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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, which were agreed to by the Ohio Department of Medicaid (ODM), on the Cost Reports for the following Ohio Department of Developmental Disabilities (DODD) Developmental Centers: Cambridge, Columbus, Gallipolis, Montgomery, Mount Vernon, Northwest Ohio, Southwest Ohio, Tiffin, Warrensville, and Youngstown (hereafter referred to as the Centers or State Operated Intermediate Care Facilities for Individuals with Intellectual Disability (ICF-IID) for the period July 1, 2013 through June 30, 2014 (SFY 2014). DODD's management is responsible for preparing these reports. 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.

Census Data and Medicaid Paid Claims

1. We compared the total of each Center's monthly inpatient days reported on DODD's MRDATA worksheet and Summary of Inpatient Day reports to the number of total inpatient days reported on *Worksheet F, Census Data* to identify any variances where inpatient days were greater than the number reported. We also footed the reports for accuracy.

We found no instances where patient days were greater than reported.

2. We selected all paid claims for 10 residents for December 2013 for each Center from the Medicaid Information Technology System (MITS) and the Center's Actual Monthly Individual Roster reports and compared the reimbursed Medicaid days to the days documented per the resident's medical records. We determined if the Center's documentation met the general requirements of CMS Publication 15-1, Chapter 23, and Ohio Admin. Code § 5160:3-99. We also determined if the days billed met the 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. In addition, we determined if days were reported correctly on *Worksheet F, Census Data* and *Worksheet E, Computation Of Rate Setting And Federal Funds Participation Settlement* to identify any inpatient days greater than reported or any unauthorized bed hold days.

Recoverable Finding: Tiffin Developmental Center - \$3,265.88

We found the Tiffin Developmental Center was reimbursed for seven dates of service in December 2013 when the individual was enrolled in hospice care. Per Ohio Admin. Code § 5123:2-7-08 (H)(1), "Bed hold days are not available to a Medicaid-eligible resident of an ICF-IID who is enrolled in a Medicare or Medicaid hospice program". These days were already excluded from the patient days on *Worksheet F, Census Days*.

3. We obtained the reimbursed Medicaid days from MITS and compared these with the total Medicaid days reported on *Worksheet F* for each Center and reported any reimbursed days in excess of total days reported.

We found no Medicaid reimbursed days in excess of days reported.

Mathematical Accuracy

1. We compared the total inpatient days and non-payroll, payroll, and capital costs reported by each Center on *Worksheet A, Trial Balance of Expense; Worksheet A1, Direct Expenses; Worksheet A3, Adjustments to Trial Balance; Worksheet B, Basis for Cost Allocation-Statistics Labor Related Components; Worksheet C, Basis for Cost Allocation-Statistics Non-Labor Related Components; Schedule D, Ancillary Cost – Step Down – Labor and Non Labor Related Component*, and *Worksheet F, Census Data* to the total inpatient days and direct, ancillary and capital costs on *Worksheet E, Computation Of Rate Setting And Federal Funds Participation Settlement*. ODM asked us to report any variances in inpatient days or costs exceeding \$500 on any worksheet.

We reclassified days on *Worksheet E* for the Warrensville Developmental Center to allow total patient days to be carried over to *Worksheet F* as reported in Appendix A.

Non-Payroll Expenses

1. We compared each non-payroll expense from the Ohio Administrative Knowledge System (OAKS) FIN Transactional Disbursement Data for each Center to non-payroll expenses reported on DODD's Data Worksheet and *Worksheet A; Worksheet A1; Worksheet A3; Worksheet C*; and *Schedule D* to identify any variances exceeding \$500 resulting in decreased costs on any worksheet.

We found no variances resulting in decreased costs.

