

North Carolina Department of Health and Human Services

Agreed-Upon Procedures

for

Nursing Facilities

(Licensed Capacity = 7 Beds or Greater)

Use the same reporting period as the most recently completed Medicare cost report.

Introduction

The procedures specified in this document have been prepared by the North Carolina Department of Health and Human Services (NCDHHS) to satisfy an engagement to perform agreed-upon procedures for Adult Care Homes in accordance with Statement on Standards for Attestation Engagements (SSAE) No. 19 *Agreed-Upon Procedures Engagements*. For purposes of this engagement, the items of a financial statement are the financial amounts included in the Adult Care Home Cost Report. This document should be considered the NCDHHS requirements for the sufficiency (nature, timing, and extent) of the agreed-upon procedures to be performed for engagements for the period based on the most recently completed Medicare cost report.

The purpose of this engagement is to apply agreed-upon procedures as specified by the NCDHHS to verify the following assertion made by the management of the Adult Care Home.

In accordance with SSAE No. 19, the procedures to be enumerated or referred to in the practitioner's report should be performed by the engagement team or other practitioners and not by internal auditors. However, internal auditors or other personnel may prepare schedules and accumulate data or provide other information for the CPA/Independent Accountant's use in performing the agreed-upon procedures. To control the cost imposed upon Adult Care Homes to fulfill the requirements of GS 131D-4.2, the CPA/Independent Accountant should encourage the Adult Care Home's personnel to prepare as many of the schedules specified in the agreed-upon procedures as possible.

Included in this package is an example of the **Independent Accountant's Report on Applying Agreed-Upon Procedures**. Although the basic format has been developed as specified in SSAE No. 19, this example has been modified for Adult Care Homes. In some instances, the CPA/Independent Accountant is provided several alternatives in the Agreed-Upon Procedures. The attached example should be adjusted depending on the alternative selected by the auditor. Also, the CPA/Independent Accountant is required to attach the Adult Care Home Cost Report reflecting adjustments, if any, to the Independent Accountant's Report on Applying Agreed-Upon Procedures.

Finally, it is the responsibility of NCDHHS to ensure that the procedures included in this document are sufficient to ensure that the assertion included in the Adult Care Home Cost Report is valid. It is the CPA/Independent Accountant's responsibility to carry out the procedures and report differences between the reported amounts and the amounts based on performing those procedures in accordance with the applicable general, fieldwork, and reporting standards as discussed and interpreted in SSAE No. 19. Therefore, the CPA/Independent Accountant assumes the risk that misapplication of the procedures may result in inappropriate differences being reported. To reduce the CPA/Independent Accountant's risk, the NCDHHS email address AUP.questions@dhhs.nc.gov should be contacted for any clarification needed in the performance of procedures described in this document. The procedures described in this document have been developed based on the NCDHHS needs and general understanding of the records maintained by an Adult Care Home. In those situations, in which an Adult Care Home's records are significantly different than those described in this document in such a way as to prevent the procedure(s) from being properly performed, the NCDHHS email address AUP.questions@dhhs.nc.gov should be contacted. Every effort will be made to assist the CPA/Independent Accountant in developing alternative procedures if possible. **However, any alternative procedures must be approved by the NCDHHS as an amendment to this document before they are performed, and the Independent Accountant's Report on Applying Agreed-Upon Procedures issued.** As stated in SSAE No. 19, "*...the engaging party is required to agree to the procedures and acknowledge that the procedures performed are appropriate for the intended purpose of the engagement prior to issuance of the practitioner's agreed-upon procedures.*" **Reports based on unapproved alternative procedures will not be accepted by the Department.**

Requests for approval of alternative procedures should be addressed to:

AUP.questions@dhhs.nc.gov

In accordance with G. S. 131D-4.2(f) the Department has the authority to conduct audits and review audits that are submitted pursuant to G. S. 131D-4.2(a), (b) and (c). Therefore, the NCDHHS will select a sample of the Independent Accountant's Reports on Applying Agreed-Upon Procedures that are submitted and conduct a review of the CPA's/Independent Accountant's workpapers to ensure that the procedures were performed in accordance with the agreed-upon procedures guide.

The Independent Accountant's Report on Applying Agreed-Upon Procedures along with the Adult Care Home Cost Report should be submitted by September 30, 2025.

