

Agreed Upon Procedures

Overview

For Medicaid School Program (MSP) provider agencies, an agreed upon procedures engagement is required to be performed by a Certified Public Accountant (CPA). The CPA will attest to the validity and accuracy of information contained within the MSP agency's cost report. The agreed upon procedures are to be conducted for the first year of cost report period of October 1, 2009 through September 30, 2010 and the second year of cost reporting for a period of nine months covering the period of October 1, 2010 to June 30, 2011. Thereafter, the cost report will correspond with the state fiscal year. The cost report will incorporate MSP agency costs related to providing Medicaid allowable services, direct administrative costs, and indirect costs that are ancillary to the delivery of service.

While completing the cost report, the following shall apply for all MSP agencies:

Cost reports must be submitted in accordance with OAC 5101:3-35-04. Expenditure and statistical data included within the cost report must comply with the requirements set forth within OAC sections 5101:3-35-01 through 5101:3-35-06 and in accordance with the cost report instructions.

Cost reports must be completed on a cash basis of accounting.

While conducting the agreed upon procedures engagement the following shall apply for the CPA:

1. CPAs may use their discretion to create their own work papers (except for schedules of proposed cost adjustments), however, work papers must be documented in a manner that satisfies the requirements set forth within Generally Accepted Government Auditing Standards as they pertain to attestation engagements.
2. To ensure compliance, CPAs shall refer to the MSP program guidelines, OAC or other federal requirements identified within the agreed-upon procedures.
3. Attached to the agreed-upon procedures report the following information:
 - A schedule of proposed adjustments to paid claim information (Schedule P), statistical data (Schedule S), or cost information (Schedule C).
 - A copy of the provider's representation letter to the certified public accounting firm.
4. Information included within proposed adjustments or in the agreed-upon procedures report may not include student names. When documenting information related to an individual student, the student identification number and Medicaid number, when available must be used.

Payroll

1. Obtain from the Medicaid School Program (MSP) agency a schedule or Uniform School Accounting System (USAS) report that identifies the total payroll and fringe benefit costs related to employees working on the MSP. Using the information collected, verify the following:
 - If a separate schedule is used as a basis for accumulating payroll costs to be included on the MSP cost report, reconcile the expenditures included on the schedule to the MSP agency's USAS payroll accounts.
 - Reconcile expenditures included on the schedule or USAS report to the salary amounts reflected on Exhibit 7 "Total Salary/Benefits/Other" column.

Notwithstanding variances due to rounding, if payroll and fringe benefit expenditures included on the schedule or USAS report are less than the amounts identified on the corresponding exhibits, prepare a proposed cost adjustment to remove the variance(s) using Schedule C. In addition, document any explanation provided by management for the variance(s) and include in the agreed upon procedures report.

2. Using cost report exhibit 7 select 20 employees or 30% of the total number of employees whose salary was charged to the MSP, whichever is less. Using the employees selected, verify the following:
 - a. Employee payroll and fringe benefit amounts are reported in accordance with the cost report instructions (i.e., appropriate exhibit, column and line item).

If employee payroll and fringe benefit amounts are not reported in accordance with the cost report instructions, prepare a proposed cost adjustment to reclassify the amounts to the appropriate exhibit, column or line item. Any proposed cost adjustments should be documented on Schedule C.
 - b. Employee payroll and fringe benefit amounts included on the exhibits are calculated accurately based the period(s) worked and pay rate identified within the employee personnel file or salary amount identified within the employee contract.

If employee payroll and fringe benefit amounts are not calculated accurately based on the hours or time periods worked and the hourly rate or salary amount, prepare a proposed cost adjustment to remove the variance using Schedule C. The proposed cost adjustment should result in an increase or decrease to the "Total Gross Salary" column on the appropriate exhibit.
 - c. Verify amounts and types of expenditures included within the payroll and fringe benefit amounts under the "Total Gross Salary" column are allowable under 2

CFR 225 and the cost report instructions.

If costs included within payroll and fringe benefit amounts are not allowable, prepare a proposed cost adjustment using Schedule C to remove the unallowable costs from the “Total Gross Salary” column.

3. Obtain from the MSP agency (or the RMTS contractor), the three (3) quarterly Random Moment Time Study (RMTS) participant lists that were submitted to the RMTS contractor during the cost reporting period. Using the employees selected in conjunction with step 2 from above perform the following for each employee:
 - a. Using the 3 quarterly RMTS lists, identify the number of quarters each employee selected participated in the RMTS.
 - b. Verify the employee payroll and fringe benefit amounts included on the exhibits are accurate based on the number of quarters the employee participated in the RMTS*. Accuracy is defined as follows:
 1. If an employee is identified on all three (3) quarterly RMTS participant lists then 100% of the employee’s payroll and fringe benefit costs may be included on the exhibit within column “Total Gross Salary.”
 2. If an employee is identified on only two (2) quarterly RMTS participant lists, then only two quarters plus 2/ 3 of the summer quarter of the employee’s payroll and fringe benefit costs may be included on the exhibit within the column “Total Gross Salary.”
 3. If an employee is identified on only one (1) quarterly RMTS participant list, then only one-quarter plus 1/3 of the summer quarter of the employee’s payroll and fringe benefit costs is includable on the exhibit within the column “Total Gross Salary.”
 4. If an employee is not identified on any quarterly RMTS participant lists, then none or zero dollars of their payroll or fringe benefit costs is includable on the exhibit.

