

DHHS Office of the Controller

IV-E Foster Care Rate Setting User's Manual

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Residential Treatment and Foster Care Rate Setting

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Cost Report Use

Prior to the current effort to develop standardized rates, and overhaul the rate setting process for foster care, rates were set annually for five distinct areas: family foster, group homes, emergency, institutions and therapeutic camps. In the future, cost reports will be used to validate and support the standardized rates established by the cost model. North Carolina will use the data collected to meet the requirements in 45 CFR 1356.21 to review at reasonable, specific, time-limited periods to be established by the State: the amount of payments made for foster care maintenance and adoption assistance to assure their continued appropriateness.

Applicable Regulations

Agencies who participate in rate setting for the IV-E through the State Funds Maximization Programs must contract with the Division of Social Services to provide services and must comply with applicable regulations, including, but not limited to:

1. Child Welfare Policy Manual – Published by US Department of Health and Human Services, Administration for Child and Family Services.
2. Applicable OMB Circulars such as A-122 Cost Principles of Non-Profit Organizations and A-133 Audits of States, Local Governments and Non-Profit Organizations.
3. Applicable General Statutes including 131D, 122C, and 108A.
4. North Carolina Administrative Code Chapter 10A

Agency may be eligible for a rate if the facility is licensed as **Child-Placing** and/or **Child-Caring**.

- **Child-Caring** agencies can be comprised of any or all of the following facilities:
 1. Institutional Group Homes of 10 or more children housed in 2 or more buildings (campus setting) have an application process and planned admissions.
 2. Emergency Shelters of 9 or less children serve those in crisis. Unplanned admission, usually less than 90 day stay.
 3. A Group Home housing 9 or fewer children and has an application process, planned admissions with stays that usually exceed 90 days.
 4. Foster Care Camp of 40 or less children providing an overnight camp experience. Camp requires application and planned admissions.
 5. Maternity Homes that have a dual license to provide both maternity care AND residential care.
 6. Mental Health Residential Treatment facilities providing HRI Level I and / or Level II care.
- **Child-Placing Agencies** – receiving Family Foster rates are private agencies that place children in residential child caring institutions, family foster homes or adoptive families. Rates are split between administrative and maintenance costs.

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The general rate setting principle is based upon establishing a **reasonable rate for services provided** and creating **a single set of standards for all sources of funds** to avoid discrimination of service delivery. Differing from other state and federal programs, foster care is based on an agency incurring the cost first, then being reimbursed. The cost is reported for the actual expenses of childcare days provided. In situations involving Child Mental Health Residential Treatment only IV-E or non-Medicaid paid childcare days and expenses are utilized determine foster care costs. In situations involving Maternity Homes, only childcare days and expenses for qualified IV-E children are utilized to determine foster care costs.

In order to receive a Family Foster or Residential Care rate, an agency must also have been in business for 12 months and must submit:

1. A completed Residential Treatment and Foster Care Cost Report;
2. The agency's most recent independently audited financial statement (if a State or County agency, the page from the county's audited financial statements and the actual budget pertaining to the program requesting the rate).

Audits must show both revenues and expenditures. Revenues must be broken out by fund type. Expenditures must show a separation between administrative costs and program costs. Administrative costs must also delineate between management and fund-raising costs. Program costs must be delineated by type (Medicaid, foster care, other) and non-residential functions (day care, day treatment, for example) as well as identify specific allowable foster care costs (care and supervision cost/childcare staff salaries, food, rent, etc.) within each type.

Supplemental reports and schedules may be required where audit detail is not clear. Providers, whose financial audit does not have separate cost centers detailing mental health treatment expenses and the staff salaries/benefits prorated to coincide time spent providing these services, (including therapy and counseling) must separate and report, by service, showing the mental health treatment expenses. The agency's Executive Director as well as the Auditor must attest (on Schedule A) to the breakdown of expenditures from the audit to the Residential Treatment and Foster Care Cost Report.

3. A documented account of the number of child care days provided for the same time period as the audit;
 - Agencies that participate in KIDS must submit documentation of childcare days from that data collection system for the time period that coincides with the financial audit submitted.
 - Emergency Shelters may submit a Shelter Log.
 - All other agencies must submit a list of children for the designated FY that verifies the number of childcare days by category of funding and the legal custodian.
 - The Executive Director must certify on Schedule A, that the number of childcare days provided are true and correct and that childcare records at the agency document the number of days listed for the fiscal year specified.

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4. The time study allows the state to include foster care service activities expense in the rate setting process. Agencies employing staff who perform foster care activities and/or social service activities must participate in a month long time study (historically during February). The purpose of the time study is to separate and document time spent performing foster care service activities which are an allowable IV-E cost under federal regulations from time spent performing social service activities which are not an allowable cost in Title IV-E reimbursement rates. Federal guidelines emphasize that it is “not the title or position of the performer”, but rather “the activity being performed” that determines the staff who need to participate. Federally approved foster care service activities definitions are used for the time study in order for agencies to identify the staff required to participate and the tasks and activities that must be documented.

The time study is worker specific and entails the recording of daily foster care and social services activities performed. Activities are to be reported in no less than 15-minute increments. An activity that lasts more than 15 minutes can be reported as a single entry. For example, if the employee conducts foster parent training for four hours, it can be reported as a single activity with a duration of 240 minutes. Minutes can be combined even if the activity was not continuous. For example, if the employee performs case management for 2 hours, the performs and hour of counseling/treatment, then another hour of case management, only 2 entries need to be made, one for 3 hours of case management and one for an hour of counseling/treatment. NOTE: The only allowable values in the minutes column are multiples of 15.

If an employee performs both foster care activities and activities other than foster care activities, such as houseparent/child supervision then only the foster care activities time is reported on the time study. Time spent performing other activities is not reported on the time study. Only compensation (wages, benefits, taxes) for time spent on foster care activities should be reported in the foster care activities section of Schedule C. Compensation for time spent performing other activities should be reported in the corresponding section of Schedule C. For example, compensation for time spent performing houseparent/child supervision activities should be reported in the daily supervision salary expense section.

Upon completion of the time study, the submitted time sheets are reviewed by the Rate Setting Branch of the Cost Accounting/Financial Reporting Section and a final report is generated that computes the percentages of time spent in allowable foster care service activities and non-allowable social services activities for each agency. Following federal requirements, the percentage of non-allowable social services activities is then used in the cost report process as one of the steps in determining the agency’s allowable cost.

Cost reports and accompanying materials are due to the DHHS Controller’s Office each year by mid-March (**March 15th**). Extensions are only allowed under extenuating circumstances which are beyond the control of the provider.

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The Rate Setting Branch reviews each agency's materials for completeness and accuracy. Clarifying information and supplemental schedules may be requested from the agencies during the review process.

Once all cost report information has been completed, if administrative costs are not already allocated to individual program services in the audit, following federal methodology, administrative costs are prorated based on the percentage of cost of one program type compared to the program costs for the entire agency. Allowable program costs are then added to the portion of allowable administrative costs. Non-allowable social worker expenses are subtracted as required.

The US DHHS Administration for Children and Families (ACF) has communicated that the administrative costs for **Child Placing Agencies** are reimbursed at a rate of 50%, rather than the 'maintenance' FFP rate and that the administrative portion of the per diem is subject to the agency IV-E penetration rate¹. This has required that the cost per day, *per diem*, for reimbursement of IV-E cost to be broken into two components consisting of administrative cost and maintenance cost.

