



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Request for Quotation

RFQ NUMBER
HHR12070

PAGE
1

ADDRESS CORRESPONDENCE TO ATTENTION OF:
ROBERTA WAGNER
304-558-0067

RFQ COPY
 TYPE NAME/ADDRESS HERE

VENDOR

SHIP TO

HEALTH AND HUMAN RESOURCES
 INTERNAL CONTROL & POLICY
 DEVELOPMENT
 ONE DAVIS SQUARE, SUITE 401
 CHARLESTON, WV
 25301 304-558-7314

DATE PRINTED 12/21/2011	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
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BID OPENING DATE: 01/03/2012 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
ADDENDUM NO. 1 1. QUESTIONS AND ANSWERS ARE ATTACHED. 2. ADDENDUM ACKNOWLEDGEMENT IS ATTACHED. THIS DOCUMENT SHOULD BE SIGNED AND RETURNED WITH YOUR BID. FAILURE TO SIGN AND RETURN MAY RESULT IN DISQUALIFICATION OF YOUR BID. EXHIBIT 10 REQUISITION NO.: HHR12070... ADDENDUM ACKNOWLEDGEMENT I HEREBY ACKNOWLEDGE RECEIPT OF THE FOLLOWING CHECKED ADDENDUM(S) AND HAVE MADE THE NECESSARY REVISIONS TO MY PROPOSAL, PLANS AND/OR SPECIFICATION, ETC. ADDENDUM NO. S: NO. 1 NO. 2 NO. 3 NO. 4 NO. 5 I UNDERSTAND THAT FAILURE TO CONFIRM THE RECEIPT OF THE ADDENDUM(S) MAY BE CAUSE FOR REJECTION OF BIDS. VENDOR MUST CLEARLY UNDERSTAND THAT ANY VERBAL REPRESENTATION MADE OR ASSUMED TO BE MADE DURING ANY ORAL DISCUSSION HELD BETWEEN VENDOR'S REPRESENTATIVES AND ANY STATE PERSONNEL IS NOT BINDING. ONLY THE						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	TELEPHONE	DATE
TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'

GENERAL TERMS & CONDITIONS REQUEST FOR QUOTATION (RFQ) AND REQUEST FOR PROPOSAL (RFP)

1. Awards will be made in the best interest of the State of West Virginia.
2. The State may accept or reject in part, or in whole, any bid.
3. Prior to any award, the apparent successful vendor must be properly registered with the Purchasing Division and have paid the required \$125 fee.
4. All services performed or goods delivered under State Purchase Order/Contracts are to be continued for the term of the Purchase Order/Contracts, contingent upon funds being appropriated by the Legislature or otherwise being made available. In the event funds are not appropriated or otherwise available for these services or goods this Purchase Order/Contract becomes void and of no effect after June 30.
5. Payment may only be made after the delivery and acceptance of goods or services.
6. Interest may be paid for late payment in accordance with the *West Virginia Code*.
7. Vendor preference will be granted upon written request in accordance with the *West Virginia Code*.
8. The State of West Virginia is exempt from federal and state taxes and will not pay or reimburse such taxes.
9. The Director of Purchasing may cancel any Purchase Order/Contract upon 30 days written notice to the seller.
10. The laws of the State of West Virginia and the *Legislative Rules* of the Purchasing Division shall govern the purchasing process.
11. Any reference to automatic renewal is hereby deleted. The Contract may be renewed only upon mutual written agreement of the parties.
12. **BANKRUPTCY:** In the event the vendor/contractor files for bankruptcy protection, the State may deem this contract null and void, and terminate such contract without further order.
13. **HIPAA BUSINESS ASSOCIATE ADDENDUM:** The West Virginia State Government HIPAA Business Associate Addendum (BAA), approved by the Attorney General, is available online at www.state.wv.us/admin/purchase/vrc/hipaa.html and is hereby made part of the agreement provided that the Agency meets the definition of a Cover Entity (45 CFR §160.103) and will be disclosing Protected Health Information (45 CFR §160.103) to the vendor.
14. **CONFIDENTIALITY:** The vendor agrees that he or she will not disclose to anyone, directly or indirectly, any such personally identifiable information or other confidential information gained from the agency, unless the individual who is the subject of the information consents to the disclosure in writing or the disclosure is made pursuant to the agency's policies, procedures, and rules. Vendor further agrees to comply with the Confidentiality Policies and Information Security Accountability Requirements, set forth in <http://www.state.wv.us/admin/purchase/privacy/noticeConfidentiality.pdf>.
15. **LICENSING:** Vendors must be licensed and in good standing in accordance with any and all state and local laws and requirements by any state or local agency of West Virginia, including, but not limited to, the West Virginia Secretary of State's Office, the West Virginia Tax Department, and the West Virginia Insurance Commission. The vendor must provide all necessary releases to obtain information to enable the director or spending unit to verify that the vendor is licensed and in good standing with the above entities.
16. **ANTITRUST:** In submitting a bid to any agency for the State of West Virginia, the bidder offers and agrees that if the bid is accepted the bidder will convey, sell, assign or transfer to the State of West Virginia all rights, title and interest in and to all causes of action it may now or hereafter acquire under the antitrust laws of the United States and the State of West Virginia for price fixing and/or unreasonable restraints of trade relating to the particular commodities or services purchased or acquired by the State of West Virginia. Such assignment shall be made and become effective at the time the purchasing agency tenders the initial payment to the bidder.