If an employee’s amount of payroll and fringe benefit costs included within the “Total Gross Salary” column are not accurate based on the number of quarterly RMTS they participated. Prepare a proposed cost adjustment., by using the actual number of RMTS quarters the employee participated and reduce the gross payroll and fringe benefit costs by the corresponding percentage (e.g., 50%, 25%) or to zero. Proposed adjustments should be documented using Schedule C.

4. Using the individuals selected in conjunction with step 2, verify the employees’ job activities are allocable or provide a direct benefit to the MSP through either the delivery

of services or performance of direct administrative functions. For the purpose of this procedure “allocable” has the same meaning as identified in 2 CFR 225, Appendix A sections (C) (3). Prepare a work paper that identifies the employee’s name, job title/position and perform the following:

- a. Conduct oral interviews or request written documentation from the employees to identify whether the job tasks/activities they perform benefit the MSP and whether they perform other or additional activities that benefit other federal programs (e.g., Title VI-B).
- b. For employees who indicated they provided MSP services during the cost reporting period, perform the following:
 1. Verify at least one of the service types the employee indicated as performing is identified within OAC section 5101:3-35-05 or 5101:3-35-06 as being allowable to the MSP.
 2. If the service is verified as being allowable, request documentation from the employee that provides an example of the employee delivering the service to a student with an IEP. For purposes of substantiating service delivery, documentation is defined in OAC 5101:3-35-05(G).

If the services were not identified within the OAC as allowable or documentation was not provided to evidence the delivery of a service to a student with an IEP, prepare a proposed cost adjustment. The cost adjustment should equal the employee’s gross salary and fringe amount and be documented using Schedule C.

- c. For employees who indicated they performed a Medicaid administrative function allocable to the MSP during the cost reporting period, perform the following:
 1. Verify at least one of the employee’s job tasks/activities is identified within Attachment D of the Guide to Time Studies for the Ohio Medicaid School under one of the following acceptable activity codes: 6,8,10,12,14,16.
 2. If an employee’s job task was identified within an acceptable activity code, request documentation from the employee that provides an example of the employee performing the administrative job task or activity. For purposes of this procedure, documentation is defined as any notes, written descriptions, completed forms, ledgers, books, records, case notes, progress notes, payroll records, or similar supporting documentation completed by the employee that demonstrates the administrative activity was performed.

If a job task/activity is not identified within one of the acceptable activity codes or no documentation was provided to evidence the employee had performed the task or activity during the cost reporting period, prepare a proposed cost adjustment. The cost adjustment should be for the employees gross salary and fringe amount and be

documented using Schedule C.

5. For each employee who indicated they worked on federal program activities in addition to the MSP in step 4(a) obtain any personal activity reports (PAR) or time sheets completed by the employee for the cost reporting period. For the purposes of this procedure, PAR has the same meaning as used within 2 CFR 225, Appendix B. For these employees perform the following steps:

- Inspect the PAR or timesheet for each employee.
- Document any direct costs related to employee time spent on federal programs other than MSP. For purposes of this step, direct costs have the same meaning as defined within 2 CFR 225, Appendix A.
- If direct costs related to time spent on a federal program other than MSP are identified, verify the payroll costs related to the federal program are identified on the exhibit under column, “If yes, enter amount of payroll costs related to the other federal program(s).”
- If no costs related to the direct time spent on other federal programs are identified on the exhibit, prepare a proposed cost adjustment to identify the payroll costs that related to time spent on the other federal programs. The proposed cost adjustment should be made to add or increase the amount listed under the “If yes, enter amount of payroll costs related to the other federal program(s)” column.
- If direct time is identified or an adjustment is made to the “If yes, enter amount of payroll costs related to the other federal program(s)” column, verify the appropriate portion of fringe benefit costs are included under column “Add proportion of fringe benefit costs.”

Proposed cost adjustment amounts should be documented using Schedule C.

6. Obtain a listing of all employees whose payroll costs are included within the MSP cost report and a list of all employees whose payroll costs are included within the MSP agency’s cost allocation plan as indirect costs subject to allocation. For any employees whose salary is included within the MSP cost report and within cost allocation plan, prepare a proposed cost adjustment to remove their entire salary from the appropriate cost report exhibit using Schedule C.

Paid Claims Procedures

1. Using the list of paid claims obtained from the MSP agency select 40 individual claims or 10% of the total population, whichever is less. To the extent practical, the selection must include different claimed services for different students. Prepare a work sheet that includes the following information:

2. Record the following information from the records onto a work paper:
 - a. Student identification number, if identified
 - b. Medicaid identification number
 - c. Date of birth
 - d. CPT Code
 - e. Service type as identified in the Ohio Medicaid School Program CPT Code Assignment Appendix (e.g., MH, SLP, etc.)
 - f. Service Date
 - g. Units billed
 - h. Units paid
 - i. Date paid
 - j. Transaction Control Number (TCN)
 - k. If applicable to the service type, identify the minutes necessary to meet a unit of service using the Ohio Medicaid School Program CPT Code Assignment Appendix.

