Auditor of State
Betty Montgomery

Billing Practices of Four Facilities Providing Mental Health Services to Children – A Pilot Review

The Rosemont Center, Inc.
The Buckeye Ranch, Inc.
Oesterlen Services for Youth, Inc.
Lighthouse Youth Services, Inc.

For the Period July 2004 – November 2005

Performed by the:

Fraud and Investigative Audit Group
Health Care and Contract Audit Section

Auditor of State
Betty Montgomery

August 25, 2006

Bob Taft, Governor, State of Ohio
Jon Husted, Speaker of the House of Representatives
Bill Harris, President of the Senate
Larry Flowers, Majority Leader, House of Representatives
Joyce Beatty, Minority Leader, House of Representatives
Randall Gardner, Majority Leader, Ohio Senate
C.J. Prentiss, Minority Leader, Ohio Senate

Re: Billing Practices of Four Facilities Providing Mental Health Services to Children – A Pilot Review

Dear Governor and Members of the Ohio Legislature:

Section 203.51 of House Bill 66 (enacted by the 126th General Assembly) required that the Auditor of State perform a billing practices pilot review of children's mental health residential facilities licensed by the Ohio Department of Mental Health (ODMH) and the Ohio Department of Job and Family Services (ODJFS). My office was directed to report on the results of the pilot review, and furnish copies to the Governor, the Speaker of the House of Representatives, the President of the Senate, and the majority and minority leaders of both legislative bodies.

In performing the pilot review, we analyzed the billing practices and cost reporting of four facilities that provide children's services and which rely on multiple funding streams to pay the costs of these services. A primary objective of the review was to determine if the facilities were reimbursed more than once for the same service and if systemic weaknesses in payment processes increased the risk of duplicate reimbursements. Because the review was a pilot and limited to selected transactions at four facilities, our results apply only to the transactions tested and should not be considered representative of all transactions at the facilities, or of all facilities providing mental health services to children.

The results of our review are summarized in the following Executive Summary and report. In short, we identified several instances of erroneous billing and cost reporting that could lead to duplicate payments, and we are making several recommendations that we believe will help state agencies reduce the risk of future errors. The results of our pilot review should also aid the Legislature in determining whether additional review work is warranted.

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

Copies of this report are also being provided to ODJFS, ODMH, the four facilities that were the subject of the pilot review, and other stakeholders. Copies are also available on the Auditor of State's website at www.auditor.state.oh.us. If you have questions regarding our results, or if we can be of further assistance, please contact Robert Hinkle, Chief Deputy Auditor, at (614) 728-7108.

Sincerely,

Betty Montgomery
Auditor of State

EXECUTIVE SUMMARY

In March 2004 the Cincinnati Enquirer ran a series of articles detailing issues regarding delivery of services to children with mental illness. One article discussed a concern that money could be wasted or misspent due to the complexity of the service delivery system and the potential for tapping multiple revenue sources. Another article cited a case in Montgomery County where Medicaid and the county juvenile court may have paid a provider for the same services. Discussions with legislative staff regarding billings for mental health services to children led to a requirement in House Bill 66 that the Auditor of State perform a pilot billing practices review and report the results to state leaders.

To understand the billing and payment processes and identify areas at risk for duplicate billing, we analyzed statewide payment data and met with representatives from the Ohio Department of Job and Family Services (ODJFS); the Ohio Department of Mental Health (ODMH); the Franklin County Children Services Agency; the Franklin County Alcohol, Drug and Mental Health Board; the Clark County Mental Health & Recovery Board of Clark, Greene and Madison Counties; the Montgomery County Alcohol, Drug Addiction, and Mental Health Services Board; and the Montgomery County Juvenile Court. During SFY 05, ODJFS reimbursed county public children services agencies $79,830,291 for 21,804 Title IV-E eligible children placed in foster homes, residential centers, group homes, or residential parenting facilities. During this same period, ODMH reimbursed local Alcohol, Drug Addiction and Mental Health boards $456,370,920 for 216,845 Medicaid eligible children that received mental health services in an outpatient or residential setting.

We also analyzed the cost reporting and billing practices of four mental health service providers: the Rosemont Center in Franklin County, the Buckeye Ranch in Franklin County, Oesterlen Services for Youth in Clark County, and Lighthouse Youth Services in Montgomery County. Collectively, these four providers received approximately $6.5 million in Medicaid revenues and $9.2 million for residential placement services during SFY 05. The period of the review encompassed services paid between July 1, 2004 and November 30, 2005.

The criteria used to select the four facilities focused on facilities that were licensed by ODJFS to provide Title IV-E (foster care) services and/or ODMH to provide mental health services to children under the Medicaid program. Our selection criteria also focused on facilities with multiple funding streams including, but not limited to Title IV-E funds for room and board of residential clients, Medicaid funds for mental health treatment, state funds for educational services, federal grants for specific programs, Temporary Assistance for Needy Families, and private contributions and grants. Finally, one facility (Lighthouse Youth Services) was selected because of the 2004 news report that a facility in Montgomery County may have received duplicate reimbursements. That facility (Partnership for Youth) is no longer in operation, but Lighthouse Youth Services now provides many of the same services. Thus, our objective in selecting Lighthouse was to determine whether the circumstances leading to duplicate payments might still exist.

At each of the four facilities we visited, we reviewed data used to prepare facility cost reports, billing records for five to 10 children who received services funded by multiple programs, and patient records associated with the billed services. Our objective was to determine whether public funds were appropriately billed and reimbursed. Additionally, we attempted to determine if any systemic weaknesses existed in the billing and payment structures of these facilities that might increase the risk of duplicate billing or erroneous cost reporting. Finally, we considered whether we should recommend to the Legislature any additional reviews of children's facilities based on our findings. Because the review was a pilot and limited to selected transactions at four facilities, our results apply only to the transactions tested and should not be considered representative of all transactions at the facilities, or of all facilities providing mental health services to children.

Pilot Review Results

We identified several instances of erroneous billing and cost reporting, and we are making recommendations that we believe will help state agencies reduce the risk of future errors. The results of our pilot review should also aid the Legislature in determining whether additional review work is warranted. Our recommendations and the conditions leading to the recommendations are summarized below and discussed in more detail in the Results section of the report and the accompanying appendices.

Audit Procedures Lack Adequate Checks for Erroneous Salary Cost Reporting

Facilities that receive Title IV-E funding and provide Medicaid mental health services complete the JFS 02911 Cost Report for use in determining reimbursement rates. Payments for services may be inflated if the same costs are used in calculating Title IV-E and Medicaid reimbursements. Our pilot review identified two facilities – the Rosemont Center and Buckeye Ranch – that erroneously included $30,558 in salary costs in worksheets used to calculate Title IV-E reimbursement ceilings for room and board, while billing for mental health services under Medicaid for these same employees. We are recommending that ODJFS and ODMH adopt additional audit procedures to test for erroneous salary cost reporting.

ODMH Audit Procedures Provide Less Coverage and Scope than ODJFS Procedures

Facilities that receive only Medicaid funding to provide Medicaid mental health services complete an ODMH FIS 047 Cost Report to determine reimbursement rates. These facilities must also have their cost report audited by an independent auditor. Performing audit procedures without sufficient coverage and scope could cause payments for services to be inflated if unallowable costs are used in calculating Medicaid reimbursements. Our comparison of audit procedures developed by ODMH to audit the ODMH FIS 047 and those developed by ODJFS to audit the JFS 02911 identified less coverage by the ODMH procedures in the areas of planning, cash disbursement testing, revenue testing, payroll testing, and fixed asset testing. We also found ODJFS utilizes an internal desk review process to review cost reports. We are recommending ODMH consider adopting some of ODJFS' processes when setting Medicaid reimbursement rates, including (1) the additional procedures used by independent auditors and (2) the internal desk reviews.

Costs May Be Overstated When Not Offset by Other Fund Sources

Under OMB Circular A-122 guidelines, a facility completing a cost report to determine a reimbursement rate or federal ceiling must offset its program costs with any receipts that reduce the overall cost of the program. Program costs that are not offset by these receipts (e.g. insurance refunds) can inflate Title IV-E reimbursement ceilings or Medicaid reimbursement rates, leading to overpayments. Our pilot review identified two facilities – the Rosemont Center and Oesterlen Services for Youth -- that expended restricted contributions or local grant funds to pay building and program costs. However, the facilities did not reduce costs shown on their cost reports by the amount of restricted contributions or local grants. ODJFS provided correspondence with the U.S. Department of Health and Human Services (HHS) that indicated facilities were not required to offset program costs with state or local grant expenditures. In light of the OMB guidance, however, we are recommending that ODJFS and ODMH revisit this issue with HHS to determine if expenses paid in part by restricted contributions or local grants should be included on cost reports when setting federal reimbursement rate ceilings or service reimbursement rates.

Not All Claims are Considered During Medicaid Compliance Reviews

ODMH relies on local Alcohol, Drug Addiction and Mental Health Service (ADAMHS) Boards to conduct compliance reviews of facilities' Medicaid mental health service claims. The purpose of these compliance reviews is to identify areas of noncompliance, including duplicate claims and claims that lack supporting documentation. Our pilot review determined that the scope and coverage of compliance reviews is limited to claims for facility residents of the county(s) governed by the local board. Limiting compliance reviews to residents of a particular county results in less audit coverage of facilities that provide more services to out-of-county youth. For example, only 55 percent of Medicaid claims at Oesterlen Services for Youth were being tested because the balance of the claims were for services to children from other counties. We are recommending ODMH develop procedures to ensure better audit coverage of facility reimbursement claims when performing Medicaid compliance reviews. ODMH officials told us they are aware of this issue and are working on a solution.

