



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 Gentlebrook, Inc. DBA Hartville Meadows, (hereafter referred to as the Provider) prepared its JFS 02524 ICF Medicaid Cost Report for the period January 1, 2013 through December 31, 2013 in accordance with 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 2013 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.

2. We haphazardly selected five residents' medical records and compared the total days of care for December 2013 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 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 all paid claims for five residents for December 2013 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.

### Medicaid Paid Claims (Continued)

We found no instances of non-compliance.

### Revenue

1. We compared all revenues on the Provider's Profit and Loss Detail 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 differences.

2. We scanned the Provider's Profit and Loss Detail 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 did not identify any omitted revenue offsets/applicable credits on any schedule

### 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 Cost Report Trial Balance and Profit and Loss reports to identify any variances exceeding \$500 resulting in decreased costs on any schedule.

We found differences as reported in Appendix A.

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 differences as reported in Appendix A.

3. We reviewed the home office costs allocation methodology used in the Provider's Shared Expense Allocation report 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 between schedules and adjustments resulting in decreased Home Office costs exceeding five percent of Home Office costs reported on any schedule.

We found no inconsistencies or improper allocation methodologies exceeding five percent of Home Office Costs reported on any schedule.

4. We scanned the Provider's Cost Report Trial Balance and Profit and Loss Detail 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*.

### Non-Payroll Expenses (Continued)

We reported misclassified and non-federal reimbursable costs exceeding \$500 in Appendix A. We found no contracts which should be reported on *Schedule C-3*.

5. We compared the 2013 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 2012 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 stated that the increase in Active Treatment Off-site Day Programming on *Schedule B-2* was due to an increase in staffing levels from expanding the program to offer a greenhouse/farming program. The increase in Enterals: Medicare Billable on *Schedule C* was due to one new admission receiving enteral feeds and the increase in Laundry and Linen on *Schedule C* was due to outsourcing a significant portion of the facilities laundry. The increase in Repairs and Maintenance on *Schedule C* was due to an aging building and maintenance of the sprinkler system, and the increase in Legend Drugs on *Schedule C* was due to the ICF providing designated residents with a pneumovax booster.

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.

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 depreciation in the month that the asset was placed into service, and 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."

### 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 begin depreciating assets after the month of acquisition.

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 differences as reported in Appendix A.

### Property (Continued)

3. We selected three additions 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 reported differences in Appendix A.

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 reported differences in Appendix A.

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*, and reported reclassifications and adjustments exceeding \$500 which resulted in decreased costs on any schedule.

We found costs in the amount of \$303,916 were reported on *Schedule E* as renovation costs; however, we received no documentation from the Provider that these costs were approved as non-extensive renovations. We reclassified these costs, and the corresponding accumulated depreciation, and depreciation for the period as costs of ownership on *Schedule D and D-1* in accordance with Ohio Admin. Code § 5123:2-7-25(A) as reported in Appendix A.

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 Cost Report Trial Balance and Profit and Loss Detail 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.

**Payroll (Continued)**

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 differences.

3. We compared the 2013 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 2012 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 that the increase in Nurse Aides costs on *Schedule B-2* was due to an increase in positions being filled, a two percent wage increase, and a one percent year-end bonus. The Provider also stated the increase in Habilitation Supervisor costs on *Schedule B-2* was due to a third full time staff person being hired in July 2013, and the increase in Habilitation Staff costs on *Schedule B-2* was due to an additional person being hired in June 2012.

We reported no differences.

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 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,



