



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, with which the Ohio Department of Medicaid (ODM) agreed, solely to assist ODM in evaluating whether East Carroll Nursing Home, Inc. DBA Countryview Manor (hereafter referred to as the Provider) prepared its Medicaid ICF-IID Cost Report for the period January 1, 2014 through December 31, 2014 in accordance with the Medicaid cost report instructions and the Appendix to 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. We compared the number of patient days for Medicaid and non-Medicaid patients from the Provider's monthly census reports 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 reports for accuracy.

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

2. We haphazardly selected five residents' medical records and compared the total days of care for December 2014 with the total inpatient days reported on the monthly census reports and *Schedule A-1, Summary of Inpatient Days* to determine if total inpatient 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 received the proper authorization on form JFS 09402 in accordance with Ohio Admin. Code § 5123:2-7-08.

We found no variances or misclassified waiver respite 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 matched Medicaid reimbursed days.

Medicaid Paid Claims

1. We selected all paid claims for five residents for December 2014 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 § 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 the Provider did not accurately count bed hold days for four residents; however, it resulted in no change to total inpatient days and no recoverable finding.

Revenue

1. We compared all revenues on the Provider's General Ledger 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. We identified variances exceeding \$500.

We found no variances.

2. We scanned the Provider's General Ledger report for revenues which roll up to *Attachment 1* and expenses on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; or Schedule C, Indirect Care Cost Center* for 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 variances exceeding \$500 resulting in decreased revenues.

We found worker's compensation rebates exceeding \$500 reported on *Attachment 1, Revenue Trial Balance*. However, 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, Other Protected Costs; Schedule B-2, Direct Care Cost Center; and Schedule C, Indirect Care Cost Center* to the Provider's Trial Balance and General Ledger reports to identify any variances exceeding \$500 resulting in decreased costs on any schedule.

We found no differences.

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 differences exceeding \$500 on any schedule.

Non-Payroll Expenses (Continued)

3. ODM asked 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 did not perform this procedure as the Provider operates only one facility and did not report Home Office costs on *Schedule B-1, Schedule B-2, or Schedule C*.

4. We scanned the Provider's Trial Balance and General Ledger reports 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 contractor costs over \$10,000 that should have been reported on *Schedule C-3*.

We found no differences exceeding \$500 on any schedule. We found one contract which was properly reported on *Schedule C-3*.

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 non-payroll costs reported by chart of account code in 2013 and obtained the Provider's explanation for five non-payroll variances that increased by more than five percent and \$500 from the prior year's schedules. We identified variances exceeding \$500 and five percent of non-payroll costs resulting in decreased costs on any schedule.

The Provider reported the following explanations:

- The increase in Employee Fringe Benefits - Direct Care on *Schedule B-2* was due to health insurance costs being previously shared with another company;
- The increase in Enterals: Medicare Non-Billable costs on *Schedule C* was due to an additional food license purchased;
- the increase in Office and Administrative Supplies costs on *Schedule C* was due to changing needs for two patients;
- the increase in Employee Fringe Benefits - Direct Care costs on *Schedule C* was due to additional costs for background checks due to employee turnover; and
- The increase in Employee Fringe Benefits - Indirect Care costs on *Schedule C* was due to increased hospitalization costs for employees.

We reported no differences.

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 to identify any variances.

Property (Continued)

We found an inconsistency as the Provider 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 took a half year of depreciation in the year assets were placed into service, not the month after the asset was placed into service. This is inconsistent with Ohio Admin. Code § 5123:2-7-18(E)(1) which states "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."

We also noted the Provider did not assign a useful life in accordance with CMS Publication 15-1, 104.17, which states "For assets acquired on or after January 1, 1981, only the AHA guidelines may be used in assigning an estimated useful life of the asset (e.g. *2013 edition of the AHA Estimated Useful Lives of Depreciable Hospital 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 purchased. The Provider should also begin depreciating assets the month following acquisition and assign a useful life for each asset in accordance with the *2013 edition of the AHA Estimated Useful Lives of Depreciable Hospital Assets*.

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 Depreciation Expense Report to identify variances exceeding \$500 resulting in decreased costs on any schedule.

We found no differences resulting in decreased costs on any schedule.

3. We selected two additions and one deletion 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 in accordance with Ohio Admin. Code § 5123:2-7. We determined if 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. We identified variances exceeding \$500 which result in decreased costs on any schedule.

We found no errors exceeding \$500.

4. We reviewed the rent and lease agreements and determined 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. We identified any variances exceeding \$500 which result in decreased costs on any schedule.

We found no differences.

Property (Continued)

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

We did not perform this procedure as the Provider reported no costs on *Schedule E, Balance Sheet*, Account 1300, Renovations.

6. We reviewed the Depreciation Expense Report and vehicle mileage logs 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, Analysis of Property, Plant and Equipment*. DODD asked that if any corporate officers or 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. We identified any variances exceeding \$500 which result in decreased costs on any schedule.

We found no differences.

Payroll

1. We compared all salary, fringe benefits, payroll tax entries and hours worked reported on the Provider's Trial Balance and General Ledger reports 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*. We identified any variances exceeding \$500 resulting in decreased costs on any schedule.

We found no differences.

2. We selected a sample of five employees (including all Administrators and Owners) 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 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. We identified any variances exceeding \$500 resulting 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 payroll costs reported by chart of account code in 2013 and obtained the Provider's explanation for five payroll variances that increased by more than five percent and \$500 from the prior year's schedules. We identified differences exceeding \$500 and five percent of payroll costs resulting in decreased costs on any schedule.

