



Dave Yost • Auditor of State



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Ohio Department of Medicaid
50 West Town Street, Suite 400
Columbus, Ohio 43215

We have performed the procedures enumerated below, with which the Ohio Department of Medicaid (ODM) agreed, solely to assist ODM in evaluating whether the Society for Handicapped Citizens of Medina County, Inc. (hereafter referred to as the Provider) prepared its Medicaid ICF-IID Cost Report for the Pell Home for the period January 1, 2014 through December 31, 2014 in accordance with the Medicaid cost report instructions and the Appendix to Ohio Admin. Code § 5123:2-7 and to assist ODM in evaluating whether reported transactions complied with CMS Publication 15-1 (Provider Reimbursement Manual), and other compliance requirements described below. Note that all rules and code sections relied upon in this report were those in effect during the Cost Report period and may be different from those currently in effect. The Provider's management is responsible for preparing these reports. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards. The sufficiency of these procedures is solely the responsibility of ODM. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Occupancy and Usage

1. We compared the number of patient days for Medicaid and non-Medicaid patients from the Provider's Monthly Census Reports to those reported on *Schedule A-1, Summary of Inpatient Days* to determine if the Provider's patient days were greater than those reported. We also footed the Provider's census report for accuracy.

We found no variances.

2. We haphazardly selected all four residents' medical records and compared the total days of care for December 2014 with the inpatient days reported on the Monthly Census Reports and *Schedule A-1, Summary of Inpatient Days* to determine if total patient days were greater than those reported. We also determined if the Provider included any waiver respite days as Medicaid or Medicare days and, if bed hold days in excess of 30 in a calendar year, it received the proper authorization on form JFS 09402 in accordance with Ohio Admin. Code § 5123:2-7-08.

We found no variances and no misclassified waiver respite days or unauthorized bed hold days.

3. We compared the number of reimbursed Medicaid days per the Medicaid Information Technology System (MITS) with the total Medicaid days reported on *Schedule A-1, Summary of Inpatient Days* to identify if reimbursed Medicaid days were greater than total Medicaid days.

We found that total Medicaid days reported exceeded Medicaid reimbursed days.

Medicaid Paid Claims

1. We selected paid claims for all four residents for December 2014 from MITS and compared the reimbursed days to the days documented per the resident's medical records. We determined if the Provider's documentation met the general requirements of CMS Publication 15-1, Chapter 23, and Ohio Admin. Code § 5123:2-7-12, if the days billed met the specific requirements of Ohio Admin. Code § 5123:2-7-08(C) to (I) as an occupied or bed hold day, and Ohio Admin. Code § 5123:2-7-15 for the payment adjustment requirements for resident's admission, discharge or death.

We found no instances of non-compliance.

Revenue

1. We compared all revenues on the Provider's Detailed Revenue and Expense Ledger reports with those revenues reported on *Attachment 1* to determine if all revenues were reported in accordance with the Appendix to Ohio Admin. Code § 5123:2-7-16 and CMS Publication 15-1. We identified variances exceeding \$500.

We reported variances in Appendix A.

2. We scanned the Provider's Detailed Revenue Ledger reports for any revenue offsets or applicable credits which were not reported on *Attachment 2, Adjustments to Trial Balance or Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center or Schedule C, Indirect Care Cost Center* to offset corresponding expenses in accordance with CMS Publication 15-1, Chapters 1, 6, and 8. We identified variances exceeding \$500.

We found worker's compensation rebates exceeding \$500 on *Attachment 1*. In accordance with CMS Publication 15-1, §§ 804, 805 and 2302.5, and Title 42 CFR § 413.98(3)(c), we reported these amounts as applicable credits/revenue offsets in Appendix A.

Non-Payroll Expenses

1. We compared all non-payroll expenses reported on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; and Schedule C, Indirect Care Cost Center* to the Provider's Trial Balance Report to identify any variances exceeding \$500 resulting in decreased costs on any schedule.

We found no variances.

2. We selected 20 non-payroll expenses reported on *Schedule B-1, Schedule B-2, Schedule C, and Exhibit 3, Home Office Trial Balance* from the Detailed Account Activity report and determined if these expenses had supporting documentation, were properly allocated and classified and were allowable expenses per Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1. We identified any variances exceeding \$500 resulting in decreased costs on any schedule.

