

# STATE OF CONNECTICUT



*AUDITORS' INTERIM REPORT ON  
SPECIAL EDUCATION PRIVATE PROVIDER AUDITS*

AUDITORS OF PUBLIC ACCOUNTS  
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## AUDITORS OF PUBLIC ACCOUNTS

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### **INTERIM REPORT ON PRIVATE SPECIAL EDUCATION PROVIDER AUDITS**

#### **OVERVIEW**

Effective July 1, 2015, Public Act 15-5 (sections 278 through 281) required the Auditors of Public Accounts (Auditors) to conduct audits of all approved and non-approved private providers of special education. The Auditors' duties related to these audits have been codified under Sections 2-90 subsection (i) and 10-91g of the General Statutes. Public Act 15-5 also established a number of new requirements for the Connecticut State Department of Education (SDE), boards of education (BOE), private providers of special education services and Regional Education Service Centers.

Public Act 15-5 is based on the findings and recommendations of the Municipal Opportunities and Regional Efficiencies (MORE) Commission. The MORE Commission report stated that special education in Connecticut is funded mainly from three sources, 30 percent from state funds, 63 percent from local funds, and seven percent from federal funds.

The following summarizes the statutory requirements that relate to our audits of private providers:

- Private providers of special education services are defined as organizations that receive state or local funding to provide special education services under an individualized education program (IEP) or services plan (ISP). The Auditors, while acting as an agent of local and regional boards of education, will audit the records and accounts of private providers that have agreements with the boards and have received any state or local funds for special education.
- The audits will be performed for each private provider at least once during a seven-year period. Each year, the audits should be evenly split between approved and non-approved private providers, as practical, with priority given to those private providers that 1) received the greatest total amount of state or local funds for the provision of special education services, 2) served the highest number of special education students, and 3) received the highest proportion of state and local funds in relation to their total operational expenses.

- Annually, each local and regional board of education will provide the Auditors with the number of students under their jurisdiction who receive special education services from private providers and the amount paid to such private providers during the previous fiscal year.

In response to this legislation, we identified 219 approved and non-approved private providers of special education who reported serving 3,277 Connecticut students during the 2014-2015 school year. This report discusses and explains the audit plan implemented during the past year and the preliminary results of our testing of six of these providers. This report also makes recommendations for changes to existing law based on our field experience and available resources.

## **AUDIT PLAN AND IMPLEMENTATION**

### **Audit Universe**

In order to determine the audit universe of approved and non-approved private providers serving students who have IEPs and ISPs, Section 10-91h of the General Statutes requires boards of education to provide the Auditors with the number of students who received special education and related services from private providers and the amount they were paid. Since our office has not yet received this information from the boards of education, we based the audit universe on data readily available from the State Department of Education.

A perspective about the audit universe was obtained by analyzing the most recent student count data available from SDE covering the 2014-2015 school year. Our analysis shows that 123 approved private providers served 2,780 students, representing 85 percent of all students served by private providers.

Note: In the charts and tables to follow, we discuss the Federal Educational Records Privacy Act (FERPA) and its restrictions related to confidential student data. FERPA is a federal law that governs the release of a student's educational records, including personal identifiable information (name, address, social security number, etc.) from those records.

The following table provides greater detail about student and provider counts by the type of private provider:

<b>Description</b>	<b>Student</b>		<b>Provider</b>	
	<b>Count *</b>	<b>%</b>	<b>Count</b>	<b>%</b>
Approved Private Special Education Provider Transition or Vocational Service Provider (Approved and Non-approved)	2,780	85%	123	56%
Non-approved Provider	203	6%	54	25%
<b>Total</b>	<b>3,277</b>	<b>100%</b>	<b>219</b>	<b>100%</b>

\* Due to FERPA restrictions, the data SDE provided replaced the student count for nonpublic providers with 5 or less students with an "\*". For this analysis we replaced the "\*" with an estimated average that results in the correct total, 3,277.

