/25	493
Recommendations implementation update	10/23/23	11/06/23 11/13/23 12/06/23 01/05/24 01/26/24	11/17/23 12/12/23 01/16/24 02/05/24	476
Follow-up questions on Rec. 2 implementation	12/06/23	01/05/24	01/16/24	27
Follow-up questions on Rec. 13 implementation	12/06/23	01/26/24	02/07/24	43
Follow-up questions on Rec. 18 implementation	12/06/23	01/26/24	01/16/24	27
List of FY23 IEP students	03/04/24	03/18/24 04/03/24 04/11/24	04/23/24	36
List detailing the total billing to each IEP student in 2023, along with a breakdown of services provided	04/29/24	05/15/24 09/24/24	09/26/24	104

Summary of Requested Items	Initial Request Date	Follow-up Dates	Received	# of Business Days To Receive
Descriptions/data dictionary and source of student encounter/claim data files	06/20/24	07/02/24 07/10/24 09/24/24	09/24/24	66
NYCPS prepared Updated Confidentiality Memorandum of Understanding	07/11/24	07/22/24 07/30/24	09/24/24	52
A list of service providers who provided services to IEP students under the P/SSHSP	11/14/24	11/21/24 01/09/25	01/24/25	47
Medicaid rejection report FY23 to present	12/06/24	07/25/25 08/04/25 09/16/25	09/26/25	202
FY23 - ST Referrals from SESIS and EasyTrac - Written Orders File from ASHR for SESIS and EasyTrac - NYS Medicaid Eligibility File	12/11/24	01/09/25 02/05/25 02/07/25 03/07/25 03/13/25	02/13/25 06/15/25	127
Follow-up questions on Rec. 1 implementation and the latest results on encounters that did not pass the claim validation process, and the reasons	12/11/24	01/09/25 02/05/25	02/05/25	37
Follow-up questions on Rec. 2 implementation - FY19 IEP students' list with: Student name, Student ID, Date of Birth (DOB), Mandate code (e.g., OT/PT/SP), IEP start and end date, Site code - # of qualified Medicaid Providers, with their work hours, for School Years 2019 and 2023	12/11/24	01/09/25 02/05/25 02/07/25 03/13/25	02/05/25 03/13/25	62
Follow-up questions on Rec. 3 implementation and a list of NYCPS Speech Therapists for School Year 2023	12/11/24	01/09/25 02/05/25	02/05/25	37

Summary of Requested Items	Initial Request Date	Follow-up Dates	Received	# of Business Days To Receive
Follow-up questions on Rec. 6, 7, 8 and the report or results of providers and NYCPS employees without valid licenses and NPIs on file	12/11/24	01/09/25 02/05/25 02/07/25 03/13/25 07/25/25 08/04/25 09/12/25	09/18/25	193
Follow-up questions on Rec.19 and 20 and implementation	12/11/24	01/09/25 02/05/25	02/05/25	37
Follow-up questions on Rec. 21, 23 Training dates and materials for developing IEPs for providing Counseling and Psychological Counseling services	12/11/24	01/09/25 02/05/25 02/07/25 03/07/25 03/13/25 07/25/25 08/04/25 09/12/25	09/18/25	193
Follow-up questions on Rec. 28 implementation	12/11/24	01/09/25 02/05/25	02/05/25	37
Follow-up questions on Rec. 29 implementation	12/11/24	01/09/25 02/05/25	02/05/25	37
Follow-up questions on Rec.30 implementation	12/11/24	01/09/25 02/05/25	02/05/25	37
Medicaid encounter and claim data for Fiscal Years 2024 and 2025	05/30/25	06/26/25 07/25/25 08/04/25 09/04/25 09/12/25	07/02/25 09/23/25	79
Implementation Status for Recommendations 6, 8, and 10	07/25/25	08/04/25 09/12/25	09/18/25	38
Claim records for September 2025	10/03/25		12/16/25	48