I certify that this bid is made without prior understanding, agreement, or connection with any corporation, firm, limited liability company, partnership, or person or entity submitting a bid for the same material, supplies, equipment or services and is in all respects fair and without collusion or Fraud. I further certify that I am authorized to sign the certification on behalf of the bidder or this bid.

INSTRUCTIONS TO BIDDERS

1. Use the quotation forms provided by the Purchasing Division. Complete all sections of the quotation form.
2. Items offered must be in compliance with the specifications. Any deviation from the specifications must be clearly indicated by the bidder. Alternates offered by the bidder as **EQUAL** to the specifications must be clearly defined. A bidder offering an alternate should attach complete specifications and literature to the bid. The Purchasing Division may waive minor deviations to specifications.
3. Unit prices shall prevail in case of discrepancy. All quotations are considered F.O.B. destination unless alternate shipping terms are clearly identified in the quotation.
4. All quotations must be delivered by the bidder to the office listed below prior to the date and time of the bid opening. Failure of the bidder to deliver the quotations on time will result in bid disqualifications: Department of Administration, Purchasing Division, 2019 Washington Street East, P.O. Box 50130, Charleston, WV 25305-0130
5. Communication during the solicitation, bid, evaluation or award periods, except through the Purchasing Division, is strictly prohibited (W.Va. C.S.R. §148-1-6.6).



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<p>INFORMATION ISSUED IN WRITING AND ADDED TO THE SPECIFICATIONS BY AN OFFICIAL ADDENDUM IS BINDING.</p> <p>..... SIGNATURE</p> <p>..... COMPANY</p> <p>..... DATE</p> <p>NOTE: THIS ADDENDUM ACKNOWLEDGEMENT SHOULD BE SUBMITTED WITH THE BID.</p> <p>REV. 09/21/2009</p> <p>END OF ADDENDUM NO. 1</p>						

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LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	JB		961-20		
PROFESSIONAL AUDITING SERVICES - CPA						
***** THIS IS THE END OF RFQ HHR12070 ***** TOTAL:						

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WV DHHR-OAMR RESPONSES TO WRITTEN VENDOR QUESTIONS RFQ HHR12070

- 1) How many cost report periods and six-month periods are there to be audited for the 17 facilities?
 - A. WV DHHR can go back five years to conduct LT-FASR audits. It is anticipated that we would assign the past 3 to five years of cost reporting comprised of two six month cost reporting periods each year. Therefore it is possible that from 6 to 10 cost reporting periods would be requested to be audited for each of the 17 facilities.

- 2) Do you know where the financial records are maintained for each facility (facility and/or home office)?
 - A. See Q & A Supplemental response "A" for general locations of facilities or home offices. Regardless of location, it is the policy of OAMR to give the Providers (10 business days) to provide requested audit information (unless reasonable extension of time is expressly approved by OAMR, due to significant circumstances). Failure by a facility or home office to respond to auditor's request for information will result in a full disallowance of any amounts unable to be corroborated as a result of their lack of response.

- 3) Where is the office located for the financial records for the audit of the home office costs?
 - A. See Q & A Supplemental response "A" for general locations.

- 4) Could you have someone provide a copy of the last audit report for each of the facilities and home office? I need the reports to determine if there are any significant and/or unusual findings noted during the audit.
 - A. As the past audit reports are not "public information" OAMR will not release them at this time, however, they are readily available and will be immediately shared with the successful bidder upon award of the contract. However, a de-identified basic audit report has been provided in Q & A Supplemental Response "B" for vendor information to illustrate the attestation engagement type of audit report that is required. The OAMR will expect that the successful vendor will prepare a report with the following elements for each of the 17 facility audits :
 - Independent Accountants' Examination Report
 - Report on Internal Control and Compliance in Accordance with Government Auditing Standards
 - Schedule of Findings and Recommendations

- 5) Is OAMR aware of any issues occurring or adjustments made to the cost report periods that will be audited for any of the 17 facilities?
 - A. OAMR is not aware of any issues occurring or adjustments made to the cost report periods that will be audited for any of the 17 facilities in Year 1. During the option Year 3 there are currently two facilities that have audit issues and/or appeals pending however, it is anticipated that those issues will be fully resolved by the time audit work for Year 3 would commence and assuming that renewal of Option Year 3 would be exercised by OAMR.

- 6) Can you identify which of the 17 facilities have a home office?
 - A. See Q & A Supplemental response "A".

- 7) Can you identify which of the 17 facilities are hospital-based?
 - A. See Q & A Supplemental response "A".

- 8) Which is the correct zip code for submission of the bid, 25311 or 25305-0130?
 - A. The correct zip code is 25305-0130.

