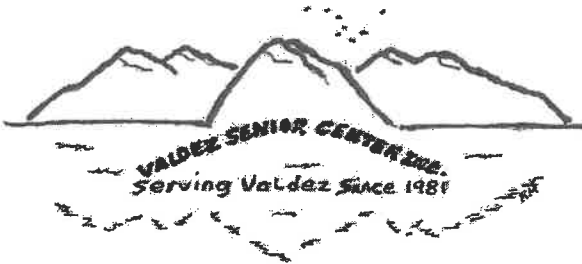




**AGENDA
WORK SESSION
CITY COUNCIL & VALDEZ SENIOR CENTER
Tuesday, February 20, 2018 at 5:30 pm**

I. NEW BUSINESS

1. 2012 Medicaid Audit resulting in an overpayment to Valdez Senior Center (VSC) in the amount of \$273,677.35
 - a. Basic Facts
 - b. Background – Opening & Closing with Doug Davies
 - c. Current Director's Observations
 - d. Checks & Balances Now in Place
 - e. What Additional Steps Are Being Taken
 - f. Comparison of Medicaid Yearly Incomes
 - g. Repayment & Budget Considerations
 - i. 2017 Graph for Income & Expense by Month
 - ii. Points to Consider: Impact on VSC, Repercussions, and Worst-Case Scenario
 - iii. Repayment Options
 - h. Agreed Upon Procedures from Period Ending May 5, 2014
 - i. Review of Exceptions
 - ii. Valdez Senior Center 2016 Audit p.3 with Corrected and Uncorrected Misstatements
2. Facility Projects
 - a. Projects in Process
 - b. Facility Concerns
3. Budget for Facility Maintenance & Upgrades
 - a. VSC Maintenance Budget
 - b. Apartment Upgrades



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Valdez, AK 99686
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OVERVIEW

Agenda Item 1. a - h.

Basic Facts: An audit of Valdez Senior Center's (VSC) Medicaid 2012 billing records resulted in the following Medicaid Audit findings: It was determined that VSC has received overpayment by the State of Alaska's Department of Health and Social Services (DHSS) to VSC in the amount of **\$273,677.35**. (For services rendered on behalf of Medicaid recipients and payments totaling \$273,677.35).

See the attached letters from DHSS regarding the overpayments on our two accounts.

This determination of overpayment is due to insufficient and/or missing documentation from 2012 Medicaid billing records by a medical assistance provider. It was determined that VSC had failed to observe required federal and state statutes and regulations (Alaska Statute (AS) 47.05.200).

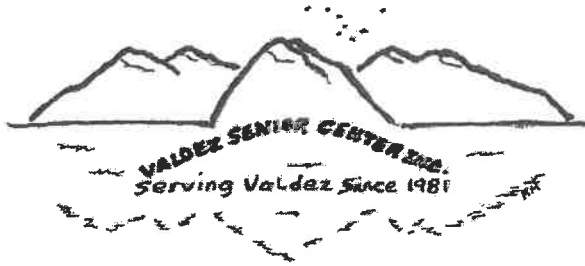
Background: Doug will provide a history of what occurred in 2014 prior to the new Board forming during his opening and closing comments.

Current Director's Observations:

- Previous director independently decided to serve in several capacities with few checks and balances in place.
- She terminated the care coordinator in 2012 and proceeded not to follow required timesheet, billing, or caregiver notes best practices without Board knowledge.
- Require paperwork for the billing process was incomplete, insufficient and/or missing.
- It would have been unusual for Board members to be knowledgeable of Personal Care Assistant (PCA) state billing requirements or to see any documentation for billing prior to signing paychecks.

Checks & Balances Now in Place:

- Billing accounts for Medicaid & Private Pay (those not eligible for Medicaid) clients were added to our accounting system on 1/1/2016 with carry over balances from Dec. 2015, which allows accurate tracking in the QuickBooks (QB) accounting system. (Rental revenue from tenants is now tracked as well and was added to our accounting system in 2015). This has resulted in accounts receivable being properly accrued into the accounting system.

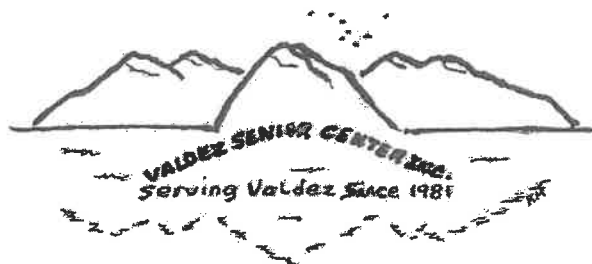


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- PCA timesheets are reviewed three times: by the health care coordinator, bookkeeper, and executive director. Payroll is processed by the bookkeeper. Paychecks are signed by the director and a Board Officer (usually the president).
- Timesheets include caregiver notes for clients that are reviewed and stored in client files kept in the health care coordinator's office. The health care coordinator keeps all medical information related to plan of care, assessments, diagnosis, etc., in client files locked in her office.
- Employee personnel files and timesheet files are kept in the director's office. Billing spreadsheets by client are created for the bookkeeper from employee timesheets. Client billing sheets, separate from spreadsheets, are created from timesheets and kept in client billing files in director's office. The Medicaid billing is processed online by executive director.
- Copies of billing spreadsheets are given to the bookkeeper to enter in QB as invoices by client name.
- When billing for clients is approved, a claim approving payment for each client is available online and is printed and matched with client billing sheets that are placed in client files.
- Remittance advices (RAs) are available once weekly for all billing approved for clients. The director prints RAs each week and reconciles them with claims. The RAs are given to the bookkeeper who enters them in QB receivables as a payment against invoices for services rendered.
- The director stores all remittances and spreadsheets in chronological order each year and keeps them in her office.