In addition to the SDE student count data, cost data is also available. However, this cost data is limited to what the boards of education reported to SDE for costs associated with the services of only approved private providers, which represents 85 percent of the students served. There are 119 approved private providers included in the cost data, rather than 123 noted by the student count data above. The 119 providers delivered a total of 445,515 tuition days of service with a total cost for tuition of \$182.3 million, averaging \$409 per student/per day. For those students placed in 20 residential facilities, room and board cost an additional \$5.2 million. The boards also spent \$42.7 million for associated transportation costs, of which only a fraction was paid to private providers. The total cost to Connecticut’s boards of education for tuition, room and board, and associated transportation totaled \$230.2 million. The following table summarizes these costs by type of approved private provider:

<b>Provider Type</b>	<b>Tuition</b>	<b>Room &amp; Board</b>	<b>Transportation</b>	<b>Total</b>
Nonresidential	\$ 177,307,502	\$ -	\$ 42,530,230	\$ 219,837,732
Residential	4,985,319	5,216,564	112,645	10,314,528
<b>Total Cost</b>	<b>\$ 182,292,821</b>	<b>\$ 5,216,564</b>	<b>\$ 42,642,875</b>	<b>\$ 230,152,260</b>

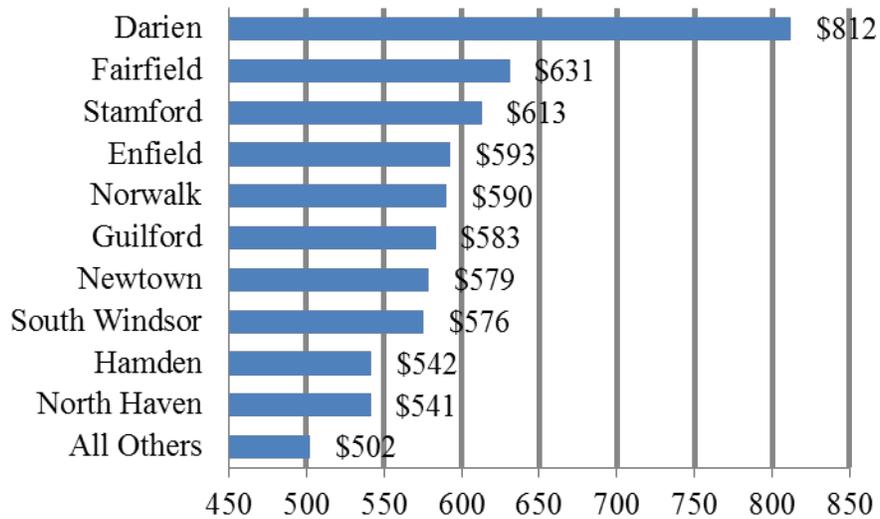
The following table summarizes the ten boards of education with the highest total cost for tuition and room and board paid to approved private providers as well as associated transportation costs paid to other vendors:

<b>Board of Education *</b>	<b>Tuition Days</b>	<b>Total Cost</b>	<b>Average Total Cost Per Tuition Day</b>
Hartford	36,716	\$ 18,505,515	\$ 504
Bridgeport	16,302	7,858,282	482
Stamford	12,731	7,802,229	613
New Britain	16,466	7,222,364	439
Norwalk	10,175	6,005,371	590
Bristol	12,857	5,604,669	436
Middletown	10,553	5,440,474	516
West Hartford	10,193	5,298,406	520
Fairfield	7,429	4,687,810	631
Meriden	9,256	4,585,315	495
All Others	302,837	157,141,825	519
<b>Total</b>	<b>445,515</b>	<b>\$ 230,152,260</b>	<b>\$ 517</b>

\* Boards of Education with fewer than twenty students have been combined into the All Others category.

The following chart presents the ten boards of education with the highest average total cost of placing students with private providers; costs include tuition, room and board, and transportation.

**Boards of Education\* with the Highest Average Total Cost per Tuition Day**



\* Boards of Education with fewer than twenty students have been combined into the All Others category.

