



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 Hattie Larlham Center for Children with Disabilities (hereafter referred to as the Provider) for the period January 1, 2014 through December 31, 2014. The Provider's management is responsible for preparing the Medicaid ICF-IID Cost 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 Facility Daily Census report 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 and no computational errors.

1. We selected 13 residents' medical records and compared the total days of care for December 2014 with the inpatient days reported on the Facility Daily Census report 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 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.

2. 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 found that total Medicaid days reported exceeded Medicaid reimbursed days.

### **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 Detailed Trial Balance 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 variances as reported in Appendix A.

2. We scanned the Provider's Detailed Trial Balance report for any revenue offsets or applicable credits exceeding \$500 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* or *Schedule C, Indirect Cost Care Center* to offset corresponding expenses in accordance with CMS Publication 15-1, Chapters 1, 6, and 8.

We found worker's compensation rebates 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, Schedule B-2* and *Schedule C* to the Provider's Medicaid Cost Report Trial Balance, Detailed Trial Balance and Adjusting Journal Entries 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, Schedule B-2, Schedule C* 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 identified any variances exceeding \$500 resulting in decreased costs on any schedule.

We found no variances.

3. We reviewed the allocation methodology used in the Provider's Home Office Allocation schedule 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.

4. We scanned the Provider's Detailed Trial Balance report for non-payroll expenses 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 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 contractors.

We found no differences exceeding \$500 or unreported contracts.

### Non-Payroll Expenses (Continued)

5. We compared the 2014 non-payroll costs reported on *Schedule B-1*, *Schedule B-2* and *Schedule C* by chart of account code to similar reported costs in 2013 and obtained the Provider's explanation for five non-payroll variances that increased by more than five percent and \$500:
  - Water and Sewage costs increased on *Schedule B-1* due to an employee that was replaced with a contractor;
  - Licensed Practical Nurse – Purchased Nursing costs increased on *Schedule B-2* due to challenges hiring nursing staff and the necessity to contract out;
  - Legal Services costs increased on *Schedule B-3* due to the increased number of legal cases;
  - Insurance costs increased on *Schedule B-3* due to insurance proceeds that offset costs; and
  - Legend Drugs costs increased on *Schedule B-3* due to the increased needs of the individuals.

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 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 Ledger By Class, 2014 Fixed Asset Activity and Medicaid Cost Report Trial Balance reports to identify variances exceeding \$500 resulting in decreased costs on any schedule.

We found no variances.

3. We selected one addition and two deletions reported on *Schedule D-1* and *Schedule D-2* 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 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 found no variances exceeding \$500.

### Property (Continued)

4. ODM requested that we review the rent and lease agreements and determine 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 did not perform this procedure as the Provider could not provide the rent and lease agreements.

### Recommendation:

We recommend the Provider maintain supporting documentation as required by the Ohio Admin. Code § 5123:2-7-12(L) which states in pertinent part, "Financial, statistical, and medical records (which shall be available to the department, the Ohio Department of Medicaid, and to the U.S. Department of Health and Human Services and other federal agencies) supporting the Medicaid cost reports or claims for services rendered to residents shall be retained for the greater of seven years after the Medicaid cost report is filed if the Ohio Department of Medicaid issues an audit report, or six years after all appeal rights relating to the audit report are exhausted."

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).

We did not perform this procedure as no renovation costs were recorded on *Schedule E*.

6. We reviewed the 2014 Depreciation Ledger By Class report to ensure transportation expenses were reasonable, allowable and related to patient care as defined in CMS Publication 15-1, Chapter 9 for transportation costs recorded on *Schedule D-1*. We reviewed the W-2s for all corporate officers to determine if they exclusively used vehicles and if they reported additional compensation or were adjusted from allowable expenses pursuant to CMS Publication 15-1 to identify any variances exceeding \$500 which result in decreased costs on any schedule.

We found no variances.

### Payroll

1. We compared all salary, fringe benefits and payroll tax entries and hours worked reported on the Provider's Detailed Trial Balance report and other supporting documentation 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 exceeding \$500.

2. We selected a sample of 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 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 to identify any variances exceeding \$500 which result in decreased costs on any schedule.

**Payroll (Continued)**

We found no variances.

3. We compared the 2014 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 reported costs in 2013 and obtained the Provider's explanation for five payroll variances that increased by more than five percent and \$500:
  - Director of Nursing costs increased on *Schedule B-2* due to an interim employee and a new full-time employee being charged to the same account code;
  - RN Charge Nurse and Program Specialist costs increased on *Schedule B-2* due to the addition of a position;
  - Occupational Therapist costs increased on *Schedule B-2* due to an employee coming back from medical leave; and
  - Medical/Habilitation Records costs increased on *Schedule C* due to employing additional staff.

We reported no variances.

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.

