



Dave Yost • Auditor of State





# Dave Yost • Auditor of State

## 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 to which the Ohio Department of Medicaid (ODM) also agreed. These procedures are designed to assist you in evaluating whether the Ohio Department of Developmental Disabilities (DODD) prepared the ODM 01984 Developmental Center Cost Report for the following developmental centers: Cambridge, Columbus, Gallipolis, Montgomery, Mount Vernon, Tiffin, Warrensville, and Youngstown (hereafter referred to as the Centers) for the period July 1, 2012 through June 30, 2013 (SFY 2013) in accordance with the Ohio Admin. Code §§ 5160-1 and 5160-3 and to assist ODM in evaluating whether reported transactions complied with CMS Publication 15-1 and 15-2 (Provider Reimbursement Manual) and other compliance requirements described in the procedures below. Note that all rules and code sections relied upon in this report were those in effect during the audit period and may be different from those currently in effect. DODD'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.

### **Census Data and Medicaid Paid Claims**

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

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

2. We selected all paid claims for five residents for December 2012 for each Center from the Medicaid Information Technology System (MITS) and the Center's Actual Monthly Individuals 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 and 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 also determined if days were reported correctly on *Worksheet F, Census Data and Worksheet E, Computation Of Rate Setting And Federal Funds Participation Settlement*. We reported differences where inpatient days were greater than reported for the month or any unauthorized bed hold days.

### **Recoverable Finding – Cambridge Developmental Center: \$12,876.60**

We found 13 unauthorized bed hold days in December 2012 for one resident at the Cambridge Developmental Center. DODD provided documentation to show an additional 60 days were approved by ODM above the 30 bed hold days allowed. We obtained the Bed Hold Days used in Current Calendar Year reports from the Center for calendar year 2012 and totaled the bed hold days reported for this resident. We calculated a total of 32 unauthorized days above the approved 90 (total of 122 days) and we issued findings for recovery for the 32 unauthorized bed hold days in the amount of \$9,364.80. We made corresponding reduction to the days from *Worksheet F, Census Days* as reported in Appendix A.

### **Census Data and Medicaid Paid Claims (Continued)**

We also found the Cambridge Developmental Center was reimbursed for 12 days after one recipient's date of discharge and identified a finding for recovery of \$3,511.80.

### **Recoverable Finding - Montgomery Developmental Center: \$8,553.19**

We found the Montgomery Developmental Center was reimbursed for 31 dates of service after one recipient's date of death and identified a recoverable finding of \$8,553.19.

### **Recommendation:**

We recommend that DODD ensure compliance with payment and service documentation requirements of Ohio Admin. Code § 5123:2-7-08(E)(1)-(2) which states: "Additional intermediate care facility bed-hold days beyond the original thirty days in a calendar year require prior authorization. An intermediate care facility shall submit Ohio office of medical assistance form 09402, "ICF-DD/ DD Extended Bed Hold Day(s) Prior Authorization," to the county department of job and family services."

Additionally, Ohio Admin. Code § 5123:2-7-15 (D) states in pertinent part, "Notification of intermediate care facility discharge "Intermediate care facility discharge" has the same meaning as in rule 5123:2-7-08 of the Administrative Code. The intermediate care facility shall notify the county department of job and family services within five business days of the intermediate care facility discharge of a medicaid eligible resident by completing form 09401 identifying the type of intermediate care facility discharge, and forwarding form 09401 to the county department of job and family services..."

3. We compared the number of reimbursed Medicaid days for each Center per MITS with the total Medicaid days reported on *Worksheet F, Census Data* and reported any reimbursed Medicaid days in excess of total Medicaid days reported.

We found that total Medicaid days reported exceeded Medicaid reimbursed days for all of the Centers.

### **Mathematical Accuracy**

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

We did not find any variances in inpatient days or variances exceeding \$500 on any worksheet.

### **Non-Payroll Expenses**

1. We compared each Center's non-payroll expenses from the Ohio Administrative Knowledge System (OAKS) FIN Transactional Disbursement Data to non-payroll expenses reported on DODD's MRDATA Worksheet and *Worksheet A, Trial Balance of Expense; Worksheet A1, Direct Expenses; Worksheet A3, Adjustments to Trial Balance; Worksheet C, Basis for Cost Allocation-Statistics Non-Labor Related Components; and Schedule D, Ancillary Cost – Step Down – Labor and Non Labor Related Component*. ODM asked us to report any variances exceeding \$500 resulting in decreased costs on any schedule.