**Dave Yost**  
Auditor of State

August 23, 2016

**Appendix A**  
**Gentlebrook, Inc., DBA Hartville Meadows**  
**2013 Medicaid Cost Report Adjustments**

	Reported Amount	Correction	Corrected Amount	Explanation of Correction
<b>Schedule B-2 Direct Care Cost Center</b>				
42. Staff Development - Direct Care - 6550 - Other/Contract Wages (2)	\$ 4,751	\$ (2,000)	\$ 2,751	NFR items, employee gift cards, staff luncheon
<b>Schedule C Indirect Care Cost Center</b>				
40. Dues, Subscriptions and Licenses - 7270 - Other/Contract Wages (2)	\$ 2,816	\$ 738	\$ 3,554	To adjust licenses and fees
52. Repair and Maintenance - 7340 - Other/Contract Wages (2)	\$ 40,282	\$ 12,874		To adjust for gasoline expense
		\$ 6,282	\$ 59,438	To adjust for repairs and maintenance
68. Other Non-Reimbursable - Specify Below - 9725 - Other/Contract Wages (2)	\$ 27	\$ 2,000	\$ 2,027	NFR items, employee gift cards, staff luncheon
<b>Schedule D Capital Cost Center</b>				
1. Depreciation - Building - 8010 - Allocated Adjusted Total (7)	\$ 9,925	\$ (1,286)	\$ 8,639	To correct depreciation amount for piping at asset testing
2. Amortization - Land Improvements - 8020 - Total (3)	\$ 4,050	\$ 7,953	\$ 12,003	To adjust renovation expenses
6. Lease and Rent - Building - 8060 - Alloc (6)				
7. Lease and Rent - Equipment - 8065 - Total (3)	\$ 35,144	\$ (12,874)		To adjust for gasoline expense
		\$ (6,282)		To adjust for repairs and maintenance
		\$ (738)	\$ 15,250	To adjust licenses and fees
12. Depreciation/Amortization and Interest - 8500, 8570, 8580 - Total (3)	\$ 8,826	\$ (8,826)	\$ -	To adjust renovation expenses
12. Depreciation/Amortization and Interest - 8500, 857 - Adjustment Increase (decrease) (4)0, 8580	\$ (873)	\$ 873	\$ -	To adjust renovation expenses
12. Depreciation/Amortization and Interest - 85 - Adjusted Total (5)	\$ 7,953	\$ (7,953)	\$ -	To adjust renovation expenses
<b>Schedule D-1 Analysis of Property, Plant and Equipment</b>				
1. Land - Cost at Beginning of Period (2)	\$ 431,150	\$ (341,150)	\$ 90,000	To correct schedule D-1 to only show Hartville assets
1. Land - Cost at End of Period (4)	\$ 431,150	\$ (341,150)	\$ 90,000	To correct schedule D-1 to only show Hartville assets
1. Land - Net Book Value End of Period (6)	\$ 431,150	\$ (341,150)	\$ 90,000	To correct schedule D-1 to only show Hartville assets
2. Buildings - Cost at Beginning of Period (2)	\$6,533,482	\$ (5,348,003)	\$ 1,185,479	To correct schedule D-1 to only show Hartville assets
2. Buildings - Additions or Reductions (3)	\$ 383,788	\$ (365,442)	\$ 18,346	To correct schedule D-1 to only show Hartville assets
2. Buildings - Cost at end of Period (4)	\$6,917,270	\$ (5,713,444)	\$ 1,203,826	To correct schedule D-1 to only show Hartville assets
2. Buildings - Accumulated Depreciation End of Period (5)	\$2,250,092	\$ (1,355,108)	\$ 894,984	To correct schedule D-1 to only show Hartville assets
2. Buildings - Net book value End of Period (6)	\$4,667,178	\$ (4,358,336)	\$ 308,842	To correct schedule D-1 to only show Hartville assets
3. Land Improvements - Cost at Beginning of Period (2)	\$ 85,580	\$ 303,916		No renovation letter, will be moved to cost of ownership
		\$ (45,080)	\$ 344,416	To correct schedule D-1 to only show Hartville assets
3. Land Improvements - Additions or Reductions (3)	\$ 53,909	\$ (53,909)	\$ -	To correct schedule D-1 to only show Hartville assets
3. Land Improvements - Cost at End of Period (4)	\$ 139,489	\$ (98,989)	\$ 40,500	To correct schedule D-1 to only show Hartville assets
3. Land Improvements - Accumulated Depreciation End of Period (5)	\$ 40,761	\$ 230,216		No renovation letter, will be moved to cost of ownership
		\$ (25,152)	\$ 245,825	To correct schedule D-1 to only show Hartville assets
3. Land Improvements - Net book value End of Period (6)	\$ 98,728	\$ (73,837)	\$ 24,891	To correct schedule D-1 to only show Hartville assets
3. Land Improvements - Depreciation this Period (7)	\$ 4,050	\$ 7,953	\$ 12,003	No renovation letter, will be moved to cost of ownership



Appendix A (Page 2)

Gentlebrook, Inc. dba Hartville Meadows, Hartville Homes, Inc.  
 2013 Medicaid Cost Report Adjustments

	Reported Amount	Correction	Corrected Amount	Explanation of Correction
<b>Schedule D-1 Analysis of Property, Plant and Equipment</b>				
5. Equipment - Cost at Beginning of Period (2)	\$ 552,359	\$ (333,025)	\$ 219,334	To correct schedule D-1 to only show Hartville assets
5. Equipment - Additions or Reductions (3)	\$ 134,514	\$ (123,062)	\$ 11,452	To correct schedule D-1 to only show Hartville assets
5. Equipment - Cost at End of Period (4)	\$ 686,873	\$ (456,088)	\$ 230,785	To correct schedule D-1 to only show Hartville assets
5. Equipment - Accumulated Depreciation End of Period (5)	\$ 424,278	\$ (251,641)	\$ 172,637	To correct schedule D-1 to only show Hartville assets
5. Equipment - Net book value End of Period (6)	\$ 262,595	\$ (204,446)	\$ 58,149	To correct schedule D-1 to only show Hartville assets
6. Transportation - Cost at Beginning of Period (2)	\$ 399,567	\$ (263,988)	\$ 135,579	To correct schedule D-1 to only show Hartville assets
6. Transportation - Additions or Reductions (3)	\$ 11,835	\$ 16,049	\$ 27,884	To correct schedule D-1 to only show Hartville assets
6. Transportation - Cost at End of Period (4)	\$ 411,402	\$ (247,939)	\$ 163,463	To correct schedule D-1 to only show Hartville assets
6. Transportation - Accumulated Depreciation End of Period (5)	\$ 310,659	\$ (240,033)	\$ 70,626	To correct schedule D-1 to only show Hartville assets
6. Transportation - Net book value End of Period (6)	\$ 100,743	\$ (7,907)	\$ 92,836	To correct schedule D-1 to only show Hartville assets
9. Depreciation/Amortization and Interest - Cost at Beginning of Period (1)	\$ 303,916	\$ (303,916)	\$ -	No renovation letter, will be moved to cost of ownership
9. Depreciation/Amortization and Interest - Accumulated Depreciation End of Period (4)	\$ 230,216	\$ (230,216)	\$ -	No renovation letter, will be moved to cost of ownership
9. Depreciation/Amortization and Interest - Depreciation/Amortization this Period (6)	\$ 8,826	\$ (8,826)	\$ -	No renovation letter, will be moved to cost of ownership

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# Dave Yost • Auditor of State

**GENTLEBROOK – HARTVILLE MEADOWS**

**STARK 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  
OCTOBER 11, 2016**