Cost Report Desk Review Procedures for the Consolidated Waiver Program

Commonwealth of Pennsylvania
Office of Developmental Programs

Year 9 Desk Review Procedures for Cost Reports ending June 30, 2016

MPI #:	Provider Name:
Cost Report # 1 of 1	
Name of person completing desk review procedures:	Date:
AE:	Date:

Overview

The Administrative Entities (AEs) are responsible for performing the desk review of the Cost Report submissions. ODP Regional Fiscal Office staff will provide oversight for the desk review process to support consistency across all desk reviews.

If the Cost Report submitted by a provider passes the desk review conducted by the AE, the AE will indicate the acceptance in the Desk Review website and will notify ODP Regional Fiscal Office staff. ODP will then notify the provider that their Cost Report submission has been approved. The provider's Cost Report data will be sent to the rate-setting database where the historical experience data will be considered as part of the rate development process. In the event that the Cost Report submitted by a provider does not pass the desk review, the Cost Report data for that provider will not be approved or used in rate setting.

If the Cost Report submission fails any of the desk review procedures, the AEs will notify providers of the items that need to be corrected and will request a Cost Report resubmission. Providers with a Cost Report that has been identified for resubmission will need to start at the beginning of the process (i.e., the Cost Report resubmission must first make it through the real-time edits). The Desk Review website will maintain documentation on the status of the Cost Report, allowing users to determine if the Cost Report has passed the desk review or has failed the desk review and is pending resubmission.

To facilitate the desk review process, ODP issues a mapping of AEs to providers (via Master Provider Index [MPI]) to identify the MPIs that each AE is responsible for reviewing. Each AE will be provided with one user name and password to access the Desk Review website. The AE can share this information internally with all fiscal staff performing desk reviews. Using this information, the AE will be able to log in to the Desk Review website and download the Cost Reports and supporting financial documents specific to their assigned MPIs. For security purposes, AEs will only have access to Cost Report data for their assigned MPIs. AEs can begin monitoring the website in late October and start performing desk reviews of any uploaded Cost Reports. Please note, some providers will be testing the upload submission process so AEs will want to ensure submissions are finalized if beginning the desk review before October 28, 2016. Any Cost Reports that do not pass the real-time edits will not be uploaded.

ODP anticipates a very high volume of Cost Report uploads will occur during the last two weeks of October. Therefore, prior to the Cost Report submission deadline of October 27, 2016, AEs are encouraged to log in to the Desk Review website on a daily basis to check the files that have been uploaded for their assigned MPIs. After October 27, 2016, AEs will begin receiving email notifications each time one of their assigned MPIs uploads a file. This system feature will alert AEs when resubmissions have been submitted and assist AEs in watching for audited financial statement submissions through March 2017.

Upon downloading the Cost Report and supplemental schedules, the AEs will perform a standardized set of Year 9 desk review procedures, which are included in subsequent sections of this document.

Documentation

Comprehensive and readily accessible documentation records are crucial to support ODP in responding to provider inquiries. To that end, ODP will require the AE staff to maintain detailed documentation records of all email and telephone communications with providers. To facilitate the documentation process, ODP has established a Connect website that AEs and ODP staff can access. The Connect website will allow each AE to access a folder and upload documentation for each of their assigned MPIs. Items AEs must maintain include the

completed desk review procedures, all email correspondence between the AE and provider and documentation of any telephone conversations using ODP's standard telephone documentation template.

In addition to the documentation the AE will maintain on the Connect website, ODP will also require the AE to update the status of each MPI's desk review results on the Desk Review website. The Desk Review website provides five status options:

- Failed hard edits
- Passed hard edits, pending desk review
- Desk review performed, failed desk review
- Desk review performed, passed desk review
- Does not require pass/fail decision

While the automated system will automatically assign the status associated with the first two bullets described above, the AE will be responsible for updating the status upon completion of the desk review (i.e., choosing the third or fourth status option to acknowledge pass or fail). For a Cost Report that does not require a Desk Review (e.g., provider test submission), the AE is responsible for updating the status using the fifth status option above. This function will enable system users to run reports by MPI to understand how the Cost Report submission and desk review phases are progressing.

General Instructions for Completing the Desk Review Procedures

A desk review needs to be completed for each Cost Report received. The desk review procedures provide necessary documentation of why the provider's Cost Report has been approved or rejected.

For each item on the desk review procedure, enter an "X" in the appropriate column:

- **Yes – Compliant** – If the provider has completed the item correctly
- **No – Not Compliant [Action Required]** – If the information is incorrect and the provider must correct or the provider indicates supporting information or explanation is not available (e.g., if the provider indicates that "waiver hours" are not available for Schedule D, this is considered not compliant)
- **No – Not Compliant [NO Action Needed – not material]** – If the information is incorrect, but the item is not material enough to necessitate a correction by the provider
- **N/A** – If the item does not apply to this provider

The **Comments Column** must be completed if you have placed an "X" in either of the "No – Not Compliant" columns. If [NO Action Needed – not material] is selected, the comment entered by the desk reviewer must identify the error and explain why it is immaterial. If [Action Required] is selected, the comment entered by the desk reviewer should identify the error **and** how to correct it.

Approved Cost Report

If the Cost Report submission is approved, the "Memorandum – Approval" should be completed and sent to ODP Regional Fiscal Office staff for formal notification to be sent to the provider. Enter the provider's MPI number, email address (as indicated on the Certification Page) and the date the memorandum is completed. The ODP Regional Fiscal Office staff will only send the "Memorandum – Approval" to the provider (as opposed to the entire desk review procedures). The AE is responsible for ensuring a copy of the desk review procedures, as well as the completed "Memorandum – Approval," are saved in the MPI-specific folder on the Connect site and that the disposition is updated on the ODP Desk Review website.

Resubmission of Cost Report Required

If the Cost Report is not approved, the "Memorandum – Resubmission Required" should be completed and sent to the provider (copying ODP Regional Fiscal Office staff and the Connect site) along with the completed desk review procedures. Enter the provider's MPI number, email address (as indicated on the Certification Page) and the date the memorandum is completed. Enter the desk review procedures reference number of all items that need to be corrected. For example, if findings are identified related to the desk review procedures questions 5, 12 and 17, indicate those in the "Memorandum – Resubmission Required" so that the provider knows which items need to be corrected. The comment for each of the unacceptable reference numbers in the desk review procedures should contain enough information for the provider to know how to correct the problem. The "Memorandum – Resubmission Required" and the entire desk review procedures need to be sent to the provider.

ODP requires that all initial desk reviews be completed and documented **on or before November 29, 2016**. All Cost Report resubmissions are due from providers by **December 8, 2016**. ODP requires that all resubmission desk reviews be completed on or before **January 3, 2017**.

If the resubmission fails the desk review, ODP Central Office will communicate to the provider that the Cost Report has failed the desk review process.