What Else Are We Doing?

- VSC is in the process of applying for commercial crime and fidelity coverage (bonding) for the executive director. This will be an amendment to our current commercial property & general liability insurance package through Great American Assurance Co.
- Through the recommendation of previous Board President, Jim Shirrell, a monthly Key Performance Indicators (KPI) report, was created to provide all bank account balances, all expenditures, #s of services provided, and income received every month. This report has been provided to the VSC Board at every Board meeting since Oct. 2015. This ensures that the Board is aware of everyday operations and financial standing.



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***KPIs for 2017 and 2018 have been included in your packet for review.**

Comparison of Medicaid (PCA) Yearly Incomes:

2013 = \$187,599.23 (includes advance payments)*
2014 = \$57,042.19 (" " " ")*
2015 = \$174,428.71 (" payments received for 2014 billing)
2016 = \$144,937.59 (" " " " 2015 ")
2017 = \$229,796.43

***Note: \$47,800 in advance payments made to VSC in 2013 & 2014 was repaid in full as of Nov. 2017.**

Repayment & Budget Considerations:

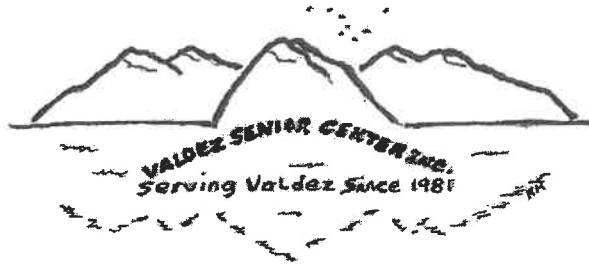
Enclosed: 2017 Graph for Income and Expense by Month

(Figures are 4% higher than VSC 2017 budget)

Total Income = \$796,571.80
Total Expense = \$762,047.09
Net Income = \$34,524.71

Points to Consider:

- We currently have approval from SOA's Dept of Health Social Services' Medicaid Program Integrity unit for a repayment plan of \$2850.81 per month for 8 years with interest waived.
- Using the I & E by Month graph for 2017, the net income of \$34,524.71 breaks down to \$2877.06 per month. A repayment to SOA of \$2850.81 per month will leave VSC with a remaining net income of \$26.25 per month.
- If VSC attempts to honor this repayment plan without outside assistance, this creates a \$34,209.72 annual hit to our overall budget for 2018 and every year thereafter for 8 years. We might be able to withstand this for a few years with regular transfers as needed from the contingency account to our general account.
- VSC is in a financial position to handle no more than \$15,000 per year, or \$1,250 per month, without having to drastically reduce services provided to the seniors in Valdez.



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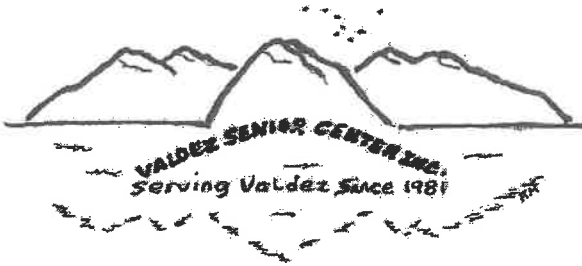
- As of January 31st, we have \$132,949.20 in our contingency account; however, this balance reflects \$52,500 in grants funds and a \$20,000 donation, both of which are restricted to administering our Nutrition, Transportation and Support Services (NTS) program. It is more accurate to state that our contingency has \$60,449.20 currently in reserve for operational needs and emergencies.
- **Repercussions:** under the option of repayment by VSC with no outside assistance, and the continued borrowing from the contingency account, there will be little cash remaining for emergencies, etc. This account will not withstand the potential withdrawal of \$34,209.72 every year for 8 years; it would be depleted within a few years. It would be necessary, within a short period of time, for VSC to enforce a drastic reduction in services, such as eliminating special luncheons, sponsored events for the community, and home delivered weekend meals. This isn't a good outcome for the seniors in Valdez who rely on us for services.
- **Worst case scenario:** There is a high probability the center would close its doors within 2-3 years, following the depletion of the contingency account funds that is held for emergencies, upgrades, additional expenses, etc. If VSC suffered an unexpected cut in revenue sources or grant funding, the center could experience serious repercussions much sooner than 2 – 3 years.

Repayment Options:

1. Request 100% assistance from the City.
2. Request 50% - 75% assistance from the City.
3. Discussion – other repayment options to consider?

Enclosed: Agreed Upon Procedures from Period Ending May 5, 2014

- The enclosure is a copy of 9 procedures and schedule of findings and recommendations for a Jan. 1, 2014 – May 5, 2014 review conducted by Altman & Rogers' CPA firm.



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- Discussion to clarify that exceptions mentioned above do not apply to us. A page from our 2016 financial audit with findings has been included to show that we are doing very well with financial record keeping.

Agenda Item I 2. a – b.