DO NOT submit copies of AUP workpapers. If submitted, they will go straight into the shred bin. The AUP must be on the accountant/CPA/CPA firm's letterhead and signed. It should resemble the example AUP shown below after the procedures.

Submit the AUPs by email to susan.kesler@dhhs.nc.gov. AUPs will be matched up with the cost reports submitted using the web-based Adult Care Cost Report program. Information will be processed quicker and notifications that cost reports have been processed will receive an email reply. Only as a last resort should AUPs be submitted by fax or mailed. The fax number is 919-715-3095. If mailing, please make sure to include "Attn: Susan Kesler" on the envelope. The mailing address if used is as follows:

NC Department of Health and Human Services
Office of the Controller
Attn: Susan Kesler
2019 Mail Service Center
Raleigh, North Carolina 27699-2019

NOTE: If you send the Independent Accountant's Report on Applying Agreed-Upon Procedures along with the adjusted Adult Care Home Cost Report by ***Federal Express, UPS, or Certified return receipt***, mail to the following address:

NC Department of Health and Human Services
Office of the Controller
Attn: Susan Kesler
1050 Umstead Drive
Raleigh, North Carolina 27603

Paper copies of cost reports will not be accepted. The new web-based program must be used.

(Name of Home)

Adult Care Home Cost Report
For the Period (*beginning date of Medicare report*) **through** (*end date*)

Agreed Upon Procedures
for
Nursing Facilities
(Licensed Capacity = 7 Beds or Greater)

Schedule A - Adult Care Home Cost Report

Procedure No.	Description	Initials	Date	Workpaper Reference
	<p><u>Note to CPA/Independent Accountant:</u> <i>Because nursing facilities (commonly referred to as combination facilities) are required to file a Medicaid Cost Report which is audited by the Division of Medical Assistance, the Department has agreed to allow the nursing facilities to use the data reflected in the Medicaid Cost Report as the source of information for preparation of the Adult Care Home Cost Report. <u>Therefore, the CPA/Independent Accountant will need to obtain a copy of the nursing facility's Medicaid Cost Report for the specified reporting period in order to perform the following procedures.</u></i></p>			
	<p style="text-align: center;"><u>Line Total of Resident Days</u> <i>(Note to the CPA/Independent Accountant: Resident days include days for all residents that were in the home, reserve bed days, and therapeutic leave days. Total resident days includes both paid and non-paid days.)</i></p>			
1.	<p><u>Facility Statistics of the Medicaid Cost Report</u> reflects the resident day statistical data for each of the types of programs the nursing facility operates. Compare the total reflected as Adult Care Home Total Inpatient Days on the Medicaid Cost Report (the Monthly Census Summary – Schedule C-5, Line 14) to the total amount of resident days reported in the Adult Care Home Cost Report.</p> <p><u>Report difference</u>, if any, in the Independent Accountant's Report on Applying Agreed-Upon Procedures and <u>adjust</u> the Adult Care Home Cost Report.</p>			
	<p><u>Line Total of State/County Special Assistance Days</u></p>			
2.	N/A			

Schedule B - Adult Care Home Cost Report Schedule of Profit and Loss

Procedure No.	Description	Initials	Date	Workpaper Reference
	<u>Lines: 10, 14, 17, 18, 19 and 20</u> <u>Schedule of Profit and Loss Totals</u>			
3.	<p>Verify addition of all revenue totals as presented on Schedule B (lines 10, 14, 17, 18, 19 and 20) of the Adult Care Home Cost Report.</p> <p><i>(Note to the CPA/Independent Accountant: Verify that the Total Expenses [line 19 of Schedule B] amount is the same amount that is reflected on line 240 of Schedule C.)</i></p> <p>Report difference, if any, in the Independent Accountant's Report on Applying Agreed-Upon Procedures and adjust the Adult Care Home Cost Report as appropriate.</p>			

Schedule C - Adult Care Home Cost Report Schedule of Expenses

Procedure No.	Description	Initials	Date	Workpaper Reference
	<u>Lines: 20, 40, 50, 60, 80, 90, 120, 140, 160, 170, 190, 200, 210, 215, 220, 225, 230, 235 and 240</u> <u>Cost Center Totals</u>			
4.	<p>Verify addition of all cost center totals and the total of all cost centers (Line 240) on Schedule C of the Adult Care Home Cost Report.</p> <p><i>(Note to the CPA/Independent Accountant: The Total of All Cost Centers [line 240 of Schedule C] should also be reflected on line 19 of Schedule B.)</i></p> <p>Report difference, if any, in the Independent Accountant's Report on Applying Agreed-Upon Procedures and adjust the Adult Care Home Cost Report.</p>			