3. Using the transactions selected in step 1, obtain from the MSP agency the students' attendance records, multi-factored evaluation, identification of necessary services, documentation of service provided, and Individualized Education Program (IEP) which includes a plan of care. Using the information obtained, perform the following for each transaction selected:
 - a. Verify the service identified on the paid claim is identified within the student's plan of care as required by OAC 5101:3-35-05(F) (3). If the service identified on the paid claim is not identified in the plan of care, prepare a proposed cost adjustment for the total amount of the claim using Schedule P.
 - b. Verify the plan of care was signed by a qualified practitioner as required within OAC 5101:3-35-05(F) (2). If the plan of care was not signed by a qualified practitioner, prepare a proposed cost adjustment for the total amount of the claim using Schedule P.
 - c. Verify the service date identified on the paid claim was subsequent to the effective date and/or authorization date of the student's plan of care. If the date of service delivery was prior to the effective/approval date, prepare a proposed cost adjustment for the total amount of the claim using Schedule P.
 - d. Verify there is documentation the service identified on the paid claim was provided/delivered to the student. The provision or delivery of service is

evidenced by the provider if documentation includes the information required by OAC sections 5101:3-35-05(G)(3), (G)(5) for medical services or 5101:3-35-06(E)(3) and E(4) for transportation and equipment services. If there is no evidence the service identified on the paid claim was provided to the student, prepare a proposed cost adjustment for the total amount of the claim using Schedule P.

- e. Verify there is documentation that indicates the service was provided on the same day, month, and year as identified on the paid claim. If there is no documentation to indicate the service was provided on the same date as indicated on the paid claim, prepare a proposed cost adjustment for the amount of the claim using Schedule P.
- f. Verify the billing units identified on the paid claim correspond to the support detail and comply with the requirements of OAC 5101:3-35-04(J). If a unit is determined by a minimum number of minutes, calculate the number of units provided to the student by using the beginning and ending times of the service delivery. If the number of units, as calculated, is less than the units identified on the paid claim or does not comply with 5101:3-35-04(J), prepare a proposed cost adjustment for the amount of the claim using Schedule P.
- g. Verify the service was provided by a licensed practitioner as required by OAC 5101:3-35-05 by obtaining a copy of the practitioner's profession license. If the practitioner did not hold a profession license at the time of service delivery date, prepare a proposed adjustment for the total amount of the claim using Schedule P.
- h. Verify the service type identified is allowable under the requirements of OAC section 5101:3-35-05 or 5101:3-35-06 if the service related to Targeted Case Management or transportation. If the service provided was not allowable, prepare a proposed cost adjustment for the total amount of the claim using Schedule P.
- i. Verify the documentation of service delivery includes the signature or initials of the person/practitioner delivering the services as required by OAC 5101:3-35-(G)(7). Each documentation recording sheet must contain a legend that indicates the name (typed or printed), title, signature, and initials of the person delivering the services. If the documentation does not include the signature or initials of the person delivering the service or the signature or initials do not correspond to the legend, prepare a proposed cost adjustment for the claim amount using Schedule P.
- j. Verify the claim submission date was not beyond 365 days of the actual date the service was provided as required by OAC 5101:3-35-04(H). If the claim submission date is beyond 365 days after the service date, prepare a proposed cost adjustment for the claim amount using Schedule P.

- k. Verify the date of service was not beyond 12 months of the assessment/re-evaluation date as required by OAC 5101:3-35-04(B(3)). If the date of service is beyond 12 months of re-assessment/ re-evaluation date, prepare a proposed cost adjustment for the claim amount using Schedule P.
- l. Obtain the MSP agency's attendance records and verify the student was identified as being in attendance on the day the service was provided. If the student was not in school on the service date, prepare a proposed cost adjustment for the claim amount using Schedule P.

FIXED ASSETS

1. Obtain from the MSP agency a fixed asset schedule that identifies the total MSP fixed assets. The asset schedule must include opening and ending balances, additions, deletions/retirements, useful lives, salvage value, accumulated depreciation, and current year depreciation expense. Using the information obtained, perform the following:

Reconcile total depreciation expense included on the schedule to the amount identified on cost report Exhibit 5 A and 5D, under column the “Direct Medical Equipment” section and “Other Transportation Section” respectively.

Notwithstanding variances due to rounding, if depreciation expense reflected on the schedules are less than the amount identified on Exhibit 5A and 5D, prepare a proposed cost adjustment to remove the variance from the cost report using Schedule C. Document any explanation provided by management for the variance and include in the agreed upon procedures report.

2. **Additions:** Select 40% or 20 additions, whichever is less, from the fixed asset schedule obtained in step 1. On a work paper document the following for each addition:

- Description or type of fixed asset
- Serial number or agency identification number, if applicable,
- Acquisition date,
- Invoice amount,
- Payment disbursement date,
- Disbursement amount,
- Useful life,
- Depreciation expense for the cost report period,
- Location of the asset,
- Donated value, if applicable.