State Block Grant Lacked Proper Monitoring

During state fiscal year (SFY) 2005, Lighthouse Youth Services received a $50,000 Block Grant from the Ohio Department of Youth Services (ODYS). Lighthouse officials told us $12,499 of the grant was allocated to the Lighthouse facility in Dayton because of its Day Treatment services to six ODYS clients. Lighthouse officials further stated the funds were unrestricted and intended to cover general operating support, not the placement costs for the six clients. During this same period, Lighthouse also billed for $2,560 in day treatment services for one of the six clients under its contract with the Montgomery County Juvenile Court. However, Lighthouse's financial records were not specific enough to show how the grant funds were spent, including whether or not grant funds covered services reimbursed by the Juvenile Court.

Ohio Admin.Code 5139:67-02 (H) requires juvenile courts to monitor grant-funded programs for compliance, which would include some placements at residential facilities. However, no specific monitoring requirement existed for ODYS to monitor the block grant given directly to Lighthouse. To protect against duplicate reimbursements, we are recommending that ODYS and the juvenile court work together to develop a monitoring plan to ensure services are provided and proper payments are made. The Deputy Director of Finance and Planning at ODYS responded that it is exploring the possibility of handling the issue by incorporating language into the existing contract with Lighthouse for other ODYS services. In addition, he added ODYS intends to work more closely with the Montgomery County Juvenile Court on monitoring of ODYS funding.

- - - - - - - - - - - -

A draft of this report was shared with the Rosemont Center; the Buckeye Ranch; Oesterlen Services for Youth; Lighthouse Youth Services; ODJFS; ODMH; ODYS; the Franklin County Alcohol, Drug and Mental Health Board; the Clark County Mental Health & Recovery Board of Clark, Greene and Madison Counties; the Montgomery County Alcohol, Drug Addiction, and Mental Health Services Board; and the Montgomery County Juvenile Court. Comments received from these stakeholders have been incorporated into this report where appropriate.

TABLE OF CONTENTS

ACRONYMS

ADAMH	Alcohol, Drug Addiction and Mental Health
ADAMHS	Alcohol, Drug Addiction and Mental Health Services
DHHS	Department of Health and Human Services
FACSIS	Family and Children's Services Information System
HCCA	Health Care and Contract Audit Section
HCPCS	Healthcare Common Procedural Coding System
MACSIS	Multi-Agency Community Services Information System
ODADAS	Ohio Department of Alcohol and Drug Addiction Services
ODH	Ohio Department of Health
ODJFS	Ohio Department of Job and Family Services
ODMH	Ohio Department of Mental Health
ODMRDD	Ohio Department of Mental Retardation and Developmental Disabilities
ODYS	Ohio Department of Youth Services
Ohio Adm.Code	Ohio Administrative Code
Ohio Rev.Code	Ohio Revised Code

INTRODUCTION

In March of 2004, the *Cincinnati Enquirer* ran a series of articles detailing issues regarding delivery of services to children with mental illness. One article expressed concern that money could be wasted or misspent because of the complexity of the service delivery system and the potential for tapping multiple revenue sources. Another article cited a case in Montgomery County where Medicaid and the county juvenile court may have paid a provider twice for the same services.

Concerned about issues raised by the articles, Ohio's senators sent a letter (dated March 25, 2004) to the Auditor of State requesting financial audits of the residential treatment centers that serve Ohio's children. Moreover, the letter echoed concerns expressed in the Enquirer articles about an apparent lack of coordination amongst the state and local agencies that serve these children and the commensurate risk of billing abuses.

Preliminary work performed by Auditor of State staff indicated that the multiple funding streams used to pay for children's services at residential facilities might in fact raise the risk of billing abuses, including duplicate payments for services. Further discussions of these risks with legislative staff thus led to a requirement in Section 203.51 of House Bill 66 (enacted by the 126th General Assembly) that the Auditor of State perform a pilot billing practices review and report the results to state leaders. The following report, which entailed a review of billing practices and cost reporting by four child serving facilities, is intended to meet this requirement.

BACKGROUND

Mental health services may be provided to children on an outpatient basis or in a residential setting. Children may be placed in a residential facility when they have either behavioral problems stemming from abuse, neglect, addiction or mental illness or have committed a crime. Ohio licenses many different kinds of residential facilities for short term or extended stays, including foster homes, hospitals, youth prisons, detention halls, nursing homes, kinship homes, therapeutic foster homes, and intermediate care facilities. Several state agencies license residential facilities: the Ohio Department of Health (ODH); the Ohio Department of Job and Family Services (ODJFS); the Ohio Department of Mental Health (ODMH); and the Ohio Department of Mental Retardation and Developmental Disabilities (ODMRDD). Each has different licensing requirements. The Ohio Department of Alcohol and Drug Addiction Services (ODADAS) also certifies some treatment programs. Finally, the Ohio Department of Youth Services (ODYS) also provides funds to juvenile courts, which may use these funds to place children into residential facilities.

The Role of ODJFS

ODJFS acts as the single state agency responsible for administering federal payments for foster care (including children's residential facilities) and adoption assistance made pursuant to Title IV-E of the Social Security Act. ODJFS uses Title IV-E monies to subsidize the cost of room and board for children placed at a residential facility.

Licensing

ODJFS licenses three main types of residential facilities: "group homes" for up to 10 children; "children's residential centers" for 11 or more children; and "residential parenting facilities" for teen mothers. Residential facilities are licensed in accordance with the rules found in Section 5101:2-9 of the Ohio Administrative Code.

In addition to licensing residential facilities and establishing cost reporting requirements, ODJFS conducts agreed upon procedures audits of each County public children's services agency (PCSA) every one to three years, based on county size (metro, suburban, or rural), and requires residential facilities to receive a financial audit every two years upon re-licensure.

Role of PCSAs

Each of Ohio's 88 counties has established a PCSA to be responsible for child welfare. The activities of a PCSA includes investigating allegations of abuse, neglect, or dependency; determining eligibility for IV-E assistance, establishing placement agreements; finding family foster homes or residential placements, within or outside the county; monitoring the status of the child, and processing reimbursement claims for Title IV-E services.

Billing Process

Once licensed, a residential facility may enter into a contract with PCSAs to set reimbursement rates for placing children in their care and outlining the services to be provided. The residential facility then submits monthly invoices to the PCSA for each child's room and board. The PCSA pays the residential facility and reports the payment to ODJFS. ODJFS then submits reimbursement requests for IV-E claims to the federal government. Finally, ODJFS pays the PCSAs the federal share for Title IV-E eligible and reimbursable children.

Statewide during SFY 05, ODJFS reimbursed county public children's services agency (PCSA) $79,830,291 for 21,804 Title IV-E eligible children placed in foster homes, residential centers, group homes, or residential parenting facilities. Payments to residential, group home, and residential parenting facilities accounted for $23,387,646 of the total and were for services to 3,604 children.

Role of Title IV-E Juvenile Courts

In 24 counties, juvenile courts have contracted with ODJFS to perform the functions of a PCSA, including placement of children. The courts typically rely on the PCSA to process reimbursement claims for Title IV-E costs. Juvenile courts may also receive RECLAIM Ohio and Youth Service grant funds from ODYS to fund placement of children.

RECLAIM (Reasonable and Equity Community and Local Alternatives to the Incarceration of Minors) Ohio is a funding initiative that encourages juvenile courts to develop or purchase a range of community-based options to meet the needs of each juvenile offender or at-risk youth. By diverting youth from ODYS institutions, courts have the opportunity to increase the funds

available locally through RECLAIM Ohio. The funds received through RECLAIM Ohio and Youth Services grants can be used for a vast array of treatment, intervention, diversion and prevention programs. Examples of such programs include day treatment, alternative schools, intensive probation, electronic monitoring, and residential treatment.

Cost Reporting

ODJFS uses cost reports filed by residential facilities as the starting point in setting Title IV-E ceilings for daily room and board rates. Each county then negotiates with facilities to set an actual room and board rate. The IV-E ceiling is used by PCSAs to limit the contractual rate of service set for each residential facility. To help reduce the risk of duplicate cost reporting, ODJFS has worked with ODMH and ODADAS to develop a single cost report for those residential facilities receiving IV-E and Medicaid funding.

Residential facilities wanting to receive Title IV-E reimbursement are required to submit an annual cost report to ODJFS, which is used to set their maximum allowable IV-E reimbursement ceiling. Starting with SFY 2004, ODJFS required residential facilities to begin using the JFS 02911 single cost report, which requires reporting 100% of a facility's operational costs, including costs for Title IV-E, mental health, and alcohol and drug services, as well as any other program costs. Starting with SFY 2006 cost reports filed by facilities receiving both Title IV-E and Medicaid, the JFS 02911 Cost Report will also be used to set reimbursement rates for mental health services. When completing their cost reports, private organizations, including residential facilities, must follow the cost principles defined in OMB Circular A-122 (Cost Principles for Not-for-Profit Organizations) and state guidelines in Ohio Admin.Code 5101:2-47-26.1 and Ohio Admin.Code 5101:2-47-26.2. In addition, all residential facilities must have an annual agreed upon procedures engagement conducted on its cost report.

The Role of ODMH

The Ohio Department of Mental Health (ODMH), acting as a subrecipient of Medicaid funds flowing through ODJFS, administers Medicaid expenditures for mental health services, including mental health services provided to children. ODMH in turn, oversees 50 county-level Alcohol, Drug Addiction and Mental Health Services (ADAMHS) boards that issue payments directly to providers of mental health services, including residential facilities.

Licensing

ODMH residential facilities are licensed and operated in accordance with the rules found in Section 5122-30 of the Ohio Administrative Code. ODMH licenses three main types of residential facilities:

- Type 1 facilities provide room and board and personal care services, to one or more adults with mental illnesses or severe mental disabilities, or children and adolescents with a serious emotional disturbance or in need of mental health services who have been referred by or are receiving mental health services from a hospital, mental health agency, or practitioner.

- Type 2 facilities provide room and board and personal care services, to one or two adults with mental illnesses or severe mental disabilities, or children and adolescents with a serious emotional disturbance, who have been referred by or are receiving mental health services from a hospital, mental health agency, or practitioner.
- Type 3 facilities provide room and board to five or more adults with mental illness or severe disabilities who have been referred by or are receiving mental health services from a hospital, mental health agency, or practitioner.