- 9) What is the Department of Administration – Purchasing Division's office schedule during the holidays for incoming package deliveries?
- A. The schedule is irrelevant as their schedule during the holiday season does not impact processing of the RFQ.
- 10) When does DHHR anticipate awarding the contract?
- A. It is difficult to give an exact date however it is anticipated within our budget that this encumbrance would begin approximately February, 2012.
- 11) Can technical and cost information be included in the same proposal? Or would you prefer that technical and cost information be in separate proposal volumes?
- A. This is an RFQ and not an RFP therefore, both the technical and the cost response should be included as part of the same submission package.
- 12) Mandatory Requirement – Vendor Experience/Capabilities: #2 – CPA Mobility became effective in West Virginia June 5, 2008. If our staff are licensed in other states and they meet the requirements to have practice privileges in West Virginia in accordance with the Mobility legislation, would the requirement to have "at least five (5) staff hold CPA certification valid in the State of West Virginia" be met?
- A. Yes. OAMR would recognize the right to practice in West Virginia for any CPA meeting the requirements of W. Va. Code 30-9-16.
- 13) Mandatory Requirement – Vendor Experience/Capabilities: #3 & 4 – What does DHHR mean by "samples of work"?
- A. Respondent could submit listing or give examples of ways they have provided cost report training or give a sample syllabus of content of training they offer.
- 14) Scope of Work – Mandatory Requirements: #3 – We understand OAMR will perform desk reviews prior to any field audits. Will the contractor be given the desk review file for review to help with audit planning?
- A. Yes. The desk review file may be relevant to the audits in some cases. As such if information from them are needed it will be made available either by documentary evidence or through interaction with the OAMR staff as necessary.
- 15) Scope of Work – Mandatory Requirements: #4 – This requirement states "[t]he procedures for each engagement are to include, at a minimum, the procedures outlined in the OAMR Audit Guide." May a bidder propose alternative procedures to meet the audit objectives?
- A. Yes. If alternative procedures would result in meeting the objectives and assertions of the audit program then they may be utilized upon approval by OAMR.
- 16) Scope of Work – Mandatory Requirements: #11 – What is the percentage of contractor performed examinations that are appealed and what is the average number of hours a contractor would expect to spend per appeal?
- A. Approximately 3%-5% of the exams typically may result in an appeal. The amount of time a contractor would be required to spend in an appeal would depend on the issues involved. The involvement would most likely consist of response to inquiries and other preparation to assist WV Medicaid Legal department and OAMR to defend decisions of cost disallowance that may be challenged in an appeal by a provider.

Much of this preparation may be possible by conference call. OAMR will do everything possible to minimize the contractor involvement in the process and limit travel costs.

- 17) Scope of Work – Mandatory Requirements: #17 – This requires all draft reports to be submitted no later than 90 days before the contract expiration date. Is the “contract expiration date” the last day of each contract year (the base year and each of the two renewal years)?
- A. Yes. This mandatory was put in the RFQ to make it clear to the contractor that all field work and reporting work must be completed within the 12-month contract period. The 90-day requirement is to allow OAMR adequate time to quality review and approve a clean final draft of the audit report prior to expiration of the contract so we may be able to approve final payment.
- 18) Scope of Work – Mandatory Requirements: #18 – The requirement says “[i]n the event that less than eight (8) LTC-FASRs cost reporting periods are to be examined in an engagement, the vendor is to adjust the per engagement fee to accommodate the reduction in work accordingly.” Does this mean that the “All-inclusive Per Engagement Cost” to be included on Attachments 1-3 is to assume that all engagements will include eight (8) LTC-FASR cost reporting periods?
- A. Yes. There is a possibility that this contract will be renewed for two periods after it is awarded. The language regarding six (6) to ten (10) is included so that in the event the contract is renewed OAMR may specify the number of LTC-FASRs to be included in the renewal. For the purposes of this year’s contract, however, the number of LTC-FASRs has been specified as eight (8). The fee should be based on the eight (8) LTC-FASR periods specified
- 19) **Price Quotations – pg. 19** – Attachment #1 does not list locations or the number of LTC-FASRs to be included in the engagement. Will that be made available?
- A. Yes. See Supplement A.
- 20) Does each of the 17 facilities include eight cost reports, which would span four years?
- A. Yes.
- 21) Vendor Experience/Capabilities #3 – Can you give an example of the type of samples of work to demonstrate expertise you would like to see submitted?
- A. Respondent could submit listing or give examples of types or specific audit engagement clients that would demonstrate specific expertise.
- 22) Vendor Experience/Capabilities #4 – Can you give an example of the type of samples of work to demonstrate proficiency you would like to see submitted?
- A. Respondent could submit listing or give examples of types or specific audit engagement clients that would demonstrate specific proficiency.
- 23) Scope of Work #1-3 – Can you provide a redacted example of the report(s) you are requesting?
- A. Yes. See Supplement B.
- 24) Scope of Work #6 – Is it expected or normal that the auditors visit the home offices of chain facilities?
- A. In most cases it is not expected or the norm that the auditor would have to visit the home office. Most time our internal staff is able to obtain necessary audit information through correspondence and/or conference call or by visit to the local (West Virginia) facility. OAMR would make a determination if an onsite visit were necessary.