Using the items selected in conjunction with step 2, verify the following:

- a. Verify the fixed asset value is accurate by tracing the amount listed on the schedule to the invoice and to the canceled check or bank statement. If the fixed asset was donated trace the value identified on the schedule to the MSP agency’s estimated value or donor’s book value.

If the amount on the invoice or cancelled check is less than that reflected on the schedule, prepare a proposed cost adjustment to remove the variance from the cost report using Schedule C.

If the MSP agency is unable to provide an invoice (or other evidence of cost) and proof of a cash disbursement (e.g., canceled check, bank statement), prepare a proposed cost adjustment to remove the amount of depreciation included on the cost report. The proposed cost adjustment should be documented using Schedule C.

- b. Verify the assigned useful life of the fixed asset is at least equal to the useful life identified in the American Hospital Association's (AHA) "Estimated Useful Lives of Depreciable Hospital Assets" guide, 2004 Edition.

If the assigned useful life of the fixed asset is less than the useful life identified in the AHA's "Estimated Useful Lives of Depreciable Hospital Assets" guide, 2004 Edition, recalculate the depreciation amount using the useful life identified in the AHA guide. Prepare a proposed cost adjustment using Schedule C to remove the variance from the cost report.

- c. Verify the MSP agency used at least a 10% value in calculating the depreciable value of the fixed asset.

If the salvage value used in calculating the depreciable value is less than 10%, recalculate the depreciation amount, using 10% as the salvage value, and prepare a proposed cost adjustment to remove the variance from the cost report using Schedule C.

- d. Verify the MSP agency used the straight line method in calculating depreciation.

If the MSP agency used a method for calculating depreciation expense other than straight line, recalculate the depreciation amount and prepare a proposed cost adjustment to remove the variance from the cost report using Schedule C.

- e. In the year of acquisition, verify the MSP agency used one of methods identified within CMS Publication 15-1, section 118 for determining the period in which depreciation expense is initiated (e.g., time lag or actual).

If the MSP agency used a method other than one identified within CMS Publication 15-1, section 118, recalculate the depreciation expense using the actual time methodology and prepare a proposed cost adjustment to identify the variance. Proposed cost adjustment amounts should be documented using Schedule C.

- f. Verify the payment for the fixed asset was disbursed during the cost reporting period.

If payment for the fixed asset was disbursed outside the cost reporting period, prepare a proposed cost adjustment to remove the amount of depreciation included on the cost report. Proposed cost adjustment amounts should be documented using Schedule C.

- g. Verify the existence of the fixed asset by tracing the item to its physical location and confirming the asset is correctly identified on the fixed asset schedule by comparing the serial number, asset identification number and description.

If the fixed asset cannot be located, prepare a cost adjustment for the amount of depreciation included in the cost report using Schedule C.

- h. In conjunction with the agreed upon procedures related to disbursements, verify that neither the depreciation expense nor the entire cost of the fixed asset was included within other cost report exhibits.

If the cost of the fixed asset or the depreciation expense is included on another cost report exhibit, prepare a proposed cost adjustment to remove the amount from the corresponding exhibit(s) using Schedule C.

- i. Verify the fixed asset purchased was medically necessary by having the MSP agency identify the student or students for which the asset was purchased. Obtain the student's case file and verify the fixed asset is identified within the student's IEP. (Note: If the fixed asset was purchased for use by multiple students, it is only necessary to select one of the student's IEP.)

If the fixed asset is not identified within a student's IEP as being medically necessary, prepare a proposed cost adjustment to remove the depreciation amount from the cost report using Schedule C.

3. **Deletions/Retirements (e.g., fixed assets no longer in use by the MSP agency):** Obtain from the MSP agency a listing of fixed asset retirements or deletions and select 5 or 30% of the items, whichever is less. On a work paper document the following for each deletion:

- Description or type of fixed asset
- Serial number,
- Agency Identification, if applicable,
- Deletion/Salvage date,
- Useful life,
- Depreciation expense for the cost report period,
- Fixed asset's sales proceeds, if sold

Using the items selected, verify the depreciation included in the cost report is accurate by performing the following:

- a. Verify the fixed asset has been removed from the depreciation schedule.
- b. Verify the fixed asset was retired from operations during the cost reporting period.
- c. Confirm whether the fixed asset was salvaged or sold. If the item was sold, verify whether the proceeds from the sale were used to reduce the depreciation amount claimed on the cost report.

- d. Confirm that if the fixed asset was traded-in, the value of the fixed asset was used to offset the cost of the replacement item.
- e. Verify the depreciation amount included on the cost report does not exceed the difference between the acquisition costs and accumulated depreciation amount.

Notwithstanding variances due to rounding, if depreciation expense related to salvaged fixed assets is not accurately reflected on Exhibit 6B, recalculate the actual amount and prepare a proposed cost adjustment to remove the variance from the cost report using Schedule C.

4. **Other Fixed Assets:** Select 5 or 30% of the other assets identified on the fixed asset schedule, whichever is less and verify the following:

- a. The assigned useful life and dollar value used in calculating current year depreciation are consistent with prior years.

