

Ohio Medicaid School Program (MSP)
Agreed-Upon Procedures Engagement Letter
For the Time Period 7/1/2016 to 6/30/2017 (SFY2017)

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Once a Medicaid School Provider (or their representative) gives the CPA firm the initial cost report in order to complete the attestation engagement, no changes or updates are to be made to the initial cost report (Pre-AUP Cost Report). The CPA firms should denote **all** changes to the initial cost report (whether increases or decreases) in the AUPe report in order to arrive at a Post-AUP Cost Report.

PAYROLL

1. Obtain from the provider 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:
 - Review Exhibit 7 of the cost report; if there are no individuals included on the Exhibit, confirm with provider and document that no payroll costs were included. If no payroll costs exist, the steps enumerated below will not be applicable.
 - Reconcile the names included on Exhibit 7 “Participants (Last Name, First Name, MI)” to those included on quarterly RMTS participant lists.

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 provider’s USAS payroll accounts.

- Reconcile expenditures included on the schedule or USAS report to the salary amounts reflected on Exhibit 7 “Total Salary and Fringe” 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 or if participants included on the corresponding exhibit are not included on the RMTS participant list, 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 Exhibit 7 of the cost report, 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 “Net Payroll Costs” column on Exhibit 7.

- c. Verify amounts and types of expenditures included within the payroll and fringe benefit amounts under the “Total Gross Salary” and the “Total Fringe Benefits” columns are allowable under 45 CFR 75 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 provider (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 the columns “Total Gross Salary” and “Total Fringe Benefits.”
 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 columns “Total Gross Salary” and “Total Fringe Benefits.”
 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 may be included on the exhibit within the columns “Total Gross Salary” and “Total Fringe Benefits.”
 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 may be included on the exhibit.

If an employee’s salary and fringe benefits costs included within the “Total Gross Salary” and the “Total Fringe Benefits” columns are not accurate based on the number of quarterly RMTS they participated, prepare a proposed cost adjustment using Schedule C to accurately reflect the number of quarters the employee participated in RMTS.

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 Medicaid administrative functions. For the purpose of this procedure “allocable” has the same meaning as identified in 45 CFR 75.405. Prepare a work paper that identifies the employee’s name, job title/position and perform the following:

- a. Request written documentation from the provider, i.e. job description, to identify whether the job tasks/activities performed benefit the MSP.
- b. For employees that provided MSP services during the cost reporting period, perform the following:
 1. Verify at least one of the service types performed is identified within OAC section 5160-35-05 or 5160-35-06 as being allowable to the MSP.
 2. If the service is verified as being allowable, request documentation from the provider that supports the employee delivering the service to a student with an IEP. For purposes of substantiating service delivery, documentation is defined in OAC 5160-35-05(H).

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 on Schedule C.

- c. For employees that performed a Medicaid administrative function allocable to the MSP (personnel reported on Exhibit 5C) 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 provider that documents the employee performing the Medicaid 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 Medicaid 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.

5. For each employee selected in conjunction with step 2 that worked on federal program activities in addition to the MSP, obtain support detailing the fund allocation for the cost reporting period. For these employees perform the following steps:
 - Inspect the payroll allocation support and recalculate the percentage funded with federal grants and agree to percentage presented on Exhibit 7.

- 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 45 CFR 75.413 and 75.414.
- 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, “%age funded with federal grant.”
- 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 “%age funded with federal grant” column.
- If direct time is identified or an adjustment is made to the “%age Funded with Federal Grant” column, verify the appropriate portion of fringe benefit costs are included under column “Eligible Salary and Fringe.”

Proposed cost adjustment amounts should be documented using Schedule C.

6. Confirm that the Indirect Cost Rate reported on Exhibit 2 of the cost report agrees with ODE’s Indirect Cost Rate Letter.

If the ICR does not agree with ODE’s letter, prepare a proposed cost adjustment using Schedule C.