Examples of allowable administrative costs are provided in 45 CFR 1356.60(2) as "The following are example of allowable *administrative costs necessary for the administration of the foster care program*:

- (i) *Referral to services;*
- (ii) *Preparation for and participation in judicial determinations;*
- (iii) *Placement of the child;*
- (iv) *Development of the case plan;*
- (v) *Case reviews;*
- (vi) *Case management and supervision;*
- (vii) *Recruitment and licensing of foster homes and institutions;*
- (viii) *Rate setting;*
- (ix) *Proportionate share of related agency overhead;*
- (x) *Costs related to data collection and reporting."*

Allowable administrative costs do not include the cost of social services provided to the child, the child's family or foster family that provides counseling or treatment to ameliorate or remedy personal problems, behaviors or home conditions. The Social Services portion of the administrative cost is subject to the percent of unallowable time as determined through the annual time study.

The IV-E penetration rate is applied to the total allowable administrative cost to determine the IV-E reimbursable administrative cost. The IV-E reimbursable administrative cost is divided by the IV-E Child Care Days to determine the *Per Diem* for the allowable Administration cost.

Maintenance for Child Placing Agencies as defined in 45 CFR 1355.20 states: "*Foster care maintenance payments are payments made on behalf of a child eligible for title IV-E foster care to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel for a child's visitation with family, or other caretakers. Local travel*

¹ The *Penetration Rate* is the percent of IV-E Child Care Days provided to Total Child Care Days provided.

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associated with providing the items listed above are also an allowable expense.” This definition is also reflected in the Child Welfare Policy Manual, section 8.3B.

For comparative analysis, the total allowable maintenance expense reported will be divided by the total child care days provided to determine the per diem for maintenance.

The Rate Setting Branch will review the cost reports and conducts analytical comparisons of the agencies reported costs to the rates calculated using the model. The State DSS will review the recommended rates and either accepts or sets the rates. Following DSS approval, the Rate Setting Review Board will consider the recommended rates. New rates will be published annually by DSS, around July 1 via a “*Dear County Director*” letter. Rates will be published on the website and may be announced via email to all participating foster care providers.

Time Study General Overview & Instructions

Federal regulations for the establishment of IV-E Foster Care rates include the requirement for staff performing social services activities to participate in a time study each year at a prescribed time. North Carolina conducts the time study annually during the month of February.

The purpose of the time study is to separate and document time spent performing foster care services activities which are allowable from time spent performing social service activities which cannot be included in IV-E foster care rates. Federal guidelines emphasize that it is “not the title or position of the performer”, but rather “the activity being performed” that determines the staff who should participate in the time study.

The Division of Social Services’ [Definitions of Foster Care Service Activities](#) are utilized for the time study. Agencies must use these definitions to determine the staff who are required to participate and the tasks and activities that must be documented. If an agency has questions about the staff who should participate in the time study, they should request consultation from the Division of Social Services.

The month long time study entails the completion of the **Workers’ Report of Services Provided to Clients**, provided by the DHHS Office of the Controller. These forms must be completed in accordance with the [specific line item instructions](#) provided to ensure accuracy and thoroughness.

The Controller’s Office facilitates the compilation of the data through the use of an Excel time study workbook that computes the percentage of time spent performing allowable foster care activities and non-allowable social services activities. This worksheet also prorates paid lunches and absences according to the calculated percentages. A report for each worker, for the month will be created showing the percent of each worker's time which was spent in activities defined as allowable foster care services activities and non-allowable social service activities.

Using the **Workers Report of Services Provided to Clients**, each worker will complete reports to account for 100% of the worker's time spent performing foster care and social services activities. One hundred percent of paid time allocated or expensed as foster care activities or social services is logged. If the employee performs duties other than foster care

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service activities and social service activities, such as houseparent/child supervision, time spent performing those duties is not recorded on the time study, and labor expenses for that time is not recorded in the Foster Care Activities/Social Services Salary Expense section of Schedule C. Labor expense for time spent performing houseparent/child supervision duties would be entered in the Direct Care Salary Expense section of Schedule C.

- * Lunch time is not coded unless it is paid lunch. If lunch time is paid, the Program Code A = Other Activity / Absences would be used.
- * For paid time off (such as vacation, sick leave, medical appointments, etc) the Program Code A = Other Activity / Absences would be used.

When time studies are completed and submitted to the Controller's Office on blank paper forms rather than using Excel, each Workers Report of Services Provided to Clients page must have the total minutes for that page for each of the program codes A, Z and O, and the total for all 3 program codes combined for that page clearly written on the bottom margin of each page.

One time study reporting workbook is on the web site. To download the workbook, click on the Time Study Excel Workbook link then chose to either open or save the file. The workbook contains the Agency Totals worksheet and 15 Workers Report of Services Provided to Clients worksheets, named employee (1) through employee (15). Agencies that need more than one workbook can create multiple copies of the workbook. If multiple worksheets are necessary, the Rate Setting Branch will link the workbooks after they are submitted.

To eliminate many of the common errors on the time studies, the values have been restricted in some cells and cells containing formulas have been lock and the worksheets protected. Acceptable value tables have created in the workbook and drop down lists of acceptable values are linked to these cells. To complete the Workers Report of Services Provided to Clients, users need only to enter their last and first names, then select the date, minutes and description of activity. The service and program code will be entered automatically based on the description of activity selected.

If paper time studies are used, instruct employees to limit entries to the list of services, program codes and description of activities provided in the specific instructions. For example, if the employee had a paid absence for a doctor's appointment, the employee would enter "other activity/absence", not "doctor's appointment" or "sick leave", service 000 and program code A.

Both Excel and hardcopy submissions require that the agency staff collect the reports, verify all entries are complete and that service and program codes are correct. If hardcopy time sheets are submitted, each worker must indicate the total number of minutes worked by program code A, Z, and O, and the total minutes worked on that page for all program codes combined, on each page.

For hardcopy reports, if more than one page is used for a worker, then the totals for that worker for that page and the totals for all pages for that worker for the month must be clearly written on the last page. In order to keep an individual employee's time study intact as well as the agency time study, paper time sheets need to be stapled together by worker for the entire month.

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Agencies submitting paper time studies are requested to submit the original time sheets as a one time batch to be received in the Controller's Office no later than **March 17th**.

Agencies using the Excel time study workbooks are requested to submit a one time electronic copy of the entire month's completed time sheets to the Controller's Office via email, disc or CD to be received by **March 17th**.

Retain a copy of the workbook(s) for your files and audit purposes.

Mail to:

DHHS Foster Care Rate Setting
Office of the Controller
2019 Mail Service Center
Raleigh, North Carolina 27699-2019

Or

Email to: mike.thompson@ncmail.net

The Controller's Office compiles the data and computes the percentage of time spent performing allowable foster care activities and non-allowable social services activities. This percentage is then utilized in the cost report analysis to determine the agencies allowable portion of Foster Care Activities/Social Services labor expense.

Specific Line Item Instructions

The Excel time study workbook contains 16 worksheets. The tabs near the bottom of the window display the worksheet names. The first worksheet, Agency Totals, sums the data entered on the 15 employee worksheets.

