

STATE OF CONNECTICUT



*AUDITORS' REPORT
Private Providers of Special Education
School Year 2016 – 2017*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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February 19, 2020

Executive Summary

In accordance with the provisions of Section 10-91g of the Connecticut General Statutes, we have audited certain operations of the State Department of Education (SDE) and the following private special education providers: Bradley School (Westerly, RI), Connecticut Children’s Medical Center School, Connecticut Junior Republic, Easton Country Day School, Northwest Village School/Wheeler Clinic, and Project Genesis Inc., Special Education Support Services transitional program. The objectives of this review were to evaluate whether state or local funds provided for special education and related services were spent for allowable costs; state or local funds provided for special education and related services from private providers were spent in accordance with each student’s individualized education program; and that documentation supporting the special education services administered by the private providers was present and adequately maintained for the 2016-2017 school year.

The key findings are presented below:

| | |
|------------------------------------|--|
| Finding 1 Page 10 | Allowable types of costs are not defined by statute, regulation, or policy. Therefore, it is not possible to make a clear determination whether providers expended state or local funds for costs considered acceptable. |
| Finding 2 Page 11 | School districts and private providers did not enter into contracts for 58 of the 84 student records we reviewed (69%) at the 6 private providers (prior to July 1, 2018). |
| Finding 3 Page 11 | We did not find evidence that local school districts and providers executed statutorily-required written contracts for 45 of 59 (76%) students whose local district applied to the State Department of Education for excess cost grants (prior to July 1, 2018). |
| Finding 4 Page 15 | Private providers often documented their services, but the thoroughness and consistency of the documentation varied by private provider (prior to July 1, 2018). |
| Finding 5 Page 16 | There are no documentation standards for private special education providers in Connecticut (prior to July 1, 2018). |

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AUDITORS OF PUBLIC ACCOUNTS

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AUDITORS' REPORT PRIVATE PROVIDERS OF SPECIAL EDUCATION FOR THE SCHOOL YEAR 2016-2017

INTRODUCTION

We have audited certain operations of the State Department of Education (SDE) and the following private special education providers: Bradley School (Westerly RI), Connecticut Children's Medical Center School, Connecticut Junior Republic, Easton Country Day School, Northwest Village School/Wheeler Clinic, and Project Genesis Inc., Special Education Support Services (Special Education Support Services) transitional program. We examined individualized education programs (IEP), service provision records, and associated financial documents for 84 students in fulfillment of our duties under Section 10-91g of the General Statutes. The scope of our audit included, but was not necessarily limited to, the 2016-2017 school year. The objectives of our audit were to evaluate whether:

1. State or local funds to provide special education and related services were spent for allowable costs.
2. State or local funds to provide special education and related services from private providers were spent in accordance with each student's individualized education program.
3. Documentation supporting the special education services administered by the private providers was present and adequately maintained.

Our methodology included reviewing written policies, procedures, financial records, minutes of meetings, surveys completed by local educational agencies, and other pertinent documents. We interviewed private providers and public school district personnel, and acquired information about private providers from the State Department of Education, including documents obtained as part of its private provider approval process. We reviewed special education services (e.g. physical therapy; occupational therapy; speech and language pathology; and individual and group counseling) and tested selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls were properly designed and placed in operation. We tested certain of those controls to

obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 such a basis. The accompanying *Résumé of Operations* is presented for informational purposes. This information was obtained from either SDE management or a private provider and was not subjected to the procedures applied in our audit of private providers.

For the areas audited, we determined that there is no state statute or regulation that defines allowable types of costs, and the use of written contracts between school districts and private special education providers is inconsistent. Therefore, it is not possible for us to determine whether certain expenditures by private providers are acceptable. Documentation supporting the frequency and duration of ancillary services provided by private providers to implement student IEPs varied greatly, and there is no set standard with which to measure adequacy.

The State Auditors' Findings and Recommendations section in this report presents our findings and recommendations, based on the audit work performed during the 2016-2017 school year, in accordance with Section 10-91g of the General Statutes. Public Act 18-183 adopted many of the recommendations that we had proposed in 2 audit reports released in February 2018. Because of the sequence (cycle) of audit documentation and field work, writing our audit report, and final publication, this report contains two of the three recommendations that the legislature already enacted changes for under P.A. 18-183. To address this timing issue, we state in our recommendations whether legislative action is necessary at this time. Consequently, only one recommendation in this report (and repeated from a prior audit) appears to require legislative action since we are unable to fulfill our statutory mandate without guidance in defining what constitutes allowable types of costs. In addition, SDE must implement certain of these legislative changes.

COMMENTS

The purpose of this audit was to determine whether private special education providers expended state or local funds for allowable types of costs and in accordance with the individualized education programs (IEP) for students receiving special education services.

We primarily reviewed documentation for students attending each school during the 2016-2017 school year. The private providers receive the majority of their revenue from local and regional school districts, also known as local education agencies (LEA). The school districts are responsible for educational services and associated costs for students placed at a private provider. For the 6 private providers selected for review, we examined 84 student records. In addition to educational instruction, the private providers offer the following services: physical therapy, occupational therapy, speech and language pathology, and individual and group counseling.