According to ODMH, Type 1 facilities are most likely to rely on multiple funding sources. As of November 2005, ODMH had 55 Type 1 residential facilities operated by private organizations.

ODMH Oversight

Under an interagency agreement with ODJFS, ODMH has the following responsibilities:

- Process and forward claims paid by local ADAMHS boards to ODJFS for reimbursement of the federal share;
- Ensure Medicaid unit reimbursement rates are determined in accordance with Ohio Admin. Code 5101: 3-27; and
- Ensure reimbursements are reconciled to actual costs; and
- Monitor ADAMHS board compliance with established requirements.

Role of ADAMHS Boards

County ADAMHS boards act as local mental health authorities: funding, planning, monitoring and purchasing services provided by private agencies and the behavioral healthcare organizations operated by ODMH. Under ODMH's interagency agreement with ODJFS, local ADAMHS boards contract with providers of mental health services through a standardized community mental health agreement. These mental health providers offer community mental health services such as mental health assessment, behavioral counseling, partial hospitalization, pharmacologic management, and crisis intervention mental health services, and community psychiatric supportive treatment.

With regard to financial accountability and oversight, the interagency agreement requires community mental health service providers, including residential facilities, to:

- Receive an independent audit each year;
- Submit annual cost reports documenting actual expenses to the ADAMHS board for review and reconciliation against the amount reimbursed based upon fee for service prospective rates; and
- Undergo an annual review by the local ADAMHS board to test for compliance violations.

Billing Process

Licensed residential facilities under contract to provide mental health services and/or alcohol and drug addiction services submit Medicaid reimbursement claims to the local ADAMHS board on

a weekly, bi-weekly, or monthly basis. The ADAMHS board then enters claims into the Multi-Agency Community Services Information System (MACSIS) for processing and payment. MACSIS has data integrity controls and will not accept a duplicate claim for a client on the same day and for the same service. ODMH transfers claims accepted by MACSIS to ODJFS. ODJFS submits a request for federal share reimbursement (currently about 60 percent), which is then passed back to ODMH and distributed to the local ADAMHS Boards.

Statewide during SFY 05, ODMH reimbursed local Alcohol, Drug Addiction and Mental Health (ADAMH) boards $456,370,920 for 216,845 Medicaid eligible children that received mental health services in an outpatient or residential setting. Of these totals, Medicaid payments to residential facilities totaled $286,991,631 for 137,165 Medicaid eligible children who were either placed in a residential setting or received outpatient mental health services while at a residential facility.

Cost Reporting

Prior to SFY 2006, residential facilities and other mental health providers that received Medicaid funding were required to submit budgeted uniform cost reports (BUCR), also known as the DMH FIS 047 report, to their local ADAMHS boards. The budgeted costs were used to set unit costs for each mental health service performed subject to a Medicaid ceiling rates as defined under Ohio Admin. Code Section 5101:3-27-05. Subsequently, ODMH reconciled budgeted costs with actual costs to determine if a Medicaid overpayment or underpayment occurred. Starting with SFY 2006 cost reports, ODMH will use the JFS 02911 Cost Report to set Medicaid rates for facilities that also receive IV-E funds.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor of State performed a billing practices pilot review mandated by the Ohio General Assembly in House Bill 66. To complete the pilot review, we analyzed the cost reporting and billing practices of the following mental health providers: the Rosemont Center, the Buckeye Ranch, Oesterlen Services for Youth, and Lighthouse Youth Services. The first three facilities provide both residential and outpatient mental health services to children, while the last facility (Lighthouse) provides outpatient services only. The period of the review encompassed July 1, 2004 through November 30, 2005. Our objective was to review and analyze each facility's cost reporting, billing history, and service documentation to ensure appropriate use of public funds. Additionally, we attempted to determine if any systemic weaknesses existed in the billing and payment structures of these facilities that might increase the risk of duplicate billing or erroneous cost reporting.

As a starting point, we obtained (1) all Medicaid claims for mental health services paid by ODMH during SFY 05 (July 1, 2004 through June 30, 2005), (2) a list of Type I residential facilities licensed by ODMH to provide mental health services, and (3) a list of facilities licensed by ODJFS to provide residential services and receive Title IV-E reimbursements. We also reviewed those parts of the Ohio Administrative Code that specify the administrative requirements for residential facilities.

The criteria used to select the four facilities focused on facilities that were licensed by ODJFS to provide Title IV-E (residential) services and/or ODMH to provide mental health services to children under the Medicaid program. We also focused on facilities with multiple funding streams including, but not limited to Title IV-E funds for room and board of residential clients, Medicaid funds for mental health treatment, state funds for educational services, federal grants for specific programs, Temporary Assistance for Needy Families, and private contributions and grants. Finally, one facility (Lighthouse Youth Services) was selected because original news reports discussed a facility in Montgomery County that received duplicate reimbursements from a juvenile court. Our follow up with the Montgomery County ADAMHS Board determined that the facility (Partnership for Youth) had received Medicaid and ODYS reimbursements for the same outpatient services. Partnership for Youth is no longer in operation. However, to determine whether the circumstances leading to the overpayment might still exist, we selected another Montgomery County provider (Lighthouse Youth Services) that now provides these services.

To understand the billing and payment processes and identify areas at risk for duplicate billing, we met with representatives from ODJFS; ODMH; the Franklin County Children Services Agency; the Franklin County Alcohol, Drug Addiction and Mental Health Board; the Clark County Mental Health & Recovery Board of Clark, Greene and Madison Counties; the Montgomery County Alcohol, Drug Addiction, and Mental Health Services Board; and the Montgomery County Juvenile Court.

For each facility, we obtained a description of mental health services provided by the facility, the facility's Medicaid paid claims history for SFY 05, any reimbursements for Title IV-E room and board placements, the facility's SFY 05 cost reports (the JFS 02911 and Medicaid cost reports), a list of children receiving services, copies of prior audit reports concerning the facility, revenue ledgers, and contracts with county agencies for the delivery of services.

We developed our own procedures to review each facility's billing practices. In general at each facility, we reviewed one month's billings for five to 10 children who resided at and/or received services from the facility during SFY 05. We chose the children judgmentally, giving weight to children who had a higher than average number of bills submitted during the service month tested and who received services paid by multiple funding sources. When reviewing the payment claims, we attempted to determine if mental health services and residential room and board claims were paid in accordance with the authorized rates and reimbursement rules specified by the Ohio Administrative Code. (Appendices 1 through 4 describe the specific procedures used at each facility.) To determine if duplicate billings occurred, we tested for time overlaps when billing for separate services, and the same service being paid by two or more funding sources,

We also reviewed each facility's cost report data for SFY 05. Our primary objective was to test whether or not a facility included costs on a cost report that had been previously reimbursed as a treatment service. Including inappropriate salary costs on a Title IV-E cost report, for example, could inflate costs used to determine room and board rates when those salary costs had already been billed and reimbursed as a mental health treatment. We also reviewed supporting

documentation to determine whether federal revenues were offset against cost report expenses as required by OMB Circular A-122, Cost Principles for Not-for-Profit Organizations.

The scope of our pilot review was limited by the following:

- Our results apply only to the transactions tested and should not be considered representative of all payments for services at the selected facilities, or of all facilities providing mental health services to children.

- Testing was limited to facilities that were licensed by ODMH to provide Medicaid mental health services to children and/or licensed by ODJFS to provided Title IV-E services to children. Thus excluded, for example, were facilities licensed by the Ohio Department of Health and the Ohio Department of Mental Retardation and Developmental Disability. Also excluded were facilities that provide only alcohol and drug addiction services (administered by ODADAS) and facilities such as juvenile detention facilities funded by the Ohio Department of Youth Services through the juvenile court system. Funding streams other than ODMH Medicaid and ODJFS Title IV-E were considered only when they were part of the basket of services provided to children reviewed at the four ODMH- and ODJFS-licensed facilities.

Our pilot review was performed between January 2006 and June 2006. More specific information regarding the procedures performed at each facility is included in the Appendices.

RESULTS

We identified several instances of erroneous billing and cost reporting, and we are making recommendations that we believe will help state agencies reduce the risk of future errors. The results of our pilot review should also aid the Legislature in determining whether additional review work is warranted. The results of our pilot review are as follows. Additional results specific to the facilities we reviewed are shown in Appendices 1 through 4.

Audit Procedures Lack Adequate Checks for Erroneous Salary Cost Reporting

OMB Circular A-122, Attachment A, Section (4)(a) requires a cost to be allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. Therefore, expenditures should be properly allocated on the cost report between Title IV-E services and mental health services to ensure unallocable costs are not used to set a unit cost rate.

We reviewed payroll supporting documentation of employees charged to the IV-E residential cost worksheets for the three residential facilities we tested (Lighthouse-Dayton is not a residential facility and thus did not receive room and board reimbursements.) to determine if salaries were appropriately allocated. We then compared all employees charged to the IV-E cost report to employees providing mental health services that were reimbursed by Medicaid. For those employees whose hours were allocated to both IV-E and mental health services, we

reviewed the allocation for the SFY 05 cost period to determine whether any erroneous salary cost reporting had occurred. We identified instances of erroneous salary cost reporting at two of the four facilities we visited -- Rosemont Center and the Buckeye Ranch erroneously included $30,558 in salary costs in worksheets used to calculate Title IV-E reimbursement ceilings for room and board while billing for mental health services under Medicaid for these same employees.

At the Rosemont Center, full time hours for four employees were charged to residential programs on the IV-E cost report although the facility also billed 0.75 full time equivalent units of their time for mental health services. This amounted to $27,210 out of $1,372,282 in residential salary costs inappropriately costed on the JFS 02911 Cost Report to residential programs in lieu of mental health programs.