We found no variances resulting in decreased costs.

### Non-Payroll Expenses (Continued)

2. We scanned the OAKS FIN Transactional Disbursement data, OAKS 510, 520 and 530 All Agency Indirect reports and judgmentally selected 40 non-payroll shared expenses and 20 non-payroll expenses reported by for each Center on *Worksheet A, Trial Balance of Expense*; *Worksheet A1, Direct Expenses*; *Worksheet A3, Adjustments to Trial Balance*; *Worksheet C, Basis for Cost Allocation-Statistics Non-Labor Related Components*; and *Schedule D, Ancillary Cost – Step Down – Labor and Non Labor Related Component*. 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 OAKS Transactional Revenue data to identify any revenue offsets which were not reported on *Worksheet A3, Adjustments to Trial Balance* to offset corresponding expenses in accordance with CMS Publication 15-1, Chapter 1, 6, and 8.

We found differences exceeding \$500 for Gallipolis and Mount Vernon Centers. We did not identify any additional revenue offsets.

### Property

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

We found no variances.

We also requested a copy of the capitalization policy and threshold in effect during the engagement period. DODD did not provide a capitalization policy for the Centers and stated its threshold changed from \$300 to \$1,000 at the beginning of state fiscal year 2012 and that the capitalization threshold of \$500 or lower cited in Ohio Admin. Code § 5123: 2-7-18 does not apply to State Operated ICF-IIDs. DODD stated that it received verbal approval from ODM for this exclusion. However, during testing of procedure 2 below we noted capitalized assets purchased in 2011 below the \$300. We also noted that DODD does 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."

### Recommendation:

We recommend DODD create a detailed depreciation/capitalization policy to ensure it meets all applicable requirements of CMS Publication 15-1, Chapter 1, Depreciation, 45 CFR 92 and any other applicable requirements for Cost Report purposes and implement this policy consistently in future years.

2. We scanned each Center's 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 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.

## Property (Continued)

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."

Furthermore, costs beyond the 12 month reporting period should not be included as Ohio Admin. § 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 exceeding \$500 for all Centers in Appendix A related to reporting depreciation for prior periods. We also reported differences exceeding \$500 in Appendix A for Warrensville and Youngstown Developmental Centers for assets purchased in SFY 2013 which are below the reported capitalization threshold of \$1,000.

## Payroll

1. We compared each Center's payroll expenses from the OAKS Transactional Payroll data to payroll expenses reported on DODD's MRDATA Worksheet; *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; and Schedule D, Ancillary Cost – Step Down – Labor and Non Labor Related Component*. ODM asked us to report any variances exceeding \$500 resulting in decreased costs on any schedule.

We found no variances.

2. We selected a sample of five employees for each Center from HCM 113 Payroll Costs by Department ID reports and reported 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; and Schedule D, Ancillary Cost – Step Down – Labor and Non Labor Related Component* and compared job descriptions to the worksheet in which each employee's salaries and benefit costs were reported. We determined 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 Mount Vernon, Northwest, and Tiffin Developmental Centers in Appendix A.

The Provider submitted an official response to the results of these agreed upon procedures, which is presented in Appendix B. We did not examine the Provider's response and, accordingly, we express no opinion on it. Our conclusion is presented in Appendix C.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the 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.

Ohio Department of Developmental Disabilities (Developmental Centers)  
Independent Accountant's Report on  
Applying Agreed-Upon Procedures

This report is intended solely for the use of the DODD, ODM 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.

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

December 5, 2016

**Appendix A  
DODD Developmental Centers  
SFY 2013 Developmental Center Adjustments**

	<u>Reported Amount</u>	<u>Correction</u>	<u>Corrected Amount</u>	<u>Explanation of Correction</u>
<b>Cambridge Developmental Center</b>				
<b>Worksheet F, Census Data</b>				
Audit Adjustment	-	(13)		To remove unsupported days of attendance
		(19)	(32)	To remove unsupported days of attendance
<b>WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments</b>				
1. Capital Cost - Depreciation (16) Field Audit Non-Labor Adjustments	\$ 670,603	\$ (85,600)		To remove depreciation on assets past their useful life that are no longer allocable to the engagement period as prior period operational costs.
		(535)	\$ 584,468	To remove depreciation on fully depreciated transferred asset past its estimated useful life.
<b>Columbus Developmental Center</b>				
<b>WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments</b>				
1. Capital Cost - Depreciation (16) Field Audit Non-Labor Adjustments	\$ 965,964	\$ (4,282)		To remove depreciation on assets past their useful life that are no longer allocable to the engagement period as prior period operational costs.
		\$ (962)	\$ 960,720	To remove depreciation that should have been reported in SFY 2012 but was reported in SFY 2013 due to reporting system/timing error.
<b>Gallipolis Developmental Center, Continued</b>				
<b>WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments</b>				
1. Capital Cost - Depreciation (16) Field Audit Non-Labor Adjustments	\$ 967,565	\$ (535)		To remove depreciation on fully depreciated transferred asset past its estimated useful life.



