



Dave Yost • Auditor of State

**NCC SOLUTIONS, INC. DBA NORTHEAST CARE CENTER (ALPHA HOUSE)
CUYAHOGA COUNTY**

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Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. John Maynard, Program Integrity Director
Ohio Department of Medicaid
50 West Town Street, Suite 400
Columbus, Ohio 43215

Dear Mr. Maynard:

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 NCC Solutions, Inc. DBA Northeast Care Center – Alpha House (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 the Ohio Admin. Code § 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 Cost Report 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 Resident's Daily 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 report 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 at least five individuals or 10 percent of 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.

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 Census report and *Schedule A-1*.

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

Occupancy and Usage (Continued)

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 no instance where reimbursed Medicaid days exceeded Medicaid days reported.

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 the 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 instances of non-compliance with these documentation requirements as described below.

Recoverable Finding: \$895.77

We found three days in which the individual was deceased on the date of service and did not meet the criteria for medical necessity. Per Ohio Admin. Code § 5160-48-01(B)(5), "Medical necessary" for the purposes of this rule means services and activities that are of an appropriate type, amount, duration, scope and intensity which are also appropriate to the individual's health and welfare needs, living arrangement, circumstance or expected outcomes."

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.

We compared all revenues on the Provider's General Ledger - Account Inquiry 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 differences as reported in Appendix A.

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.

Revenue (Continued)

We scanned the Provider's detailed revenue 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 noted the Provider reported worker's compensation rebates exceeding \$500 on *Attachment 1*. However, in accordance with CMS Publication 15-1, §§ 804, 805 and 2302.5 we are additionally reporting these amounts as applicable credits/revenue offsets in Appendix A.

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 General Ledger - Account Activity report. ODM 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 General Ledger - Account Activity report.

We found no differences exceeding \$500 resulting in decreased costs.

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 § 5123:2-7 and CMS Publication 15-1. ODM 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 from *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 reported differences exceeding \$500 in Appendix A.

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 § 5123:2-7 and CMS Publication 15-1, Section 2150. ODM asked 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.

We did not perform this procedure as the Provider did not report Home Office costs.

Non-Payroll Expenses (Continued)

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* 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 General Ledger – Account Activity report for non-payroll expenses exceeding \$500 reported on *Schedule B-1, Schedule B-2, and Schedule C* for non-federal reimbursable costs or costs not classified in accordance with Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1. We also scanned for any contractors which would require reporting on *Schedule C-3*.

We reported misclassified costs exceeding \$500 in Appendix A. 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 Active Treatment Off-site Day Programming costs on *Schedule B-2* was due to the program expanding with new clients. The Provider also stated that the increase in Employee Fringe Benefits - Direct Care costs on *Schedule B-2* was due to increased health care costs and gift cards given to employees and the increase in Office and Administrative Supplies costs on *Schedule C* was due to the purchase of general office supplies to expand the day program. Lastly, the Provider stated that the increase in Help Wanted/Informational Advertising costs on *Schedule C* was due to being short staffed and looking for additional people to hire as employees and the increase in Repair and Maintenance costs on *Schedule C* was due to the building being old and requiring more upkeep to restore them.

We reported no differences on any schedule.

Property

1. ODM requested that 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 § 5123:2-7 and CMS Publication 15-1, and report any variances.

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 § 5123:2-7 and CMS Publication 15-1.

Property (Continued)

We found one inconsistency 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 General Ledger - Account Activity, Fixed Asset Additions and 2013 and Book Asset Detail reports.

We reported differences exceeding \$500 in Appendix A.

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 § 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, renovations, and 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 § 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 § 5123:2-7 and CMS Publication 15-1.

We reported differences exceeding \$500 in Appendix A.

4. ODM requested that 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.

We reviewed rent and lease agreements and found no differences.

5. ODM requested that 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.

Property (Continued)

We compared the renovation costs and financing costs in the Non-extensive Renovation Letter to *Schedule D-1* and we found no differences exceeding \$500.

6. ODM requested that we review the Fixed Asset Additions and 2013 report 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 Fixed Asset Additions and 2013 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 General Ledger - Account Activity and Admin Salary reports 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 § 5123:2-7 and CMS Publication 15-1. ODM 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 employee roster to the schedule in which each employee's salary and fringe benefit expenses were reported and determined if the payroll costs were allowable under CMS Publication 15-1, were properly classified, allocated and allowable in accordance with Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1, Chapter 9 and Section 2150.

We found no differences.

Payroll (Continued)

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 five payroll variances that increased by more than five percent from the prior year's schedules.

The Provider stated that the increase in Licensed Practical Nurse costs on *Schedule B-2* was due to the level of client care needed for the aging population. The Provider also stated that the increase in Qualified Mental Retardation Professional (QMRP) costs on *Schedule B-2* was due to being down one QMRP employee in Alpha 1 House and that position was filled and the increase in Quality Assurance costs on *Schedule B-2* was due to the increase in Quality Assurance personnel to be better prepared for Medicaid surveyors. Lastly, the Provider stated that the increase in Dietary Personnel costs on *Schedule C* was due to the increase in dietary personnel to make meal preparation easier and the increase in Other Administrative Personnel costs on *Schedule C* was due to the addition of another secretary for the other administrative office.

