

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**SOUTH CAROLINA CLAIMED SOME
UNALLOWABLE ROOM-AND-BOARD
COSTS UNDER THE INTELLECTUAL AND
RELATED DISABILITIES WAIVER**

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Office of Inspector General

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EXECUTIVE SUMMARY

BACKGROUND

Medicaid Program

Pursuant to Title XIX of the Social Security Act, the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. In South Carolina, the Department of Health & Human Services (State agency) administers the Medicaid program.

Intellectual and Related Disabilities Waiver Services

Under a Title XIX section 1915(c) waiver approved by CMS, the State agency operates a waiver program that provides long-term care and support for individuals with intellectual or related disabilities. Section 1915(c) allows for payment of the cost of home or community-based services that are provided under a written plan of care to individuals in need of the services. Costs that are not related to the provision of this care, as well as room-and-board costs, are not allowable under such a waiver.

The State agency provides administrative oversight and monitoring of the waiver program. However, it contracts with the South Carolina Department of Disabilities and Special Needs (the Department) to provide waiver services. The Department provides these waiver services through contractual arrangements with a network of 39 local Disabilities and Special Needs (DSN) Boards divided into 4 regions.

Reimbursement Methodology

Throughout the year, the Department makes prospective “band” payments to the local DSN boards. The band payments are advance payments for waiver services and are based on the number of clients within each band at a particular local DSN board. There is no provision for settlement of the band payments if a local DSN board incurs costs that exceed its band payments. However, if a local DSN board spends less than 98 percent of the band payments received in a contract period, it must refund to the Department the excess payments received. The local DSN boards submit to the Department monthly service reports to reflect actual services provided to clients during the month.

Based on these monthly service reports submitted by the local DSN boards, the Department submits claims to the State agency for payment. The payment of these claims, subject to settlement based on the Department’s annual cost reports, is the basis for expenditure of Federal funds for waiver program services. The State agency reports waiver program expenditures, including any settlement payments, on the *Quarterly Medicaid Statement of Expenditures for the*

Medical Assistance Program (CMS-64 report), which summarizes actual Medicaid expenses for each quarter. CMS uses the CMS-64 report to reimburse States for the Federal share of Medicaid expenditures.

CMS reimburses to the State agency the Federal share of the State agency's claimed costs, based on the Federal medical assistance percentage (FMAP). From July 1, 2006, through June 30, 2009, the State agency claimed costs for the waiver program totaling \$620,398,730. South Carolina's FMAP for the period varied from approximately 69 to 79 percent. Under the contract between the Department and the State agency, the Department was responsible for all unallowable costs.

Cost Reporting Process

Each of the 39 local DSN boards submits to the Department annual cost reports for its various service areas. These cost reports include both direct costs for the various service areas and the administrative and general costs that each local DSN board allocates. The local DSN boards prepare separate cost reports for each of the waiver program residential service programs.

Annually, the Department submits to the State agency a consolidated waiver program cost report that lists the waiver program costs of all of the local DSN boards combined. This cost report also includes the Department's central office and regional office administrative and general costs that are allocated to the waiver program. The State agency compares the costs listed on the consolidated waiver program cost report to previous payments made to the Department for waiver program services for the fiscal year and settles with the Department for the difference.

OBJECTIVE

Our objective was to determine whether the State agency claimed Medicaid reimbursement for unallowable room-and-board costs under the waiver program that the Department operated.

SUMMARY OF FINDINGS

The State agency claimed Medicaid reimbursement of \$6,730,749 (\$4,832,975 Federal share) for unallowable room-and-board costs under the waiver program that the Department operated. The unallowable costs included:

- \$5,176,347 (\$3,726,112 Federal share) of administrative and general costs related to room and board and
- \$1,554,402 (\$1,106,863 Federal share) of direct room-and-board costs.