The Excel time study worksheets are protected. Cells that are not intended for user input are locked. Users cannot select or enter data in locked cell. The Agency Totals spreadsheet has only the Agency Name and Facility Name open for user input. The Agency Name is limited to the agencies entered on the validation list by the Office of the Controller. If your agency is not listed, contact the Office of the Controller. Contact information is provided inside the front cover of this manual.

The following individual employee data must be entered for each individual participating in the time study. Each participant will maintain a Worker Daily Report of Services Provided to Clients for each working day, for one full month (**February 2008**). 100% of paid time allocated or expensed as social services is logged.²

1. **Employee Last Name** –Enter the last name of the employee.
2. **Employee First Name, Middle Initial** – Enter the first name and middle initial of the employee.
3. **Line Number** -Entries are pre-printed in this column for each employee page. **Do not skip lines as you enter the data. Do not enter partial data on any line.**
4. **Date** - Enter the numeric date for which time is being recorded. In Excel, the input has been limited to the numbers 1-31. Entries on paper time studies must also be limited to the numbers 1-31. On paper time studies, you may enter the number on the top line and arrow down to the last entry for that date.
5. **Minutes** - Record the number of minutes spent in performing the activity. Round time to the nearest multiple of the standard 15 minute segment. In Excel, inputs have been limited to multiples of 15, up to 720 minutes. Values outside of the 15-minute segments will not be accepted. Be sure to enter all minutes that are spent performing foster care activities and social services.
6. **Description of Activity** – Enter only the title of the description of the activity. The inputs in the Excel workbook are limited to the title of the description of activities. Entries on paper time studies must be limited to the titles shown on the chart below. Time studies with descriptions other than those listed in the chart below will be returned to the agency for correction.

² Some positions are split between social services and administration or daily supervision etc. Only the portion of time spent performing social services task (per Definitions) are captured in the Time Study. The cost associated with this time is entered in the Social services section of the cost report.

7. **Service** – The Excel time study will automatically enter the correct service code that corresponds to the description of activity entered. On paper time studies, enter the corresponding service code for the activity entered in the description of activity. Use the chart provided to determine the correct service code. Time studies with missing or incorrect service codes will be returned to the agency for correction.
8. **Program Code** - The Excel time study will automatically enter the correct program code that corresponds to the description of activity entered. On paper time studies, enter the corresponding program code for the activity entered in the description of activity. Use the definitions provided to determine the correct program code. Time studies with missing or incorrect program codes will be returned to the agency for correction.

Use the DSS [Definitions of Foster Care Service Activities](#) provided to determining which code to use. If you have entered minutes on a line, the description of activity, service and program code must be entered.

Definitions of Foster Care Service Activities

These DSS definitions of foster care services activities are to be utilized in the time study by agencies participating in the maximization of the federal/state foster care program to separate allowable foster care activities from unallowable social services costs for annual rate setting process.

Services/Treatment (100; O) - the provision of social casework counseling and treatment services to the child, the child's family or foster family to remedy personal problems, behavior or home conditions. This means any counseling to facilitate the child's psycho-social adjustment and to assist the parents or other responsible relatives and caretakers to improve conditions precipitating the need for placement and to enable the child to return to his own home. This also means the provision of social casework counseling and treatment as necessary to achieve placement of the child in the home of other relatives, in an adoptive home or in continued foster care. This includes services provided to the child and his family in an effort to prevent foster care placement and maintain the child outside the substitute care system. This also includes services to prevent re-entry into foster care placement. Services include diagnostic study and evaluation, and medical examinations when not otherwise available, to facilitate appropriate planning and the provision of appropriate foster care services for the child and family.

Training for Foster Parents (102; Z) - activities directed toward assisting foster parents and other foster caregivers to improve the scope, nature and quality of care provided.

Recruitment and Assessment of Foster Parents (103; Z) - activities which ensure the availability of foster care placement resources, including recruitment and assessment of

prospective parents, and the initial and on-going compliance of such resources with standards.

Case Management (109; Z) - includes a broad range of activities related to supervising the placement of the child and managing the case plan and case reviews. This includes time spent on:

- Referral to, coordination with, and utilization of other services;
- Maintenance of contact with the family and others significant to the case;
- Working with the parents on the status of the case and case goals;
- Giving information, instruction, guidance, and mentoring regarding parenting skills;
- Preparation for and participation in court, e.g., petitions, motions, reviews, reports;.
- Preparation of the child and biological family for separation and placement, including negotiation/preparation of visitation agreements and any subsequent time spent on notices related to changes in where the child is living;
- Monitoring and updating the Family Services Case plan;
- Periodic reviews of case plans including foster care review team meetings;
- Supervising the placement of the child and of the foster care arrangement to assure that the child receives proper care.
- Grievances, appeals, and fair hearings surrounding termination of use of foster care facilities which have been found unsuitable for the care of children, or associated with any individuals claim that benefits and services have been denied or not acted upon with reasonable promptness, or related to complaints about the agency's failure to keep parents involved in case planning, case reviews, and placement decisions.

Transportation (250; Z) - time spent providing allowable transportation intrinsic to the well-being of the child, including reasonable transportation cost for visits with relatives at the child's home or other appropriate location, and time spent providing other transportation deemed as allowable either in maintenance or administrative costs in accordance with the Child Welfare Policy Manual section 8.3B.1.

Other Activity / Absence (000; A) – use this code to report paid time that is included in the Foster Care Activities/Social Service Salary Expense but is not spent performing Foster Care Activities or Social Services. Examples include paid leave for absences due to sickness or vacation. Time reported using this code will be allocated equitably between allowable foster care activities and unallowable social services.

Time spent performing other duties, such as child daily supervision should not be recorded on the time study and labor expense for this time should not be recorded in the Foster Care Activities/Social Services Salary Expense section of Schedule C. Record labor expense for time spent performing other functions in the appropriate section of schedule C and omit that time from the time study. Employees who complete the cost report and those who coordinate and verify time study reporting must coordinate so that the time reported on the time study as Foster Care Activities/Social Services agrees with the expense reported in the Foster Care Activities/Social Services Salary Expense section of Schedule C, especially for positions split between functions.

Line Item Instructions for Cost Report

Schedule A

Part I General

Reporting Basis:

Indicate by checking the appropriate box, whether you are completing this report on a cash or accrual basis.

1. **Federal Tax ID and Agency ID:** The Federal Tax ID and Agency ID numbers will be entered automatically based on the agency name entered in item 3. The Federal Tax ID was taken from last year's report, and the Agency ID was provided by DSS. If either the Federal Tax ID or Agency ID number is incorrect, contact the Office of the Controller.
2. **Fiscal Year Ending Date:** Enter the agency's fiscal year ending date. This should be the end date of the audit. Enter the information in the month, day, year format. For example: June 30, 20XY.
3. **Agency Name:** Enter the agency name. This should be the agency name associated with the Federal Tax ID number. In the Excel workbook, this field is limited to agency names in DSS and Office of the Controller databases of providers that have contracts with DSS. If the agency name is not on the list or is incorrect, contact the Office of the Controller.
4. **Mailing Address:** This field will be entered automatically based on the most current mailing address from our records. If the mailing address is incorrect, contact the Office of the Controller.
5. **Name of Contact Person/Director/Administrator:** Enter the name of the person that should be contacted to answer questions regarding information provided on the cost report.
6. **Telephone number:** Enter the telephone number of the contact person entered in item 5.
7. **Email Address:** Enter the email address of the contact person entered in item 5.
8. **Fax Number:** Enter the fax number of the contact person entered in item 5.
9. **Licensed Bed Capacity for Agency by Type of Care:** Beds are to be reported in the proper type of care category, either Non-Treatment, or Treatment, and setting category, either Family Setting, or Program/Group Setting. Family Setting beds are

