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Independent Accountants' 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, which were agreed to by the Ohio Department of Medicaid (ODM), on the Medicaid ICF-IID Cost Report of Res-Care Ohio, Inc. DBA ResCare Wellington (hereafter referred to as the Provider) for the period January 1, 2015 through December 31, 2015. The Provider's management is responsible for preparing the Medicaid ICF-IID Cost Report. The sufficiency of these procedures is solely the responsibility of ODM. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Unless otherwise identified in the procedure, this report only describes exceptions exceeding \$500 and resulting in decreased costs.

Occupancy and Usage

1. We compared the number of patient days for Medicaid and non-Medicaid patients from the Provider's Census Form 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 reported variances in Appendix A.
2. We selected five residents' medical records and compared the total days of care for December 2015 with the inpatient days reported on the Census Form reports and *Schedule A-1* 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 reported additional census days in Appendix A. We identified unauthorized bed hold days and calculated a recoverable finding in the Medicaid Paid Claims section.
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* 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 five residents for December 2015 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.

Medicaid Paid Claims (Continued)

Recoverable Finding: \$740.19

We determined the Provider was over reimbursed for three bed hold days for one recipient above the 30 bed hold days allowed. We reported corresponding adjustments to remove these days in Appendix A.

Revenue

1. We compared all revenues on the Provider's Group Home Detailed Revenue report with *Attachment 1, Revenue Trial Balance* to determine compliance with the Appendix to Ohio Admin. Code § 5123:2-7-16 and CMS Publication 15-1. We found no differences.
2. We scanned the Provider's Group Home Detailed Revenue report for any revenue offsets or applicable credits which were not reported on *Attachment 2, Adjustments to Trial Balance; Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; and Schedule C, Indirect Cost Care Center* to offset corresponding expenses in accordance with CMS Publication 15-1, Chapters 1, 6, and 8. We did not identify any revenue offsets/applicable credits.

Non-Payroll Expenses

1. We compared all non-payroll expenses reported on *Schedule B-1, Schedule B-2, and Schedule C* to the Provider's Cost Group Detail report and Detailed General Ledger Report. We found no variances.
2. We reviewed the allocation methodology used in the Provider's Home Office Allocation schedule allocating costs on *Schedule B-1, Schedule B-2 and Schedule C* 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 found no inconsistencies or improper allocation methodologies.
3. We scanned the Provider's Detailed General Ledger Report and selected 20 non-payroll expenses that were reported on *Schedule B-1, Schedule B-2, Schedule C, and Exhibit 3, Home Office Trial Balance* to determine if supporting documentation was maintained, the costs were properly allocated, classified, and allowable per Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1. We reported variances in Appendix A.

We also scanned for any unreported contract costs which would require reporting on *Schedule C-3, Costs of Services from Related Parties*. We found no unreported contracts.

4. We did not compare the 2015 non-payroll costs to similar reported costs in 2014 and obtain the Provider's explanations for five non-payroll variances as there was a change in ownership from 2014 to 2015.

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 § 5123:2-7 and CMS Publication 15-1.

Property (Continued)

We found 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."

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.

2. We compared capital assets and corresponding depreciation listed on *Schedule D*, *Schedule D-1* and *Schedule D-2* to the Provider's Fixed Asset report. We reported a variance in Appendix A.
3. We selected two additions and one deletion reported on *Schedule D-1* and *Schedule D-2* and determined if the cost basis, useful life and depreciation expense were reported in accordance with Ohio Admin. Code § 5123:2-7. We determined if the 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. We reported variances in Appendix A.
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* in Lease and Rent Accounts 8060 or 8065. We reported no variances.
5. We did not compare the renovation and financing costs in the Non-extensive Renovation Letter to *Schedule D-1* as there were no costs recorded in *Schedule E*, *Balance Sheet*, Account 1300, Renovations.
6. We reviewed the Healthcare Fixed Assets report to ensure transportation expenses were reasonable, allowable and related to patient care as defined in CMS Publication 15-1. We also reviewed the W-2s and transportation logs to determine if any corporate officers and owners exclusively used vehicles and additional compensation was reported on *Schedule D-1* and should be removed pursuant to CMS Publication 15-1, Chapter 9. We found no variances.

Payroll

1. We compared all salary, fringe benefits and payroll tax entries and hours worked reported on the Provider's Detailed General Ledger Report and Cost Group Detail report to the amounts reported on *Schedule B-1*; *Schedule B-2*; *Schedule C*; *Schedule C-1*, *Administrator's Compensation*; and *Schedule C-2*, *Owner's Relatives Compensation*. We found no variances.
2. We selected five employees reported on *Schedule B-1*, *Schedule B-2*, *Schedule C* and *Exhibit 3* and compared the Provider's job descriptions to the schedule in which each employee's salary and fringe benefit expenses were reported. We determined if the payroll costs were properly classified, allocated and allowable in accordance with Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1, Chapter 9 and Section 2150. We found no variances.

Payroll (Continued)

3. We did not compare the 2015 payroll costs to similar costs reported in 2014 and obtain the Provider's explanation for five payroll variances as there was a change in ownership from 2014 to 2015.

This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Medicaid ICF-IID Cost Report. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

This report is intended solely for the information and use of the Provider and the ODM, and is not intended to be, and should not be used by anyone other than the specified parties.



Dave Yost
Auditor of State

October 23, 2017

Appendix A
Rescare Ohio, Inc. DBA ResCare Wellington
2015 Medicaid ICF-IID Cost Report Adjustments

	Reported Amount	Correction	Corrected Amount	Explanation of Correction
Schedule A-1 Summary of Inpatient Days				
12. December - Therapeutic Leave Days (4)	20	(3)	17	To remove unauthorized bed hold days
12. December - Veterans and Other Days (9)	9	23	32	To correct total inpatient days
Schedule B-1 Other Protected Costs				
7. Heat, Light, Power - 6020 - Other/Contract Wages (2)	\$ 45,499	\$ (708)	\$ 44,791	To reclassify non-federal costs without supporting documentation
Schedule C Indirect Care Cost Center				
54. Leased Equipment - 7400 - Other/Contract Wages (2)	\$ -	\$ 1,451	\$ 1,451	To reclassify Lease and Rent Equipment
68. Other Non-Reimbursable - Specify Below - 9725 - Other/Contract Wages (2)	\$ -	\$ 708	\$ 708	To reclassify non-federal costs without supporting documentation
Schedule D Capital Cost Center				
4. Depreciation - Equipment - 8040 - Total (3)	\$ 2,449	\$ (1,285)	\$ 1,164	To correct depreciation expense
7. Lease and Rent - Equipment - 8065 - Total (3)	\$ 15,479	\$ (1,451)	\$ 14,028	To reclassify Lease and Rent Equipment
Schedule D-1 Analysis of Property, Plant and Equipment				
2. Buildings - Accumulated Depreciation End of Period (5)	\$ 11,423	\$ (5,712)	\$ 5,711	To match depreciation schedule
5. Equipment - Additions or Reductions (3)	\$ 2,808	\$ (1,285)	\$ 1,523	To correct depreciation expense

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RES-CARE OHIO INC, DBA WELLINGTON

LORAIN 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 14, 2017