



Dave Yost • Auditor of State



**SUNSHINE INC. OF NORTHWEST OHIO DBA SUNSHINE/KING ROAD FAMILY CARE HOME  
LUCAS COUNTY**

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

Mr. John Maynard, Program Integrity Director  
Ohio Department of Medicaid  
50 West Town Street, Suite 400  
Columbus, Ohio 43215

Dear Mr. Maynard:

As required by Ohio Rev. Code § 5124.108 and Ohio Admin. Code § 5123:2-7-12, the Auditor of State's Office 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 Sunshine Inc. of Northwest Ohio DBA Sunshine/King Road Family Care Home (hereafter referred to as the Provider) prepared its JFS 02524 ICF-MR Medicaid Cost Report for the period January 1, 2013 through December 31, 2013 in accordance with Ohio Admin. Code § 5123:2-7 and to assist you in evaluating whether reported transactions complied with CMS Publication 15-1 (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 Cost Report period and may be different from those currently in effect. 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. ODM requested that we report variances if the Provider's patient days were greater than those reported on *Schedule A-1, Summary of Inpatient Days*.

We compared the Provider's 2013 Census Detail report for the number of patient days for Medicaid and non-Medicaid patients to those reported on *Schedule A-1*. We also footed the report for accuracy.

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

2. ODM requested that we report variances to *Schedule A-1, Summary of Inpatient Days* if total patient days for at least five individuals or 10 percent of individuals were greater than those reported for one month. For the selected individuals 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 received the proper authorization on form JFS 09402 in accordance with Ohio Admin. Code § 5123:2-7-08.

We selected all four residents' medical records and compared the total days the resident was in the Provider's care for December 2013 with the total inpatient days reported on the daily census report and *Schedule A-1*.

### Occupancy and Usage (Continued)

We found no variances where inpatient days were greater than reported for the month and no misclassified waiver respite days. We found unauthorized bed hold days as reported in Appendix A and reported a recoverable finding below.

#### Recoverable Finding: \$3,072.31

We found seven unauthorized bed hold days above the 30 bed hold days allowed under with Ohio Admin. Code § 5101:3-3-16.8 and identified a recoverable finding for these days in the amount of \$3,072.31.

3. ODM requested that we report variances if the Provider had reimbursed Medicaid days in excess of total Medicaid days reported on *Schedule A-1, Summary of Inpatient Days*.

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*.

We found that total Medicaid days reported exceeded reimbursed days per MITS.

### Medicaid Paid Claims

1. ODM requested that we select paid claims for five residents in one month and report any variances if the claims did not meet the applicable documentation requirements.

We selected all paid claims for the four residents for the month of December 2013 from MITS and compared the reimbursed Medicaid 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, Ohio Admin. Code § 5123:2-7-12 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 found no instances of non-compliance.

### Revenue

1. ODM requested that we compare all revenues on the Provider's Revenue Ledger with those revenues reported on *Attachment 1, Revenue Trial Balance* and report any variances exceeding \$500.

We compared all revenues on the Provider's detailed revenue report with those revenues reported on *Attachment 1* 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.

We found no differences.

2. ODM requested that we scan the Provider's detailed revenue ledger to identify any revenue offsets/applicable credits which the Provider did not record on *Attachment 2, Adjustments to Trial Balance* or were not offset against expenses on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; or Schedule C, Indirect Care Cost Center*. ODM also asked us to report any reclassifications between schedules and adjustments exceeding \$500 resulting in decreased costs on any schedule.

## Revenue (Continued)

We scanned the Provider's detailed revenue report for revenues which roll up to *Attachment 1* and expenses on *Schedule B-1, Schedule B-2, and Schedule C* to identify any revenue offsets or applicable credits which were not reported on *Attachment 2* 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 identified unreported revenue offsets/applicable credits exceeding \$500 as reported in Appendix A.

## Non-Payroll Expenses

1. ODM requested that we compare the Provider's non-payroll expenses to the amounts 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 detailed general ledger. ODM asked us to report any variances exceeding \$500 resulting in decreased costs on any schedule.

We compared all non-payroll expenses reported on *Schedule B-1, Schedule B-2, and Schedule C* to the Provider's General Ledger report.

We found no differences.

2. ODM requested that we select 20 non-payroll disbursements 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 determine 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. ODM asked us to report any reclassifications between schedules and adjustments exceeding \$500 resulting in decreased costs on any schedule.

We selected 20 non-payroll expenses from *Schedule B-1, Schedule B-2, Schedule C* and *Exhibit 3* 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 found no differences exceeding \$500 on any schedule.

3. ODM requested 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. ODM asked that we report any reclassifications between schedules and adjustments resulting in decreased Home Office costs exceeding five percent of Home Office costs reported on any schedule.

