



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 Madison Village Manor, Inc. (hereafter referred to as the Provider) prepared its Medicaid ICF-IID Cost Report for the period January 1, 2014 through December 31, 2014 in accordance with 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. 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 Patients Daily 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 five residents' medical records and compared the total days of care for December 2014 with the inpatient days reported on the Patients Daily 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 the Medicaid reimbursed days exceeded the total Medicaid days reported and identified a recoverable finding.

Recoverable Finding - 2014 Finding: \$57,061.91

We determined the Provider was reimbursed for 241 dates of service after one recipient's date of discharge and identified a recoverable finding for these days in the amount of \$57,061.91. The Provider was aware of the error and had documentation showing efforts to correct this recipient's status.

Recommendation:

We noted that the Provider was also reimbursed for additional dates of service through June 30, 2015 for the same recipient in the amount of \$38,634. We recommend ODM contact the Provider to recoup any and all improper Medicaid payments.

Medicaid Paid Claims

1. We selected paid claims for five 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 Cash Receipts Ledger and General Ledger reports 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 reported variances in Appendix A.

2. We scanned the Provider's Cash Receipts Ledger report for any revenue offsets or applicable credits which were not reported on *Attachment 2, Adjustments to Trial Balance* or *Schedule B-1, Schedule B-2* or *Schedule C* to offset corresponding expenses in accordance with CMS Publication 15-1, Chapters 1, 6, and 8.

We found worker's compensation rebates and other miscellaneous services and reimbursements 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 Cost Care Center* to the Provider's Trial Balance and General Ledger reports to identify any variances exceeding \$500 resulting in decreased costs on any schedule.

We found no variances.

2. We selected 20 non-payroll expenses from *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 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 reported variances exceeding \$500 that resulted in decreased costs in Appendix A.

Non-Payroll Expenses (Continued)

3. ODM asked that we review the allocation methodology used in the Provider's Home Office Allocation schedule allocating costs on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; and Schedule C, Indirect Cost Care Center* and determine 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. DODD asked that we report any reclassifications and adjustments resulting in decreased costs exceeding five percent on any schedule.

We did not perform this procedure as the Provider did not report Home Office costs on *Schedule B-1, Schedule B-2 or Schedule B-3*.

4. We scanned the Provider's General Ledger 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 reported costs in 2013 and we obtained the Provider's explanation for five non-payroll variances that increased by more than five percent and \$500:

- Commercial Activity Tax costs increased on *Schedule B-1* due to a loss of tax credits;
- Registered Nurse costs increased on *Schedule B-2* due to the hiring of a consultant;
- Universal Precaution Supplies costs increased on *Schedule C* due to an increase in patient needs;
- Interest-Other costs increased on *Schedule C* due to short-term financing to increase working capital; and
- Insurance costs increased on *Schedule C* due to higher monthly premiums.

We reported no variances.

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 noted 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."

Property (Continued)

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. This 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 Depreciation Schedule to identify variances exceeding \$500 resulting in decreased costs on any schedule.

We found no variances exceeding \$500 resulting in decreased costs.

3. We selected a total of three additions reported on *Schedule D-1, Analysis of Property, Plant and Equipment* and *Schedule D-2, Capital Additions/Deletions* 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 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 found no variances exceeding \$500 resulting in decreased costs on any schedule.

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 reported variances exceeding \$500 which resulted in decreased costs in Appendix A.

5. ODM asked that we 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 costs recorded on *Schedule E*.

6. We reviewed the Depreciation Schedule 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 *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 expenses were reasonable, allowable and related to patient care as defined in CMS Publication 15-1 to identify any variances exceeding \$500 which result in decreased costs on any schedule.

We found no variances and no corporate officers 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 General Ledger and Trial Balance 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* to identify any variances exceeding \$500 which result in decreased costs.

We found no variances.

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 job descriptions and Year to Date report 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 § 5123:2-7 and CMS Publication 15-1, Chapter 9 and Section 2150.

We reported variances exceeding \$500 which resulted in decreased costs in Appendix A. We also found the Provider allocated two employees salary and fringe benefit expenses based on an estimate of time spent. The Provider could not provide support of actual hours which is inconsistent with CMS Publication 15-1, 2307, which states "Direct assignment of cost is the process of assigning directly allocable costs of a general service cost center to all cost centers receiving service from that cost center based upon actual auditable usage.... Estimates, including a statistical surrogate such as square feet, are not acceptable."

Recommendation:

We recommend the Provider use actual hours worked by program/cost center when allocating salary and fringe benefit expenses in the Cost Report.

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 reported costs in 2013 and we obtained the Provider's explanation for the one payroll variance that increased by more than five percent and \$500.