25) Scope of Work #11 – How common is it for providers to appeal and what is the general timeframe for contractor CPAs' involvement?

A. See Answer to Question #16 on appeals and involvement of contractor.

26) Audit Guide – Will OAMR personnel perform any of the procedures?

A. OAMR staff and management will be available to provide guidance and direction relative to the provider or the OAMR Audit Program on a limited basis however, the successful contractor is expected to complete field work and reporting without expectation of reliance on OAMR for staffing needs to complete work.

27) Please provide a Facility list (pages 21 – 23 of the RFQ) indicating which locations are part of a chain of facilities and the name and location of the parent or home offices for each along with their ownership structure.

A. See Supplement A.

28) For chains with home offices outside of West Virginia, could you provide an estimate of the percentage of work to be done at the home office compared to the percentage of work to be done at the facility.

A. Most of the audit field work information required of the home office should be able to be done through phone or email correspondence with the home office and direct field work at the West Virginia facility/facilities.

29) Could you please provide the prior year total billings for the previous contract?

A. The previous contract billings stretched beyond last year and were based on completed audit reports rather than hours billed however, for year one of the previous contract amounts billed totaled about \$170,000.

30) Could you please provide any additional scope of work changes for the previous contract?

A. There were no changes impacting the scope of work for the previous contract.

31) Please provide a copy of the prior year attestation examination reports, related findings, and any other required communications letters issued on these entities from the prior period.

A. See Supplement B.

Supplemental Response "A"
HHR12070 Auditing of Long Term Care Financial and Statistical Reports (LTC-FASR)
WEST VIRGINIA DHHR OAMR
COST QUOTE FOR STANDARD FACILITY ENGAGEMENT
YEAR 1 ALL-INCLUSIVE COST SHEET

<u>FACILITY</u>	<u>General Location</u>
1. Eagle Pointe	Home Office (Indianapolis, IN)
2. Weirton Medical Center	Hospital Based SNF
3. Guardian Elder Care at Wheeling	Hospital Based SNF
4. Arbors at Fairmont	Home Office (Milwaukee, WI)
5. Broaddus Hospital-Mansfield Place	Hospital Based SNF
6. Greenbrier Manor	
7. Pleasant Valley Nursing and Rehabilitation Center	Hospital Based SNF
8. Good Samaritan Society- Barbour County	Home Office (Sioux Falls, SD)
9. Montgomery General Elderly Care Center	
10. Grant Memorial Hospital	Hospital Based SNF
11. Montgomery General Hospital Extended Care	Hospital Based SNF
12. Morgan County War Memorial Hospital	Hospital Based SNF
13. Minnie Hamilton Health Care Center, Inc.	Hospital Based SNF
14. Roane General Hospital	Hospital Based SNF
15. St. Josephs Hospital of Buckhannon, Inc.	Hospital Based SNF
16. Summers County ARH	Hospital Based SNF
17. Summersville Memorial Hospital	Hospital Based SNF
SUBTOTAL FOR STANDARD ENGAGEMENTS COST Year 1	

Supplemental Response "A"-continued
HHR 12070 Auditing of Long Term Care Financial and Statistical Reports (LTC-FASR)
WEST VIRGINIA DHHR OAMR
COST QUOTE FOR STANDARD FACILITY ENGAGEMENT
YEAR 2 ALL-INCLUSIVE COST SHEET

<u>FACILITY</u>	<u>General Location</u>
1. Heartland of Charleston	Chain – Home Office (Toledo, OH)
2. Heartland of Beckley WV, LLC	
3. Heartland of Keyser	
4. Heartland of Clarksburg	
5. Heartland of Martinsburg	
6. Heartland of Preston County	
7. Heartland of Rainelle WV, LLC	
8. SunBridge Care & Rehabilitation For Dunbar	Chain – Home Office (Albuquerque, NM)
9. SunBridge Care & Rehabilitation For Salem	
10. SunBridge Care & Rehabilitation for Pine Lodge	
11. SunBridge Care & Rehabilitation for Putnam	
12. Sunbridge New Martinsville Health Care Center	
13. SunBridge Care & Rehabilitation for Parkersburg	
14. SunBridge Care & Rehabilitation for Glenville	
15. Holbrook Nursing Home	
16. Nella's Inc.	
17. Nellas Nursing Home, Inc.	
SUBTOTAL FOR STANDARD ENGAGEMENTS COSTS Year 2	

Supplemental Response "A"-continued
HHR 12070 Auditing of Long Term Care Financial and Statistical Reports (LTC-FASR)
WEST VIRGINIA DHHR OAMR
COST QUOTE FOR STANDARD FACILITY ENGAGEMENT
YEAR 3 ALL-INCLUSIVE COST SHEET