Schedule D - Adult Care Home Cost Report Schedule of Related Party Costs

Procedure No.	Description	Initials	Date	Workpaper Reference
	<p><u>Note to CPA/Independent Accountant:</u> <i>Nursing facilities are <u>not</u> required to complete Schedule D of the Adult Care Home Cost Report at this time, therefore, the agreed-upon procedures for related party transactions/costs have been eliminated from these guidelines.</i></p>			

Verification of Supporting Documentation for Providing Medical Transportation

Procedure No.	Description	Initials	Date	Workpaper Reference
	<p><u>Note to the CPA/Independent Accountant:</u> <i>The nature of procedures seven (7) is to determine if the Adult Care Home is maintaining transportation logs. These logs document that medically necessary transportation was provided. The primary purpose is to identify homes that are not adequately maintaining transportation logs. Therefore, if transportation logs are not available, this should be reported in the Independent Accountant's Report on Applying Agreed-Upon Procedures. The DMA Auditors will, based on the results you report, determine the potential ramifications to the Adult Care Home.</i></p>			
5.	N/A			

“Example Report for 7 Bed or Greater Nursing Facility”
Independent Accountant’s Report on Applying Agreed-Upon Procedures to the Adult Care Home Cost Report submitted to the North Carolina Department of Health and Human Services for the period (*beginning of fiscal yr.*) through (*end of fiscal yr.*)

Note: The Cost Report that includes the CPA/Independent Accountant’s adjustments must accompany the Report on Applying Agreed-Upon Procedures.

To the Board of Directors and Management of (name of facility)

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and Management of (name of facility) and the North Carolina Department of Health and Human Services, solely to assist you in connection with meeting the audit requirements of G.S. 131D-4.2 for Cost Reports for the period from (beginning date of Medicare cost report) through (end date of Medicare cost report) submitted to the N. C. Department of Health and Human Services. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board of Directors and Management of (name of facility) and the NCDHHS. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

Schedule A: Facility Data

Total Number of Resident Days:

1. We compared the total reflected as Adult Care Home Total Inpatient Days on the Medicaid Cost Report to the total number of resident days reported on the Adult Care Home Cost Report. We noted that the total number of resident days reported on the Adult Care Home Cost Report were under-reported by thirty (30) when compared to the total number of adult care home resident days reflected on the Medicaid Cost Report. This difference has been adjusted on the Adult Care Home Cost Report.

Total Number of State/County Special Assistance Days:

2. N/A

Schedule B: Schedule of Profit and Loss

Schedule of Profit and Loss Totals: Lines #10, 14, 17, 18, 19 and 20

3. We verified the addition of all revenue totals on Schedule B and that the total expenses amount (Line #19) agrees to the total reflected on Schedule C, Line #240.

We noted no exceptions in the original Cost Report that was submitted by facility management as a result of this procedure. However, the total expenses reflected on Line 19 does not agree with the total Adult Care Home costs that was reflected on the Medicaid Cost Report as identified in procedure 4.

Medicaid Cost Report - Total Adult Care Home costs	\$149,262.00
Adult Care Home Cost Report	
Schedule B, Line 19 - Total Expenses	<u>\$151,450.00</u>
Total Difference	<u>\$ (2,188.00)</u>

Schedule C: Expenses

Cost Center Totals: Lines #20, 40, 50, 60, 80, 90, 120, 140, 160, 170, 190, 200, 210, 215, 220, 225, 230, 235 and 240

4. We verified the addition of all cost center totals on Schedule C and the total of all cost centers (Line 240).

We noted no exceptions in the Cost Report that was submitted by facility management because of this procedure.

Adult Care Home Medically Related Patient Transportation Program

5. N/A

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

We are required to be independent of (name of facility) and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board of Directors and Management of (name of facility) and the North Carolina Department of Health and Human Services, and is not intended to be and should not be used by anyone other than these specified parties.

(Signature)

(Date)

(Please print or type)
(Name of Accountant / Firm)
(Address of Accountant / Firm)
(City and Zip Code of Accountant / Firm)
(Telephone Number of Accountant / Firm)
(Fax Number of Accountant / Firm)

Attachment: Cost Report with adjusted totals resulting from the performance of the agreed-upon procedures