



Dave Yost • Auditor of State



**BUCKEYE COMMUNITY SERVICES - BIDWELL GROUP HOME  
GALLIA COUNTY**

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# Dave Yost • Auditor of State

## Independent Auditor's Report on Applying Agreed-Upon Procedures

Mr. Chris Carson, Bureau Chief  
Bureau of Audit Performance  
Ohio Department of Medicaid  
50 W. Town Street, 5th Floor  
Columbus, Ohio 43215

Dear Mr. Carson:

As permitted by Ohio Rev. Code § 5111.27 and Ohio Admin. Code § 5101:3-3-20, the Auditor of State's Office performed the procedures enumerated below to which the Ohio Department of Medicaid (ODM) agreed. These procedures are designed to assist you in evaluating whether the Buckeye Community Services - Bidwell Group Home (hereafter referred to as the Provider) prepared its JFS 02524 ICF-MR Medicaid Cost Report (Cost Report) for the period January 1, 2011 through December 31, 2011 in accordance with the Medicaid cost report instructions and the Appendix to Ohio Admin. Code § 5101:3-3-71.1 (Cost Report Instructions) 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. All rules and code sections relied upon in this report were those in effect during this 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 inpatient days were greater than those reported on *Schedule A-1, Summary of Inpatient Days*.

We compared the Provider's inpatient days on the daily Census reports for the number of patient days for Medicaid and non-Medicaid patients to those reported on *Schedule A-1, Summary of Inpatient Days*. We also footed the reports for accuracy.

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

2. ODM requested that we report variances if total Medicaid inpatient days and total inpatient days were greater than those reported on *Schedule A-1, Summary of Inpatient Days* for one month.

We compared the Medicaid inpatient days and total inpatient days reported on *Schedule A-1, Summary of Inpatient Days* for December 2011 with the total of the daily Census report for Medicaid inpatient days and total inpatient days. We also footed the reports for accuracy.

We found no variances where inpatient days were greater than reported for the month.

3. ODM requested us to report variances to *Schedule A-1, Summary of Inpatient Days* if total inpatient days were greater than those reported for one month.

We haphazardly selected three residents' medical records and compared the total days the resident was in the Provider's care for the month of December with the total inpatient days reported on the Census report for December 2011 and *Schedule A-1, Summary of Inpatient Days*.

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 were in excess of 30 in a calendar year as documented on the Individual Out of Facility Detail report, received the proper authorization on form JFS 09402 in accordance with Ohio Admin. Code § 5101:3-3-16.8.

We found no variances where inpatient days were greater than reported for the month and no misclassified waiver respite days or unauthorized bed hold days.

4. 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, Summary of Inpatient Days*.

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

The Provider responded that it has submitted the 9400 forms and received most of the underpayment in January 2014.

### **Medicaid Paid Claims**

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

We selected all paid claims for three residents for the month of December of 2011 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, and Ohio Admin. Code § 5101:3-3-20 and if the days billed met the specific requirements of Ohio Admin. Code § 5101:3-3-16.8 (C) to (E) as an occupied or bed hold day and Ohio Admin. Code § 5101:3-3-39 for the payment adjustment requirements for resident's discharge, admittance to hospital, death or election to receive hospice care.

We found no instances of non-compliance with these documentation requirements.

### **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* and report reclassifications between schedules and adjustments resulting in decreased costs exceeding five percent of non-payroll expenses on any schedule.

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 Trial Balance and Home Office Allocation reports to identify variances exceeding five percent of non-payroll expenses on any schedule.

We found no differences.

2. ODM requested that we select a sample of 20 non-payroll expenses 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 report expenses exceeding \$500 which lacked supporting documentation, were not properly allocated or were unallowable.

We haphazardly selected 20 non-payroll expenses in total from non-payroll accounts 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*. We reviewed these expenses to determine if these expenses had supporting documentation, were properly allocated and classified, and were allowable expenses per the Cost Report Instructions, Ohio Admin. Code § 5101:3, and CMS Publication 15-1.

We found no differences.