We found no differences.

Non-Payroll Expenses (Continued)

3. We reviewed the Home Office allocation methodology used in the Provider's Detailed Revenue and Expense Ledger report for allocating costs on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; and Schedule C, Indirect Cost Care Center* and determined if it was reasonable, allowable, related to residential care, and properly classified in accordance with Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1, Section 2150. We reported any reclassifications between schedules and adjustments resulting in decreased Home Office costs exceeding five percent of Home Office costs reported on any schedule.

The Provider reported Home Office costs on *Schedules B-1, B-2 and C*; however, they were reported on the applicable program line item rather instead of reporting on the Home Office Costs line item. We reviewed the Provider's methodology to allocate Home Office costs between unlike facilities and we found the Provider allocated several account codes based on revenues and we could not determine the reasonableness of the allocated costs in accordance with CMS Publication 15-1, Section 2102.1. Therefore, we asked the Provider to recalculate the revenue based account codes using a total cost allocation methodology. We reviewed the Provider's recalculated shared cost reports and noted that it resulted in decreased costs on *Schedules B-1 and C*.

We reported variances in Appendix A.

4. We scanned the Provider's Detailed Account Activity report for non-payroll expenses reported on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; and Schedule C, Indirect Cost Center* for non-federal reimbursable costs or costs not classified in accordance with Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1. We also scanned for any contract costs which would require reporting on *Schedule C-3, Costs of Services from Related Parties*. We identified any reclassifications between schedules and adjustments exceeding \$500 resulting in decreased costs on any schedule or unreported contractor costs over \$10,000 that should have been reported on *Schedule C-3*.

We found no differences exceeding \$500 and no unreported contracts.

5. We compared the 2014 non-payroll costs reported on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; and Schedule C, Indirect Cost Care Center* by chart of account code to similar costs reported in 2013 and obtained the Provider's explanation for the following five non-payroll variances that increased by more than five percent and \$500:

- Medical Supplies cost increase on *Schedule B-1* was due to a new client;
- Active Treatment Off-Site Day Programming cost increase on *Schedule B-2* was due to a change in the proportional attendance at the day program;
- Food In-Facility cost increase on *Schedule C* was due to a change in residents;
- Program Supplies cost increase on *Schedule C* was due to programming focus and a change in residents; and
- Travel and Entertainment cost increases on *Schedule C* were due to increased employee travel.

We reported no differences.

Property

1. We compared the Provider's procedures regarding capitalization of fixed assets used for preparing *Schedule D, Capital Cost Center; Schedule D-1, Analysis of Property, Plant and Equipment; and Schedule D-2, Capital Additions/Deletions* with Ohio Admin. Code Chapter 5123:2-7 and CMS Publication 15-1.

We noted an inconsistency as the Provider did not determine a salvage value when calculating depreciation as required by CMS Publication 15-1, 104.19, which states, "Virtually all assets have a salvage value substantial enough to be included in calculating depreciation, and only in rare instance is salvage value so negligible that it may be ignored."

We also noted the Provider took depreciation in the month that the asset was placed into service and not the month after the asset was placed into service which is inconsistent with Ohio Admin. Code § 5123:2-7-18(E)(1) which states "In the month that a capital asset is placed into service, no depreciation expense is recognized as an allowable expense. A full month's depreciation expense is recognized in the month following the month the asset is placed into service."

Recommendation:

We recommend the Provider calculate a salvage value equal to 10 percent of historical cost when determining the initial net book value to be depreciated for each new capital asset purchase and the Provider begin depreciating assets after the month of acquisition.

2. We compared capital assets and corresponding depreciation listed on *Schedule D, Capital Cost Center; Schedule D-1, Analysis of Property, Plant and Equipment; and Schedule D-2, Capital Additions/Deletions* to the Provider's Fixed Asset and Depreciation Summary, Revenue Centers Analysis and Account Code Ledger reports to identify variances exceeding \$500 resulting in decreased costs on any schedule.

We found no variances.

