



Dave Yost • Auditor of State



Dave Yost • Auditor of State

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 Lafferty Road # 2 Group Home (hereafter referred to as the Provider) for the period January 1, 2015 through December 31, 2015. The Provider's management is responsible for preparing this 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.

Occupancy and Usage

1. We compared the number of patient days for Medicaid and non-Medicaid patients from the Provider's Monthly 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 found no variances.

2. We selected all four residents' medical records and compared the total days of care for December 2015 with the inpatient days reported on the Monthly 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 were 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 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* to identify if reimbursed Medicaid days were greater than total Medicaid days.

We noted no variances.

Medicaid Paid Claims

1. We selected paid claims for four residents for December 2015 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 Group Home Detailed Revenue report with those revenues reported on *Attachment 1, Revenue Trial Balance* 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 to identify variances exceeding \$500.

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* or *Schedule B-1, Other Protected Costs*; *Schedule B-2, Direct Care Cost Center*; and *Schedule C, Indirect Cost Care Center* to offset corresponding expenses exceeding \$500 in accordance with CMS Publication 15-1, Chapters 1, 6, and 8.

We found no variances.

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 Cost Care Center* to the Provider's Cost Group Detail Report and Detailed General Ledger Report with Batch/Check Number to identify any variances exceeding \$500 resulting in decreased costs on any schedule.

We found no variances exceeding \$500.

2. We reviewed the allocation methodology used in the Provider's Home Office Allocation Summary - Facilities and other supporting documentation 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 reported any reclassifications and adjustments resulting in decreased costs exceeding five percent of Home Office costs on any schedule.

We found no inconsistencies or improper allocation methodologies used.

3. We scanned the Provider's Detailed General Ledger Report with Batch/Check Number 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 and to identify any reclassifications and adjustments exceeding \$500 resulting in decreased costs. 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 variances exceeding \$500. We found no unreported contract costs.

4. We compared the 2015 non-payroll costs reported on *Schedule B-1, Schedule B-2* and *Schedule C* by chart of account code to similar reported costs in 2014 and obtained the Provider's explanations for five non-payroll variances that increased by more than five percent and \$500:

Non-Payroll Expenses (Continued)

- Active Treatment Off-site Day Programming costs increased on *Schedule B-2* due to increased attendance;
- Food In-Facility costs increased on *Schedule C* due to misclassified costs in 2014;
- Program Supplies costs increased on *Schedule C* due to an increase in consumer activities;
- Repair and Maintenance costs increased on *Schedule C* due to additional repairs and cleaning; and
- Minor Equipment costs increased on *Schedule C* due to additional purchases made.

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.

We found an inconsistency as the Provider's 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 Depreciation Schedule, Cost Group Detail Report and Adjusting Journal Entries report 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* and *Schedule D-2* and determine if the cost basis, useful life and depreciation expense were reported in accordance with Ohio Admin. Code § 5123:2-7. ODM also asked that we determine 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 to identify variances exceeding \$500 which result in decreased costs on any schedule.

We did not perform this procedure as no additions, renovations or deletions were reported on *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* in Lease and Rent Accounts 8060 or 8065 to identify any variances exceeding \$500 which result in decreased costs on any schedule.

We found no variances.

Property (Continued)

5. ODM asked that we compare the renovation and financing costs in the Non-extensive Renovation Letter to *Schedule D-1*, 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 no renovation costs were reported on *Schedule E*.

6. ODM asked that we review the Depreciation Schedule to ensure transportation expenses were reasonable, allowable and related to patient care as defined in CMS Publication 15-1. ODM also asked that we review the W-2s and transportation logs to determine if any corporate officers and owners exclusively used vehicles and reported additional compensation exceeding \$500 on *Schedule D-1* and should be removed pursuant to CMS Publication 15-1, Chapter 9.

We did not perform this procedure as there were no transportation costs recorded on *Schedule D-1*.

Payroll

1. We compared all salary, fringe benefits and payroll tax entries and hours worked reported on the Provider's Cost Group Detail Report, Administrator's Wage Allocation and Detailed General Ledger Report with Batch/Check Number 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* to identify any variances exceeding \$500 which result in decreased costs on any schedule.

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 also 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 to identify any variances exceeding \$500 which results in decreased costs on any schedule.

We found no variances.

3. We compared the 2015 payroll costs reported on *Schedule B-1, Schedule B-2, Schedule C, Schedule C-1 and Schedule C-2* by chart of account code to similar costs reported in 2014 and obtained the Provider's explanation for the one payroll variance that increased by more than five percent and \$500. The Provider stated that Habilitation Supervisor costs increased on *Schedule B-2* due to the position being vacant for a portion of the year in 2014.

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.

Res-Care Ohio, Inc. DBA Lafferty Road #2 Group Home
Independent Accountants' Report on
Applying Agreed-Upon Procedures

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

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

October 23, 2017

This page intentionally left blank.



Dave Yost • Auditor of State

RES-CARE OHIO, INC. DBA LAFFERTY ROAD 2 GROUP HOME

BELMONT 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
NOVEMBER 9, 2017