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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, which were agreed to by the Ohio Department of Medicaid (ODM), on the Medicaid ICF-IID Cost Report of Miller Holdings Manor, Inc. DBA Manor Home (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 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 Detailed Census Report by Payer 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 Detailed Census Report by Payer report 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 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 Historical 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 no differences.

2. We scanned the Provider's Historical Detailed Trial Balance for 2014 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 identified variances exceeding \$500.

We did not identify any revenue offsets/applicable credits.

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 Historical Detailed Trial Balance report and other supporting documentation to identify any variances exceeding \$500 resulting in decreased costs on any schedule.

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

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 identified any variances exceeding \$500 resulting in decreased costs on any schedule.

We found no variances exceeding \$500.

3. We reviewed the allocation methodology used in the Provider's Home Office Cost 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 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 reported on any schedule.

We found no inconsistencies or improper allocation methodologies.

4. We scanned the Provider's Historical Detailed Trial Balance 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 contractors.

We found no differences or unreported contracts.

Non-Payroll Expenses (Continued)

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 obtained the Provider's explanation for five non-payroll variances that increased by more than five percent and \$500:
 - Heat, Light, Power costs increased on *Schedule B-1* due to a cold winter;
 - Occupational Therapist and Speech Therapist costs increased on *Schedule B-2* due to the increased needs of consumers;
 - Personal Care - Supplies costs increased on *Schedule C* due to a change in products needed; and
 - Consulting and Management Fees - Indirect costs increased on *Schedule C* due to a renegotiated contract.

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."

We also noted the Provider only depreciated assets with an acquisition cost of \$1,000 or more. This is inconsistent with Ohio Admin. Code § 5123:2-7-18(B)(1) which states, "Any expenditure for an item that costs \$500 or more and has a useful life of two or more years per item must be capitalized and depreciated over the asset's useful life."

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 capitalize assets with a useful life of two or more years and \$500.

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 Historical Detailed Trial Balance for 2014 and Home Office Cost Allocation reports and the Depreciation Schedule to identify variances exceeding \$500 resulting in decreased costs on any schedule.

We found no variances exceeding \$500.

Property (Continued)

3. We selected the one addition 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 the asset was 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.

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

We found no variances.

5. We compared 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 found no variances.

6. ODM asked that we review the Depreciation Schedule to ensure transportation expenses were reasonable, allowable and relate to patient care as defined in CMS Publication 15-1, Chapter 9 for transportation 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 if they reported additional compensation or were adjusted from allowable expenses pursuant to CMS Publication 15-1 to identify variances exceeding \$500 which result in decreased costs.

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

Payroll

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

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 Payroll Register report and job descriptions to the schedule in which each employee's salary and fringe benefit expenses were reported.

Payroll (Continued)

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.

We found no variances.

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 obtained the Provider's explanation for five payroll variances that increased by more than five percent and \$500:

- Social Services/Pastoral Care costs increased on *Schedule B-2* due to pay increases;
- Administrator costs increased on *Schedule C* and *C-1* due to the addition of a another employee;
- Laundry and Linen costs increased on *Schedule C* due to the additional need for supplies; and
- Plant Operations and Maintenance costs increased on *Schedule C* due to the promotion of an employee to management.

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 these specified parties.



Dave Yost
Auditor of State

April 19, 2017

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OHIO DEPARTMENT OF MEDICAID - MCA

ASHTABULA 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
MAY 4, 2017