Memorandum – Resubmission Required

RE: **Cost Report Submission MPI #:** _____
Cost Report Number from Certification Page Line 13b: Cost Report 1 of 1
Provider Email Address indicated on Certification Page Line 3b: _____ ; **Line 4b:** _____
Date memorandum completed: _____
CC: [AE]@connectmail.mercer.com and ODP Regional Fiscal Office staff

Dear Provider,

Thank you for your submission of the Year 9 Cost Report covering the historical reporting period July 1, 2015 – June 30, 2016. The document referenced above has been received and reviewed. Findings were noted in the submitted document, as listed below. You must correct these findings and resubmit your Cost Report as soon as possible but no later than _____ (insert date no more than seven business days from the date of email to which this memorandum is attached).

A copy of the desk review findings and errors contained in your Cost Report is attached. The numeric references correspond to each desk review procedure identified in the document that requires review or resolution. If the procedure is not identified below, you do not need to address it in your resubmission.

The following desk review procedure reference number(s) require review and resolution: _____

As a reminder, if you have not included your audited financial statement (AFS) with your Cost Report submission, please submit it to the website when available (but no later than 9 months from the end of the reporting period). Recall that the AFS must include the required supplemental schedule specific to the Waiver LOB expenses and revenues for the FY 2015/2016 reporting period and the required supplemental schedule that reconciles the Cost Report Waiver expenses and revenues for the FY 2015/2016 reporting period, as reported in the Cost Report, to the Waiver LOB supplemental schedule of expenses and revenues identified in the audit (Section 2 of Cost Report Instructions). To the extent your AFS requires an adjustment to your Cost Report submission, the desk review procedures will need to be performed on the restated Cost Report.

Thank you for your prompt attention to this matter. If you have any questions, please contact your assigned AE at: _____.

General Procedures

#	Schedule: General Procedures **Procedure**	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
1.	Are comments noted for any schedules on the Comments Page or on supplemental schedules? Review the Comments Page and supplemental schedules. Using the comments column of this procedure, note each schedule that has a corresponding comment (e.g., A, B, D, D-1, etc.). Prior to review of each schedule, reference any applicable comments and supplemental schedules. Is there a comment on the Comments Page alerting the reviewer that information has been provided on the Provider Use Page? *Note: Providers are allowed to use the Provider Use Page to supply relevant information to be reviewed. In such cases, a comment must be made on the Comments Page to alert the reviewer that information has been provided on the Provider Use Page. The comment must be made in the section of the applicable schedule(s) that clearly states that additional information has been input into the Provider Use Page and that the provider requests the information be considered as part of the Cost Report submission. Any supporting information reported on the Provider Use Page must be clearly reported and formatted appropriately for ease of review.* *Note: If there are no comments recorded on the Comments Page and there are no supplemental schedules submitted, this item should be answered N/A.*					

Certification Page

#	Certification Page Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
2.	Has the provider submitted one cost report that only includes residential service locations? Has the provider named the cost report file appropriately (e.g. 123456789_CR_2016_01of01.xlsx)? *Note: Providers can only submit one cost report per MPI.* *Note: Please use the Desk Review Procedures Excel Tool for this check. You will also need to use the PROMISe data file posted to your Connect site.*					
3.	Is the count of service locations for each MPI reported on the Cost Report (Line 11d) equal to the count of service locations on the Certification Page – Provider Service Location schedule for that MPI (Column B)? *Note: Please use the Desk Review Procedures Excel Tool for this check.*					

Certification Page – Provider Service Locations

#	Certification Page – Provider Service Locations **Procedure**	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
4.	Check that the MPI-service location code combinations (Columns A and B) are not duplicated. If any MPI-service location code combinations are duplicated, the Cost Report is not compliant and action is needed. *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
5.	Are the begin dates of service in Column E between 7/1/2015 and 6/30/2016? *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
6.	If end date of service is populated in Column F, is the date between 7/1/2015 and 6/30/2016? *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
7.	Are all MPIs and Service Location Codes valid (i.e., there are no alpha characters in the MPI or Service Location Code columns)?					
8.	Is the sum of the Waiver Census and Vacancies (Columns H and I) less than or equal to the size of the home indicated by the procedure code in Column G?					

Certification Page – Service Selection

#	Certification Page – Service Selection Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
9.	Has at least one procedure code been selected/checked? *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
10.	If Line 71 Fee Schedule Services/ Department-Established Fee/ Outcomes-based Services is checked, are expenses reported in Schedule A, Column D? Alternatively, if expenses have been reported in Schedule A, Column D, did the provider check the Fee Schedule Services/Department-established Fee/ Outcomes-based Services box (Line 71) on this schedule? *Line 71 should only be checked in cases where the provider delivers fee schedule, department-established fee or outcomes-based services at residential eligible service locations. Similarly, expenses should only be reported in Schedule A, Column D if the provider delivers fee schedule, department-established fee or outcomes-based services at residential eligible service locations. For example, if a provider delivers supplemental habilitation at one of their residential eligible service locations, then Line 71 should be checked and expenses should be reported in Column D of Schedule A. If a provider delivers transitional work services at a non-residential service location, then Line 71 should not be checked and expenses should be reported in Column B of Schedule A.* *Note: Please use the Desk Review Procedures Excel Tool for this check. Also, Desk Review Procedure (#83) checks that providers who rendered supplemental habilitation or additional individualized staffing during FY 2015/2016 reported expenses in Schedule A, Column D.*					

Schedule A: Expense Report

Schedule A, Column F is auto populated by the supporting schedules in the Cost Report. Schedule A is a critical component of the Cost Report as the data reflected in Schedule A will be used directly in the development of provider-specific rates for the services and locations included in the Cost Report.

#	Schedule A: Expense Report Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
11.	If there are no dollars in Excluded Non-allowable Waiver Expenses (Schedule A, Column E), has the provider confirmed this with a statement on the Comments Page? If there are no dollars in Excluded Non-allowable Waiver Expenses and no statement was made, follow-up with the provider is required. *Per the guidance set forth in the CRI, if the provider determined that none of their expenses met the definition of "non-allowable", then they were required to confirm with a statement on the Comments Page.* *Examples of non-allowable Waiver expenses include, but are not limited to, items such as bad debt, fines and penalties, fundraising expenses, entertainment/recreation expenses for participants and provider staff, goodwill and retained earnings.* *A more comprehensive list of non-allowable Waiver expenses is located in Section 8 of the CRI.*					
12a.	Are the calculated costs per unit of service available in Line 22 reasonable for the service? *Note: Please see Appendix A of this document for reasonable ranges by procedure code. If the unit cost for a given procedure code falls outside the range shown in Appendix A, request the provider confirm their expenses and units are reported correctly and have them provide support for the driving factors behind the low or high unit cost value (e.g., one individual in the home has very high needs).* *Procedure codes that do not appear in Appendix A do not need to be checked and will automatically be passed by the Excel tool.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					

#	Schedule A: Expense Report Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
12b.	Are the calculated costs per Home and Community Services Information System (HCSIS) unit authorized in Line 20 reasonable for the service? *Note: Please see Appendix A of this document for reasonable ranges by procedure code. If the unit cost for a given procedure code falls outside the range shown in Appendix A, request the provider confirm their expenses and units are reported correctly and have them provide support for the driving factors behind the low or high unit cost value (e.g., one individual in the home has very high needs).* *Procedure codes that do not appear in Appendix A do not need to be checked and will automatically be passed by the Excel tool.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
13.	If there are multiple residential services provided, does the relationship between the unit costs and the home-size make sense (for both the cost per unit available and the cost per HCSIS unit authorized)? *For example, an eligible rate for a three-individual home should generally be lower than the eligible rate for a two-individual home for a similar service. If not, has the provider included a comment on the Comments Page to explain the relationship? If not, ask for an explanation why the reported relationship is correct. If the relationship is not correct, the provider may need to re-allocate costs more appropriately or correct the units.*					