Summary of Requested Items	Initial Request Date	Follow-up Dates	Received	# of Business Days To Receive
Physical copies of the signed parental consent form	12/22/25	01/05/26 01/09/26 01/23/26 02/02/26 02/27/26 03/03/26 03/13/26	02/19/26 03/17/26 04/01/26	60
Screenshots of the session certification for the 180 sample students	12/22/25	01/05/26 01/09/26 01/23/26 02/02/26	02/03/26	25
FY24 and FY25 Quarterly EasyTrac Percentage Report Summary	03/19/26	04/03/26 04/21/26	4/30/26	30
30 IEPs for student who received psychological counseling	4/06/26	4/21/26 4/29/26	5/28/26	37

NYC Public Schools
Chancellor Kamar Samuels

June 25, 2026

Maura Hayes-Chaffe
Deputy Comptroller for Audits
New York City Comptroller's Office
Municipal Building
One Centre Street
New York, NY 10007

Re: Follow-up Draft Audit Report on New York City Public Schools' Efforts to Maximize Medicaid Reimbursement Claims for Special Education Services (N25Vendor008)

Dear Ms. Hayes-Chaffe:

This letter constitutes New York City Public Schools' (NYCPS) formal response to the recommendations made by the New York City Comptroller (Comptroller) in its follow-up draft audit report on *New York City Public Schools' Efforts to Maximize Medicaid Reimbursement Claims for Special Education Services* (Report).

NYCPS acknowledges the importance of maximizing Medicaid reimbursement and has taken significant steps to expand claiming where operationally feasible, cost-effective, supported by available documentation, and consistent with applicable federal and State Medicaid requirements. NYCPS disagrees with key assumptions underlying the Report's estimates of foregone revenue and its assessment of recommendation implementation.

NYCPS submits Medicaid reimbursement claims for applicable related services and has implemented procedures to ensure that claims submitted meet federal and State requirements. However, Medicaid reimbursement for school-based services is not automatic simply because a service is mandated, delivered, or documented. Medicaid claiming depends on multiple encounter-level conditions, including student Medicaid eligibility, service delivery, provider qualifications, parental consent, written orders or referrals, appropriate coding, and complete and accurate session documentation. NYCPS' primary responsibility is to ensure that students receive services in accordance with the Individuals with Disabilities Education Act (IDEA) and other applicable federal and state laws. Medicaid reimbursement is pursued where those services meet applicable federal and State claiming requirements. NYCPS remains committed to providing special education and related services required by a student's IEP regardless of whether Medicaid consent has been obtained or whether the service is ultimately reimbursable.

In responding to the findings and recommendations in this follow-up report, NYCPS provides necessary context regarding both the methodology used by the Comptroller to estimate foregone

Medicaid revenue and the assessment of NYCPS' implementation of prior audit recommendations.

Because Medicaid reimbursement is contingent on all applicable requirements being satisfied at the individual encounter level, estimates of potential revenue necessarily depend on assumptions regarding eligibility, documentation, provider qualifications, service delivery, and claimability. The Report incorrectly assumes that every claiming requirement could have been met for every service mentioned in the report. Accordingly, amounts presented as potential or foregone Medicaid revenue should not be interpreted as amounts that would have been fully realizable by NYCPS as if every single element for claiming in all cases would be satisfied.

In addition, NYCPS has engaged in good faith with the Comptroller's team during the initial audit and this follow-up audit in reviewing, evaluating, and implementing recommendations where appropriate. NYCPS has incorporated these efforts into existing programmatic operations, system enhancements, and monitoring processes, including ongoing improvements supported by MedSys. Where recommendations have not been implemented, NYCPS' determinations reflect prior analyses of operational feasibility, cost-effectiveness, implementation capacity, and compliance with Medicaid requirements.