beds in privately owned homes of foster families. Program/Group setting beds are beds in a facility owned or rented by the agency to provide congregate care. Family Setting beds must be entered on Schedule A. Enter the total licensed bed capacity of all of the agency's family foster homes as of the last day of the reporting/audit period. Foster homes should be reported only once, either as Family Foster or Therapeutic Foster. Beds in homes licensed to provide Therapeutic Foster care should be reported as Therapeutic Foster, even if the foster parents are willing to accept family foster level children who do not have an authorization to receive therapeutic services. Only homes that are licensed to only provide Family Foster care should be reported in the Family Foster field. Capacities are not used to set rates, but provide an indication of the strength of the foster care capacity statewide. Program/Group Setting bed fields will be entered automatically from data entered on Schedule A-1. **All agencies that operate program/group setting facilities will be required to complete Schedule A-1, even if they operate only one facility at the address given as the mailing address in item 4 on Schedule A.**

- 10. Total Number of Facilities:** This field will be entered automatically from the number of facilities for which a Licensed Bed Capacity is entered on Schedule A-1. Both the level and capacity must be entered on Schedule A-1 for the facility to be counted.

Part II Tax Information

- 11. Entity Type:** Enter the entity type, either government or private.
- 12. Tax Status:** Enter the agency's tax status, either non-profit, or for profit.
- 13. Organizational Structure:** Enter the agency's organizational structure, either sole-proprietorship, partnership, corporation or other.

Part III Resident Days

Only days of care for which there is a Medicaid authorization for treatment are treatment days. In addition, for Program/Group setting facilities, the facility must be Medicaid eligible.

- 14. Total Number of Non-Treatment Child Care Days:** Enter the total number of childcare days for each care setting. This is your census data for non-treatment days or is computed based on dates residents were admitted, discharged, or on leave from the home. Enter the total number of childcare days for the home during the cost report period. It includes days residents were in the facility plus reserve bed days and therapeutic leave days. Therapeutic Family Foster homes can provide basic Family Foster care, if the family agrees to provide that service. Therefore, child care days that are provided in a therapeutic family foster home for days not covered by a Medicaid treatment authorization will be reimbursed at and should be reported as Family Foster care. Although rare, the number of Family Foster childcare days (Line

14) may be greater than the number of Family Foster Licensed Bed Days (Line 15) and the number of Family Foster Available Bed Days (Line 15a). This can happen when Therapeutic Foster families agree to provide basic foster care in their home, and the number of care days provided as Family Foster in a Therapeutic Foster home exceeds the number of licensed or available Family Foster licensed or available days.

14a. List source of childcare days, and attach a copy of one of the following:

- 1) Emergency Shelters may submit a Shelter Log.
- 2) Agencies that participate in KIDS must submit documentation of childcare days from that data collection system (Kid’s Report) for the time period that coincides with the financial audit submitted.
- 3) All other agencies must submit a **list** of children for the designated FY that verifies the number of childcare days by category of funding and legal custodian; with days computed based on dates residents were admitted, discharged, or on leave from the home.

Any documentation submitted must be totaled and clearly present resident days by type of care.

15. Enter the total licensed bed days available for childcare by each type of care. This is the total number of licensed bed days available during the cost report period. Licensed bed days available are computed by multiplying the number of licensed beds throughout the cost report period by the number of days in the period. If there is an increase or decrease in the number of licensed beds during the period, the number of licensed beds for each month of the cost report period should be multiplied by the number of days during the month.

Example: Cost report period is October 1, 20XX through September 30, 20XY. Home licensed for 10 beds on October 1, 20XX and 12 beds on January 1, 20XY.

<u>Month/Year</u>	<u>Licensed Bed Capacity</u>	<u>Licensed Bed Days</u>
October, 20XX	10	310 (10 beds X 31 days)
November, 20XX	10	300 (10 beds X 30 days)
December, 20XX	10	310 (10 beds X 31 days)
January, 20XY	12	372 (12 beds X 31 days)
February, 20XY	12	336 (12 beds X 28 days)
March, 20XY	12	372 (12 beds X 31 days)
April, 20XY	12	360 (12 beds X 30 days)
May, 20XY	12	372 (12 beds X 31 days)
June, 20XY	12	360 (12 beds X 30 days)
July, 20XY	12	372 (12 beds X 31 days)
August, 20XY	12	372 (12 beds X 31 days)
September, 20XY	12	<u>360</u> (12 beds X 30 days)
Total Licensed Bed Days		4,196

15a. Enter the total available bed days for childcare by each type of care. Available bed days are computed by multiplying the number of beds available during a month by the number of days in the month. **Available beds may be different from licensed beds because a facility may choose not to fill beds up to their licensed capacity, or due to other factors such as temporary displacement due to construction, etc.** If there is an increase or decrease in the number of beds available during the period, the number of beds available for each month of the cost report period should be multiplied by the number of days during the month.

Example: The cost report period is October 1, 20XX through September 30, 20XY. Home is licensed for 10 beds. Home had 9 available beds on October 1, 20XX and 10 on January 1, 20XY.

<u>Month/Year</u>	<u>Licensed Beds</u>	<u>Beds Available</u>	<u>Licensed Bed Days Available for Occupancy</u>
October, 20XX	10	9	279 (9 beds X 31 days)
November, 20XX	10	9	270 (9 beds X 30 days)
December, 20XX	10	9	279 (9 beds X 31 days)
January, 20XY	10	10	310 (10 beds X 31 days)
February, 20XY	10	10	280 (10 beds X 28 days)
March, 20XY	10	10	310 (10 beds X 31 days)
April, 20XY	10	10	300 (10 beds X 30 days)
May, 20XY	10	10	310 (10 beds X 31 days)
June, 20XY	10	10	300 (10 beds X 30 days)
July, 20XY	10	10	310 (10 beds X 31 days)
August, 20XY	10	10	310 (10 beds X 31 days)
September, 20XY	10	10	<u>300</u> (10 beds X 30 days)
Total Available Bed Days			3,558

The number of Available Bed Days (Line 15a) may equal or be less than the number of Licensed Beds Available (Line 15), but they may **not** be greater. Unless the agency reduced the number of licensed beds during the year, neither should be greater than the number of licensed beds reported in item 9 times 365.

16. Enter the total number of treatment child care days for therapeutic foster care provided in a therapeutic family foster setting. This is your census data for treatment child care days. In the Excel workbook, treatment days in Program/Group Settings will be entered automatically from Schedule A-1. Enter the total number of Mental Health Residential Treatment Days reported for the facility during the cost report period. Resident Days include days residents were in the facility plus reserve bed days and therapeutic leave days.

For all inclusive Medicaid services, Medicaid-eligible consumers are entitled to take up to 45 days of therapeutic leave in any calendar year from any such bed without the facility in which the bed is located suffering any loss of reimbursement during the period of leave. Therapeutic leave is limited to no more than 15 days within one

calendar quarter (three months). The total number of Resident Days for each level of care reported on Line 16 may be equal or less than the corresponding Licensed Bed days available by level of care on Line 17, but may **not** be greater.

