



Dave Yost • Auditor of State

**QUADCO REHABILITATION CENTER
ADMINISTRATIVE BOARD AND NON-PROFIT OPERATION**

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Independent Accountants' Report on Applying Agreed-Upon Procedures

Halina Schroeder, Audit Chief
Division of Fiscal Administration, Audit Office
Ohio Department of Developmental Disabilities
30 East Broad Street, 8th Floor
Columbus, Ohio 43215

Dear Ms. Schroeder:

As permitted by Ohio Rev. Code § 5123.05 and as required by the *Application for a §1915(c) Home and Community Based Services Waiver*, Appendix I-2(c), the Auditor of State's Office has performed the procedures enumerated below, to which the Ohio Department of Developmental Disabilities (DODD) agreed. The purpose is to assist you in evaluating whether the Quadco Rehabilitation Center – Administrative Board and Non-Profit Operation (COG) prepared its *Income and Expenditure Report* (Cost Report) and *County Summary Workbooks*¹ for the year ended December 31, 2013 in accordance with DODD's Guide to Preparing Income and Expenditure Reports for COGs and County Boards of Developmental Disabilities (Cost Report Guides) and to assist you in evaluating whether reported receipts and disbursements complied with 2 CFR 225 (OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments*), and other compliance requirements described in the procedures below. The COG'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 DODD. 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.

Revenue Testing

1. DODD requested that we compare the COG's receipts with those reported on Section II, Department of DD of *Schedule C, Income Report* on the *County Summary Workbooks* and report any variances.

We did not perform this procedure as the COG did not report receipts on Section II, of *Schedule C*, on the *County Summary Workbooks*.

2. DODD asked that we obtain the Title XX Units of Services Log for the 2nd Quarter and select a sample of 10 percent of claims reported in the Title XX system to verify supporting documentation of services provided and claims were not billed to both Title XX and Medicaid for the same service date and individual.

¹ The COG recorded receipts and disbursements and prepared *County Summary Workbooks* to distribute these on behalf of the following county boards of developmental disabilities (County Boards): Defiance, Fulton, Henry and Williams.

Revenue Testing (Continued)

We obtained the Title XX Units of Service Log for the 2nd quarter and compared the total number of units with DODD's Title XX Data Export report to ensure total units matched. We then selected 12 Title XX units and reviewed supporting documentation to ensure it matched each selected claim. We also reviewed services reimbursed through the Medicaid Billing System to determine if the County Boards billed for a similar service for the same recipient and date of service.

We found no instances of noncompliance.

Trial Balance and Non-Payroll Expenditures

1. DODD asked us to compare the COG's disbursements on the General Ledger report to *Schedule A, Summary of Service Costs-By Program* and worksheets 2 through 5 of the Cost Report and *Schedule A* and worksheets 2 through 10 of the *County Summary Workbooks* and report variances exceeding \$100 for total service contracts, other expenses and COG expenses on any worksheet.

We received the COG's General Ledger report; however, we did not receive documentation for the methodology used to allocate and report non-payroll costs between the Cost Report and the *County Summary Workbooks*. Therefore, we prepared a Crosswalk by Department Code report to determine actual cash basis non-payroll expenditures by program and allocated costs between the member County Boards and programs using statistics from the Attendance by Funding Source report, Williams and Defiance Yearly Totals, and Transportation Provided for Non DD Funded Consumers reports. We then used the Crosswalk by Department Code report for the comparison with reported disbursements.

We reported differences exceeding \$100 in Appendix A.

2. DODD asked us to determine whether the COG's disbursements were properly classified within two percent of total service contracts, other expenses and COG expenses for worksheets 2 through 5 of the Cost Report and *Schedule A* and worksheets 2 through 10 of the *County Summary Workbooks* and if these worksheets included disbursements over \$100 which are non-federal reimbursable under 2 CFR Appendix B.

We scanned the COG's General Ledger report for service contracts, other expenses and COG expenses on worksheets 2 through 5 of the Cost Report and *Schedule A* and worksheets 2 through 10 of the *County Summary Workbooks* and reviewed documentation to identify disbursements not classified according to the Cost Report Guides or costs which are non-federal reimbursable under 2 CFR 225 Appendix B.

We also scanned for any program costs without corresponding statistics that are non-federal reimbursable because they do not demonstrate that the COG or one of the member County Board's programs received a measurable benefit as required under Appendix A, section (C)(3)(a) and the Cost Report Guides.

We found misclassified and non-federal reimbursable costs as reported in Appendix A. We found Supported Employment – Community Employment costs without supporting program statistics; therefore, we reclassified these costs as non-federal reimbursable as reported in Appendix A.