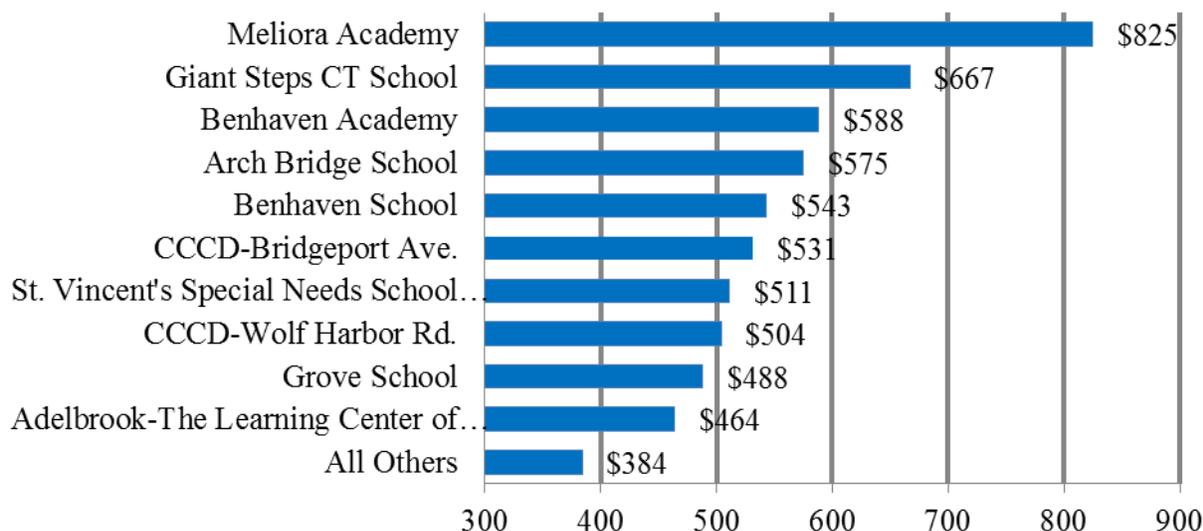
The following table summarizes the amounts paid to the ten largest approved private providers for tuition and room and board:

<u>Approved Private Provider *</u>	<u>Tuition Days</u>	<u>Tuition Costs</u>	<u>Room and Board Costs</u>	<u>Total Tuition, Room, and Board</u>	<u>Average Cost per Tuition Day</u>
Northwest Village School/Wheeler Clinic	31,591	\$ 12,385,878	\$ -	\$ 12,385,878	\$ 392
Gengras Center	21,038	8,703,913	-	8,703,913	414
CCMC School	22,041	8,450,535	-	8,450,535	383
Meliora Academy	9,861	8,130,509	-	8,130,509	825
Adelbrook-The Learning Center of Cromwell	16,564	7,682,087	-	7,682,087	464
St. Vincent's Special Needs School Program	14,986	7,661,143	-	7,661,143	511
Raymond Hill School	15,785	6,450,231	-	6,450,231	409
CCCD-Wolf Harbor Rd.	11,289	5,694,828	-	5,694,828	504
Benhaven School	10,459	5,404,383	271,474	5,675,857	543
Giant Steps CT School	7,664	5,109,656	-	5,109,656	667
All Others	284,237	106,619,658	4,945,090	111,564,748	393
<b>Total</b>	<b>445,515</b>	<b>\$ 182,292,821</b>	<b>\$ 5,216,564</b>	<b>\$ 187,509,385</b>	<b>\$ 421</b>

\* Boards of Education with fewer than twenty students have been combined into the All Others category.

The following chart shows the ten private providers with the highest average tuition and room and board costs.

**Approved Private Providers\* with the Highest Average Tuition, Room, and Board Cost per Tuition Day**



\* Boards of Education with fewer than twenty students have been combined into the All Others category.

**Sample Selection**

Section 10-91g subsection (c) of the General Statutes establishes how private providers of special education are selected for testing. In general, the law specifies that an equal number of SDE approved and non-approved providers that meet certain criteria are to be selected for testing. We found that sufficient data was not available for us to comply with this sampling requirement. The criteria in Section 10-91h of the General Statutes attempted to provide us with the necessary information. However, as the statute is written, it only requires the boards to provide us total student counts and amounts, and not the data necessary to comply with section 10-91g. As an alternative sampling strategy, we analyzed data from SDE and decided to focus on the largest category, approved private providers, which contains 85 percent of the students. On average, there are 35 students per approved private provider; we judgmentally selected our initial sample of three approved providers with student counts near this average, with specific consideration given to those with less variation in services provided. To gain further perspective, we sampled an additional three approved providers, selecting one from each group of small, medium, and large providers. The following table summarizes student counts and costs for the six approved private providers in our sample:

<b>Audited Provider Name</b>	<b>Tuition Days</b>	<b>Total Cost</b>	<b>Average Total Cost Per Tuition Day</b>
Audited Providers:			
Benhaven School	10,459	\$ 6,854,272	\$ 655
Oak Hill School at New Britain	8,049	4,088,216	508
Intensive Education Academy	7,276	2,903,138	399
Community Child Guidance Clinic School	5,630	2,435,613	433
Ben Bronz Academy	2,971	1,187,169	400
Other	209	63,316	303
Subtotal	34,594	17,531,724	507
Providers Not Audited:	410,921	212,620,536	517
<b>Total</b>	<b>445,515</b>	<b>\$ 230,152,260</b>	<b>\$ 517</b>

\* A Board of Education with fewer than twenty students has been presented in the Other category.

## **Procedures**

Special education covers a broad range of professions and services. Therefore, auditing private providers has presented new challenges for our office. Before performing these audits, we researched special education laws and regulations. We determined that since individualized education programs or service plans represented the combined efforts of teachers, specialists, and parents, they would be a reliable starting point for our review. Also, Section 10-76d subsection (d) of the General Statutes establishes that private providers are considered vendors rather than sub-recipients of government funds. As vendors, private providers are subject to the terms and conditions found in their contractual agreements with the boards of education. Those terms must correspond with the authorized services found in the child’s IEP or ISP. That is, for related services to be allowable, they must be authorized by the contract and the IEP or ISP, and be supported with sufficient documentation.

Our audit plan was based on our initial research and focused on the following three objectives. However, there have been obstacles to fully achieving these objectives. These objectives are:

1. Determine whether private providers of special education performed the required services in accordance with the student’s contract, plan, or program.
2. Assess the quality and benefit of the services delivered to students.
3. Obtain unit cost measures for allowed contractual services provided to special education students in order to compare the reasonableness of those costs between private providers.

Our testing, as related to the first and second objectives, involved testing six providers and a sample of 51 students. Our procedures at the private providers included verifying that the services received by a sample of students matched their IEP or ISP and provider contractual agreements. We also evaluated documentation of the services and determined whether those services were accurately reported and billed to the applicable board of education. Our consideration of the quality of services included determining whether the providers and their employees were properly certified by SDE. At the boards of education, we verified that they monitored for proper billing and delivery of services. We also verified that each child's progress was reviewed annually, that a report was prepared, and an educational program was in place.

There have been obstacles to fully achieving our second objective. As we are not experts in the field of special education, we could not evaluate whether the services were sufficient in nature or frequency to benefit students. The addition of Legislative Program Review employees to our office has added knowledge in this area that will improve our ability to meet this objective. We also intend to reach out to experts in the field of special education.

The third objective will be achieved over time as we continue to expand the number of private providers that we audit. We obtained information about the rates charged by the six providers we audited, and along with our general research into this topic, we are able to draw preliminary conclusions that are presented in the Legislative Considerations and Recommendations section of this report.

### **Confidential Information**

Some of our reports and certain supporting documentation related to private provider audits may include student information that must be kept confidential in accordance with both the Federal Educational Records Privacy Act (FERPA) and Section 10-10a subsection (e) of the General Statutes. As it relates to the audits, FERPA protects the privacy of student education records. Section 10-10a subsection (e) of the General Statutes indicates that the records contained in the SDE Public School Information System "shall not be considered a public record for the purposes of section 1-210 of the Freedom of Information Act." Therefore, all of our work papers and reports must be monitored to protect personally identifiable student information. Before issuing any report related to private provider audits, we will submit a draft to SDE for review and approval for privacy compliance purposes. For reports containing protected data, public distribution is prohibited.

### **Reporting**

In accordance with Section 10-91g subsection (e) of the General Statutes, we are required to report our findings to the relevant boards of education, the Commissioner of Education and the joint standing committee of the General Assembly having cognizance of matters relating to education. Our reports to the boards of education and the commissioner of SDE may include confidential information, and those reports may not be shared with external parties.

The remainder of information regarding our testing at the six private providers is currently undergoing a quality control review. Therefore, this report only presents our preliminary findings. When the audits have been reviewed and approved, the resulting reports to the boards of education will include specific findings and recommendations. In addition to the reports required by statute, we will report our findings and recommendations to the audited private providers. We will provide the commissioner of SDE with copies of any reports we issue in accordance with the statute, as well as those we issue to private providers.