<u>FACILITY</u>	<u>General Location</u>
1. Huntington Health & Rehabilitation	Home Office (Houston, TX)
2. Golden LivingCenter-Glasgow	Chain – Home Office (Ft. Smith, AR)
3. Golden LivingCenter-Morgantown	
4. Golden LivingCenter-Riverside	
5. Hampshire Memorial Hospital	Hospital Based SNF
6. The Maples	
7. Clarksburg Nursing & Rehabilitation Center	Chain – Home Office (Charleston, WV)
8. McDowell Nursing & Rehabilitation Center	
9. Summers Nursing & Rehabilitation Center	
10. Fayette Nursing & Rehabilitation Center	
11. E.A. Hawse Nursing & Rehabilitation Center	
12. Lincoln Nursing & Rehabilitation Center	
13. Cameron Nursing & Rehabilitation Center	
14. Wayne Nursing & Rehabilitation Center	
15. Webster Nursing & Rehabilitation Center	
16. Wyoming Nursing & Rehabilitation Center	
17. Mercer Nursing & Rehabilitation Center	
Subtotal FOR STANDARD ENGAGEMENTS COSTS Year 3	

Q & A SUPPLEMENTAL RESPONSE "B"

**FINANCIAL & STATISTICAL REPORTS
FOR NURSING HOME**

**SIX MONTH PERIODS ENDED JUNE 30, 2004, DECEMBER 31, 2004, JUNE 30, 2005,
DECEMBER 31, 2005, JUNE 30, 2006, DECEMBER 31, 2006, JUNE 30, 2007, AND DECEMBER
31, 2007**

AND

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Examination Of The Financial & Statistical Reports Performed In Accordance With Government Auditing Standards	3
Schedule Of Findings And Recommendations	5

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

Department of Health and Human Resources
Office of Accountability and Management Reporting
One Davis Square
Suite 304
Charleston, West Virginia 25301

We have examined the financial and statistical information included in the West Virginia Department of Health and Human Resources Financial & Statistical Reports for Nursing Homes of

of and for the six month periods ended June 30, 2004, December 31, 2004, June 30, 2005, December 31, 2005, June 30, 2006, December 31, 2006, June 30, 2007, and December 31, 2007. The financial and statistical information included in the West Virginia Department of Health and Human Resources Financial & Statistical Reports is the responsibility of the Provider's management. Our responsibility is to express an opinion on the financial and statistical information included in the West Virginia Department of Health and Human Resources Financial & Statistical Reports based on our examinations.

Our examinations were conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the West Virginia Department of Health and Human Resources, Office of Accountability and Management Reporting Audit Guide for Long Term Care Facilities, Revised August 2008. Accordingly this included examining on a test basis, evidence supporting the financial and statistical information included in the West Virginia Department of Health and Human Resources Financial & Statistical Reports for Nursing Homes and performing such other procedures as we considered necessary in the circumstances. We believe that our examinations provide a reasonable basis for our opinion.

Our examinations disclosed significant findings that are included in the attached Schedule Of Findings And Recommendations that, individually or in the aggregate, resulted in a material misstatement or deviation from the West Virginia Medicaid Provider Manuals and all other applicable laws, rules and regulations established by the

West Virginia Department of Health and Human Resources. Additional specific significant findings may have been found if we had conducted a complete examination of the records.

In our opinion, except for the material misstatement/deviation described in the previous paragraph, the financial and statistical information included in the West Virginia Department of Health and Human Resources Financial & Statistical Reports for Nursing Homes of the Provider referred to above present fairly, in all material respects, the financial and statistical information of the Provider as of and for the six month periods ended June 30, 2004, December 31, 2004, June 30, 2005, December 31, 2005, June 30, 2006, December 31, 2006, June 30, 2007, and December 31, 2007 in accordance with the West Virginia Medicaid Provider Manuals and all other applicable laws, rules and regulations established by the West Virginia Department of Health and Human Resources.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2010 on our consideration of the Provider's internal control over financial reporting and on our tests of its compliance with the West Virginia Medicaid Provider Manuals and all other applicable laws, rules and regulations established by the West Virginia Department of Health and Human Resources. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an examination performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our examinations.

This report is intended solely for the information and use of the West Virginia Department of Health and Human Resources, Office of Accountability and Management Reporting, and is not intended to be and should not be used by anyone other than this specified party.

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Examination Of The
Financial & Statistical Reports Performed In Accordance With
Government Auditing Standards**

Department of Health and Human Resources
Office of Accountability and Management Reporting
One Davis Square
Suite 304
Charleston, West Virginia 25301

We have examined the West Virginia Department of Health and Human Resources Financial & Statistical Reports for Nursing Homes of _____ as of and for the six month periods ended June 30, 2004, December 31, 2004, June 30, 2005, December 31, 2005, June 30, 2006, December 31, 2006, June 30, 2007, and December 31, 2007 and have issued our report thereon dated April 20, 2010 which was qualified because our examinations disclosed material findings that are included in the accompanying Schedule Of Findings And Recommendations that, individually or in the aggregate, resulted in a material misstatement or deviation from the West Virginia Medicaid Provider Manuals and all other applicable laws, rules and regulations established by the West Virginia Department of Health and Human Resources. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our examinations, we considered Provider's internal control over financial reporting as a basis for designing our examination procedures for the purpose of expressing our opinion on the West Virginia Department of Health and Human Resources Financial & Statistical Reports, but not for the purpose of expressing an opinion on the effectiveness of Provider's internal control over financial reporting.