We reviewed the allocation methods used in the Provider's Home Office Allocation Flow Chart, Allocation of Plant Costs and Allocation of Home Office Expense reports allocating Home Office costs on *Schedule B-1, B-2, and Schedule C*. We found the Provider allocated Home Office costs between unlike facilities based on different methodologies for each program area, many of which were based in part on revenues.

### Non-Payroll Expenses (Continued)

The Home Office allocation methodologies used were not in accordance with CMS Publication 15-1, Section 2150.3 (D)(2)(b) which states in pertinent part, "for home office account periods beginning on or after January 1, 1983: Pooled home office costs must be allocated to chain components on the basis of total costs if the chain is composed of either unlike health care facilities or a combination of health care facilities and non-health care facilities."

We received recalculated Home Office costs from the Provider and noted that it did not result in decreased Home Office costs exceeding five percent on any schedule.

#### Recommendation:

We recommend the Provider implement an allocation methodology required by CMS and allocate pooled Home Office costs based on total net costs in accordance with CMS Publication 15-1, Section 2150.

4. ODM requested that we scan the Provider's 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 properly classified. ODM asked us to report any reclassifications between schedules and adjustments exceeding \$500 resulting in decreased costs on any schedule or contractor costs over \$10,000 that should have been reported on *Schedule C-3, Costs of Services from Related Parties*.

We scanned the Provider's detailed general ledger and Income Statement report for non-payroll expenses exceeding \$500 reported on *Schedule B-1, Schedule B-2, and Schedule C* 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 contractors which would require reporting on *Schedule C-3*.

We found no differences exceeding \$500 on any schedule or contracts which should be reported on *Schedule C-3*.

5. ODM requested that we compare the 2013 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 non-payroll costs reported by chart of account code in 2012 and obtain the Provider's explanation for non-payroll variances that increased by more than five percent and \$500 from the prior year's schedules and report adjustments exceeding \$500 and five percent of non-payroll costs on any schedule.

We compared the 2013 non-payroll costs reported on *Schedule B-1, Schedule B-2, and Schedule C* by chart of account code to non-payroll costs reported by chart of account code in 2012 and obtained the Provider's explanation for four non-payroll variances.

We found no differences. The Provider reported that the increase in Home Office Costs/Direct Care costs on *Schedule B-2* was due to the shifting of positions between the Provider and Home Office. The increase in Workers Compensation - Direct Care costs on *Schedule B-2* was due to the Provider being self-funded and the expenses being variable each year based upon the amount of claims. The increase in Food In-Facility and Program Supplies costs on *Schedule C* was due to clients going outside the facility as a reward for desired behaviors.



## Property

1. ODM requested that we compare 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, and report any variances.

We compared the Provider's procedures regarding capitalization of fixed assets used for preparing *Schedule D, Schedule D-1, and Schedule D-2* with Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1.

We found one inconsistency as the Provider did not determine a salvage value when calculating depreciation on capitalizing assets.

### 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 in accordance with 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."

2. ODM requested that we compare 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 Asset Depreciation Report and Monthly Abbreviated Depreciation Report, and report any reclassifications and adjustments exceeding \$500 resulting in decreased costs on any schedule.

We compared capital assets and corresponding depreciation listed on *Schedule D, Schedule D-1, and Schedule D-2* to the Provider's Asset Depreciation Short Report, detailed general ledger report and other supplemental documentation.

We found no differences.

3. ODM requested that we select a total of three additions, renovations, and/or deletions reported on *Schedule D-1, Analysis of Property, Plant and Equipment and Schedule D-2, Capital Additions/Deletions* and determine if the cost basis, useful life and depreciation expense were in accordance with Ohio Admin. Code § 5123:2-7 and report differences resulting in any reclassifications and adjustments 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. ODM requested that we review the rent and lease agreements to determine if any related party lease costs were recorded in accordance 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. ODM asked that we report any reclassifications and adjustments exceeding \$500 which result in decreased costs on any schedule.

We did not perform this procedure as there were no costs reported on *Schedule D, Analysis of Property, Plant and Equipment* in Lease and Rent Accounts 8060 or 8065.

### Property (Continued)

5. ODM requested 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*, and report reclassifications and adjustments exceeding \$500 which result in decreased costs on any schedule.

We did not perform this procedure as there were no costs recorded on *Schedule E, Balance Sheet, Account 1300, Renovations*.

6. ODM requested that we review the Asset Depreciation Short Report to ensure transportation expenses were reasonable, allowable and related to patient care as defined in CMS Publication 15-1. ODM also requested we review the W-2s to determine if any corporate officers and owners who exclusively used vehicles reported additional compensation or were adjusted from allowable expenses pursuant to CMS Publication 15-1, Chapter 9, if transportation costs are recorded in *Schedule D-1, Analysis of Property, Plant and Equipment*. ODM asked us to report any reclassifications and adjustments exceeding \$500 which result in decreased costs on any schedule.

