



Dave Yost • Auditor of State

ERIE COUNTY BOARD OF DEVELOPMENTAL DISABILITIES

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Independent Auditor's Report on Applying Agreed-Upon Procedures

Halina Schroeder, Audit Chief
Division of Fiscal Administration, Audit Office
Ohio Department of Developmental Disabilities
30 E. Broad Street, 13th 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 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 Erie County Board of Developmental Disabilities (County Board) prepared its *Income and Expenditure Report* for the years ended December 31, 2009 and 2010 (Cost Reports) in accordance with DODD's Guide to Preparing Income and Expenditure Reports for 2009 and 2010 (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 County Board'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.

The Auditor of State, under the same authority noted above, also performed the Acuity Testing procedures below for the 2009 and 2010 cost reports.

Statistics – Square Footage

1. DODD requested us to tour the facilities to identify how space was used by County Board programs and to identify new, closed or empty buildings along with rented or idle space and, if final 2008 square footage totals are the same and no significant changes in the floor plan have occurred, to perform no additional procedures.

We toured the facilities to identify how space was used by County Board programs and to identify new, closed or empty buildings along with rented or idle floor space.

We found unreported rented or idle floor space. We reported these variances in Appendix A (2009) and Appendix B (2010).

We also compared 2009 and 2010 square footage totals to final 2008 square footage totals and discussed square footage changes with the County Board and noted significant changes have occurred; therefore, we performed the procedures below. In addition, see procedure 3 below for issues noted with the County Board floor plans.

Statistics – Square Footage (Continued)

2. DODD requested us to report variances if the County Board's square footage for three rooms varied by more than 10 percent of the square footage reported in the summary which rolls up to *Schedule B-1, Section A, Square Footage*.

We measured three rooms and compared the square footage to the County Board's revised square footage summaries.

We found no square footage variances for rooms that were measured exceeding 10 percent.

3. DODD requested us to report variances if the County Board's square footage for one floor plan varied by more than 10 percent of the square footage reported in the summary which rolls up to *Schedule B-1, Section A, Square Footage*.

We found that the two floor plans for the County Board building and the accompanying summaries had different measurements for the same spaces. The Building Supervisor informed us that an outside company was hired to measure the entire building; therefore, we requested the County Board revise its square footage summaries using the updated floor plan measurements that take into account all of the physical changes that had occurred from prior audit period. The County Board developed new summaries based on the new square footage configurations of the updated spaces throughout the building.

We compared the square footage for one floor plan to the revised summaries and found no variances. However, we found that no square footage was allocated to the MAC program in 2010 and obtained information from County Board to calculate allocation. We reported this variance in Appendix B (2010).

4. DODD requested us to report variances if the County Board's square footage summary varied by more than 10 percent when comparing the County Board's summary to the Cost Report for any cell within *Schedule B-1, Section A, Square Footage*.

We compared the County Board's revised square footage summaries to the square footage reported for each cell in *Schedule B-1, Section A, Square Footage*.

We found variances exceeding 10 percent and we reported these variances in Appendix A (2009) and Appendix B (2010).

5. DODD asked us to obtain the County Board's methodology for allocating square footage between programs and review the methodology to ensure that square footage for areas shared by more than one type of service is allocated by program based on reported usage of the area in accordance with the Cost Report Guides.

We obtained the County Board's methodology for allocating square footage and compared the methodology with the Cost Report Guides.

We found no inconsistencies between the County Board's methodology and the Cost Report Guides.

Statistics – Attendance

1. We reviewed the Cost Reports to determine if individuals served or units of service were omitted on *Schedule B-1, Section B, Attendance Statistics*, worksheet 4, or worksheets 7A to 7H which result in unassigned program or general expenses-all program costs.

We determined there were no individuals served or units of service omitted on *Schedule B-1, Section B, Attendance Statistics*, worksheet 4, or worksheets 7A to 7H which resulted in unassigned program or general expenses-all program costs.

We also determined that the County Board does not provide Adult Program services; instead services are provided through contracts with various agencies. The County Board did not report statistics for any of its contracted services and, as such, we determined the expenses related to the Adult program should be reported as non-federal reimbursable costs.

We reported this difference in Appendix A (2009) and Appendix B (2010).

2. DODD asked us to compare the County Board's final 2008 typical hours of service reported on *Schedule B-1, Section B, Attendance statistics* to the typical hours of service reported on *Schedule B-1* for 2009 and 2010 and, if the hours are the same, to do no additional procedures.

We did not perform this procedure as the County Board reported no statistics for its contracted adult program services.

3. DODD requested us to report variances if the Board's attendance statistics were not within two percent of the attendance statistics reported.

We did not perform this procedure as the County Board reported no statistics for its contracted adult program services.

4. DODD requested us to report variances if the County Board's number of individuals served varied by more than 10 percent when compared to the prior year's final attendance statistics on *Schedule B-1, Section B, Attendance Statistics*.

We did not perform this procedure as the County Board reported no statistics for its contracted adult program services.

5. DODD requested us to report variances if the individuals served on *Schedule B-1, Section B, Attendance Statistics* of the Cost Reports were not within three of the individuals documented on the attendance sheets.

We did not perform this procedure as the County Board reported no statistics for its contracted adult program services.

6. DODD requested us to report variances to *Schedule B-1, Section B, Attendance Statistics* if more than three of the 15 minute community employment units tested were not calculated in accordance with the Cost Report Guide.

We did not perform this procedure as the County Board reported no statistics for its contracted adult program services.

Acuity Testing

1. DODD requested us to report variances if days of attendance and individuals served on the Days of Attendance and Individuals Served by Acuity supplemental Cost Report worksheet did not agree to the County Board's supporting documentation for 2009 and 2010.

We did not perform this procedure as the County Board reported no statistics for its contracted adult program services.

2. DODD requested us to compare 2 individuals for each acuity level on the County Board's 2009, and 2010 Attendance by Acuity reports to the Acuity Assessment Instrument or other supporting documentation for each individual.

We did not perform this procedure as the County Board reported no statistics for its contracted adult program services.

Statistics – Transportation

1. DODD requested us to report variances if the Board's transportation units were not within two percent of total units reported on each line of *Schedule B-3, Quarterly Summary of Transportation Services*.

We compared the number of one-way trips from the County Board's Monthly Transportation reports with those statistics as reported in *Schedule B-3, Quarterly Summary of Transportation Services*. We also footed the County Board's monthly transportation reports for accuracy.

We found differences as reported in Appendix A (2009) and Appendix B (2010).

2. DODD requested we report variances of more than 10 percent of the total trips taken for five individuals for both 2009 and 2010, between the County Board's internal documentation and the amount reported on *Schedule B-3, Quarterly Summary of Transportation Services*.

The County Board tracks their trips by bus driver rather than trips by individual. Therefore, we traced the number of trips for one bus driver for 2009 and one bus driver for 2010 from the County Board's daily reporting documentation to *Schedule B-3*.

We found no differences exceeding 10 percent.

3. DODD requested we report variances if the Board's cost of bus tokens/cabs was not within two percent of the total amount reported on *Schedule B-3, Quarterly Summary of Transportation Services*.

We compared the cost of bus tokens/cabs from the County Board's General Ledger Detail for the Period 1/1/09 to 12/31/09 report and the Encumbrance Actual Report for 2010 to the amount reported in *Schedule B-3*. We found unreported costs for commercial transportation, and bus tokens/cabs and obtained the Memorandum of Understanding between the County Board and the City of Sandusky/Sandusky Transit Systems (STS). We also obtained invoices from STS for bus tokens and totaled amounts paid.

We reported differences in Appendix A (2009) and Appendix B (2010).

