



**NORTHCOAST BEHAVIORAL HEALTHCARE  
LAKE COUNTY COMMUNITY SUPPORT NETWORK**

**AGREED UPON PROCEDURES**

**FOR THE COST REPORT PERIOD  
JULY 1, 2007 THROUGH JUNE 30, 2008  
AND  
JULY 1, 2008 THROUGH JUNE 30, 2009**



**Dave Yost • Auditor of State**



**NORTHCOAST BEHAVIORAL HEALTHCARE  
LAKE COUNTY COMMUNITY SUPPORT NETWORK**

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

May 24, 2011

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Assistant Deputy Director for Operations  
Ohio Department of Mental Health  
30 East Broad Street, 11th Floor  
Columbus, Ohio 43215-3430

As required by Ohio Admin. Code Section 5122-26-19 the Auditor of State's Office (AOS) performed the procedures enumerated below, codified in Ohio Admin. Code Section 5122-26-19.1, Appendix A, Part G to which the Ohio Department of Mental Health (ODMH) also agreed. These procedures are designed to assist you in evaluating whether Northcoast Behavioral Healthcare: Lake County Community Support Network (hereafter referred to as Lake County CSN) prepared its Actual Uniform Cost Report (AUCR) for the periods July 1, 2007 through June 30, 2008 and July 1, 2008 through June 30, 2009, in accordance with the Uniform Cost Reporting Appendix to Ohio Admin. Code Section 5122-26-19 and to assist you in evaluating whether expenditure transactions complied with 2 CFR Part 225 (OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*), and other compliance requirements described in the procedures below. Lake County CSN's management is responsible for preparing these reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of ODMH. 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.

Throughout this report we identified and documented any variance greater than plus or minus two percent as material and obtained management's explanation of the variance(s) for inclusion in this agreed-upon procedures report. Our procedures are as follows:

### **I. Mathematical Accuracy Testing**

1.) We compared total disbursements on the FIN103 Expenditures by Department ID and Account report to total disbursements reported on all four County CSN AUCRs (Cuyahoga, Lake, Mahoning, and Summit) combined during State Fiscal Years (SFY) ending June 30, 2008 and June 30, 2009.

Ohio Admin. Code Section 5122-26-19 (B) requires each CSN to prepare its AUCR in accordance with accounting principles generally accepted in the United States of America. However, the AUCR reviewed for Lake County CSN was prepared on a cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The AUCR omits accrued expenses that, while we presume to be material, the effect upon our testing of the procedures could not be determined.

We found a variance of \$281,171 (four percent) when comparing total disbursements on the FIN103 Expenditures by Department ID and Account reports to total disbursements on the AUCRs for all four County CSNs combined during SFY 2008. We reconciled payroll to identify individual adjustments for SFY 2008 (see Personnel Cost Procedure results). We found no differences exceeding two percent for SFY 2009 for all four County CSNs combined.

2a.) We compared the sum of the totals reported on the AUCR for personnel and non-personnel costs with the amount reported on the AUCR for the total costs of each service.

We found that for SFY 2008 and 2009 Lake County CSN AUCRs did not break out Administrative Costs

into Non-Personnel and Personnel Cost totals as required by the Uniform Cost Reporting Appendix to Ohio Admin. Code Section 5122-26-19 (E) which states in pertinent part, "the purpose of this step is to equitably allocate all administrative overhead costs among the various mental health services as well as non-mental health services, (e.g., alcohol and other drug services, Title IV-E services, etc.). Up to this point, personnel and non-personnel costs have been allocated to administrative overhead as a discrete service as well as the other mental health services." See Part III.E.1.

2b.) We compared the sum of the reported service total costs and allocation of administrative overhead from the AUCR with the value reported on the AUCR for total costs of each service.

We found no differences for SFY 2008 and 2009.

2c.) We compared the result of total costs divided by the number of units from the AUCR with the cost per unit reported on the AUCR for each service.

We found no differences for SFY 2008 and 2009.