At the Buckeye Ranch, full time hours for four employees were charged to residential programs on the IV-E cost report although the facility also billed 0.13 full time equivalent units of their time for mental health services. This amounted to $2,948 out of $3,486,063 in residential salary costs inappropriately costed on the JFS 02911 Cost Report to residential programs in lieu of mental health programs.

Procedures[1] used to audit ODMH and ODJFS cost reports include tests for duplicate salary cost reporting, but we question whether they are sufficient given the issues we identified at two of four facilities. The JFS 02911 procedures rely on job descriptions to determine whether costs are properly allocated, rather than billable hour reports to determine whether duplicate salary cost reporting actually occurred. In the case of the Rosemont Center, facility job descriptions did not reflect the percent of hours dedicated to mental health billable activity. ODMH agreed upon procedures do not specify how to determine whether salaries are properly allocated.

Recommendation

We recommend ODJFS and ODMH change their agreed upon procedures to add audit steps requiring that independent auditors (1) identify those employees performing mental health services and alcohol and drug addiction services and the hours charged for these services, and (2) compare this information with salary costs reported on program specific worksheets used to prepare cost reports. The purpose of this comparison should be to ensure the accuracy of the allocated salaries to the benefit received.

ODMH Audit Procedures Provide Less Coverage and Scope than ODJFS Procedures

In addition to the changes in agreed upon procedures recommended above, we believe other changes to agreed upon procedures used by independent auditors to audit ODMH FIS 047 Cost

1 Agreed upon audit procedures for the JFS 02911 Cost Report are specified in Appendix A of Ohio Admin.Code 5101:2-47-26.2 (A). Newly codified agreed upon audit procedures for the ODMH FIS 047 Actual Uniform cost reports (AUCR) are specified in Appendix A of Ohio Admin. Code 5122-26-191.

Reports are warranted to bring them into conformance with those used on the JFS 02911 Cost Reports and Government Auditing Standards.

Newly codified rules under Ohio Admin.Code 5122-26-191 (B) require agreed upon procedures audits of ODMH FIS 047 Actual Uniform Cost Reports (AUCR) starting with SFY 06. Appendix A of this rule established specific agreed upon procedures to be completed by independent public accounting firms that differ from the agreed upon procedures performed for the JFS 02911 Multi-Agency Cost Report. If a mental health provider already completes a JFS 02911 Cost Report under Ohio Admin.Code 5101:2-47-26.2, it does not have to complete an AUCR. ODMH uses cost information contained in whichever cost report is required to set the unit rates it pays for mental health services.

Government Auditing Standards, promulgated by the U.S. Governmental Accountability Office, state in part: Attestation engagements require some planning activities which include review of prior audits, obtaining an understanding of internal controls, and auditors should apply procedures specifically directed to ascertain whether violations of provisions of contracts or grant agreements, and if indications of fraud, illegal acts, violations of provisions of contracts or grant agreements, has occurred and the effect on the subject matter.

The agreed upon procedures of the JFS 02911 Multi-Agency Cost Report cover the following areas:

- Planning;
- Cost Report Reconciliation;
- Cash Disbursements;
- Payroll;
- Fixed Assets;
- Statistics; and
- Wrap-up.

The AUCR agreed upon procedures cover fewer areas than the JFS 02911 Cost Report agreed upon procedures. Specifically, the AUCR procedures lack the following significant procedures:

- Planning activities including, review of the minutes, related parties, contracts, and obtaining an understanding of the cash disbursement cycle;
- Cash disbursement tests including, scanning for related party expenses, and sample testing of petty cash;
- Revenue tests to ensure federal revenues are deducted from costs that are otherwise reported on the costs report;
- Payroll tests, such as review of terminated employees, and fringe benefit testing; or
- Fixed Asset testing.

Our comparison of audit procedures developed by ODMH to audit the ODMH FIS 047 and those developed by ODJFS to audit the JFS 02911 identified less scope and coverage by the ODMH procedures in the areas of planning, cash disbursement testing, revenue testing, payroll testing, and fixed asset testing. The lesser scope and coverage at facilities which receive only Medicaid

funding could result in unallowable costs setting the reimbursement rates for mental health services. For example, although AUCR agreed upon procedures include the review of prior audits, they do not seek to obtain an understanding of the cash disbursement cycle or identify high risk areas like related party and petty cash. These areas could go untested and result in unallowable costs inflating the reimbursement rate.

Another area in which ODMH might benefit from ODJFS processes are the in-house desk reviews ODJFS performs when establishing its ceiling rates for Title IV-E funding. These desk reviews include steps to conduct a final review of the facility's cost report, the agreed upon procedures report prepared by the independent auditor, and the audited financial statements to identify unallowable costs or inaccurate reporting. As ODMH implements the new rules in Ohio Admin.Code 5122-26-191 (B), it may wish to consider adopting similar desk reviews when setting unit rates for mental health services.

Recommendations

We recommend ODMH consider adding appropriate agreed upon procedures employed by ODJFS to Appendix A of Ohio Admin.Code 5122-26-191 (B), which defines the procedures used by independent auditors to examine Medicaid mental health service cost data. We also recommend that ODMH consider developing and adopting a desk review process to ensure costs on the AUCRs and Medicaid section of the JFS 02911 are accurate.

Costs May Be Overstated When Not Offset by Other Fund Sources

Residential facilities must follow ODJFS cost report instructions as well as OMB Circular A-122 when completing JFS 02911 Cost Reports. Section J of JFS 02911 Cost Report instructions require an Agency to reduce expenses when federal revenue has been received to assist in paying the expense. ODMH officials told us mental health service providers should follow OMB Circular A-122 guidance when completing their ODMH FIS 047 Cost Reports.

OMB Circular A-122, Cost Principles for Non-profit organizations, Attachment A, Section 5a states applicable credits refer to those receipts, or reduction of expenditures which operate to offset or reduce expense items that are allocable to awards as direct or indirect costs. Typical examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing or received by the organization relate to an allowable cost, they shall be credited to the federal government either as a cost reduction or cash refund, as appropriate.

Two of four facilities we visited -- the Rosemont Center and Oesterlen Services for Youth -- expended restricted contributions[2] or local grant funds to pay building and program costs. However, the facilities did not reduce costs on their cost reports by the amount of restricted contributions or local grants, thus possibly overstating their costs. Overstated costs could inflate

2 *Restricted contributions refer to grants, bequests, donation, pledge, etc. that limit or "restrict" how the funds may be spent.*

Title IV-E rates and rates paid for mental health services. During SFY 05, Oesterlen Services for Youth spent $25,583 in funds from a training grant and included the costs of this training in their JFS 02911 and DMH FIS 047 Uniform Cost Reports. Oesterlen also included $10,000 on the DMH FIS 047 Cost Report that was spent for a leadership camp and covered by grant funds. Similarly, the Rosemont Center will expend $39,313 in restricted contributions for residential cottage renovations that the Rosemont Center's Chief Financial Officer stated will likely be included as indirect costs on the JFS 02911 and the DMH FIS 047 fiscal year 2006 cost reports.

The IV-E Policy Chief at ODJFS provided email traffic showing that his office had already asked the U.S. Department of Health and Human Services (HHS), which oversees federal expenditures of Title IV-E and Medicaid funds, about the need to offset costs involving state grants on a residential Title IV-E cost report. HHS responded that it was acceptable to place those costs on the cost report without offsetting them with grant revenues because costs were covered by state and local monies, not a federal grant. ODJFS has not taken up the issue of restricted contributions with HHS.

Recommendation

Given the OMB Circular A-122 guidance cited above, we are recommending that ODJFS and ODMH revisit this issue with HHS, particularly in relation to the types of restricted contributions and grants discussed above. More specifically, HHS should be asked if expenses paid in part by restricted contributions and grants can be included on the ODMH FIS-047 and the JFS 02911 Cost Reports and used in setting rate ceilings or service reimbursement rates. If HHS responds that restricted contributions or grant revenues should offset program costs, ODJFS and ODMH should update their cost report instructions to clarify this guidance.

Not All Claims are Considered During Medicaid Compliance Reviews

ODMH relies on local Alcohol, Drug Addiction and Mental Health Service (ADAMHS) Boards to conduct compliance reviews of facilities' Medicaid mental health service claims. The purpose of these compliance reviews is to identify areas of noncompliance, including duplicate claims and claims that lack supporting documentation. Our pilot review determined that the scope and coverage of compliance reviews is limited to claims for residents of a specific county.

Guidance regarding the performance of the compliance reviews is contained in Ohio Admin.Code 5101:3-27-06 (D)(2), which states in part, the board shall review the number of cases required by this rule of residents of its service district in each agency holding a medicaid agreement with the board, except for agencies identified by ODMH as serving a large number of residents outside the board service districts in which the agencies are located. For each of those specially designated agencies, the board which has the medicaid agreement shall conduct the review. In circumstances where the agency has medicaid agreements with more than one board, the board which has the largest number of board residents receiving services from the agency shall conduct the review.

We concluded that the coverage of compliance reviews is limited because the claims performed by a county are limited to claims for facility ("agency" in the above rule) residents of that county. Even if the ADAMHS Board with the most claims conducts the compliance review, it could result in a significant portion of a facility's claims population going untested. For example, about 45 percent of the fiscal year 2005 payments to Oesterlen Services for Youth, which is located in Clark County, were payments for services to residents that came from outside of Clark County. Thus, only 55 percent of the payments were subjected to the compliance review performed by the Clark County ADAMHRB Board. This lack of audit coverage was less of an issue at the facilities tested in other counties (Franklin and Montgomery) because a higher percentage of the facility residents came from one county. However, other facilities that have a significant population of out-of-county placements may also lack adequate coverage.

Limiting compliance reviews to residents from particular counties may also result in noncompliance with Ohio Admin.Code 5101:3-27-06 (D)(3)(c), which requires counties to pick half their compliance review sample from those clients (residents) with the highest per client Medicaid costs. If the claims for residents from other counties are high cost, the highest risk clients would not be selected for testing.