Facility Projects in Process:

- Apartment & vinyl flooring upgrades for 5 apartments: near completion
- Emergency Exits Canopies: construction will begin in May 2018

Current Facility Concerns to Address:

- Huge bird population and droppings in carport – how to address and rectify?
 - a. Tenants cars are covered in bird droppings which can lead to paint damage
 - b. Spike strips along railings recently installed isn't a deterrent
 - c. Sidewalks are filthy and require power washing to clean adequately
- Two chairlifts are needed for residents in emergency evacuations or elevator down times
 - a. Four residents are unable to use the stairs due to mobility issues
 - b. The use of an elevator is not permitted during an evacuation
 - c. The use of an elevator is not possible when it isn't working
 - d. VSC staff are not trained to assist residents with mobility issues up and down stairs. VSC staff may not be available at such time assistance would be needed.

Agenda Item I 3. a – b.

Budget for Facility Maintenance & Upgrades

- a. VSC's Maintenance Budget: We use the contingency fund if needed when major things need repairing or replaced (such as coolers and freezers in the kitchen and appliances in tenants' apartments). The Building Lease Agreement between the City and VSC is reviewed to determine lessor or lessee responsibility for repairs when maintenance issues arise.
- b. Upgrades: what is the status of \$40K funds set aside for VSC apartment upgrades? We are unsure of how to proceed with apartment upgrades in the new year and were under the impression this was an established financial arrangement.



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of
Health and Social Services

Medicaid Program Integrity

P.O. Box 240249
Anchorage, Alaska 99524-0249
Main: 907.269.0399
Fax: 907.269.3460

December 5, 2017

VIA Certified Restricted Delivery Mail: 7015 1730 0000 6025 8559

Valdez Senior Citizens Center
Attn: Joan Heikens
P.O. Box 1635
Valdez, AK 99686-1635

Dear Ms. Heikens:

Alaska Statute (AS) 47.05.200 requires the Department of Health and Social Services (Department) to perform annual audits of medical assistance providers in order to identify overpayments and other inconsistencies with federal and state statutes and regulations.

Myers & Stauffer LC, acting as the Department's authorized agent, completed an audit of Valdez Senior Citizens Center, 1028216, Medicaid claims for the period January 1, 2012 to December 31, 2012 pursuant to AS 47.05.200 and 7 AAC 160.110. The audit encompassed 182 Medicaid claims for services rendered on behalf of Medicaid recipients and for which payments totaling \$246,109.28 were received.

Attached are your final audit findings. You were notified of the preliminary findings in a letter dated September 11, 2017 and given the opportunity to provide supplemental documentation pursuant to 7 AAC 160.110(f). Additional documentation was received on October 11, 2017. Based on the final audit findings, it has been determined your facility owes the Department **\$211,999.69**. If you are not appealing this overpayment, payment should be paid within 30 days from the date of this letter, payable to the State of Alaska, Program Integrity Unit, P.O. Box 240249, Anchorage, AK 99524. If full payment is not received within 30 days and no appeal is filed, interest will be assessed using statutory rates for post judgment interest (4.25%) accruing from the date of the final agency decision.

If you disagree with the Department's overpayment finding you may appeal the Department's overpayment finding to the Commissioner's Office under 7 AAC 160.130 under the procedures described below. Alternatively a provider may first ask the Department to reconsider the results of this audit. A request that the Department reconsider its overpayment finding must be made in writing, including additional information to be considered, and mailed to Medicaid Program Integrity, P.O. Box 240249, Anchorage, Alaska 99524, Attention: S. Phelps. The request that the Department reconsider its finding must be made within 30 days of the date on this letter. If after reconsideration by the Department the facility still disagrees with the Department's overpayment finding, the facility may then appeal to the Commissioner within 30 days of the Department's decision on reconsideration.

If the facility wishes to appeal to the Commissioner without making a request for reconsideration, the facility may request an administrative appeal within 30 days after the mailing of this notice of decision. The Commissioner's office will forward your appeal request to the Office of Administrative Hearings (OAH), who will assign an Administrative Law Judge (ALJ) to preside over this hearing. The ALJ will determine the appropriateness of such requests and schedule proceedings accordingly. The ALJ will conduct any hearings in accordance with the procedures set forth by the OAH.

The written request to the Commissioner must include: (1) a description of the audit finding or determination being appealed; (2) a copy of the audit finding or determination; (3) the basis upon which the enclosed final audit report is challenged; and (4) include all information and materials, including any new information, that you request the Commissioner to consider in resolving the dispute. The request must be submitted to:

Office of the Commissioner
Department of Health and Social Services
Attn: Program Integrity Appeals
P.O. Box 110601
Juneau, Alaska 99811-0601

At a hearing, the Department will have the burden of proving, by a preponderance of evidence, that the overpayments were properly identified and that the amount you owe was correctly calculated.

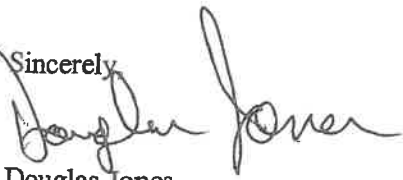
You will have the opportunity to rebut the Department's legal arguments and cross-examine any evidence and witnesses the Department puts forth. You will also have the opportunity to make legal arguments, present evidence, call witnesses, and submit written motions and briefs. You have the right to request evidence the Department has in its possession that will assist you in preparing your case. You have the right to be represented by counsel throughout the process or you may represent yourself.

At the conclusion of the OAH proceedings, the ALJ will submit in writing his or her recommendation to the Commissioner of DHSS. You will have the opportunity to review the ALJ's recommendation and submit to the Commissioner written objections or support for the ALJ's recommendation. The Commissioner will review the ALJ's recommendation, along with any written arguments in support of or in opposition to the ALJ's recommendation before rendering a decision to uphold, overturn, or modify the ALJ's recommendation. The Commissioner's decision is the final administrative action. The Commissioner's decision may be appealed to the Alaska Superior Court under the Alaska Rules of Appellate Procedure.