Statistics – Transportation (Continued)

We also found that the County Board had no support for how the premium service charge was calculated or how the County Board determined the rate was reasonable. See the Non-Payroll Expenditures and Reconciliation to the County Auditor Report section for the recommendation regarding the requirement for contracted services to meet all applicable requirements as outlined in the Cost Report Guides, 2 CFR Part 225 Appendix A, Section C (2) for reasonable costs, and the Provider Reimbursement Manual (CMS Publication 15-1).

Statistics – Service and Support Administration (SSA)

1. DODD requested us to report variances if the Board's SSA units were not within two percent of total units reported on each line of *Schedule B-4, Quarterly Summary of Units of Service – Service and Support Administration*.

We compared the number of SSA units Targeted Case Management (TCM), Other SSA Allowable from the County Board's Quarterly SSA reports with those statistics reported in *Schedule B-4, Quarterly Summary of Units of Service – Service and Support Administration*. We also footed the County Board's quarterly SSA reports for accuracy.

We found no differences or computational errors.

2. DODD requested us to report variances if the Other SSA Allowable units tested had an error rate exceeding 10 percent and indicated a systemic issue.

We haphazardly selected a sample of 40 Other SSA Allowable units for both 2009 and 2010 from the Other Allowable Detail reports and determined if the case note documentation described activities listed in Ohio Admin. Code § 5101:3-48-01(D), and also included the elements required by Ohio Admin. Code § 5101:3-48-01(F). We also determined if the units for Other Allowable SSA services for both 2009 and 2010 were provided to individuals that were not Medicaid eligible at the time of service delivery per the Medicaid Information Technology System (MITS).

From the population of 23,523 Other SSA Allowable units for 2009, we selected our sample of 40 units and found 48 percent of those units were for Medicaid eligible individuals at the time of service delivery.

We selected an additional 40 units and 48 percent of those units were for individuals Medicaid eligible at the time of service delivery. We projected and then reclassified 8,316 units as TCM units based on the combined error rate of 45 percent.

From the population of 29,770 Other SSA Allowable units for 2010, we selected our sample of 40 units and found 48 percent of those units were for Medicaid eligible individuals at the time of service delivery. We selected an additional 40 units and 7.5 percent of those units were for individuals Medicaid eligible at the time of service delivery. We reclassified the units found to be in error in the two samples.

We reported the differences in Appendix A (2009) and Appendix B (2010).

3. DODD requested us to report variances if the SSA Unallowable units tested had an error rate exceeding 10 percent and indicated a systemic issue.

We did not perform this procedure as the County Board provided a written statement that it does not provide any unallowable SSA services.

Statistics – Service and Support Administration (Continued)

4. DODD requested us to report decreases exceeding five percent in total SSA units by line on *Schedule B-4* when compared to the prior year's final Cost Report.

We compared the final 2008 SSA units to the final 2009 SSA units and compared the final 2009 SSA units to the final 2010 SSA units.

The final units decreased by more than five percent from the prior year's *Schedule B-4* due to the projection of units from the Sample Unit Test for other allowable units. We reported no variances in Appendix A (2009) and Appendix B (2010).

5. DODD requested us to determine if the County Board maintained case note documentation for non-individual specific activities (general time units) as described in *Worksheet 9, Service and Support Administration Costs* of the Cost Report Guides. If the County Board does record general time units and they account for over 10 percent of total SSA units on the final audited *Schedule B-4* plus any general time units recorded, DODD requested us to determine if they were properly classified and report any variances with an error rate exceeding 10 percent and indicated a systemic issue.

We haphazardly selected a sample of 40 General Time Units for both 2009 and 2010 from the Non-Billable SSA Detail reports and determined if the case note documentation described activities listed in Ohio Admin. Code § 5101:3-48-01(D) or in *Worksheet 9, Service and Support Administration Costs*, Section 1(b) of the Cost Report Guides.

We found no units in error for either 2009 or 2010.

Revenue Cost Reporting and Reconciliation to the County Auditor Report

1. We compared the receipt totals from the 12/31/2009 and 12/31/2010 County Auditor's Revenue Summary Report for the Operating (20110), Federal Stimulus (20120), Help Me Grow (20121), Contingency Reserve (20131), Waiver (20140), and Donation (20150) funds to the County Auditor's report totals reported on the *Reconciliation to County Auditor Worksheets*.

We found differences for 2009 as reported in Appendix A. We found no differences for 2010.

2. DODD asked us to determine whether total County Board receipts reported in the *Reconciliation to County Auditor Worksheets* reconciled within 1/4 percent of the County Auditor's yearly report of total receipts for these funds.

Total County Board receipts were within 1/4 percent of the County Auditor yearly receipt totals reported for these funds.

3. DODD asked that we compare the account description and amount for each revenue reconciling item on the *Reconciliation to County Auditor Worksheet* to the County Board's detailed expense reports and other supporting documentation unless procedure 2 above reconciled within the 1/4 percent threshold.

We did not perform this procedure since the total County Board's receipts were within 1/4 percent of the County Auditor's yearly receipt totals in procedure 2 above.

4. We compared revenue entries on *Schedule C Income Report* to the Clearwater Council of Governments (COG) prepared County Board Summary Workbooks.

We found differences for 2009 as reported in Appendix A. We found no differences for 2010.

Revenue Cost Reporting and Reconciliation to the County Auditor Report (Continued)

5. We reviewed the County Board's Revenue Summary for 1/1/09 to 12/31/09 and the Encumbrances Actual Report for 2010 and *Schedule C Income Report* to determine whether revenues are maintained separately to offset corresponding expense via the use of specific expenditure costs centers and identified any potential revenue offsets/applicable credits.

We identified the following sources of potential revenue credits for which the County Board did not offset costs on the Cost Reports in accordance with 2 CFR 225, Appendix A, (C)(3)(c) and (4)(a):

- Miscellaneous refunds, reimbursements and other income in the amount of \$80,000 in 2009 and \$62,391 in 2010;
- School Lunch Program revenues in the amount of \$1,334 in 2009 and \$1,141 in 2010;
- Title XX revenues in the amount of \$53,348 in 2009 and \$35,443 in 2010; and
- Help Me Grow revenues in the amount of \$254,692 in 2009 and \$314,238 in 2010;

Paid Claims Testing

1. We selected 50 paid claims among all service codes from 2009 and 2010 from the Medicaid Billing System (MBS) data and determined if the claims met the following service documentation requirements of Ohio Admin. Code §§ 5123:2-9-05, 5123-2-9-18(H)(1)-(2), and 5101:3-48-01(F):

- Date of service;
- Place of service;
- Name of the recipient;
- Name of the provider;
- Signature of the person delivering the service;
- Type of service;
- Number of units of the delivered service or continuous amount of uninterrupted time during which the service was provided; and
- Arrival and departure times of the provider of service's site visit to the recipient's location or of the recipient's visit to the provider of service's location.

For non-medical transportation procedure codes, we reviewed similar service documentation requirements to ensure compliance with Ohio Admin. Code § 5123:2-9-18(H)(1)-(2) excluding (H)(1)(d),(f),(j). For commercial transportation codes, we examined the monthly invoice.

We found no non-compliance for the sample of services reviewed for those documentation elements tested.

DODD also requested that we review examples of trip documentation for transports reimbursed under the commercial transportation codes (ATT and FTT) provided by the County Board against the requirements listed in Ohio Admin. Code § 5123:2-9-18(H)(1) for per trip transports and report any non-compliance. In addition, DODD requested that we review additional transports against the requirements for commercial transportation and report any non-compliance. See Ohio Admin. Code § 5123:2-9-18(H)(2)

We reviewed an additional eight STS provided transports for compliance with requirements for commercial transportation. We noted that all eight of the Double S Daily Manifest/Attendance Sheets were missing the name of the provider, the provider identifier/contract number, and the Medicaid identification number of individual receiving service.