2. We scanned each OAKS FIN Transactional Disbursement data for each Center and selected 40 non-payroll shared central service costs expenses and 20 non-payroll expenses reported on *Worksheet A; Worksheet A1; Worksheet A3; Worksheet C*; and *Schedule D*. We determined if expenses had supporting documentation, were properly allocated and classified, and were allowable expenses per Ohio Admin. Code §§ 5123-2-7 and 5160:3, CMS Publication 15-1 and 15-2, and 42 CFR 92. ODM asked us to report any variances exceeding \$500 on any worksheet.

We also scanned each Centers' OAKS Transactional Revenue data to identify any revenue offsets which were not reported on *Worksheet A3* to offset corresponding expenses in accordance with CMS Publication 15-1, Chapter 1, 6, and 8.

We reported variances for Montgomery, Northwest, Tiffin, and Warrensville Developmental Centers in Appendix A. We identified unreported revenue offsets for Montgomery Developmental Center as reported in Appendix A.

Property

1. We compared the depreciation costs on OAKS Depreciation Report to the amounts reported for each Center on *Worksheet A* and *Worksheet A3* and identified any variances exceeding \$500 on any worksheet.

We found no variances.

We also requested the capitalization policy and threshold in effect during the Cost Report period. DODD did not provide a capitalization policy for the Centers and stated its threshold in SFY 2014 was \$1,000. DODD also stated the capitalization threshold of \$500 or lower cited in Ohio Admin. Code § 5123: 2-7-18 does not apply to the Centers and it had received verbal approval from ODM for this exclusion.

Property (Continued)

While performing procedure 2 below, we identified capital assets purchased in SFY 2013 and 2014. We noted that DODD did not use a salvage value when calculating depreciation for the Centers 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."

DODD provided a capitalization policy with effective date of April 30, 2017; however, it did not incorporate the use of salvage value to calculate depreciable cost.

Recommendation:

We recommend DODD update its capitalization policy to ensure it meets all applicable requirements of CMS Publication 15-1, Chapter 1, Depreciation, 45 CFR 92.

2. We scanned the Depreciation report for depreciation taken on the same asset more than once, assets that have been fully depreciated in prior years, or depreciation taken on assets during the period of acquisition for each Center which were not in compliance with Ohio Admin. Code § 5123-2-7-18 and Chapter 5160:3, CMS Publication 15-1 and 15-2, and 42 CFR 92. ODM asked us to report any variances exceeding \$500 on any worksheet.

In the scan, we found assets being depreciated past their estimated useful lives. DODD stated that the variances were due to reporting depreciation that was not reported in prior Cost Reports due to errors in the reporting system or timing differences.

Depreciation is required to follow the period of operation that it benefits as stated in pertinent part in CMS Chapter 15-1, Chapter 1, "Depreciation is that amount which represents a portion of the depreciable asset's cost or other basis which is allocable to a period of operation...Depreciation accounting is a system of accounting which aims to distribute the cost or other basic value of tangible capital assets, less salvage (if any), over the estimated useful life of the unit (which may be a group of assets) in a systematic and rational manner. It is a process of allocation, not of valuation. Depreciation for the year is the portion of the total charge under such a system that is allocated to the year." In addition, costs beyond the 12 month reporting period should not be included as Ohio Admin. Code § 5160:3-99(A)(11) states, "Rate year cost report" means form ODM 01984 used to report costs and statistical data during a twelve-month period to determine the final payment rate for each state-operated ICF/IID."

We reported differences for Cambridge, Montgomery, Mount Vernon, and Tiffin Developmental Centers in Appendix A related to reporting depreciation for prior periods. We also reported differences in Appendix A for Cambridge Developmental Center for an asset purchased in SFY 2013 and Tiffin Developmental Center for assets purchased in SFY 2013 and 2014 which were below the reported capitalization threshold of \$1,000.

Payroll

1. We compared payroll expenses from the OAKS Transactional Payroll data to payroll expenses reported by each Center on DODD's MRDATA Worksheet; *Worksheet A*; *Worksheet A1*; *Worksheet A3*; *Worksheet B*; and *Schedule D*. ODM asked us to report any variances exceeding \$500 resulting in decreased costs on any worksheet.

We found no differences.