If the assigned useful life or dollar value is different from the prior year, recalculate the depreciation amount using the prior year information and prepare a proposed cost adjustment to remove the variance from the cost report using Schedule C.

- b. Verify the MSP agency used the straight line method in calculating depreciation.

If the MSP agency used a method for calculating depreciation expense other than straight line, recalculate the depreciation amount using a straight line depreciation methodology and prepare a proposed cost adjustment to remove the variance from the cost report. Proposed cost adjustment amount should be documented using Schedule C.

- c. In conjunction with the agreed-upon procedures related to disbursements, verify that neither the depreciation expense nor the entire cost of the fixed asset was included within other cost report exhibits.

If the cost of the fixed asset or the depreciation expense is included on another cost report exhibit, prepare a proposed cost adjustment to remove the amount from the other exhibit(s) using Schedule C.

- d. Trace the fixed asset to its physical location to assure the asset exists.

If the fixed asset cannot be located, prepare a cost adjustment to remove the amount of depreciation included in the cost report using Schedule C.

5. Verify the depreciation expense identified on Exhibit 6B of the cost report is allowable under the provisions of the cost report instructions and CMS Publication 15-1, Chapter 1, 2 CFR 225 or 2 CFR 230, as applicable.

If the cost is not allowable under the cited provisions, prepare a proposed cost adjustment to remove the entire cost from the cost report. The amount, item description, and basis for the proposed cost adjustment should be identified on adjustment Schedule C.

STATISTICS

Random Moment Time Study (RMTS):

1. Obtain from the MSP agency, a schedule/report that identifies employees who completed a RMTS during the cost report period. The listing must identify, the employee, the cost pool under which the employee is classified (e.g., 1, 2, or 3), and the activity being performed at the time of the RMTS. (**Note:** If the school district had no employees that completed a RMTS, no additional steps within the RMTS section need to be performed).
2. Using the schedule/report obtained in step 1, select 10% or 15 individual employees who completed an RMTS during the cost reporting period. Assure the selection includes a minimum of 50% of the employees identified under cost pool 1, 30% from cost pool 2, and 20% from cost pool 3. Prepare a work paper that includes the following information:

Name of employee,

Employee position or job title,

Date/time of all RMTS moments completed by employee

Employee activity as identified on the RMTS,

Cost Pool under which the employee is classified (e.g., 1, 2 or 3),

Student identification number, if applicable,

Effective dates of student's IEP, if applicable,

Frequency of services (e.g., daily, weekly, monthly, etc.), as identified on the IEP.

3. Using the selections made in step 2, perform the following:
 - a. For employees who indicated they were performing a medical service, obtain the case file of the student receiving the service and verify the following:
 - The service was identified in the student's Individual Education Program (IEP).
 - The service was delivered during the effective dates of the IEP.
 - There is evidence in the student's case file; the service was delivered on the same date and time as the completed RMTS.
 - Verify the service, as identified within the student's IEP, was approved by the appropriate certified profession as required by OAC Section 5101:3-35-05(C)(2).

If the above attributes are not met, report any variance within the agreed upon procedures report. The variance should identify the employee name, cost pool, date of RMTS, and description of the variance.

- b. For employees who indicated they were performing a Medicaid administrative activity, obtain documentation from the employee that is contemporaneous to the completion of the RMTS. Documentation is defined as any notes, written descriptions, completed forms, ledgers, books, records or any other supporting documentation. Based on the documentation provided, verify the activity

identified on the RMTS coincides with the documentation provided.

If the documentation does not correlate to the activity identified on the RMTS, report any variance within the agreed upon procedures report. The variance should identify the employee name, cost pool, date of RMTS, and description of the variance.

IEP Student Utilization Ratios:

1. Obtain from the MSP agency a schedule that identifies the total number of students who have an IEP.
2. Verify the mathematical accuracy of the list by summing the number of students on the list and reconciling it to the total identified on Exhibit 3 of the cost report, under the "Total IEP Students" category.

If the number of students identified on the list does not agree to the cost report amount, prepare an adjustment and identify the variance on Schedule S. The variance must be identified as a plus (+) or minus (-) and equal the number necessary to assure the students identified on the agency's list agrees to the total number of students identified on Exhibit 3 under "Total IEP Students."

3. Compare the amounts identified on the Exhibit 3 under the categories of "Total Medicaid IEP Students" and "Total Healthy Start IEP Students" to information obtained at the Ohio Department of Education (ODE) website. The information can be obtained from the following:
<http://education.ohio.gov/GD/Templates/Pages/ODE/ODEDetail.aspx?Page=3&TopicRelationID=1001&Content=85875> and then locating the corresponding MSP agency.

If the number of students identified on the ODE website differs from the cost report figures, prepare an adjustment and identify the variance on the Schedule S. The variance must be identified as a plus (+) or minus (-) and equal the number necessary to assure the number of students identified on the ODE website agrees to the number of students identified on Exhibit 3 under "Total Medicaid IEP Students" and "Total Healthy Start IEP Students."

If the student selected did not have an IEP in effect at anytime during the school year, using Schedule S, prepare a proposed adjustment to reduce the number of students identified under the category of "Total IEP Students."