Paid Claims Testing (Continued)

We compared the documentation for 724 STS transports from examples provided by the County Board, which included dates of service in 2008, 2009, 2010, 2011, 2012, and 2013, to the elements required for per trip transports per Ohio Admin. Code § 5123:2-9-18(H)(1). We found the documentation did not contain the elements required for per trip transports. The documentation did not include the name of the provider or the provider identifier, the type of service provided, and mileage. In addition, the documents did not consistently contain the place of service, signature of drivers, and/or beginning and ending times of the trip.

No findings were identified as result of the review of these additional transports.

The County Board's management did not provide adequate supporting documentation necessary to confirm management's assumptions about the reasonableness of the premium service charge paid by the County Board for commercial transportation. See procedure 6 in the Non-Payroll Expenditures and Reconciliation to the County Auditor Report section. Should DODD determine that all or part of the premium service charge is an unallowable cost; the result could be an overpayment to the Medicaid program of up to \$83,377 in 2009 and \$85,663 in 2010.

Recommendation:

The County Board should adopt procedures for documenting transportation services in such a manner that ensures all elements required by the Ohio Admin. Code are included. In addition, the County Board should review its memorandum of understanding with STS and maintain current and accurate cost information that is in sufficient detail to support payments made for services rendered to beneficiaries.

2. DODD requested us to report variances if units reimbursed by Medicaid were more than the units reported in the Cost Reports.

We compared the number of reimbursed TCM units and Community Employment units from the MBS Summary by Service Code report, to the final units on *Schedule B-4, Quarterly Summary of Units of Service – Service and Support Administration*, Line (1) (F), *TCM Units* and to *Schedule B-1, Section B, Attendance Statistics, Line (4)(C), Supported Employment – Community Employment*, 15 minute units, respectively.

We found no instance where the Medicaid reimbursed units were greater than audited TCM units. The County Board was not reimbursed for Community Employment services.

3. DODD requested us to report whether any reimbursements exceeded disbursements on *Schedule A, Summary of Service Costs- By Program* worksheet by two percent.

We compared the amounts reported on *Schedule A, Summary of Service Costs – By Program*, Lines (20) to Line (25) for Community Residential to the amount reimbursed for these services in 2009 and 2010 on the MBS Summary by Service Code report.

We found no differences.

Non-Payroll Expenditures and Reconciliation to the County Auditor Report

1. We compared the disbursement totals from the 12/31/2009 and 12/31/2010 County Auditor's report listed on the *Reconciliation to County Auditor Worksheets* to the County Auditor's Expenditure Summary balances for the Operating (20110), Federal Stimulus (20120), Help Me Grow (20121), Contingency Reserve (20131), Waiver (20140) and Donation (20150) funds.

We found no differences.

2. DODD asked us to determine whether total County Board disbursements reported in the *Reconciliation to County Auditor Worksheets* reconciled within 1/4 percent of the County Auditor's yearly report of total disbursements for these funds.

Total County Board disbursements were within 1/4 percent of the County Auditor's yearly disbursement totals reported for these funds.

3. DODD asked that we compare the account description and amount for each reconciling item on the *Reconciliation to County Auditor Worksheet* to the County Board's General Ledger Detail Reports and other supporting documentation unless procedure 2 above reconciled within the 1/4 percent threshold.

We did not perform this procedure since total County Board disbursements were within 1/4 percent of the County Auditor's yearly disbursement totals in procedure 2 above.

4. DODD asked us to compare the County Board disbursements on the general ledger reports to the amounts reported on worksheets 2 through 10, and report variances exceeding \$100 for service contracts and other expenses on any worksheet.

We compared all Service Contract and Other Expenses entries on worksheets 2 through 10 to the County Board's General Ledger Detail for the Period 1/1/09 to 12/31/09 report and the Encumbrance Actual Report for 2010.

We found differences exceeding \$100 as reported in Appendix A (2009) and Appendix B (2010).

5. We compared disbursement entries on *Schedule A, Summary of Service Costs – By Program* and worksheets 2 through 10 to the COG prepared County Board Summary Workbooks.

We found differences as reported in Appendix A (2009) and Appendix B (2010).

6. DODD asked us to determine whether total County Board disbursements on the detailed general ledger reports were properly classified, on worksheets 2 through 10, within two percent of total service contracts and other expenses for each individual worksheet and that no worksheet included disbursements over \$100 which are non-federal reimbursable under 2 CFR 225 Appendix B.

Due to modified protocols approved by DODD, we scanned the County Board's General Ledger Detail for the Period 1/1/09 to 12/31/09 report and the Encumbrance Actual Report for 2010 and selected 20 vouchers (10 from each year) for service contracts and other expenses in the following columns and worksheets: Column (X) General Expense - All Programs on worksheets 2, 3 and 8; Column (N) Service and Support Administration Costs on worksheet 9; and Columns (E)-Facility Based Services, (F)-Enclave, and (G)-Community Employment on worksheet 10 and reviewed documentation to identify disbursements not classified as prescribed by the Cost Report Guides or costs which are non-federal reimbursable under 2 CFR 225 Appendix B.

Non-Payroll Expenditures and Reconciliation to the County Auditor Report (Continued)

We also reviewed the Memorandum of Understanding between the County Board and STS and noted the County Board was charged the current public senior and disabled fare rate of \$1.50 plus a "premium service charge" of \$5.65 for each trip provided. This "premium charge or local support contribution" referred to in the memorandum was for ensuring compliance with rules and safe driving conditions, scheduling and adjusting routes, advising the County Board and providing data on transportation matters, and attending County Board staff meetings.

The County Board provided us with statistics from STS for ridership, service hours, service miles and total operating expenses for 2009 through 2012. The scope of the agreed-upon procedures did not include testing these STS annual statistics. The County Board also provided us with an STS document stating "that the transportation rate for 2009 and 2010 was not based on the transit system's fully allocated costs for the previous year and they could not discern how those rates were determined..." The County Board could not provide specific financial records (detail ledgers, financial budgets, etc.) to show how the \$5.65 premium charge was developed or how it related to services specific to the County Board. The County Board provided no support to document its efforts to ensure that the expenses were a reasonable cost for the County Board to incur.

We reported no variances for 2009. We found differences in 2010 as reported in Appendix B (2010) for misclassified and non-federal reimbursable costs. Please note that we reclassified \$17,769 recorded as Early Retirement Incentive Payments from worksheets 5 and 9 to non-federal reimbursable as the County Board did not obtain the required approval per 2 CFR 225 Appendix B (8)(g)(3). We reported these reclassifications in Appendix A (2009) and Appendix B (2010).

Recommendation:

We recommend that the County Board ensure that its detail reports contain sufficient information describing the nature of the expense to allow for determining proper classifications on the Cost Report.

Recommendation:

We recommend that DODD provide technical assistance to the County Board to ensure that its costs for contracted services meet all applicable requirements as outlined in the Cost Report Guides, 2 CFR Part 225 and the Provider Reimbursement Manual (CMS Publication 15-1). The technical assistance should provide guidance on how the County Board can meet the requirement in Section 2103 to be a prudent and cost-conscious buyer that refuses to pay more than the going price for an item or service, and seeks to economize by minimizing cost. Implicit in the intention that actual costs be paid to the extent they are reasonable is the expectation that the provider seeks to minimize its costs and that its actual costs do not exceed what a prudent and cost conscious buyer pays for a given item or service.

In order to be allowable costs, costs must meet the criteria of 2 CFR 225; and the Provider Reimbursement Manual, CMS Publication 15-1. A section of the allowable cost requirement is the "reasonable cost" criteria. In order to be considered reasonable, costs shall not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In addition, CMS Publication 15-1, Section 2102.1 states: "The objective is that under the methods of determining costs, the costs for individuals covered by the program are not borne by others not so covered and the costs for individuals not so covered are not borne by the program."