We reviewed the Asset Depreciation Short Report to ensure transportation expenses were reasonable, allowable and related to patient care as defined in CMS Publication 15-1. We did not review W-2 forms as the Provider stated it had no vehicles that were exclusively used by any corporate officers or owners.

We found no differences.

### Payroll

1. ODM requested that we compare the Provider's payroll expenses 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*. ODM asked us to report any variances exceeding \$500 which result in decreased costs on any schedule.

We compared all salary, fringe benefits and payroll tax entries and hours worked reported on *Schedule B-1, Schedule B-2, Schedule C, Schedule C-1 and Schedule C-2* to the Provider's detailed general ledger report, Income Statement and Summary of Hours Worked Administrator reports.

We found no differences.

2. ODM requested that we select 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 determine if any salaries and fringe benefit expenses exceeding \$500 were not properly allocated and classified or were unallowable per Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1. ODM asked us to report any reclassifications between schedules and adjustments exceeding \$500 which result in decreased costs on any schedule.

We selected five employees (including all Administrators and Owners) and compared the Provider's job descriptions to the schedule in which each employee's salary and fringe benefit expenses were reported and 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.

**Payroll (Continued)**

We found no differences.

3. ODM requested that we compare the 2013 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 payroll costs reported by chart of account code in 2012 and obtain the Provider's explanation for five payroll variances that increased by more than five percent and \$500 from the prior year's schedules. ODM asked us to report adjustments exceeding \$500 and five percent of payroll costs on any schedule.

We compared the 2013 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 payroll costs reported by chart of account code in 2012 and found two variances that increased by more than five percent.

The Provider stated that the increase in Qualified Intellectual Disability Professional payroll costs on *Schedule B-2* was due to the home manager filling in for direct care shifts when they were short staffed. The Provider also stated that the increase in Home Office Costs/Direct Care payroll costs on *Schedule B-2* was due to the shifting of positions between the Provider and Home Office.

We found no differences.

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 managements of the Provider, 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.

Sincerely,



**Dave Yost**  
Auditor of State

April 4, 2016

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**Appendix A**  
**Sunshine Inc. of Northwest Ohio DBA Sunshine/King Family Care Home**  
**2013 Income and Expenditure Adjustments**

	Reported Amount	Correction	Corrected Amount	Explanation of Correction	
<b>Schedule A-1 Summary of Inpatient Days</b>					
10. October - Leave Days for Visits with Friends and Relatives (5)	4.0	(1.0)	3.0	To remove unauthorized bed hold days	
11. November - Leave Days for Visits with Friends and Relatives (5)	16.0	(6.0)	10.0	To remove unauthorized bed hold days	
<b>Schedule B-2 Direct Care Cost Center</b>					
13. Habilitation Staff - 6170 - Adjustments Increases (Decreases) (4)	\$ -	\$ (5,073)	\$ (5,073)	To record school transportation revenue offset	
<b>Schedule C Indirect Care Cost Center</b>					
32. Travel and Entertainment - 7235 - Adjustments Increases (Decreases) (4)	\$ -	\$ (668)	\$ (668)	To record school transportation revenue offset	
<b>Schedule D Capital Cost Center</b>					
5. Depreciation - Transportation Equipment - 8050 - Adjustment increases (Decreases) (4)	\$ -	\$ (1,361)	\$ (1,361)	To record school transportation revenue offset	
<b>Attachment 2 Adjustment to Trial Balance</b>					
1. School Transportation Reimbursement (1) Revenue Chart of Account #			5014	5014	To record revenue offset
1. School Transportation Reimbursement (3) Other Increase (Decrease)	\$ -	\$ (5,073)	\$ (5,073)		To record revenue offset
1. School Transportation Reimbursement (5) Expense Chart of Account #			6170	6170	To record revenue offset
1. School Transportation Reimbursement (6) Revenue Reference Attachment 1 Line			5	5	To record revenue offset
2. School Transportation Reimbursement (1) Revenue Chart of Account #			5014	5014	To record revenue offset
2. School Transportation Reimbursement (3) Other Increase (Decrease)	\$ -	\$ (668)	\$ (668)		To record revenue offset
2. School Transportation Reimbursement (5) Expense Chart of Account #			7235	7235	To record revenue offset
2. School Transportation Reimbursement (6) Revenue Reference Attachment 1 Line			5	5	To record revenue offset
3. School Transportation Reimbursement (1) Revenue Chart of Account #			5014	5014	To record revenue offset
3. School Transportation Reimbursement (3) Other Increase (Decrease)	\$ -	\$ (1,361)	\$ (1,361)		To record revenue offset
3. School Transportation Reimbursement (5) Expense Chart of Account #			8050	8050	To record revenue offset
3. School Transportation Reimbursement (6) Revenue Reference Attachment 1 Line			5	5	To record revenue offset

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**SUNSHINE-KING ROAD FAMILY CARE**

**LUCAS 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  
APRIL 14, 2016**