PAID CLAIMS PROCEDURES

1. Using the list of paid claims obtained from the provider 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.
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 claims selected in step 1, obtain from the provider the students' attendance records, multi-factored evaluation, identification of necessary services, documentation of service provided, Individualized Education Program (IEP) which includes a plan of care, and parental consent form. Evaluation Team Reports (ETRs) for pre-authorized IEP services are allowable once a year as per OAC 5160-35-04(B). Using the information obtained, perform the following for each claim selected:
 - a. Verify the service identified on the paid claim is identified within the student's plan of care as required by OAC 5160-35-05(G)(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 5160-35-05(G)(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 5160-35-05(H)(3), (H)(5) for medical services or 5160-35-06 (E)(3) for 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 5160-35-04(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 5160-35-04(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 5160-35-05 by obtaining a copy of the practitioner's profession license. If the practitioner did not hold a professional 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 5160-35-05 or 5160-35-06 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 5160-35-05 (H)(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 5160-35-04(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 5160-35-04(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 provider'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.
- m. Verify a parental consent form is on file for the student identified on the paid claim. If a parental consent form could not be obtained, prepare a proposed cost adjustment for the claim amount using Schedule P.
- n. Complete the attached Claims Adjustment Chart.

FIXED ASSETS

1. Obtain from the provider 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 Exhibits 5A, under the "Allowable Medical Equipment and Supplies" section, respectively.

Notwithstanding variances due to rounding, if depreciation expense reflected on the schedules are less than the amount identified on Exhibit 5A, 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 reporting period
- Location of the asset
- Donated value, if applicable

3. 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 provider'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 provider 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, 2013 Edition.

If the assigned useful life of the fixed asset is less than the useful live identified in the AHA's "Estimated Useful Lives of Depreciable Hospital Assets" guide, 2013 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 provider 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 unless the provider demonstrates a reasonable deviation from the 10% salvage value.

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

If the provider 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 provider 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 provider 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 provider 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.

- 4. **Deletions/Retirements (e.g., fixed assets no longer in use by the provider):** Obtain from the provider 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 reporting 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 Exhibits 5A, recalculate the actual amount and prepare a proposed cost adjustment to remove the variance from the cost report using Schedule C.

5. **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 provider used the straight line method in calculating depreciation.

If the provider 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.

6. Verify the depreciation expense identified on Exhibit 5A of the cost report is allowable under the provisions of the cost report instructions and CMS Publication 15-1, Chapter 1, 45 CFR 75, 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 Schedule C.

STATISTICS

Random Moment Time Study (RMTS):

1. Obtain from the provider, a schedule/report that identifies employees who completed a RMTS during the cost reporting 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 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 a RMTS during the cost reporting period, whichever is less. 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 recommended by the appropriate certified professional as required by OAC Section 5160-35-05.

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

IEP Student Utilization Ratios:

1. Obtain from the provider a schedule that identifies the total number of students who have an IEP.
2. Verify the number of students identified on Exhibit 3 of the cost report agree with the Medicaid Eligibility Rates Schedule by IRN provided by the Ohio Department of Education for the applicable cost reporting period, under the “Total Number of IEP Students” category.

If the number of students identified 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 schedule to the total number of students identified on Exhibit 3 under “Total Number of IEP Students.”

3. Compare the amounts identified on the Exhibit 3 under the categories of “Total Number of IEP ‘Regular’ Medicaid Eligible Students” and “Total Number of IEP ‘SCHIP’ Medicaid Eligible Students” and “Total Number of IEP ‘ACA Expansion’ Medicaid Eligible Students” to information obtained from the Ohio Department of Education (ODE).

If the number of students identified by ODE differs from the cost report figures, 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 number of students identified by ODE agrees to the number of students identified on Exhibit 3 under “Total Number of IEP ‘Regular’ Medicaid Eligible Students” and “Total Number of IEP ‘SCHIP’ Medicaid Eligible Students” and “Total Number of IEP ‘ACA Expansion’ Medicaid Eligible Students.”