Background and Related Audit Reports

Effective July 1, 2015, Public Act 15-5 (Sections 278 through 281) required the Auditors of Public Accounts (APA) to conduct audits of approved and non-approved private providers of special education meeting certain criteria. Public Act 15-5 was based on the findings and recommendations of the Municipal Opportunities and Regional Efficiencies (MORE) Commission. The Auditors' special education audit duties are presented in Sections 2-90 (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.

This is our 5th report under the authority within Section 10-91g of the General Statutes. Prior audit reports that include substantial background information are as follows:

- [Private Providers of Special Education School Year 2015-2016 \(February 22, 2018\)](#)
- [The State Department of Education's Approval Process of Private Special Education Programs and Oversight of Non-approved Programs \(February 22, 2018\)](#)
- [Approval and Monitoring of Contracts or Other Arrangements Between Local and Regional Boards of Education and Private Providers of Special Education \(February 22, 2018\)](#)
- [Interim Report on Special Education Private Provider Audits \(February 6, 2017\)](#)

Within these reports, we presented 22 recommendations for improvements. Some of these recommendations suggested legislative changes, while others related to improvements at the State Department of Education. These audit reports led to changes in legislation, which we describe below.

Changes to Special Education Statutes

The [Interim Report on Special Education Private Provider Audits](#) included several recommendations to allow our office flexibility and discretion to conduct special education audits in a more effective and efficient manner. Certain recommendations requested specific changes to the special education audit statutes.

Public Act 17-173: The General Assembly acted on our recommendations with the passage of [Public Act 17-173](#) in the 2017 legislative session. Sections 6 through 8 of the act allows our office to conduct our special education audits as often as we deem necessary, using a risk-based approach. The prior law required our office to audit each provider at least once every 7 years. The act also removes the requirement that our office conduct half of these audits of SDE-approved private providers and half of non-approved private providers. Instead, it specifies that our office must audit both types of providers. Additionally, the act requires boards of education and private providers to provide our auditors any information necessary to conduct their work. Finally, the act provides the auditors with the authority to audit school districts to ensure monitoring of student attendance at private special education schools, that services are being delivered, and costs are being controlled.

Previous reports issued by our office under *Background and Related Audit Reports* included several recommendations for standards related to private special education providers' allowable types of costs, contracts, and documentation.

Public Act 18-183. During the 2018 legislative session, the General Assembly passed Public Act 18-183. Effective July 1, 2018, the act requires an agreement or contract between a local or regional board of education and a private provider of special education services to include an explanation of how the tuition or costs for services will be calculated. The act states that, effective July 1, 2019, a local or regional board of education will not be eligible to receive a state supplemental special education grant for any costs of special education paid by the board of education to a private provider unless the board has entered into a written contract with the private provider. The individualized education program of a student will not be considered a contract. The act also requires the Department of Education to develop standards and a process for the documentation of special education ancillary health services by a private provider of special education services.

We conducted most of the work for this report before these legislative changes went into effect on July 1, 2018. This report includes recommendations for which the General Assembly has enacted legislative changes. The General Assembly made some of those changes with the passage of Public Act 18-183. We note this in the applicable recommendations.

Original Legislation. Because the General Assembly did not adopt legislation amending our charge until subsequent legislative sessions, we based our audit selection criteria within this report on the original law. We also interviewed SDE personnel and requested information maintained in two SDE databases to identify the universe of private providers of special education.

According to the original audit language in Section 10-91g (c), the Auditors of Public Accounts was required to conduct the audit described in subsection (b) of this section as follows: “(1) At

least once for each private provider of special education services during a period of 7 years, except that no private provider of special education services shall have its records and accounts so examined more than once during such five-year period, unless the auditors have found a problem with the records and accounts of such private provider of special education services during such five-year period; (2) as practical, approximately half of such audits conducted in a year shall be of private providers of special education services approved by the Department of Education and approximately half of such audits conducted in such year shall be of private providers of special education services not approved by the Department of Education; and (3) priority of conducting such audits, as practical, shall be given to those private providers of special education services (A) that receive the greatest total amount of state or local funds for the provision of special education services to students, (B) that provide special education services to the highest number of students for whom an individual services plan has been written by a local or regional board of education, and (C) that have the highest proportion of state and local funds for the provision of special education services in relation to their total operational expenses.”

Legislative Requirements and Private Providers

To receive state excess cost grant funds, school districts must send students to SDE-approved private special education providers located in Connecticut, and meet and maintain SDE approval requirements, or meet 1 of 4 exceptions:

1. A Connecticut private provider of a special education program where a student has been placed in an unapproved program as a result of a mediated settlement or formal SDE hearing decision that found the non-approved private special education program best meets the child’s needs after the child’s parent or guardian disputed the recommendation of the planning and placement team;
2. A Connecticut provider of a transitional/vocational program is certified as a vendor by a state agency other than SDE (e.g., Department of Developmental Services);
3. An out-of-state provider is approved by the home state and is, therefore, recognized by SDE as having an out-of-state approval (reciprocity); or
4. An out-of-state provider that is not approved by the home state is not recognized by SDE (no reciprocity), but a student’s placement is the result of a mediated settlement or formal hearing. A student’s parents may also unilaterally place the student for other than educational reasons, contingent upon the school district’s agreement to actively participate in the student’s individualized education program.