2d.) We compared the difference of the value reported for total costs less unallowable costs from the AUCR with the value reported for total allowable costs on the AUCR for each service.

We found no differences for SFY 2008 and 2009.

2e.) We compared the result of reported allowable costs divided by the number of units served from the AUCR with the allowable cost per unit reported on the AUCR for each service.

We calculated a cost per unit of \$132.10 for pharmacological management versus the reported cost per unit of \$10,407 for SFY 2008. We calculated a cost per unit of \$153.57 for residential care versus the reported cost per unit of \$164.98 for SFY 2008.

2f.) We compared the sum of the amount reported in each column, from the number of full-time equivalents (FTEs) assigned to the total allowable costs from the AUCR, with the total mental health services reported on the AUCR under each corresponding column.

We found no differences for SFY 2008 and 2009.

2g.) We compared the sum of the values reported under total mental health services, the values reported in the total agency service total and administrative overhead from the AUCR with the agency total costs reported on the AUCR under each corresponding column.

We found no differences for SFY 2008 and 2009.

## **II. Personnel Costs**

1.) We compared total salaries, wages, and fringe benefits on the Ohio Administrative Knowledge System (OAKS) Recap by Staff by Cost Center report to total personnel costs reported on all four County CSN AUCRs (Cuyahoga, Lake, Mahoning, and Summit) combined during SFY 2008 and 2009.

We found a variance of \$414,239 (six percent) when comparing total salaries, wages, and fringe benefits on the OAKS Recap by Staff by Cost Center report to total personnel costs on the SFY 2008 AUCR for all four County CSNs combined (see Procedure 2 results below). We did not find a variance exceeding two percent for SFY 2009 for all four County CSNs combined.

2.) We reconciled total salaries and fringe benefit costs of each employee reported on *Schedule A-2*,

*Personnel Services Costs Worksheet* to the OAKS Recap by Staff by Cost Center report for SFY 2008.

We found \$18,483 in employee salaries were over-allocated to the Lake County CSN's SFY 2008 AUCR. We reported these variances in Appendix A (2008).

3.) From the personnel costs reported on the AUCRs, we selected 11 employees for the pay period ending June 7, 2008 and 10 employees for the pay period ending June 6, 2009 whose personnel costs roll-up to those costs. We performed the following procedures on these samples by inspecting the supporting documentation (e.g., Recap by Cost Center Report, job descriptions, etc.).

3a.) We determined if supporting documentation for personnel costs was maintained as required by 2 CFR 225 (OMB Circular A-87, Appendix A, (C) (1)(J)) and properly classified as allowable or unallowable as defined in sections (1) and (2) of paragraph (H) of Ohio Admin. Code Section 5122-26-19.

We found no differences for SFY 2008 and 2009.

3b.) For any unallowable personnel disbursements we reviewed the AUCR to determine if they were included in unallowable costs.

We found no unallowable personnel disbursements for SFY 2008 and 2009.

3c.) For any unallowable personnel disbursements we determined if they were allocated on the Budgeted Uniform Cost Report (BUCR) using the same cost methodology as they were allocated on the AUCR (e.g., number of FTEs).

We found no unallowable personnel disbursements for SFY 2008 and 2009.

3d.) We reviewed supporting documentation to determine if personnel costs were properly allocated as direct service or support service costs and to the appropriate service(s) (e.g., pharmacological management) in accordance with the Uniform Cost Reporting Appendix to Ohio Admin. Code Section 5122-26-19.

We found no differences for SFY 2008 and 2009.

### **III. Non-Personnel Costs**

1.) From the non-personnel costs reported on the AUCR, we haphazardly selected (as defined in the American Institute of Certified Public Accountants audit sampling guide) 34 and 40 non-personnel disbursements in SFY 2008 and SFY 2009, respectively. We performed the following procedures on each selected disbursement:

1a.) We determined if each disbursement was properly classified as allowable or unallowable as defined in sections (1) and (2) of paragraph (H) of Ohio Admin. Code Section 5122-26-19 and 2 CFR Part 225, Appendix A, (C)(1)(j) and Appendix B.