Schedule B: Income Statement

#	Schedule B: Income Statement Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
14.	Is the amount reported in Line 8 Other income less than 5% of Total Revenue reported in Line 12 for each column? If not, has a supplemental schedule been submitted and are the revenues in the supplemental schedule reasonable? *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
15.	If Investment Income is entered in Column A, Line 7, is a portion allocated to Column B, Line 7 for Waiver? *If no portion of investment income is allocated to Column B, Line 7 and investment income is entered in Column A, Line 7, then an explanation must be requested from the provider as to why no investment income has been allocated to the Waiver program.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
16.	If Non-Restricted/Appropriated contributions are entered in Column A, Line 9a or Lines 10a through 10c, has the provider allocated contribution revenue to the Waiver in Columns B or C? *If no allocation to the Waiver has been made, an explanation must be requested from the provider as to why no allocations to the Waiver were made.* *Please note that this procedure does not apply to Restricted/Appropriated contributions.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
17.	If Government Grants are entered in Column A, Lines 11a through 11c, has the provider allocated grant revenue to the Waiver in Columns B or C? *If no allocation to the Waiver has been made, an explanation must be requested from the provider as to why no allocations to the Waiver were made.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					

#	Schedule B: Income Statement Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
18.	Are all line item values in Column B less than or equal to the corresponding line item value in Column A? *Please note there may be a few provider situations where the reported data does not pass this procedure (e.g., situations where a provider has negative revenues on Line 8) but could still be appropriate. If the reporting fails the procedure, the AE should review the situation carefully to determine if passing the procedure is warranted.*					
19.	Are all line item values in Column C less than or equal to the corresponding line item value in Column B? *Please note there may be a few provider situations where the reported data does not pass this procedure (e.g., situations where a provider has negative revenues on Line 8) but could still be appropriate. If the reporting fails the procedure, the AE should review the situation carefully to determine if passing the procedure is warranted.*					
20.	If there are negative revenues reported, is there sufficient documentation (either in the comments tab or supplemental schedules) for the reviewer to understand the reason? If not, clarification should be requested. *Revenue/contribution amounts should generally be entered as a positive number. In certain situations, the amount may be a negative value. For example, the Other Revenue line of Schedule B, Line 8 may be negative if it represents a significant loss on the sale of a fixed asset.*					

Schedules D through D-3: Staff Expenses

The purpose of Schedules D, D-1, D-2 and D-3 is: (1) to collect salary, wage and ERE costs related to different types of Waiver staff including direct care, other program, contracted and administrative staff and (2) to collect staff hours for tasks related to Waiver services. Reported information should be specific to the Residential eligible service location codes included on the Certification Page — Provider Service Locations schedule.

Procedure 21 is meant to check for general completeness of information reported within the staff expense schedules.

The position column is used to identify each classification or job title of staff who worked for the provider by supporting the delivery of Residential eligible services. More than one staff member of the same classification or job title may be reported on the same line if they are paid a similar wage (i.e., it is not necessary to list each employee separately). Some lines of the Cost Report template contained pre-populated examples of staff positions and credentials for the provider to use if applicable. These staff position descriptions and credentials are to be overwritten as necessary. The credentials field may be left blank if the position does not require credentials, licensure or a degree. Ensure that position descriptions are provided for each line that is populated and that descriptions do not include any type of employee identifying information (e.g., name, social security number, etc.).

Expenses for PTO and accrued PTO should not be separately itemized on any particular line within this schedule. Instead, these expenses should be included with the salary/wages expenses reported for each position.

Recall that for Schedule D-2 Contracted Staff Expenses, the ERE column is not included in this schedule because providers generally do not make contract payments for ERE and benefits for contracted staff are considered a non-allowable expense.

Also for Schedule D-2 Contracted Staff Expenses, there is a table specific to FLH stipends. If a provider does not deliver FLH services, then this table should be left blank. For providers who deliver FLH services, more than one FLH arrangement may be reported on the same line if they represent similar arrangements by procedure code (e.g., all adult one-individual homes on the same line, all child one-individual homes on a different line, all unlicensed one-individual homes on a different line, etc.).

#	Schedule D through D-3: Staff Expenses **Procedure**	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
21.	Have all columns within Schedules D, D-1, D-2, and/or D-3 been completed for each position entered? *Note: The credentials field may be left blank if the position does not require credentials, licensure or a degree.*					

Schedule D: Program Direct Care Staff Expenses

#	Schedule D: Program Direct Care Staff Expenses Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
22.	For program direct care staff, do the descriptions provide enough information for the reviewer to understand the nature of the position? *Note: If the provider indicates "Other" as a position description with no other identifying information, this is not acceptable. All positions should have a description. It is acceptable to combine like positions on one row.*					
23.	Based on the type of provider and the residential eligible services rendered, are appropriate and reasonable staff positions reported on this schedule? *For example, do the positions listed by the provider appear to be direct staff type positions that support the delivery of residential services (e.g., direct care worker, residential counselor, etc.)? If the provider delivers family living home (FLH) services and reported costs on Schedule D-2, did they include a position labeled "Relief for Host Family" on Schedule D?*					
24.	Columns B, C, and D: For each position listed, does the proportion of Waiver Employee-Related Expenses (Columns C and D) to Waiver Salary and Wages (Column B) seem reasonable? *A reasonable range of ERE as a percent of total compensation expenses (Column B plus Columns C and D) is 6% to 35%.* *Note: If the proportion of Waiver Employee-Related Expenses falls out of the reasonable range of 6% to 35%, the schedule is not compliant and the provider must provide an explanation. This applies to both individual positions and where applicable, the total compensation expenses from any supporting schedules containing compensation expenses for multiple positions. If a reasonable explanation is provided for ERE that falls outside the range of 6% to 35%, then the schedule is compliant for this procedure.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					

#	Schedule D: Program Direct Care Staff Expenses Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
25.	Column F: Does the Estimated Hourly Compensation seem reasonable for the staffing positions? *For example, are the hourly wages higher for more skilled positions such as those with credentials or higher education degrees?*					
26.	Column F: Do hourly amounts for all positions meet or exceed minimum wage ($7.25/hour)? *Note: Please use the Desk Review Procedures Excel Tool for this check.*					