The Qualified Mental Retardation Professional cost increase on *Schedule B-2* was due to an increase in hours worked for a part-time employee. We reported no variances.

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, 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.



Dave Yost
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January 12, 2017

Appendix A
Madison Village Manor, Inc.
2014 Medicaid ICF-IID Cost Report Adjustments

	Reported Amount	Correction	Corrected Amount	Explanation of Correction
Schedule B-2 Direct Care Cost Center				
23. Other Direct Care - Specify Below - 6220 - Salary Facility Employed (1)	\$ 25,142	\$ (7,670)	\$ 17,472	To reclassify Owner/Administrator salary
Schedule C Indirect Care Cost Center				
7. Food In-Facility - 7040 - Other/Contract Wages (2)	\$ 27,413	\$ (823)	\$ 26,590	To reclassify an overpaid invoice amount
26. Administrator - 7200 - Salary Facility Employed (1)	\$ 69,030	\$ 7,670	\$ 76,700	To reclassify Owner/Administrator salary
52. Repair and Maintenance - 7340 - Other/Contract Wages (2)	\$ 8,281	\$ (1,140)	\$ 7,141	To reclassify a capital asset acquisition
68. Other Non-Reimbursable - Specify Below - 9725 - Other/Contract Wages (2)	\$ -	\$ 1,500	\$ 1,500	To reclassify lease payments for personal use
		\$ 823	\$ 2,323	To reclassify an overpaid invoice amount
Schedule C-1 Administrator's Compensation				
Amount (7)	\$ 69,030	\$ 7,670	\$ 76,700	To reclassify Owner/Administrator salary
Schedule D Capital Cost Center				
6. Lease and Rent - Building - 8060 - Total (3)	\$ 1,500	\$ (1,500)	\$ -	To reclassify lease payments for personal use
Schedule D-1 Analysis of Property, Plant and Equipment				
5. Equipment - Additions or Reductions (3)	\$ -	\$ 1,140	\$ 1,140	To reclassify a capital asset acquisition
5. Equipment - Accumulated Depreciation End of Period (5)	\$ 28,722	\$ 51	\$ 28,773	To record accumulated depreciation on hot water tank
5. Equipment - Depreciation this Period (7)	\$ 108	\$ 51	\$ 159	To record depreciation expense on hot water tank
Attachment 1 Revenue Trial Balance				
59. Other - 5400 - Total (2)	\$ (4,407)	\$ 8,995	\$ 4,588	To match revenue report
		\$ 2,376	\$ 6,964	To match revenue report
63. Refunds and Rebates - 5530 - Total (2)	\$ -	\$ 16,255	\$ 16,255	To match revenue report
78. Contributions - 5670 - Total (2)	\$ -	\$ 10,000	\$ 10,000	To match revenue report
Attachment 2 Adjustment to Trial Balance				
1. Workers Compensation Refund - Revenue Chart of Account # (1)			5400	To offset BWC refund
1. Workers Compensation Refund - Other Increase (Decrease) (3)	\$ -	\$ (3,301)	\$ (3,301)	To offset BWC refund
1. Workers Compensation Refund - Expense Chart of Account # (5)			6520	To offset BWC refund
1. Workers Compensation Refund - Revenue Reference Attachment 1 Line (6)			59	To offset BWC refund
2. Workers Compensation Refund - Revenue Chart of Account # (1)			5400	To offset BWC refund
2. Workers Compensation Refund - Other Increase (Decrease) (3)	\$ -	\$ (95)	\$ (95)	To offset BWC refund
2. Workers Compensation Refund - Expense Chart of Account # (5)			7065	To offset BWC refund
2. Workers Compensation Refund - Revenue Reference Attachment 1 Line (6)			59	To offset BWC refund
3. Workers Compensation Refund - Revenue Chart of Account # (1)			5400	To offset BWC refund
3. Workers Compensation Refund - Other Increase (Decrease) (3)	\$ -	\$ (1,192)	\$ (1,192)	To offset BWC refund
3. Workers Compensation Refund - Expense Chart of Account # (5)			7510	To offset BWC refund
3. Workers Compensation Refund - Revenue Reference Attachment 1 Line (6)			59	To offset BWC refund
4. Insurance Proceeds - Revenue Chart of Account # (1)			5530	To offset insurance proceeds
4. Insurance Proceeds - Other Increase (Decrease) (3)	\$ -	\$ (15,479)	\$ (15,479)	To offset insurance proceeds
4. Insurance Proceeds - Expense Chart of Account # (5)			7340	To offset insurance proceeds
4. Insurance Proceeds - Revenue Reference Attachment 1 Line (6)			63	To offset insurance proceeds



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MADISON VILLAGE MANOR

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
FEBRUARY 16, 2017**