The State agency claimed unallowable room-and-board costs because neither the State agency nor the Department had adequate controls to (1) ensure that the Department followed applicable Federal law and guidance or its own guidance or (2) detect errors or misstatements on the local DSN boards' cost reports. Additionally, the Department did not prescribe a uniform format for the local DSN boards to follow when preparing the cost reports. Rather, each local board

prepared its cost reports in its own format, making it difficult to identify when unallowable costs were claimed.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal government \$4,832,975 representing the Federal share of the room-and-board costs that the Department improperly claimed on its waiver cost reports,
- instruct the Department to follow Federal law and its own guidance and remove room-and-board related administrative and general costs from future waiver program cost reports,
- instruct the Department to develop a uniform cost reporting process and require each local board to follow this process,
- instruct the Department to strengthen its cost report review procedures to ensure that it will detect errors or misstatements on the local DSN boards' cost reports, and
- strengthen its own procedures for reviewing the waiver cost reports submitted by the Department.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with all of our recommendations and said that it would work with CMS to negotiate repayment of \$4,832,975, representing the Federal share of improperly claimed room-and-board costs. The State agency's comments are included in their entirety as Appendix C.

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INTRODUCTION

BACKGROUND

Medicaid Program

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. In South Carolina, the Department of Health & Human Services (State agency) administers the Medicaid program.

Intellectual and Related Disabilities Waiver Services

Under a Title XIX section 1915(c) waiver¹ approved by CMS, the State agency operates a waiver program that provides long-term care and support for individuals with intellectual or related disabilities.² Section 1915(c) allows for payment of the cost of home or community-based services that are provided under a written plan of care to individuals in need of the services. Costs that are not related to the provision of this care, as well as room-and-board costs, are not allowable under such a waiver.

The State agency provides administrative oversight and monitoring of the waiver program. However, it contracts with the South Carolina Department of Disabilities and Special Needs (the Department) to provide waiver services. The Department provides these waiver services through contractual arrangements with a network of 39 local Disabilities and Special Needs Boards (local DSN boards). These local DSN boards are divided into four regions: Piedmont, Pee Dee, Coastal, and Midlands.

Reimbursement Methodology

Throughout the year, the Department makes prospective “band”³ payments to the local DSN boards. The band payments are advance payments for waiver services and are based on the number of clients within each band at a particular local DSN board. There is no provision for settlement if a local DSN board incurs costs that exceed its band payments. However, if a local DSN board spends less than 98 percent of the band payments received in a contract period, it

¹ Under section 1915(c) waivers, States may allow for care to be provided in a community-based setting for certain individuals.

² Changes in terminology are based on Rosa’s Law (P.L. No. 111-256). For more information, see CMS Final Rule, 77 Fed. Reg. 29002, 29021, & 29028 (May 16, 2012).

³ The band system is a budgeting system that assigns eight different funding levels, known as bands, to service users based on their needs. The amount of funding assigned to each band depends on the level of residential care and intensity of services that the clients in each band are expected to need.

must refund to the Department the excess payments received. The local DSN boards submit to the Department monthly service reports to reflect actual services provided to clients during the month.

Based on these monthly service reports that the local DSN boards submit, the Department submits claims to the State agency for payment. The payment of these claims, subject to settlement based on the Department's annual cost reports, is the basis for expenditure of Federal funds for waiver program services. The State agency submits quarterly reports covering waiver program expenditures, including any settlement payments, on the *Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program* (CMS-64 report), which summarizes actual Medicaid expenses for each quarter. CMS uses the CMS-64 report to reimburse States for the Federal share of Medicaid expenditures.

CMS reimburses to the State agency the Federal share of the State agency's claimed costs, based on the Federal medical assistance percentage (FMAP). South Carolina's FMAP for the period varied from approximately 69 to 79 percent. Under the contract between the Department and the State agency, the Department was responsible for all unallowable costs.

Cost Reporting Process

Each of the 39 local DSN boards submits annual cost reports to the Department for its various service areas, including the waiver program's residential service programs such as Supervised Living Program, Community Training Homes, and Community Residential Care Facilities. These cost reports include both direct costs for the various service areas and the administrative and general costs that each local DSN board allocates. The local DSN boards prepare separate cost reports for each of the waiver program's residential service programs.