Since the Comptroller's initial 2021 audit report was issued, NYCPS has undertaken significant efforts to increase Medicaid reimbursement and strengthen claimability, including, but not limited to, the following:

- Building a new Medicaid claiming system, MedSys, to automate claiming and generate management reports to better identify, track, and address claiming issues. Full implementation is scheduled for December 2026.
- Improving the identification of students' Medicaid Client Identification Numbers, a required element for submitting claims, through data sharing with the New York State Department of Health.
- Implementing tools such as an online parental consent portal, which has increased the collection of signed parental consents.
- Increasing Medicaid-compliant orders and referrals by implementing updated processes, including expanding physician hours, enabling speech providers to enter referrals directly in SESIS, and establishing procedures to maximize the number of students with valid orders and referrals.
- Increasing Certified Public Expenditure revenue by implementing a process to capture costs incurred for the provision of health services to contracted State-approved nonpublic schools.

NYCPS' actions directly address the issues identified in the Comptroller's 2021 audit, including improvements to documentation completeness, provider credentialing, eligibility identification, parental consent collection, and system-level controls necessary to support compliant Medicaid claiming.

Methodological and Factual Concerns with the Report's Findings

In this Follow-Up Report, the Comptroller developed an estimate of potential Medicaid revenue that, in the Comptroller's view, NYCPS did not claim during Fiscal Years 2023, 2024, and 2025, and assessed whether NYCPS implemented the recommendations made in the prior audit report. NYCPS has significant concerns with the methodologies used for both analyses and believes the Report does not fully reflect the underlying data, operational context, and applicable Medicaid requirements.

These concerns, which are discussed in detail below, include the following:

- The Report presents gross Medicaid reimbursement without clearly identifying the net fiscal impact to NYCPS after the State's 50% share.
- The Report's estimates of foregone revenue appear to include millions of recorded assessments and encounters that were treated as potentially Medicaid-claimable without being established as claimable under applicable Medicaid requirements.
- Approximately $132.9 million of the Report's estimated foregone revenue is based on services that the Comptroller acknowledges were either not recorded or not provided. That amount is therefore speculative and should not be presented as foregone Medicaid revenue without first determining whether the services were actually delivered, documented in a manner sufficient to support claiming, and otherwise compliant with Medicaid requirements.
- The Comptroller's methodology for estimating evaluation and re-evaluation forgone revenue is based on multiple layers of assumptions rather than assessment data.
- The Comptroller applies unclear and, in some instances, inconsistent criteria in determining whether NYCPS implemented prior audit recommendations.

The Report Does Not Clearly Distinguish Gross Medicaid Reimbursement from Net Revenue Available to NYCPS

The Report presents estimates of foregone Medicaid revenue based on total (gross) reimbursement amounts. To fund the non-federal share of the reimbursements for the School Supportive Health Services Program, New York State retains approximately 50% of total Medicaid reimbursements through reductions to State aid provided to NYCPS.

Given this structure, the funds ultimately available to NYCPS are 50% less than the total reimbursement amounts cited in the report. In addition, the ability to realize any such revenue depends on meeting all applicable Medicaid requirements that go beyond a documented and certified service encounter.

Accordingly, the amounts presented in the report should not be interpreted as revenue that would have been fully available to NYCPS. Rather, the Report should clearly distinguish gross reimbursement estimates from the net fiscal impact to NYCPS after the State's share is applied.

The Report's Revenue Estimates Include Encounters Not Established as Medicaid-Claimable

In estimating potential revenue for psychological counseling, speech therapy, occupational therapy, and physical therapy services, the Comptroller attempted to identify which recorded encounters were not claimable under Medicaid rules. While the Comptroller applied certain Medicaid criteria, the methodology omits several other required eligibility criteria without adequately explaining why those criteria were excluded. As a result, the number of encounters treated as potentially claimable is overstated.

Current Medicaid Claiming Rules Must Be Applied in Determining Non-Claimable Encounters

For assessments, counseling, speech therapy, occupational therapy, and physical therapy services, the Comptroller assumed that every assessment or service could have been claimed and that the NYCPS therefore missed claiming opportunities. However, in reaching this conclusion, the Comptroller failed to account for several current Medicaid rules as established by the New York State Department of Health, the federal Centers for Medicare and Medicaid Services (CMS), and federal statute. These requirements materially affect whether an assessment or encounter may be submitted for Medicaid reimbursement and should have been applied before any service was treated as potentially claimable.