Payroll (Continued)

2. We selected three employees and two contract employees for each Center from the HCM Payroll Costs by Department ID reports whose payroll was reported on *Worksheet A*; *Worksheet A1*; *Worksheet A3*; *Worksheet B*; and *Schedule D*. We then compared the HCM Payroll Costs by Department ID reports and job descriptions to the worksheet in which each employee's salaries and benefit costs were reported to determine if payroll costs were properly classified, allocated and allowable under Ohio Admin. Code § 5123:2-7 and Chapter 5160:3, CMS Publication 15-1 and 15-2, and 42 CFR 92. We reported misclassifications errors on any worksheet.

We reported variances for Northwest, Southwest, Warrensville, and Youngstown Developmental Centers in Appendix A.

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 Centers' Cost Reports. 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 DODD and ODM and is not intended to be, and should not be used by anyone other than the specified parties.



Dave Yost
Auditor of State

July 12, 2017

Appendix A

DODD Developmental Centers

SFY 2014 Developmental Center Adjustments

		<u>Reported</u> <u>Amount</u>		<u>Correction</u>	<u>Corrected</u> <u>Amount</u>	<u>Explanation of Correction</u>
Cambridge Developmental Center						
WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments						
1.	Capital Cost- Depreciation (16) Field Audit Non- Labor Adjustments	\$ -		\$ (5,003)		To remove depreciation that should have been reported in SFY 2013 but was reported in SFY 2014 due to reporting
				\$ (33)	\$ (5,036)	To remove depreciation on asset under the capitalization
Columbus Developmental Center						
WS A3 - Adjustments to Trial Balance						
7.	Miscellaneous Income	\$ (26,278)		\$ (748)	\$ (27,026)	To report additional Medicare revenue offsets
Montgomery Developmental Center						
WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments						
1.	Capital Cost- Depreciation (16) Field Audit Non- Labor Adjustments	\$ -		\$ (1,353)	\$ (1,353)	To remove depreciation that should have been reported in SFY 2013 but was reported in SFY 2014 due to reporting
4.	Administration & General (16) Field Audit Non-Labor Adjustments	\$ -		\$ 6,975	\$ 6,975	To reclassify administration expenses
16.	General Routine Care (16) Field Audit Non-Labor Adjustments	\$ -		\$ (6,975)		To reclassify administration expenses
				\$ (1,187)	\$ 8,162	To reclassify non-reimbursable expenses
25.	Other Non- Reimbursable (16) Field Audit Non- Labor Adjustments	\$ -		\$ 1,187	\$ 1,187	To reclassify non-reimbursable expenses
WS A3 - Adjustments to Trial Balance						
7.	Miscellaneous Income	\$ (473)		\$ (2,103)	\$ (2,576)	To report revenue offset for insurance proceeds received.
Mount Vernon Developmental Center						
WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments						
1.	Capital Cost- Depreciation (16) Field Audit Non- Labor Adjustments	\$ -		\$ (2,757)		To remove depreciation that should have been reported in SFY 2013 but was reported in SFY 2014 due to reporting system/timing error
				\$ (11,171)	\$ (13,928)	To remove depreciation on asset past its' useful life that is no longer allocable to the engagement period as prior period operational costs

Appendix A (Page 2)