- 16a.** List the source of treatment days reported, and attach a copy of your documentation with days totaled to support your entry.
- 17.** List total licensed bed days available for treatment. This is the total number of licensed bed days available during the cost report period. Licensed bed days available are computed by multiplying the number of licensed beds throughout the cost report period by the number of days in the period. If there is an increase or decrease in the number of licensed beds during the period, the number of licensed beds for each month of the cost report period should be multiplied by the number of days during the month.(see example for line 15)
- 17a.** List total available bed days for treatment. Available bed days are computed by multiplying the number of beds available during a month by the number of days in the month. **Available beds may be different from licensed beds because a facility may choose not to fill beds up to their licensed capacity, or due to other factors such as temporary displacement due to construction, etc.** If there is an increase or decrease in the number of beds available during the period, the number of beds available for each month of the cost report period should be multiplied by the number of days during the month. (see example for line 15a)

Part IV Certification of Accuracy

Agencies that have financial audits with the required specificity of allowable foster care costs (by individual program, by functional expenses, with fundraising separated from administrative costs) submit the agency audit and the completed Residential Treatment and Foster Care Cost Report. The agency's audit must comply with applicable state and federal auditing standards.

Schedule A-1

All agencies with Program/Group Setting residential facilities must fill out and attach Schedule A-1. Each individually licensed facility must be listed separately, including facilities that are located at the mailing address on Schedule A. **Please note that the number of Resident or Occupied Days should not to exceed the number of licensed beds times 365 days, unless the facility has decreased it's licensed capacity during that year.**

Do not enter privately owned family setting foster homes.

The Tax ID, Agency Name and Agency ID fields near the top of Schedule A-1 will be entered automatically from the same fields on Schedule A.

1. **Name of Facility:** Enter the name of the facility as it appears on the license certificate issued and list published either by Division of Social Services (DSS) or Division of Health Service Regulation (DHSR).
2. **Street, City, State, Zip code:** Enter the physical street address of the facility.
3. **Medicaid Provider Number:** Enter the facility's Medicaid provider number.
4. **Prior Medicaid Provider Number:** Enter the facility's prior Medicaid provider number if the number has changed during the reporting period, or since the last report submitted on the facility.
5. **DHSR License Number:** Enter the license number as it appears on the license certificate issued to the facility, and the list published by DHSR. These numbers should be start with MHL, followed by a 3 digit county code, then a 3 digit number that identifies the facility, i.e. MHL-001-###.
6. **DSS Facility ID Number:** For DSS licensed facilities, enter the facility identification number as it appears on the license certificate and Licensed Residential Child Care Facilities in North Carolina list on the DSS website. For DHSR licensed facilities, enter the conversion number assigned by DSS which begins with an H.
7. **Level:** Enter the level of care that the facility is licensed to provide. This field is limited to entries of Res, II, III, IV, or Other MH. This entry can be typed in or selected via the dropdown list provided. The level must be entered for the treatment days to be counted.
8. **Licensed Bed Capacity:** Enter the licensed bed capacity as of the last day of the fiscal year as specified on the license.
9. **Resident or Occupied Days:** Enter the number of days of care provided for each applicable category, non-treatment or treatment. Include days residents were in the facility plus reserve bed days and therapeutic leave days. Only days covered by a Medicaid treatment authorization or private pay arrangement should be reported as treatment. For mental health residential treatment facilities level II through IV, treatment days entered will carry to the appropriate level of treatment days in Part III - Resident Days section of Schedule A and the corresponding Room and Board column of Schedule C. For Medicaid services that include room and board, the residential treatment days are carried to Other MH in Part III – Resident Days section of Schedule A, and are subject to the limitations on therapeutic leave under Medicaid rules as explained in the instructions for item 16 on Schedule A.

Schedule B

Payments received from insurance, residents, family members, etc. for reimbursement of purchases of medicines and other purchases for residents should be netted out against the expense account and not reported as income under “other receipts”.

The header information is linked from Schedule A and does not need to be entered into any other schedules. The total lines will be automatically entered in the form.

Line Item Instructions:

1. Enter revenues collected for or on behalf of residents from Medicaid
2. Total Medicaid: The sum of lines 1a through 1c.
3. Enter Other Federal Funds and enter revenues collected from Federal (Non-Medicaid) Sources.
4. Total Other Federal Funds: The sum of lines 3a through 3e.
5. Enter all revenues collected from State Sources.
6. Total State Funds: The sum of Lines 5a through 5f.
7. Enter the total revenues collected from County Funds.
8. Enter the total revenue from Investment Income.
9. Enter the total revenues collected from Private Contributions.
10. Enter the total revenues collected from all other sources.
11. Total Revenues: The sum of lines 2, 4, 6, 7, 8, 9, and 10.
12. Enter the total dollar expense from audit. **This value should balance to the amount on Schedule C on the Total to Match Audit line in the Total column.**
13. The result of subtracting line 12 from line 11. This represents the agency’s fund balance or net gain (loss) for the cost reporting period.

Schedule C and Schedule C-1

Only enter data directly into the cells/boxes that are white. The values for the light yellow shaded cells/boxes will be computed and carried forward into the shaded cells/boxes for you. Gray cells/boxes indicate that there is no entry expected. Agencies that provide mental health residential treatment may wish to complete Schedule C-1 before completing Schedule

C. Data entered on Schedule C-1 will be summarized and carried to the Mental Health Treatment Levels I-IV and Other Mental Health Treatment columns on Schedule C.

All agencies and facilities providing care for Levels I, II, III, IV or PRTF are required to complete the Schedule C-1. All treatment expense is to be clearly identified and separated from federally allowable IV-E expenses. Please reference the provider service definitions for Residential Level I, II, III, IV, and PRTF for the specifics of the treatment costs to be included in the respective columns.

Room & Board costs corresponding to mental health residential treatment levels I-IV reported on Schedule C-1 are reported into the corresponding level Room and Board columns on Schedule C.

Therapeutic Family Foster child day care and expenses should not be included in Foster Family Care. The Therapeutic Family Foster treatment expenses must be entered via Schedule C-1, and other expenses must be reported in the Therapeutic Foster Care column on Schedule C. The Adoption Assistance program child care days and expense must be reported in the Other Programs column.

Providers of mental health treatment services, whose financial audit does not have separate cost centers detailing mental health treatment expenses and the staff salaries/benefits prorated to coincide time spent providing these services, (Including therapy and counseling) must separate and report, by service, showing the mental health treatment expenses. Agencies must provide supplemental schedules supporting the separation of services. The agency's Executive Director must attest (on Schedule A) to the breakdown of expenditures from the audit to the Residential Treatment and Foster Care Cost Report.

Position Count/FTE's per category: On the first line, across the top of each schedule, for each category (except the administration column) indicate the number of full time equivalent personnel associated with and represent the costs of the category. FTEs can be calculated based on the number of hours worked divided by 2080 hours (which is a full time person for a full year).

Use the Line Items Instructions for completing Schedule C to complete Schedule C-1 with the following notes:

- Schedule C-1 entries are automatically carried into Schedule C and are displayed on schedule C in cells shaded light yellow.

- Please reference the Provider Service Definitions for Residential Level I, II, III, IV, and PRTF for the specifics of the treatment costs to be included in the respective column. Medicaid can cover treatment cost as long as there is medical necessity and there is a treatment plan for the child.