3. ODM requested that we review the allocation methodology used in the Provider's Home Office Trial Balance allocating costs on *Schedule B-1, Other Protected Costs, Schedule B-2, Direct Care Cost Center, Schedule C, Indirect Cost Center* and equity on *Schedule E-1, Return on Equity Capital of Proprietary Providers* and determine if it was reasonable, allowable, related to residential care, and properly classified in accordance with Ohio Admin. Code § 5101:3, CMS Publication 15-1, Section 2150, and the Cost Report Instructions, and report any reclassifications between schedules and adjustments resulting in decreased Home Office costs on any schedule.

We reviewed the allocation methodology used in the Provider's Home Office Allocation and General Ledger allocating costs on *Schedule B-1, Other Protected Costs, Schedule B-2, Direct Care Cost Center, and Schedule C, Indirect Cost Center* to determine whether it was reasonable, allowable, related to residential care, and properly classified in accordance with Ohio Admin. Code § 5101:3, CMS Publication 15-1, § 2150, and the Cost Report Instructions.

We found no differences relating to improper allocation methodologies.

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 exceeding \$500 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 General Ledger report and Home Office General Ledger 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 § 5101:3, CMS Publication 15-1, and the Cost Report Instructions. We also scanned for any contractors which would require reporting on *Schedule C-3, Costs of Services from Related Parties*.

We found no differences exceeding \$500 or contracts exceeding \$10,000 which should be reported on *Schedule C-3*.

5. ODM requested that we compare the 2011 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 2010 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 2011 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 2010 and obtained the Provider's explanation for the five non-payroll variances.

The Provider's stated that the increase in Franchise Permit Fees on *Schedule B-1, Other Protected Costs* is due to increase in the bed tax; the increase in Psychologist direct care costs on *Schedule B-2, Direct Care Cost Center* was due to increased level of service and the increase in Active Treatment Off-site Day Programming on *Schedule B-2* was due an increased number of individuals being served. The Provider further reported that the increase in Food In-Facility on *Schedule C, Indirect Cost Care Center* was due to the increased cost of food and the increase in Other Non-Reimbursable on *Schedule C* was due to a psychiatrist electing to no longer accept Medicaid as a form of payment and limitations on the Medicaid dental benefit.

We found no adjustments exceeding \$500 and five percent of non-payroll costs on any schedule.

### Property

1. ODM requested we compare the Provider's procedures regarding capitalization of fixed assets used for preparing *Schedule D, Capital Costs Center, Schedule D-1, Analysis of Property, Plant and Equipment, and Schedule D-2, Capital Additions/Deletions* with the Cost Report Instructions 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, Capital Cost Center, Schedule D-1, Analysis of Property, Plant and Equipment, and Schedule D-2, Capital Additions/Deletions* with the Cost Report Instructions and CMS Publication 15-1.

We noted two inconsistencies between the Provider's capitalization policy and the guidelines in that the Provider does 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 calculates depreciation starting in the month the asset is acquired; therefore, does not properly calculate depreciation expense as required by the Ohio Admin. Code § 5101:3-3-71.3 (E)(2), which states in pertinent part "the following depreciation conventions shall be used to calculate depreciation expense: (1) For calendar year 1994 and each calendar year thereafter, in the month that a capital asset is placed into service, no depreciation expense is recognized as an allowable expense. A full month's depreciation expense is recognized in the month following the month the asset is placed into service".

### 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 addition, we recommend the Provider calculate depreciation expense beginning with the month following the month the asset was placed into service.

The Provider responded that many of its assets will not last for half of their "useful" life or be worth a 10 percent salvage value at the end their "useful" life in accordance with the depreciation guide.



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 Depreciation Schedule and report differences exceeding \$500.

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 Asset Summary Report.

We found differences exceeding \$500 as reported in Appendix A. See also procedure 5 below.

We also found that *Schedule D-1, Analysis of Property, Plant and Equipment*, columns 1 through 6 contained information that was Home Office wide and not Buckeye Community Services - Bidwell Group Home specific as required by the Cost Report Instructions which state in pertinent part, "enter balances recorded in the facility's books at the beginning and at the end of the reporting period in the appropriate columns. Where the facility is a distinct part of an ICF, enter total amounts applicable only to the distinct part."

**Recommendation:**

We recommend the provider prepare all schedules by distinct facility unit when required.

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 the Cost Report Instructions and Ohio Admin. Code § 5101:3-3-01(BB), and report any differences.