Trial Balance and Non-Payroll Expenditures (Continued)

3. We haphazardly selected a sample of 60 non-payroll disbursements from the General Ledger report that were classified as total service contracts, other expenses or COG expenses on worksheets 2 through 5 of the Cost Report and *Schedule A* and worksheets 2 through 10 of the *County Summary Workbooks*. We determined if supporting documentation was maintained as required by 2 CFR 225 (OMB Circular A-87, Appendix A, (C)(1)(j)) and the disbursement was properly classified according to the Cost Report Guide or costs which are non-federal reimbursable under 2 CFR 225 Appendix B.

We found misclassified and non-federal reimbursable costs as reported in Appendix A.

4. We scanned the COG's General Ledger report for items purchased during 2013 that met the COG's capitalization criteria and traced them to inclusion on the COG's End of Year Summary reports.

We reported differences for purchases that were not properly capitalized and to record their first year's depreciation in Appendix A.

Payroll Testing

1. DODD asked us to determine if employee salaries of the COG's payroll reports were within two percent of payroll costs reported on the Cost Report and the *County Summary Workbooks*.

We compared the total payroll costs per the COG's General Ledger report with payroll costs reported on the Cost Report and *County Summary Workbooks*.

We found differences greater than two percent; however, we did not have documentation for the methodology used to allocate and report payroll costs between the Cost Report and the *County Summary Workbooks*. Therefore, we prepared a Payroll Allocation Crosswalk report to determine cash basis payroll expenditures by program and allocated costs between the member County Boards and programs using statistics from the Attendance by Funding Source report, Williams and Defiance Yearly Totals, and Transportation Provided for Non DD Funded Consumers reports. We then used the Payroll Allocation Crosswalk report to compare payroll costs reported on the Cost Report and *County Summary Workbooks*.

We reported differences in Appendix A.

2. We scanned the COG's Payroll Allocation Crosswalk report and compared classification of employees to entries on the Cost Report and *County Summary Workbooks* to determine if salary and benefit costs were reported in accordance with the Cost Report Guides.

We reported differences in Appendix A.

Property, Depreciation, and Asset Verification Testing

1. DODD asked us to compare the COG's procedures regarding capitalization of fixed assets with the Cost Report Guides for preparing *Worksheet 1, Capital Costs* and 2 CFR 225 (OMB Circular A-87, Appendix B, 15(a)(2)).

We noted the COG's procedures did not include a salvage value as required and did not address the period of acquisition or useful life. We calculated depreciation with a salvage value in the depreciation schedule as part of procedure 3 below.

Property, Depreciation, and Asset Verification Testing (Continued)

Recommendation:

We recommend the COG revise its capitalization procedure to be in compliance with the requirements of the Cost Report Guide in section *Worksheet 1, Capital Costs* which states in pertinent part, "In order to determine capital costs to be reported on Worksheet 1 and substantiate that determination, each county dd board must establish and maintain an ongoing record or ledger of asset acquisition and placed in service and depreciation calculation. It is essential the asset records be organized by all applicable program categories listed on Schedule A when used in all or more than one program. Further organization within each program should be by category of asset: Land, Land Improvements, Buildings, Building Fixtures and Improvements and Major Movable Equipment. The asset record or ledger must be structured to include asset description, asset number corresponding to the tagged asset, purchase date, useful life, historical cost, salvage value (minimum 10%), current depreciation amount calculated using the straight-line method and accumulated depreciation amount. "

2. DODD asked us to compare the COG's depreciation schedule to *Worksheet 1, Capital Costs* of the Cost Report and report any variances exceeding \$100.

The COG did not have a comprehensive 2013 depreciation schedule. Therefore we combined the COG's End of Year Summary Report for the periods ending September 30, 2013 and September 30, 2014 and prepared a 2013 depreciation schedule. We then compared all depreciation entries on *Worksheet 1, Capital Costs* of the Cost Report to the 2013 depreciation schedule.

We reported variances exceeding \$100 in Appendix A.

3. DODD asked that we scan the 2013 depreciation schedule for depreciation taken on the same asset more than once, assets that have been fully depreciated or depreciation taken on assets during the period of acquisition which were not in compliance with the Cost Report Guides.

The COG did not have a comprehensive 2013 depreciation schedule; however, as noted in procedure 2, we prepared a 2013 depreciation schedule. We scanned the prepared 2013 depreciation schedule for depreciation taken on the same asset more than once, assets that have been fully depreciated or depreciation taken on assets during the period of acquisition which were not in compliance with the Cost Report Guides.

We reported differences in Appendix A.

4. DODD asked that we compare the COG's final 2012 depreciation schedule to the COG's 2013 depreciation schedule for changes in the depreciation amounts for assets purchased prior to the period under review which were not in compliance with the Cost Report Guides.