- Do not include Room & Board costs in level I-IV Medicaid treatment expense on Schedule C-1. Room and Board should be entered in the respective Room and Board columns on Schedule C.

- No expenses should be entered in columns where the line item box has been shaded.
- Cost Report line numbers 1 through 13 are entered on Schedule C-1.

Cost Report

Line Number	Description
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1. **Salaries/Wages** – Paraprofessional staff.
2. **Salaries/Wages** – Licensed Professional Staff (may include Qualified Professional staff).
3. **Salaries/Wages** – Associate Professional Staff

See Appendix D for detailed outline of provider qualifications

4. Employee Benefit Program

- Dental Insurance
- Health Insurance
- Life Insurance
- Retirement
- Uniforms
- Worker’s Compensation

5. Payroll Taxes - Cost of taxes paid by employer. Items include:

- FICA
- FUTA
- SUTA

6. Total Treatment Labor Expense - The sum of lines 1-5.

7. Medicaid Supplies - Supplies medically necessary to support treatment dictated in Mental Health treatment plan (not including medicines).

8. Contract Labor - Cost incurred for all contracted treatment services.

9. Bloodborne Pathogen (OSHA) - Cost of meeting OSHA standards for bloodborne pathogens and infectious materials for Medicaid full-time equivalent employees. This includes supplies, protective equipment/ clothing, vaccinations, training materials, hazard signs/labels, waste disposal, and medical record retention.

10. Employee Criminal Records Check Fees - Cost of Medicaid full-time equivalent employee(s) Criminal Records Check fees. Background checks for Therapeutic Foster Parents providing Medicaid services.

11. Other -Cost not considered in the above accounts.

12. Total Medicaid Treatment Expense - The sum of lines 6 through 11.

13. Total Medicaid Resident Days Provided – Enter the number of Medicaid Resident Days provided for the respective level of care.

Program Expense

Daily Supervision Cost – include labor expense for staff who provide daily supervision functions listed below and their direct supervisors.

-Daily supervision in institutions includes routine day-to-day care and supervision of children.

-Activities related to supervising the care of the child and managing the child's individualized service plan including:

-Working with the child to develop the child's Individualized Service Plan and working with the child on the status of the plan and plan goals;

-Giving information, instruction, guidance, and mentoring to the child.

-Monitoring and updating the child's Individualized Service Plan.

14. Salaries and Wages – Daily Supervision personnel salaries and wages (Do not include Social Workers)

15. Employee Benefit Program - Cost of benefits paid by employer. Items include:

-Dental Insurance

-Health Insurance

-Life Insurance

-Retirement

-Uniforms

-Worker's Compensation

16. Payroll Taxes - Cost of taxes paid by employer. Items include:

-FICA

-FUTA

-SUTA

17. Total Daily Supervision Salary Expense – The sum of lines 14 through 16.

Foster Care Activities/Social Services - Include labor expense for staff who perform Foster Care Activities/Social Services activities including, but not limited to: case management, parent recruitment and training, referral to services, etc. (See Foster Care Services Definitions.)

18. Salaries and Wages – Foster Care and Social Services staff and their direct supervisors salaries and wages. (Do not include Daily Supervision or Administrative staff).

19. Employee Benefit Program - Cost of benefits paid by employer. Items include:

- Dental Insurance
- Health Insurance
- Life Insurance
- Retirement

20. Payroll Taxes - Cost of taxes paid by employer. Items include:

- FICA
- FUTA
- SUTA

21. Total Social Workers Costs – The sum of lines 18 through 20.

22. Housekeeping/Shelter Cost – Include costs of operating residential facilities used by the children. Costs may include:

Cleaning Supplies - Cost of cleaning and laundry supplies and materials. Items include:

- Brooms, Mops, Detergents, etc.
- Non-Capitalized Equipment (vacuum cleaner, mop bucket, buffer, linen cart, scale, marking machine, etc.)

Outside Laundry Supplies - Cost of contracted housekeeping and laundry supplies.

Utilities - Cost for all utilities. Items include:

- Electricity
- Gas (Natural gas, propane, butane – NOT gasoline)
- Fuel (Fuel oil used to heat and cool building – Not gasoline)
- Water (water and sewer services)

Repair & Maintenance Equipment - Cost of all materials and labor to repair and maintain equipment. Items include:

- Facility equipment and appliances
- Furniture and fixtures

Sanitation & Pest Control - Cost of sanitation (garbage) and pest control services.

Linen & Bedding - Cost of linen and bedding. Items include:

- Linens

- Bedding
- Sheets
- Mattresses
- Pillows and Cases
- Blankets
- Towels
- Washcloths

Equipment - Cost of non-capitalized equipment NOT affixed to building (not to include kitchen and dining room equipment) Items include:

- Room Furniture and Fixtures
- Telephone Equipment
- Laundry Equipment
- Maintenance Equipment
- Lawn Mowers and Tractors
- Computer Equipment
- Software

Miscellaneous - Cost of other housekeeping items not considered in the above accounts.

- Security system monthly charge for facility.

23. Dietary/Food Cost - Actual food costs and kitchen and dining room operational costs including equipment and supplies associated with planning meals, ordering, preparing and serving food, cleanup work and the cost of planned meals away from the institution. Costs may include:

Food - Cost of food and nutritional supplements. Items include:

- Meats, Vegetables, Dairy Products, etc.

Dietary Supplies/Equipment - Cost of all dietary supplies. Items include:

- General Kitchen Supplies
- Plates, Cups, Forks, Knives, etc.
- Non-Capitalized Equipment (blender, coffee machine, food cart, etc.)

Miscellaneous - Cost of other Dietary items not considered in the above accounts.

24. Clothing – Cost of initial and replacement clothing for the child, including:

- Personal wardrobes
- Expenses incurred in the upkeep of the children’s clothing, including staff and supplies on the institution’s grounds and for services provided off the institution’s grounds, such as shoe repairs, mending, dry-cleaning, etc.

- 25. Personal Incidentals Cost** – The minor and infrequent cost of items to meet personal needs, including allowances given to the child to purchase their own personal incidentals items.

Personal Hygiene Items – Cost of personal hygiene items such as comb, brush, toothbrush, deodorant, soap, etc.

Medical Supplies – Cost of medical chest supplies, such as adhesives, dressings, gauze, gloves, non-prescription pain or cold medications.

Beauty and Barber Shop - Cost of furnishing beauty and barber services and supplies to residents for basic hair care.

Tickets, Admission Fees and Club Dues – The reasonable and occasional cost of such items as tickets or other admission fees for sporting, entertainment or cultural events, or dues for clubs.

Miscellaneous - Costs of other Personal Needs items not considered in above accounts. The CWPM section 8.3B.1 question 9 lists additional examples of allowable personal incidentals, diapers, high chairs, stamps, writing paper, film and film developing, graduation fees and special lessons, such as horseback riding lessons.