We selected a total of two additions and one disposal reported on *Schedule D-1, Analysis of Property, Plant and Equipment*, and *Schedule D-2, Capital Additions/Deletions* and reviewed if the cost basis, useful life and depreciation expense to determine whether they were in accordance with the Cost Report Instructions and Ohio Admin. Code § 5101:3-3-01(BB), and reported any differences. We also reviewed the assets used in residential care to determine if they should be reclassified as the Costs of Ownership in accordance with Ohio Admin. Code § 5101:3 and CMS Publication 15-1.

We found no differences exceeding \$500.

4. ODM requested we review the rent and lease agreements to determine if related party lease costs were recorded in accordance Ohio Admin. Code §§ 5101:3-3-01(BB) and 5101:3-3-84.3, and that non-related leases meet the requirements of FASB 13, if costs were recorded in *Schedule D, Analysis of Property, Plant and Equipment* in Lease and Rent Accounts 8060 or 8065, and report any differences.

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

5. ODM requested we compare the renovation costs 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 any differences.

We compared the renovation costs and financing costs in the Non-Extensive Renovation Letter to *Schedule D-1, Analysis of Property, Plant and Equipment*.

We found renovation costs that should have been fully depreciated as reported in Appendix A.

The Provider responded that it agreed the renovation was amortized over the wrong period, although the total cost reimbursed by the state and the cost reported by the Provider did not exceed the allowable renovation amount, so there was no financial harm to the State.

6. ODM requested we review the Fixed Asset/Depreciation Listing 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*, and report any differences.

We reviewed the Provider's Asset Summary Listing to ensure transportation expenses were reasonable, allowable and related to patient care as defined in CMS Publication 15-1. We also reviewed 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.

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* and report reclassifications between schedules and adjustments resulting in decreased costs or hours exceeding five percent on any schedule.

We compared all salary, fringe benefits and payroll tax entries and hours worked 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 the Provider's General Ledger and Home Office General Ledger reports to identify variances exceeding five percent of total payroll expenses or hours reported on any schedule.

We found no differences exceeding five percent on any schedule.

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.

We selected five employees (including all Administrators and Owners) and compared the Provider's payroll journal, cost allocation, and General Ledger reports to the schedule in which each employee's salary and fringe benefit expenses were reported to determine if the payroll costs were allowable under CMS Publication 15-1, were properly classified, allocated and allowable in accordance with Ohio Admin. Code § 5101:3, CMS Publication 15-1, Chapter 9 and § 2150, and the Cost Report Instructions.

We found no differences.

3. ODM requested that we compare the 2011 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 2010 and obtain the Provider's explanation for five payroll variances that increased by more than five percent from the prior year's schedules and report adjustments exceeding \$500 and five percent of payroll costs on any schedule.

We compared the 2011 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 2010 and found two payroll variances that increased by more than five percent and \$500 from the prior year's schedules.

We obtained the Provider's explanation that the increase in Home Office Costs on *Schedule B-2, Direct Care Cost Center* and *Schedule C, Indirect Care Cost Center* was due to salary increases, bonuses and changes in leave policy.

We found no variances exceeding \$500 and five percent of non-payroll costs on any schedule.

## Revenue

1. ODM requested us to compare all revenues on the Provider's revenue ledger with those revenues reported on *Attachment 1, Revenue Trial Balance* and report differences exceeding five percent of total revenues reported.

We compared all revenues on the Provider's General Ledger with those revenues reported on *Attachment 1, Revenue Trial Balance* to determine if all revenues were reported in accordance with Ohio Admin. Code § 5101:3, CMS Publication 15-1, and the Cost Report Instructions.

We found no differences.

2. ODM requested we scan the Provider's revenue ledger to identify any revenue offsets/applicable credits exceeding \$500 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, and Schedule C, Indirect Cost Care Center*.

We scanned the Provider's General Ledger report for revenues which roll up to *Attachment 1, Revenue Trial Balance* and expenses on *Schedule B-1, Other Protected Costs, Schedule B-2, Direct Care Cost Center, and Schedule C, Indirect Cost Care Center* to identify any revenue offsets or applicable credits which were not reported on *Attachment 2, Adjustments to Trial Balance* or *Schedules B-1, B-2 or C* to offset corresponding expenses in accordance with CMS Publication 15-1, Chapters 1, 6 and 8.