The Provider stated the increase in the Director of Nursing costs on *Schedule B-2* were due to the addition of a registered nurse, who was previously employed as an aide for the facility. Activity and Habilitation costs on *Schedule B-2* increased due to resident mix and requirements. Food supervisor costs on *Schedule C* increased due to paid sick leave and the addition of a replacement employee for part of the year. Housekeeping costs on *Schedule C* increased due to the hiring of additional help.

We found no differences resulting in decreased costs on any schedule.

East Carroll Nursing Home, Inc. DBA Countryview Manor
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The Provider submitted an official response to the results of these agreed upon procedures, which is presented in Appendix B. The response refers to a memo from the Ohio Department of Developmental Disabilities which can be obtained from the Provider at the contact information included in the response. We did not examine the Provider's response and, accordingly, we express no opinion on it. Our conclusion is presented in Appendix C.

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 Provider's management, 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 initial "D".

Dave Yost
Auditor of State

November 15, 2016

Appendix A
East Carroll Nursing Home, Inc. DBA Countryview Manor
2014 Income and Expenditure Report

	Reported Amount	Correction	Corrected Amount	Explanation of Correction
Schedule B-2 Direct Care Cost Center				
38. Workers' Compensation - Direct Care - 6520 - Other/Contract Wages (2)	\$ 43,702	\$ (29,374)	\$ 14,328	To record Revenue Offset from BWC refund
Schedule C Indirect Care Cost Center				
13. Workers' Compensation - Dietary - 7065 - Other/Contract Wages (2)	\$ 4,125	\$ (2,948)	\$ 1,177	To record Revenue Offset from BWC refund
57. Workers' Compensation - Indirect Care - 7510 - Other/Contract Wages (2)	\$ 5,431	\$ (4,490)	\$ 941	To record Revenue Offset from BWC refund
Attachment 2				
2. Workers Compensation Refund (1) Revenue Chart of Account #			5400	To record revenue offset
2. Workers Compensation Refund (3) Other Increase (Decrease)	\$0	\$ (29,374)	\$ (29,374)	To record revenue offset
2. Workers Compensation Refund (5) Expense Chart of Account #			6520	To record revenue offset
2. Workers Compensation Refund (6) Revenue Reference Attachment 1			59	To record revenue offset
3. Workers Compensation Refund (1) Revenue Chart of Account #			5400	To record revenue offset
3. Workers Compensation Refund (3) Other Increase (Decrease)	\$0	\$ (2,948)	\$ (2,948)	To record revenue offset
3. Workers Compensation Refund (5) Expense Chart of Account #			7065	To record revenue offset
3. Workers Compensation Refund (6) Revenue Reference Attachment 1			59	To record revenue offset
4. Workers Compensation Refund (1) Revenue Chart of Account #			5400	To record revenue offset
4. Workers Compensation Refund (3) Other Increase (Decrease)	\$0	\$ (4,490)	\$ (4,490)	To record revenue offset
4. Workers Compensation Refund (5) Expense Chart of Account #			7510	To record revenue offset
4. Workers Compensation Refund (6) Revenue Reference Attachment 1			59	To record revenue offset

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East Carroll Nursing Home, Inc. DBA Countryview Manor
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Appendix B

The letter that follows is the Provider's official response to the agreed upon procedure.

WARNER & WARNER, INC. Certified Public Accountants

Donald S. Warner, CPA
Robin R. Warner, CPA
Andrew S. Warner, CPA

November 7, 2016

Jeffrey Hamilton
Senior Audit Manager
Auditor of State

This letter is a follow up to our telephone conference on 11/3/2016 regarding the 2014 Medicaid Cost Report.

The proposed Workers Compensation adjustment of 36,812 is made up of two amounts.

Rebate 23,477 - as a result of BWC's Another Billion Back plan

Refund 13,335 - as a result of an payment made in error

Total 36,812

We agree with the adjustment for 13,335. This was the result of a payment made in error that was refunded to the facility. This was during the time that BWC was transitioning to the prospective payment system and the information available was not exactly correct.

The Rebate amount of 23,477 is the adjustment that we do not agree with.

The instructions for the treatment of the rebate issued for 2013 was specifically to be treated as other income and not to reduce costs. This was the "A Billion Back" program that resulted in the expansion of and participation in the Safety Grants Program. This actually resulted in additional savings to BWC.

Office:

2000 Canton Road N.W.
P.O. Box 95
Carrollton, Ohio 44615
Phone: 330/627-4828
Fax: 330/627-5966

For 2014, the Rebate, which was issued as a 1099 "Other Income", was the payment to the facility as part of the "Another Billion Back" program. As the payment was a continuation of the program that began in 2013, and no specific instructions were given along with the cost report instructions for year 2014, we treated the 2014 amount the same as 2013. BWC issued a check instead of providing a credit on the employer's payroll reports to inject funds directly into the economy. In addition, the monies were also intended to improve safety programs that were growing as a result of the additional funds available.

Sincerely,

A handwritten signature in black ink that reads "Robin R. Warner CPA". The signature is written in a cursive style with a horizontal line underneath the name.

Robin R. Warner, CPA

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Appendix C

Auditor of State's Conclusion:

Revenue:

CMS Publication 15-1, §§ 804, 805 and 2302.5 cited in the report require refunds and rebates to be a reduction of specific costs rather than reported as income. The Code of Federal Regulations, Title 42C.F.R. § 413.98 (3)(c) states in pertinent part, "All discounts, allowances, and refunds of expenses are reductions in the cost of goods or services purchased and are not income...However, if they are received in a later accounting period, they will reduce the comparable purchases or expenses in the period in which they are received."

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Dave Yost • Auditor of State

**EAST CARROLL NURSING HOME INC dba COUNTRYVIEW MANOR
CARROLL 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
NOVEMBER 29, 2016**