Recommendation

We recommend ODMH develop procedures to ensure better audit coverage of facility reimbursement claims when performing Medicaid compliance reviews. According to the ODMH, Office of Medicaid Compliance manager, the Department is aware of the need to increase compliance review coverage and is working on a solution.

State Block Grant Lacked Proper Monitoring

One of the objectives for including Lighthouse Youth Services in our pilot review was to determine whether the circumstances leading to previous duplicate reimbursements had been corrected. Montgomery County juvenile court officials assured us that tighter controls had been built into contracts with youth facilities to prevent a recurrence. However, our review of reimbursements made to Lighthouse Youth Services indicated some issues may still exit.

During SFY 05, Lighthouse Youth Services received a $50,000 block grant from ODYS. The grant, earmarked for Lighthouse in House Bill 95, did not specify a purpose, was not formalized by a contractual agreement between ODYS and Lighthouse, and did not contain any monitoring requirements. According to the Lighthouse Vice President and CFO, $12,499 was allocated to the Lighthouse Day Treatment Program in Dayton because it was one of four programs that served ODYS clients. The Day Treatment Program treated six clients who were originally referred by ODYS and were provided services by the Agency during SFY 05. During this same period, Lighthouse also billed and was reimbursed $2,560 for day treatment services for one of the six clients under its contract with the Montgomery County Juvenile Court. The Lighthouse Vice President and CFO stated that the grant funds were unrestricted and were not intended to pay for the cost of placement of DYS clients in the Day Treatment facility, but rather to provide general operating support. However, Lighthouse's financial records were not specific enough to

show how the grant funds were spent, including whether or not grant funds were used to cover services reimbursed by the Juvenile Court. We believe proper monitoring of Lighthouse expenditures would have reduced the risk of duplicate reimbursement.

Ohio Admin.Code 5139:67-02 (H) requires juvenile courts to monitor grant funded programs for compliance, which would include some placements at residential facilities. However, no specific monitoring requirement existed for ODYS to monitor a state block grant given directly to residential treatment facilities.

Recommendation

To protect against duplicate reimbursements, we recommend that ODYS and the juvenile court work together to develop a monitoring plan to ensure services are provided and proper payments are made. The Deputy Director of Finance and Planning at ODYS responded that it is exploring the possibility of handling the issue by incorporating language into the existing contract with Lighthouse for other DYS services. In addition, he added ODYS intends to work more closely with Montgomery County Juvenile Court on monitoring of ODYS funding. The Program Coordinator at Montgomery County Juvenile Court responded they will be following up on our recommendations and putting additional safeguards into place to strengthen their monitoring process.

This Page Intentionally Left Blank.

Appendix 1
The Rosemont Center, Inc.

Agency Information:

The Rosemont Center, Inc. is licensed by ODJFS to operate children's residential centers and group homes. During our review period (7/1/2004 – 6/30/2005), the Agency operated three residential programs. The Roads Program is a residential program which serves 10 boys, 6-12 years old, who are either sexually reactive, abused or have been exposed to sexual situations at a young age. The Pathways Program offers short-term residential placement for children whose needs are not yet fully known. This program serves 10 girls, 6-18 years old, and 4 boys, 6-12 years old, who receive a complete mental health diagnostic assessment and treatment plan. Crisis Care Programs I and II are emergency residential placements that function as an alternative to psychiatric hospitalization, out-of-county residential placement, or juvenile detention placement for youth with emotional and/or behavioral issues. This program serves 15 boys and girls, 6-12 years old, and up to 17 girls, 12-17 years old, respectively. The Rosemont Center placed residential children primarily for Franklin County Children's Services (FCCS) during the review period. The Rosemont Center has a private school charter and operates as a parochial school for residential children in the Roads and Crisis Care programs. The Rosemont Center also receives reimbursement from local school districts for these services.

Revenues Received:

During the review period, the Rosemont Center's revenues were comprised primarily of funds from governmental entities. The Agency received Medicaid and local funds from Franklin County ADAMH Board to provide individual and group counseling, partial hospitalization, pharmacological management (Med/Somatic), and community psychiatric supportive treatment for residential and outpatient clients in the amount of $2,392,876. The total revenue received by the Rosemont Center for residential services during the review period was $3,231,178. The Rosemont Center also received funds for educational services from local school districts and other sources.

The following table shows the sources of revenue per the general ledger for the SFY 05 and the percentage of total revenue for each source.

The Rosemont Center, Inc.
7/1/2004 – 6/30/2005

Revenue Source	Amount	Percent of Total
Franklin County ADAMH Board – Medicaid	$2,015,700	22.6%
Franklin County ADAMH Board – Non-Medicaid	$377,176	4.2%
Franklin County Children's Services—Residential Room & Board Per Diems	$3,075,070	34.5%
Franklin County Children's Services—Foster Care Room & Board Per Diems	$2,465,585	27.7%
Other County – Residential Room & Board Per Diems	$253,780	2.8%
Public School Revenue	$63,924	0.7%
National School Lunch Program	$63,676	0.7%
Contributions	$229,266	2.6%
Other Revenues	$375,775	4.2%
Total	$8,919,952	100%

Source: Rosemont Center, FIS 052 Form

Management:

Robert Marx

Robert Marx is the Chief Executive Officer of Rosemont Center, Inc.

Yolanda Lewis

Yolanda Lewis is the Chief Financial Officer of Rosemont Center, Inc.

The Rosemont Center – Billing Review:

Objectives:

1. To determine whether mental health services and residential room and board per diems were properly paid in accordance with the authorized per diem rate and were supported by documentation.
2. To determine if any billings are duplicates, where either an overlap in time with another service exists or an overlap of content of service is provided and paid by two funding sources.
3. To determine if the cost of services were appropriately billed through a 3rd party insurance carrier prior to Medicaid.

Procedures Performed:

1. We obtained a data extract from ODMH for the Agency and filtered it for those clients on the Agency's residential client list during SFY 05.
2. We judgmentally selected a sample of Medicaid billings for five residential children based on multiple service contacts during a month.
3. We received the client's individual client record (ICR) to determine the types of services rendered. This record included the individual child care agreement (ICCA), which describes the reasons for placement by the county children's services agency as well as the individualized service plan (ISP) which describes the client's symptoms, needed service interventions, and service goals with defined outcomes.
4. We reviewed billing invoices, attendance sheets, and progress notes to ensure there was supporting documentation, to compare payments to the authorized rates, and to determine if duplicate billings existed.
5. We reviewed the ICR for evidence of a 3rd party insurance carrier and determined if billings were submitted through insurance prior to Medicaid.

Undocumented Mental Health Services

Ohio Admin.Code 5101:3-27-02 (D), states all Medicaid covered service contacts must be documented in the individual client record of the person served and such documentation must include the following:
(1) the date of the service contact;
(2) the time of day of the service contact; and
(3) the duration of the service contact.

***

Ohio Admin.Code 5101:3-27-06 (E)(2), states the Medicaid compliance review shall determine that:

***

(d) The billing did not contain any time discrepancies (e.g., overlapping service times billed to medicaid by the provider, etc.);

(e) The documented activity of the service is consistent with the service definition contained in rule 5101:3-27-02 of the administrative code; and

(f) There is evidence of progress note documentation of the billed service.

We obtained a list of clients referred and placed in one of the Agency's three residential programs from January 2004 through January 2006 and reviewed the individualized client record and mental health progress notes for five clients selected for review during a test month. Three of the five clients were Title IV-E eligible. We also reviewed population sheets, invoices, and payment documentation for the client's room and board, totaling $23,974, and the cost of

educational services provided by Rosemont Center totaling $2,190. In addition, out of 86 mental health service claims reviewed, totaling $6,020, we could not locate five mental health progress notes for partial hospitalization (or 4.7 units) amounting to $549. We did not identify any other problems.

Recommendation:

Funding may be jeopardized when expenditures are not supported by documentation. We recommend the Agency ensure it monitors ICRs to ensure all progress notes are included. Rosemont's Director stated these notes were most likely not filed correctly.

Rosemont Center – Cost Report Review:

Objectives:

1. To determine if salary costs on the residential cost worksheets include employees time billing mental health services; therefore, causing the IV-E rate to be inflated.
2. To determine if federal revenues are being offset against cost report expenses as required by OMB Circular A-122, Cost Principles for Not-for-Profit Organizations.

Procedures Performed:

1. We obtained a schedule of full-time equivalent (FTE) employees charged to the IV-E cost worksheets of the JFS 02911 Cost Report for SFY 05.
2. We reviewed the schedule of FTEs to determine if any employees were being included over 1.0 FTE on the IV-E Residential cost worksheets. If so, we obtained payroll documentation for a sample to confirm the appropriate FTEs were charged.
3. We compared the names of employees billing mental health services to those employees charged to the cost report to determine if employees were being inappropriately included on the cost report to IV-E residential programs while billing mental health services to Medicaid.
4. We reviewed the Agency's schedule of federal awards to determine what federal revenue sources were received during the Period. We reviewed supporting cost report schedules to determine if federal revenues were appropriately offset against IV-E Residential Costs.

Erroneous Salary Cost Reporting:

OMB Circular A-122, Attachment A, Section (4)(a) requires a cost to be allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. Therefore, expenditures should be properly allocated on the cost report between Title IV-E services and mental health services to ensure unallocable costs do not set a unit cost rate.

We obtained a copy of the SFY 05 cost report and supporting payroll documentation for employees charged to the IV-E residential cost worksheets. We then compared all employees charged to the IV-E cost report to employees providing mental health services that were reimbursed by Medicaid. For those employees whose hours were allocated to both IV-E and

mental health services, we reviewed the allocation for the SFY 05 cost period to determine whether any erroneous salary cost reporting had occurred. We also reviewed the cost report methodology to see if federal revenues were being appropriately offset against expenses (e.g., federal school lunch revenues).