## **INTERIM RESULTS**

As discussed earlier in the procedures section of this report, our testing determined whether private providers of special education performed the required services in accordance with student contracts, plans, or programs. Through a limited assessment, we also considered the quality and benefit of those services. The findings presented below reflect the current status of our findings at six private providers. These findings are presented with limited detail because they have not yet been finalized and may change based on subsequent testing and the results of the Auditors' quality control review of the working papers. In addition, by limiting the level of detail, this report is not considered confidential.

Our testing found certain positive results at the private providers:

- Six of six schools were renewed by SDE within the five-year standard in accordance with Section 10-76d-17(e)(3) of the Regulations of State Agencies.
- 51 of 51 students had an IEP in place in accordance with Section 10-76d subsection (a)(8)(E) of the General Statutes.
- Six of six schools were billed (on behalf of 51 students) for services included within the IEP of the student in accordance with Section 10-76d subsection (a)(8)(E) of the General Statutes.
- 51 of 51 students were provided with services by professionals who were certified in accordance with Section 10-76d-17(d)(8) of the Regulations of State Agencies.

We also found some less than positive results:

- There were no contracts in place between the private provider and the local and regional board of education to document the services provided to 20 out of 51 students (39 percent). In some cases, contracts are required by Section 10-76d subsection (d) of the General Statutes. This section states, "no expenditures made pursuant to a contract with a private school, agency or institution for such special education shall be paid...unless" the contract meets certain criteria.
- Students should be receiving services listed in the student's IEP or ISP; however, we noted that one of six providers did not maintain adequate supporting documentation for speech services for seven of seven students reviewed; therefore, we could not determine whether the students received these services. The cost of these services is included as part of the students' annual tuition, regardless of the frequency of the services provided.
- Also, regarding the provider noted previously, seven of eight students needing occupational therapy did not receive the contracted frequency of services. The cost of

these services is included as part of the students' annual tuition, regardless of the frequency of the services provided.

Upon completion of this testing and audit quality control reviews, we will issue the statutorily required reports to the General Assembly, the State Department of Education, and local boards of education. In addition, we will also report the specific results of our testing to the private providers.

## LEGISLATIVE CONSIDERATIONS AND RECOMMENDATIONS

Requiring these special education audits is valuable in that it allows an independent perspective on private provider activities. These audits will help us consider whether towns and students are receiving sufficient services for the costs incurred.

Based on the results of our preliminary testing, we have concluded that changes to our audit goals and objectives will be necessary to fully meet the objectives of the legislation. We will be reassessing the work completed thus far, what we have learned, and how to proceed. In the meantime, we have identified several areas within the current law that we suggest be revised to make the audit work more efficient and effective as follows:

1. Audit Sample: According to Section 10-91g subsection (c) of the General Statutes, each year's audits should be evenly split between approved and non-approved private providers. We found that 85 percent of students are served by approved providers and that the ten largest approved providers represent 40 percent of total approved private provider costs. In addition, after performing analytical procedures, we identified approved private providers that could pose a higher risk than some of the smaller non-approved providers.

Recommendation:

We continue to support the provisions of 2016 House Bill 5550 (as amended by House A – LCO 6072), which proposed an amendment to Section 10-91g to implement a risk-based approach for selecting providers so that higher risk providers would be given priority.

2. Audit Timing: According to Section 10-91g subsection (c) of the General Statutes, we must audit each private provider at least once every seven years. There are some providers who serve a very small number of students for which the cost is considered insignificant.

Recommendation:

We continue to support the provisions of 2016 House Bill 5550 (as amended by House A – LCO 6072), which proposed an amendment to Section 10-91g to eliminate the requirement that every private provider be audited once every seven years.

3. Data Collection: Section 10-91h requires each local and regional board of education to provide the Auditors data about the number of students who receive special education and related services from a private provider and the amount of money paid to such providers. This information does not provide enough detail for us to identify higher risk providers, in accordance with Section 10-91g subsection (c)(3). Section 10-91g requires that priority be given to those private providers that 1) received the greatest total amount of state or local funds for the provision of special education services, 2) served the highest number of special education students, and 3) received the highest proportion of state and local funds in relation to their total operational expenses. We would like

additional information so that we can assess the reasonableness of unit costs on a statewide basis.