These exceptions are important because they provide the auditors with the authority to audit non-approved private special education providers that receive state or local funds or participate in a student’s IEP.

This audit included:

- 3 SDE-approved private providers – CT Children’s Medical School, Northwest Village/Wheeler Clinic, and CT Junior Republic;
- 1 Connecticut non-approved private provider – Easton Country Day School;
- 1 private provider of a transitional/vocation program – Special Education Support Services; and
- 1 out-of-state private provider approved by its home state – Bradley School in Westerly, RI.

Non-Approved Private Providers. Due to the nature of the arrangements noted above in exception 1, non-approved private providers can receive state and local funding. However, the requirements imposed on these providers and the ability of SDE or the school districts to monitor them is limited. Our review of the non-approved private provider disclosed the following:

- Management responsible for business functions have no business background
- Budgets are not prepared
- Formal tuition calculations are not prepared
- Financial audits are not conducted
- If all or a portion of tuition is not collected, the provider records the amount as scholarships issued
- A related party provides legal and consulting services and authorizes payment to self; no documentation of these services is maintained

While we found the items noted above to be worthy of disclosure, requirements do not exist to prevent non-approved special education private providers from engaging in any of those activities.

Table 1 shows the distinctions between these types of private providers.

| Table 1. Distinctions Between Types of Private Providers | | | | |
|---|--|--|--|---|
| Located in CT? | Considered Provider of Special Education? | Meet or Maintain Requirements for SDE Approval? | If Not Located in CT, Approved by Home State? | Type of Private Provider |
| Yes | Yes | Yes | N/A | SDE Approved Private Special Education Providers (APSEPs) |
| SDE non-approved providers: | | | | |
| Yes | Yes | No | N/A | CT provider of special education program not approved by SDE |
| Yes | No | N/A | N/A | CT provider of transitional/vocational program certified as vendor by an agency other than SDE |
| No | Yes | N/A | Yes | Out-of-state provider approved by the home state and, therefore, recognized by SDE as having this out-of-state approval (reciprocity) |
| No | Yes | N/A | No | Out-of-state provider NOT approved by the home state and, therefore, NOT recognized by SDE (no reciprocity) |

Reporting

We gave each private provider and SDE an opportunity to comment on the audit findings and recommendations, and their responses are included within this report. In accordance with Section 10-91g (e), we will distribute this report to the school districts sending students to the private provider, the Commissioner of the State Department of Education, and the joint standing committee of the General Assembly having cognizance of matters relating to education. The audited private providers will also receive this report.

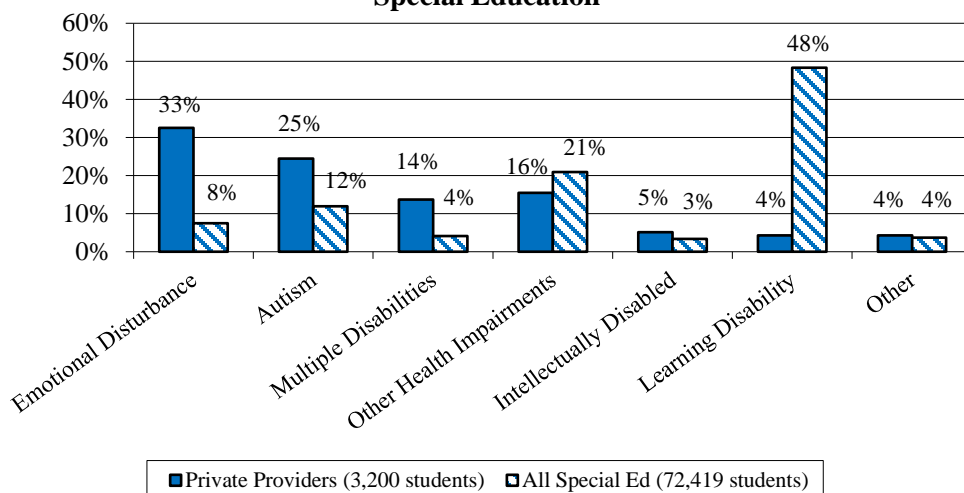
Overview of Private Providers of Special Education Services

Students Served

EdSight is a public portal for the State Department of Education containing data on students, educators, instruction, and performance. EdSight data indicated there were 520,131 Connecticut students in grades K-12 during the 2016-17 school year. Special education students totaled 72,419, which represents 13.9% of the student population. SDE approved or non-approved private special education providers educated approximately 3,200 of the 72,419 special education students (4.4% of the special education students and 0.6% of the total student population).

Figure 1 shows that a learning disability, which includes speech or language impairment, is the most prevalent disability amongst special education students in Connecticut. The 3,200 special education students educated by private providers, in contrast, are more likely to have primary disabilities of emotional disturbance or autism.