We did not identify any problems, except full time hours for four employees were charged to residential programs on the IV-E cost report although the facility also billed a portion of their time for mental health services. According to the Financial Director, these employees performed limited mental health services and are allowed to be included under the residential cost worksheets because they perform case management and community support program services. The Financial Director forwarded mental health services productivity reports, which showed the four employees billed 0.75 full time equivalent (FTE) employee units for mental health services. This amounted to $27,610 in residential salary costs inappropriately costed on the JFS 02911 Cost Report to residential programs in lieu of mental health programs which could inflate the IV-E ceiling and result in over-reimbursement of costs. We forwarded this issue to ODJFS for consideration while reviewing the SFY 05 cost reports.

Recommendation:

We recommend the facility take additional steps to ensure FTE employees who provide billable mental health services do not include billable mental health service time on the JFS 02911 Residential cost report worksheets. Rosemont's Director stated these salaries were erroneously included on the IV-E side of the cost report and caused a non material increase to the IV-E rate for state and county reimbursement. However, duplicate cost reporting did not occur because the salaries were not included in the Medicaid portion of the cost report. He also stated that while actual Medicaid costs were lower than they should have been because some salary costs were not included, it had no impact on the setting of Medicaid rates because Rosemont's actual costs were already higher than budgeted costs.

Rosemont Center – Matters for Further Consideration:

Residential facilities must follow ODJFS cost report instructions as well as OMB Circular A-122 when completing JFS 02911 Cost Reports. Section J of JFS 02911 Cost Report instructions require an Agency to reduce expenses when federal revenue has been received to assist in paying the expense. ODJFS officials told us residential facilities should follow OMB Circular A-122 guidance when completing their JFS 02911 Cost Reports.

OMB Circular A-122, Cost Principles for Non-profit organizations, Attachment A, Section 5a states applicable credits refer to those receipts, or reduction of expenditures, which operate to offset or reduce expense items that are allocable to awards as direct or indirect costs. Typical examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds, and adjustments of overpayments, or erroneous charges. To the extent that such credits accruing or received by the organization relate to allowable cost, they shall be credited to the federal government either as a cost reduction or cash refund, as appropriate.

We reviewed the Rosemont Center's SFY 05 cost report and noted the Agency receives restricted contributions from a Capital Campaign, which provides the resources needed to renovate the Agency's facilities. Upon further discussion with the Chief Financial Officer, during October 2005, $196,564 was spent to renovate residential facilities that are being amortized over five years as leasehold improvements. Additionally, she indicated these expenses will likely show up as indirect costs under the General Administrative cost pool on the SFY 2006 JFS 02911 Cost Report which gets allocated as administrative overhead to each department.

It is likely these expenses will be included on the SFY 06 JFS 02911 Cost Report and the AUCR to set Title IV-E and actual Medicaid rates. Since the SFY 06 JFS 02911 Cost Report had not been completed, we were not able to confirm how the Rosemont Center reported these expenditures. If the Rosemont Center does not reduce costs shown on their cost reports by the amount of restricted contributions it overstate costs. Overstated costs could inflate Title IV-E rates and/or rates paid for mental health services. Rosemont's Director responded the use of contributions does not reduce the cost of service provision. He added that if inappropriate costs were included in a Title IV-E cost report, the overpayment would be to the state and county by the federal government; it would not result in overpayment to the provider because there is no link between IV-E rates and contract rates. We disagree with the latter in that while there may not be a direct link between the IV-E ceiling rate and the negotiated contract rate paid to providers, the ceiling rate is a limiting factor in reaching the contracted rates. Thus, an inflated Title IV-E ceiling rate raises the limit used to reach a contracted rate.

Appendix 2
The Buckeye Ranch, Inc.

Agency Information:

The Buckeye Ranch, Inc. is licensed by ODMH to operate children's Intensive Care Center and Open Campus Residential facilities and provide various mental health services. The Buckeye Ranch, Inc. is also licensed by ODADAS to operate an alcohol and drug addiction outpatient program. The Open Campus Program is the Agency's traditional residential program which serves 56 boys and girls, 10-18 years of age, with a variety of emotional and behavioral issues. This program also serves dual diagnosis boys, ages 14-18, those with alcohol and mental health issues. The Intensive Care Center Program offers a higher level of intensity to 33 boys and girls, 10-18 year of age, including up to six hearing impaired and two crisis residential clients. The Buckeye Ranch placed residential children primarily for FCCS during the review period.

Revenues Received:

During the review period, the Buckeye Ranch's revenues primarily consisted of service fees from various governmental entities. The Agency received Medicaid from Franklin County ADAMH Board to provide mental health assessment, individual and group counseling, partial hospitalization, pharmacological management (Med/Somatic), and Community Psychiatric Supportive Treatment for residential and alcohol and drug intensive outpatient services to clients in the amount of $3,769,959. The total revenue received by the Buckeye Ranch for residential services during the review period was $3,678,219. The Buckeye Ranch also provides case management services to FCCS under the name Permanent Family Solutions Network (PFSN). Some of these placements are made at the Buckeye Ranch.

The following table shows the sources of revenue, per the general ledger, for the SFY 05 and the percentage of total revenue for each source.

The Buckeye Ranch, Inc.
7/1/2004 – 6/30/2005

Revenue Source	Amount	Percent of Total
Franklin County ADAMH Board – Medicaid	$3,769,959	13.3%
Franklin County ADAMH Board – Non-Medicaid Claims	$486,188	1.7%
Franklin County Children's Services—Residential Room & Board Per Diems	$3,678,219	12.9%
Franklin County Children's Services—Foster Care Room & Board Per Diems	$3,207,757	11.3%
Permanent Family Solutions Network—Case Management & Residential Room & Board Per Diems	$1,722,986	6.1%
Other Service Fees	$12,718,172	44.7%
ODMH – Hearing Impaired Grant	$592,431	2.0%
ODMH – Crisis Bed Grant	$249,359	0.9%
National School Breakfast & Lunch Programs	$98,882	0.3%
Contributions	$1,400,573	4.9%
Other Revenues	$547,371	1.9%
Total	$28,471,835	100%

Source: Buckeye Ranch, FIS 052 Form, audited financial statements, and interdepartmental revenue reports.

Management:

Rick Rieser

Rick Rieser is the Chief Executive Officer of the Buckeye Ranch, Inc.

Sherri Orr

Sherri Orr is the Chief Financial Officer of the Buckeye Ranch, Inc.

The Buckeye Ranch – Billing Review:

Objectives:

1. To determine whether mental health services and residential room and board per diems were properly paid in accordance with the authorized per diem rate and were supported by documentation.
2. To determine if any billings are duplicates, where either an overlap in time with another service exists or an overlap of content of service is provided and paid by two funding sources.
3. To determine if the cost of services were appropriately billed through a 3rd party insurance carrier prior to Medicaid.

Procedures Performed:

1. We obtained a data extract from ODMH for the Agency and filtered it for those clients on the Agency's residential client list during SFY 05.
2. We judgmentally selected a sample of Medicaid billings for five residential children based on multiple service contacts during a month.
3. We received the client's individual client record (ICR) to determine the types of services to be rendered. This record included the individual child care agreement (ICCA), which describes the reasons for placement by the county children's services agency as well as the individualized service plan (ISP) which describes the client's symptoms, needed service interventions, and service goals with defined outcomes.
4. We reviewed billing invoices, attendance sheets, and progress notes to ensure there was supporting documentation, to compare payments to the authorized rate, and determine if duplicate billings existed.
5. We reviewed the ICR for evidence of a 3rd party insurance carrier and determined if billings were submitted through insurance prior to Medicaid.

Undocumented and Duplicately Billed Mental Health Services

Ohio Admin.Code 5101:3-27-02 (D), states all medicaid covered service contacts must be documented in the individual client record of the person served and such documentation must include the following:

(1) the date of the service contact;
(2) the time of day of the service contact; and
(3) the duration of the service contact.

***

Ohio Admin.Code 5101:3-27-06 (E)(2), states the Medicaid compliance review shall determine that:

***

(d) The billing did not contain any time discrepancies (e.g., overlapping service times billed to medicaid by the provider, etc.);

(e) The documented activity of the service is consistent with the service definition contained in rule 5101:3-27-02 of the administrative code; and

(f) There is evidence of progress note documentation of the billed service.

We obtained a list of clients referred and placed in one of the Agency's two residential programs from January 2004 through March 2006 and reviewed the individualized client record and mental health progress notes for five clients selected for review during a test month. These five clients included one PFSN client and one Alcohol or Drug (AOD) Treatment client. Two clients were Title IV-E eligible. We also reviewed population sheets, invoices, and payment documentation for the clients' room and board totaling $27,270. Out of 168 mental health

service claims reviewed, totaling $16,333, we did not identify any problems except for the following:

- Four group counseling units were duplicately billed to Medicaid, as well as three group counseling units were not supported by the progress note, amounting to $69.09.
- Five individual counseling units were duplicately billed to Medicaid, as well as two units in which progress notes could not be located, amounting to $157.50.
- 2.2 Partial Hospitalization units were not supported by the progress note provided, amounting to $256.98.
- 0.2 Med/Somatic units were duplicately billed to Medicaid, amounting to $42.18.

Recommendation:

Funding may be jeopardized when expenditures are not supported by documentation. We recommend the Agency ensure it monitors Individualized Client Records to ensure all progress notes are included in the ICR and are only billed once to Medicaid.

Buckeye Ranch – Cost Report Review:

1. To determine if salary costs on the residential cost worksheets include employees time billing mental health services; therefore, causing the IV-E rate to be inflated.
2. To determine if federal revenues are being offset against cost report expenses as required by OMB Circular A-122, Cost Principles for Not-for-Profit Organizations.

