



Dave Yost • Auditor of State



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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 Toward Independence, Inc. (hereafter referred to as the Provider) for the period January 1, 2015 through December 31, 2015. 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.

Unless otherwise identified in the procedure, this report only describes exceptions exceeding \$500 and resulting in decreased costs.

Occupancy and Usage

1. We compared the number of patient days for Medicaid and non-Medicaid patients from the Provider's 2015 Occupancy Summary report to those reported on *Schedule A-1, Summary of Inpatient Days*. We found that the Provider's patient days were greater than those reported. We also footed the Provider's census report for accuracy and found no computational errors.
2. We selected all four residents' medical records and compared the total days of care for December 2015 with the inpatient days reported on the Daily Census Sheets and *Schedule A*. We found that total days of care in the medical records was less than reported inpatient days due to unrecorded bed hold days.

We also found no misclassified waiver respite days as Medicaid or Medicare days and no unauthorized bed hold days (bed hold days in excess of 30 in a calendar year without proper authorization on form JFS 09402 in accordance with Ohio Admin. Code §5123:2-7-08).

3. We compared the number of reimbursed Medicaid days per the Quality Decision Support System (QDSS) with the total Medicaid days reported on *Schedule A-1* and found that total Medicaid days reported agreed to the Medicaid reimbursed days.

Medicaid Paid Claims

1. We selected paid claims for four residents for December 2015 from QDSS and compared the reimbursed days to the days documented per the resident's medical records. We compared the Provider's documentation to the general requirements of CMS Publication 15-1, Chapter 23, and Ohio Admin. Code § 5123:2-7-12, 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 TI Solana Transactions report with those revenues reported on *Attachment 1, Revenue Trial Balance*. We found all revenues were reported in accordance with the Appendix to Ohio Admin. Code § 5123:2-7-16 and CMS Publication 15-1.
2. We scanned the Provider's TI Solana Transactions report and found no revenue offsets or applicable credits which were not reported on *Attachment 2, Adjustments to Trial Balance; Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; and Schedule C, Indirect Cost Care Center* to offset corresponding expenses in accordance with CMS Publication 15-1, Chapters 1, 6, and 8.

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 TI Solana Transactions report. We found no variances
2. We obtained the allocation methodology used in the Provider's Allocation and Summary report allocating Home Office costs on *Schedule B-1, Schedule B-2 and Schedule C* and confirmed that the costs were 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 found no reclassifications and adjustments resulting in decreased costs exceeding five percent on any schedule.
3. We scanned the Provider's Historical Detailed Trial Balance report and selected 20 non-payroll expenses that were reported on *Schedule B-1, Schedule B-2, Schedule C and Exhibit 3, Home Office Trial Balance*. We confirmed that supporting documentation was maintained, the costs were properly allocated, classified, and allowable per Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1. We found no differences.

We found no unreported contract costs which would require reporting on *Schedule C-3, Costs of Services from Related Parties*.

4. We compared the 2015 non-payroll costs reported on *Schedule B-1, Schedule B-2 and Schedule C* by chart of account code to similar reported costs in 2014. We obtained the following Provider's explanations for five non-payroll variances that increased by more than five percent and \$500:
 - Active Treatment Off-site Day Programming costs increased on *Schedule B-2* due to the inclusion of allocated in-house provided services;
 - Home Office/Direct Care costs increased on *Schedule B-2* due to an error in applying allocation;
 - Incontinence Supplies costs increased on *Schedule C* due to an increase in supplies purchased; and
 - Program Supplies and Housekeeping costs increased on *Schedule C* due to additional purchases related to the non-extensive renovations home remodel.

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.

Property (Continued)

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 Asset Depreciation Short Report and TI Solana Transactions report. We found no variances resulting in decreased costs on any schedule.
3. We selected three additions, renovations, and deletions reported on *Schedule D-1* and *Schedule D-2* and confirmed that the cost basis, useful life and depreciation expense were reported in accordance with Ohio Admin. Code § 5123:2-7.

We also confirmed that the assets were used in residential care. We found no assets that should have been classified as the Costs of Ownership in accordance with Ohio Admin § 5123:2-7 and CMS Publication 15-1.

4. We reviewed the rent and lease agreements and confirmed that 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. We found no variances.
5. We compared the renovation and financing costs in the Non-extensive Renovation Letter to *Schedule D-1* as costs were recorded in *Schedule E*, *Balance Sheet* (Account 1300, Renovations). We found no variances.
6. We reviewed the Asset Depreciation Short Report and transportation logs and confirmed transportation expenses were reasonable, allowable and related to patient care as defined in CMS Publication 15-1. We also reviewed a W-2 and found no additional compensation was reported for vehicles used exclusively by the corporate officer.

Payroll

1. We compared all salary, fringe benefits and payroll tax entries and hours worked reported on the Provider's TI Solana Transactions report and the Allocations and Summary's report 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*. We found no differences.
2. We selected 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 confirmed that 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 found no variances.

Payroll (Continued)

3. We compared the 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 costs reported in 2014. We obtained the following Provider's explanation for five payroll variances that increased by more than five percent and \$500:
- Licensed Practical Nurse costs increased on *Schedule B-2* due to improper placement of salaries in 2014 and an increase in staff;
 - Program Director costs increased on *Schedule B-2* due to salary increases and end of year bonus allocations;
 - Home Office/Indirect Care costs increased on *Schedule C* due to an error in allocating costs between columns 1 and 2;
 - Plant Operations and Maintenance costs increased on *Schedule C* due to increase of full-time employee and salary increases; and
 - Administrators Compensation costs increased on *Schedule C-1* due to an error in allocation and salary increase.

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 the ODM, and is not intended to be, and should not be used by anyone other than the specified parties.



Dave Yost
Auditor of State

January 10, 2018



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TOWARD INDEPENDENCE

GREENE 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 6, 2018**