We found five disbursements in SFY 2008, totaling \$3,273, were not adequately documented as required by 2 CFR Part 225, Appendix A, Section (C)(1)(j). The unallowable non-personnel disbursements identified for SFY 2008 were not properly classified as unallowable costs on the AUCR. We reported these variances in Appendix A (2008).

We found no differences for SFY 2009.

1b.) We determined if the allocation method(s) used for the tested non-personnel disbursements

complied with the procedures outlined in the Uniform Cost Reporting Appendix to Ohio Admin. Code Section 5122-26-19.

We found no differences for SFY 2008.

One telephone disbursement in the amount of \$92 was reclassified from Cuyahoga-Small Group to Lake County Telephones-Pharmacological management, Willoughby and Madison Residential in SFY 2009. We reported this variance in Appendix B (2009).

1c.) For any unallowable non-personnel disbursements we determined if they were allocated on the Budgeted Uniform Cost Report (BUCR) using the same cost methodology as they were allocated on the AUCR (e.g., number of FTEs).

We found no differences for SFY 2008 and 2009.

#### **IV. Administrative Overhead Costs**

1.) From the administrative overhead costs reported on the AUCR, we haphazardly (as defined in the American Institute of Certified Public Accountants audit sampling guide) selected 21 and 20 non-personnel disbursements for SFY 2008 and 2009, respectively.

Because the OAKS financial system could not generate a detailed payroll report by employee which would rollup payroll costs to the FIN128 Total Disbursements by Department ID report we could not select employees charged to administrative overhead costs. Therefore, we were not able to fully determine if payroll costs were allocated in a reasonable manner as required by 2 CFR Part 225 Appendix A, (C)(3)(a).

We performed the following procedures on each selected disbursement:

1a.) We determined if each disbursement was properly classified as allowable or unallowable as defined in sections (1) and (2) of paragraph (H) of Ohio Admin. Code Section 5122-26-19 and 2 CFR Part 225, Appendix A, (C)(1)(j) and Appendix B.

##### 2008 Results:

One disbursement in the amount of \$1,376 was not adequately documented as required by 2 CFR Part 225, Appendix A, Section (C)(1)(j) in SFY 2008.

Seven disbursements totaling \$81,903 in SFY 2008 were either directly related to hospital clients, employees or activities and/or there was not enough supporting documentation to demonstrate a direct or indirect benefit to the CSN; therefore, the cost was unallowable under 2 CFR Part 225, Appendix A, Section (C)(3)(a) and (C)(1)(j).

We calculated the portion of these unallowable administrative overhead disbursements allocated to Lake County CSN as \$1,517 in SFY 2008. The unallowable administrative overhead disbursements identified for SFY 2008 were not properly classified as unallowable costs on the AUCR; therefore, we reported these variances in Appendix A (2008).

##### 2009 Results:

Four disbursements totaling \$185,831 were either directly related to hospital clients, employees or activities and/or there was not enough supporting documentation to demonstrate a direct or indirect benefit to the CSNs; therefore, the cost was unallowable per 2 CFR Part 225, Appendix A, Sections (C)(3)(a) and (C)(1)(j). We calculated the portion of these unallowable disbursements that were allocated to Lake County CSN as \$3,161 in SFY 2009. These unallowable administrative overhead disbursements



were not properly classified as unallowable costs on the AUCR; therefore, we reported these variances in Appendix B (2009).

1b.) We determined if the allocation method(s) used for the tested administrative overhead disbursements were allocated using only one of the allowable methods described in the Uniform Cost Reporting Appendix to Ohio Admin. Code Section 5122-26-19.

We found no unallowable allocation methods for SFY 2008 and 2009.

1c.) For any unallowable administrative overhead costs we determined if they were allocated on the BUCR using the same cost methodology as they were allocated on the AUCR (e.g., number of FTEs).