DODD Developmental Centers

SFY 2014 Developmental Center Adjustments

		<u>Reported</u>		<u>Correction</u>	<u>Corrected</u>	
		Amount			Amount	Explanation of Correction
Northwest Ohio Developmental Center						
WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments						
9.	Dietary (14) Field Audit Labor Adjustments	\$ -		\$ (6,502)	\$ (6,502)	To reclassify Therapeutic Program Worker payroll
16.	General Routine Care (14) Field Audit Labor Adjustments	\$ -		\$ 6,502	\$ 6,502	To reclassify Therapeutic Program Worker payroll
4.	Administration & General (16) Field Audit Non-Labor Adjustments	\$ -		\$ (1,874)	\$ (1,874)	To reclassify plant maintenance expenses
5.	Maintenance & Repairs (16) Field Audit Non-Labor Adjustments	\$ -		\$ 1,874	\$ 1,874	To reclassify plant maintenance expenses
Southwest Ohio Developmental Center						
WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments						
4.	Administration & General (14) Field Audit Labor Adjustments	\$ -		\$ (2,750)	\$ (2,750)	To reclassify Licensed Practical Nurse payroll
16.	General Routine Care (14) Field Audit Labor Adjustments	\$ -		\$ 2,750	\$ 2,750	To reclassify Licensed Practical Nurse payroll
Tiffin Developmental Center						
WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments						
1.	Capital Cost- Depreciation (16) Field Audit Non- Labor Adjustments	\$ -		\$ (8,038)		To remove depreciation that should have been reported in SFY 2013 but was reported in SFY 2014 due to reporting system/timing error
				\$ (414)	\$ (8,452)	To remove depreciation on assets under the capitalization threshold
4.	Administration & General (16) Field Audit Non-Labor Adjustments	\$ -		\$ 620	\$ 620	To reclassify administration expenses
6.	Operation of Plant (16) Field Audit Non- Labor Adjustments	\$ -		\$ (229)	\$ (229)	To reclassify non-reimbursable expenses
8.	Laundry & Linen (16) \$ Field Audit Non- Labor Adjustments	\$ -		\$ (620)	\$ (620)	To reclassify administration expense

Appendix A (Page 3)
DODD Developmental Centers
SFY 2014 Developmental Center Adjustments

		<u>Reported</u>		<u>Correction</u>	<u>Corrected</u>	
		Amount			Amount	Explanation of Correction
Tiffin Developmental Center, Continued						
WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments						
25.	Other Non-Reimbursable (16) Field Audit Non-Labor Adjustments	\$ -		\$ 229	\$ 229	To reclassify non-reimbursable expenses
Warrensville Developmental Center						
WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments						
9.	Dietary (14) Field Audit Labor Adjustments	\$ -		\$ 8,534	\$ 8,534	To reclassify Food Service worker payroll
16.	General Routine Care (14) Field Audit Labor Adjustments	\$ -		\$ (8,534)	\$ (8,534)	To reclassify Food Service worker payroll
4.	Administration & General (16) Field Audit Non-Labor Adjustments	\$ -		\$ 748	\$ 748	To reclassify help wanted / advertising expenses.
16.	General Routine Care (16) Field Audit Non-Labor Adjustments	\$ -		\$ (748)	\$ (748)	To reclassify help wanted / advertising expenses.
WS E - Computation of Rate Setting and Federal Funds Participation Settlement						
	Total Patient Days - #1	-		33,805	33,805	To report total patient days - See * footnote below
WS F - Census Data						
1.	Average Beds #1	-		94	94	To reclassify average beds
1.	Average Beds #9	94		(94)	0	To reclassify average beds
2.	Average Bed Days #1	-		34,372	34,372	To reclassify average bed days
2.	Average Bed Days #9	34,372		(34,372)	0	To reclassify average bed days
3.	Patient Days #1	-		33,219	33,219	To reclassify patient days
3.	Patient Days #9	33,219		(33,219)	-	To reclassify patient days
4.	Leave Days #1	-		586	586	To reclassify leave days
4.	Leave Days #9	586		(586)	-	To reclassify leave days
Youngstown Developmental Center						
WS A - Adjustment, Summary of Desk Review and Field						
4.	Administration & General (14) Field Audit Labor Adjustments	\$ -		\$ (1,081)	\$ (1,081)	To remove miscoded Warrensville DC expenses

* These are not adjustments found as a direct result of the agreed-upon procedures performed, but are a function of how patient days flow from Worksheet F to Worksheet E of the Cost Report.

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Dave Yost • Auditor of State

OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES DEVELOPMENTAL CENTERS

FRANKLIN 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
JULY 25, 2017