



Dave Yost • Auditor of State

**UNION CITY CRISTEL MANOR, INC. DBA UCM RESIDENTIAL SERVICES, INC.
DARKE 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 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 Union City Christel Manor, Inc. DBA UCM Residential Services, Inc. (hereafter referred to as the Provider) prepared its JFS 02524 ICF-MR Medicaid Cost Report for the period January 1, 2013 through December 31, 2013 in accordance with Ohio Admin. Code § 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. We compared the number of patient days for Medicaid and non-Medicaid patients from the Provider's monthly census reports to those reported on *Schedule A-1, Summary of Inpatient Days* to determine if the Provider's patient days were greater than those reported. We also footed the Provider's census reports for accuracy.

We reported variances in Appendix A.

2. We haphazardly selected five residents' medical records and compared the total days of care for December 2013 with the total inpatient days reported on the monthly census reports and *Schedule A-1, Summary of Inpatient Days* to determine if total inpatient days were greater than those reported. We also determined if the Provider included any waiver respite days as Medicaid or Medicare days and if bed hold days in excess of 30 in a calendar year received the proper authorization on form JFS 09402 in accordance with Ohio Admin. Code § 5123:2-7-08.

We found no variances and no misclassified waiver respite days or unauthorized bed hold days.

3. We compared the number of reimbursed Medicaid days per the Medicaid Information Technology System (MITS) with the total Medicaid days reported on *Schedule A-1, Summary of Inpatient Days* to identify if reimbursed Medicaid days were greater than total Medicaid days.

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

Medicaid Paid Claims

1. We selected all paid claims for five residents for December 2013 from MITS and compared the reimbursed Medicaid days to the days documented per the resident's medical records. We determined if the Provider's documentation met the general requirements of CMS Publication 15-1, Chapter 23, and Ohio Admin. Code § 5123:2-7-12 and if the days billed met the specific requirements of Ohio Admin. Code § 5123:2-7-08 (C) to (I) as an occupied or bed hold day and Ohio Admin. Code § 5123:2-7-15 for the payment adjustment requirements for resident's admission, discharge or death.

We found no instances of non-compliance.

Revenue

1. We compared all revenues on the Provider's General Ledger report with those revenues reported on *Attachment 1, Revenue Trial Balance* 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 identified variances exceeding \$500.

We found no variances.

2. We scanned the Provider's General Ledger report for revenues which roll up to *Attachment 1* and expenses on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; or Schedule C, Indirect Care Cost Center* for 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 identified variances exceeding \$500 resulting in decreased revenues.

We found worker's compensation rebates exceeding \$500 on *Attachment 1*. In accordance with CMS Publication 15-1, §§ 804, 805 and 2302.5, and Title 42 CFR § 413.98 (3)(c), we reported these amounts as applicable credits/revenue offsets in Appendix A.

Non-Payroll Expenses

1. We compared all non-payroll expenses reported on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; and Schedule C, Indirect Care Cost Center* to the Provider's Trial Balance and General Ledger reports to identify any variances exceeding \$500 resulting in decreased costs on any schedule.

We found no differences.

2. We selected 20 non-payroll expenses from *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 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 identified any variances exceeding \$500 resulting in decreased costs on any schedule.

We reported differences in Appendix A.

Non-Payroll Expenses (Continued)

3. ODM asked 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 operates only one facility and did not report Home Office costs on *Schedule B-1, Schedule B-2, or Schedule C*.

4. We scanned the Provider's Trial Balance and General Ledger reports for 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 classified in accordance with Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1. We also scanned for any contract costs which would require reporting on *Schedule C-3, Costs of Services from Related Parties*. We identified 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*.

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

5. We compared 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 obtained the Provider's explanation for five non-payroll variances that increased by more than five percent and \$500 from the prior year's schedules. We identified variances exceeding \$500 and five percent of non-payroll costs resulting in decreased costs on any schedule.

The Provider stated that the increase in Medical Supplies on *Schedule B-1* and the increase in Program Supplies on *Schedule C* were due to increasing supplies to an adequate level. The increase in Employee Fringe Benefits on *Schedule B-2* and *Schedule C* were due to increased health insurance premiums and number of employees. The increase in Legal Services on *Schedule C* was due to the investigation of the former Administrator.

We reported no differences.

Property

1. We compared the Provider's procedures regarding capitalization of fixed assets used for preparing *Schedule D, Capital Cost Center; Schedule D-1, Analysis of Property, Plant and Equipment; and Schedule D-2, Capital Additions/Deletions* with Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1 to identify any variances.