Figure 1. 2016-17 Comparison of Disability Type for All Special Education Students vs. Students Placed With Private Providers of Special Education



Private Provider Types

Table 2 provides details of student and provider counts by the type of private provider. We also include information regarding the 202 SDE non-approved private providers in this table. Table 2 shows that the majority of students (85.6%) attended programs at SDE-approved private providers. Although the data is as of Fall 2015, we do not expect significant changes from year to year.

| Table 2. Number of Providers and Students Per Category of Private Provider | | | | |
|---|-------------------------------|---------------------------------------|------------------------|----------------------------|
| Category (Data as of Fall 2015) | Total No. of Providers | No. of Providers with Students | No. of Students | Percent of Students |
| SDE-approved private providers of special education programs (APSEPs) | 68 | 66 | 2,738 | 85.6% |
| SDE non-approved providers of special education: | | | | |
| CT provider <i>not approved</i> by SDE as an APSEP | 10 | 10 | 76 | 2.3% |
| Provider of transitional/vocational program <i>certified as a vendor</i> by a state agency other than SDE | 92 | 40 | 236 | 7.4% |
| Out-of-state provider approved by the home state and, therefore, <i>recognized by SDE</i> | 94 | 41 | 140 | 4.4% |
| Out-of-state provider NOT approved by the home state and, therefore, <i>not recognized by SDE</i> | 6 | 5 | 10 | 0.3% |
| Subtotal | 202 | 96 | 462 | 14.4% |
| Total | 270 | 162 | 3,200 | 100% |

Tuition

Costs associated with services at each private provider vary, depending on the nature of services provided. The 6 audited private providers administered services to students with autism, emotional disturbances, and other disabilities. They serve populations from approximately 10 to 200 students. Table 3 summarizes SDE data for tuition days and costs at the 6 providers as of March 2017. We note that the data may not represent the total population at each private provider, as SDE only captures the data for high-expense students the school district sought excess cost grant reimbursement for. Students have varying service requirements that may reflect the range of tuition costs within each school.

| Table 3. Tuition for Students for excess Cost Grant Reimbursement Expected: March 2017 | | | |
|---|---------------------|---------------------|-------------------------------------|
| Private Providers | Tuition Days | Tuition Cost | Average Cost per Tuition Day |
| Easton Country Day School (Non-approved in state) | 573 | \$ 311,483 | \$544 |
| CT Children’s Medical Center School (APSEP) | 20,923 | 8,824,559 | 422 |
| Northwest Village\Wheeler Clinic (APSEP) | 31,140 | 12,819,760 | 412 |
| Bradley School – Westerly (Out-of-state, recognized by SDE) | 914 | 266,832 | 292 |
| CT Junior Republic (APSEP) | 7,807 | 2,026,420 | 260 |
| Special Education Support Services (Transitional) | 2,917 | 666,112 | 228 |

Confidential Information

Some of our reports and certain supporting documentation related to private provider audits may include student information that we must keep confidential in accordance with both the Federal Educational Records Privacy Act (FERPA) and Section 10-10a (e) of the General Statutes. As it relates to the audits, FERPA protects the privacy of student education records. Section 10-10a (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 workpapers 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. SDE reviewed this report for those purposes. For reports containing protected data, public distribution is prohibited.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Based on audits of 6 private special education providers, findings and associated recommendations are presented below for each of the 3 audit objectives. The following table presents which private providers we asked to respond to each recommendation and whether recommendations applied to the State Department of Education or the school districts. We did not request a response from the school districts since we were acting as their agent during the audited period.

| Rec. No. | Finding No. | SDE | Bradley School Westerly, RI | CCMC | CT Junior Republic | Northwest Village School/Wheeler Clinic | Special Education Support Services (Transitional Program) | Easton Country Day School | LEA |
|----------|-------------|-----|-----------------------------|------|--------------------|---|---|---------------------------|-----|
| 1 and 2 | 1 | * | * | * | * | * | * | * | |
| | 2 | * | * | * | * | * | | * | |
| | 3 | * | * | * | * | * | | * | |
| 3 | 4 | * | | | | | | | |
| | 5 | * | * | * | * | * | * | * | |

Allowable Costs Undefined and Contract Usage Inconsistent

Finding 1 – Allowable costs are not defined by statute, regulation, or policy. Therefore, it is not possible to make a clear determination whether providers expended state and local funds for types of costs considered acceptable.

The first audit objective was to determine whether state and local funds to provide special education and related services were spent for allowable costs. Connecticut does not define types of allowable costs for private special education providers; therefore, we could not determine whether providers expended state and local funds for allowable costs.

Our previous report on private providers noted that they are either structured as nonprofit organizations under Section 501(c)(3) of the Internal Revenue Code or for-profit organizations. These structures create different objectives, including whether they are motivated to provide services at a profit. All 6 private providers in this audit are nonprofit organizations. Without a clear definition of allowable types of costs, it is difficult to determine whether certain providers overcharged school districts.

Notably, federal guidelines state that the school district cannot weigh costs when considering services in student individualized education programs. While the legislature charged our office with reviewing allowable costs, the school district must pay for any tuition-based amount, even if it far exceeds the total costs associated with educating students.

Finding 2 – School districts and private providers did not enter into contracts for 58 of the 84 student records we reviewed (69%) at the 6 private providers. More specifically, there were no contracts for 44 of the 61 student records reviewed (72%) at the 3 approved private special education providers, 8 of the 8 student records reviewed (100%) at the non SDE-approved Connecticut provider, and 6 of the 8 student records reviewed (75%) at the SDE recognized out-of-state provider. The transitional school had contracts on file for all 7 of the student records reviewed.