Administrative Claiming Allocation Statistics:

Compare the amounts identified on Exhibit 3 under “Total Medicaid Students” and “Total All Students” to information obtained at the Ohio Department of Education (ODE) website. The information can be obtained from the following URL:

<http://education.ohio.gov/GD/Templates/Pages/ODE/ODEDetail.aspx?page=3&TopicRelationID=1001&ContentID=29574&Content=103697> under the link ‘MSP MER data’ for the applicable year and then locating the corresponding MSP agency.

If the number of students identified on the ODE website differs from the cost report figures, prepare an adjustment and identify the variance on the Schedule S. The variance must be identified as a plus (+) or minus (-) and equal the number necessary to assure the number of students identified on the ODE website corresponds to the number of students identified on Exhibit 3 under the “Total Medicaid Students” and “Total All Students” categories.

Transportation statistics:

- 1. Obtain from the MSP agency transportation logs / listing of transportation trips which support the transportation one way student trips reported in the cost report.*
- 2. If the number of transportation student trips do not agree to the cost report amount, prepare an adjustment and identify the variance on Schedule S. The variance must be identified as a plus (+) or minus (-) and equal the number necessary to assure the trips identified on the agency’s log agrees to the total number of trips identified on Exhibit 3 under “Total trips.”*
- 3. Notwithstanding variances identified in step 2 , obtain listing of transportation routes and student roster the provider serves. From these documents select a sample of transportation log covering a period of 2 weeks and recalculate the number of student trips. If the resulting number is less than the number of trips reported make adjustments for the differences on schedule S.*

2. PROCUREMENT

1. If not specifically identified on Exhibits ,5A, 5B and 5D, obtain from the MSP agency a schedule or listing that identifies all procurements of goods or services by vendor, total procurement/contract amount, and the total disbursements by vendor for the cost reporting period.

If a schedule is used, reconcile the total disbursements identified on the schedule to the total amounts identified on Exhibits 5A, 5B and 5D by cost category, under column “Expenditure Amount.”

Notwithstanding variances due to rounding, if contract expenditures reflected on the schedule or listing are less than the amounts identified on Exhibits 5A, 5B and 5D, prepare a proposed cost adjustment to remove the variance from the cost report. The proposed cost adjustment should be documented on Schedule C. In addition, document any explanation provided by management for the variance and include in the agreed-upon procedures report.

2. Inquire from the MSP coordinator whether any of the procurement agreements are based on either a contingency or flat fee arrangement.

For the purposes of this section, the following definitions apply:

Contingency arrangement is defined as a procurement or contractual agreement in which payment to the vendor is not related to the actual cost of the service or actual cost of service plus a fee. Instead, payments to the vendor are based on a percentage, or other basis to the amount billed or collected. Examples include, billing agents whose fees are based on a percentage (e.g., 10%) of the total amount of Medicaid dollars billed or collected rather than a basis such as the cost per transaction or cost by identified or stipulated service.

Flat fee arrangement is defined as a procurement or contractual agreement in which the payment to the vendor is not related to the actual cost of the service or cost of service plus a fee. Instead, payments to the vendor are paid on a gross or lump sum amount regardless of the number of items processed or clients served. Examples include medical practitioners who are paid a lump sum amount (e.g., \$5,000 per month or \$60,000 per annum) without regard to the actual number of patients seen.

For all contracts or procurement agreements in which payment was based on a contingency or flat fee arrangement identify the total amounts paid to the vendor during the cost reporting period and prepare a proposed cost adjustment for the entire amount. The proposed cost adjustment should be documented on Schedule C.

3. Inquire from the MSP coordinator, the MSP agency’s threshold for formal procurement of goods or services (e.g., competitive bidding, sealed bids).
4. Identify the total number of procurements that exceed the lesser of \$25,000 or the MSP agency’s formal procurement threshold by vendor.

5. Using the procurements identified in step 4, make a selection of 5 procurements or 50% of the total number of procurements, whichever is less. The selection must include any contracts with a billing agent or procurements pertaining to the provision of medical services.
6. Obtain the contract files for each procurement selected and verify the following as they pertain to the vendor/contractor:
 - a. The contract file includes documentation of the significant history of the procurement, including the rationale for the method of procurement (e.g., lowest bid), contractor(s) selected and those rejected, and the basis of contract price as required by 45 CFR 92.36(b)(9).

If the lowest bid was not selected, obtain a written explanation from management as to why and include their response in the agreed-upon procedures report.

- b. The procurements provided for full and open competition as described in 45 CFR 92.36(c) (1).

If the procurement was not awarded through full and open competition, verify whether the MSP agency designated the vendor to be a sole source contractor. If the MSP agency neither awarded the procurement through full and open competition nor was the vendor designated as a sole source contract, prepared a proposed cost adjustment for all contract payments using Schedule C.

- c. In cases where competition was limited, verify that documentation exists to support the rationale to limit competition as described 45 CFR 92.36(b) (1) and 92.36(d) (4).

If required documentation does not exist, obtain a written explanation from management as to why and include their response in the agreed-upon procedures report.