Procedures Performed:

1. We obtained a schedule of full-time equivalent (FTE) employees charged to the IV-E cost worksheets of the JFS 02911 Cost Report for SFY 05.
2. We reviewed the schedule of FTEs to determine if any employees were being included over 1.0 FTE on the IV-E Residential cost worksheets. If so, we obtained payroll documentation for a sample to confirm the appropriate FTEs were charged.
3. We compared the names of employees billing mental health services to those employees charged to the cost report to determine if employees were being inappropriately included on the cost report to IV-E residential programs while billing mental health services to Medicaid.
4. We reviewed the Agency's schedule of federal awards to determine what federal revenue sources were received during the Period. We reviewed supporting cost report schedules to determine if federal revenues were appropriately offset against IV-E Residential Costs.

Erroneous Salary Cost Reporting:

OMB Circular A-122, Attachment, A, Section (4)(a) requires a cost to be allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. Therefore, expenditures should be properly allocated on the cost report between Title IV-E services and mental health services to ensure unallocable costs do not set a unit cost rate.

OMB Circular A-122, Cost Principles for Non-profit organizations, Attachment A, Section 5b states in some instances, the amounts received from the federal government to finance organizational activities or service operations should be treated as applicable credits. Specifically, the concept of netting such credit items against related expenditures should be applied by the organization in determining the rates or amounts to be charged to federal awards for services rendered whenever the facilities or other resources used in providing such services have been financed directly, in whole or in part, by federal funds.

We obtained a copy of the SFY 05 cost report and supporting payroll documentation for employees charged to the IV-E residential cost worksheets. We then compared all employees charged to the IV-E cost report to employees providing mental health services that were reimbursed by Medicaid. For those employees whose hours were allocated to both IV-E and mental health services, we reviewed the allocation for the SFY 05 cost period to determine whether any duplicate salary cost reporting had occurred. We also reviewed the cost report methodology to see if federal revenues were being appropriately offset against expenses (e.g., food subsidies). We did not identify any problems except for the following:

Four employees were charged to residential programs on the IV-E cost report although the facility also billed a portion of their time to mental health services during the month of June 2005. We reviewed services provided by these employees for June 2005 and projected mental health billable hours to all 12 months to arrive at a yearly estimate for SFY 05 billable mental health hours. We estimate that at least 0.13 FTE equivalent employee units in mental health services were billed for the four employees. This amounted to $2,948 in residential salary costs inappropriately costed on the JFS 02911 Cost Report to residential programs in lieu of mental health programs. The Quality Assurance Director stated these employees provided partial hospitalization services and this activity was not tracked electronically until May 2005; therefore, they were unable to determine mental health billable activity on an employee basis until that point. We forwarded this issue to ODJFS during its review of the SFY 05 cost reports and spoke to the cost report analyst who said this amount would not affect Buckeye Ranch's Title IV-E reimbursement rates.

Recommendation:

We recommend the Agency take additional steps to ensure the FTEs associated with billable mental health services are not included on the residential cost report worksheets. The Agency's Controller reviewed these employees billable hours and noted discrepancies between partial hospitalizations hours reported in the payroll system and those in the claims system which are used to bill mental health claims to the local ADAMHS board. The Controller stated that the Agency is taking steps to fix this problem in the future.

Appendix 3
Oesterlen Services for Youth, Inc.

Agency Information:

Oesterlen Services for Youth, Inc. is licensed by ODMH to operate a residential facility and provide various mental health services. The Agency operated two intensive treatment cottages during the review period: one serving nine females, ages 12-17, and one serving 11 males, ages 12-17. The Agency also has one locked cottage for nine male juvenile sex offenders, ages 12-18 and another for seven male juvenile sex offenders, ages 12-18, who test below a certain IQ on the MR/DD Intellectual Range. Oesterlen Services for Youth places residential children from many counties throughout Ohio; however, FCCS was the largest referral source during the SFY 05.

Revenues Received:

During the review period, Oesterlen Services for Youth revenues were comprised primarily of service fees from various governmental entities. The Agency received Medicaid and local funds from local ADAMH Boards to provide individual and group counseling, pharmacological management (Med/Somatic), and adjunctive therapy for residential and outpatient clients in the amount of $725,892. The total revenue received by Oesterlen Services for Youth for residential services during the review period was $2,244,786. Oesterlen Services for Youth also provides wraparound services under a contract with Clark County Department of Job and Family Services to provide services to strengthen the family, such as one-on-one mentoring, socialization skills for children, and parenting skills.

The following table shows the sources of revenue per the general ledger for the SFY 05 and the percentage of total revenue for each source.

Oesterlen Services for Youth, Inc.
7/1/2004 – 6/30/2005

Revenue Source	Amount	Percent of Total
Clark County ADAMHRB – Medicaid	$398,898	9.3%
Other County ADAMHS Board – Medicaid	$326,994	7.6%
Franklin County Children's Services—Residential Room and Board Per Diems	$653,385	15.2%
Other County Children's Services—Residential Room and Board Per Diems	$1,591,401	37.0%
Wrap Around Services	$242,897	5.6%
Other Service Fees	$655,135	15.2%
Turner Foundation Grant	$25,583	0.6%
Springfield Foundation	$10,000	0.2%
National School Lunch Programs	$29,058	0.7%
Contributions and Bequests	$261,237	6.0%
Other Revenues	$110,987	2.6%
Total	$4,305,575	100%

Source: Oesterlen's audited financial statements, trial balance, and revenue distribution reports.

Management:

Don Warner

Don Warner is the Executive Director of Oesterlen Services for Youth, Inc.

Kathy Murphy

Kathy Murphy is the Director of Finance and Human Resources of Oesterlen Services for Youth, Inc.

Oesterlen Services for Youth – Billing Review:

Objectives:

1. To determine whether mental health services and residential room and board per diems were properly paid in accordance with the authorized per diem rate and were supported by documentation.
2. To determine if any billings are duplicates, where either an overlap in time with another service exists or an overlap of content of service is provided and paid by two funding sources.
3. To determine if the cost of services were appropriately billed through a 3rd party insurance carrier prior to Medicaid.

Procedures Performed:

1. We obtained a data extract from ODMH for the Agency and filtered it for those clients on the Agency's residential client list during SFY 05.
2. We judgmentally selected a sample of Medicaid billings for 10 residential children based on multiple service contacts during a month.
3. We received the client's individual client record (ICR) to determine the types of services to be rendered. This record included the individual child care agreement (ICCA), which describes the reasons for placement by the county children's services agency as well as the individualized service plan (ISP) which describes the client's symptoms, needed service interventions, and service goals with defined outcomes.
4. We reviewed billing invoices, attendance sheets, and progress notes to ensure there was supporting documentation, to compare payments to the authorized rate, and to determine if duplicate billings existed.
5. We reviewed the ICR for evidence of a 3rd party insurance carrier and determined if billings were submitted through insurance prior to Medicaid.

Undocumented and Duplicate-Billed Mental Health Services

Ohio Admin.Code 5101:3-27-02 (D), states all Medicaid covered service contacts must be documented in the individual client record of the person served and such documentation must include the following:

(1) the date of the service contact;
(2) the time of day of the service contact; and
(3) the duration of the service contact.

***

We obtained a list of clients referred and placed in the Agency's three residential programs from January 2004 through March 2006 and reviewed the ICR and mental health progress notes for 10 clients during a selected test month between July 2004 and November 2005. These 10 clients included eight residential clients, two of whom were Title IV-E eligible, and two clients were receiving both outpatient and wraparound services. Clark County Department of Job and Family Services representatives stated the source of the wraparound services was a combination of local funds and Temporary Assistance for Needy Families. We also reviewed population sheets, invoices, and payment documentation for the clients' room and board totaling $55,414 and wraparound services totaling $583. Out of 137 service claims reviewed, totaling $9,918, we did not identify any problems.

Oesterlen Services for Youth – Cost Report Review:

Objectives:

1. To determine if salary costs on the residential cost worksheets include employees time billing mental health services; therefore, causing the IV-E rate to be inflated.

2. To determine if federal revenues are being offset against cost report expenses as required by OMB Circular A-122, Cost Principles for Not-for-Profit Organizations.

Procedures Performed:

1. We obtained a schedule of full-time equivalent (FTE) employees charged to the IV-E cost worksheets of the JFS 02911 Cost Report for SFY 05.
2. We reviewed the schedule of FTEs to determine if any employees were being included over 1.0 FTE on the IV-E Residential Cost Worksheets. If so, we obtained payroll documentation for a sample to confirm the appropriate FTEs were charged.
3. We compared the names of employees billing mental health services to those employees charged to the cost report to determine if employees were being inappropriately included on the cost report to IV-E residential programs while billing mental health services to Medicaid.
4. We reviewed the Agency's schedule of federal awards to determine what federal revenue sources were received during the Period. We reviewed supporting cost report schedules to determine if federal revenues were appropriately offset against IV-E Residential Costs.

Grants Costed under IV-E Residential Cost Worksheets:

Residential facilities must follow ODJFS cost report instructions as well as OMB Circular A-122 when completing JFS 02911 Cost Reports. Section J of JFS 02911 Cost Report instructions require an Agency to reduce expenses when federal revenue has been received to assist in paying the expense. ODJFS officials told us residential facilities should follow OMB Circular A-122 guidance when completing their JFS 02911 Cost Reports.

OMB Circular A-122, Cost Principles for Non-profit Organizations, Attachment A, Section 5a states applicable credits refer to those receipts, or reduction of expenditures which operate to offset or reduce expense items that are allocable to awards as direct or indirect costs. Typical examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing or received by the organization relate to allowable cost, they shall be credited to the federal government either as a cost reduction or cash refund, as appropriate.

We obtained a copy of the SFY 05 cost report and supporting payroll documentation for employees charged to the IV-E residential cost worksheets. We then compared all employees charged to the IV-E cost report to employees providing mental health services that were reimbursed by Medicaid. For those employees whose hours were allocated to both IV-E and mental health services, we reviewed the allocation for SFY 05 cost period to determine whether any duplicate salary cost reporting had occurred. We also reviewed the cost report methodology to see if federal revenues were being appropriately offset against expenses (e.g., food subsidies). We did not identify any problems except for the following:

- The Agency received a Turner Foundation grant in the amount of $25,583 to pay for the Agency's training. Expenses associated with this grant were allocated and reported on the JFS 02911 between its three residential programs.