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

Property (Continued)

We also noted the Provider took depreciation in the month that the asset was placed into service, and not the month after the asset was placed into service. This is inconsistent with Ohio Admin. Code § 5123:2-7-18(E)(1) which states "In the month that a capital asset is placed into service, no depreciation expense is recognized as an allowable expense. A full month's depreciation expense is recognized in the month following the month the asset is placed into service."

Recommendation:

We recommend the Provider calculate a salvage value equal to 10 percent of historical cost when determining the initial net book value to be depreciated for each new capital asset purchase and the Provider begin depreciating assets after the month of acquisition.

2. We compared 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 Depreciation Expense Report to identify variances exceeding \$500 resulting in decreased costs on any schedule.

We found no differences resulting in decreased costs on any schedule.

3. We selected three additions reported on *Schedule D-1, Analysis of Property, Plant and Equipment* and *Schedule D-2, Capital Additions/Deletions* and determined if the cost basis, useful life and depreciation expense were in accordance with Ohio Admin. Code § 5123:2-7. We 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 identified variances exceeding \$500 which result in decreased costs on any schedule.

We reported differences in Appendix A.

4. We reviewed the rent and lease agreements and determined 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 identified any variances exceeding \$500 which result in decreased costs on any schedule.

We reported differences in Appendix A.

5. We compared 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, to identify variances exceeding \$500 which result in decreased costs on any schedule.

We found that \$240,233 of the \$375,690 in renovation costs reported on *Schedule E* was approved as non-extensive renovations. Therefore, as reported in Appendix A, we removed the remainder of renovation costs reported on *Schedule D* and *Schedule D-1* and reclassified corresponding depreciation and interest expense as cost of ownership on *Schedule D*.

Property (Continued)

6. We reviewed the Depreciation Expense Report and vehicle mileage logs to ensure transportation expenses were reasonable, allowable and related to patient care as defined in CMS Publication 15-1, Chapter 9 for transportation costs recorded on *Schedule D-1, Analysis of Property, Plant and Equipment*. DODD asked that if any corporate officers or owners exclusively used vehicles, we review the W-2s to determine if they reported additional compensation or were adjusted from allowable expenses pursuant to CMS Publication 15-1. We identified any variances exceeding \$500 which result in decreased costs on any schedule.

We found no differences. We did not review any W-2s as no corporate officers or owners exclusively used any vehicles.

Payroll

1. We compared all salary, fringe benefits, payroll tax entries and hours worked reported on the Provider's Trial Balance and General Ledger reports 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*. We identified any variances exceeding \$500 resulting in decreased costs on any schedule.

We found no differences.

2. We selected a sample of five employees (including all Administrators and Owners) 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 compared the Provider's job descriptions to the schedule in which each employee's salary and fringe benefit expenses were reported. We determined if the payroll costs were allowable under CMS Publication 15-1, were properly classified, allocated and allowable in accordance with Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1, Chapter 9 and Section 2150. We identified any variances exceeding \$500 resulting in decreased costs on any schedule.

We found no variances.

3. We compared 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 obtained the Provider's explanation for five payroll variances that increased by more than five percent and \$500 from the prior year's schedules. We identified differences exceeding \$500 and five percent of payroll costs resulting in decreased costs on any schedule.

The Provider stated that the increase in Licensed Practical Nurse payroll costs on *Schedule B-2* was due to an increase in hours worked and pay rates. The increase in Program Director payroll costs on *Schedule B-2* was due to the Administrator acting as Program Director for 30 percent of the time and consultant costs which were erroneously posted to salaries instead of contracts. The increase in Habilitation Staff payroll costs on *Schedule B-2* was due to the addition of a full-time employee. The increase in Laundry/Housekeeping Supervisor payroll costs on *Schedule C* was due to the increase in employee wages. The increase in Owners'/Relatives' Compensation payroll costs on *Schedule C-2* was due to the increase in the owner's salary.

We found no differences resulting in decreased costs on any schedule.

Union Christel Manor, Inc. DBA UCM Residential Services, Inc.
Independent Accountants' Report on
Applying Agreed-Upon Procedures

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Provider's Cost Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the 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

August 8, 2016

Appendix A
Union City Christel Manor, Inc.DBA UCM Residential Services, Inc.
2013 Medicaid Cost Report Adjustments