Our office will work with local boards of education and their advocacy organizations to gather sufficient data, which will enable us to fully address the priorities of the statute. We will work with the local boards to design a data-gathering system that minimizes their reporting burden and ensures compliance with confidentiality requirements. Our office will work with State Department of Education to obtain certain necessary data which it already collects.

Recommendations:

- a) We continue to support the provisions of 2016 House Bill 5550 (as amended by House A – LCO 6072), which proposed an amendment to Section 2-90 (i) to expand the Auditors’ authority to obtain any information deemed necessary from private providers of special education and related services.
  - b) Similarly, we continue to support the provisions of 2016 House Bill 5550 (as amended by House A – LCO 6072), which proposed an amendment to Section 10-91h of the General Statutes to provide unrestricted access to data regardless of its source.
  - c) Consideration should be given to having the State Department of Education collect the necessary data for the Auditors. SDE already has information systems in place and the boards are familiar with those reporting structures. SDE and the Auditors should collaborate to identify the most efficient approach to gathering the necessary information.
4. Mandated Audit Objectives: Section 10-91g subsection (b) establishes audit objectives that include determining whether private providers used state and local funds for allowable costs. We were unable to test how board of education funds received by private providers were spent, because private provider vendor agreements have not contractually bound vendors to state and local allowable cost requirements. Even if the contracts did include such language, neither the boards nor SDE have formally defined allowable costs for the services of private providers.

Without clearly defined allowable costs, the only other measurable requirements are established in the student’s legally binding IEP or ISP. It is each board’s responsibility to determine which services are included in the IEP, ISP, and related contracts. Since we possess limited programmatic special education expertise, we have been unable to evaluate whether the services required by the IEP, ISP, and contracts are appropriate. Therefore, our testing was limited to determining whether the required services were provided. Our limited special education expertise also prevented us from determining whether students benefitted from the nature and frequency of the services provided. The addition of Legislative Program Review employees to our office has added knowledge in this area.

Recommendations:

- a) Consider enacting legislation that requires the State Department of Education to define allowable costs and activities of private providers.
  - b) Consider amending Section 10-76d subsection (d) of the General Statutes to require that board of education contracts with private providers include statements that require compliance with allowable costs and activities requirements.
5. Additional Audit Objectives-Testing of Board of Education Monitoring: There are currently no requirements that we audit the boards of education monitoring of their private providers or students. This monitoring is critical to ensuring that proper services are provided and costs are controlled. In addition, Section 10-91g subsection (b) establishes the Auditors as an agent of the boards of education.

Currently, Section 10-76d-17(d)(4) of the Regulations of State Agencies requires private providers to complete periodic reviews and evaluations of each child's progress and provide comprehensive reports to the boards of education no less than twice a year. Our audit confirmed that evaluations and reports were prepared but could not determine whether the boards received the reports or took action on them.

Recommendations:

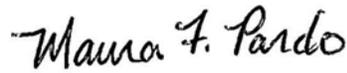
- a) Consider expanding Section 10-91i of the General Statutes to also provide the Auditors with the explicit authority to audit the boards of education monitoring of student attendance at the audited private providers.
  - b) Consider amending Section 10-76d subsection (d) of the General Statutes or Section 10-76d-17(d)(4) of the Regulation of State Agencies to require private providers to be subject to monitoring by the boards of education in addition to the reporting that is already required by the regulation. These additional monitoring procedures could include requiring: 1) private providers to issue monthly or quarterly detailed reports of the specific type and frequency of services provided to each student, 2) Boards of education to review and reconcile the reports to the contracted services, and 3) Boards of education to perform periodic site visits at the private providers.
6. Rate Setting: Currently, each board of education individually negotiates a rate for special education services with their private providers. A single private provider could charge different rates to different boards for the same services.

Recommendation:

Consideration should be given to establishing a rate-setting model that establishes reasonable costs for different types of special education services.

**CONCLUSION**

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the State Department of Education, local and regional boards of education, and private providers during the course of our examination.



Maura F. Pardo  
Administrative Auditor

Approved:



John C. Geragosian  
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