- The Agency received a Springfield Foundation grant in the amount of $10,000 which was used to pay for a leadership camp and other expenses. Expenses associated with this grant were allocated and reported on the both the JFS 02911 and AUCR and will be used to set the actual Medicaid rates for mental health services.

Recommendation:

We recommend ODJFS and ODMH contact the U.S. Department of Health and Human Services to determine if temporarily restricted expenses from an outside revenue source are allowable expenditures on the AUCR and the ODJFS 02911 Cost Reports and should be used to set actual Medicaid reimbursement rates. If expenditures derived from restricted contributions are not allowable, then cost reporting instructions should be updated to clarify this distinction.

Appendix 4
Lighthouse Youth Services, Inc. -- Dayton

Agency Information:

Lighthouse Youth Services, Inc. is not a licensed residential facility, but is licensed by ODMH to provide mental health assessment, individual and group counseling services, and partial hospitalization services and various mental health services. The Agency operated two day treatment programs out of Dayton during the Period - one morning program for felony offenders and one afternoon program for sex offenders. The program provides treatment, academic services, and partial hospitalization services to youth referred from the Agency's Paint Creek Residential Facility, ODYS, and Montgomery County Juvenile Court.

Revenues Received:

During the review period, Lighthouse Youth Services' revenues were comprised primarily of service fees from various governmental entities. The Agency received Medicaid and local funds from Montgomery County ADAMH Board to provide various mental health and educational services in the amount of $105,963. The Program Director at the Agency stated he also received revenues from Montgomery County Juvenile Court to enroll clients in either the sex offender or felony offender programs when clients were not Medicaid eligible or enrolled in both programs in which one was paid under Medicaid and the other under the juvenile court contract. The total revenue received under this contract during the Period was $184,080. Lighthouse Youth Services also received inter-agency revenue for serving Paint Creek Clients in the Dayton Day Treatment Program as well as a $12,499 in unrestricted monies from ODYS.

The following table shows the sources of revenue per the general ledger for the SFY 05 and the percentage of total revenue for each source.

Lighthouse Services for Youth, Inc. -Dayton
7/1/2004 – 6/30/2005

Revenue Source	Amount	Percent of Total
Montgomery County ADAMH Board – Medicaid	$105,963	27.1%
Montgomery County Juvenile Court – Reclaim Ohio Contract	$184,080	47.1%
Inter Agency Revenue – Allocation for Paint Creek clients served in Dayton	$67,900	17.4%
ODYS Grant	$12,499	3.2%
National School Lunch Programs	$5,412	1.4%
Other Revenues	$15,070	3.8%
Total	$390,925	100%

Source: Lighthouse departmental income statements.

Management:

Ric Gulley

Ric Gulley is the Program Director of Lighthouse Youth Services' Dayton Day Treatment Programs.

Marilon Winther

Marilon Winther is the Controller of Lighthouse Youth Services, Inc.

Lighthouse Youth Services – Billing Review:

Objectives:

1. To determine whether mental health services and juvenile court per diems were properly paid in accordance with the authorized per diem rate and were supported by documentation.
2. To determine if any billings were duplicates, where either an overlap in time with another service existed or an overlap of content of service was provided and paid by two funding sources.
3. To determine if the cost of services were appropriately billed through a 3rd party insurance carrier prior to Medicaid.

Procedures Performed:

1. We obtained a data extract from ODMH for the Agency and filtered it for those clients on the Agency's client list during SFY 05.
2. We judgmentally selected a sample of Medicaid billings for 10 clients based on those clients who billed the most days to Medicaid as well as the Montgomery County Juvenile Court contract during a given month.
3. We received the clients' individual client record (ICR) to determine the types of services to be rendered. This record included the Universal Referral Form, which describes the reasons for placement by the Montgomery County Juvenile Court as well as the individualized service plan (ISP) which describes the client's symptoms, needed service interventions, and service goals with defined outcomes.
4. We reviewed billing invoices, attendance sheets, and progress notes to ensure there was supporting documentation, to compare payments to the authorized rate, and to determine if duplicate billings existed.
5. We reviewed the ICR for evidence of a 3rd party insurance carrier and determined if billings were submitted through insurance prior to Medicaid.

Undocumented and Duplicate-Billed Mental Health Services

Ohio Admin.Code 5101:3-27-02, states all Medicaid covered service contacts must be documented in the individual client record of the person served and such documentation must include the following:

(1) the date of the service contact;
(2) the time of day of the service contact; and
(3) the duration of the service contact.

***

Ohio Admin.Code 5101:3-27-06 (E)(2), states the Medicaid compliance review shall determine that:

***

(d) The billing did not contain any time discrepancies (e.g., overlapping service times billed to medicaid by the provider, etc.);

(e) The documented activity of the service is consistent with the service definition contained in rule 5101:3-27-02 of the administrative code; and

(f) There is evidence of progress note documentation of the billed service.

Article 2.2 of the Montgomery County Juvenile Court Contract states it is understood and agreed by the parties hereto that the court will be under no financial obligation to pay any excess costs arising from changes, modifications or extra work orders without the prior written approval of the court.

We obtained a list of clients referred and placed in the Agency's Day Treatment Programs from January 2004 through April 2006 and reviewed the individualized client records for 10 clients selected during a test month. We also reviewed program attendance sheets, invoices to Montgomery County Juvenile Court, and progress notes. These cases accounted for a total of 108 service claims for Medicaid, totaling $8,400, and 152 claims for the Montgomery County Juvenile Court Contract, totaling $12,160. We did not identify any problems except for the following:

- Two of the 10 clients tested were initially enrolled in the Sex Offender Program, but began receiving services from the Felony Offender Programs. The Director stated that he received verbal approval from the juvenile court to enroll some clients in both programs; however, no documentation could be provided to support this decision. In this case, the Director said he would bill one program to Medicaid and one to the juvenile court. However, the juvenile court contract does not address these circumstances.
- The Agency was paid $3,120 by the juvenile court for 39 days when the client was either suspended or AWOL. The juvenile court contract does not address payment when clients are enrolled in both programs; however, the Director stated he received verbal approval from the juvenile court to bill for AWOL and partial day units.
- 3.8 units were not supported by progress notes, amounting to $305.
- 22.4 units were billed to both Medicaid and the Montgomery County Juvenile Court contract, amounting to $1,810.
- Four days in the amount of $320 were billed to the Montgomery County Juvenile Court Contract prior to the client being admitted to the Felony Offender Program.

During SFY 05, Lighthouse Youth Services received a $50,000 block grant from ODYS. The grant, earmarked for Lighthouse in House Bill 95, did not specify a purpose, was not formalized by a contractual agreement between ODYS and Lighthouse, and did not contain any monitoring requirements. According to the Lighthouse Vice President and CFO, $12,499 was allocated to the Lighthouse Day Treatment Program in Dayton because it was one of four programs that served ODYS clients. The Day Treatment Program treated six clients who were originally referred by ODYS and were provided services by the Agency during SFY 05. During this same period, Lighthouse also billed and was reimbursed $2,560 for day treatment services for one of the six clients under its contract with the Montgomery County Juvenile Court. The Lighthouse Vice President and CFO stated that the grant funds were unrestricted and were not intended to pay for the cost of placement of DYS clients in the Day Treatment facility, but rather to provide general operating support. However, Lighthouse's financial records were not specific enough to show how the grant funds were spent, including whether or not grant funds covered services reimbursed by the Juvenile Court. We believe proper monitoring of Lighthouse expenditures would have reduced the risk of duplicate reimbursement.

Ohio Admin.Code 5139:67-02 (H) requires juvenile courts to monitor grant funded programs for compliance, which would include some placements at residential facilities. However, no specific monitoring requirement existed for ODYS to monitor a state block grant given directly to residential treatment facilities.

Recommendation

To protect against duplicate reimbursements, we recommend that ODYS and the juvenile court work together to develop a monitoring plan to ensure services are provided and proper payments are made. The Deputy Director of Finance and Planning at ODYS responded that it is exploring the possibility of handling the issue by incorporating language into the existing contract with Lighthouse for other DYS services. In addition, he added ODYS intends to work more closely with Montgomery County Juvenile Court on monitoring of DYS funding. The Program Coordinator at Montgomery County Juvenile Court responded they will be following up on our recommendations and putting some additional safeguards into place to strengthen their monitoring process.

Lighthouse Youth Services – Cost Report Review:

Objectives:

1. To determine if federal revenues are being offset against cost report expenses as required by OMB Circular A-122, Cost Principles for Not-for-Profit Organizations.

Procedures Performed:

1. We reviewed the Agency's schedule of federal awards to determine what federal revenue sources were received during the Period. We reviewed supporting cost report schedules to determine if federal revenues were appropriately offset against the SFY 05 ODMH FIS 042 Cost Report.

OMB Circular A-122, Cost Principles for Non-profit Organizations, Attachment A, Section 5b states in some instances, the amounts received from the federal government to finance organizational activities or service operations should be treated as applicable credits. Specifically, the concept of netting such credit items against related expenditures should be applied by the organization in determining the rates or amounts to be charged to federal awards for services rendered whenever the facilities or other resources used in providing such services have been financed directly, in whole or in part, by federal funds.

We obtained a copy of the SFY 05 ODMH FIS 047 Cost Report and supporting documentation to determine if federal revenues were being appropriately offset against expenses (e.g., federal school lunch revenues). We did not identify any problems as the Agency did not claim these costs; therefore, it was not required to offset them with federal revenues received.

This Page Intentionally Left Blank.

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

BILLING PRACTICES OF FOUR FACILITIES PROVIDING MENTAL HEALTH SERVICES TO CHILDREN-A PILOT REVIEW

STATEWIDE

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 25, 2006