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Independent Accountants' Report on Applying Agreed-Upon Procedures

Ohio Department of Medicaid
50 West Town Street, Suite 400
Columbus, Ohio 43215

We have performed the procedures enumerated below, which were agreed to by the Ohio Department of Medicaid (ODM), on the Medicaid ICF-IID Cost Report of Miller Holdings Takoda, Inc. DBA as Monon Avenue Home (hereafter referred to as the Provider) for the period January 1, 2015 through December 31, 2015. The Provider's management is responsible for preparing the Medicaid ICF-IID Cost Report. The sufficiency of these procedures is solely the responsibility of ODM. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

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

Occupancy and Usage

1. We compared the number of patient days for Medicaid and non-Medicaid patients from the Provider's Detailed Census Report - By Payer 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 or computational errors.
2. We selected five residents' medical records and compared the total days of care for December 2015 with the inpatient days reported on the Daily Census reports and *Schedule A-1* to determine if total patient 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, it 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 Quality Decision Support System (QDSS) with the total Medicaid days reported on *Schedule A-1* and found that total Medicaid days reported exceeded Medicaid reimbursed days.

Medicaid Paid Claims

1. We selected paid claims for five residents for December 2015 from QDSS and compared the reimbursed days to the days documented per the resident's medical records. We compared the Provider's documentation to the general requirements of CMS Publication 15-1, Chapter 23, and Ohio Admin. Code § 5123:2-7-12, 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 no instances of non-compliance.

Revenue

1. We compared all revenues on the Provider's Historical Detailed Trial Balance report with those revenues reported on *Attachment 1, Revenue Trial Balance*. We found all revenues were reported in accordance with the Appendix to Ohio Admin. Code § 5123:2-7-16 and CMS Publication 15-1.
2. We scanned the Provider's Historical Detailed Trial Balance report for any revenue offsets or applicable credits which were not reported on *Attachment 2, Adjustments to Trial Balance* or *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; and Schedule C, Indirect Cost Care Center* to offset corresponding expenses in accordance with CMS Publication 15-1, Chapters 1, 6, and 8. We found no differences.

Non-Payroll Expenses

1. We compared all non-payroll expenses reported on *Schedule B-1, Schedule B-2* and *Schedule C* to the Provider's Historical Detailed Trial Balance and Trial Balance Summary reports. We found no variances .
2. We reviewed the allocation methodology used in the Provider's Home Office Cost 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 found no reclassifications and adjustments resulting in decreased costs exceeding five percent on any schedule.
3. We scanned the Provider's Historical Detailed Trial Balance report and selected 20 non-payroll expenses that were reported on *Schedule B-1, Schedule B-2, Schedule C* and *Exhibit 3, Home Office Trial Balance* to determine if supporting documentation was maintained, the costs were properly allocated, classified, and allowable per Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1 and reported variances in Appendix A. We scanned for any unreported contract costs which would require reporting on *Schedule C-3, Costs of Services from Related Parties* and found no unreported contracts.

The Provider did not maintain supporting documentation to identify its specific costs and allocated non-payroll, payroll and depreciation expenses based on inpatient days for a group of four ICF-IIDs (Hunsford, Monon, Northbend, and Woodbine). This methodology does not comply with CMS Publication 15-1, § 2102 which states in pertinent part, "it is the intent of the program that providers are reimbursed the actual costs of providing high quality care" and § 2302.4(A) which states in pertinent part, "Directly Allocable Costs are chargeable based on actual usage (e.g., metered electricity) rather than a statistical surrogate."

Furthermore, § 2307 (A)(4) states "The basis of allocation for cost finding any indirect supervisory costs, residual costs and allocated overhead must be an appropriate measure of the benefits provided to the remaining cost centers. Any deviation from the allocation basis prescribed for cost finding must be reviewed and approved by the intermediary in advance as part of the provider's request for direct assignment of costs."

Recommendation:

We recommend the Provider maintain the necessary supporting documentation and assign expenses based on each ICF-IID's actual costs. We also recommend ODM determine the overall impact on the Provider using improper cost reporting methodologies during the Cost Report period.

Non-Payroll Expenses (Continued)

4. We compared the 2015 non-payroll costs reported on *Schedule B-1, Schedule B-2* and *Schedule C* by chart of account code to similar reported costs in 2014 and obtained the Provider's explanations for five non-payroll variances that increased by more than five percent and \$500:
 - Trash & Refuse Removal and Real Estate Taxes costs increased on *Schedule B-1* and Office & Administrative Supply costs increased on *Schedule C* due to a different allocation basis when the ICF joined a different group of ICF homes;
 - Travel & Entertainment costs increased on *Schedule C* due to the need for additional auto repairs; and
 - Accounting costs increased on *Schedule C* due to the use of an outside accounting firm to complete the audited financial statements as required by the bank.

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.