These requirements include, but are not limited to, the following:

1. Psychological, Speech, Occupational Therapy, and Physical Therapy assessments can only be claimed if delivered by a Medicaid-qualified provider and if the IEP after the assessment includes a related service recommendations for that service; otherwise, the assessments are not claimable.
2. Psychological, Speech, Occupational Therapy, and Physical Therapy assessments that are conducted as part of a re-evaluation can only be claimed if delivered by a Medicaid-qualified provider and if the IEP prior to the assessment included a related service recommendation for that service category.
3. "Medical" assessments completed as part of the development of an IEP must be conducted by a Medicaid-qualified physician, nurse practitioner, or physician assistant that is employed by or otherwise in a contractual agreement with NYCPS; otherwise, those services are not claimable.
4. Psychological counseling services are reimbursable only when the student's IEP specifically mandates Psychological counseling and the services are provided by a Medicaid-qualified licensed practitioner. Because most students with counseling service recommendations are not recommended for Psychological Counseling and the services are provided by school psychologists, school counselors, or other practitioners who do not meet Medicaid claiming requirements for Psychological Counseling, the majority of these services are not eligible for reimbursement.[1]

[1] The Comptroller requested IEP data for 30 students the Comptroller suspected were eligible for reimbursement, and 0 out of 30 had "psychological services" as a related service.

5. Speech services may be delivered by certified Teachers of the Speech and Hearing Handicapped (TSHH), in which case they must be delivered under the direction of a Speech Language Pathologist (SLP); otherwise, those services are not claimable.
6. Services delivered one on one, when the IEP mandate identifies the service should be delivered in a group, are not claimable. NYCPS must still provide recommended services to a student, even where fewer than the recommended group of students are available in the student's class or school setting, but that does not make the encounter Medicaid claimable.
7. Services delivered to students whose families exercised their rights under federal law and did not provide, or declined to provide consent for NYCPS to seek Medicaid reimbursement are not claimable.
8. For Fiscal years 2024 and 2025, due to Medicaid Alert 25-09, some services delivered to students with written orders and referrals created before the current IEP are not claimable, even where there has been no change in the recommendation.[2]

In total, these Medicaid claiming rules apply to millions of encounters that the Comptroller included in its estimate of foregone revenue and account for tens of millions to more than one hundred million dollars included in the Report's estimates.

While NYCPS agrees that changes to certain Medicaid requirements may increase future reimbursement opportunities, it is not appropriate to suggest that NYCPS failed to claim reimbursement for services that were not eligible for reimbursement under existing Medicaid requirements.

The Report's Estimate for Unrecorded Services Is Speculative and Should Be Separately Disclosed

NYCPS provides and documents more than 10 million speech, occupational, and physical therapy sessions annually pursuant to IEPs, serving more than 200,000 students annually, through a robust special education system designed to provide students with a free and appropriate public education.

The Report reviewed a limited, non-statistical sample representing approximately 0.08% of the relevant student population. Based on instances where sampled students had fewer sessions recorded than mandated on their IEP, the Report extrapolated those results to approximately 200,000 students to estimate system-wide foregone revenue. Despite that the Report itself acknowledges that these services may not have been rendered at all, it continues to report estimates based on limited and nonstatistical results.

An IEP mandate establishes a student's recommended service program, frequency, and duration. While NYCPS' special education system is designed to ensure that students receive mandated services pursuant to their IEP, there may be reasons why fewer services are delivered and recorded. The IEP mandate is not a nexus that can be used to establish that every scheduled session was delivered, documented, certified, or met all other criteria that would make it eligible for Medicaid reimbursement. Despite that no test to confirm the provision of services was conducted—thus no

[2] https://www.oms.nysed.gov/medicaid/medicaid_alerts/alerts_2025/25_09.html

evidence was collected—the Report includes an estimate that assumes that millions of related services were delivered but not recorded and that assumption forms the basis for its revenue estimate.

Given these limitations, it is inappropriate to draw conclusions regarding service occurrence based solely on the absence of a recorded service. If a service was not provided, there is no Medicaid-claimable encounter and therefore, no foregone Medicaid revenue.