Many of the contracts we reviewed lacked language detailing the private provider’s calculation of tuition and charges for related services. In lieu of contracts, school districts and private providers appeared to rely only on the student IEP and a rate letter sent to the school district by the private provider. The General Statutes and regulations only require a contract between school districts and private providers when the districts apply to the State Department of Education for excess cost grants. Beginning July 1, 2018, Public Act 18-183 requires any agreement or contract between a local or regional board of education and a private provider of special education services to include, at a minimum, an explanation of how the tuition or costs for services provided under the agreement or contract are to be calculated. Under the act, student IEPs are not considered a contract between a board of education and a private provider for purposes of applying for state excess cost grant funds.

Finding 3 – We did not find evidence that local school districts and providers executed statutorily-required contracts for 45 of 59 (76%) students whose local district applied to the State Department of Education for excess cost grants. More specifically, we could not find evidence that they executed statutorily-required contracts for 39 of 49 (80%) students whose local district applied to the State Department of Education for excess cost grants, 3 of 3 (100%) students attending the in-state provider not approved by SDE, and 3 of 5 (60%) students attending an out-of-state provider recognized by SDE. Contracts were in place for the 2 students attending the transitional school whose local district applied to the State Department of Education for excess cost grants.

There was no evidence that local school districts and providers executed contracts for 45 of 59 students, for which school districts applied to the State Department of Education for excess cost grants. Section 10-76d (d) of the Connecticut General Statutes requires a contract between a school district and a private provider for excess cost grant reimbursement for a special education student placed out of district. School districts may apply for these grants when the cost to educate a student exceeds the district’s basic contribution threshold by 4.5 times the net current expenditures per pupil (NCEP) and basic contributions, according to the Special Education Excess Cost Grant User Guide Version 1.2, dated 10/23/2017. Contracts are not required when school districts do not seek excess cost grant reimbursement.

In addition to requiring contracts for excess cost grants, sound business practice recommends that vendor contracts include specific language regarding the scope of services, including the contract term, cost of services, and specific provisions on how costs will be calculated, invoiced,

and paid. Contracts should also contain clear provider performance objectives and measurements. Payments for services should be linked to those objectives. Contracts should also address standard terms and conditions, entity-specific provisions such as insurance requirements, employee qualifications, and grounds for termination. The contract should be signed by both parties.

School districts applied for excess cost grant reimbursement for 59 of 84, or 70%, of students. Our office examined the records for the 59 students to locate contracts between private providers and the school districts. There is no evidence of executed contracts for 45 of these 59, or 76%, of students. We did find contracts in place for 12 of 25, or 48%, of students for whom the school districts filed no excess cost grant application (Table 4).

| Table 4. Evidence of Contracts and Excess Cost Grant Applications for 84 Students | | | | |
|--|------------|---|-----------|--------------|
| | | LEA applied for excess cost grant? | | Total |
| Contract found? | | Yes | No | |
| | Yes | 14 | 12 | 26 |
| | No | 45 | 13 | 58 |
| Total | | 59 | 25 | 84 |

Recommendation: The State Department of Education should define allowable types of costs for private providers of special education services. Legislative action may be necessary to accomplish this goal. **(See Recommendation 1.)**

Private Provider

Responses:

Bradley School (Westerly, RI) Response:

“Bradley School operates as 501(c) (3) organization and will comply with all Connecticut Department of Education requirements.”

Connecticut Children’s Medical Center School Response:

“CCMC School agrees with the recommendation that the SDE consider defining allowable costs for private providers as long as the wide range and variety of services that are often needed for our students are taken into consideration and included. CCMC School would not support this recommendation were it to lead to rate setting for the costs of these services as this may serve to place limits on the services that could be offered within those set rates and adversely affect our ability to appropriately serve the individual needs of our students.”

Connecticut Junior Republic Response:

“Our primary concern is that an unintended consequence may be that an IEP is not fully implemented to support student learning. Legislative language

should include safeguards and provisions for implementing services delineated in the student’s IEP to the fullest extent possible.

Please know that CJR is required to adhere to the State of Connecticut, OMP cost standards due to various state funding contracts, and we apply the same standards to all programs, regardless of their funding source, including our educational programs. In addition, our agency undergoes a full audit on an annual basis by an outside, independent firm.”

Easton Country Day School:

No response was provided.

Northwest Village School/Wheeler Clinic Response:

“It will be important for private providers to be fully involved in this process, as there are significant differences in the types of services offered in each program.”

Project Genesis Inc., Special Education Support Services Transitional Program Response:

“Project Genesis, Inc., Special Education Support Services (SESS) Program agrees with the recommendation that the State Department of Education define allowable costs for private providers of special education. The defining of this term should be done in collaboration with private providers, boards of education, and the State Department of Education to ensure an understanding of, among other things, the services provided to students and the costs associated therewith.”

SDE Response:

“We agree with this finding. Allowable cost can be defined as the supports and services that are documented within the student’s IEP. The PPT must determine the student’s individualized needs to access FAPE within the least restrictive environment. If the district is unable to implement the IEP as designed, the team must consider placement options. As identified in the Audit report, “federal guidelines state that the consideration of costs is not permitted by the school district when considering services in student individualized education programs (IEP).” As noted in the Audit Report, “Under the federal Individuals with Disabilities Education Act (IDEA), children with disabilities have an unconditional right to a free appropriate public education (FAPE). If a particular program or service is necessary to appropriately meet the special education needs of a student, then that service must be provided without regard to cost”. School districts should be contracting for services from vendors only after the PPT has determined what services/supports and accommodation are needed to provide FAPE.”