- 26. Therapeutic Recreation** – Cost of therapeutic recreation.
- 27. School supplies** – Cost of school supplies such as pencils, paper, crayons, etc.
- 28. Liability Insurance with Respect to the Foster Child** – The cost of liability insurance in regard to the child. Do not include general liability insurance or business insurance costs.
- 29. Transportation for Family Visitation** - The expense for reasonable travel to the child's home for visitation. When it is not possible or appropriate for visitation to occur at the child's home, cost can include the reasonable cost for transportation to another appropriate location for the purpose of visiting with family members.
- 30. Travel Cost** - Transportation intrinsic to the well-being of the child and other activities or events that are an integral part of the 24 hour program of care. Expenses for an attendant, when required, may be provided if it is not available for the child under any Title IV-B, Title XIX or Title XX program.
- 31. Miscellaneous Travel** - Cost of other transportation items not considered in above accounts.
- 32. Foster Care Board Payments to Foster Care Parents**

33. Total Room and Board Expense - The sum of lines 22-32.

Allowable Program Facility Expense – The cost of rent, maintenance, depreciation and interest on allowable program facilities. Allowable program facilities include facilities used to provide food and shelter for the children. These may include residential housing for the children, dining facilities, storage facilities for food, furnishings and other supplies. Do not include costs relating to recreational facilities or land, educational facilities/schools for children, staff housing other than the on duty staff portion of the children’s residential facilities, guest housing, churches, chapels or other religious facilities, residential housing not in use (unused capacity), land held for farming, timber, or investment.

34. Facility Rent - Cost of renting or leasing allowable facilities where services are being provided and where residents live.

35. Repair & Maintenance Building & Grounds - Costs of all materials and labor to repair and maintain allowable buildings and grounds.

36. Buildings and Improvement Depreciation - Cost of the allowable buildings and building improvements prorated over its expected life.

37. Mortgage Interest - Cost of all mortgage interest on:

- Land and Land improvements
- Buildings and Buildings improvements

38. Fixed Asset Interest - Cost of interest on fixed assets.

39. Total Allowable Program Facility Expense – The sum of lines 34-38.

Support Staff Labor Expense - Include labor expense for staff that perform activities other than daily supervision, social services, maintenance, or administration, such as dietary/dining facility staff.

40. Salaries and Wages – Cost of salaries and wages for other support staff.

41. Employee Benefit Program - Cost of benefits paid by employer. Items include:

- Dental Insurance
- Health Insurance
- Life Insurance
- Retirement

- 42. Payroll Taxes** - Cost of taxes paid by employer. Items include:
- FICA
 - FUTA
 - SUTA
- 43. Total Support Staff Labor Expense** – The sum of lines 40 through 42.
- 44. Insurance-Vehicle**
All insurance expense on vehicles used for home.
- 45. Insurance-Fixed**
Cost of insurance on property only (NOT liability, worker’s compensation, life, or other non-property insurance).
- 46. Insurance-General**
Cost of all other insurance not related to property or employees or vehicles.
- 47. Vehicle Maintenance**
Cost of all maintenance and upkeep on vehicles owned by the home. Items include:
- Registration Fees
 - Gasoline
 - Oil
 - Tires
 - Lubrication
 - Vehicle Repairs
- 48. Interest-Automobile** - All interest expense on vehicles used for home.
- 49. Interest-Operating** - Financing cost of operating capital for other than fixed assets, mortgage (land, building), and automobiles. Items include:
- Interest on operating loans
 - Fees for general lines of credit
 - Interest on credit card purchases
 - Interest on other revolving credit purchases
- 50. Rent-Automotive/Equipment** – Cost of rent for automobiles and equipment for the home.
- 51. Real Estate Taxes** - Cost of all real property taxes.

- 52. Business Travel** – For PRTF and Other Mental health, Other Programs and Fund Raising, the cost of travel for business purposes.

For Room & Board, Therapeutic Foster, Family Foster and Residential Care, the cost of travel for business purposes and staff travel for training and travel for the well being of the child and to ensure the well being of the child other than transportation to school, medical appointments of therapy/counseling. Transportation to school, medical or therapy/counseling appointments is not an allowable cost and should be reported in non-allowable costs.

- 53. Licenses for Individuals** - Cost of federal, state, and local licensing fees for individuals working in the facility.

54. Licenses for Facility

Cost of federal, state, and local licensing fees for the facility.

55. Bloodborne Pathogen (OSHA) for Non-Medicaid FTEs

Cost of meeting OSHA standards for bloodborne pathogens and infectious materials for non-Medicaid full-time equivalents. This includes supplies, protective equipment/clothing, vaccinations, training materials, hazard signs/labels, waste disposal, and medical record retention.

- 56. Criminal Records Check Fees for Non-Medicaid FTE's** - Cost of criminal records check fees for non-Medicaid full-time equivalents and background checks for foster parents.

- 57. Advertising** - Cost of brochures, pamphlets, and all promotional and public relations' expenses.

- 58. Meeting/Seminars/Training** – Cost of providing training to foster parents, operational and maintenance including the cost to conduct training or have participant attend meetings, seminars, and conferences. Items include:

- Tuition / Registration / Fees
- Training Materials

- 59. Depreciation-Automotive** - Cost of the purchase of an automobile or van used for home prorated over its expected life.

- 60. Depreciation-Equipment** - Cost of equipment NOT affixed to building prorated over its expected life.

- 61. Total Other Costs – Costs of Care** – The sum of lines 39, and 43-60.

Other Costs – Administration

- 62. Facility Rent** - Cost of renting or leasing allowable administrative facilities.
- 63. Repair & Maintenance Building & Grounds** - Costs of all materials and labor to repair and maintain allowable administrative buildings and grounds.
- 64. Buildings and Improvement Depreciation** - Cost of the allowable administrative buildings and building improvements prorated over its expected life.
- 65. Mortgage Interest** - Cost of all mortgage interest on:
 - Land and land improvements
 - Buildings and buildings improvements
- 66. Fixed Asset Interest** - Cost of interest on fixed assets.
- 67. Total Allowable Administrative Facility Expense** – The sum of lines 62–66.

Administrative & Management Labor Expense

- 68. Salaries and Wages** – Cost of salaries and wages for management and administrative staff.
- 69. Employee Benefit Program** - Cost of benefits paid by employer. Items include:
 - Dental Insurance
 - Health Insurance
 - Life Insurance
 - Retirement
- 70. Payroll Taxes** - Cost of taxes paid by employer. Items include:
 - FICA
 - FUTA
 - SUTA
- 71. Total Administrative and Management Labor Expense** – The sum of lines 68-70.
- 72. Office Supplies** - Cost of office supplies and other administrative supplies. Items include:
 - General Office Supplies
 - Printed Forms
 - Letterhead and Envelopes
 - Checks, Deposit Slips, and other Banking Forms
 - Non-Capitalized Equipment (fax machine, calculator, etc.)

