



Dave Yost • Auditor of State

WOOD COUNTY BOARD OF DEVELOPMENTAL DISABILITIES – DUNN FAMILY HOME

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Independent Auditor's Report on Applying Agreed-Upon Procedures

Mr. Chris Carson, Bureau Chief
Bureau of Audit Performance
Ohio Department of Medicaid
50 W. Town St., 5th Floor
Columbus, Ohio 43215

Dear Mr. Carson:

As required by Ohio Rev. Code § 5124.108 and Ohio Admin. Code § 5123:2-7-12, the Auditor of State's Office (AOS) performed the procedures enumerated below to which the Ohio Department of Medicaid (ODM) also agreed. These procedures are designed to assist you in evaluating whether Wood County Board of Developmental Disabilities – Dunn Family Home (hereafter referred to as the Provider) prepared its JFS 02524 ICF-MR Medicaid Cost Report for the period January 1, 2013 through December 31, 2013 in accordance with Ohio Admin. Code Chapter 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 audit 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. ODM requested that we report variances if the Provider's patient days were greater than those reported on *Schedule A-1, Summary of Inpatient Days*.

We compared the Provider's patient days on the Census Summary report for the number of patient days for Medicaid and non-Medicaid patients to those reported on *Schedule A-1*. We also footed the reports for accuracy.

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

2. ODM requested that we report variances to *Schedule A-1, Summary of Inpatient Days* if total patient days for five individuals were greater than those reported for one month. For the selected individuals 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.

OCCUPANCY AND USAGE (Continued)

We haphazardly selected five residents' medical records and compared the total days the resident was in the Provider's care for December 2013 with the total inpatient days reported on the Daily Facility Census report and *Schedule A-1*.

We found no variances where inpatient days were greater than reported for the month and no misclassified waiver respite days or unauthorized bed hold days. However, we noted hospice days were misclassified on *Schedule A-1*; see also Revenue, procedure 1.

3. ODM requested that we report variances if the Provider had reimbursed Medicaid days in excess of total Medicaid days reported on *Schedule A-1, Summary of Inpatient Days*.

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*.

We found that total Medicaid days reported exceeded Medicaid reimbursed days per MITS.

MEDICAID PAID CLAIMS

1. ODM requested that we select paid claims for five residents in one month and report any variances if the claims did not meet the applicable documentation requirements.

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, 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 no instances of non-compliance with these documentation requirements.

REVENUE

1. ODM requested that we compare all revenues on the Provider's Revenue Ledger with those revenues reported on *Attachment 1, Revenue Trial Balance* and report any variances exceeding \$500 on any schedule.

We compared all revenues on the Provider's Income Detail Report with those revenues reported on *Attachment 1* 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 found no differences; however, we identified misclassified hospice revenue and we reported these differences in Appendix A. We also reclassified the corresponding 118 hospice days from Authorized Days to Medicare Managed Care, Veteran and Other Days on *Schedule A-1* as reported on Appendix A.

REVENUE (Continued)

2. ODM requested we scan the Provider's Revenue Ledger to identify any revenue offsets/applicable credits which the Provider did not record on *Attachment 2, Adjustments to Trial Balance* or were not offset against expenses on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; or Schedule C, Indirect Care Cost Center*. ODM also asked us to report any reclassifications between schedules and adjustments exceeding \$500 resulting in decreased costs on any schedule.

We scanned the Provider's Income Detail Report for revenues which roll up to *Attachment 1* and expenses on *Schedule B-1, Schedule B-2, and Schedule C* to identify 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 did not identify any revenue offsets/applicable credits exceeding \$500 on any schedule.

NON-PAYROLL EXPENSES

1. ODM requested that we compare the Provider's non-payroll expenses to the amounts reported on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; and Schedule C, Indirect Cost Care Center* to the Provider's Medicaid Cost Data Worksheet (Voucher File) and Salary Worksheets. ODM also asked us to report any variances exceeding \$500 resulting in decreased costs on any schedule.

We compared all non-payroll expenses reported on *Schedule B-1, Schedule B-2, and Schedule C* to the Provider's Medicaid Cost Data Worksheet (Voucher File) and Salary Worksheets.

We found no differences exceeding \$500 on any one schedule.

2. ODM requested that we select 20 non-payroll disbursements 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 determine if these expenses had supporting documentation, were properly allocated and classified and were allowable expenses per Ohio Admin. Code Chapter 5123:2-7 and CMS Publication 15-1. ODM also asked us to report any reclassifications between schedules and adjustments exceeding \$500 resulting in decreased costs on any schedule.

We selected 20 non-payroll expenses in total from non-payroll accounts on *Schedule B-1, Schedule B-2, Schedule C and Exhibit 3* 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 found no differences exceeding \$500 on any schedule.