	<u>Reported Amount</u>	<u>Correction</u>	<u>Corrected Amount</u>	<u>Explanation of Correction</u>
<b>Gallipolis Developmental Center, Continued</b>				
<b>WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments</b>				
1. Capital Cost - Depreciation (16) Field Audit Non-Labor Adjustments	\$	(7,225)	\$ 959,805	To remove depreciation that should have been reported in SFY 2012 but was reported in SFY 2013 due to reporting system/timing error.
13. Psychology (16) Field Audit Non-Labor Adjustments	\$ -	\$ 6,225	\$ 6,225	To reclassify psychiatry expenses
21. Physicians Services (16) Field Audit Non- Labor Adjustments	\$ -	\$ (6,225)	\$ (6,225)	To reclassify psychiatry expenses

**Montgomery Developmental Center**  
**WS A - Adjustment, Summary of Desk Review and**  
**Field Audit Adjustments**

1. Capital Cost - Depreciation (16) Field Audit Non-Labor Adjustments	\$ 408,547	\$ (535)	\$ 408,012	To remove depreciation on fully depreciated transferred asset past its estimated useful life.
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**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	\$ 745,945	\$ (40,436)		To remove depreciation on fully depreciated and retired assets, transferred assets, and adjustments to asset cost all past their estimated useful lives.
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	<u>Reported Amount</u>	<u>Correction</u>	<u>Corrected Amount</u>	<u>Explanation of Correction</u>
<b>Mount Vernon Developmental Center, Continued</b>				
<b>WS A - Adjustment, Summary of Desk Review and</b>				
<b>Field Audit Adjustments</b>				
		\$ (890)	\$ 704,619	To remove depreciation that should have been reported in SFY 2012 but was reported in SFY 2013 due to reporting system/timing error.
4. Administration & General (16) Field Audit Non-Labor Adjustments	\$ -	\$ (13,759)	\$ (13,759)	To reclassify maintenance expense
5. Maintenance & Repairs (16) Field Audit Non-Labor Adjustments	\$ -	\$ 13,759	\$ 13,759	To reclassify maintenance expense
14. Habilitation (14) Field Audit Labor Adjustments	\$ 1,220,471	\$ 58,854	\$ 1,279,325	To reclassify Qualified Intel Disability Professional's salary
16. General Routine Care (14) Field Audit Labor Adjustments	\$ 1,060,968	\$ (58,854)	\$ 1,002,114	To reclassify Qualified Intel Disability Professional's salary

**Northwest Ohio Developmental Center**  
**WS A - Adjustment, Summary of Desk Review and**  
**Field Audit Adjustments**

1. Capital Cost - Depreciation (16) Field Audit Non-Labor Adjustments	\$ 671,034	\$ (535)	\$ 670,499	To remove depreciation on fully depreciated transferred asset past its estimated useful life.
14. Habilitation (14) Field Audit Labor Adjustments	\$ -	\$ 36,513	\$ 36,513	To reclassify Vocational Habilitation Specialist's salary
16. General Routine Care (14) Field Audit Labor Adjustments	\$ 9,710,624	\$ (36,513)	\$ 9,674,111	To reclassify Vocational Habilitation Specialist's salary