Administrative Claiming Allocation Statistics:

1. Compare the amounts identified on Exhibit 3 under “Total Number of Students: Medicaid Eligible” and “Total All Students” to information obtained from the Ohio Department of Education.

If the number of students identified by ODE differs from the cost report figures, 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 number of students identified by ODE corresponds to the number of students identified on Exhibit 3 under the “Total Number of Students: Medicaid Eligible” and “Total All Students” categories.

Transportation Statistics:

1. Obtain the paid claims listing for transportation from the provider. Confirm that the provider has paid claims for transportation during the cost reporting period.

If the provider does not have paid claims for transportation, the following steps are not applicable as reimbursement for transportation is based on the number of paid claim trips.

2. Confirm that the special education transportation rate identified on Exhibit 3 of the cost report agrees with the rate provided by ODE for the applicable cost reporting period. If a variance exists, prepare an adjustment to make the special education rate match ODE’s rate. The proposed adjustment should be documented on Schedule S.
3. Confirm paid claims for allowable trips agree with “Number of Paid Claim Trips” reported on Exhibit 3 of the cost report. If a variance exists, report and prepare an adjustment using Schedule S.
4. Randomly select the lesser of 10% or 40 paid claims from the claims recorded in step 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)
5. Using the claims selected in step 3, confirm eligibility to receive transportation for the following components:
 - a) Obtain the IEP(s) in effect for the student during the cost reporting period.

- b) Verify the service date on the transportation claim was subsequent to the effective date and/or authorization date of the student's IEP(s). If the service date was not subsequent to the effective date, prepare a proposed cost adjustment for the claim amount and denote the student's IEP effective date for transportation on Schedule P and remove the associated trip(s) from Schedule S.
- c) Verify transportation is indicated within the student's IEP. If transportation was not indicated within the student's IEP, prepare a proposed cost adjustment for the claim amount using Schedule P and remove the associated trip(s) from Schedule S.
- d) Verify claim is for the purpose of traveling to/from the provider to receive a medically necessary service allowable under OAC 5160-35-05. If the claim was not for the purpose of traveling to/from the provider to receive an allowable service, prepare a proposed cost adjustment for the claim amount using Schedule P and remove the associated trip(s) from Schedule S.
- e) Verify conveyance is a specially adapted vehicle that accommodates the specific needs of eligible students as required by OAC 5160-35-06 (B)(1)(a). If the claim is not for a specialized vehicle, prepare a proposed cost adjustment for the claim amount using Schedule P and remove the associated trip(s) from Schedule S.
- f) Verify claim is paid in accordance with the rate established in Appendix A to rule 5160-35-04. If the claim was not in accordance with the established rate, prepare a proposed cost adjustment for the claim amount using Schedule P and remove the associated trip(s) from Schedule S.
- g) Complete the attached Claims Adjustment Chart.

PROCUREMENT

1. If not specifically identified on Exhibits 5A and 5B, obtain from the provider a schedule or listing that identifies all procurements of goods or services by vendor (reported on Exhibit 8), 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 and 5B by cost category, under column "Purchased Services."

Notwithstanding variances due to rounding, if contract expenditures reflected on the schedule or listing are less than the amounts identified on Exhibits 5A and 5B, 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 provider whether any of the procurement agreements are based on a contingency arrangement.

For the purposes of this section, the following definition applies:

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.

For all contracts or procurement agreements in which payment was based on a contingency 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 provider, the MSP agency's threshold for formal procurement of goods or services (e.g., competitive bidding, sealed bids).

Identify the total number of procurements that exceed the lesser of the simplified acquisition threshold of \$150,000, as described in Appendix II(A) to Part 75 – Contract Provisions for Non-Federal Entities Contracts Under Federal Awards, or the provider's formal procurement threshold by vendor. For procurements that do not meet the above threshold, perform the non-payroll disbursement procedures.