Pursuant to 7 AAC 160.110(h), the Department expressly reserves its right to (1) recoup or recover from providers any amount identified as an overpayment, (2) impose sanctions against providers under 7 AAC 105.400 - 7 AAC 105.490, (3) initiate other civil or administrative actions, and (4) refer the matter to another state, federal, or local agency. This audit does not address this or any other provider's actual or potential criminal liability, if any, nor does it bar the state or federal government from criminally prosecuting this or any other provider relating to Medicaid payments received from the State.

Please contact Suzanne Phelps at 907-334-2182, or me at 907-269-0361 with any additional questions or concerns.

Sincerely,

A handwritten signature in dark ink, appearing to read "Douglas Jones", written over the word "Sincerely,".

Douglas Jones

Manager, Medicaid Program Integrity

CC: Duane Mayes, Division Director, Senior & Disabilities Services
Caroline Hogan, Senior & Disabilities Services
Lynne Keilman-Cruz, Senior & Disabilities Services



THE STATE
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December 5, 2017

VIA Certified Restricted Delivery Mail: 7015 1730 0000 6025 8580

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Myers & Stauffer LC, acting as the Department's authorized agent, completed an audit of Valdez Senior Citizens Center, 1005047, Medicaid claims for the period January 1, 2012 to December 31, 2012 pursuant to AS 47.05.200 and 7 AAC 160.110. The audit encompassed 114 Medicaid claims for services rendered on behalf of Medicaid recipients and for which payments totaling \$69,707.85 were received.

Attached are your final audit findings. You were notified of the preliminary findings in a letter dated September 11, 2017 and given the opportunity to provide supplemental documentation pursuant to 7 AAC 160.110(f). Additional documentation was received on October 11, 2017. Based on the final audit findings, it has been determined your facility owes the Department \$61,677.66. If you are not appealing this overpayment, payment should be paid within 30 days from the date of this letter, payable to the State of Alaska, Program Integrity Unit, P.O. Box 240249, Anchorage, AK 99524. If full payment is not received within 30 days and no appeal is filed, interest will be assessed using statutory rates for post judgment interest (4.25%) accruing from the date of the final agency decision.

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Please contact Suzanne Phelps at 907-334-2182, or me at 907-269-0361 with any additional questions or concerns.

Sincerely,



Douglas Jones

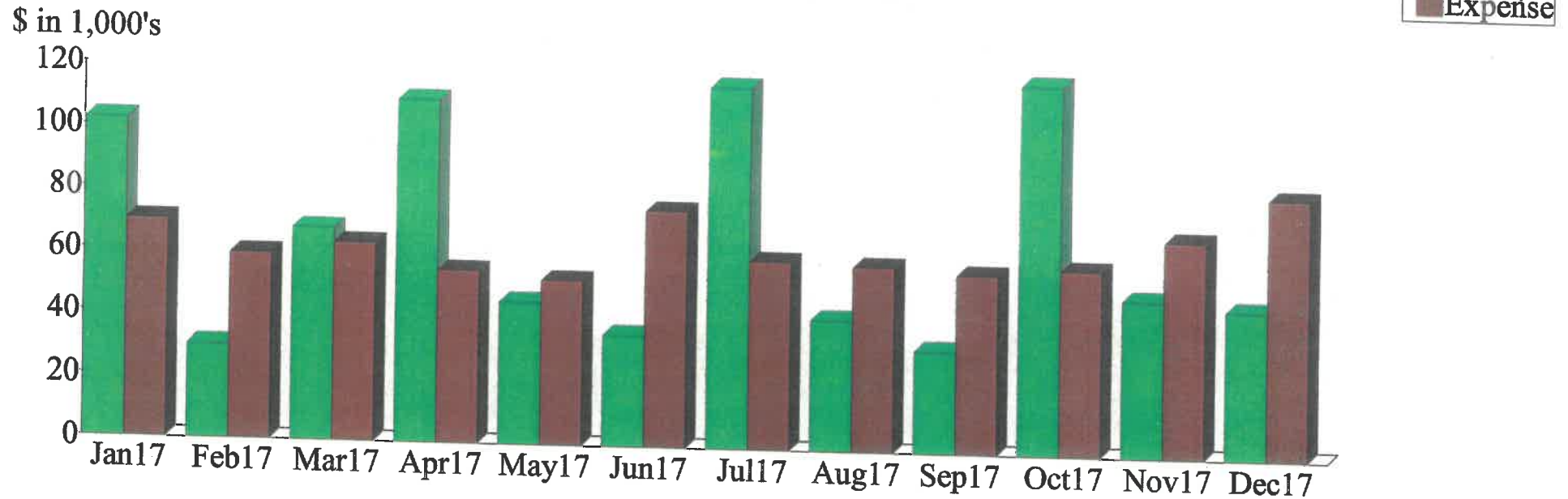
Manager, Medicaid Program Integrity

CC: Duane Mayes, Division Director, Senior & Disabilities Services

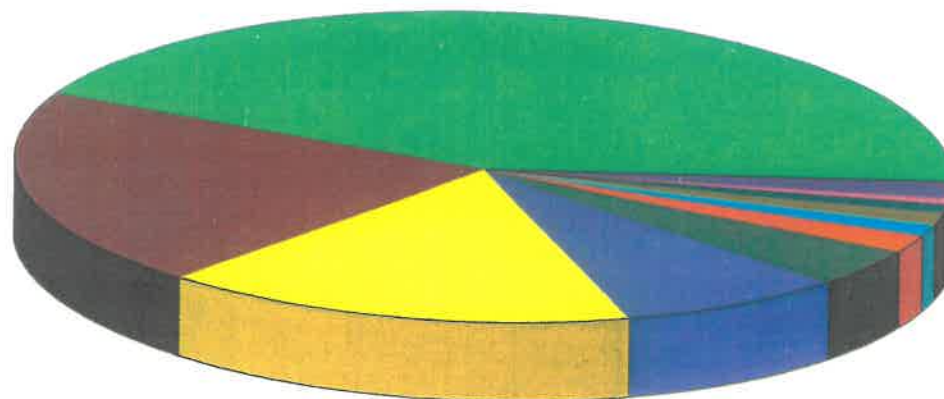
Caroline Hogan, Senior & Disabilities Services