Annually, the Department submits to the State agency a consolidated waiver program cost report that lists the waiver program costs of all of the local DSN boards combined. The cost report also includes the Department's central office and regional office administrative and general costs that are allocated to the waiver program. The State agency compares the costs listed on the consolidated waiver program cost report to previous payments made to the Department for waiver program services for the fiscal year and settles with the Department for the difference.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency claimed Medicaid reimbursement for unallowable room-and-board costs under the waiver program that the Department operated.

Scope

Our audit covered the period July 1, 2006, through June 30, 2009, which represented State fiscal years (SFY) 2007 through 2009. For this period, the State agency claimed costs for the waiver program totaling \$620,398,730.

In planning and performing our audit, we limited our review of the State agency's and the Department's internal controls to those controls related to ensuring that room-and-board costs are not claimed for Federal reimbursement.

We conducted fieldwork at the State agency's and the Department's offices in Columbia, South Carolina, from February through October 2011.

Methodology

To accomplish our objectives, we:

- met with Department officials to discuss the Department's central office and regional office administrative costs, as well as certain allocated costs on the local DSN boards' cost reports;
- met with State agency officials to discuss the settlement status of the waiver program cost reports for the audit period;
- reviewed section 1915(c) of the Act;
- reviewed cost reports and overhead allocation schedules for the 39 local DSN boards;
- identified direct room-and-board costs that were claimed on the local DSN boards' cost reports and ultimately claimed by the Department on its consolidated waiver program cost reports;
- determined the ratio of unallowable direct room-and-board costs to total direct costs (room-and-board ratio) for each local DSN board's residential service programs;
- determined the room-and-board portion of administrative and general costs for each local DSN board by applying the room-and-board ratio for each residential service program to the local DSN board's administrative and general costs that were allocated to the residential service program;
- reviewed the Department's allocation of its central office costs to the four regions;
- identified the administrative and general portions of the Department's central office overhead costs that it allocated to the waiver program for each region;
- determined the correct allocation—to the individual residential service programs within the local DSN boards—from each region's share of the Department's central office administrative and general costs included in the waiver program;
- determined, for each residential service program at each of the local DSN boards in all four regions, the room-and-board portion of allocated Department central office

administrative and general costs by applying the room-and-board ratio to the allocated costs;

- excluded from our calculations of unallowable costs, any costs related to respite care, personal caregivers, or meals associated with adult day health services that the Department separately identifies on the waiver cost report or supporting schedules;
- reviewed the CMS-64 reports to verify that the waiver program's payments for claims and payments related to cost settlement were included on the CMS-64 report and therefore claimed by the State agency for Federal reimbursement; and
- determined the Federal share of unallowable costs by calculating and applying the applicable FMAP on a weighted-average basis for each of the SFYs in our audit period.

We conducted our review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

The State agency claimed Medicaid reimbursement of \$6,730,749 (\$4,832,975 Federal share) for unallowable room-and-board costs under the waiver program that the Department operated. The unallowable costs included:

- \$5,176,347 (\$3,726,112 Federal share) of administrative and general costs related to room and board and
- \$1,554,402 (\$1,106,863 Federal share) of direct room-and-board costs.

The State agency claimed unallowable room-and-board costs because neither the State agency nor the Department had adequate controls to (1) ensure that the Department followed applicable Federal law and guidance or its own guidance or (2) detect errors or misstatements on the local DSN boards' cost reports.

FEDERAL LAW AND GUIDANCE

Social Security Act

Section 1915(c)(1) of the Act allows for payment of the cost of home or community-based services (other than room and board) that are provided under a written plan of care to individuals in need of the services. Costs that are not related to the provision of this care, as well as room-and-board costs, are not allowable under such a waiver. However, section 1915(c)(1) does allow payment for the cost of rent and food for an unrelated personal caregiver who is residing in the same household with an individual who, but for the assistance of such caregiver, would require

admission to a hospital, nursing facility, or Intermediate Care Facility for Individuals with Intellectual Disabilities.