Non-Payroll Expenditures and Reconciliation to the County Auditor Report (Continued)

In determining reasonableness of a given cost, OMB Circular A-87 states that consideration must be given to:

- whether the cost is of a type generally recognized as ordinary and necessary for the operation in performance of the function for which the cost was incurred;
- the restraints or requirements imposed by such factors as sound business practices; arm's length transactions; federal, state, and other laws and regulations; and terms and conditions of the federal award or entitlement;
- market prices for comparable goods or services;
- whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the County Board, its employees, the public at large, and the federal government; and
- significant deviations from the established practices of the County Board which may unjustifiably increase the federal awards' cost.

In addition, under CMS Publication 15-1, Section 2304, the County Board is required to have cost information that is "current, accurate, and in sufficient detail to support payments made for services rendered to beneficiaries. This includes all ledgers, books, records and original evidences of cost (purchase requisitions, purchase orders, vouchers, requisitions for materials, inventories, labor time cards, payrolls, bases for apportioning costs, etc.), which pertain to the determination of reasonable cost, capable of being audited." For example the contract could include a detailed budget by expense type to show the service components and corresponding costs for what the County Board is buying.

DODD should also implement procedures for detecting and investigating situations in which costs seem excessive. In addition to querying County Boards about indirect, as well as direct discounts, DODD may inquire if techniques for evaluating contract costs described in CMS Publication 15-1, Section 2135.3(D)(1) were used by the County Board, such as comparing a "contractor's package of services against a comparable package of services, including those which might have submitted competitive bids." Examples could include comparisons with other local commercial transportation providers including taxi services, and other paratransit providers such as ambulette providers. A second technique is "to divide a package of services into separate components so that they can be evaluated with comparable services provided in the marketplace." This method may require a detailed budget be submitted by the contractor so that cost components can be evaluated separately (e.g. number of vehicles and cost per vehicle, full time equivalent contractor staff used and cost per hour, fuel and training costs, etc.). A third method involves determining if contract costs were "evaluated based on whether the service is at least as cost effective as could be furnished by the Provider in-house" through a detailed cost comparison analysis using techniques described in the first two methods. This would entail more than comparing costs to the current waiver state rate. In those cases where DODD finds that a County Board is paying more than the going price for a service, does not try to realize available savings, or lacks clear justification for the premium, DODD should exclude excess costs in determining allowable costs.

7. We scanned the County Board's General Ledger Detail for the Period 1/1/09 to 12/31/09 report and the Encumbrance Actual Report for 2010 for items purchased during 2009 and 2010 that met the County Board's capitalization criteria and traced them to inclusion on the County Board's Capital Asset Listing.

We found no unrecorded purchases meeting the capitalization criteria.

Non-Payroll Expenditures and Reconciliation to the County Auditor Report (Continued)

8. We haphazardly selected 20 disbursements from 2009 and 2010 from the County Board's General Ledger Detail for the Period 1/1/09 to 12/31/09 report and the Encumbrance Actual Report for

2010 that were classified as service contract and other expenses on worksheets 2 through 10 (not selected for scanning under procedure 5 above). 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 Guides.

We reported differences in Appendix A (2009) and Appendix B (2010) for misclassified and non-federal reimbursable costs.

Property, Depreciation, and Asset Verification Testing

1. We compared the County Board'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 found no inconsistencies between the County Board's capitalization procedures and the guidelines listed above.

2. We compared the County Board's final 2008 Depreciation Schedule to the County Board's 2009 and 2010 Depreciation Schedules for changes in the depreciation amounts for assets purchased prior to the periods under review which were not in compliance with the Cost Report Guides.

We found no differences.

3. DODD asked us to compare the depreciation costs reported in the County Board's depreciation schedule to the amounts reported on *Worksheet 1, Capital Costs*, and to report variances exceeding \$100.

We compared all depreciation entries reported on *Worksheet 1, Capital Costs* to the County Board's Depreciation Schedules.

We found differences as reported in Appendix A (2009). We found no differences for 2010.

4. We scanned the County Board's Depreciation Schedule for 2009 and 2010 for depreciation taken on the same asset more than once, assets that have been fully depreciated in prior years, or depreciation taken on assets during the period of acquisition which did not comply with the Cost Report Guides.

We found no differences.

5. We haphazardly selected two County Board's fixed assets which meet the County Board's capitalization policy and purchased in either 2009 or 2010 to determine if their useful life agreed to the estimated useful lives prescribed in the 2008 American Hospital Association (AHA) Asset Guide. We also recomputed the first year's depreciation for these assets, based on their cost, acquisition date and period of useful life to determine compliance with the Cost Report Guides and AHA Asset Guide.

We found differences for 2009 capital purchases that were not added to the depreciation schedule. We reported the first year depreciation for these items on Appendix B (2010).

Property, Depreciation, and Asset Verification Testing (Continued)

6. We haphazardly selected one disposed asset from 2010 from the County Board's Depreciation Schedule and determined if the asset was removed from the County Board's fixed asset ledger. We also recalculated depreciation and any gain or loss applicable to 2010 for the disposed items based on its adjusted cost basis and any proceeds received from the sale of the asset to determine compliance with the Cost Report Guides and CMS Publication 15-1, Chapter 1.

We found difference as reported in Appendix B (2010).

Recommendation:

We recommend the County Board implement a process to report any gain or loss from disposed assets to meet the requirements contained in the Cost Report Guidelines which specify that, "when depreciable assets with salvage value are disposed of an adjustment will be necessary in the County Board's allowable cost. The amount of loss to be included on the 'Income and Expense Report' is limited to the non-depreciated basis of the asset. The loss should be handled in the same manner as was the depreciation. Gains should be used to offset depreciation in the current year manner as was the depreciation."

Payroll Testing

1. DODD asked us to determine whether total County Board salaries and benefits in the 2009 and 2010 Cost Reports were within two percent of the County Auditor's report totals for the Operating (20110) and Help Me Grow (20121) funds.

We totaled salaries and benefits from worksheets 2 through 10 from the 2009 and 2010 Cost Reports and compared the yearly totals to the County Auditor's Expenditure Report for the Fiscal Period 1/2009 to 12/2009 and the Expenses for LGS report for 2010.

The variance was less than two percent for both years.

2. DODD asked us to compare the County Board disbursements on the general ledger payroll reports to the amounts reported on worksheets 2 through 10, and to report variances exceeding \$100 for salaries or employee benefit expenses.

We compared all salary and employee benefit entries on worksheets 2 through 10 to the County Board's General Ledger Detail for the Period 1/1/09 to 12/31/09 report, the Payroll Cost Report Cells 2009 spreadsheet and the 2010 Encumbrance Actual Report and the 2010 Cost Report Details spreadsheet.

We found differences as reported in Appendix A (2009). We found no differences for 2010.

3. We selected 20 employees and compared the County Board's staffing and job description information to the worksheet in which each employee's salary and benefit costs were allocated to ensure allocation is consistent with the Cost Report Guides. If errors found are more than 10 percent, perform procedure 4 below.

We found differences exceeding 10 percent in 2009 or 2010 related to the Help Me Grow program. We reported variances in Appendix A (2009) and Appendix B (2010).

Payroll Testing (Continued)

4. DODD asked us to scan the County Board's State Expenses Detailed Reports for 2009 and 2010 and compare classification of employees to entries on worksheets 2 through 10 to determine if salary and benefit costs were reported in accordance with the Cost Report Guides if the errors in procedure 3 above exceeded 10 percent.

We scanned the County Boards' Payroll Cost Report Cells 2009 and the 2010 Cost Report Details spreadsheets and identified all expenses related to the Help Me Grow program.