Lynne Keilman-Cruz, Senior & Disabilities Services

Income and Expense by Month
January through December 2017



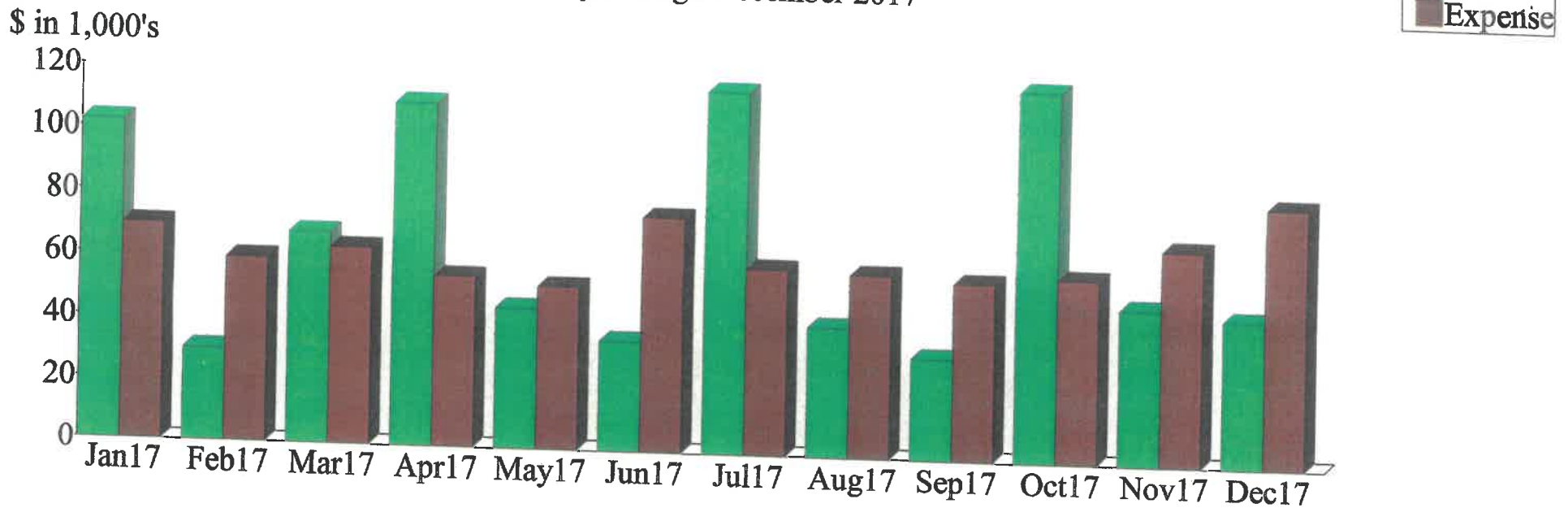
Income Summary
January through December 2017



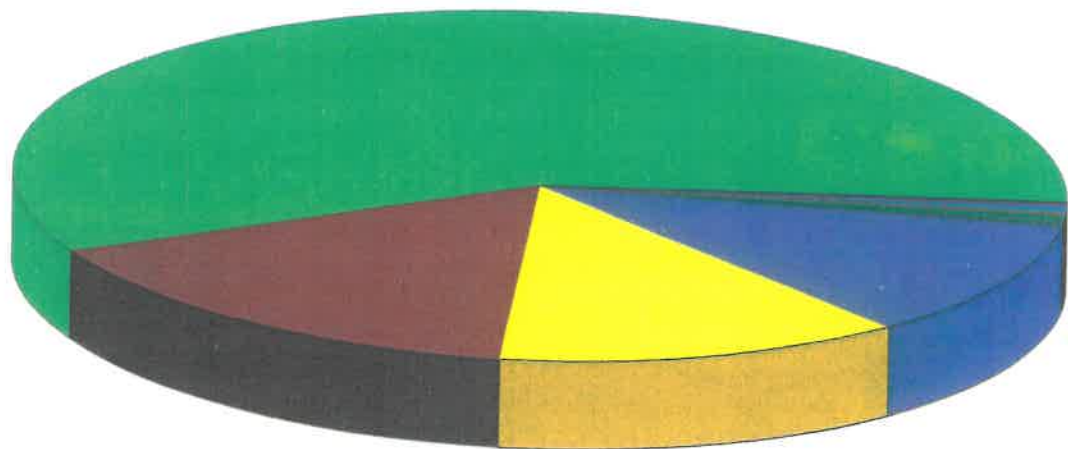
Grants	43.35%
Personal Care Attendent (PCA)	20.60
Rental Income	16.32
Choice Medicaid	8.25
Private Pay	4.16
Donations	1.96
Lunch Contributions	1.41
Contribution Income	1.31
NSIP	1.05
Reimbursement	0.64
Other	0.95
Total	\$796,571.80