We compared the prepared 2013 depreciation schedule for changes in the depreciation amounts for assets purchased prior to the period under review which were not in compliance with the Cost Report Guides.

We reported differences in Appendix A.

Property, Depreciation, and Asset Verification Testing (Continued)

5. We haphazardly selected the lesser of five of the COG's fixed assets or five percent of items which meet the COG's capitalization policy and were being depreciated in their first year in 2013 to determine if their useful lives agreed to the estimated useful lives prescribed in the 2008 AHA Asset Guides. We also recomputed the first year's depreciation for the one asset tested, based on its cost, acquisition date and useful life to determine compliance with the Cost Report Guides.

We reported differences in Appendix A.

6. DODD asked that we haphazardly select the lesser of five percent or five disposed assets in 2013 from the COG's list of disposed assets and determine if the asset was removed from the COG's fixed asset ledger. DODD also asked us to recalculate depreciation and any gain or loss applicable to 2013 for the disposed items based on the undepreciated basis and any proceeds received from the disposal or sale of the asset to determine compliance with the Cost Report Guide and CMS Publication 15-1, Chapter 1.

We did not perform this procedure as the COG stated that no capital assets were disposed. We noted no disposals per review of the COG's End of Year Summary Reports.

Medicaid Administrative Claiming Testing

1. DODD asked us to contact its Random Moment Time Summary (RMTS) Coordinator to report differences between the MAC salary and benefits versus the COG's payroll records exceeding one percent.

We did not perform this procedure as the COG did not participate in the MAC program.

2. DODD asked that we compare the MAC RMTS reports to Lines 1-2 of *Worksheet 4, Medicaid Administrative Claiming*.

We did not perform this procedure as the COG did not participate in the MAC program.

3. DODD asked us to compare the Ancillary Costs on the Roll up Report for the Ohio Department of Medicaid (ODM) to Lines 6-10 of the *MAC Reconciliation Worksheet*.

We did not perform this procedure as the COG did not participate in the MAC program.

4. DODD asked that we select 10 RMTS observed moments and 10 percent of any RMTS moments above that amount that were completed by employees of the COG from the DODD RMTS Participant Moments Question and Answer report for the first quarter of 2013. DODD asked us to determine if supporting documentation for each observed moment was maintained and the observed moment was properly classified in accordance with DODD's Guide to Medicaid Administrative Claiming (MAC) using the Random Moment Time Studies (RMTS) Methodology for 2013.

We did not perform this procedure as the COG did not participate in the MAC Program.

Quadco Rehabilitation Center
Administrative Board and Non-Profit Operation
Independent Accountants' Report on
Applying Agreed-Upon Procedures

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the 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 COG, DODD, ODM, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

April 21, 2016

Appendix A
Quadco Rehabilitation Center Council of Government
2013 Income and Expenditure Report and County Summary Workbook Adjustments