Schedule D-1: Other Program Staff Expenses

#	Schedule D-1: Other Program Staff Expenses Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
27.	For other program staff, do the descriptions provide enough information for the reviewer to understand the nature of the position? *Note: If the provider indicates "Other" as a position description, with no other identifying information, this is not acceptable. All positions should have a description. It is acceptable to combine like positions on one row.*					
28.	Based on the type of provider and the residential services rendered, are appropriate and reasonable staff positions reported on this schedule? *For example, do the positions listed by the provider appear to be other program staff type positions that are supporting the delivery of residential services (e.g., program coordinator, program specialist, etc.)?*					
29.	Columns B, C and D: For each position listed, does the proportion of Waiver Employee-Related Expenses (Columns C and D) to Waiver Salary and Wages (Column B) seem reasonable? *A reasonable range of ERE as a percent of total compensation expenses (Column B plus Columns C and D) is 6% to 35%.* *Note: If the proportion of Waiver Employee-Related Expenses falls out of the reasonable range of 6% to 35%, the schedule is not compliant and the provider must provide an explanation. This applies to both individual positions and where applicable, the total compensation expenses from any supporting schedules containing compensation expenses for multiple positions. If a reasonable explanation is provided for ERE that falls outside the range of 6% to 35%, then the schedule is compliant for this procedure.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					

#	Schedule D-1: Other Program Staff Expenses Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
30.	Column F: Does the Estimated Hourly Compensation seem reasonable for the staffing positions? *For example, are the hourly wages higher for more skilled positions such as a program director?*					
31.	Column F: Do hourly amounts for all positions meet or exceed minimum wage ($7.25/hour)? *Note: Please use the Desk Review Procedures Excel Tool for this check.*					

Schedule D-2: Contracted Staff Expenses

#	Schedule D-2: Contracted Staff Expenses Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
32.	For contracted staff, do the descriptions provide enough information for the reviewer to understand the nature of the position? *Note: If the provider indicates "Other" as a position description, with no other identifying information, this is not acceptable. All positions should have a description. It is acceptable to combine like positions on one row.*					
33.	Are appropriate and reasonable staff positions for rendering/supporting residential eligible services reported on this schedule? *For example, do the positions listed by the provider appear to be contracted staff type positions (e.g., direct care worker)? Recall that contracted staff can perform a range of functions including direct care and administrative tasks.*					
34.	Column D: Does the Estimated Hourly Compensation seem reasonable for the staffing positions? *For example, are the hourly wages higher for more skilled positions such as a nurse or program specialist?* *Where comparisons are possible, does the hourly compensation for contracted staff vary greatly from direct care or other program staff of similar credentials or qualifications?*					

#	Schedule D-2: Contracted Staff Expenses Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
35.	Family Living Home (FLH) Stipends: If costs are reported in Column E, have the costs from Column E been allocated to only Family Living Home procedure codes on Schedule A, Line 5? *Note: Per the CRI, more than one FLH arrangement may be reported on the same line if they represent similar arrangements (e.g., all adult one-individual homes on the same line, all child one-individual homes on a different line, etc.). It is not necessary for the provider to list each FLH arrangement separately.* *Note: Refer to Section 8 of the CRI for more detail regarding FLH stipends.*					

Schedule D-3: Administrative Staff Expenses

#	Schedule D-3: Administrative Staff Expenses Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
36.	For administrative staff, do the descriptions provide enough information for the reviewer to understand the nature of the position? *Note: If the provider indicates "Other" as a position description, with no other identifying information, this is not acceptable. All positions should have a description. It is acceptable to combine like positions on one row.*					
37.	Based on the type of provider and the type of services rendered, are appropriate and reasonable staff positions reported on this schedule? *For example, do the positions listed by the provider appear to be administrative staff type positions (e.g., CEO, CFO, accountant, fiscal officer, desk clerk, etc.)?* *As another example, a provider that only renders residential services and has a Waiver census of 1 would not be expected to need a CEO, CFO and accountant.*					
38.	Columns A, B and C: For each position listed, does the proportion of Waiver Employee-Related Expenses (Columns B and C) to Waiver Salary and Wages (Column A) seem reasonable? *A reasonable range of ERE as a percent of total compensation expenses (Column A plus Columns B and C) is 6% to 35%.* *Note: If the proportion of Waiver Employee-Related Expenses falls out of the reasonable range of 6% to 35%, the schedule is not compliant and the provider must provide an explanation. This applies to both individual positions and where applicable, the total compensation expenses from any supporting schedules containing compensation expenses for multiple positions. If a reasonable explanation is provided for ERE that falls outside the range of 6% to 35%, then the schedule is compliant for this procedure.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
39.	Intentionally Left Blank					

#	Schedule D-3: Administrative Staff Expenses **Procedure**	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
40.	Column E: Does the Estimated Hourly Compensation seem reasonable for the staffing positions? *For example, are the hourly wages higher for more skilled positions such as a CEO, CFO or accountant?*					
41.	Column E: Do hourly amounts for all positions meet or exceed minimum wage ($7.25/hour)? *Note: Please use the Desk Review Procedures Excel Tool for this check.*					

Schedules E through E-2: Provider Depreciation Expenses

The purpose of Schedules E, E-1 and E-2 is to collect information related to administrative assets, including depreciable buildings, additions, leasehold improvements, motor vehicles, and tangible and intangible assets. Participation (use) allowances are also included on these schedules. Schedules E, E-1 and E-2 should be completed at the total provider level, as well as for the Waiver Residential service location codes reported on the Certification Page — Provider Service Locations schedule.

Procedure 42 is meant to check for general completeness of information reported within the staff expense schedules.

Recall from the CRI:

- Assets that entirely support Non-residential and Residential ineligible services, as well as assets that entirely support non-Waiver LOBs, are not reported on Schedules E, E-1 or E 2. Rather, providers report depreciation expenses for these assets in the Total Provider column of Schedule A, as well as Column B or Column D of Schedule A based on the type of service location with which they are associated. The only assets reported on Schedules E, E-1 and E-2 are assets that are used for administrative purposes (e.g., administrative building, vehicles or equipment) for which an amount of the total expense is allocated to the Residential eligible services. Depreciation for US GAAP purposes and depreciation and use allowances (UAs) recognized in the Cost Report may differ. The provider may record differences in the depreciation methods in Schedule A, Column E, Excluded Non-Allowable Waiver Expenses. The reconciliation to the AFS should summarize any differences between US GAAP depreciation and Cost Report depreciation.
- Each asset is to be recorded separately on its own line. Alternatively, if more lines are needed, or if the provider prefers to use supporting schedules, they may combine like assets (e.g., all administrative buildings) into a single line. Next to the description of the asset, the provider should enter "See Attached Schedule" and report the total depreciation in Column F and the Waiver depreciation in Column G. As support for the single line, the provider should provide the full detail of each individual asset (e.g., each administrative building or each other motor vehicle) in the Comments Page or upload a supporting schedule and indicate this in the Comments Page. Supporting schedules must clearly agree to the amount entered on each line of Schedule E. In addition, supplemental schedules shall contain the same level of information for each asset as is required to complete columns A through G of this schedule.