By Account

Income and Expense by Month
January through December 2017



Expense Summary
January through December 2017



Payroll Expenses	57.76%
Commodities	16.28
Facility Expense	12.76
Contractual	11.40
Auto Expense	1.12
Fraud/Employee Theft	0.24
Travel	0.21
Training	0.13
Gaming Expense	0.05
Fundraiser Expense	0.02
Other	0.03
Total	\$762,047.09

By Account

2018 Key Performance Indicators

The numbers in this report represent only cash in and cash out for each month

Balances as of Month End	January	February	March	April	May	June	Annual Total
General	\$25,442.11						
Contingency	\$132,949.20						N/A
Membership	\$11,086.61						N/A
Security Deposit	\$19,116.01						N/A

Expenses as of Month End	January	February	March	April	May	June	Annual Total
Payables (includes food cost & credit card)	\$31,566.84						
Payroll Total*	\$36,697.63						\$31,566.84
Food Cost	\$12,418.21						\$36,697.63
FNBA Credit Card Purchases	\$1,199.44						\$12,418.21
							\$1,199.44

Total Rides	428						
Total Home Delivered	925						428
Total Congregate	408						925
Total Volunteers	20						408
Grand Total Meals	1,353	0	0	0	0	0	20
							1,353

Income as of Month End**	January	February	March	April	May	June	Annual Total
Rent (Includes AK Housing)***	\$9,454.00						
City Grant	\$66,000.00						\$9,454.00
DOT Grant	\$6,473.53						\$66,000.00
NTS State Grant	-						\$6,473.53
NSIP	\$2,613.00						\$0.00
United Way	-						\$2,613.00
SOA PCA (received)	\$26,314.05						\$0.00
PCA Billable Hours for current mo	584.25						\$26,314.05
Private Pay (received)	\$4,432.20						584.25
Private Pay Hrs/current mo	163.5						\$4,432.20
Providence Donation	-						163.5
							\$0.00

Notes for January:

*Gross pay, including federal, social security & medicare taxes.

State taxes are paid quarterly.

**Doesn't include lunch contributions, meal ticket sales, etc.

***Includes money rec'd for rent in Jan including late rent for Dec. and early rent for Feb.

2017 Key Performance Indicators

The numbers in this report represent only cash in and cash out for each month

	January	February	March	April	May	June	Annual Total
General							
Contingency	\$74,983.71	\$39,914.41	\$29,949.61	23,404.90	32,220.21	34,530.61	N/A
Membership	\$95,466.74	\$95,467.47	\$117,265.50	178,450.20	157,618.83	110,954.10	N/A
Security Deposit	\$7,634.11	\$8,009.11	\$8,459.11	8,394.11	8,419.11	9,179.11	N/A
	\$16,405.21	\$16,405.64	16,656.02	16,956.85	17,006.85	17,157.29	N/A
Payables (Includes food cost & credit card)							
Payroll Total*	\$23,155.37	\$26,156.64	\$23,559.42	\$26,374.41	\$23,031.21	\$28,554.92	\$150,831.97
Food Cost	\$29,436.31	\$31,467.16	\$35,339.60	\$31,965.53	\$29,150.12	\$55,413.43	\$212,772.15
FNBA Credit Card Purchases	\$8,392.66	\$7,413.85	\$8,134.43	\$10,646.68	\$9,919.31	\$10,713.41	\$55,220.34
	\$1,705.86	\$1,284.90	\$1,085.61	\$1,531.87	\$382.34	\$1,851.26	\$7,841.84
Total Home Delivered							
Total Congregate	783	661	804	853	868	905	4,874
Total Volunteers	368	385	455	399	445	446	2,498
Grand Total Meals	22	20	30	24	22	34	152
	1,173	1066	1289	1276	1335	1385	7,524
Rent (Includes AK Housing)***							
City Grant	\$10,400.00	\$10,925.00	\$9,981.00	\$10,831.00	\$9,616.00	\$11,984.00	\$63,737.00
NTS State Grant	\$66,000.00			66,000.00			\$132,000.00
NSIP			\$12,630.00		\$10,104.00		\$22,734.00
United Way		\$1,397.25	\$683.25	\$1,343.25		\$746.25	\$4,170.00
SOA PCA (received)			\$15,600.00				\$15,600.00
PCA Billable Hours for current mo	\$9,584.97	\$7,701.51	\$23,258.19	\$28,779.52	\$18,146.53	\$18,259.12	\$105,729.84
Private Pay (received)	411	480.5	582.5	656	662	683	3475
Private Pay Hrs/current mo	\$2,952.40	\$0.00	\$1,634.80	\$5,270.40	\$2,696.20	\$488.00	\$13,041.80
Providence Donation 1/12/2017	85	99	92	146.5	84	82	588.5
City Project Grant Funds Available	\$10,000.00						\$10,000.00
	\$40,282.39	40,282.39	\$29,500.00	\$29,500.00	\$29,500.00	\$29,500.00	N/A

Notes for June:

*Gross pay, including federal, social security & medicare taxes.
State taxes are paid quarterly.

