

Rule No. 560-X-57-.07 Financial Accountability of Operating Agency

(1) The financial accountability of the operating agency for funds expended on Home and Community-Based services must be maintained and provide a clearly defined audit trail. The operating agency as described in the waiver document must retain records that fully disclose the extent and cost of services provided to eligible recipients for a five-year period. These records must be accessible to the Alabama Medicaid Agency and appropriate state and federal officials. If these records are not available within the state of Alabama, the operating agency will pay the travel cost of the auditors to the location of the records.

(2) The operating agency may have their records audited annually at the discretion of the Alabama Medicaid Agency. Payments that exceed actual allowable cost will be recovered by Medicaid.

(3) The Alabama Medicaid Agency will review at least annually recipient's ~~care plans~~PCCP and services rendered by a sampling procedure. The review will include appropriateness of care and proper billing procedures.

(4) The operating agency will provide documentation of actual costs of services and administration. Such documentation will be entitled "Quarterly Cost Report" for the SAIL Waiver. The "Quarterly Cost Report" will include all actual costs incurred by the operating agency for the previous quarter and include costs incurred year to date. This document will be submitted to the Alabama Medicaid Agency before the 1st day of the third month of the next quarter. Quarters are defined as follows:

(a) 1st ~~April-June~~October-December
Due before ~~September~~March 1

(b) 2nd ~~July-September~~January - March
Due before ~~December~~June 1

(c) 3rd ~~October-December~~April -June
Due before ~~March~~September 1

(d) 4th ~~January-March~~July - September
Due before ~~June~~December 1

Failure to submit the actual cost documentation may result in the Alabama Medicaid Agency deferring payment until this documentation has been received and reviewed. Quarterly cost reports will be reviewed to determine necessity for a field audit.

(5) Auditing Standards - Office of Management and Budget (OMB) Circular A-87, "Cost Principles for State and Local Governments" will apply to governmental agencies participating in this program. For non-governmental agencies, generally accepted accounting principles will apply. Governmental and non-governmental agencies will utilize the accrual method of accounting unless otherwise authorized by the Alabama Medicaid Agency.

(6) Cost, Allowable and Unallowable.

(a) 45 C.F.R., part 95, specifies dollar limits and accounting principles for the purchase of equipment. Purchases above the twenty-five thousand dollar limit require the approval of Medicaid.

(b) OMB Circular A-87 establishes cost principles for governmental agencies and will serve as a guide for non-governmental agencies. For governmental agencies, all reported cost will be adjusted to actual cost at the end of the waiver year.

(c) Contract payments for the delivery of specific services are allowable expenses. Thus, contracts for case management, personal care, respite care, environmental accessibility adaptations, assistive technology, and medical supplies are recognized expenses. All other contracts will require Medicaid approval to insure that functions are not being duplicated. For example, outreach is to be performed by the case manager, thus, it would not be appropriate to approve other contracts for outreach, unless it can be clearly shown that the function is required and cannot be provided within the established organization.

(d) Allowable costs are defined in OMB Circular A-87. However, the following restrictions apply:

1. Advertising is recognized only for recruitment of personnel, solicitation of bids for services or goods, and disposal of scrap or surplus. The cost must be reasonable and appropriate.

2. The cost of buildings and equipment is recognized. For governmental agencies, buildings and equipment exceeding twenty-five thousand dollars will be capitalized in accordance with 45 C.F.R. 95.705 and depreciated through a use allowance of two percent of acquisition cost for building and six and two-thirds percent for equipment. Equipment that has a remaining value at the completion of the project will be accounted for in accordance with 45 C.F.R. 95.707. For automated data processing equipment, see 45 C.F.R. 95.641. When approval is required, the request will be made to Medicaid Agency in writing.

3. The acquisition of transportation equipment will require prior approval from the Alabama Medicaid Agency. When approval is required, the request will be made to Medicaid in writing.

4. Transportation is an allowable expense to be reimbursed as follows:
(i) For non-governmental agencies, it will be considered as part of the contract rate.

(ii) For government and private automobiles utilized by state employees, reimbursement will be made at no more than the current approved state rate.

(iii) All other types of transportation cost will be supported by documents authorizing the travel and validating the payment.

(e) Unallowable costs are specified in OMB Circular A-87. In addition to these, the following are not covered by this program:

1. Costs covered by other programs, such as:

(i) Prescription drugs,

(ii) Dental expenses,

(iii) Ambulance service,

(iv) Inhalation, group, speech, occupational, and physical therapy.

(v) Non-emergency transportation

2. The cost of advisory councils or consultants without Alabama Medicaid Agency's approval.

3. Legal fees as follows:

- (i) Retainers,
- (ii) Relating to fair hearings,
- (iii) In connection with law suits, which result in an adverse decision,
- (iv) Services that duplicate functions performed by Medicaid or the provider, such as eligibility determination for the program,
- (v) Other legal fees not relating to the providing of services to the beneficiaries.

4. Dues and subscriptions not related to the specific services.

(7) Cost Allocation Plans.

(a) State agencies are required to have a cost allocation plan approved by the Division of Cost Allocation (DCA) when the agencies handle multiple federal funds. The format of a cost allocation plan is specified by 45 C.F.R. 95.507, which also calls for written agreements between state agencies. Existence of such a plan will be an item of audit.

(b) Direct costs are charged to the specific services that incurred them. It is the indirect/overhead costs that are allocated to the specific fund. If there is more than one project within a fund, there must be a written plan to distribute fund costs among the projects. Within this project, there are two types of indirect costs. The first are those that can be associated with the services that are provided, such as an assessment at the central office that verifies the quality of service. This cost can be prorated to each service by some method that is described in writing. This first type of cost qualifies for the federal match benefit percentage.

The second type of allocated cost falls under the administration definition. For example, a case manager that spends time on two individuals (or group of people) that have not attained waiver eligibility. This second type has a federal match ~~of 50/50~~; therefore, both types must be accounted for separately.

(c) Contracts which are used for procuring services from other governmental agencies must be cost-allocated. As a minimum, these contracts should meet the requirements of 45 C.F.R. 95.507; these contracts must indicate:

1. The specific services being purchased.
2. The basis upon which the billing will be made -- (~~e.g., i.e.~~ time reports, number of homes inspected, etc.).
3. A stipulation that the billing will be based on actual costs incurred. This is not a requirement for non-governmental agencies. For governmental agencies, the billing should be either actual cost or an agreed upon fixed fee approximating actual cost which will be adjusted to actual cost at completion of the waiver year.

Author: Antoinette Hardy, Administrator, LTC Healthcare Reform Unit

Statutory Authority: 42 CFR Section 441, Subpart G and the SAIL Waiver.

History: Emergency Rule effective April 1, 1992. Effective date of this Rule is June 12, 1992.

Effective date of the amendment is October 12, 1996. **Amended:** Filed April 21, 2003;

effective July 16, 2003. **Amended:** Filed January 22, 2007; effective April 18, 2007.

Amended: Filed August 20, 2020.