4. 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.
5. 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 75.327(i).

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.

Document whether written explanation verifies compliance with above requirement. If written explanation does not indicate that the requirement was met, prepare a proposed cost adjustment using Schedule C.

- b. The procurements provided for full and open competition as described in 45 CFR 75.328(a).

If the procurement was not awarded through full and open competition, verify whether the provider designated the vendor to be a sole source contractor and/or, verify the vendor has been organized to provide common goods and services to other like governments, i.e. schools, to foster greater economies and efficiencies for the like governments through intergovernmental agreements as permitted in 45 CFR 75.327(e).

If the procurement with the vendor wasn't awarded through full and open competition or, the vendor wasn't organized to provide shared services through intergovernmental agreement, e.g. Educational Service Centers, then perform steps (c) through (g) below.

If the procurement with the vendor was awarded through full and open competition or, the vendor was organized to provide shared services through an intergovernmental agreement then perform steps (e) through (g) below.

- c. In cases where competition was limited, verify that documentation exists to support the rationale to limit competition as described 45 CFR 75.329(f).

If required documentation does not exist, prepare a proposed cost adjustment for all contract payments using Schedule C.

- 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 45 CFR 75.332(a).

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.

Document whether written explanation verifies compliance with above requirement. If written explanation does not indicate that the requirement was met, prepare a proposed cost adjustment using Schedule C.

- 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.

Document whether written explanation verifies compliance with above requirement. If written explanation does not indicate that the requirement was met, prepare a proposed cost adjustment using Schedule C.

- f. The contract includes a clause that allows the representatives of the U.S. Department of Human Services, ODM, 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.

Document whether written explanation verifies compliance with above requirement. If written explanation does not indicate that the requirement was met, prepare a proposed cost adjustment using Schedule C.

- 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.

Document whether written explanation verifies compliance with above requirement. If written explanation does not indicate that the requirement was met, prepare a proposed cost adjustment using Schedule C.

6. For procurements, excluding those awarded through shared service agreements, that relate to the provision of medical services, verify the contract includes the following:
 - a. "Service providers are qualified practitioners as required within OAC 5160-35-05."
 - b. Procedures for assessment or reassessment of the covered population, if they are to be performed by the contractor.
 - c. Services to be provided by contracted therapists are service types identified within OAC section 5160-35-05 or 5160-35-06 as being allowable to MSP.
 - d. 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.

7. For procurements awarded through shared service agreements, that relate to the provision of medical services, verify the contract includes the following:
 - a. Service providers are qualified practitioners as required within OAC 5160-35-05.
 - b. Services to be provided by contracted practitioners are service types identified within OAC section 5160-35-05 or 5160-35-06 as being allowable to MSP.
 - c. The estimated amount the provider has agreed to pay the vendor for the contracted services.
 - d. The contract is signed by the provider and the vendor.

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 10, select 3 individual disbursements, check, EFT, or deduction, 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, check date, or deduction date
- Invoice amount

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

- a. The invoice amount agrees to the disbursement amount (check, EFT, or deduction). If the disbursement amount is related to shared services, i.e. Educational Service Center, and the contract is based on an estimated amount that is paid through periodic deductions or payments, agree the amount charged for the disbursement reviewed to the contract.

If the amount of the check, EFT, or deduction is in excess of the invoice amount, prepare a proposed cost adjustment to remove the variance from the cost report. For disbursements related to shared services, as described above, if the amount of the disbursement is in excess of the expected amount based on the terms of the contract and the excess cannot be explained by the provider, prepare a proposed cost adjustment to remove the variance from the cost report. The proposed cost adjustment should be documented on Schedule C.