Federal Regulations

Federal regulations (42 CFR § 441.310(a)(2)) state that Federal financial participation for home and community-based services is not available for the cost of room and board except when (1) provided as part of respite care services in a facility approved by the State that is not a private residence; (2) a portion of rent and food is attributable to an unrelated personal caregiver who resides in the same household with a waiver recipient; or (3) meals are provided as part of a program of adult day health services as long as the meals do not constitute a full nutritional regimen.

State Medicaid Manual

The *State Medicaid Manual* (CMS Pub. No. 45), in defining services in section 4442.3 B.12, states that room includes “related administrative services.” A Department document entitled *Calculation of Room and Board for Non-ICF/MR Programs*, which was directed to all local DSN boards and contractors who provide residential services, referenced that section of the *State Medicaid Manual* to provide instructions for removal of room costs from allowable costs.

ROOM-AND-BOARD ADMINISTRATIVE AND GENERAL COSTS

The State agency claimed Medicaid reimbursement totaling \$5,176,347 (\$3,726,112 Federal share) for unallowable administrative and general costs related to room and board under the waiver program that the Department operated. The unallowable costs included:

- \$4,222,499 (\$3,040,850 Federal share) of administrative and general costs related to room and board from the local DSN boards and
- \$953,848 (\$685,262 Federal share) of administrative and general costs related to room and board from the Department’s central office.

Local Disabilities and Special Needs Boards

The State agency claimed Medicaid reimbursement totaling \$4,222,499 (\$3,040,850 Federal share) for unallowable administrative and general costs related to room and board that the local DSN boards had allocated to residential service programs. Of the \$32,928,192 in administrative and general costs that the local DSN boards allocated to the residential service programs, \$4,222,499, or 12.82 percent, was related to room and board and therefore not allowable for reimbursement. (See Appendix A.)

The local DSN boards properly removed most of the unallowable direct room-and-board costs from allowable costs but failed to consider that there were also unallowable indirect costs associated with the direct room-and-board costs. To determine the unallowable indirect costs, we identified the percentage of room-and-board direct costs to total direct costs for the

residential service programs and applied that percentage to the administrative and general costs allocated to the residential service programs. Specifically, for each local DSN board residential service program, we divided the total direct room-and-board costs by the total direct costs and multiplied the quotient by the administrative and general costs that the local DSN board allocated to the residential service program.

The Department Central Office

The State agency claimed Medicaid reimbursement totaling \$953,848 (\$685,262 Federal share) for unallowable Department central office administrative and general costs related to room and board. Of the \$7,801,175 in Department central office administrative and general costs related to the waiver program's residential service programs, \$953,848, or 12.23 percent, was related to room and board and therefore not allowable for reimbursement. (See Appendix A.)

The Department allocated central office administrative and general costs to the regional offices. It did not further allocate any of these costs to the local DSN boards' residential service programs. Therefore, to calculate the amount related to room and board, we first determined the portion of each region's share of central office costs related to the individual local DSN boards and to the residential service boards within those boards.

Then, we identified the percentage of room-and-board direct costs to total direct costs for the residential service programs and applied that percentage to the central office administrative and general costs allocated to the residential service programs. Specifically, for each local DSN board residential service program, we divided the total direct room-and-board costs by the total direct costs and multiplied the quotient by the local DSN board residential service program's share of central office administrative and general costs.

DIRECT ROOM-AND-BOARD COSTS

The State agency claimed Medicaid reimbursement totaling \$1,554,402 (\$1,106,863 Federal share) for unallowable direct room-and-board costs that were incurred at the local DSN board level.

Some local DSN boards included maintenance costs related to residential service programs (a direct room-and-board cost) in a pool of costs to be allocated to the various residential locations rather than directly assigning those costs to the specific locations. Generally, the local DSN boards properly made adjustments to remove these costs from the cost report. However, there were 18 local DSN boards that, for at least 1 year of our audit period, did not remove the allocated maintenance costs. As a result, the Department improperly claimed for reimbursement \$1,554,402 (\$1,106,863 Federal share) for direct room-and-board costs. (See Appendix B.)