3. ODM asked that we select a total of three additions, renovations, and/or deletions reported on *Schedule D-1, Analysis of Property, Plant and Equipment* and *Schedule D-2, Capital Additions/Deletions* and determine if the cost basis, useful life and depreciation expense were reported in accordance with Ohio Admin. Code § 5123:2-7. ODM asked that we determine if assets were used in residential care or should be reclassified as the Costs of Ownership in accordance with Ohio Admin § 5123:2-7 and CMS Publication 15-1. ODM asked that we identify variances exceeding \$500 which result in decreased costs on any schedule.

We did not perform this procedure as the Provider had no additions, renovations or deletions reported *Schedule D-1* or *Schedule D-2*.

4. We reviewed the rent and lease agreements and determined if any related party lease costs were recorded in accordance with CMS Publication 15-1, Section 1011.5 and Ohio Admin. Code § 5123:2-7-24(D) and that non-related leases meet the requirements of FASB 13 and Ohio Admin. Code § 5123:2-7-24(B) and related FASB guidance on leasehold improvements, if costs were recorded in *Schedule D, Analysis of Property, Plant and Equipment* in Lease and Rent Accounts 8060 or 8065. We identified any variances exceeding \$500 which result in decreased costs on any schedule.

We found no variances.

Property (Continued)

5. ODM asked us to compare the renovation and financing costs in the Non-extensive Renovation Letter to *Schedule D-1, Analysis of Property, Plant and Equipment*, if costs were recorded in *Schedule E, Balance Sheet* (Account 1300, Renovations) to identify variances exceeding \$500 which result in decreased costs on any schedule.

We did not perform this procedure as there was no renovation cost recorded on *Schedule E*.

6. We reviewed the Fixed Asset and Depreciation Summary report to ensure transportation expenses were reasonable, allowable and related to patient care as defined in CMS Publication 15-1, Chapter 9 for costs recorded on recorded in *Schedule D-1, Analysis of Property, Plant and Equipment*. ODM asked that, if any corporate officers and owners exclusively used vehicles, we review the W-2s to determine if they reported additional compensation or were adjusted from allowable expenses pursuant to CMS Publication 15-1. We identified any variances exceeding \$500 which result in decreased costs on any schedule.

We found no differences. We did not review any W-2s as no corporate or owners exclusively used any vehicles.

Payroll

1. We compared all salary, fringe benefits and payroll tax entries and hours worked reported on the Provider's Trial Balance, General Ledger and Adjusting Journal Entries reports to the amounts reported on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; Schedule C, Indirect Cost Care Center; Schedule C-1, Administrator's Compensation; and Schedule C-2, Owner's Relatives Compensation*. We identified any variances exceeding \$500 which result in decreased costs.

We found no differences.

2. We selected a sample of five employees reported on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; Schedule C, Indirect Cost Center; and Exhibit 3, Home Office Trial Balance* and compared the Provider's Payroll Journal and job descriptions to the schedule in which each employee's salary and fringe benefit expenses were reported. We determined if the payroll costs were allowable under CMS Publication 15-1, were properly classified, allocated and allowable in accordance with Ohio Admin. Code Chapter 5123:2-7 and CMS Publication 15-1, Chapter 9 and Section 2150. We identified any variances exceeding \$500 which result in decreased costs on any schedule.

We found no differences.

3. We compared the 2014 payroll costs reported on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; Schedule C, Indirect Cost Care Center; Schedule C-1, Administrator's Compensation; and Schedule C-2, Owner's Relatives Compensation* by chart of account code to similar costs in 2013 and we obtained the Provider's explanation for all three payroll variances that increased by more than five percent and \$500. The Program Specialist and Habilitation Supervisor payroll cost increases on *Schedule B-2* were due to wage increases and Physical Therapy Assistant payroll cost increase on *Schedule B-2* was due to a change in cost centers.

We reported no variances.