Recommendation: The State Department of Education should determine whether a contract is in place between the school district and private provider prior to providing the district with an excess cost grant. No legislative changes are needed at this time. **(Recommendation 2.)**

Private Provider

Responses:

Bradley School (Westerly, RI) Response:

“Bradley School will review, sign and return all contracts in a timely manner to each Connecticut school district.”

Connecticut Children’s Medical Center School Response:

“CCMC School has always attempted to receive contracts from its placing districts at the time of placement. In the past, if no contract was provided by the district, multiple written requests for such a contract were provided to the district throughout the school year, but did not always result in a contract being provided. Currently, when no contract is provided by the district by one month following the initial placement, our school is providing one for the district to sign that delineates all costs. It may be beneficial for the SDE to determine if districts have contracts in place prior to allocating ECS funds to that district, but as an out placement, our school has never been aware of which districts apply for ECS.”

Connecticut Junior Republic Response:

“We believe that there should be clarification as to which organization is responsible for providing the contract – the LEA or the private provider.”

Easton Country Day School:

No response was provided.

Northwest Village School/Wheeler Clinic Response:

“Wheeler concurs that it is important for contracts to be executed for services provided. In addition, Wheeler supports the use of a jointly developed, required and standardized state-wide contract to be used by all school districts to ensure continuity and consistency of expectations.”

Project Genesis, Inc., Special Education Support Services Transitional Program Response:

“Project Genesis, Inc., Special Education Support Services (SESS) Program consistently contracts with boards of education prior to providing special education and related services and will continue to do so in accordance with applicable state law and best practices.”

SDE Response: “We agree with this finding. Subsection (b) of Section 1 of Public Act 18-183 requires that on or after July 1, 2019, boards of education must enter into a written contract with the private provider of special education services in order to be eligible for reimbursement pursuant to section 10-76g for excess special education costs. To implement this new statutory requirement the SDE has modified its Special Education Excess Cost Data Collection system to include a required field for districts to indicate whether a contract is in place or not. Prior to submission the collection must be certified by the superintendent that it is accurate. In addition, on an annual basis the department will randomly choose several students whose districts are seeking reimbursement for and require the district to send the specific contract to the department for verification purposes.”

Payments to Private Providers of Special Education

The second audit objective was to determine whether state and local funds to provide special education and related services have been expended in accordance with the individualized education program for each child. We found that invoices matched the agreed-upon tuition amounts for 84 of 84 (100%) of the student records we reviewed. Students attending private special education facilities often receive related services (physical therapy, occupational therapy, speech and language pathology services, and counseling services) in addition to their academic education. We compared invoices and agreed-upon tuition amounts pertaining to the 84 students. The invoices matched the agreements in all cases.

Documentation Requirements Undefined

Finding 4 – Private providers often documented their services, but the thoroughness and consistency of the documentation varied by private provider.

The third audit objective was to determine whether documentation supporting the special education services administered by the private providers was present and adequately maintained. We found that private providers often documented provisions of supporting special education direct services; however, the thoroughness of documentation varied by provider. Documentation is one way to assess whether the private provider delivered the services specified in the IEP. Without documentation, we could not determine whether services were delivered.

Five of the 6 audited private providers (76 of the 84 students) offered related services when required by the students’ IEP. Easton Country Day School does not offer related services; however, 5 of the 8 student IEPs examined required them. For these students, outside parties provided related services. The students’ parents paid for these services, and they were reimbursed by the local school district (LEA). We did not review related services documentation for these students, because our office is acting as an agent of the LEA, which is responsible for maintaining this documentation. For the remaining 76 student records examined in this audit, we found evidence that the students received services specified in their IEP. Each private provider may administer a unique set of related services, including occupational therapy, physical therapy, and speech and

language pathology services. Private providers documented services offered to the students reviewed.

When related services were offered, the private providers we examined maintained detailed documentation of services delivered, including date, type of service, amount of time, and name of the student and related services provider. The most common reasons providers did not deliver IEP-required services to students are that the professional or student was absent or unavailable on the date of the scheduled service.

Finding 5 – There are no documentation standards for private special education providers in Connecticut.

Connecticut does not have documentation standards for private special education providers to follow. If local school districts had the ability to examine consistent private provider documentation of services, local boards could assess whether the private provider delivered the services specified in the student’s IEP. Connecticut statutes, regulations, and State Department of Education guidelines do not require documentation, or provide guidance or standards for private provider documentation of related services. We found private provider documentation typically included the date, type of service, duration of service, and names of the students and related service providers. The State of New York mandates documentation requirements for private providers in its *Reimbursable Cost Manual for Programs Receiving Funding* and the Education Law to Educate Students with Disabilities. The manual states, “Related service records must be maintained for each child and each service session, indicating the date, duration, nature and scope of service provided, with the name, license or certification number and signature of the related service provider.” Connecticut does not have a similar standard. Beginning July 1, 2018, Public Act 18-183 requires the State Department of Education to develop standards and a process for private providers of special education to document related services.