INADEQUATE CONTROLS

The State agency claimed unallowable room-and-board costs because neither the State agency nor the Department had adequate controls to (1) ensure that the Department followed applicable Federal law and guidance or its own guidance or (2) detect errors or misstatements on the local DSN boards' cost reports.

The Department did not properly follow Federal regulations and guidance including the *State Medicaid Manual* (CMS Pub. No. 45). Additionally, the Department did not prescribe a uniform format for the local DSN boards to follow when preparing the cost reports. Rather, each local board prepared its cost reports in its own format, making it difficult to identify, for example, when direct room-and-board costs were included in a pool of costs to be allocated by a local DSN board. While the Department properly removed most of the direct room-and-board costs, neither the State agency's nor the Department's controls were sufficient to prevent a significant amount of room-and-board costs from being claimed for reimbursement.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal government \$4,832,975 representing the Federal share of the room-and-board costs that the Department improperly claimed on its waiver cost reports,
- instruct the Department to follow Federal law and its own guidance and remove room-and-board related administrative and general costs from future waiver program cost reports,
- instruct the Department to develop a uniform cost reporting process and require each local board to follow this process,
- instruct the Department to strengthen its cost report review procedures to ensure that it will detect errors or misstatements on the local DSN boards' cost reports, and
- strengthen its own procedures for reviewing the waiver cost reports submitted by the Department.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with all of our recommendations and said that it would work with CMS to negotiate repayment of \$4,832,975, representing the Federal share of improperly claimed room-and-board costs. The State agency's comments are included in their entirety as Appendix C.

APPENDIXES

**APPENDIX A: INDIRECT ROOM-
AND-BOARD EXPENSES CLAIMED
FOR REIMBURSEMENT FOR FISCAL
YEARS 2007, 2008, AND 2009**

Local Board	FY* 2007		FY 2008		FY 2009		TOTAL ALL YEARS		
	Local Board	Central Office	Local Board	Central Office	Local Board	Central Office	Local Board	Central Office	Total Indirect
Aiken	\$14,282	\$6,356	\$36,584	\$9,217	\$49,768	\$11,498	\$100,634	\$27,071	\$127,705
Allendale-Barnwell	27,058	5,469	39,979	5,526	33,233	5,166	100,270	16,161	116,431
Anderson	31,990	13,273	27,859	8,754	31,636	9,814	91,485	31,841	123,326
Babcock	174,071	30,461	133,252	29,882	114,187	23,478	421,510	83,821	505,331
Bamberg	39,141	4,027	32,431	3,521	35,232	3,876	106,804	11,424	118,228
Beaufort	33,323	6,326	20,493	4,008	20,899	4,276	74,715	14,610	89,325
Berkeley	39,726	14,638	39,766	13,241	35,744	9,636	115,236	37,515	152,751
Burton	57,249	22,627	49,363	11,534	45,483	11,096	152,095	45,257	197,352
Calhoun	36,081	4,079	33,408	3,570	22,912	2,909	92,401	10,558	102,959
Charles Lea	126,047	28,648	138,750	21,406	113,601	23,943	378,398	73,997	452,395
Charleston	52,124	17,914	51,789	17,923	163,621	19,165	267,534	55,002	322,536
Cherokee	26,563	4,015	24,130	2,810	23,093	2,754	73,786	9,579	83,365
Chesco	50,645	17,482	62,521	19,552	46,489	20,240	159,655	57,274	216,929
Chester-Lancaster	20,841	3,323	22,607	3,692	17,604	3,022	61,052	10,037	71,089
Clarendon	47,549	9,047	32,746	7,409	49,472	8,506	129,767	24,962	154,729
Colleton	14,611	2,209	8,664	1,591	15,664	2,328	38,939	6,128	45,067
Darlington	11,530	2,380	18,609	3,979	16,827	3,981	46,966	10,340	57,306
Dorchester	9,260	5,554	10,857	6,261	9,751	7,343	29,868	19,158	49,026
Fairfield	27,440	5,108	26,859	5,534	32,174	5,088	86,473	15,730	102,203
Florence	36,848	9,753	32,979	9,512	36,376	10,229	106,203	29,494	135,697
Georgetown	3,968	560	31,460	4,132	51,349	6,188	86,777	10,880	97,657
Greenville	39,576	19,536	25,164	13,888	48,003	14,710	112,743	48,134	160,877
Hampton	14,479	1,137	15,718	1,158	16,845	1,453	47,042	3,748	50,790