**Doesn't include lunch contributions, meal ticket sales, etc.

***Includes money rec'd for rent in June including late May & early July rent.

2017 Key Performance Indicators

The numbers in this report represent only cash in and cash out for each month

	July	August	September	October	November	December	Annual Total
Balances as of Month End							
General	\$14,766.98	\$23,863.83	\$23,152.24	\$32,132.76	\$18,251.02	\$14,026.93	N/A
Contingency	\$184,584.42	\$133,772.97	\$116,773.99	\$132,942.03	\$120,943.17	\$91,970.81	N/A
Membership	\$9,146.11	\$9,227.11	\$9,284.11	\$9,439.11	\$9,518.11	\$10,375.61	N/A
Security Deposit	\$18,107.29	\$18,307.29	\$18,607.29	\$18,719.58	\$18,839.58	\$18,940.04	N/A

Expenses as of Month End							
Payables (Includes food cost & credit card)	\$28,729.26	\$39,782.01	\$31,996.54	\$32,091.24	\$37,382.41	\$33,869.47	\$354,682.90
Payroll Total*	\$37,317.05	\$37,832.90	\$40,135.24	\$33,592.54	\$37,350.39	\$48,652.55	\$447,652.82
Food Cost	\$9,153.06	\$7,292.77	\$10,069.38	\$9,230.46	\$11,537.45	\$12,378.27	\$114,881.73
FNBA Credit Card Purchases	\$1,183.84	\$685.78	\$1,713.97	\$783.02	\$1,925.00	\$1,299.64	\$15,433.09

Total Home Delivered	885	872	867	947	955	941	10,341
Total Congregate	442	619	396	510	448	392	5,305
Total Volunteers	20	20	20	19	30	18	279
Grand Total Meals	1347	1511	1283	1476	1433	1351	15,925

Income as of Month End**							
Rent (Includes AK Housing)***	\$11,216.00	\$10,605.00	\$9,736.00	\$11,402.00	\$10,769.00	\$12,946.00	\$130,411.00
City Grant	\$66,000.00			\$66,000.00			\$264,000.00
DOT Grant					\$4,724.49	\$4,038.84	\$8,763.33
NTS State Grant	\$12,629.00				\$12,629.00		\$47,992.00
NSIP	\$0.00	\$1,552.50	\$219.75	\$876.00	\$828.00		\$7,646.25
United Way	\$0.00						\$15,600.00
SOA PCA (received)	\$20,367.72	\$13,681.58	\$30,997.98	\$8,475.48	\$22,943.79	\$14,073.33	\$216,269.72
PCA Billable Hours for current mo	648	648	599	667.75	646.5	625.75	7310
Private Pay (received)	\$2,342.40	\$708.40	\$5,514.40	\$3,653.90	\$4,367.60	\$1,146.80	\$30,775.30
Private Pay Hrs/current mo	81	163	148.75	83	91	139.5	1294.75
Providence Donation 1/12/2017	\$0.00						\$10,000.00
City Project Grant Funds Available	\$29,500.00	\$29,500.00	\$29,500.00	\$29,500.00	\$29,500.00	\$29,500.00	N/A

Notes for December:

*Gross pay, including federal, social security & medicare taxes.

State taxes are paid quarterly.

**Doesn't include lunch contributions, meal ticket sales, etc.

***Includes money rec'd for rent in Dec including late rent for Nov. and early rent for Jan.

VALDEZ SENIOR CENTER

Agreed-Upon Procedures

Period Ending May 5, 2014

*Altman, Rogers
& Co.* | CERTIFIED
PUBLIC
ACCOUNTANTS

Independent Accountant's Report

John Hozey, City Manager
City of Valdez
Valdez, Alaska

We have performed the procedures enumerated below, which were agreed to by the City of Valdez and Valdez Senior Center (the specified parties), solely to assist you with respect to the accounting records of Valdez Senior Center (the Center) for the period of January 1, 2014 through May 5, 2014. Valdez Senior Center is responsible for the organization's accounting records. 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 those parties specified in the report. 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 we performed are included in the Schedule of Agreed-Upon Procedures accompanying this report and have been included in Schedule 1. Findings obtained from performing these procedures and our recommendations are presented in the accompanying Schedule 2 – Schedule of Findings and Recommendations.

We were not engaged to, and did not conduct an audit, the objective of which would be an expression of an opinion on the accounting records. 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.

This report is intended solely for the information and use of the City of Valdez and Valdez Senior Center, and is not intended to be and should not be used by anyone other than these specified parties.

Altman, Rogers & Co.

Anchorage, Alaska
September 18, 2014

**Valdez Senior Center
Schedule of Agreed-Upon Procedures**

Our procedures are as follows:

1. We examined the 941 (employer's quarterly federal tax return) and ESC (employer's quarterly state tax return) contribution reports and payments for the 1st quarter of 2014 and compared the reports to the general ledger to ensure they were in agreement. Both quarterly reports agreed to the general ledger and were submitted and paid timely.
2. We examined the January through May 2014 monthly reimbursement reports for the State of Alaska; Department of Health and Social Services; Nutrition, Transportation, and Support Services grant. We reconciled the monthly reimbursement reports to the meal count sheets the Center uses to track meals provided and reviewed for timely and accurate submission.
3. We reviewed and observed billings related to personal care attendants revenue (both private pay and Medicaid) and rental revenue for the time period of January 1, 2014 through May 5, 2014. We ensured the billings were being done timely and accurately.
4. We observed four advance payments that the Center received from State of Alaska, Medicaid in the amount of \$47,800 in both 2013 and 2014. We ensured these advance payments were reasonable under the circumstances.
5. We inquired of the Center regarding the prior three fiscal year budgets to ensure budgets were being developed, approved and utilized by the Center.
6. We examined the January 2014 through April 2014 bank reconciliations for all cash accounts to ensure the reconciliations were being performed timely and accurately.
7. We examined a profit and loss statement by class of the Center for the prior three fiscal years in an effort to determine the fiscal health of the organization.
8. We examined January 1, 2014 through May 5, 2014 payroll and expense transactions related to the General Manager of Valdez Senior Center to ensure that payments made to the employee were reasonable and adequately supported.
9. We examined the Center's board minutes from January 1, 2011 through May 5, 2014 for significant financial decisions.