We did not identify any unrecorded revenue offsets or applicable credits exceeding \$500 on *Attachment 2* or *Schedules B-1, B-2 or C* that would offset corresponding expenses.

## Assets, Liabilities, and Owner's Equity

ODM requested us to perform procedures 1 through 6 below if the Provider was a for-profit provider and if *Schedule E-1, Return on Equity Capital of Proprietary Providers* reported equity above zero.

1. ODM requested we compare assets and liabilities on the *Schedule E, Balance Sheet* with the Provider's Trial Balance report and other supporting documentation such for those accounts greater than five percent of total reported assets or liabilities and identify any unsupported, unallowable or improperly classified amount per Ohio Admin. Code § 5101:3, CMS Publication 15-1, or the Cost Report Instructions.

We did not perform this procedure because the Provider indicated on *Schedule A* of the Cost Report that it is a nonprofit corporation.

2. ODM requested we determine if the Provider is on a proper accrual basis and if their accrual polices are applied consistently between periods as required by the Cost Report Instructions and report any differences.

We did not perform this procedure because the Provider indicated on *Schedule A* of the Cost Report that it is a nonprofit corporation.

3. ODM requested we compare the Provider's ending account balance with beginning balance for all accounts on *Schedule E, Balance Sheet* and obtained an explanation for any account ending balance with variances exceeding 25 percent or \$100,000 of the beginning balance and report any adjustments.

We did not perform this procedure because the Provider indicated on *Schedule A* of the Cost Report that it is a nonprofit corporation.

4. ODM requested we compare the savings account balance on the Trial Balance report to *Schedule E, Balance Sheet* to determine if total cash on hand from investments/savings exceeds three months of the Provider's total annual operating expenses as reported *Schedule A-3, Summary of Costs* and is not allowable equity as Invested Funds, pursuant to CMS Pub. 15-1, Section 1218.2 and report any differences.

We did not perform this procedure because the Provider indicated on *Schedule A* of the Cost Report that it is a nonprofit corporation.

5. ODM requested we compare reconciling items on the bank reconciliation report/schedule with the December 2011 bank statement and trial balance report and report any differences.

We did not perform this procedure because the Provider indicated on *Schedule A* of the Cost Report that it is a nonprofit corporation.

6. ODM requested we compare amounts reported on Schedule E-1, Return on Equity Capital of Proprietary Providers to supporting documentation to ensure net equity calculations for Capital, Due from Owners/Officers, Related Party Loans, Equity in Assets Leased from Related Parties, or Home Office Equity were in accordance with CMS Publication 15-1 and Ohio Admin. Code § 5101:3-3-01(BB) and report any differences.

We did not perform this procedure because the Provider indicated on *Schedule A* of the Cost Report that it is a nonprofit corporation.

We received a response from officials to exceptions noted above which is included under Occupancy and Usage section, procedure 4, and the Property section, procedures 1 and 5. We did not audit the response and, accordingly, we express no opinion on it.

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 information and use of the managements of the Provider, the Ohio Department of Medicaid, the Ohio Department of Developmental Disabilities, 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,

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

April 22, 2014

cc: Iris Milliken, Executive Director, Buckeye Community Services, Bidwell Group Home  
Connie Arrington, Business Office Manager, Buckeye Community Services, Bidwell Group Home  
Carl Huntley, Board President, Buckeye Community Services, Bidwell Group Home

Appendix A  
 Buckeye Community Services - Bidwell Group Home  
 2011 Medicaid Cost Report Adjustments

	Reported Amount	Correction	Corrected Amount	Explanation of Correction
<b>Schedule D-1 Analysis of Property, Plant and Equipment</b>				
9. Depreciation/Amortization and Interest - Accumulated Depreciation End of Period (4)	\$165,402	\$ 3,599	\$ 169,001	To remove depreciation for fully depreciated asset
9. Depreciation/Amortization and Interest - Depreciation/Amortization this Period (6)	\$ 7,742	\$ (3,599)	\$ 4,143	To remove depreciation for fully depreciated asset



# Dave Yost • Auditor of State

**BUCKEYE COMMUNITY SERVICE-BIDWELL GROUP HOME**

**GALLIA 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 8, 2014**