



Dave Yost • Auditor of State

MEMORANDUM

TO: Local Region Chief Auditors

FROM: Tim Downing, SAS 70 Coordinator

DATE: June 25, 2012

SUBJECT: Mid East Ohio Regional Council (MEORC) – AU324 (SAS 70/88)

Attached is the most recent Agreed Upon Procedures (AUP) report for the above mentioned service organization related to the processing of Medicaid claims. The report covers the period January 1, 2011 through December 31, 2011. A list of the clients these procedures were performed for is included in this document.

This report may provide auditors with an understanding and evaluation of controls similar to a Type II SOC 1 report (reference AU 324.12(b)). Auditors should determine the effect of the findings/results disclosed in this AUP report on their audit. Although the exceptions noted may not require opinion modification, auditors should consider the significance of the weaknesses and determine whether client communication might be appropriate.

Also, remember:

- Per 30500 App A, ¶ 6, a SOC 1 report provides *no substantive evidence*. Therefore, a SAS 70 report alone does not fulfill our audit evidence obligations.
- In reviewing the procedures the auditors performed at MEORC, they are a combination of substantive and control procedures. Therefore, the AUP report will provide evidence of control operating effectiveness and some substantive evidence.
- Judging the sufficiency of evidence is your responsibility. You should read the AUP report and determine whether the substantive procedures and results + *other* substantive procedures **you** performed at a county MRDD board (including A-133 substantive tests that may also provide evidence regarding financial statement amounts) are sufficient to support your financial opinion, especially if MEORC's activity is material to a major fund.
- Our financial audit requirements may overlap with A-133 in some respects, but there are significant differences, too. Please consider whether/if your cumulative audit evidence (which should include MEORC's AUP) supports your opinion on the financial statement and your A-133 opinion/report.

- Complimentary User Entity Controls (CUEC) should be considered and testing developed at each individual entity. No CUECs were identified in the report however, based on your entity's procedures; you may identify CUECs at your particular entity.

Note: Auditors should remember to document SOC 1 reports in accordance with AOSAM 30500 Appendix A. In addition, paragraph .14 states that we should not include complete copies of the reports in our working papers because they may contain confidential or proprietary information for which state or federal law prohibits disclosure – only this memo and pertinent excerpts should be included.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON
PROCEDURES

Board of Directors
Mid East Ohio Regional Council
1 Avalon Road
Mt. Vernon, OH 43050

We have performed the procedures enumerated below, to which the management of the Mid East Ohio Regional Council (the Council) agreed, solely to assist with respect to evaluating certain procedures performed by the Council and evaluating certain controls related to the Council's processing of Medicaid claims for the year 2011. We followed the American Institute of Certified Public Accountants' attestation standards for agreed-upon procedures engagements. The sufficiency of these procedures is solely the responsibility of the Council. 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.

Procedures Performed

Procedure I - Select 60 transactions (inclusive of Muskingum, Licking, & Holmes Counties Board of DD) for the period from January 1, 2011 to December 31, 2011 and review for the following attributes:

- a. Ensure Medicaid required elements are present on the service documentation.
- b. Determine if such documentation was reviewed and entered into the billing system.
- c. Review the services provided to determine if they qualify for Medicaid reimbursement.
- d. Review service documentation to determine billable amounts were calculated correctly.
- e. As a test of the system, attempt to re-enter the same claim for a sample of the individuals selected to ensure controls exist to prevent duplicate entry of claims.
- f. Determine that a status report was sent to the County Board of DD for the month tested.

Procedure II - Attempt to make an unauthorized access onto the billing system as a test of security over the billing system

Procedure III - Inquire as to the procedures for processing of incomplete documentation and inspect at least one monthly report of incomplete documentation, along with the follow up procedures for obtaining completed documentation for the selected month to determine that it is operating effectively.

Overview of Testing Performed

Non-statistical sampling methods were applied to claims processed by the Council for entities that contracted with the Council to process Medicaid billing for County Board services on their behalf in order to select individual claims for testing under Section I.

Results of Testing

Procedure Ia – This information was obtained from the backup documentation received from the counties and was compared to the Medicaid standards. All of the information was present on the 20 samples from Holmes County with the exception of staff intensity ratios. The staff intensity ratios are determined and documented by the processing software based on the entries for clients and staff attendance, which is required to be entered. A report from the processing software showed the ratios. In addition, seven TCM transactions selected did not include a physical signature or initials. These seven transactions were sent electronically to the Council, and all TCM transactions are signed electronically as part of the process of logging on and entering them in the system. Therefore, there is no need or ability to sign and initial on the lines provided on the documentation.

All of the information was present on the 20 samples from Licking County with the exception of staff intensity ratios. The staff intensity ratios are determined and documented by the processing software based on the entries for clients and staff attendance, which is required to be entered. A report from the processing software showed the ratios.

All of the information was present on the 20 samples from Muskingum County with the exception of the staff intensity ratios. The staff intensity ratios are determined and documented by the processing software based on the entries for clients and staff attendance, which is required to be entered. A report from the processing software showed the ratios. In addition, six TCM transactions selected did not include a physical signature or initials. These six transactions were sent electronically to the Council, and all TCM transactions are signed electronically as part of the process of logging on and entering them in the system. Therefore there is no need or ability to sign and initial on the lines provided on the documentation.

Procedure Ib – All 60 transactions were reviewed and entered into the billing system with no exceptions.

Procedure Ic – All 60 transactions were reviewed to prove that the services qualified for Medicaid reimbursement with no exceptions.

Procedure Id – Documentation was tested to see if 60 samples were calculated correctly

according to Medicaid reimbursement amounts. All 60 transactions were calculated correctly.

Procedure Ie – A sample of five transactions were tested to see if they could be re-entered into the system to ensure that a control exists to prevent double entry. All five attempts to re-enter information failed. The system would not allow the user to re-enter information.

Procedure If – All 60 transactions were sent to the county boards in a status report in the period they occurred with no exceptions. These transactions were not necessarily processed in the same month that the services were rendered because the counties tended to delay getting paperwork to the Council.

Procedure II – An attempt was made to gain unauthorized access to the billing system which was not successful.

Procedure III – We discussed with Management the process for incomplete documentation. If documentation is not complete, this transaction is flagged and brought to the County's attention in the status report. It is the County's responsibility to correct this information in order for the transaction to be processed. The transaction will stay on the pending list until the County corrects the documentation. We examined one month to see the incomplete documentation list and reviewed following months to see if they were corrected. The control is operating effectively.

Disclaimer

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the effectiveness of the billing procedures and overall system of controls of the Council. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you.

This report is intended solely for the information and use of the Council and is not intended to be, and should not be used by anyone else.

Jale Sawyer + Associates

Dublin, Ohio
June 1, 2012