#	Schedules E through E-2: Provider Depreciation Expenses Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
42.	Schedules E, E-1, & E-2 All Columns – General: For each asset listed, does the asset meet the criteria of an allowable expense and does data exist in each column (Columns A through G)? *Note: If provider combined several assets on one line, then at a minimum, Columns F and G in the cost report need to be completed with the full detail for each column and each asset provided in the supplemental schedule.* If the provider has attached a supplemental schedule: 1) Does the supplemental schedule include all information that would be reported in Columns A through G of Schedules E, E-1 and E-2? 2) Are the supplemental schedules clearly labeled and broken out into the subsections shown on Schedule E, E-1 and E-2 (e.g., Administrative buildings, additions, leaseholder improvements, etc.)? 3) Where applicable, do the supplemental schedules clearly agree with the amount entered on each line of Schedules E, E-1 and E-2? *Note: For each asset listed, if the depreciation method listed in Column D is UA, it is not required that expenses be present in Column C.*					

Schedule E: Depreciation and Amortization – Administrative Buildings

Prior to completing the desk review of the depreciation schedules, the AE should review Section 12 of the cost report instructions. There are three methods that will be tested throughout the depreciation schedules:

- Straight-line (SL) – In this method, the same amount is charged each month/year over the estimated useful life of the asset. Estimated useful lives will vary depending upon the asset, and may also vary depending upon whether the asset was acquired as new or used. The reviewer should be able to recalculate current year depreciation (Column F) by taking the original expense (Column B) and multiplying by the annual rate (Column E). There are exceptions for assets acquired during the year. See below for more detail.
- Grandfathered (GF) – This method applies to administrative buildings purchased prior to July 1, 2009 and allows the provider to continue to claim the principal and interest over the life of the loan. The reviewer will not be able to recalculate GF amounts since the loan terms (e.g., interest rate, etc.) are not in the Cost Report.
- Use Allowance/Participation Allowance (UA) – The term "use" and "participation" are used interchangeably. The participation allowance allows for an annual allowance of 2% of the original acquisition cost for fully depreciated buildings, fixed assets, and motor vehicles to be expensed in the Cost Report. Use allowances can only be taken for as long as the asset is in use. The reviewer should be able to recalculate current year use allowance (Column F) by taking the original expense (Column B) and multiplying by the annual rate (Column E).

Other items to note include:

- It is likely that assets will be acquired throughout the year. Depreciation shall be prorated by month. For example, if an asset is acquired 6 months into the year, one half, or 6 months of the annualized depreciation shall be recorded in the Cost Report. Alternatively, if a provider maintains a policy that is acceptable to their auditors and allows for depreciation by quarter, or annually, even if acquired later during the year, it is acceptable to continue that approach, provided such approach is applied consistently each year. The provider should note such policy in the Comments Page.
- Assets $5,000 and above should be capitalized. Assets below $5,000 should be expensed; however, if the reviewer notes assets below $5,000 that are being depreciated in their Cost Report, this is acceptable as long as the asset was not acquired on or after July 1, 2009.
- Assets may convert from one method (e.g., SL to UA) to another during the reporting period, but two methods cannot be used at the same time for the same asset. For example, an asset may become fully depreciated 6 months into the year. In this case, the provider would list the asset on a line and recognize depreciation for 6 months. Assuming the asset is still in use, the provider would then list the same asset on another line, but indicate UA for the second 6 months.
- For assets with GF selected in Column D, Column C will represent the principal and interest payments. This means that for GF only, Column C may exceed Column B, which is acceptable. The reviewer cannot recalculate previous year payments.
- If a provider has a significant number of capital assets, the reviewer could consider "spot checking" the supporting detail for the steps that follow. That is, recalculate every 5th item for example, rather than recalculating every line. If errors are noted, the reviewer should indicate which asset the error was noted on so that the provider can address it. If errors are noted, the reviewer should do a more comprehensive recalculation of depreciation.
- See CRI, Section 12 for additional information.

#	Schedule E: Depreciation and Amortization – Buildings Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
43a.	Column A: Are all acquisition dates prior to July 1, 2016?					
43b.	Has the address of the administrative building, in addition to the building name, been included on Lines 1 through 3, 5 through 7, 9 through 11 and 13 and 14? Do these seem appropriate based on the AE's knowledge of the provider?					
44.	Column C (SL selected in Column D): Multiply the original expense in Column B by the annual rate in Column E. Multiply the result by the number of years that have occurred from the acquisition date through June 30, 2015. For any asset purchased during the year, determine the portion of the year for which the calculated depreciation would apply. For example, if the asset was purchased in January, this would represent .5 (or half a year) of depreciation. Is the calculated depreciation within 2% of the amount reported in Column C for depreciation, prior years? If so, the reported depreciation is compliant. *Perform this step for each line in the Cost Report. If a supplemental schedule was submitted, perform this step for every few lines.* *If GF or UA is selected in Column D, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.* Is the amount in Column C less than or equal to the amount in Column B? *If GF or UA is selected in Column D, skip this step and enter N/A.*					
45.	Column D: If GF selected, is the month and year acquired prior to July 1, 2009? *If SL or UA is selected in Column D, skip this step and enter N/A.*					
46.	Column E: If GF selected, is Column E equal to 6.67% or less (e.g., 15 year loan or longer)? *If SL or UA is selected in Column D, skip this step and enter N/A.*					

#	Schedule E: Depreciation and Amortization – Buildings Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
47.	Column E: If SL selected, do annual rates seem reasonable? *If GF or UA is selected in Column D, skip this step and enter N/A.* *Note: Annual rates represent the estimated useful life of an asset. As an example, an annual rate of 10% represents an estimated useful life of 10 years. An annual rate of 3.33% represents an estimated useful life of 30 years. Estimated useful lives for most buildings are 30-40 years. Estimated useful lives for improvements generally range from 5-10 years. Leasehold improvements are generally depreciated over the life of the lease.* *Note: Please reference Appendix B of this document for this check. Appendix B contains a rate conversion table.*					
48.	Column E: If UA selected, are annual rates 2% or less? *If SL or GF is selected in Column D, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
49.	Column F (SL selected in Column D): Take the original expense in Column B and multiply by the annual rate in Column E. If the asset was purchased during the year, account for this as well. For example, if the asset was purchased in January, this would represent .5 (or half a year) of depreciation. Is the result of this calculation within 2% of the amount reported in Column F? *Perform this step for each line or every few lines, if a supplemental schedule.* *If GF or UA is selected in Column D, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					

#	Schedule E: Depreciation and Amortization – Buildings Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
50.	Column F (UA selected in Column D): Take the original expense in Column B and multiply by the annual rate in Column E. If the asset was purchased during the year, account for this as well. For example, if the asset was purchased in January, this would represent .5 (or half a year) of use allowance. Is the result of this calculation within 2% of the amount reported in Column F? *Perform this step for each line or every few lines, if a supplemental schedule.* *If GF or SL is selected in Column D, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
51.	Column G: Do the amounts allocated to the Waiver appear to be reasonable? *For administrative buildings, it is unlikely that 100% of the costs should be allocated to Column G. Since administrative buildings typically support all provider functions, only the portion of expenses associated with Residential eligible services should be allocated to Column G.* *For reference, the reviewer should note how the provider described allocations of depreciation in Schedule H.*					