| | <u>Reported Amount</u> | <u>Correction</u> | <u>Corrected Amount</u> | <u>Explanation of Correction</u> |
|---|----------------------------|---|-----------------------------|--|
| Quadco Rehabilitation Center | | | | |
| Worksheet 1 | | | | |
| 3. Buildings/Improve (A) Costs | \$ 51,444 | \$ 22,728 \$ (15,835) \$ (3,984) | | To match depreciation schedule To correct based on prior year To remove depreciation in period of acquisition |
| 5. Moveable Equipment (A) Costs | \$ 68,663 | \$ (908) \$ (23,679) \$ (1,158) \$ 285 | \$ 53,445 | To correct depreciation on asset tested To match depreciation schedule To correct based on prior year To record depreciation on 2013 acquisitions |
| 6. Leases and Rental (A) Costs | | \$ 196 | \$ 44,307 | To record depreciation on 2013 acquisition |
| Worksheet 2 | | | | |
| 1. Salaries (A) Cost | \$ 395,686 | \$ (32,852) | \$ 362,834 | To properly allocate salaries |
| 2. Employee Benefits (A) Cost | \$ 132,440 | \$ (14,997) | \$ 117,443 | To properly allocate benefits |
| 4. Other Expenses (A) Cost | \$ 92,787 | \$ (8,434) | \$ 84,353 | To reclassify direct service, BVR, Community Employment expenses with no corresponding statistics, unallowable employee morale, non-profit expenses and remove capital asset acquisition costs |
| Worksheet 2A | | | | |
| 2. Employee Benefits (A) Cost | \$ 17,979 | \$ 11,179 | \$ 29,158 | To properly allocate benefits |
| Worksheet 3 | | | | |
| 1. Salaries (A) Cost | \$ 67,184 | \$ (22,610) | \$ 44,574 | To properly allocate salaries |
| 2. Employee Benefits (A) Cost | \$ 6,021 | \$ 997 | \$ 7,018 | To properly allocate benefits |
| 3. Service Contracts (A) Cost | \$ 160,571 | \$ (1,231) | \$ 159,340 | To remove capital asset acquisition costs |
| Worksheet 4 | | | | |
| 1. Salaries (B) Non-Federal Reimbursable | \$ - | \$ 54,282 | \$ 54,282 | To reclassiy Community Employment salaries with no corresponding statistics |
| 2. Employee Benefits (B) Non-Federal Reimbursable | \$ - | \$ 17,348 | \$ 17,348 | To reclassiy Community Employment benefits with no corresponding statistics |
| 4. Other Expenses (B) Non-Federal Reimbursable | \$ - | \$ 12,751 | \$ 12,751 | To reclassify unallowable general governmental, employee morale and Community Employment expenses with no corresponding statistics |
| Worksheet 5 | | | | |
| 1. Salaries (A) Other Cost | \$ 518,105 | \$ 16,735 | \$ 534,840 | To reclassify Community Employment salaries with no corresponding statistics and properly allocate salaries |
| 2. Employee Benefits (A) Other Cost | \$ 124,618 | \$ 22,338 | \$ 146,956 | To reclassify Community Employment salaries with no corresponding statistics and properly allocate salaries |
| 4. Other Expenses (A) Other Cost | \$ 125,740 | \$ 11,069 | \$ 136,809 | To reclassify BVR, non-profit, Community Employment expenses with no corresponding statistics and remove capital asset acquisition cost |
| Defiance County | | | | |
| Worksheet 7-B | | | | |
| 18. Nursing Services (E) Facility Based Services | \$ 10,372 | \$ 2,018 | \$ 12,390 | To properly allocate nursing costs and reclassify nursing expenses |
| Worksheet 8 | | | | |
| 25. Transportation (E) Facility Based Services | \$ 232,561 | \$ (99,303) | \$ 133,258 | To properly allocate transportation costs and remove capital asset acquisition |

Appendix A (Page 2)
Quadco Rehabilitation Center Council of Government
2013 Income and Expenditure Report and County Summary Workbook Adjustments

| | <u>Reported Amount</u> | <u>Correction</u> | <u>Corrected Amount</u> | <u>Explanation of Correction</u> |
|--|----------------------------|-------------------|-----------------------------|---|
| Defiance County (Continued) | | | | |
| Worksheet 10 | | | | |
| 27. Direct Services (E) Facility Based Services | \$ 335,309 | \$ (31,780) | \$ 303,529 | To properly allocate adult day costs; reclassify direct service, BVR, nursing, Community Employment expenses with no corresponding statistics; and remove capital asset acquisition |
| Fulton County | | | | |
| Worksheet 7-B | | | | |
| 18. Nursing Services (E) Facility Based Services | \$ 5,725 | \$ 1,114 | \$ 6,839 | To properly allocate nursing costs and reclassify nursing expenses |
| Worksheet 10 | | | | |
| 27. Direct Services (E) Facility Based Services | \$ 185,092 | \$ (17,560) | \$ 167,532 | To properly allocate adult day costs; reclassify direct service, BVR, nursing, Community Employment expenses with no corresponding statistics; and remove capital asset acquisition |
| Henry County | | | | |
| Worksheet 7-B | | | | |
| 18. Nursing Services (E) Facility Based Services | \$ 2,529 | \$ 298 | \$ 2,827 | To properly allocate nursing costs and reclassify nursing expenses |
| Worksheet 10 | | | | |
| 27. Direct Services (E) Facility Based Services | \$ 81,765 | \$ (12,510) | \$ 69,255 | To properly allocate adult day costs; reclassify direct service, BVR, nursing, Community Employment expenses with no corresponding statistics; and remove capital asset acquisition |
| Williams County | | | | |
| Worksheet 7-B | | | | |
| 18. Nursing Services (E) Facility Based Services | \$ 17,981 | \$ 3,496 | \$ 21,477 | To properly allocate nursing costs and reclassify nursing expenses |
| Worksheet 8 | | | | |
| 25. Transportation (E) Facility Based Services | \$ 383,704 | \$ (114,466) | \$ 269,238 | To properly allocate transportation costs and remove capital asset acquisition |
| Worksheet 10 | | | | |
| 27. Direct Services (E) Facility Based Services | \$ 581,313 | \$ (55,170) | \$ 526,143 | To properly allocate adult day costs; reclassify direct service, BVR, nursing, Community Employment expenses with no corresponding statistics; and remove capital asset acquisition |



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QUADCO REHABILITATION CENTER

WILLIAMS 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
JUNE 7, 2016