If the provider is unable to supply an invoice or billing statement or proof of a cash disbursement (e.g., check, EFT, or deduction), 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 is related to shared services, i.e. Educational Service Center, and the contract is based on an estimated amount that is paid through periodic deductions or payments, agree the amount charged, for the disbursement reviewed, to the contract.

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. For disbursements related to shared services, as described above, if the amount of the disbursement is in excess of the expected amount based on the terms of the contract and the excess cannot be explained by the provider, prepare a proposed cost adjustment to remove the variance from 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 5160-35-05 and 5160-35-06 (e.g., mental health services, nursing, etc.). If the disbursement amount is related to shared services, review the contract to determine if it includes general service types outlined within OAC 5160-35-05 and 5160-35-06.

If the service is not allowable as described on the detailed invoice or within the shared services contract, 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 11, select 10 students or 10% of the total number of students from the invoices related to medical services, whichever is less. If the payment selected is related to shared services, i.e. Educational Service Center, and student listings are not provided, obtain a listing of students served from the provider and select 10 students or 10% of the total number of students from the listing related to medical services, whichever is less. For each student selected, obtain from the provider the students' IEP which includes a plan of care and/or the ETR if scope is provided according to OAC 5160-35-04 (B)(1) and (B)(2). Using the information, verify the service(s) provided to the students is reflected in the student's plan of care as required by OAC 5160-35-05(G)(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 provider a schedule of expenditures by the following cost categories as identified on Exhibit 5A and 5B:

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

The schedule should identify by cost category, expenditures by vendor (reported on Exhibit 8), 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 and 5B, column "Expenditure Amount."

Notwithstanding variances due to rounding, if expenditures reflected on the schedule are less than the amounts identified on Exhibit 5A and 5B 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 and 5B, 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 the simplified acquisition threshold, \$150,000, or the 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/Deduction Amount
- Check/EFT/Deduction date
- Payment disbursement date, if different than check/EFT/Deduction 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 45 CFR 75 Subpart E and/or OAC 5160-35-05 and 5160-35-06.

If the goods or services purchased are unallowable under the provisions of 45 CFR 75 and/or OAC 5160-35-05 and 5160-35-06, prepare a proposed cost adjustment using Schedule C to remove the total amount included on the cost report.

- c. Check, EFT or deduction amount reflected on the cost report agrees to the invoice amount. If the disbursement amount is related to shared services, i.e. Educational Service Center, and the contract is based on an estimated amount that is paid through periodic deductions or payments, agree the amount charged for the disbursement reviewed to the contract.

If the amount of the disbursement is in excess of the invoice amount or expected amount based on terms of the contract and the excess cannot be explained by the provider, prepare a proposed cost adjustment to remove the variance from the cost report using Schedule C.

If the provider is unable to supply an invoice and proof of a cash disbursement (e.g., check, EFT, or deduction), 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 as prescribed by small purchase procedures described in 45 CFR 75.329(b). (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 agency did not obtain price or rate quotes, as prescribed above, determine if the procurement is consistent with methods identified in:

- 45 CFR 75.329(a) – micro-purchase limit
- 45 CFR 75.329(f) – non-competitive proposals
- 45 CFR 75.327(e) – shared service agreements

If the cost of a good or service was obtained through procedures described in 45 CFR 75.329(b), price quotes were obtained, and the selected provider 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 did not document the method of procurement, include the total cost of the

good or service and any explanation from management in the agreed-upon procedures report.

Document whether written explanation verifies compliance with above requirement. If written explanation does not indicate that the requirement was met, prepare a proposed cost adjustment using Schedule C.

- f. The good or service purchased was medically necessary by obtaining, from the provider, 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 and/or the ETR if scope is provided according to OAC 5160-35-04 (B)(1) and (B)(2). (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, 2013 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.

CLAIMS ADJUSTMENT CHART

Claims Adjustment Chart			
Provider:		Provider Number:	
Schedule	Number of Claims Tested	Number of Adjustments	Percentage of Adjustments
P			
P - Transportation Claims			