Schedule E-1: Depreciation – Motor Vehicles

#	Schedule E-1: Depreciation – Motor Vehicles Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
52.	Column A: Are all acquisition dates prior to July 1, 2016?					
53.	Column C (SL selected in Column D): Multiply the original expense in Column B by the annual rate in Column E. Multiply the result by the number of years that have occurred from the acquisition date through June 30, 2015. For any asset purchased during the year, determine the portion of the year for which the calculated depreciation would apply. For example, if the asset was purchased in January, this would represent .5 (or half a year) of depreciation. Is the calculated depreciation within 2% of the amount reported in Column C for depreciation, prior years? If so, the reported depreciation is compliant. *Perform this step for each line or every few lines, if a supplemental schedule.* *If UA is selected in Column D, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.* Is the amount in Column C less than or equal to the amount in Column B? *If UA is selected in Column D, skip this step and enter N/A.*					
54.	Column E: If SL selected, do annual rates seem reasonable? *Note: Annual rates represent the estimated useful life of an asset. As an example, an annual rate of 20% represents an estimated useful life of 5 years. Estimated useful lives for most motor vehicles are 3-7 (or 14%-33% annual rate) years.* *If UA is selected in Column D, skip this step and enter N/A.* *Note: Please reference Appendix B of this document for this check. Appendix B contains a rate conversion table.*					

#	Schedule E-1: Depreciation – Motor Vehicles Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
55.	Column E: If UA selected, is the annual rate 2% or less? *If SL is selected in Column D, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
56.	Column F (SL selected in Column D): Take the original expense in Column B, and multiply by the annual rate in Column E. If the asset was purchased during the year, account for this as well. For example, if the asset was purchased in January, this would represent .5 (or half a year) of depreciation. Is the result of this calculation within 2% of the amount reported in Column F? *Perform this step for each line or every few lines, if a supplemental schedule.* *If UA is selected in Column D, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
57.	Column F (UA selected in Column D): Take the original expense in Column B, and multiply by the annual rate in Column E. If the asset was purchased during the year, account for this as well. For example, if the asset was purchased in January, this would represent .5 (or half a year) of use allowance. Is the result of this calculation within 2% of the amount reported in Column F? *Perform this step for each line or every few lines, if a supplemental schedule.* *If SL selected in Column D, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
58.	Column G: Do the amounts allocated to the Waiver appear to be reasonable? *The reviewer should note how the provider described allocations of depreciation in Schedule H.*					

Schedule E-2: Depreciation – Fixed Assets/Equipment

#	Schedule E-2: Depreciation – Fixed Assets/Equipment Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
59.	Column A: Are all acquisition dates prior to July 1, 2016?					
60.	Column C (SL selected in Column D): Multiply the original expense in Column B by the annual rate in Column E. Multiply the result by the number of years that have occurred from the acquisition date through June 30, 2015. For any asset purchased during the year, determine the portion of the year for which the calculated depreciation would apply. For example, if the asset was purchased in January, this would represent .5 (or half a year) of depreciation. Is the calculated depreciation within 2% of the amount reported in Column C for depreciation, prior years? If so, the reported depreciation is compliant. *Perform this step for each line or every few lines, if a supplemental schedule.* *If UA is selected in Column D, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.* Is the amount in Column C less than or equal to the amount in Column B? *If UA is selected in Column D, skip this step and enter N/A.*					
61.	Column E: If SL selected, do annual rates seem reasonable? *Note: Annual rates represent the estimated useful life of an asset. As an example, an annual rate of 10% represents an estimated useful life of 10 years. Estimated useful lives will vary for fixed assets. Estimated lives of 5-10 years should be representative of most equipment and fixed assets, but there may be instances that are above or below that range.* *If UA is selected in Column D, skip this step and enter N/A.* *Note: Please reference Appendix B of this document for this check. Appendix B contains a rate conversion table.*					

#	Schedule E-2: Depreciation – Fixed Assets/Equipment Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
62.	Column E: If UA selected, are annual rates 2% or less? *If SL is selected in Column D, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
63.	Column F (SL selected in Column D): Multiply the original expense in Column B by the annual rate in Column E. For any asset purchased during the year, determine the portion of the year for which the calculated depreciation would apply. For example, if the asset was purchased in January, this would represent .5 (or half a year) of depreciation. Is the calculated depreciation within 2% of the amount reported in Column F for depreciation? If so, the reported depreciation is compliant. *Perform this step for each line or every few lines, if a supplemental schedule.* *If UA selected in Column D, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
64.	Column F (UA selected in Column D): Multiply the original expense in Column B by the annual rate in Column E. For any asset purchased during the year, determine the portion of the year for which the calculated depreciation would apply. For example, if the asset was purchased in January, this would represent .5 (or half a year) of depreciation. Is the calculated depreciation within 2% of the amount reported in Column F for depreciation? If so, the reported depreciation is compliant. *Perform this step for each line or every few lines, if a supplemental schedule.* *If SL selected in Column D, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					

#	Schedule E-2: Depreciation – Fixed Assets/Equipment **Procedure**	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
65.	Column G: Do the amounts allocated to the Waiver appear to be reasonable? *The reviewer should evaluate how the provider described allocations of depreciation in Schedule H.*					

Schedule F: Other Program Expenses

Other program expenses are those expenses that are necessary to support the provider's operation but are not directly related to the provision of services. Section 13 of the Cost Report Instructions should be referenced as part of the review of this section as it contains examples of the type of expenses for each category.

#	Schedule F: Other Program Expenses Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
66.	If expenses for Management Fees (Line 1) exceed either $10,000 or 5% of Total Other Program Expenses (Line 15), review the required Management Fees detail. If any expenses noted appear to duplicate expenses in Lines 2 through 14 of Schedule F, or if any expenses listed appear to be non-allowable, this schedule is not compliant and a request should be made to the provider to submit an explanation. If the required supplemental schedule for expenses exceeding these thresholds was not submitted by the provider, this schedule is not compliant and a request should be made to the provider to submit an explanation. *If Management Fees are less than $10,000 and less than 5% of Total Other Program Expenses, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					

#	Schedule F: Other Program Expenses **Procedure**	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
67.	If expenses for Professional Services (Line 2) exceed either $10,000 or 5% of Total Other Program Expenses (Line 15), review the required Professional Services detail. If any expenses noted appear to duplicate expenses in Line 1 or Lines 3 through 14 of Schedule F, or appear to be duplicative of expenses reported in Schedule D-2 – Contracted Staff, or if any expenses listed appear to be non-allowable, this schedule is not compliant and a request should be made to the provider to submit an explanation. If the required supplemental schedule for expenses exceeding these thresholds was not submitted by the provider, this schedule is not compliant and a request should be made to the provider to submit an explanation. *If expenses for Professional Services are less than $10,000 and less than 5% of Total Other Program Expenses, skip this step and enter N/A.* *Note: Any expenses identified as non-allowable per the CRI are also non-allowable as Professional Services. See Section 8 of the CRI for a list of non-allowable expenses.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					