Society for Handicapped Citizens of Medina County, Inc. - Pell Home
Independent Accountant's Report on
Applying Agreed-Upon Procedures

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Provider's Cost Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Provider's management, the Ohio Department of Medicaid, the Ohio Department of Developmental Disabilities and the Centers for Medicare and Medicaid Services, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

October 31, 2016

Appendix A

**Society for Handicapped Citizens of Medina County, Inc. - Pell Home
2014 Medicaid ICF-IID Cost Report Adjustments**

	Reported Amount	Correction	Corrected Amount	Explanation of Correction
Schedule B-1 Other Protected Costs				
7. Heat, Light, Power - 6020 - Other/Contract Wages (2)	\$ 8,597	\$ (146)	\$ 8,451	To correct Home Office costs
8. Water and Sewage - 6030 - Other/Contract Wages (2)	\$ 3,631	\$ (83)	\$ 3,548	To correct Home Office costs
9. Trash and Refuse Removal - 6040 - Other/Contract Wages (2)	\$ 1,084	\$ (27)	\$ 1,057	To correct Home Office costs
12. Real Estate Taxes - 6060 - Other/Contract Wages (2)	\$ 4,282	\$ (2)	\$ 4,280	To correct Home Office costs
Schedule C Indirect Care Cost Center				
31. Security Services - 7230 - Salary Facility Employed (1)	\$ 1,020	\$ (50)	\$ 970	To correct Home Office costs
32. Travel and Entertainment - 7235 - Other/Contract Wages (2)	\$ 3,199	\$ (82)	\$ 3,117	To correct Home Office costs
35. Housekeeping - 7245 - Other/Contract Wages (2)	\$ 2,449	\$ (13)	\$ 2,436	To correct Home Office costs
36. Laundry and Linen - 7250 - Other/Contract Wages (2)	\$ 1,788	\$ (2)	\$ 1,786	To correct Home Office costs
38. Legal Services - 7260 - Other/Contract Wages (2)	\$ 49	\$ (12)	\$ 37	To correct Home Office costs
39. Accounting - 7265 - Salary Facility Employed (1)	\$ 12,859	\$ (2,524)	\$ 10,335	To correct Home Office costs
39. Accounting - 7265 - Other/Contract Wages (2)	\$ 3,897	\$ (357)	\$ 3,540	To correct Home Office costs
42. Insurance - 7280 - Other/Contract Wages (2)	\$ 6,244	\$ (209)	\$ 6,035	To correct Home Office costs
43. Data Services - 7285 - Salary Facility Employed (1)	\$ 3,421	\$ (815)	\$ 2,606	To correct Home Office costs
43. Data Services - 7285 - Other/Contract Wages (2)	\$ 2,651	\$ (90)	\$ 2,561	To correct Home Office costs
44. Help Wanted/Informational Advertising - 7290 - Other/Contract Wages (2)	\$ 665	\$ (34)	\$ 631	To correct Home Office costs
Attachment 1 Revenue Trial Balance				
78. Contributions - 5670 - Total (2)	\$ 7,215	\$ (2,329)	\$ 4,886	To match revenue ledger
Attachment 2 Adjustment to Trial Balance				
2. Workers Compensation Refund (1) Revenue Chart of Account #			5400	To record revenue offset
2. Workers Compensation Refund (3) Other Increase (Decrease)	\$ -		\$ 4,715	\$ 4,715 To record revenue offset
2. Workers Compensation Refund (5) Expense Chart of Account #			6520	To record revenue offset
2. Workers Compensation Refund (6) Revenue Reference Attachment 1 Line			59	To record revenue offset
3. Workers Compensation Refund (1) Revenue Chart of Account #			5400	To record revenue offset
3. Workers Compensation Refund (3) Other Increase (Decrease)	\$ -		\$ 3	\$ 3 To record revenue offset
3. Workers Compensation Refund (5) Expense Chart of Account #			7065	To record revenue offset
3. Workers Compensation Refund (6) Revenue Reference Attachment 1 Line			59	To record revenue offset
4. Workers Compensation Refund (1) Revenue Chart of Account #			5400	To record revenue offset
4. Workers Compensation Refund (3) Other Increase (Decrease)	\$ -		\$ 810	\$ 810 To record revenue offset
4. Workers Compensation Refund (5) Expense Chart of Account #			7510	To record revenue offset
4. Workers Compensation Refund (6) Revenue Reference Attachment 1 Line			59	To record revenue offset

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**SOCIETY FOR HANDICAPPED CITIZEN OF MEDINA COUNTY INC-PELL HOME
MEDINA COUNTY**

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
DECEMBER 13, 2016**