Local Board	FY* 2007		FY 2008		FY 2009		TOTAL ALL YEARS		
	Local Board	Central Office	Local Board	Central Office	Local Board	Central Office	Local Board	Central Office	Total Indirect
Horry	14,412	2,919	43,603	8,691	27,558	7,321	85,573	18,931	104,504
Jasper	11,212	1,442	14,874	1,815	14,253	1,906	40,339	5,163	45,502
Kershaw	14,006	2,660	17,544	2,760	18,217	2,876	49,767	8,296	58,063
Laurens	34,623	12,441	23,833	9,235	23,007	8,197	81,463	29,873	111,336
Lee	26,604	4,889	29,159	4,970	25,981	4,659	81,744	14,518	96,262
Marion-Dillon	22,839	6,223	31,177	6,545	29,843	6,956	83,859	19,724	103,583
Marlboro	9,999	939	20,785	1,769	9,931	1,202	40,715	3,910	44,625
Newberry	28,136	3,713	28,996	4,892	28,984	4,582	86,116	13,187	99,303
Oconee	46,527	10,509	41,418	10,780	31,108	10,428	119,053	31,717	150,770
Orangeburg	39,434	15,023	39,747	13,316	70,226	13,246	149,407	41,585	190,992
Pickens	37,723	8,564	38,927	7,560	43,231	8,054	119,881	24,178	144,059
Richland-Lexington (1)	-	-	-	-	-	-	-	-	-
Sumter	35,836	11,053	57,922	12,482	13,740	8,565	107,498	32,100	139,598
Union	17,651	4,322	19,495	4,256	18,460	3,582	55,606	12,160	67,766
Williamsburg	7,228	1,446	9,478	1,615	7,863	1,527	24,569	4,588	29,157
York	79,067	15,200	69,183	13,094	68,306	12,903	216,556	41,197	257,753
Total	\$1,359,699	\$335,265	\$1,402,129	\$311,880	\$1,460,671	\$306,703	\$4,222,499	\$953,848	\$5,176,347
Federal Share % (2)	69.49%	69.49%	69.73%	69.73%	76.56%	76.56%			
Federal Share	\$944,855	\$232,976	\$977,705	\$217,474	\$1,118,290	\$234,812	\$3,040,850	\$685,262	\$3,726,112

(1) Richland-Lexington had no direct room-and-board costs and therefore we calculated no indirect room-and-board costs.

(2) The Federal share percentage is a weighted average for the State fiscal year. The Federal share percentage for fiscal year 2009 is significantly higher because of enhanced funding under provisions of the American Reinvestment and Recovery Act.