	<u>Reported Amount</u>		<u>Correction</u>		<u>Corrected Amount</u>	<u>Explanation of Correction</u>
<b>Southwest Ohio Developmental Center</b>						
<b>WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments</b>						
1. Capital Cost - Depreciation (16) Field Audit Non-Labor Adjustments	\$ 588,213		\$ (535)		\$ 587,678	To remove depreciation on fully depreciated transferred asset past its estimated useful life.
<b>Tiffin Developmental Center</b>						
<b>WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments</b>						
1. Capital Cost - Depreciation (16) Field Audit Non-Labor	\$ 791,010		\$ (9)			To remove depreciation on assets under the capitalization threshold
			\$ (20,416)		\$ 770,585	To remove depreciation on assets past their useful life that are no longer allocable to the engagement period as prior period operational costs.
14. Habilitation (14) Field Audit Labor Adjustments	\$ 757,076		\$ 66,480			To reclassify Case Management Specialist's salary
			\$ (67,145)		\$ 756,411	To reclassify General Activities Therapist's salary
16. General Routine Care (14) Field Audit Labor Adjustments	\$ 843,759		\$ (66,480)			To reclassify Case Management Specialist's salary
	\$		\$ 67,145		\$ 844,424	To reclassify General Activities Therapist's salary
<b>Warrensville Developmental Center</b>						
<b>WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments</b>						
1. Capital Cost - Depreciation (16) Field Audit Non-Labor Adjustments	\$ 863,618		\$ (1,843)			To remove depreciation on assets purchased in SFY 2013 but are under the capitalization threshold
			\$ (535)			To remove depreciation on fully depreciated transferred asset past its estimated useful life.

	<u>Reported Amount</u>	<u>Correction</u>	<u>Corrected Amount</u>	<u>Explanation of Correction</u>
<b>Warrensville Developmental Center, Continued</b>				
<b>WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments</b>				
	\$	(11,772)	\$ 849,468	To remove depreciation that should have been reported in SFY 2012 but was reported in SFY 2013 due to reporting system/timing error.
<b>Youngstown Developmental Center</b>				
<b>WS A - Adjustment, Summary of Desk Review and Field Audit Adjustments</b>				
1. Capital Cost -	\$ 411,057	\$ (1,851)		To remove depreciation on assets purchased in SFY 2013 but are under the capitalization threshold
Depreciation (16)				To remove depreciation on fully depreciated transferred asset past its estimated useful life.
Field Audit Non-Labor Adjustments		\$ (535)		
			\$ (12) \$ 408,659	To remove depreciation that should have been reported in SFY 2012 but was reported in SFY 2013 due to reporting system/timing error.

**Appendix B**

The letter that follows is the Provider's official response to the agreed upon procedure.



**Department of  
Developmental Disabilities**

**Division of Fiscal Administration**

**John R. Kasich, Governor**  
**John L. Martin, Director**

December 5, 2016

Ohio Auditor of State  
88 East Broad Street  
Columbus OH, 43215

Dear Mr. Long,

We would like to thank you and your office for a productive meeting to bring about the conclusion of the fiscal year 2013 audit of the Ohio Department of Developmental Disabilities Developmental Centers. This meeting provided clarity and will be of value to our office in future audits.

We have reviewed the Auditor of State's final draft report. DODD agrees with census day adjustments for Cambridge Developmental Center. However, DODD does not believe the non-property reclassifications made by AOS are needed as they do not impact rate calculations.

We also agree with the revisions conducted by the Auditor of State to remove depreciation cost under the capitalization threshold for Tiffin, Warrensville, and Youngstown Developmental Centers. However, we do not agree with the revisions to remove depreciation not previously reported for all developmental centers. These depreciation amounts were calculated during fiscal year 2013. Even though it relates to a prior period, we believe is allowable. OAC § 5160: 3-99(A) (11) provides no prohibition against prior period costs. If those costs are calculated and reported in a twelve-month period, it's an allowable cost. Also, CMS 15-1, Chapter 1 provides no prohibition against prior period costs as long as the cost is calculated and reported in the twelve-month period. These revisions would result in less than the value of the asset being distributed over the life of the asset. Therefore, DODD does not agree with these revisions.

We hope this letter will provide further clarity on this issue. Thank you for the opportunity to respond.

Sincerely,

Kim Mowry  
Deputy Director  
Fiscal Administration

CC: Chris Patrone, ODM  
Chris Carson, ODM  
Melissa Stills, ODM

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## Appendix C

### Auditor of State's Conclusion:

#### Property:

We reviewed the DODD's response as well as *CMS Publication 15-1, Depreciation* and 2 CFR 225 (OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments*). We determined that a cost has to be allocable and receive benefit during the cost report period to be an allowable cost and that depreciable costs benefitting prior periods of operation should be excluded from the SFY 2013 cost reporting period.

Specifically, CMS Publication 15-1, §104, states in pertinent part, that "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... 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." Furthermore, 2 CFR 225, Appendix B, (11)(a) clarifies that "Depreciation and use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use..."

Therefore, in accordance with the guidance referenced above, no change was made to adjustments identified.

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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  
DECEMBER 20, 2016