Recommendation: The State Department of Education should work with private special education providers to develop and implement documentation requirements in accordance with Public Act 18-183 of the General Statutes. No legislative changes are needed at this time. (See **Recommendation 3**.)

Private Provider

Responses:

Bradley School (Westerly, RI) Response:

“Bradley School values its relationship with the State of Connecticut Department of Education and looks forward to working with the state to develop and implement documentation requirements in accordance with Public Act 18-183 of the General Statutes.”

Connecticut Children’s Medical Center School Response:

“While documentation of student services can pose a burden on some providers that can take away from service time for students, CCMC School believes that documentation of services is important to ensure transparency to districts and parents about the services their students are receiving as well as to aid districts in applying for Medicaid reimbursement. Guidance from the SDE regarding how to handle the documentation of services missed due to student absences and student’s unavailable due to behavioral dysregulation or refusal of said services would be welcome.”

Connecticut Junior Republic Response:

No response was provided.

Easton Country Day School:

No response was provided.

Northwest Village School/Wheeler Clinic Response:

“Wheeler is in agreement regarding the importance of documentation of IEP mandated services provided.”

Project Genesis Inc., Special Education Support Services Transitional Program Response:

“Project Genesis, Inc., Special Education Support Services (SESS) Program agrees that the State Department of Education should work with private special education providers to develop and implement documentation requirements, in accordance with applicable state law.”

SDE Response:

“We agree with this finding. Effective July 1, 2018 Section 4 of Public Act 18-183 requires the Department of Education to develop standards and a process for the documentation of the provision of special education services by a private provider of special education services. These activities are underway and meetings have been scheduled with CASBO, CAPSEF, ConnCASE, and representatives from non-approved private special education facilities.”

RECOMMENDATIONS

The prior audit report on the audit of private providers included 4 recommendations, 3 of which were repeated during the current audit.

Status of Prior Audit Recommendations – Repeated:

- **The State Department of Education should consider defining allowable types of costs for private providers of special education services.** There is no definition of allowable types of costs for such services, and this condition is repeated within Recommendation 1.
- **The State Department of Education should determine whether a contract is in place between the school district and private provider prior to providing the district with an excess cost grant.** We found that not all private providers had appropriate contracts in place despite receiving excess cost grants. While Public Act 18-183 clarified the requirements, we continued to find a lack of contracts, which was not unexpected due to the timing of the legislation. Nevertheless, this is repeated as Recommendation 2.
- **The State Department of Education should consider working with private special education providers to develop and implement documentation requirements.** We found that information was not always documented fully. While Public Act 18-183 clarified the requirements, we continued to find inconsistent documentation, which was not unexpected due to the timing of the legislation. Nevertheless, this is repeated as Recommendation 3.

Status of Prior Audit Recommendations – Resolved:

- **The State Department of Education should improve communications with school districts and special education providers to clarify how they can provide and document direct and indirect service requirements contained in the individualized education program.** We found that none of the private providers within this audit included indirect costs with its direct cost calculation; therefore, this recommendation has been resolved.

Current Audit Recommendations:

- 1. The State Department of Education should define allowable types of costs for private providers of special education services. Legislative changes may be necessary to accomplish this goal.**

Comment:

Connecticut does not define allowable types of costs for private special education providers. Therefore, we could not determine whether private providers had expended state and local funds for allowable types of costs.

- 2. The State Department of Education should determine whether a contract is in place between the school district and private provider prior to providing the district with an excess cost grant. No legislative changes are needed at this time.**

Comment: This recommendation is addressed by adoption of Public Act 18-183.

There were no contracts between the school districts and private providers for 69% of the student records reviewed. There was no evidence that contracts were executed for 76% of students for which school districts applied to the State Department of Education for excess cost grants.

- 3. The State Department of Education should work with private special education providers to develop and implement documentation requirements. No legislative changes are needed at this time.**

Comment:

There is no established standard for private providers to use when documenting that they delivered special education services. The State Department of Education is required to establish uniform standards that meet the requirements outlined in PA 18-183 beginning July 1, 2018.

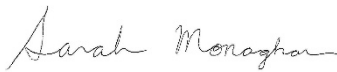
Acknowledgement

The Auditors of Public Accounts would like to recognize the auditors who contributed to this report:

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CONCLUSION

In conclusion, we wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the State Department of Education, school districts, and private special education providers during the course of our examination.



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Approved:



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APPENDIX

Our office surveyed the school districts that recently sent at least one student to a private provider included in this report. The purpose of surveying school districts about their experiences with the private providers is to (1) receive input from school district special education directors on their experiences with particular private providers, and (2) consider areas of focus within our audit for a private provider.

We included summaries of the survey responses within the next several pages. Only 3 private providers we reviewed are included, because the other schools had less than the required number of students to ensure confidentiality.

Summary of School District Surveys of Connecticut Children’s Medical Center School (CCMC)

According to State Department of Education records, 28 Connecticut public school districts recently sent at least one student to the Connecticut Children’s Medical Center School (CCMC). Each school district was contacted by email and asked to participate in a brief online survey about this private provider. The responses provided background information for the auditors examining the financial and student records of this private provider.

Survey Participants: A total of 18 of the 28 school districts contacted (64%) participated in this survey. The typical respondent was a Director of Special Education who had been in that position for at least 3-5 years.