Evaluations and Re-Evaluations Methodology

The estimate of foregone Medicaid revenue for assessments that are conducted during evaluations and re-evaluations is based on multiple layers of assumptions rather than actual service-level data. For OT, PT, and speech evaluations, the auditors reviewed IEP files from a sample of students and applied distribution percentages to estimate the number of additional evaluation service types that may have been provided. Medical and psychological evaluations were estimated using a separate methodology with its own assumptions. As a result, the overall estimate is not derived from documented counts of actual unclaimed evaluations but from projections based on sampled data and inferred service patterns.

Because the estimate relies on multiple assumption-based methodologies, any inaccuracies in the underlying assumptions may be compounded throughout the calculation. The methodology assumes that the sample is representative of the broader population, that the observed distribution of evaluation types can be projected to all students, and that the estimated evaluations would have met Medicaid claiming requirements. Given these successive assumptions, there are significant concerns regarding the reliability of the resulting foregone revenue estimate and whether it provides a sufficiently supported measure of the actual fiscal impact.

The Report Uses Unclear Criteria to Assess Implementation of Prior Recommendations

While NYCPS appreciates the Comptroller revising the original draft Report to include additional recommendations as "partially implemented", the Report does not fully reflect the actions undertaken by NYCPS since the 2021 audit. During the exit conference, the auditors stated that a recommendation would be considered fully implemented only if the process put in place resulted in 100% compliance. NYCPS has significant concerns with this standard. It appears to evaluate implementation based on whether a process achieved perfect results, rather than whether NYCPS implemented a reasonable process, control, system enhancement, monitoring activity, or corrective action responsive to the recommendation. This distinction is important. In a large, decentralized school system, even well-designed controls may not eliminate every exception. The existence of remaining exceptions identified through sample testing does not, by itself, establish that NYCPS failed to implement the underlying recommendation. Rather, remaining exceptions may indicate that additional refinement or training is needed.

NYCPS requested on multiple occasions that the Comptroller provide, in writing, the criteria and thresholds used to evaluate whether a recommendation was implemented, partially implemented or not implemented. To date, those criteria have not been provided. Without clear written criteria, NYCPS cannot fully assess the consistency or reasonableness of the Report's implementation

determinations.

In several instances, the Report appears to discount meaningful progress because the related process did not result in complete systemwide compliance. For example, NYCPS has implemented system changes, monitoring tools, dashboards, process improvements, and system-development initiatives that directly address issues identified in the prior audit. However, where sample testing identified remaining exceptions, the Report does not consistently credit those actions as implementation or partial implementation.

This concern is illustrated by the Report's discussion of Recommendation 3. The 2021 report cites the UFT Memorandum of Agreement (MOA) requirement that SLPs create referrals "within 10 school days of first serving a student" and identifies that DOE-employed SLPs lacked referrals for 29,198 of 279,640 Speech Therapy encounters, or 10.4%. However, the current Report states that 5 of 55 sampled Speech Therapy encounters, or 9.1%, lacked a written referral "prior to first servicing students," and then compares that result to the 2021 audit's 10.4% finding. This appears to compare two different measures: referrals completed before the first day of service versus referrals completed within 10 school days of first service. Earlier language shared with NYCPS distinguished between these measures, identifying referrals not completed within 10 school days as 2 of 50 encounters, or 4%. If the Comptroller intends to assess implementation against the 2021 recommendation and the UFT MOA standard, the comparable measure should be whether referrals were completed within 10 school days of first service.

This approach obscures the progress NYCPS has made and conflates implementation of a recommendation with complete elimination of all errors. NYCPS' responses to the recommendations below therefore identify actions already taken, actions in progress, and recommendations that NYCPS evaluated but determined not to implement based on operational feasibility, Medicaid compliance requirements, cost-benefit considerations, or broader system constraints.