3. ODM requested 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 Chapter 5123:2-7 and CMS Publication 15-1, Section 2150. ODM requested 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.

NON-PAYROLL EXPENSES (Continued)

We reviewed the allocation methodology used in the Provider's Accum Query report allocating costs on *Schedule B-1*, *Schedule B-2*, and *Schedule C* to determine whether it was reasonable, allowable, related to residential care, and properly classified in accordance with Ohio Admin. Code Chapter 5123:2-7 and CMS Publication 15-1, Section 2150.

We found no inconsistencies or improper allocation methodologies used in the Home Office Trial Balances.

4. ODM requested that we scan the Provider's non-payroll expenses reported on *Schedule B-1*, *Other Protected Costs*; *Schedule B-2*, *Direct Care Cost Center*; and *Schedule C*, *Indirect Cost Center* and for non-federal reimbursable costs or costs not properly classified. ODM also asked us to report 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*, *Costs of Services from Related Parties*.

We scanned the Provider's Medicaid Cost Data Worksheet (Voucher File) report for non-payroll expenses exceeding \$500 reported on *Schedule B-1*, *Schedule B-2*, and *Schedule C* and for non-federal reimbursable costs or costs not classified in accordance with Ohio Admin. Code Chapter 5123:2-7 and CMS Publication 15-1. We also scanned for any contractors which would require reporting on *Schedule C-3*.

We found no differences exceeding \$500 on any schedule. We found no contracts which should be reported on *Schedule C-3*.

5. ODM requested that we compare 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 obtain the Provider's explanation for non-payroll variances that increased by more than five percent and \$500 from the prior year's schedules and report adjustments exceeding \$500 and five percent of non-payroll costs on any schedule.

We compared the 2013 non-payroll costs reported on *Schedule B-1*, *Schedule B-2* and *Schedule C* 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.

The Provider stated that the increase in Heat, Light, and Power on *Schedule B-1* was due to an increase in electric rates and natural gas usage; the Food In-Facility line item on *Schedule C* was due to a coding error in 2012; the Incontinence Supplies and Universal Precaution Supplies line items on *Schedule C* was due to an increase in usage; and the Repair and Maintenance line item on *Schedule C* was due to a flooring project, asphalt drive re-seal and maintenance agreement work for fire protection.

We reported no adjustments on any schedule.

PROPERTY

1. ODM requested we compare 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 Chapter 5123:2-7 and CMS Publication 15-1, and report any variances.

PROPERTY (Continued)

We compared the Provider's procedures regarding capitalization of fixed assets used for preparing *Schedule D*, *Schedule D-1*, and *Schedule D-2* with Ohio Admin. Code Chapter 5123:2-7 and CMS Publication 15-1.

We found one inconsistency between the Provider's capitalization procedures and the guidelines listed above as the Provider did not determine a salvage value when calculating depreciation on capitalized 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 purchase in accordance with CMS Publication 15-1, 104.19, which states in pertinent part, "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."

2. ODM requested that we compare 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 Asset Depreciation Report and Monthly Abbreviated Depreciation Report, and report any reclassifications and adjustments exceeding \$500 resulting in decreased costs on any schedule.

We compared capital assets and corresponding depreciation listed on *Schedule D*, *Schedule D-1*, and *Schedule D-2* to the Provider's Depreciation Reports.

We found no differences exceeding \$500 on any schedule.

3. ODM requested that we select a total of three additions, renovations, and/or deletions reported on *Schedule D-1*, *Analysis of Property, Plant and Equipment* and *Schedule D-2*, *Capital Additions/Deletions* and determine if the cost basis, useful life and depreciation expense were in accordance with Ohio Admin. Code Chapter 5123:2-7 and report differences resulting in any reclassifications and adjustments exceeding \$500 which result in decreased costs on any schedule.

We selected three additions, as there were no renovations or deletions, 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 Chapter 5123:2-7. We also determined if assets were used in residential care or should be reclassified as the Costs of Ownership in accordance with Ohio Admin Chapter 5123:2-7 and CMS Publication 15-1.

We found no differences exceeding \$500 on any schedule.

4. ODM requested we review the rent and lease agreements to determine 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, and report any reclassifications and adjustments exceeding \$500 which result in decreased costs on any schedule.

We reviewed rent and lease agreements and we found no differences on any schedule.

PROPERTY (Continued)

5. ODM requested 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, and report reclassifications and adjustments exceeding \$500 which result in decreased costs on any schedule.

We did not perform this procedure because there were no costs recorded in *Schedule E, Balance Sheet*, Account 1300, Renovations.