	<u>Reported Amount</u>	<u>Correction</u>	<u>Corrected Amount</u>	<u>Explanation of Correction</u>
Schedule A-1 Summary of Inpatient Days				
12. December - Therapeutic Leave Days (4)	19	5	24	To match patient days to census report
Schedule B-2 Direct Care Cost Center				
22. Active Treatment Off-site Day Programming - 6215 - Other/Contract Wages (2)	\$ 426,604	\$ (1,019)	\$ 425,585	To reclassify unsupported expense
Schedule C Indirect Care Cost Center				
68. Other Non-Reimbursable - Specify Below - 9725 - Other/Contract Wages (2)	-	\$ 1,019		To reclassify unsupported expense
		\$ 2,540	\$ 3,559	To reclassify unsupported storage facility payments
Schedule D Capital Cost Center				
5. Depreciation - Transportation Equipment - 8050 - Total (3)	\$ 7,349	\$ (818)	\$ 6,531	To correct depreciation on bus
6. Lease and Rent - Building - 8060 - Total (3)	\$ 2,540	\$ (2,540)	-	To reclassify unsupported storage facility payments
Schedule D-1 Analysis of Property, Plant and Equipment				
2. Buildings - Cost at Beginning of Period (2)	\$ 640,000	\$ 125,039	\$ 765,039	To reclassify renovation costs without prior approval
2. Buildings - Accumulated Depreciation End of Period (5)	-	\$ 96,920	\$ 96,920	To reclassify renovation depreciation without prior approval
2. Buildings - Depreciation this Period (7)	\$ 24,736	\$ 2,610	\$ 27,346	To reclassify renovation depreciation without prior approval
5. Equipment - Cost at Beginning of Period (2)	\$ 231,633	\$ 9,277	\$ 240,910	To reclassify renovation costs without prior approval
5. Equipment - Accumulated Depreciation End of Period (5)	\$ 195,593	\$ 9,277	\$ 204,870	To reclassify renovation depreciation without prior approval
6. Transportation - Depreciation this Period (7)	\$ 7,349	\$ (818)	\$ 6,531	To correct depreciation on bus
7. Financing Costs - Cost at Beginning of Period (2)	-	\$ 1,141	\$ 1,141	To reclassify renovation costs without prior approval
7. Financing Costs - Accumulated Depreciation End of Period (5)	-	\$ 1,010	\$ 1,010	To reclassify renovation depreciation without prior approval
7. Financing Costs - Depreciation this Period (7)	-	\$ 76	\$ 76	To reclassify renovation depreciation without prior approval
9. Depreciation/Amortization and Interest - Cost at Beginning of Period (1)	\$ 375,690	\$ (125,039)		To reclassify renovation costs without prior approval
		\$ (9,277)		To reclassify renovation costs without prior approval
		\$ (1,141)	\$ 240,233	To reclassify renovation costs without prior approval
9. Depreciation/Amortization and Interest - Accumulated Depreciation End of Period (4)	\$ 196,719	\$ (96,920)		To reclassify renovation depreciation without prior approval
		\$ (9,277)		To reclassify renovation depreciation without prior approval
		\$ (1,010)	\$ 89,512	To reclassify renovation depreciation without prior approval
9. Depreciation/Amortization and Interest - Depreciation/Amortization this Period (6)	\$ 9,407	\$ (2,610)		To reclassify renovation depreciation without prior approval
		\$ (76)	\$ 6,721	To reclassify renovation depreciation without prior approval
Attachment 2 Adjustment to Trial Balance				
1. Workers Compensation Refund (1) Revenue Chart of Account #			5530	To record revenue offset
1. Workers Compensation Refund (3) Other Increase (Decrease)	\$ -	\$ 15,955	\$ 15,955	To record revenue offset
1. Workers Compensation Refund (5) Expense Chart of Account #			6520	To record revenue offset
1. Workers Compensation Refund (6) Revenue Reference Attachment 1 Line			63	To record revenue offset

Appendix A (Page 2)

UCM Residential Services, Inc. DBA Union Christel Manor, Inc.
 2013 Income and Expenditure Adjustments

	Reported Amount	Correction	Corrected Amount	Explanation of Correction
Attachment 2 Adjustment to Trial Balance (Continued)				
2. Workers Compensation Refund (1) Revenue Chart of Account #		5530		To record revenue offset
2. Workers Compensation Refund (3) Other Increase (Decrease)	\$ -	\$ 1,698	\$ 1,698	To record revenue offset
2. Workers Compensation Refund (5) Expense Chart of Account #		7065		To record revenue offset
2. Workers Compensation Refund (6) Revenue Reference Attachment 1 Line		63		To record revenue offset
3. Workers Compensation Refund (1) Revenue Chart of Account #		5530		To record revenue offset
3. Workers Compensation Refund (3) Other Increase (Decrease)	\$ -	\$ 3,599	\$ 3,599	To record revenue offset
3. Workers Compensation Refund (5) Expense Chart of Account #		7510		To record revenue offset
3. Workers Compensation Refund (6) Revenue Reference Attachment 1 Line		63		To record revenue offset



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UNION CITY CHRISTEL MANOR

DARKE 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
SEPTEMBER 1, 2016