As explained above, NYCPS disagrees with several of the findings and assumptions that form the basis for the Report's recommendations, including the Report's treatment of gross reimbursement amounts, its inclusion of encounters not established as Medicaid-claimable, its reliance on assumptions regarding unrecorded services, and its assessment of prior recommendation implementation. Accordingly, NYCPS does not agree that all recommendations are supported by the findings as presented.

Nevertheless, NYCPS has reviewed each recommendation candidly and in good faith to determine whether it reflects existing NYCPS processes, can be implemented as a practical enhancement to current operations, or requires further evaluation based on Medicaid compliance requirements, system capacity, staffing, operational feasibility, and cost-benefit considerations.

Response to Recommendations

Recommendation 1: *Develop and implement an interim action plan, with milestones and timelines, to strengthen existing claim validation controls and reduce unclaimed service encounters pending full implementation of MedSys.*

Response: NYCPS partially agrees with this recommendation.

As previously shared, NYCPS is currently implementing MedSys, a new Medicaid claiming system scheduled to go live in December 2026, which is designed to enhance claim validation, strengthen documentation controls, and improve the identification of claimable encounters across the system. This implementation directly addresses the need for enhanced validation controls and monitoring.

Implementing a separate interim action plan with milestones and timelines would divert efforts and resources from the development and implementation of MedSys. NYCPS will continue to drive system improvements where appropriate to claim additional revenue and to perform claim validation activities, supported by existing operational processes and system-based tools.

Recommendation 2: *Establish routine monitoring controls, such as sample-based reviews, to ensure that all OT, PT, and ST service encounters are supported by required written orders or referrals prior to submission for Medicaid reimbursement.*

Response: NYCPS agrees with this recommendation to the extent that it is consistent with current practice.

NYCPS already performs validation of orders and referrals as part of the Medicaid claiming process, including ensuring that required documentation is in place prior to claim submission. NYCPS will continue to evaluate opportunities to further strengthen and standardize these validation activities, including through enhanced functionality and reporting capabilities in MedSys.

Recommendation 3: *Conduct periodic reviews of provider licensure and NPI information for existing employees and establish procedures to promptly correct inaccurate or incomplete provider records in NYCPS systems.*

Response: NYCPS agrees with this recommendation to the extent that it is consistent with current practice.

NYCPS already maintains and validates provider licensure and NPI information as part of existing claiming and operational processes. NYCPS will continue to evaluate opportunities to strengthen these practices, including through enhanced functionality and reporting capabilities in MedSys.

Recommendation 4: *Continue efforts to obtain parental consent forms, and again, establish monitoring controls, such as sample-based reviews, to monitor compliance.*

Response: The NYCPS does not agree with this recommendation as written.

NYCPS' current processes already identify all students who are missing parental consent or whose parents have declined consent, consistent with their rights under applicable law. School-facing reports are generated to support schools' ongoing efforts to obtain consent from families where it

has not been provided and to capture updated consent where a parent who previously declined later provides authorization.

Given these existing processes, NYCPS does not believe that additional monitoring approaches, such as sample-based reviews, are necessary to identify or address consent status. NYCPS will continue to use its existing tracking and outreach processes to support consent collection, recognizing that completion of consent ultimately depends on parent action. NYCPS will also continue to explore opportunities to explore new consent collection practices over time.

Recommendation 5: *Record all service sessions in EasyTrac and SESIS. In relation to the service encounters found not to be recorded during the audit, NYCPS should conduct reviews to determine if services were provided but not recorded or not provided in accordance with IEP mandates. If provided but not recorded, NYCPS should take steps to ensure schools and providers are aware of the problem. If mandated services were not provided, NYCPS should investigate why not and take appropriate action.*

Response: NYCPS agrees with this recommendation to the extent that it is consistent with current practice.

NYCPS requires that all delivered service sessions be recorded in SESIS or EasyTrac, as applicable, and already has processes for schools and supervisors to monitor service delivery and documentation, including reports and dashboards used to identify gaps and support follow-up with schools, providers, and programs.

NYCPS will continue to use its existing monitoring processes to reinforce provider recording requirements and address documentation and service-related concerns where they are identified.