- d. Contract files exist and an appropriate cost or price analysis was performed in connection with procurement actions, including contract modifications and that this analysis supports the procurement action as described by 45CFR 92.36(f).

If cost or price analysis documentation does not exist, obtain a written explanation from management as to why and include their response in the agreed-upon procedures report.

- e. The contract includes a requirement that the vendor is to comply with the requirements of 45 CFR 164.504(e) (1) for safeguarding and limiting access to information concerning beneficiaries.

If the contract does not include a statement requiring the contractor to comply with 45 CFR 164.504(e) (1), obtain a written explanation from management as to why and include their response in the agreed-upon procedures report.

- f. The contract includes a clause that allows the representatives of the U.S. Department of Human Services, ODJFS, ODE or their respective designee access to the subcontractor's books, documents and records.

If the contract does not include a clause allowing access to the subcontractor's records, obtain a written explanation from management as to why and include their response in the agreed-upon procedures report.

- g. The contract file includes an acknowledgement from the contracted party that they or their principles are not suspended or debarred.

If the contract does not include a clause indicating the contractor or vendor is not suspended or debarred, obtain a written explanation from management as to why and include their response and name of the contractor in the agreed-upon procedures report.

- h. There is evidence of approval by Ohio Department of Education (ODE) representatives when the procurement exceeded \$100,000 and met one of the following conditions as outlined within 45 CFR 92.36(g)(2)(ii), (g)(2)(iii), (g)(2)(iv), (g)(2)(v):

- (1) Contract was awarded by noncompetitive negotiation.

- (2) Contract was awarded when only a single bid or offer was received.

- (3) Contract specified a "brand name" product.

- (4) Contract was awarded to other than the apparent low bidder.

- (5) Contract was modified and increased resulting in the total award exceeding the \$100,000.

If the procurement was not approved by ODE representative(s), prepare a proposed cost adjustment to remove the total payment amount related to the procurement from the cost report. The proposed cost adjustment amount should be documented on Schedule C.

- 7. For procurements that relate to the provision of medical services, verify the contract includes the following:

- b. The population (e.g., by individual student or appropriate identifying number) to be covered under the contract.

- c. Procedures for assessment or reassessment of the covered population, if they are to be performed by the contractor.
- d. The amount, duration, frequency, type and scope of medical services to be provided to each individual within the population.
- e. Cost to be charged per service and basis for charge (i.e., student, service, time per delivery of service, etc.)

If the procurement of medical services is not supported by a written contract that includes the required items from above (a. – d.) prepare a proposed cost adjustment to remove the total amount of payments from the cost report. The proposed cost adjustment should be documented on Schedule C.

8. For procurements that relate to the provision of billing services verify the contract includes the following:
 - a. The specific services to be provided, including any activities related to third party liability.
 - b. The cost per service and basis for the cost (e.g., transactional).

If the procurement of billing services is not supported by a written contract that includes the required items from above (a. and b.) prepare a proposed cost adjustment to remove the total amount of payments from the cost report. The proposed cost adjustment should be documented on Schedule C.

9. Verify the total payments disbursed to the vendor during the cost reporting period did not exceed the total amount authorized by the contract.

If the total amount paid to the vendor exceeds the amount established by the contract prepare a proposed cost adjustment to remove the total amount of payments. The proposed cost adjustment should be documented on Schedule C.

10. Using the schedule or listing obtained in step 9, select 3 individual disbursements paid under each contract or 20% of the total disbursements for each contract, whichever is less and prepare a work paper with the following information:

- Vendor/contractor name
- Description of the service(s) to be provided under the terms and conditions of the contract
- The cost of the service(s) to be provided under the terms and conditions of the contract
- Check/EFT amount
- Payment disbursement date or check date

- Invoice amount

11. Using the transactions selected in step 10, verify the following:

- a. The invoice amount agrees to the disbursement amount (e.g., check or EFT amount).

If the amount of the check or EFT is in excess of the invoice amount, prepare a proposed cost adjustment to remove the variance from the cost report.

If the MSP agency is unable to provide an invoice or billing statement or proof of a cash disbursement (e.g., canceled check, bank statement, EFT, etc.), prepare a proposed cost adjustment to remove the amount included on the cost report. The proposed cost adjustment should be documented on Schedule C.

- b. The payment disbursement date is in the cost reporting period.

If the cost was disbursed outside the cost reporting period, prepare a proposed cost adjustment to remove the expenditure amount included on the cost report. The proposed cost adjustment should be documented on Schedule C.

- c. The services identified on the invoice or billing statement correspond to the terms of the contract and disbursement amount (e.g. units and types of service identified on the invoice multiplied by the contractual rate(s) equals the disbursement amount).

If the disbursement amount does not correspond to the number and types of services or the payment amount(s) identified within the contract, prepare a proposed cost adjustment to remove the expenditure amounts included on the cost report. The proposed cost adjustment should be documented on Schedule C.

- d. For payments involving the delivery of medical services determine the service identified on the invoice or billing statement is allowable under the general service types outlined within OAC 5101:3-35-05 and 5101:3-35-06 (e.g., mental health services, nursing, etc.).

If the service is not allowable, prepare a proposed cost adjustment to remove the expenditure amount included on the cost report. The proposed cost adjustment should be documented on Schedule C.