6. ODM requested we review the Depreciation Reports to ensure transportation expenses were reasonable, allowable and related to patient care as defined in CMS Publication 15-1. ODM also requested we review the W-2s to determine if any corporate officers and owners who exclusively used vehicles reported additional compensation or were adjusted from allowable expenses pursuant to CMS Publication 15-1, Chapter 9, if transportation costs are recorded in *Schedule D-1, Analysis of Property, Plant and Equipment*. ODM asked us to report any reclassifications and adjustments exceeding \$500 which result in decreased costs on any schedule.

We reviewed the Depreciation Report to ensure transportation expenses were reasonable, allowable and related to patient care as defined in CMS Publication 15-1. We also reviewed the W-2s to determine if any corporate officers and owners who exclusively used vehicles reported additional compensation or were adjusted from allowable expenses pursuant to CMS Publication 15-1, Chapter 9.

We found no differences.

PAYROLL

1. ODM requested that we compare the Provider's payroll expenses 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*. ODM also asked us to report any variances exceeding \$500 resulting in decreased costs on any schedule.

We compared all salary, fringe benefits and payroll tax entries and hours worked reported on *Schedule B-1, Schedule B-2, Schedule C, Schedule C-1 and Schedule C-2* to the Provider's Salary Worksheets and Medicaid Paysheets with Fringe report to identify variances exceeding five percent of total payroll costs or hours reported resulting in decreased costs on any schedule.

We found no differences.

2. ODM requested that we select a sample of five employees 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 determine if any salaries and fringe benefit expenses exceeding \$500 were not properly allocated and classified or were unallowable per Ohio Admin. Code Chapter 5123:2-7 and CMS Publication 15-1. ODM also asked us to report any reclassifications between schedules and adjustments exceeding \$500 resulting in decreased costs on any schedule.

We selected five employees (including all Administrators) and compared the Provider's organizational chart and job descriptions to the schedule in which each employee's salary and fringe benefit expenses were reported to determine if the payroll costs were allowable under CMS Publication 15-1, were properly classified, allocated and allowable in accordance with Ohio Admin. Code Chapter 5123:2-7 and CMS Publication 15-1, Chapter 9 and Section 2150.

PAYROLL (Continued)

We reported differences exceeding \$500 as reported in Appendix A.

3. ODM requested that we compare 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 obtain the Provider's explanation for five payroll variances that increased by more than five percent from the prior year's schedules. ODM asked us to report adjustments exceeding \$500 and five percent of payroll costs on any schedule.

We compared the 2013 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 payroll costs reported by chart of account code in 2012 and found there were no increases of more than five percent from the prior year's schedules.

We did not receive a response from officials to the exceptions noted above.

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, ODM 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.



Dave Yost
Auditor of State

June 24, 2015

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Appendix A
Dunn Family Home Intermediate Care Facility
2013 Income and Expenditure Report Adjustments

	Reported Amount	Correction	Corrected Amount	Explanation of Correction
Schedule A-1 Summary of Inpatient Days				
1. January - Authorized Days (2)	228	(31)	197	To reclassify hospice days
2. February - Authorized Days (2)	196	(28)	168	To reclassify hospice days
3. March - Authorized Days (2)	183	(31)	152	To reclassify hospice days
4. April - Authorized Days (2)	175	(28)	147	To reclassify hospice days
1. January - Veterans and Other Days (9)	-	31	31	To reclassify hospice days
2. February - Veterans and Other Days (9)	-	28	28	To reclassify hospice days
3. March - Veterans and Other Days (9)	-	31	31	To reclassify hospice days
4. April - Veterans and Other Days (9)	-	28	28	To reclassify hospice days
Schedule B-2 Direct Care Cost Center				
Home Office Costs/Direct Care - 6230 - Salary Facility				
24. Employed (1)	\$ 89,580	\$ (9,332)	\$ 80,248	To reclassify CEO salary
Home Office Costs/Direct Care - 6230 - Other/Contract				
24. Wages (2)	\$ 40,605	\$ (1,979)	\$ 38,626	To reclassify CEO benefits
Schedule C Indirect Care Cost Center				
Home Office Costs/Indirect Care - 7310 - Salary Facility				
48. Employed (1)	\$ 64,632	\$ 9,332	\$ 73,964	To reclassify CEO salary
Home Office Costs/Indirect Care - 7310 - Other/Contract				
48. Wages (2)	\$ 53,127	\$ 1,979	\$ 55,106	To reclassify CEO benefits
Attachment 1, Revenue Trial Balance				
3. Medicaid - 5011 - Chart of Account (1)	\$ 773,554	\$ (37,195)	\$ 736,359	To reclassify hospice revenue
5. Other - 5014 - Chart of Account (1)	\$ -	\$ 37,195	\$ 37,195	To reclassify hospice revenue

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DUNN FAMILY HOME

WOOD 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
AUGUST 11, 2015**