Accordingly, we do not express an opinion of the effectiveness on Provider's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Provider's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the accrual basis of accounting such that there is more than a remote likelihood that a material misstatement based on the Provider's internal control over financial reporting could occur. We consider the deficiencies in the accompanying Schedule Of Findings And Recommendations to be significant deficiencies in internal control over financial reporting.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the West Virginia Department of Health and Human Resources Financial & Statistical Reports for the Provider are free of material misstatement, we performed tests of its compliance with West Virginia Medicaid Provider Manuals and all other applicable laws, rules and regulations established by the West Virginia Department of Health and Human Resources, noncompliance with which could have a direct and material effect on the determination of amounts and statistics reported in the West Virginia Department of Health and Human Resources Financial & Statistical Reports. However, providing an opinion on compliance with West Virginia Medicaid Provider Manuals and all other applicable laws, rules and regulations was not an objective of our examinations, and accordingly, we do not express such an opinion. The result of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule Of Findings And Recommendations.

This report is intended solely for the information and use of the West Virginia Department of Health and Human Resources, Office of Accountability and Management Reporting, and is not intended to be and should not be used by anyone other than this specified party.

EXAMINATION OF WEST VIRGINIA DEPARTMENT OF HEALTH AND HUMAN
RESOURCES FINANCIAL & STATISTICAL REPORTS

PERIODS ENDED JUNE 30, 2004, DECEMBER 31, 2004, JUNE 30, 2005,
DECEMBER 31, 2005, JUNE 30, 2006, DECEMBER 31, 2006, JUNE 30, 2007, AND
DECEMBER 31, 2007

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Finding Number 2007-1 Bed Hold Days Claimed In Error

Criteria: Per the West Virginia Medicaid Provider Manuals Chapter 514.10 Bed Reservation: "A nursing facility may receive Medicaid per diem reimbursement to reserve a resident's bed (bed hold) during his/her temporary absence from the facility. This is paid at the facility's established rate. The facility's occupancy must be 95% or greater the midnight before the resident leaves and there must be a waiting list for admission."

Condition: During our examination we noted that the provider billed and was paid for three bed hold days when their occupancy was below the 95% threshold.

Resident	Occupancy % day prior to transfer	Bed Hold Date(s)	Days on Bed Hold	Total Rate	Adjustment and Amount
LD	92.9%	4/1/06 - 4/2/06	2	\$162.51	\$325.02
AH	92.2%	4/2/06	1	\$162.51	\$162.51
			3	TOTAL	\$487.53

Cause: The facility did not provide a cause.

Effect or Potential Effect: Bed hold days were overstated and the facility was overpaid by Medicaid.

Recommendation: We recommend that the facility put controls in place to ensure that bed hold days are not billed when they do not meet the criteria.

Finding Number 2007-2 Census Errors

Criteria: Per the West Virginia Medicaid Provider Manuals Chapter 514.28 Maintenance Of Records: "Financial and Statistical records must be maintained by the facility to support and verify the information submitted on the cost reports."

Condition: During our bed hold day testing, we noted 3 bed hold days the provider billed Medicaid in error during April 2006. These adjustments are included in the table below. During our examination we determined that the census days on Page/Line WV6/Total on the Financial & Statistical Reports listed below were over or under stated as follows:

Month Ended	Per Cost Report	Per Census	Difference
January 2005	2,935	2,934	(1) Overstated
March 2006	2,839	2,870	31 Understated
April 2006	2,881	2,847 *	(34) Overstated
January 2007	2,970	2,939	(31) Overstated

* Per Census includes adjustments from finding # 2007-1 Bed Hold Days Claimed In Error

Cost Report Period	FASR Cost Center	Page/Line	Account Number and Title	Days Per FASR	Days Per Facility Records	Adjustment and Amount
6/30/2005	Census	WV6/Total	N/A	17,005	17,004	Decrease Census by 1 day
6/30/2006	Census	WV6/Total	N/A	16,701	16,698	Decrease Census by 3 days
6/30/2007	Census	WV6/Total	N/A	16,939	16,908	Decrease Census by 31 days

Cause: The facility did not provide a cause.

Effect or Potential Effect: The census days are overstated on the June 30, 2005, June 30, 2006 and June 30, 2007 of the Financial & Statistical Report.

Recommendation: We recommend that the facility put controls in place to ensure that the Financial & Statistical Report is submitted accurately.

Finding Number 2007-3 Adjustments To Home Office Allocation

Criteria: Per the West Virginia Medicaid Provider Manuals Chapter 514.2.6 Provider Agreement: "Payment to the nursing facility for covered items and services it furnishes on or after the effective date of the agreement will require that the facility have a record keeping capability sufficient for determining the cost of services furnished to Medicaid recipients."

Criteria: Per the West Virginia Medicaid Provider Manuals Chapter 514.23 Reimbursement Requirements: "The West Virginia LTC reimbursement system is prospective with semi-annual rate adjustments. It is designed to treat all parties fairly and equitably, i.e., the resident, taxpayer, agency and facility. To meet these goals, complete and accurate cost data must be maintained by each facility with cost reports accurately prepared and submitted on a timely basis."