We reported variances in Appendix A (2009) and Appendix B (2010) to reclassify all expenses related to the Help Me Grow program (see also the Non-Payroll Expenditures and Reconciliation to the County Auditor Report section).

Medicaid Administrative Claiming (MAC)

1. DODD asked us to contact its Random Moment Time Study (RMTS) Coordinator to report differences if the MAC salary and benefits exceeded the County Board's payroll records by one percent or more.

We compared the salary and benefits entered on the Individual MAC Costs by Code and MAC RMTS Summary reports to the County Board's 2010 payroll records.

We found no variance exceeding one percent.

2. We compared the original Individual MAC Costs by Code and MAC RMTS Summary to Worksheet 6, columns (I) and (O) for 2010. The County Board did not participate in MAC in 2009.

We reported differences in Appendix B (2010).

3. We compared Ancillary Costs on the Roll Up Report for the Ohio Department of Medicaid to Lines 6-10 of the *MAC Reconciliation Worksheet* for 2010.

We reported differences in Appendix B (2010).

4. We selected 12 RMTS observed moments completed by employees of the County Board from the DODD RMTS Participant Moments Question and Answer report for the fourth quarter of 2010 in which they documented their time spent on administering Medicaid-funded programs. We determined if supporting documentation of the County Board employees' activity 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 RMTS Methodology for 2010.

We found no differences.

The County Board submitted an official response to the results of these agreed-upon procedures which is presented in Appendix C. We did not examine the County Board's response and, accordingly, we express no opinion on it. Our conclusion is presented in Appendix D.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the County Board's Cost Reports. 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 County Board, DODD, the Ohio Department of Medicaid, 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.

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

Dave Yost
Auditor of State

November 10, 2014

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Appendix A
Erie County Board of Developmental Disabilities
2009 Income and Expenditure Report Adjustments
Page 17

| | Reported Amount | Correction | Corrected Amount | Explanation of Correction |
|--|--------------------|-------------|---------------------|--|
| Schedule B-1, Section A | | | | |
| 1. Building Services (C) Child | 957 | 129 | 1,086 | To adjust square footage |
| 2. Dietary Services (B) Adult | 239 | (239) | - | To remove square footage |
| 2. Dietary Services (C) Child | 239 | 539 | 778 | To adjust square footage |
| 4. Nursing Services (B) Adult | 41 | (41) | - | To remove square footage |
| 4. Nursing Services (C) Child | 42 | 52 | 94 | To adjust square footage |
| 11. 0-2 Age Children (C) Child | 2,727 | 1,033 | 3,760 | To adjust square footage |
| 12. 3-5 Age Children (C) Child | 3,841 | (3,841) | - | To remove square footage |
| 23. Administration (D) General | 1,260 | 316 | | To adjust square footage |
| | | 56 | 1,632 | To add square footage |
| 25. Non-Reimbursable (B) Adult | - | 20,788 | 20,788 | To add square footage |
| 25. Non-Reimbursable (C) Child | - | 6,664 | 6,664 | To add square footage |
| 25. Non-Reimbursable (D) General | - | 650 | 650 | To add square footage |
| Schedule B-3 | | | | |
| 1. Children 0-2 (H) Cost of Bus, Token, Cabs- Fourth Quarter | \$ - | \$ 12 | \$ 12 | To add costs for bus passes |
| 5. Facility Based Services (C) One Way Trips- Second Quarter | 12,455 | (9,496) | 2,959 | To remove one-way trips |
| 5. Facility Based Services (E) One Way Trips- Third Quarter | 11,447 | (11,447) | - | To remove one-way trips |
| 5. Facility Based Services (G) One Way Trips- Fourth Quarter | 10,371 | (10,371) | - | To remove one-way trips |
| 5. Facility Based Services (H) Cost of Bus, Tokens, Cabs- Fourth Quarter | \$ - | \$ 226,330 | | To add costs for commercial transportation |
| | | \$ 2,280 | \$ 228,610 | To add costs for bus passes |
| 7. Supported Emp. -Comm Emp. (H) Cost of Bus, Tokens, Cabs- Fourth Quarter | \$ - | \$ 761 | \$ 761 | To add costs for bus passes |
| Schedule B-4 | | | | |
| 1. TCM Units (D) 4th Quarter | 6,818 | 8,316 | 15,134 | To reclassify projected units |
| 2. Other SSA Allowable Units (C) 3rd Quarter | 6,275 | (1,925) | 4,350 | To reclassify projected units |
| 2. Other SSA Allowable Units (D) 4th Quarter | 6,391 | (6,391) | - | To reclassify projected units |
| Schedule C | | | | |
| I. County | | | | |
| (B) Interest | \$ - | \$ 7,053 | \$ 7,053 | To adjust COG entry amounts |
| II. Department of MR/DD | | | | |
| (E) Residential Facility- Non Waiver Services- COG Revenue | \$ 87,552 | \$ (87,552) | \$ - | To adjust COG entry amounts |
| IV. Federal Programs | | | | |
| (A) Title XIX- Medicaid Cluster- CFDA 93.778- TCM | \$ 216,627 | \$ 13,692 | \$ 230,319 | To correctly record a receipt missposted as an expense |
| (O) Other (Detail On Separate Sheet) | | | | |
| 15. Federal Stimulus Monies (ARRA) | \$ - | \$ 417,144 | \$ 417,144 | To correct County Revenue |
| V. Other Revenues | | | | |
| (I) Other (Detail On Separate Sheet)- COG Revenue | | | | |
| 23. Interest | \$ 7,053 | \$ (7,053) | \$ - | To adjust COG entry amounts |
| Worksheet 1 | | | | |
| 5. Movable Equipment (D) Unasgn Children Programs | \$ 34 | \$ 311 | \$ 345 | To correct depreciation |
| 8. COG Expenses (M) Family Support Services | \$ 47 | \$ 27 | \$ 74 | To adjust COG entries |
| 8. COG Expenses (N) Service & Support Admin | \$ 129 | \$ 65 | \$ 194 | To adjust COG entries |
| 8. COG Expenses (O) Non-Federal Reimbursable | \$ 28 | \$ 16 | \$ 44 | To adjust COG entries |
| Worksheet 2 | | | | |
| 5. COG Expense (M) Family Support Services | \$ 1,400 | \$ 65 | \$ 1,465 | To adjust COG entries |
| 5. COG Expense (N) Service & Support Admin | \$ 3,865 | \$ (14) | \$ 3,851 | To adjust COG entries |
| 5. COG Expense (O) Non-Federal Reimbursable | \$ 828 | \$ 38 | \$ 866 | To adjust COG entries |
| 10. Unallowable Fees (O) Non-Federal Reimbursable | \$ - | \$ 74,327 | \$ 74,327 | Amount moved to 2/10/O as paid by CBDD |