12. Using the payments selected in conjunction with step 10, select 10 students or 10% of the total number of students from the invoices related to medical services, whichever is less. For each student selected, obtain from the MSP agency the students' IEP which includes a plan of care. Using the information, verify the service(s) provided to the students is reflected in the student's plan of care as required by OAC 5101:3-35-05(F) (3).

If the service included within the invoice is not identified with the student's plan of care, prepare a proposed cost adjustment to remove the expenditure amount included on the cost report. The proposed cost adjustment should be documented on Schedule C.

NON-PAYROLL DISBURSEMENTS

1. Obtain from the MSP coordinator a schedule of expenditures by the following cost categories as identified on Exhibit 5A, 5B and 5D:

- Purchased Services
- Direct Medical Supplies, Material and Other Costs
- Other Transportation Costs

The schedule should identify by cost category, expenditures by vendor, invoice, disbursement date, disbursement amount, and description of item. (Note: a schedule is not necessary if the detailed information can be identified on the face of the exhibit).

If a schedule is used, verify the total amounts are accurate by footing the individual transactions by cost category and reconciling the total amounts to Exhibit 5A, 5B and 5D, column "Expenditure Amount."

Notwithstanding variances due to rounding, if expenditures reflected on the schedule are less than the amounts identified on Exhibit 5A, 5B and 5D by cost category, prepare a proposed cost adjustment to remove the variance from the cost report. The proposed cost adjustment should be documented on Schedule C.

2. From the schedule or from Exhibit 5A, 5B and 5D, select 15 expenditures or 20% of the total transactions identified, whichever is less. Assure the selection includes a minimum of 5 expenditure transactions/invoices for each of the cost categories and excludes purchase amounts in excess of agency's threshold for formal procurement of goods or services. On a work paper document the following for each item selected, as applicable.

- Description of the item
- Expenditure purpose
- Vendor name/payee
- Check/EFT amount
- Check date
- Payment disbursement date, if different than check date
- Invoice amount
- Cost Category
- Account Name/Account Number from USAS

3. Using items selected in step 2, verify the following:

- a. Amounts are reported in accordance with the cost report instructions (i.e., appropriate exhibit, column and line item).

If amounts are not reported in accordance with the cost report instructions, prepare a proposed cost adjustment using Schedule C to reclassify the cost to the proper exhibit, column and line item.

- b. Goods or services purchased are allowable under the requirements of 2 CFR 225 Appendices A and B.

If the goods or services purchased are unallowable under the provisions of 2 CFR 225, prepare a proposed cost adjustment using Schedule C to remove the entire cost from Exhibit 6B.

- c. Check or EFT amount reflected on the cost report agrees to the invoice amount.

If the amount of the check is in excess of the invoice amount, prepare a proposed cost adjustment to remove the variance from the cost report using Schedule C.

If the MSP agency is unable to provide an invoice and proof of a cash disbursement (e.g., canceled check, bank statement), prepare a proposed cost adjustment using Schedule C to remove the total amount included on the cost report.

- d. Payment disbursement date is within the cost reporting period.

If the disbursement date was outside the cost reporting period, prepare a proposed cost adjustment to remove the expenditure amount included on the cost report using Schedule C.

- e. The agency obtained the lowest price for the goods or services purchased by obtaining price or rate quotes from an adequate number of vendors, but not less than 2 sources. (Note: price or rate quotes may be documented through catalog or internet price lists, verbal quotes or other sources that identify item prices at the time of the purchase).

If the cost of a good or service was not the lowest of the rate or price quotes obtained by the agency, document the explanation provided by management and include in the agreed-upon procedures report. In addition, the agreed-upon procedures report must also identify the total price difference between the amount included in the cost report and the lowest quote.

If the agency has no documentation or did not obtain price or rate quotes, include the total cost of the good or service and any explanation from management in the agreed upon procedures report.

- f. The good or service purchased was medically necessary by obtaining, from the MSP coordinator, the student or students for which the item was purchased. Obtain the student's case file and verify the item was identified within the student's IEP. (Note: If the item was purchased for use by multiple students, it is only necessary to select one of the student's IEP.)

If the item is not identified within a student's IEP as being medically necessary, prepare a proposed cost adjustment using Schedule C to remove the expenditure amount from the cost report and corresponding section.

- g. Procurements for equipment or fixed assets were less than the agency's capitalization threshold.

If the cost of equipment is equal to or in excess of the capitalization threshold, verify whether the item has a useful life of a least 1 year using the AHA's "Estimated Useful Lives of Depreciable Hospital Assets" guide, 2004 Edition. If the item has useful life of 1 year or more calculate the depreciation amount using the useful life identified in the AHA guide, cost of the item, time of service, and by using an estimated salvage value of 10%. Prepare a proposed cost adjustment using Schedule C to remove the total cost from the "Direct Medical Supplies, Materials & Other Cost" category and prepare a cost adjustment for the amount of calculated depreciation. The proposed cost adjustment for depreciation should be identified on Schedule C and result in an increase to the "Direct Medical Equipment (in excess of Capital Threshold)" category.