#	Schedule F: Other Program Expenses **Procedure**	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
68.	If expenses for Advertising (Line 3) exceed either $10,000 or 5% of Total Other Program Expenses (Line 15), review the required Advertising detail. If any expenses noted appear to be non-allowable, this schedule is not compliant and a request should be made to the provider to submit an explanation. *Recall from the CRI that expenses incurred in staff recruitment activities, such as help-wanted advertising or recruitment services rendered by an employment agency, are allowable. Providers may also include expenses associated with individual outreach activities, including:* – Informational mailings to existing individuals and to prospective individuals (upon request by individual/family) – Health/supports-related fairs – Websites providing information – Responses to consumer and family inquiries – Consumer satisfaction surveys – Market research Other types of marketing and public relations expenses are <u>not</u> allowable and must be reported in Schedule A, Column E. If the required supplemental schedule for expenses exceeding these thresholds was not submitted by the provider, this schedule is not compliant and a request should be made to the provider to submit an explanation. *If expenses for Advertising are less than $10,000 and less than 5% of Total Other Program Expenses, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					

#	Schedule F: Other Program Expenses Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
69.	If expenses for Legal Fees (Line 7) exceed either $10,000 or 5% of Total Other Program Expenses (Line 15), review the required Legal Fees detail. If any expenses noted appear to be non-allowable, this schedule is not compliant and a request should be made to the provider to submit an explanation. *Recall from the CRI that the following expenses are not allowable (unless the provider prevails against the Commonwealth) and must be excluded from the amount reported in Line 7:* – *Legal expenses for prosecution of claims against the Commonwealth* – *Expenses incurred for claims against ODP or any other Commonwealth Agency* ***Note that because no providers prevailed against the Commonwealth during FY 2015/2016 (i.e. prevailed through BHA or a court hearing and not a settlement), all legal expenses for cases against the Commonwealth are non-allowable for Year 9 and need to be reported on Schedule A, Column E.*** If the required supplemental schedule for expenses exceeding these thresholds was not submitted by the provider, this schedule is not compliant and a request should be made to the provider to submit an explanation. *If expenses for Legal Fees are less than $10,000 and less than 5% of Total Other Program Expenses, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					

#	Schedule F: Other Program Expenses Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
70.	If Other (Line 14) is greater than either $10,000 or 5% of the Total Other Program Expenses (Line 15), review the required Other expense detail. If any expenses noted appear to duplicate expenses in Lines 1 through 13 of Schedule F, or if any expenses listed appear to be non-allowable, this schedule is not compliant and a request should be made to the provider to submit an explanation. If the required supplemental schedule for expenses exceeding these thresholds was not submitted by the provider, this schedule is not compliant and a request should be made to the provider to submit an explanation. *If expenses for Other are less than $10,000 and less than 5% of Total Other Program Expenses, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					
71.	If items and expenses have been identified in the Program Supplies section, do the expenses and types of supplies appear reasonable for the Residential eligible services rendered by the providers? *For example, acceptable items would include individual care-related supplies such as latex gloves, adult diapers and over-the-counter medications. This line should not include expenses for residential housing supplies, maintenance supplies, housekeeping supplies, or any other building-related supply.*					

Schedule F-1: Other Occupancy Expenses

The purpose of Schedule F-1 – Other Occupancy Expenses: Administrative Buildings is to identify non-depreciation and non-amortization expenses for building space that supports administrative functions.

#	Schedule F-1: Other Occupancy Expenses Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
72.	If expenses for Other Occupancy (Line 5) exceed either $10,000 or 5% of the Total Other Occupancy (Line 6), review the required Other Occupancy detail. If any expenses noted appear to duplicate expenses in Lines 1 through 4 of Schedule F-1, or if any expenses listed appear to be non-allowable, this schedule is not compliant and a request should be made to the provider to submit an explanation. If the required supplemental schedule for expenses exceeding these thresholds was not submitted by the provider, this schedule is not compliant and a request should be made to the provider to submit an explanation. *If expenses for Other Occupancy are less than $10,000 and 5% of Total Other Occupancy, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					

Schedule G: Related Party Transactions

The purpose of Schedule G — Related Party Transactions is to identify expenses associated with related parties and describe the financial terms of related party transactions. The schedule should be completed for the Residential eligible service locations included on the Certification Page — Provider Service Locations schedule. All related party transactions shall be similar in nature to that made by a prudent buyer and not result in any favorable treatment to the related party. For cost reporting purposes, allowable costs are limited to the lesser of the actual cost of the goods or services incurred by the related party or the amount paid to the related party by the provider.

#	Schedule G: Related Party Transactions Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
73.	If administrative building property is leased from a related party (the answer to question 1a is "Yes") or if there are other non-property related party transactions (the answer to question 2a is "Yes"), review the applicable confirmations within question 1c (Lines 7, 8 & 9) and/or question 2b (Lines 11 & 12). If any of the confirmations selected by the provider indicate that reported related party expenses are not compliant with the CRI (see below), mark "No-Not Compliant, Action Needed" and request that the provider resubmit their Cost Report with the correct reporting of related party expenses. *Confirmations that indicate the reported related party expenses are <u>not compliant</u> are as follows:* *1c. Line 7: "Reported Expenses are Not Lesser of"* *1c. Line 8: "In Excess of"* *1c. Line 9: "Excess Reported as Allowable in Schedule A"* *2b. Line 11: "Reported Expenses are Not Lesser of"* *2b. Line 12: "Excess Reported as Allowable in Schedule A"*					

#	Schedule G: Related Party Transactions Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
74.	If the provider has more than eight administrative property related party transactions or more than eight non-property related party transactions, has the provider submitted a supplemental schedule listing each additional transaction separately and with the required amount of detail? If all eight columns have been completed by the provider for either type of transaction, it could be an indication that there are additional transactions. Check question 2c of Schedule G and the Comments Page for any additional detail or reference to the use of a supplemental schedule. If all eight columns are filled out for either type of transaction and no comment was made, ask the provider to confirm that all applicable related party transactions have been disclosed within Schedule G.					

Schedule H: Expense Allocation Procedures

Expense allocations are needed for program expenses that cannot be directly assigned to a specific program or procedure code. This schedule contains questions about methods the provider used to allocate expenses to different expense categories, programs or procedure codes. The provider should be able to support the basis used in allocating these expenses.

#	Schedule H: Expense Allocation Procedures Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
75.	If the provider selected "Allocated" from the drop down menu in Column B on question 1, does the basis for allocation selected from the drop down menu in Column C seem reasonable and logical for each expense category (e.g., for the transportation expenses categories, a methodology based on a "mileage log" would likely be more appropriate than a methodology based on a "time study")? *See Section 16 of the CRI for examples of acceptable allocation methods for the various expense categories.*					
76.	Do the expenses in Schedule A appear to have been fairly and consistently distributed across expense categories? *Note: Please use the Desk Review Procedures Excel Tool for this check.* *Note: For any expense allocation flagged by the Excel Tool, review the Comments Page to see if the provider included sufficient explanation/details to explain significant differences and/or note the allocation approach described in question 1. Confirm the explanations are reasonable in light of the expense allocations noted in Schedule A.*					
77.	If expenses are reported in Schedule A, Columns B, C & D did the provider enter detail in question 3 describing the methodology used to allocate expenses across categories (other LOBs, base, fee schedule/outcomes based, excluded non allowable, Waiver) in Schedule A, Columns B through F? Did the provider also include a description as to how the method results in fair and equitable distribution of expenses across LOBs?					