Criteria: Per the West Virginia Medicaid Provider Manuals Chapter 514.24 Cost Finding and Reporting: "All participating facilities are required to maintain cost data and submit cost reports according to the methods and procedures specified in this chapter and the Medicaid Reimbursement Guide for Long Term Care Nursing Facilities which ever is more restrictive."

Criteria: Per the West Virginia Medicaid Provider Manuals Chapter 514.28 Maintenance of Records: "Financial and Statistical records must be maintained by the facility to support and verify the information submitted on the cost reports... Upon request by the Department all records will be made available within ten (10) working days. If not produced within that time frame, the records will be considered non-existent... Costs found to be unsubstantiated will be disallowed and considered as an overpayment."

Criteria: Per the West Virginia Medicaid Provider Manuals Chapter 514.29 Allowable Costs: "Reimbursement for nursing facility service is limited to those costs required to deliver care to residents."

Criteria: Per the West Virginia Medicaid Provider Manuals Chapter 514.30.6 Working Capital Interest: "Working Capital Interest (WCI) is limited to short term loans (normal term of less than six months) taken out to meet immediate needs of daily operations. To be allowable, there must be a genuine effort by the provider to repay these notes. If no evidence of repayment is apparent and these notes are merely renewed throughout the year, the Program will not consider these to be bone fide working capital notes and the interest incurred on them will not be allowed if no justification can be made for nonpayment of the note"

Criteria: Per the West Virginia Medicaid Provider Manuals Chapter 514.30.9 Home Office Costs: "Home office costs are includable in the provider's cost report and are reimbursable as part of the provider's costs. Where the home office of the chain provides no services related to patient care, neither the costs nor the equity capital of the home office may be recognized in determining the allowable costs of the providers in the chain. Thus, allowable cost is limited to the lesser of (1) allowable costs properly allocated to the provider (2) the price for comparable services, facilities, or supplies that could be purchased elsewhere, taking account the benefits of effective purchasing that would accrue to each member provider because of aggregate purchasing on a chain wide basis. Home office costs that are not otherwise allowable costs when incurred directly by the provider cannot be allowable as home office costs to be allocated to providers. Costs related to nonmedical enterprises are not considered allowable home office costs. All allocated central office costs are considered administrative in nature and, therefore, must

comply with regulations governing allowability at individual facility locations. Starting with its total costs, including those costs paid on behalf of the providers (or components in the chain), the home office must delete all costs which are not allowable in accordance with program instructions.”

Criteria: Per the West Virginia Medicaid Provider Manuals Chapter 514.32 Non-Allowable Costs: “Non-allowable costs are those costs which are not related to patient care or for which a separate charge is made.”

Criteria: Per the West Virginia Medicaid Provider Manuals Chapter 514.32.4 Reorganization/Refinancing Costs: “Organization and reorganization costs are the costs incurred in the creation or restructuring of an entity. These costs are considered to be nonallowable for cost reporting and reimbursement purposes.”

Criteria: Per the West Virginia Medicaid Provider Manuals Chapter 514.39.2 Field Audit: “Periodic on-site audits of the financial and statistical records of participating facilities will be conducted to assure the validity of reported costs and statistical data. Facilities must maintain records to support all costs submitted on the Financial and Statistical Report and all data to support payroll and census reports. Costs found to be unsubstantiated will be disallowed and considered as an overpayment.”

Condition: During our examination of the cost reports for the six-month periods January 1, 2004 through December 31, 2007, we reviewed the Home Office Allocation to determine that the costs allocated to the Financial & Statistical Reports were allowable. Based on our review of these costs, we determined that some of the costs allocated to the Financial & Statistical Reports for the above six-month periods were non-allowable and therefore should not be included. The following is the total non-allowable cost by each six-month cost report period.

<u>Six-Month Period Ended</u>	<u>Total</u>
6/30/04	\$ 15,106
12/31/04	20,924
6/30/05	28,626
12/31/05	11,297
6/30/06	156,170
12/31/06	134,672
6/30/07	29,500
12/31/07	32,846
Total Non-Allowable Costs	<u>\$429,141</u>

Refer to the tables below that include the detail costs disallowed by the six-month cost period. The following by account titles are the types of costs that are disallowed and the reason(s) for the disallowance.

A. Legal Fees: During our review of the eight six-month cost report periods examined, we noted that management had included costs in an account titled legal fees which we

deemed to be non-allowable. The descriptions on the invoices that were deemed to be non-allowable were; liquor license, opposition to CON, restructuring,

LLC promissory note, research change in bed size, employee wrongful termination - settled, appeal of audit adjustments and other corporate matters. Reimbursement for nursing facility service is limited to those costs required to deliver care to residents. These legal fees by each six-month cost report period and the total non-allowable amounts are as follows:

<u>Six-Month Period Ended</u>	<u>Amount</u>
6/30/04	\$ 15,106
12/31/04	20,924
6/30/05	28,626
12/31/05	11,297
6/30/06	31,114
12/31/06	2,040
6/30/07	29,500
12/31/07	32,846
Total Non-Allowable Costs	<u>\$171,453</u>