Appendix A (Page 2)
Erie County Board of Developmental Disabilities
2009 Income and Expenditure Report Adjustments
Page 18

| | Reported Amount | Correction | Corrected Amount | Explanation of Correction |
|---|--------------------|--------------|---------------------|---|
| Worksheet 3 | | | | |
| 2. Employee Benefits (X) Gen Expense All Prgm. | \$ 94,986 | \$ (6,000) | \$ 88,986 | To correct error in posting to the Cost Report |
| 5. COG Expenses (M) Family Support Services | \$ 145 | \$ (1) | \$ 144 | To adjust COG entries |
| 5. COG Expenses (N) Service & Support Admin | \$ 399 | \$ (20) | \$ 379 | To adjust COG entries |
| Worksheet 5 | | | | |
| 1. Salaries (A) Ages 0-2 | \$ 349,486 | \$ (181,034) | \$ 168,452 | To reclassify Help Me Grow expenditures to the Reconciliation |
| 1. Salaries (B) Ages 3-5 | \$ 7,404 | \$ (7,404) | \$ - | To reclassify ERIP's to Non-Federal Reimbursable |
| 1. Salaries (O) Non-Federal Reimbursable | \$ 43,780 | \$ 7,404 | | To reclassify ERIP's to Non-Federal Reimbursable |
| | | \$ 4,552 | \$ 55,736 | To reclassify ERIP's to Non-Federal Reimbursable |
| 2. Employee Benefits (A) Ages (0-2) | \$ 156,959 | \$ (87,065) | \$ 69,894 | To reclassify Help Me Grow expenditures to the Reconciliation |
| 2. Employee Benefits (B) Ages (3-5) | \$ 566 | \$ (566) | \$ - | To reclassify ERIP's to Non-Federal Reimbursable |
| 2. Employee Benefits (O) Non-Federal Reimbursable | \$ 19,835 | \$ 566 | | To reclassify ERIP's to Non-Federal Reimbursable |
| | | \$ 348 | \$ 20,749 | To reclassify ERIP's to Non-Federal Reimbursable |
| 3. Service Contracts (A) Ages (0-2) | \$ 24,141 | \$ (3,778) | \$ 20,363 | To reclassify Help Me Grow expenditures to the Reconciliation |
| 3. Service Contracts (L) Community Residential | \$ 158,582 | \$ (16,406) | \$ 142,176 | To reclass Individual Support Services |
| 3. Service Contracts (M) Family Support Services | \$ 3,305 | \$ 874 | \$ 4,179 | To Reclassify Supported Living Expenses |
| 4. Other Expenses (A) Ages (0-2) | \$ 35,809 | \$ (27,006) | \$ 8,803 | To reclassify Help Me Grow expenditures to the Reconciliation |
| 4. Other Expenses (O) Non-Federal Reimbursable | \$ 1,019 | \$ 16,406 | \$ 17,425 | To reclass Individual Support Services |
| Worksheet 8 | | | | |
| 3. Service Contracts (A) Ages (0-2) | \$ - | \$ 12 | \$ 12 | To reclassify early intervention transportation costs |
| 3. Service Contracts (E) Facility Based Services | \$ - | \$ 47,482 | | To reclassify facility based commercial transportation costs |
| | | \$ 2,280 | \$ 49,762 | To reclassify facility based transportation costs |
| 3. Service Contracts (G) Community Employment | \$ - | \$ 761 | \$ 761 | To reclassify community employment transportation costs |
| 3. Service Contracts (X) Gen Expense All Prgm. | \$ 302,038 | \$ (12) | | To reclassify early intervention transportation costs |
| | | \$ (2,280) | | To reclassify facility based transportation costs |
| | | \$ (761) | | To reclassify community employment transportation costs |
| | | \$ (874) | | To reclassify Supported Living Expenses |
| | | \$ (47,482) | \$ 250,629 | To reclassify facility based commercial transportation costs |
| Worksheet 9 | | | | |
| 1. Salaries (N) Service & Support Admin. Costs | \$ 717,703 | \$ (4,552) | \$ 713,151 | To reclassify ERIP's to Non-Federal Reimbursable |
| 2. Employee Benefits (N) Service & Support Admin. Costs | \$ 278,159 | \$ (348) | \$ 277,811 | To reclassify ERIP's to Non-Federal Reimbursable |
| 3. Service Contracts (N) Service & Support Admin. Costs | \$ 6,323 | \$ (204) | | To correct error in posting of revenue |
| | | \$ 13,897 | \$ 20,016 | To correct error in posting of revenue |
| 5. COG Expenses (N) Service & Support Admin. Costs | \$ 24,534 | \$ (1,174) | \$ 23,360 | To adjust COG entries |

Appendix A (Page 3)
 Erie County Board of Developmental Disabilities
 2009 Income and Expenditure Report Adjustments
 Page 19

| | Reported Amount | Correction | Corrected Amount | Explanation of Correction |
|---|--------------------|--------------|---------------------|---|
| Worksheet 10 | | | | |
| 4. Other Expenses (O) Non-Federal Reimbursable | \$ - | \$ 685,945 | | To reclassify Individual Support Services |
| | | \$ 178,152 | | To reclassify costs |
| | | \$ 2,324 | \$ 866,421 | To reclassify costs |
| Reconciliation to County Auditor Worksheet | | | | |
| Expense: | | | | |
| Plus: Real Estate Fees | \$ 74,327 | \$ (74,327) | \$ - | To reclassify real estate fees |
| Plus: Health Insurance Premiums - ARC - ADS match NW | \$ 866,421 | \$ (685,945) | | To reclassify Individual Support Services |
| | | \$ (178,152) | | To reclassify costs |
| | | \$ (2,324) | \$ - | To reclassify costs |
| Less HMG Costs | | \$ 297,833 | \$ 297,833 | To reclassify Help Me Grow expenditures to the Reconciliation |
| Less: Capital Costs | \$ (190,480) | \$ (311) | \$ (190,791) | To correct depreciation |
| Revenue: | | | | |
| Total from 12/31 County Auditor's Report | \$ 7,603,275 | \$ 417,144 | \$ 8,020,419 | To Correct County Auditor Revenues |

Appendix B
Erie County Board of Developmental Disabilities
2010 Income and Expenditure Report Adjustments
Page 20