Recommendation 6: *Take all necessary steps to ensure that Medicaid documentation and claiming requirements are met for all covered services for K-12 and for all eligible preschool-age students and submit Medicaid reimbursement claims for those services where appropriate within the billable window and resubmit correctable claims. This is necessary to maximize Medicaid reimbursement for the City.*

Response: NYCPS agrees with this recommendation to the extent that it is consistent with current practice.

NYCPS already performs claim validation to determine whether Medicaid documentation and claiming requirements are met and submits claims where appropriate within the applicable billable window and corrects and resubmits claims when rejected issues are correctable. NYCPS will continue these existing processes. However, NYCPS cannot submit claims for encounters that do not satisfy Medicaid requirements or for rejected claims where the issue is not correctable.

Recommendation 7: *Perform a cost-benefit analysis to assess the sources of foregone Medicaid reimbursement revenue, determine resources needed to expand claiming, determine whether it is fiscally reasonable to do so, and develop a plan for staged expansion of claiming.*

Response: NYCPS agrees with the objective of assessing opportunities to maximize compliant Medicaid reimbursement and considers this recommendation to reflect existing practice.

NYCPS already evaluates claiming opportunities based on Medicaid requirements, documentation availability, system capacity, staffing needs, compliance risk, and fiscal feasibility.

However, NYCPS does not agree that a cost-benefit analysis should be based on unsupported estimates of "foregone" revenue or assumptions that have not been validated at the encounter level. Conducting further analysis based on unverified hypotheses would not be an effective use of resources. Any assessment of expanded claiming should begin with claimable services supported by reliable data, applicable Medicaid rules, operational capacity, and the net revenue available to NYCPS after implementation costs and the State share are considered.

Recommendation 8: *Reassess the feasibility of implementing the recommendations that remain not implemented once the Medicaid claiming team is fully staffed and operational and the new Special Education system has been rolled out.*

Response: NYCPS partially agrees with this recommendation.

NYCPS will continue to evaluate opportunities to improve Medicaid claiming through ongoing programmatic efforts and system enhancements, including MedSys, and will reassess specific recommendations as appropriate when conditions support further consideration.

However, this recommendation is broad and does not distinguish among recommendations that NYCPS has implemented, recommendations that are already being addressed through existing processes or system changes, and recommendations that NYCPS previously determined were not feasible, not cost-effective, or not aligned with Medicaid claiming requirements. NYCPS will reassess recommendations as appropriate, but it does not agree that all recommendations classified as not implemented should be reopened without regard to those prior determinations.

Recommendation 9: *Promptly provide information and documents that are necessary for the auditors to complete legally authorized audits, in the interest of ensuring transparency for all New Yorkers.*

Proposed Response: NYCPS partially agrees with this recommendation.

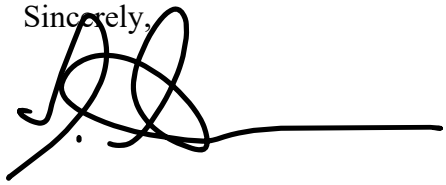
NYCPS recognizes the importance of providing records needed for legally authorized audits and provided the records requested during this audit.

NYCPS does not agree, however, with the implication that the audit's length resulted from a lack of transparency or cooperation. This was a complex follow-up audit involving sensitive student and Medicaid data across multiple systems, and NYCPS was required to provide significant context regarding prior audit issues, Medicaid claiming rules, data limitations, and program operations. In addition, changes in the timing and scope of the audit resulted in additional requests and expanded productions, which affected the volume of records and time needed to respond. NYCPS has and will continue to cooperate with authorized audits while ensuring that requests

involving confidential student information, Medicaid data, and complex system extracts are reviewed and handled appropriately.

Complex audit requests can place significant demands on the same operational staff responsible for administering and improving the Medicaid claiming process being audited. NYCPS must balance audit-response obligations with the need to prioritize ongoing Medicaid claiming operations, including timely claim submission, documentation follow-up, system implementation, and related compliance work.

Sincerely,



Seritta Scott
Chief Financial Officer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