We reported no differences.

The Provider submitted an official response to the results of these agreed upon procedures which is presented in Appendix B. The response refers to a memo from the Ohio Department of Developmental Disabilities which can be obtained from the Provider at the contact information included in the response. We did not examine the Provider's response and, accordingly, we express no opinion on it. Our conclusion is presented in Appendix C.

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.

NCC Solutions, Inc. DBA Northeast Care Center (Alpha House)
Independent Accountant's Report on
Applying Agreed-Upon Procedures

This report is intended solely for the use of the managements of the Provider, 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

January 20, 2016

Appendix A
NCC Solutions, Inc. DBA Northeast Care Center (Alpha House)
2013 Income and Expenditure Report Adjustments

	Reported Amount	Correction	Corrected Amount	Explanation of Correction	
Schedule B-2 Direct Care Cost Center					
39. Employee Fringe Benefits - Direct Care - 6530 - Other/Contract Wages (2)	\$ 312,009	\$ (526)		To reclassify entertainment expenses for clients	
		\$ (1,634)		To reclassify entertainment expenses for clients	
		\$ (1,400)		To reclassify entertainment expenses for clients	
		\$ (974)		To reclassify entertainment expenses for clients	
		\$ (3,595)	\$ 303,880	To reclassify entertainment expenses for clients	
Schedule C Indirect Care Cost Center					
32. Travel and Entertainment - 7235 - Other/Contract Wages (2)	\$ 35,801	\$ 526		To reclassify entertainment expenses for clients	
		\$ 1,634		To reclassify entertainment expenses for clients	
		\$ 1,400		To reclassify entertainment expenses for clients	
		\$ 974		To reclassify entertainment expenses for clients	
		\$ 3,595	\$ 43,930	To reclassify entertainment expenses for clients	
Schedule D Capital Cost Center					
4. Depreciation - Equipment - 8040 - Total (3)	\$ 16,875	\$ (8,185)	\$ 8,690	To match general ledger	
5. Depreciation - Transportation Equipment - 8050 - Total (3)	\$ 17,995	\$ (605)	\$ 17,390	To correct depreciation on 2014 Chevy Silverado	
Schedule D-1 Analysis of Property, Plant and Equipment					
1. Land - Additions or Reductions (3)	\$ 3,089	\$ (3,089)	\$ -	To match depreciation schedule	
5. Equipment - Additions or Reductions (3)	\$ 18,328	\$ (10,183)	\$ 8,145	To match depreciation schedule	
Attachment 1 Revenue Trial Balance					
63. Rebates and Refunds - 5530 (2) Total	\$ 5,088	\$ (5,088)	\$ -	To match supporting documentation	
77. Gain/Loss on Sale of Investments - 5650 (2) Total	\$ (5,483)	\$ 5,483	\$ -	To match supporting documentation	
Attachment 2 Adjustment to Trial Balance					
1. Workers Compensation Refund (1) Revenue Chart of Account #			5400	5400	To record revenue offset
1. Workers Compensation Refund (3) Other Increase (Decrease)	\$ -	\$ 34,182	\$ 34,182		To record revenue offset
1. Workers Compensation Refund (5) Expense Chart of Account #			6520	6520	To record revenue offset
1. Workers Compensation Refund (6) Revenue Reference Attachment 1 Line			59	59	To record revenue offset
2. Workers Compensation Refund (1) Revenue Chart of Account #			5400	5400	To record revenue offset
2. Workers Compensation Refund (3) Other Increase (Decrease)	\$ -	\$ 2,573	\$ 2,573		To record revenue offset
2. Workers Compensation Refund (5) Expense Chart of Account #			7510	7510	To record revenue offset
2. Workers Compensation Refund (6) Revenue Reference Attachment 1 Line			59	59	To record revenue offset

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Appendix B

The letter that follows is the Provider's official response to the agreed upon procedures.



Auditor of State
Attn: John Jones
January 18, 2016

Response to Audit adjustments

We disagree with any adjustment to offset the revenue received (\$36,755) as a result of the Bureau Of Workers Compensation "A Billion Back" program. The Ohio Department of Developmental Disabilities (DODD) issued guidance on this issue in a memo dated October 17, 2013. The guidance (see attached) stated the revenue was to be recorded in a/c 5400 Miscellaneous Income and was NOT to be offset against costs on the Medicaid cost report. This is exactly how the revenue was reported on the Medicaid Cost report.

Sincerely,

Anthony F Dean III
Director of Finance
NCC Solutions Inc.
440-582-3300 ext 407

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Appendix C

Auditor of State's Conclusion:

In addition to the CMS Publication 15-1, §§ 804, 805 and 2302.5 cited in the report, the Code of Federal Regulations, Title 42 C.F.R. § 413.98 (3)(c) states in pertinent part, "All discounts, allowances, and refunds of expenses are reductions in the cost of goods or services purchased and are not income...However, if they are received in a later accounting period, they will reduce the comparable purchases or expenses in the period in which they are received."

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NCC SOLUTIONS, INC. DBA NORTHEAST CARE CENTER (ALPHA HOUSE)

CUYAHOGA 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 9, 2016**