| | Reported Amount | Correction | Corrected Amount | Explanation of Correction |
|--|-----------------|--------------|------------------|--|
| Schedule A | | | | |
| 19. Room and Board/Cost to Live (L) Community Residential | \$ 30,387 | \$ (16,615) | | To reclassify Individual Service Support Costs |
| | | \$ 12,327 | \$ 26,099 | To adjust Schedule A COG expenses |
| Schedule B-1, Section A | | | | |
| 1. Building Services (C) Child | 1,519 | (423) | 1,096 | To adjust square footage |
| 2. Dietary Services (C) Child | 488 | 290 | 778 | To adjust square footage |
| 5. Speech/Audiology (C) Child | 348 | 52 | 400 | To adjust square footage |
| 7. Occupational Therapy (C) Child | 348 | 51 | 399 | To adjust square footage |
| 8. Physical Therapy (C) Child | 348 | 51 | 399 | To adjust square footage |
| 11. Early Intervention (C) Child | 1,890 | 1,934 | 3,824 | To adjust square footage |
| 17. Medicaid Administration (A) MAC | - | 10 | 10 | To adjust square footage |
| 23. Administration (D) General | 3,564 | (1,985) | | To adjust square footage |
| | | 56 | 1,635 | To add square footage |
| 24. Transportation (D) General | 3,782 | (3,313) | 469 | To adjust square footage |
| 25. Non-Reimbursable (B) Adult | - | 20,788 | 20,788 | To add square footage |
| 25. Non-Reimbursable (C) Child | - | 6,013 | 6,013 | To add square footage |
| 25. Non-Reimbursable (D) General | - | 650 | 650 | To add square footage |
| Schedule B-3 | | | | |
| 5. Facility Based Services (C) One Way Trips- Second Quarter | 15,037 | (15,009) | 28 | To correct one-way trips |
| 5. Facility Based Services (E) One Way Trips- Third Quarter | 15,140 | (3,466) | | To correct one-way trips |
| | | (11,674) | - | To correct one-way trips |
| 5. Facility Based Services (G) One Way Trips- Fourth Quarter | 13,533 | (13,533) | - | To correct one-way trips |
| 5. Facility Based Services (H) Cost of Bus, Tokens, Cabs- Fourth Quarter | \$ - | \$ 180,314 | | To add costs for commercial transportation |
| | | \$ 1,688 | \$ 182,002 | To add costs for bus passes |
| 7. Supported Emp. -Comm Emp. (H) Cost of Bus, Tokens, Cabs- Fourth Quarter | \$ - | \$ 623 | \$ 623 | To add costs for bus passes |
| Schedule B-4 | | | | |
| 1. TCM Units (D) 4th Quarter | 9,218 | 22 | 9,240 | To adjust units |
| 2. Other SSA Allowable Units (D) 4th Quarter | 8,019 | (22) | 7,997 | To adjust units |
| Worksheet 1 | | | | |
| 2. Land Improvements (X) Gen Expense All Prgm. | \$ 15,971 | \$ 6,080 | \$ 22,051 | To correct depreciation |
| 4. Fixtures (X) Gen Expense All Prgm. | \$ 21,911 | \$ 6,832 | \$ 28,743 | To correct depreciation |
| 5. Movable Equipment (U) Transportation | \$ 59,493 | \$ 21,498 | | To correct depreciation |
| | | \$ 1,910 | \$ 82,901 | To add loss on sale |
| 5. Movable Equipment (X) Gen Expenses All Prgm. | \$ 12,886 | \$ 3,001 | \$ 15,887 | To correct depreciation |
| 8. COG Expenses (E) Facility Based Services | \$ - | \$ 11 | \$ 11 | To adjust COG entries |
| 8. COG Expenses (L) Community Residential | \$ - | \$ 54 | \$ 54 | To adjust COG entries |
| 8. COG Expenses (N) Service & Support Admin | \$ 121 | \$ 90 | \$ 211 | To adjust COG entries |
| 8. COG Expenses (O) Non-Federal Reimbursable | \$ 51 | \$ (51) | \$ - | To adjust COG entries |
| Worksheet 2 | | | | |
| 1. Salaries (X) Gen Expense All Prgm. | \$ 420,122 | \$ (102,774) | \$ 317,348 | To correct MAC Costs not reported |
| 4. Other Expenses (X) Gen Expense All Prgm. | \$ 498,583 | \$ (1,068) | | To reclass Donations to NFR |
| | | \$ 18,731 | \$ 516,246 | To add omitted expenses |
| 5. COG Expense (E) Facility Based Services | \$ - | \$ 186 | \$ 186 | To adjust COG entries |
| 5. COG Expenses (L) Community Residential | \$ - | \$ 911 | \$ 911 | To adjust COG entries |
| 5. COG Expense (N) Service & Support Admin | \$ - | \$ 3,537 | \$ 3,537 | To adjust COG entries |
| 10. Unallowable Fees (O) Non-Federal Reimbursable | \$ 156,214 | \$ 1,068 | \$ 157,282 | To reclass Donations to NFR |
| Worksheet 3 | | | | |
| 4. Other Expenses (X) Gen Expense All Prgm. | \$ 264,531 | \$ 2,232 | | To add omitted expenses |
| | | \$ 4,220 | | To add omitted expenses |
| | | \$ 3,960 | | To add omitted expenses |
| | | \$ 870 | \$ 275,813 | To add omitted expenses |
| 5. COG Expenses (E) Facility Based Services | \$ - | \$ 7 | \$ 7 | To adjust COG entries |
| 5. COG Expenses (L) Community Residential | \$ - | \$ 35 | \$ 35 | To adjust COG entries |
| 5. COG Expenses (N) Service & Support Admin | \$ - | \$ 134 | \$ 134 | To adjust COG entries |

Appendix B (Page 2)
Erie County Board of Developmental Disabilities
2010 Income and Expenditure Report Adjustments
Page 21

| | Reported Amount | Correction | Corrected Amount | Explanation of Correction |
|---|--------------------|--------------|---------------------|---|
| Worksheet 5 | | | | |
| 1. Salaries (A) Early Intervention | \$ 349,166 | \$ (96,920) | | To reclass Help Me Grow expenses |
| | | \$ (23,357) | \$ 228,889 | To reclass Help Me Grow expenses |
| 1. Salaries (O) Non-Federal Reimbursable | \$ 59,467 | \$ (37,142) | | To correct MAC Costs not reported |
| | | \$ 4,551 | \$ 26,876 | To reclassify ERIP's to Non-Federal Reimbursable |
| 2. Employee Benefits (A) Early Intervention | \$ 158,158 | \$ (71,383) | \$ 86,775 | To reclass Help Me Grow expenses |
| 2. Employee Benefits (O) Non-Federal Reimbursable | \$ 21,599 | \$ 348 | \$ 21,947 | To reclassify ERIP's to Non-Federal Reimbursable |
| 4. Other Expenses (A) Early Intervention | \$ 55,781 | \$ (37,498) | \$ 18,283 | To reclassify Help Me Grow expenditures to the Reconciliation |
| 4. Other Expenses (O) Non-Federal Reimbursable | \$ 1,654 | \$ 16,615 | \$ 18,269 | To reclassify Individual Service Support Costs |
| 5. COG Expenses (L) Community Residential | \$ - | \$ 7,143 | \$ 7,143 | To adjust COG entries |
| Worksheet 6 | | | | |
| 1. Salaries (I) Medicaid Admin | \$ - | \$ 134,796 | \$ 134,796 | To correct MAC Costs not reported |
| 1. Salaries (O) Non-Federal Reimbursable | \$ - | \$ 118,531 | \$ 118,531 | To correct MAC Costs not reported |
| Worksheet 8 | | | | |
| 1. Salaries (E) Facility Based Services | \$ 331,806 | \$ (20,126) | \$ 311,680 | To correct MAC Costs not reported |
| 3. Service Contracts (E) Facility Based Services | \$ 133,352 | \$ (623) | \$ 132,729 | To reclassify community employment transportation costs |
| 3. Service Contracts (G) Community Employment | \$ - | \$ 623 | \$ 623 | To reclassify community employment transportation costs |
| Worksheet 9 | | | | |
| 1. Salaries (N) Service & Support Admin. Costs | \$ 761,636 | \$ (93,285) | | To correct MAC Costs not reported |
| | | \$ (4,551) | \$ 663,800 | To reclassify ERIP's to Non-Federal Reimbursable |
| 2. Employee Benefits (N) Service & Support Admin. Costs | \$ 118,595 | \$ 168,116 | | To correctly post employee benefits |
| | | \$ (348) | \$ 286,363 | To reclassify ERIP's to Non-Federal Reimbursable |
| 4. Other Expenses (N) Service & Support Admin. Costs | \$ 213,779 | \$ (168,116) | \$ 45,663 | To correctly post employee benefits |
| 5. COG Expenses (N) Service & Support Admin. Costs | \$ - | \$ 27,725 | \$ 27,725 | To adjust COG entries |
| Worksheet 10 | | | | |
| 4. Other Expenses (O) Non-Federal Reimbursable | \$ - | \$ 591,337 | \$ 591,337 | To reclassify Individual Service Support Costs |
| 5. COG Expenses (O) Non-Federal Reimbursable | \$ 8,600 | \$ (7,143) | \$ 1,457 | To adjust COG entries |
| Reconciliation to County Auditor Worksheet | | | | |
| Expense: | | | | |
| Plus: Real Estate Fees | \$ 74,132 | \$ (74,132) | \$ - | To reclassify fees |
| Plus: Transfers Out-General | \$ 287,502 | \$ 50,000 | \$ 337,502 | To record a Transfer |
| Plus: Match; Bridges Down payment on asset placed in service; NW Day Services | \$ 664,977 | \$ (591,337) | | To reclassify Individual Service Support Costs |
| | | \$ 229,158 | \$ 302,798 | To reclassify Help Me Grow expenditures to the Reconciliation to correct depreciation |
| Less: Capital Costs | \$ (177,224) | \$ (37,411) | | To add loss on sale |
| | | \$ (1,910) | \$ (216,545) | To adjust Schedule A COG expenses |
| Less: Schedule A COG Expenses | \$ - | \$ (12,327) | \$ (12,327) | |
| Medicaid Administration Worksheet | | | | |
| Lines 6 -10 Ancillary Costs | \$ - | \$ 6,740 | \$ 6,740 | To add Ancillary Costs |

Appendix C

The letter that follows is the County Board's official response to the agreed-upon procedures.