We found an inconsistency as the Provider's did not determine a salvage value when calculating depreciation as required by CMS Publication 15-1, 104.19, which states "Virtually all assets have a salvage value substantial enough to be included in calculating depreciation, and only in rare instance is salvage value so negligible that it may be ignored."

We also noted that the Provider took depreciation for new additions in compliance with Ohio Admin. Code § 5123:2-7-18(E)(1); however, the Provider's capitalization policy did not incorporate a period of acquisition.

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 update its policy to include that capital assets should begin depreciation after the month of acquisition.

2. We compared capital assets and corresponding depreciation listed on *Schedule D, Schedule D-1* and *Schedule D-2* to the Provider's Depreciation Schedule. We found no variances resulting in decreased costs on any schedule.
3. We selected a total of three additions reported on *Schedule D-1* and *Schedule D-2* and determined if the cost basis, useful life and depreciation expense were reported in accordance with Ohio Admin. Code § 5123:2-7. We determined if the 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 found no variances; however, we found capital asset purchases from four different ICF-IIDs were combined and depreciated through a group allocation rather than directly expensed, see Non-Payroll Expenses section procedure 3.
4. We reviewed the rent and lease agreements and determined if any related party lease costs were recorded in accordance with CMS Publication 15-1, Section 1011.5 and Ohio Admin. Code § 5123:2-7-24(D) and that non-related leases meet the requirements of FASB 13 and Ohio Admin. Code § 5123:2-7-24(B) and related FASB guidance on leasehold improvements, if costs were recorded in *Schedule D* in Lease and Rent Accounts 8060 or 8065. We found no variances.

Property (Continued)

5. We did not perform the procedure to test renovation and financing costs as there were no renovation costs recorded on *Schedule E, Balance Sheet*.
6. We did not perform the procedure to test transportation expenses as there were no transportation costs recorded on *Schedule D-1*.

Payroll

1. We compared all salary, fringe benefits and payroll tax entries and hours worked reported on the Provider's Historical Detailed Trial Balance for 2015 report to the amounts reported on *Schedule B-1, Schedule B-2, Schedule C, Schedule C-1, Administrator's Compensation and Schedule C-2, Owner's Relatives*. We found no variances.
2. We selected five employees reported on *Schedule B-1, Schedule B-2, Schedule C and Exhibit 3* and compared the Provider's job descriptions to the schedule in which each employee's salary and fringe benefit expenses were reported. We 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 found no variances; however, we determined that salary and benefit costs from four different ICF-IIDs were combined and expensed through a group allocation rather than directly expensed to each based on actual usage, see Non-Payroll Expenses section, procedure 3.

3. We compared the 2015 payroll costs reported on *Schedule B-1, Schedule B-2, Schedule C, Schedule C-1 and Schedule C-2* by chart of account code to similar costs reported in 2014 and we obtained the Provider's explanation for all three payroll variances that increased by more than five percent and \$500.

The Provider stated the Director of Nursing costs increased on *Schedule B-2* and Administrator costs increased on *Schedule C* and *Schedule C-1* due to a different methodology of cost allocation.

This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Medicaid ICF-IID Cost Report. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

This report is intended solely for the information and use of the Provider and the ODM, and is not intended to be, and should not be used by anyone other than the specified parties.



Dave Yost
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January 19, 2018

Appendix A
 Miller Holdings Takoda, Inc. DBA Monon Avenue Home
 2015 Medicaid ICF-IID Cost Report Adjustments

	Reported Amount	Correction	Corrected Amount	Explanation of Correction
Schedule B-2 Direct Care Cost Center				
22. Active Treatment Off-site Day Programming - 6215 - Other/Contract Wages (2)	\$ 341,053	\$ (1,986)	\$ 339,067	To remove costs allocable to another ICF
30. Physical Therapist - 6600 - Other/Contract Wages (2)	\$ 22,360	\$ (1,664)	\$ 20,696	To remove costs allocable to another ICF
32. Occupational Therapist - 6610 - Other/Contract Wages (2)	\$ 13,381	\$ (2,149)	\$ 11,232	To remove costs allocable to another ICF
Schedule C Indirect Care Cost Center				
7. Food In-Facility - 7040 - Other/Contract Wages (2)	\$ 54,638	\$ (2,036)	\$ 52,602	To remove costs allocable to another ICF To remove costs without sufficient documentation
32. Travel and Entertainment - 7235 - Other/Contract Wages (2)	\$ 12,859	\$ (658)	\$ 12,201	to show they are allocable to Monon ICF
44. Help Wanted/Informational Advertising - 7290 - Other/Contract Wages (2)	\$ 612	\$ (612)	\$ -	To remove costs allocable to another ICF
52. Repair and Maintenance - 7340 - Other/Contract Wages (2)	\$ 23,349	\$ (612)	\$ 22,737	To remove costs allocable to another ICF

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MILLER HOLDINGS – MONON AVENUE HOME

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 6, 2018**