* FY = Fiscal Year

**APPENDIX B: DIRECT ROOM-AND-BOARD EXPENSES
CLAIMED FOR REIMBURSEMENT
FOR FISCAL YEARS 2007, 2008, AND 2009**

Local Board (1)	FY* 2007	FY 2008	FY 2009	TOTAL
Allendale-Barnwell	\$90,114	\$0	\$0	\$90,114
Anderson	19,531	21,318	30,579	71,428
Babcock	12,879	-	64,153	77,032
Berkeley	108,726	105,673	-	214,399
Chesco	75,233	87,215	108,492	270,940
Chester-Lancaster	19,162	19,281	20,018	58,461
Dorchester	6,245	6,943	7,219	20,407
Fairfield	25,552	27,267	31,928	84,747
Florence	79,770	-	-	79,770
Kershaw	12,072	14,021	17,434	43,527
Laurens	25,106	30,828	-	55,934
Marion-Dillon	24,933	27,487	25,142	77,562
Marlboro	-	-	4,258	4,258
Newberry	5,141	49,377	-	54,518
Oconee	27,429	47,203	-	74,632
Pickens	42,620	41,559	-	84,179
Sumter	24,929	25,897	51,458	102,284
York	90,210	-	-	90,210
Total	\$689,652	\$504,069	\$360,681	\$1,554,402
Federal Share % (2)	69.49%	69.73%	76.56%	
Federal Share	<u>\$479,239</u>	<u>\$351,487</u>	<u>\$276,137</u>	<u>\$1,106,863</u>

(1) There are 39 local disabilities and special needs boards in the State. However, we have listed only those that claimed direct room-and-board costs during our audit period.

(2) The Federal share percentage is a weighted average for the State fiscal year. The Federal share percentage for fiscal year 2009 is significantly higher because of enhanced funding under provisions of the American Reinvestment and Recovery Act.

* FY = Fiscal Year

APPENDIX C: STATE AGENCY COMMENTS



Anthony E. Keck, Director
Nikki R. Haley, Governor

July 11, 2012

Ms. Lori S. Pilcher
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Inspector General
Office of Audit Services, Region IV
61 Forsyth Street, SW, Suite 3T41
Atlanta, Georgia 30303

Re: Report Number A-04-11-04012

Dear Ms. Pilcher:

The South Carolina Department of Health and Human Services (SCDHHS) and the South Carolina Department of Disabilities and Special Needs (SCDDSN) have reviewed the U.S. Department of Health and Human Services (USDHHS), Office of Inspector General (OIG) draft audit report entitled *South Carolina Claimed Some Unallowable Room and Board Costs Under the Intellectual and Developmental Disability Waiver* and appreciates the opportunity to comment on the draft findings and recommendations. Our responses are included below:

Finding #1: Refund to the Federal Government \$4,832,975 representing the federal share of the room and board costs that the Department improperly claimed on its waiver cost reports.

Response: The SCDHHS will work with the Centers for Medicare and Medicaid Services (CMS) to negotiate repayment.

Finding #2: The Department (i.e. SCDDSN) should be instructed to follow federal law and its own guidance and remove room and board related administration and general costs from future waiver program cost reports.

Response: The SCDHHS and SCDDSN will ensure that the local DDSN Board and SCDDSN Central Office administrative and general costs are allocated to direct room and board costs beginning with the July 1, 2012 through June 30, 2013 reporting period via the step-down cost allocation process in accordance with federal regulations.

Finding #3: The Department (i.e. SCDDSN) should develop a uniform cost reporting process and require each local board to follow this process.

Response: The SCDHHS will approve the SCDDSN uniform cost reporting process beginning July 1, 2012 to include the prescribed uniform cost report instructions, detailed cost reporting format, and any future policy guidance as it pertains to the reporting of allowable Medicaid reimbursable costs for waiver cost report purposes.

Finding #4: The Department (i.e. SCDDSN) should strengthen its cost report review procedures to ensure that it will detect errors or misstatements on the local boards' cost reports.

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Response: The SCDDSN will continue to strengthen its cost report review process to detect errors or misstatements on the local boards' cost reports.

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Finding #5: The State Agency (i.e. SCDHHS) should strengthen its cost report review procedures used to review the waiver cost reports submitted by the Department.

Response: The SCDHHS will continue to strengthen its cost report desk review process to ensure that costs claimed for Medicaid reimbursement are in compliance with federal regulations.

Thank you for the opportunity to respond to the OIG draft audit report. Should you or your staff should have any questions, please contact Mr. Jeff Saxon at (803) 898-1023.

Sincerely,

A handwritten signature in black ink, appearing to read 'Anthony E. Keck', with a long horizontal line extending to the right.

Anthony E. Keck
Director