January 29, 2015



Kristi Erlewine, Chief Auditor
Medicaid Contract Audit Section
88 East Broad Street, 9th Floor
Columbus, Ohio 43215

RE: Formal Response to agreed upon procedure for 2009 and 2010 Income and Expenditure Reports (Cost Report)

Dear Kristi:

This letter constitutes the formal response of the Erie County Board of Developmental Disabilities to the State Auditor's revised draft agreed-upon procedures report for the Board's 2009 and 2010 cost reports ("Audit Report"). The Board objects to certain statements made in the Audit Report.

First, the Audit Report does not recognize the service purchased by the Board via contract with Sandusky Transit System ("STS") as **specialized transportation**. This failure was the impetus for the Auditor's initial findings against the Board in the first place. It appears the auditors were not fully aware of the complexity and details in providing or supporting transportation services for those the Board serves. **The individuals the Board serves have a wide variety of needs as well as different levels of need, which require the Board to collaborate with all available resources and opportunities within the local communities.** It appears the auditors made assumptions and recommendations based on their interpretation of what transportation services should look like. Only because the auditors found that "[t]here was no service rendered to document the premium charge" did they reach the conclusion that the fees paid to STS were not reasonable. The specialized transportation provided by STS included guaranteed rides, and assurances and services above and beyond the service provided to the general public. On several occasions, the Board shared these points with the auditors and the Ohio Department of Developmental Disabilities, yet the information shared is not taken into account in summary recommendations made in the Audit Report.

Notably, the Board received the following services from STS, which were different than those provided to the general public:

- Rides for individuals with DD are pre-arranged based upon each individual's ISP. Routes were set up that have exact times for pick up and drop off, which is not what is done for the public. All Board rides are guaranteed and agreed upon in advance.
- STS guaranteed a time and availability of a driver and vehicle.
- STS provided door-to-door service, which means the STS driver meets the client and/or caregiver, if applicable, at the door. The STS driver gets out of the

- vehicle, may drive into driveway in rural settings, and assists DD clients with getting on STS van.
- If a DD client wants to get off the bus, the STS driver would not stop if requested. Rather, the STS driver would follow the ISP and the prescribed route.
 - Individuals with DD had a standing reservation based upon the individual's day program schedule. Once the schedule is established through the annual ISP or revision, STS shows up at the scheduled time for the ride, and no additional call to STS is necessary.
 - STS adjusted routes based upon new riders upon proper notice by the Board.
 - Unlike the public riders, STS transports individuals with DD for no more than 90 minutes.
 - The routes for individuals with DD are unique to the needs of the individuals with DD.
 - STS drivers receive specialized training unique to the needs of the individuals with DD who are being transported. All STS drivers were trained by the Board regarding first aid, CPR, MUIs and reporting MUIs, physical limitations of individuals, sensitivity, and needs of individuals.
 - STS prepared an alphabetical listing of each individual with DD who utilized STS and the number of trips on a monthly basis.
 - STS established a liaison with the Board and had continuing dialogue with the Board's Transportation Supervisor and Superintendent on matters pertaining to the transportation of individuals with DD.

These types of services will impact the cost to be paid, and the Audit Report simply fails to acknowledge that, as a result of such additional services provided to the Board, the charges paid to STS were naturally higher than the standard fare paid by the public.

Second, the Audit Report states the Board provided no support to document its efforts to ensure that the expenses were a reasonable cost for the Board to incur. No such documents were ever requested by the auditors, either before or after the release of the initial draft report. Instead, the Board was asked to produce information related to how STS came up with its cost, not how the County Board determined whether that cost was reasonable. Contrary to the statement, however, the Board did produce documentation to support payment of a "premium charge." For example, the Board presented a memorandum from the Ohio Department of Job and Family Services, the former Single State Medicaid Agency, which specifically authorized a county agency, such as the Board, to pay a "premium charge" for premium services. This memorandum also explained the types of services that would support a premium charge, most, if not all, the Board received from STS. The memorandum also explained that the "premium charge" should not exceed the actual costs of the provider. The Board also provided financial records from STS regarding its costs for providing the non-medical transportation services. These records demonstrated that, for 2009 and 2010, the charges paid by the Board to STS were less than STS' actual costs for delivering the services. The Board, as a prudent person under the circumstances, knew it would be

more economical for STS to provide the non-medical transportation services than the Board itself. At all times, the rate charged was well below the Medicaid rate for such services.

The Board was prudent and cost-conscious in its efforts to make available to those it serves specialized transportation options that were under the Medicaid rate as well as affordable and reasonable for the level of service received. County by county transportation provider's costs and services will vary significantly due to geographic scope of their services and current economic climate. Boards cannot be held responsible to answer for every detail in the fluctuation in provider costs or changing economic factors within the community or the transportation industry. The Board operated in accordance with the non-medical transportation rule and contracted for specialized services that were allowable by rule and were reasonable and cost effective in relation to the local economic climate and available resources. The Board has and will continue to be a cost-conscious and good steward of tax payer dollars as well as look to collaborate with the resources available within the community.

As this is the end of the process, I would be remiss if I did not mention the Board's concerns about the process undertaken. The Board cooperated in good faith and supported the audit process, communicating frequently with the auditors to stay abreast of any and all topics of concerns. The auditors communicated to me and my staff during the audit process that the Board had no major issues or topics about which it should be concerned. In the final hour, however, with little or no shared information, the Board participated in a conference call, during which the auditors addressed the audit findings to be imposed against the Board. Needless to say, this was a shock. The Board feels it could have addressed and mitigated the auditors' concerns had it been informed and updated about those concerns as part of the ongoing audit process, as opposed to upon issuance of the first audit report. While we understand that the auditors have a job to do, we doubt that the job requires the auditors to refrain from requesting relevant information during the audit process and withholding pertinent information. As you know, auditors are once again in our county, conducting cost report audits for 2011 and 2012. I trust that, during this audit review, the lines of communication will be more open.

Sincerely,



Carrie Beier, Superintendent

c. Eric Kibler, Board President

Appendix D

Auditor of State's Conclusion:

In its official response, the County Board stated that we failed to recognize that its contract was for specialized transportation and not for services provided to the general public. We did not question the services outlined in the transportation contract; however, based on the information received, we were unable to determine if the costs were reasonable. We issued recommendations for the County Board to improve its documentation of transportation services and to ensure that it maintains detailed reports that describe the nature of all expenses. In addition, we recommend that DODD provide technical assistance to the County Board to ensure that contracted services meet all applicable rules and regulations.

The County Board also noted that we did not request any records regarding how it determined costs were reasonable and that the County Board submitted documents that supported the payment of a "premium charge". In response to our requests for information on how the rate was developed, the County Board indicated it did not know how the rate was set and, subsequently, it requested this information from the transit agency. While we did receive some information, it was not specific to the County Board's program and it did not contain any details related to the County Board's process of determining reasonableness.

In addition, the County Board indicated that communication was not adequate during the engagement. An effort was made during the multiple meetings and discussions involving the County Board, DODD and/or the Auditor of State's office to discuss issues contained in this report. We appreciate the County Board's feedback as it will assist us in our effort to continually improve our process.



Dave Yost • Auditor of State

ERIE COUNTY BOARD OF DEVELOPMENTAL DISABILITIES

ERIE 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 17, 2015