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.



**Dave Yost**  
Auditor of State

July 19, 2017

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**Appendix A**  
**Hattie Larlham Center for Children with Disabilities**  
**2014 Medicaid ICF-IID Cost Report Adjustments**

	<b>Reported</b>		<b>Corrected</b>	
	<b>Amount</b>	<b>Correction</b>	<b>Amount</b>	<b>Explanation of Correction</b>
<b>Attachment 1 Revenue Trial Balance</b>				
5. Other Revenue - 5014 (2) Total	\$ 50,730	\$ (50,730)	\$ -	To match revenue report
52. Meals - 5330 (2) Total	\$ -	\$ 84,753	\$ 84,753	To match revenue report
59. Other Specify Below - 5400 (2) Total	\$ 157,053	\$ 2,589	\$ 159,642	To match revenue report
67. Rental - Space - 5560 (2) Total	\$ -	\$ 1,292	\$ -	To match revenue report
		\$ 19,999	\$ 21,291	To match revenue report
<b>Attachment 2 Adjustment to Trial Balance</b>				
4. Worker's Compensation Refund (1) Revenue Chart of Account #			5400	To offset BWC refund
4. Worker's Compensation Refund (3) Other Increase (Decrease)	\$ -	\$ 1,569	\$ 1,569	To offset BWC refund
4. Worker's Compensation Refund (5) Expense Chart of Account #			6055	To offset BWC refund
4. Worker's Compensation Refund (6) Revenue Reference Attachment 1 Line			59	To offset BWC refund
5. Worker's Compensation Refund (1) Revenue Chart of Account #			5400	To offset BWC refund
5. Worker's Compensation Refund (3) Other Increase (Decrease)	\$ -	\$ 107,189	\$ 107,189	To offset BWC refund
5. Worker's Compensation Refund (5) Expense Chart of Account #			6520	To offset BWC refund
5. Worker's Compensation Refund (6) Revenue Reference Attachment 1 Line			59	To offset BWC refund
6. Worker's Compensation Refund (1) Revenue Chart of Account #			5400	To offset BWC refund
6. Worker's Compensation Refund (3) Other Increase (Decrease)	\$ -	\$ 18,408	\$ 18,408	To offset BWC refund
6. Worker's Compensation Refund (5) Expense Chart of Account #			7065	To offset BWC refund
6. Worker's Compensation Refund (6) Revenue Reference Attachment 1 Line			59	To offset BWC refund
7. Worker's Compensation Refund (1) Revenue Chart of Account #			5400	To offset BWC refund
7. Worker's Compensation Refund (3) Other Increase (Decrease)	\$ -	\$ 29,887	\$ 29,887	To offset BWC refund
7. Worker's Compensation Refund (5) Expense Chart of Account #			7510	To offset BWC refund
7. Worker's Compensation Refund (6) Revenue Reference Attachment 1 Line			59	To offset BWC refund
8. National School Lunch Program (1) Revenue Chart of Account #			5330	To offset the NSLP Grant
8. National School Lunch Program (3) Other Increase (Decrease)	\$ -	\$ 12,097	\$ 12,097	To offset the NSLP Grant
8. National School Lunch Program (5) Expense Chart of Account #			7025	To offset the NSLP Grant
8. National School Lunch Program (6) Revenue Reference Attachment 1 Line			52	To offset the NSLP Grant
8. National School Lunch Program (1) Revenue Chart of Account #			5330	To offset the NSLP Grant
8. National School Lunch Program (3) Other Increase (Decrease)	\$ -	\$ 638	\$ 638	To offset the NSLP Grant
8. National School Lunch Program (5) Expense Chart of Account #			7030	To offset the NSLP Grant
8. National School Lunch Program (6) Revenue Reference Attachment 1 Line			52	To offset the NSLP Grant
8. National School Lunch Program (1) Revenue Chart of Account #			5330	To offset the NSLP Grant
8. National School Lunch Program (3) Other Increase (Decrease)	\$ -	\$ 1,615	\$ 1,615	To offset the NSLP Grant
8. National School Lunch Program (5) Expense Chart of Account #			7035	To offset the NSLP Grant
8. National School Lunch Program (6) Revenue Reference Attachment 1 Line			52	To offset the NSLP Grant
8. National School Lunch Program (1) Revenue Chart of Account #			5330	To offset the NSLP Grant
8. National School Lunch Program (3) Other Increase (Decrease)	\$ -	\$ 68,525	\$ 68,525	To offset the NSLP Grant
8. National School Lunch Program (5) Expense Chart of Account #			7040	To offset the NSLP Grant
8. National School Lunch Program (6) Revenue Reference Attachment 1 Line			52	To offset the NSLP Grant

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HATTIE LARLHAM CENTER

PORTAGE 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  
AUGUST 8, 2017