Contract with Private Provider

- 50% of the 18 responding school districts had formal contracts with CCMC
 - 100% of these contracts always listed the cost of tuition
 - 50% of these contracts itemized costs related to services
 - 14% of these contracts had provisions to payment adjustments when students were absent for more than a certain number of days

Factors Contributing to Selection of this Private Provider

- The school district had a positive experience with students previously placed with this provider (72% of responding school districts)
- The private provider offered the right type and amount of services and supports for the student (72% of responding school districts)
- The parents wanted the student to be placed with this private provider (50% of responding school districts)
- The PPT agreed that this provider had the best program to serve the individual needs of the student (50% of responding school districts)

Satisfaction with Private Provider

- School districts *most satisfied* with: ease in communicating with the private provider (88% very satisfied/satisfied) and implementation of services specified in the IEP/contract (88% very satisfied/satisfied)
- School districts *most dissatisfied* with: provider implementation of assistive technology (17% somewhat dissatisfied), costs of any related services (13% dissatisfied) and cost of tuition (12% somewhat dissatisfied)

- School districts rated progress made by the student(s) placed with this provider as having exceeded (6%) or met expectations (88%). One school district was dissatisfied with progress made by their student(s)

Suggested Areas of Focus for Audit of this Private Provider

- The student data provided to support student progress towards goals and objectives
- Quality of IEP and standards outlined via the IEP Rubric and Educational Benefit
- Staff turnover, although not a concern at this time, but possibly something to monitor

Summary of School District Surveys of Connecticut Junior Republic (CJR)

According to State Department of Education records, 25 Connecticut public school districts recently sent at least one student to the Connecticut Junior Republic (CJR). Each school district was contacted by email and asked to participate in a brief online survey about this private provider. The responses provided background information for the auditors examining the financial and student records of this private provider.

Survey Participants: A total of 11 of the 25 school districts contacted (44%) participated in this survey. The typical respondent was a Director of Special Education who had been in that position for at least 1-2 years.

Contract with Private Provider

- 27% of the 11 responding school districts had formal contracts with CJR
 - 100% of these contracts always listed the cost of tuition
 - 0% of these contracts itemized costs related to services
 - 0% of these contracts had provisions to payment adjustments when students were absent for more than a certain number of days

Factors Contributing to Selection of this Private Provider

- The school district had a positive experience with students previously placed with this provider (80% of responding school districts)
- The private provider offered the right type and amount of services and supports for the student (80% of responding school districts)
- The private provider is in a convenient location for the family (50% of responding school districts)
- The PPT agreed that this provider had the best program to serve the individual needs of the student (70% of responding school districts)

Satisfaction with Private Provider

- School districts *most satisfied* with: ease in communicating with the private provider (100% very satisfied/satisfied) and reporting of critical incidents (100% very satisfied/satisfied)
- There was very little that school districts were *dissatisfied* with: cost of tuition (10% were somewhat dissatisfied) and costs of any related services (10% were somewhat dissatisfied)
- School districts rated progress made by the student(s) placed with this provider as having exceeded (6%) or met expectations (88%). One school district was dissatisfied with progress made by their student(s)

Suggested Areas of Focus for Audit of this Private Provider

- Tuition and related service cost for CJR and all other private providers

Summary of School District Surveys of Northwest Village School/Academy of Wheeler Clinic

According to State Department of Education records, 50 Connecticut public school districts recently sent at least one student to the Northwest Village School/The Academy of Wheeler Clinic. Each school district was contacted by email and asked to participate in a brief online survey about this private provider. The responses provided background information for the auditors examining the financial and student records of this private provider.

Survey Participants: A total of 33 of the 50 school districts contacted (66%) participated in this survey. The typical respondent was a Director of Special Education who had been in that position for at least 2 years.

Contract with Private Provider

- 42% of the 33 responding school districts had formal contracts with Northwest Village School/The Academy of Wheeler Clinic
 - 100% of these contracts always listed the cost of tuition
 - 67% of these contracts itemized costs related to services
 - 42% of these contracts had provisions to payment adjustments when students were absent for more than a certain number of days

Factors Contributing to Selection of this Private Provider

- The school district had a positive experience with students previously placed with this provider (54% of responding school districts)
- The private provider offered the right type and amount of services and supports for the student (52% of responding school districts)
- The PPT agreed that this provider had the best program to serve the individual needs of the student (48% of responding school districts)

Satisfaction with Private Provider

- School districts *most satisfied* with: accuracy of bills/invoices (79% very satisfied/satisfied) and implementation of assistive technology (76% very satisfied/satisfied)
- School districts *most dissatisfied* with: cost of tuition (20% somewhat dissatisfied/dissatisfied/very dissatisfied) and costs of any related services (13% somewhat dissatisfied/dissatisfied)

- School districts rated progress made by the student(s) placed with this provider as having exceeded (6%) or met expectations (84%). Dissatisfied school districts amended IEPs to increase services and supports needed by the students, conducted surprise visits to program, and/or transferred students to other private providers

Suggested Areas of Focus for Audit of this Private Provider

- Determine what is included in overall tuition fees and verify provider has initiated 1:1 instructional assistants for all/majority of their students – an expensive add-on.
- Examine reasonableness of fees charged for some related services
- Confirm service hours delivered match the service hours listed on the IEP