Valdez Senior Center
Schedule of Findings and Recommendations

We performed the procedures listed in Schedule 1 and found the following exceptions. Our recommendations to the findings are included:

Procedure #1. No findings noted.

Procedure #2. Two of the five reimbursement reports did not agree to the meal count sheets in regards to the number of congregate meals provided. One of the reports did not agree by two meals and the other report did not agree by one meal. All reimbursement reports were submitted timely for January through May 2014.

Procedure #3 Billings for all three types were not consistently being completed or tracked in the accounting system. We were unable to decipher if all billings for personal care attendants were actually billed to Medicaid or private pay residents. It appears that cash receipts related to these services were being received; however, it was not being tracked by resident in the accounting system and was therefore hard to trace to supporting documents. Rental revenue appears to have the same problem. There are 15 apartments that charge \$800 a month. The monthly billings are tracked on a rental spreadsheet; however, they are not tracked in the accounting system by resident. This resulted in accounts receivable not being properly accrued into the accounting system. It also appears that when Medicaid went through a period of technical difficulties during the end of 2013, a large portion of the Center's billings were denied. Based on our review of the denied billings, it does not appear that the Center has resubmitted the bills that were denied. Remittances since the time of Medicaid's transition should be reconciled and agreed to both the general ledger and the deposits to ensure that all denied billings have been rebilled and received.

Procedure #4 These advance payments are based on an analysis of the Center's billing and payment history and were granted due to problems the State experienced with their new electronic billing system. Per inquiry of Medicaid, these payments are to be recouped by the State of Alaska by the end of 2014 from the Center. These payments were recorded as revenue when received by the Center and were used to pay for the Center's expenses. However, they should have been recorded as an advance, or a similar liability on the statement of financial position, and decreased as repaid to the State.

Schedule 2

- Procedure #5** Upon inquiry, we found that only budgets for 2014 and 2012 were uploaded into the accounting system. The 2014, 2012 and 2011 budgets were approved by the board as noted in the board minutes; however, we were unable to locate documentation that approval had taken place for the 2013 budget. Per inquiry of board members, they asserted that the board had approved the 2013 budget. The Center should continue to implement and approve yearly budgets, as well as modify the budget throughout the year as revenue and expense expectations fluctuate.
- Procedure #6** We found that bank reconciliations were completed for all cash accounts; however, two of the account's reconciliations did not agree to the general ledger for January and March 2014 by \$1,431 and \$476, respectively. The Center should ensure reconciliations agree to the general ledger and investigate any reconciliation differences on a monthly basis.
- Procedure #7** The Center has four programs: facility, membership, NTS program, and personnel care attendant. Throughout the prior three years, revenues have not been consistently classified into the correct programs. This makes it difficult for management and the board to monitor and modify the current and future year budgets. The Center should consistently record revenues into their respective programs by effectively using the correct classes in the accounting system.

We examined the net income of the Center for the prior three years and noted the following:

2011, decrease in net assets of \$712.

2012, increase in net assets of \$628,904. However, in 2012, the Center recognized a contribution receivable from the City of Valdez related to contributed rent for the next five years. This resulted in \$660,253 of revenue being recognized. If this revenue would not have been recognized, the Center would have had a decrease in net assets of \$31,349.

2013, decrease in net assets of \$253,969. \$123,742 of the decrease is associated with temporarily restricted net assets released during the year associated with City of Valdez contributed rent. If this release of net assets is excluded from the calculation, the Center would have had a decrease in net assets of \$130,227.

The Center has experienced a decrease in revenue of roughly 22% since 2011. Expenses during that time period have only decreased by 19%, which has led to a decrease in net assets. We also noted that the Center has had a decrease in their cash balances and an increase in accounts payable on their statement of financial position. The Center should be continued to utilize a budget to help management better understand the fiscal situation of the Center.

Schedule 2

- Procedure #8** We found that the Center did not have proper payroll documentation in the General Manager's personnel file such as the employee's approved salary and authorized payroll deductions. We also noted that two paychecks that were leave cashouts did not have proper support for the leave accrual, as well as one paycheck that did not have support for hourly wages paid since the employee was hired as an exempt salaried employee. The unsupported payroll was in the amount of approximately \$5,489. All payroll and expenses had board approval.
- Procedure #9** We noted that in some instances, substantial documentation could not be located within the board minutes that showed financial approvals throughout the year. The minutes should document all significant financial decisions and show that all decisions are approved by the board members. This helps document that the board is actively monitoring management of the Center and that there is a direct line of communication between employees, management, and the board.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following misstatements identified as a result of the audit procedures were corrected by management:

- To record depreciation expense for \$60,575
- To adjust payroll liabilities by \$3,665
- To adjust tenant deposit by \$1,592
- To adjust prepaid insurance by \$3,651

Summarized below are misstatements that management has determined to be immaterial, both individually and in the aggregate, to the financial statements as a whole. These misstatements were not corrected by management:

- Accounts payable was understated by \$3,479
- PCA revenue and bad debt expense were understated by \$3,367 due to management using the direct write-off method instead of using an allowance for doubtful accounts.
- Electric expense was overstated due to an incorrect posting of a FY15 invoice in FY16.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 31, 2017