We found no differences for SFY 2008 and 2009.

#### **IV. Units of Service**

1.) We compared the number of units on the AUCR with the Lake County CSN units of service cross tab report to determine if units were reported in compliance with the Uniform Cost Reporting Appendix to Ohio Admin. Code Section 5122-26-19.

The amount of community psychiatric supportive treatment units was understated by two units for SFY 2008. We reported this variance in Appendix A (2008).

We found no differences for SFY 2009.

2.) From and by each service with costs reported on the AUCR, we haphazardly (as defined in the American Institute of Certified Public Accountants audit sampling guide) selected 40 units of service in SFY 2008 and 2009. We performed the following procedures on the selected units:

2a.) We determined if supporting documentation for the units of service was maintained as required by Ohio Admin. Code Section 5122-26-19 and met the service documentation requirements of Ohio Admin. Code Section 5101:3-27-07 and units of service conventions in Ohio Admin. Code Section 5101:3-27-05:

- Date of service;
- Duration of the service contact;
- Unit of service convention (e.g., one hour of mental health assessment is one unit).

We found no missing documentation or instances of incomplete documentation which would result in a recoverable finding for SFY 2008 and 2009.

#### **VI. BUCR to AUCR Comparison**

1.) We compared each cost category on the BUCR against the AUCR and determined if the same cost methodology was used (e.g., number of FTEs).

We found no differences for SFY 2008 and 2009.

On April 8, 2011, we held an exit conference with the Lake County CSN. The Lake County CSN's response is included in Appendix A and B. We did not audit the response and, accordingly, we express no opinion on it.

This report is intended solely for the use of the managements of the ODMH and the Lake County CSN and is not intended to be, and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost  
Auditor of State