Schedule I: Participant Transportation Expenses

The transportation expenses reported on this schedule are non-depreciation expenses for Transportation services rendered as part of a Residential service (e.g., Transportation to and from a Day Program from a residence as part of the Residential service). This schedule should exclude expenses associated with Waiver-enrolled participant Transportation services that are billed separately using the Transportation procedure codes.

#	Schedule I: Participant Transportation Expenses Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
78.	Other (Line 7): If expenses exceed either $10,000 or 5% of the Total Participant Transportation Expense, Line 8, has a supplemental schedule been submitted and is the explanation for the types of items reported on this line reasonable? *If expenses for Other are less than $10,000 and 5% of the Total Participant Transportation Expense, skip this step and enter N/A.* *Note: Please use the Desk Review Procedures Excel Tool for this check.*					

General Procedures – Final

#	General Procedures – Final Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
79.	Do all reported expenses and descriptions appear consistent with the Cost Report instructions and reasonable? *Note: This step should be considered a general procedure that applies to all schedules. Examples of items noted from prior year desk reviews that may not have been addressed in the previous procedures include: recording large amounts for auto repairs when only 1 or 2 vehicles are owned or leased, reporting large amounts of utilities and maintenance for one building, etc.*					
80.	Validation of PROMISe billing and CR submission procedure codes: Do residential eligible procedure codes billed through PROMISe for the period July 1, 2015 – June 30, 2016, match what the provider has selected for procedure codes on the Certification Page - Service Selection Schedule and reported on Schedule A? If no, provider to review procedure codes selected on the cost report to confirm provider has selected correct procedure codes. *Procedure codes selected should represent residential eligible services the provider delivered during FY 2015/2016.* *Note: Please use the Desk Review Procedures Excel Tool as part of this check. You will also need to use the PROMISe data file posted to your Connect site.*					

#	General Procedures – Final Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
81.	Consistency in unit cost reporting between Year 8 and Year 9: For the residential eligible cost per unit available by procedure code on Line 22 of Schedule A, are the reported costs per unit available for FY 2015/2016 (Year 9) generally comparable to the corresponding cost per unit available for the prior FY 2014/2015 reporting period (Year 8)? If no, provider will need to explain the reasons for these differences. *ODP expects that unit costs from year to year should be relatively consistent if the provider is following a consistent reporting process, allocation methodology, etc.* *Note: Please use the Desk Review Procedures Excel Tool as part of this check. You will also need to use the Cost Report data file posted to your Connect site.*					
82.	Consistency in unit cost reporting between Year 8 and Year 9: For the residential eligible cost per HCSIS unit authorized by procedure code on Line 20 of Schedule A, are the reported costs per unit authorized for FY 2015/2016 (Year 9) generally comparable to the corresponding cost per unit authorized for the prior FY 2014/2015 reporting period (Year 8)? If no, provider will need to explain the reasons for these differences. *ODP expects that unit costs from year to year should be relatively consistent if the provider is following a consistent reporting process, allocation methodology, etc.* *Note: Please use the Desk Review Procedures Excel Tool as part of this check. You will also need to use the Cost Report data file posted to your Connect site.*					

#	General Procedures – Final Procedure	Yes – Compliant	No – Not Compliant [Action Needed]	No – Not Compliant [NO Action Needed – not material]	N/A	Comments
83.	Validate that Schedule A, Column D is completed correctly for providers that rendered supplemental habilitation or additional individualized staffing (SH/AIS) during FY 2015/2016. Based on FY 2015/2016 PROMISe claims, if a provider delivered SH/AIS at one of their residential eligible service locations, did they report expenses in Column D of Schedule A (Fee Schedule, Dept. Established Fee and Outcomes-Based Service Expenses)? If no, provider will need to review Schedule A to make sure these expenses were reported correctly. *Note: Please use the Desk Review Procedures Excel Tool as part of this check. You will also need to use the PROMISe data file posted to your Connect site. If a provider did not render SH/AIS during FY 2015/2016 , this item should be answered N/A.*					

Appendix A

Cost Per Unit Available Ranges (for use with procedure #12a)

Service	Service Description	Minimum Unit Cost above the "Average - 2 Standard Deviations"	Maximum Unit Cost below the "Average + 2 Standard Deviations"
W6090	Licensed One-Individual Home - Community Homes – Eligible	$270.57	$904.49
W6092	Licensed Two-Individual Home - Community Homes – Eligible	$242.88	$539.45
W6094	Licensed Three-Individual Home - Community Homes – Eligible	$142.73	$443.63
W6096	Licensed Four-Individual Home - Community Homes – Eligible	$129.18	$320.87
W69098	Licensed Five-to-Eight-Individual Home - Community Homes – Eligible	$113.77	$269.36
W7037	Unlicensed Family Living Home - One Individual – Eligible	$54.79	$133.38
W7078	Unlicensed Residential One-Individual Home – Eligible	$25.99	$186.75
W7291	Licensed Adult Family Living Home - One Individual – Eligible	$38.18	$167.61
W7293	Licensed Adult Family Living Home - Two Individual – Eligible	$61.01	$145.32

Cost Per HCSIS Authorized Unit Ranges (for use with procedure #12b)

Service	Service Description	Minimum Unit Cost above the "Average - 2 Standard Deviations"	Maximum Unit Cost below the "Average + 2 Standard Deviations"
W6090	Licensed One-Individual Home - Community Homes – Eligible	$270.57	$872.68
W6092	Licensed Two-Individual Home - Community Homes – Eligible	$212.66	$564.96
W6094	Licensed Three-Individual Home - Community Homes – Eligible	$129.85	$418.18
W6096	Licensed Four-Individual Home - Community Homes – Eligible	$129.18	$323.97
W6098	Licensed Five-to-Eight-Individual Home - Community Homes – Eligible	$107.89	$277.21
W7037	Unlicensed Family Living Home - One Individual – Eligible	$54.79	$134.09
W7078	Unlicensed Residential One-Individual Home – Eligible	$25.99	$189.04
W7291	Licensed Adult Family Living Home - One Individual – Eligible	$38.18	$167.61
W7293	Licensed Adult Family Living Home - Two Individual – Eligible	$58.27	$147.46

Appendix B - Term and Rate Table

Term Years	Annual % Rate
1	100.00%
2	50.00%
3	33.33%
4	25.00%
5	20.00%
6	16.67%
7	14.29%
8	12.50%
9	11.11%
10	10.00%
11	9.09%
12	8.33%
13	7.69%
14	7.14%
15	6.67%
16	6.25%
17	5.88%
18	5.56%
19	5.26%
20	5.00%
21	4.76%
22	4.55%
23	4.35%
24	4.17%
25	4.00%
26	3.85%
27	3.70%
28	3.57%
29	3.45%
30	3.33%
31	3.23%
32	3.13%
33	3.03%
34	2.94%
35	2.86%
36	2.78%
37	2.70%
38	2.63%
39	2.56%
40	2.50%
41	2.44%
42	2.38%
43	2.33%
44	2.27%
45	2.22%
46	2.17%
47	2.13%
48	2.08%
49	2.04%
50	2.00%

For use with procedure numbers 47, 54 and 61