B. Interest Expense: During our review of the eight six-month cost report periods examined, we noted that management had included costs in an account titled Adm - Interest Expense. We requested the loan documents to verify the terms, length, and purpose of the loan; after the review of the loan documents we noted that the loan documents stated that the loan's purpose was to refinance existing debt. Also, the loan documents referenced Exhibits A, B, C, D, and E which we requested from management and was not provided to us by management. The length of the loan was for twelve and a half months. During the exit conference the management stated that they needed to increase their line of credit from \$2,000,000 to \$3,000,000 and that is the reason the loan documents stated "Refinance existing debt" because they had to pay off the previous line of credit dated September 2, 2005. Using this reason would increase the length of the loan to fifteen and a half months, which we do not consider to be a short term loan. For the reasons stated above we have deemed the interest expense for this loan to be non-allowable. The interest expense by six-month cost report period and the total non-allowable amounts are as follows:

<u>Six-Month Period Ended</u>	<u>Amount</u>
6/30/06	\$125,056
12/31/06	132,632
Total Non-Allowable Costs	<u>\$257,688</u>

Refer to the following tables that include the accounts and costs disallowed by each six-month cost report period.

The reconciliations on the following pages by six-month cost report periods represent the original home office cost reported, less the non-allowable costs, and home office cost per

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audit. The second part of the reconciliation represents the audited home office cost allocation to each facility.

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Cost Report Period	FASR Cost Center	Page/Line	Account Number and Title	Amount Reported per FASR	Correct Amount	Adjustment and Amount
6/30/2004	Administration	WV20/46	N/A Central Office Allocation From WV20	\$314,695	\$313,040	Decrease \$1,655
6/30/2004	Non-Allowable Expenses	WV24/23	9950 Other	\$30,498	\$32,153	Increase \$1,655
12/31/2004	Administration	WV20/46	N/A Central Office Allocation From WV20	\$271,381	\$269,042	Decrease \$2,339
12/31/2004	Non-Allowable Expenses	WV24/23	9950 Other	\$29,538	\$31,877	Increase \$2,339
6/30/2005	Administration	WV20/46	N/A Central Office Allocation From WV20	\$295,568	\$292,345	Decrease \$3,223
6/30/2005	Non-Allowable Expenses	WV24/23	9950 Other	\$32,299	\$35,522	Increase \$3,223
12/31/2005	Administration	WV20/46	N/A Central Office Allocation From WV20	\$284,899	\$283,678	Decrease \$1,221
12/31/2005	Non-Allowable Expenses	WV24/23	9950 Other	\$33,098	\$34,319	Increase \$1,221
6/30/2006	Administration	WV20/46	N/A Central Office Allocation From WV20	\$338,286	\$320,334	Decrease \$17,952
6/30/2006	Non-Allowable Expenses	WV24/23	9950 Other	\$14,014	\$31,966	Increase \$17,952

12/31/2006	Administration	WV20/ 46	N/A Central Office Allocation From WV20	\$323,263	\$307,790	Decrease \$15,473
12/31/2006	Non- Allowable Expenses	WV24/ 23	9950 Other	\$25,908	\$41,381	Increase \$15,473
6/30/2007	Administration	WV20/ 46	N/A Central Office Allocation From WV20	\$335,162	\$331,848	Decrease \$3,314
6/30/2007	Non- Allowable Expenses	WV24/ 23	9950 Other	\$13,510	\$16,824	Increase \$3,314
12/31/2007	Administration	WV20/ 46	N/A Central Office Allocation From WV20	\$295,953	\$292,243	Decrease \$3,710
12/31/2007	Non- Allowable Expenses	WV24/ 23	9950 Other	\$26,664	\$30,374	Increase \$3,710

Cause: The facility did not provide a cause.

Effect or Potential Effect: Allowable expenses on the Financial & Statistical Report are overstated.

Recommendation: We recommend that the facility put controls in place which will ensure home office expenses that are non-allowable are classified in the proper non-allowable account and not allocated to the cost report.

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Request for Proposal No. HHR12070

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Company: MYERS & STAUFFER Rep: ZACHARY DONAHUE Email Address: ZDONAHUE@MSLC.COM	4000 WESTCHASE BLVD, SUITE 450 RALEIGH, NC 27607	PHONE 919-829-7306 TOLL FREE 877-829-7306 FAX 919-829-8870
Company: Suttle & Stalaker Rep: Chris Lambert Email Address: cslambert@suttlecpas.com	1411 Virginia St. E Suite 100 Charleston, WV 25301	PHONE 304-343-4126 TOLL FREE 800-788-3844 FAX 304-343-8008
Company: Suttle & Stalaker, PLLC Rep: Chris Dewese Email Address: cdewese@suttlecpas.com	1411 Virginia St. E. Suite 100 Charleston WV 25301	PHONE 304-343-4126 TOLL FREE 800-788-3844 FAX (304)-343-8008
Company: Clifton Gunderson Rep: Libby Short Email Address: libby.short@cliftoncpa.com	4461 Cox Rd, Suite 210 Elen Allen VA 23060	PHONE 804-270-2200 TOLL FREE FAX 804-270-2311

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