2008 Worksheet/ Schedule	Reported Amount	Correction	Corrected Amount	Auditor Explanation of Correction	CSN's Response to Correction
<b>Lake AUCR</b>					
<b>Schedule A-1 Uniform Cost Report</b>					
Column 2-Community Psychiatric Supportive Treatment (Ind.) (Ind. CSP)	0	2	2	To correct units of service	Units are reported using numbers available at that time. These numbers are not static.
Column 9-Pharmacological Management	\$10,407.00	-\$10,275.90	\$131.10	To correctly calculate the unit rate.	These didn't affect Column 12 or the net result
Column 9-Residential Care (Residential Treatment/Support) Column 10, Un-Allowable Costs	\$164.98	-\$11.41	\$153.57	To correctly calculate the unit rate.	These didn't affect Column 12 or the net result
Pharmacological Mgt. (Medication/Somatic)	\$0	\$170	\$170	To record unallowable costs identified during the audit.	See explanations below
Residential Care(Residential Treatment/Residential Support)	\$0	\$1,347	\$1,347		
	<u>\$0</u>	<u>\$1,517</u>	<u>\$1,517</u>		
<b>Schedule A-2 Personnel Costs</b>					
Column 5, Madison Residential Services-Direct Services					
b. Wages-M. Mack-TPW Employee	\$2,014	\$1,748	\$3,762	To correct payroll for unallocated costs.	Payroll Variances due to formula or coding errors.
				To correct payroll for unallocated costs.	Payroll Variances due to formula or coding errors.
b. Wages-A.Soblotne-	\$0	\$763	\$763		
b. Wages-M. Jackson-TPW Employee	\$22,450	-\$22,450	\$0	To reclassify payroll costs to Cuyahoga County CSN.	Payroll Variances due to formula or coding errors.
<b>Administrative Support Employees Salary Totals</b>					
Column 5, Pharmacological Management					
d. Wages	\$0	\$135	\$135	To correct admin payroll for unallocate salaries	Payroll Variances due to formula or coding errors.
Column 5, Madison Residential Services-Support Services					
d. Wages	\$0	\$1,321	\$1,321		
<b>Total A-2 Personnel Costs</b>	<u>\$24,464</u>	<u>-\$18,483</u>	<u>\$5,981</u>		
<b>Schedule A-3 Non-Personnel Costs</b>					
<b>Column 3-Telephones</b>					
Pharmacological Management	\$183	-\$4	\$179	To remove unsupported telephone costs \$1,634 less \$179 reclassified as telephone expenses from miscellaneous.	Could not locate supporting documentation, but agreed with misclassification.
Willoughby Residential	\$764	-\$764	\$0		
Madison Residential	\$687	-\$687	\$0		
<b>Total-Telephones</b>	<u>\$1,634</u>	<u>-\$1,455</u>	<u>\$179</u>		
<b>Column 3-Food</b>					
Pharmacological Management	\$2,960	-\$36	\$2,924	To remove unsupported food costs.	Could not locate supporting documentation.
Willoughby Residential	\$12,389	-\$153	\$12,236		
Madison Residential	\$11,136	-\$139	\$10,997		
<b>Total-Food</b>	<u>\$26,485</u>	<u>-\$328</u>	<u>\$26,157</u>		
<b>Column 3-Miscellaneous</b>					
Pharmacological Management	\$100	-\$20	\$80	To reclassify telephone costs from miscellaneous.	Agreed with misclassification
Willoughby Residential	\$418	-\$84	\$334		
Madison Residential	\$375	-\$75	\$300		
<b>Total-Miscellaneous</b>	<u>\$893</u>	<u>-\$179</u>	<u>\$714</u>		
<b>Column 3-Storeroom Costs</b>					
Pharmacological Management	\$387	-\$147	\$240	To reclassify storeroom costs.	No storeroom schedule was found to support storeroom costs reported by cost report preparer.
Willoughby Residential	\$1,619	-\$613	\$1,006		
Madison Residential	\$1,455	-\$551	\$904		
<b>Total-Storeroom Costs</b>	<u>\$3,461</u>	<u>-\$1,311</u>	<u>\$2,150</u>		
<b>Total A-3 Non-Personnel Costs</b>	<u>\$32,473</u>	<u>-\$3,273</u>	<u>\$29,200</u>		
<b>Schedule A-4 Administrative Overhead</b>					
<b>Column 4-Administration Allocation</b>					
Totals	\$117,224	-\$1,517	\$115,707	To remove unallowable administrative overhead costs.	CSN stated some of these costs benefit the hospital only and not CSN patients.

2009 Worksheet/ Schedule	Reported Amount	Correction	Corrected Amount	Auditor Explanation of Correction	CSN's Response to Correction
<b>Lake AUCR</b>					
<b>Schedule A-1 Uniform Cost Report</b>					
Column 10, Unallowable Costs					
Pharmacological Mgt. (Medication/Somatic)	\$0	\$284	\$284	To record unallowable costs identified during the audit.	See explanations below
Residential Care(Residential Treatment/Residential Support)	\$0	\$2,877	\$2,877		
	\$0	\$3,161	\$3,161		
<b>Schedule A-3 Non-Personnel Costs</b>					
<b>Column 3-Telephones</b>					
Pharmacological Management	\$114	\$9	\$123	To reclassify telephone costs from Cuyahoga to Lake County.	Agreed with misclassification
Willoughby Residential	\$597	\$42	\$639		
Madison Residential	\$564	\$41	\$605		
<b>Total-Telephones</b>	<b>\$1,275</b>	<b>\$92</b>	<b>\$1,367</b>		
<b>Schedule A-4 Administrative Overhead</b>					
<b>Column 4-Administration Allocation</b>					
Totals	\$116,801	-\$3,161	\$113,640	To remove unallowable admin overhead costs	CSN stated some of these costs benefit the hospital only and not CSN patients.



# Dave Yost • Auditor of State

**NORTHCOAST BEHAVIORAL HEALTHCARE LAKE COUNTY COMMUNITY SUPPORT NETWORK**

**LAKE 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  
MAY 24, 2011**