- 73. Telephone** - Cost of telephone services for all communication services (including pagers, Internet service costs).
- 74. Postage** - Cost of postage.
- 75. Dues & Subscriptions** - Cost of membership in professional societies, cost of trade journals and publications.
- 76. Legal & Accounting** - Cost of acquiring contracted legal and accounting services for home's operations.
- 77. Interest-Operating** - Financing cost of operating capital for other than fixed assets, mortgage (land, building), and automobiles. Items include:
- Interest on operating loans
 - Fees for general lines of credit
 - Interest on credit card purchases
 - Interest on other revolving credit purchases
- 78. Audit** - Cost of having an audit performed by a Certified Public Accountant (CPA).
- 79. Data Processing** - Cost of operating a data processing unit or contracted computer services. Item include:
- Contracted Data Processing Services
 - Software Expense
 - Data Processing Supplies
- 80. Management Services** - Cost of contracted management services, or management services allocated to a program in the audit.
- 81. Printing** - Costs of printing brochures, pamphlet or other documents. Cost not Medicaid eligible.
- 82. Business Travel** - Cost of travel for administrative business purposes.
- 83. Vehicle Maintenance**
Cost of all maintenance and upkeep on vehicles used for administrative purposes.
Items include:
- Registration Fees
 - Gasoline
 - Oil
 - Tires
 - Lubrication
 - Vehicle Repairs

84. **Rent-Automotive/Equipment** – Cost of rent for automobiles and equipment for the administrative use.
85. **Depreciation-Automotive** - Cost of the purchase of an automobile or van used for home prorated over its expected life.
86. **Depreciation-Equipment** - Cost of equipment NOT affixed to building prorated over its expected life.
87. **Office Utilities and Cleaning Services** – Cost of utilities and cleaning services for administrative facilities.
88. **Miscellaneous** - Cost of other items not considered in above accounts. Costs not Medicaid eligible.
89. **Total Other Costs – Administrative** – The sum of lines 66, and 71-88.
Includes Administrative, Operational, and Maintenance Salaries
90. **Total Other Costs** – The sum of lines 61 and 89.
91. **Total Rate Setting Expense** - The sum of lines 12, 17, 21, 33, and line 90.
92. **Child Development** - Provision of day care
93. **Other Child and Family Services** - The provision of non-residential social services directed toward families and children, i.e., counseling an intake family.
94. **Higher Education** - Educational support of children beyond high school.
95. **Bad Debts** - Uncollectible debt.
96. **Multi-Purpose Group Home** - Office of Juvenile Justice facilities operated for juveniles for the purposes of treatment and secure detention.
97. **Non-allowable cost** - Other items not considered in above accounts, i.e., cost of facilities and activities that are not allowed to be included in costs, such as recreational facilities, educational costs for children other than school supplies, gifts, research and development except when resulting in benefit to home.
98. **In Kind Donations/ Contributions**
99. **Penalties**
100. **Total Non-Allowable Expense** – The sum of lines 92-99.

101. Total to match audit - The sum of lines 91 and line 100). Please verify that your Schedule C ties to your audit.

102. Total Resident Days Provided - The days of treatment entered on Schedule C-1 for mental health levels I-IV and Other Mental Health will be summarized and carried to Schedule C. Non-treatment days of care entered on Schedule A-1 will carry to the residential care days on Schedule C. Treatment days of care entered on Schedule A-1 will carry to the corresponding level of care Room and Board column.

Schedule C-2

This schedule is a breakout of Schedule C-1 line items 1 through 3. List by job title the staff utilized, the qualification of the staff, and the associated number of FTEs used for Medicaid Treatment Expenses.

Indicate the qualification of the individual by selecting paraprofessional, qualified professional, or associate professional from the drop-down list.

Indicate the number of FTEs the individual worked for each level of care. If a person works full time for one year they are considered 1 FTE. If they only worked half time for a full year, they would be 0.5 FTE.

FTEs are calculated based on the number of hours worked divided by 2080 hours (which is the total hours worked by a full time person for a full year). For employees that split time worked between levels of care, please allocate the appropriate percentage of time to each.

Schedule D

Related Party Transactions

For each type of related party cost/expense, please complete the following fields:

- (1) Description of the expense/cost line item
- (2) Identification of the line item number from the cost report
- (3) Enter the applicable Program/Cost Center/Column from the cost report
- (4) Name of the related party (organization and/or individual)
- (5) Description of the relationship between the related party and the home.

Examples are:

- Parent company
- Subsidiary
- Subsidiary of a common parent company
- Principal owner

- Immediate family of principal owners
 - Management
 - Immediate family of management
 - Affiliate (a party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the home)
 - Different divisions within the same company
- (3) Total amount of the related party transaction/expense
- (4) Total number of paid hours, if applicable, that corresponds to the expense (salaries and wages, casual labor and contract services) being reported

Compensation to Owners and Owner Related Individuals:

Allowance of Compensation and Recordkeeping Requirements:

Owners of provider organizations often render services as managers, administrators, or in other capacities. In such cases, it is equitable that reasonable compensation for the necessary services rendered be an allowable cost. To do otherwise would disadvantage such owners in comparison with corporate providers or providers employing non-owner persons to perform the same services.

Distribution of profits is a form of compensation paid to a proprietor. However, this form of compensation is **not an allowable cost** of the facility because it is not contingent on performance of necessary services. Where a proprietor renders necessary services for the institution, the institution is, in effect, employing his services and a reasonable compensation for these services is an allowable cost. The salaries of owners and owner-related employees are subject to the requirements of reasonableness. Reasonableness of compensation will be determined by reference to or in comparison with compensation paid for comparable services and responsibilities in comparable institution or it may be determined by other appropriate means. Where the services are rendered on less than a full-time basis, the allowable compensation should reflect an amount proportionate to a full-time basis.

Compensation for services of owners and owner-related employees shall be an allowable cost provided these services are adequately documented to be necessary, and such employees are adequately documented to be qualified to provide these services. Adequate documentation shall include, but not be limited to:

- (1) Date and time of services contemporaneous recordkeeping
- (2) Position description
- (3) Individual's educational qualifications, professional title, and work experience
- (4) Type and extent of ownership interest
- (5) Relationship to and name of owner (if an owner-related individual)

Definitions:

- A. "Related to the facility" means that the facility, to a significant extent, is associated or affiliated with, or has control of, or is controlled by, the organization and/or individual furnishing the services, facilities, or supplies.

- B. **“Common ownership” exists when an individual or individuals possess significant ownership or equity in the home and the institution or organization serving the home.**
- C. **“Control” exists where an individual or an organization has the power, directly or indirectly, to significantly influence or direct the actions or policies of an organization or institution. The term "control" includes any kind of control, whether or not it is legally enforceable and however it is exercisable or exercised. It is the reality of the control which is decisive, not its form or the mode of its exercise.**
- D. **“Necessary services”** are those services needed for the efficient operation and sound management of the facility such that had the owners or owner-related individual not rendered the services, the facility would have had to employ another person to perform the services.
- E. **“Ownership interest”** means the entitlement to a legal or equitable interest in any property of the facility whether such interest is in the form of capital, stock, or profits of the facility.
- F. **“Owner”** – shall be considered any individual with a 5% or more ownership interest in the facility.
- G. **“Owner-Related Individual”** – An owner-related individual shall be considered an individual who is a member of an owner’s immediate family which includes spouse, natural or adoptive parent, natural or adopted child, stepparent, stepchild, sibling or stepsibling, in-laws, grandparents and grandchildren.
- H. **“Compensation”** means the total benefits received by the owner for the services he renders to the institution. Such compensation shall include:
 - (1) Salary amounts paid for managerial, administration, professional, and other services
 - (2) Amounts paid by the institution for the personal benefits of the proprietor
 - (3) The cost of assets and services which the proprietor receives from the institution
 - (4) Deferred compensation
 - (5) compensation reported for tax purposes

In determining whether a facility is related to a supplying organization and/or individual, the tests of common ownership and control are to be applied separately. If the elements of common ownership or control are not present in both organizations, the organizations are deemed not to be related to each other.

The existence of an immediate family relationship will create an irrefutable presumption of relatedness through control or attribution of ownership or equity interests. The following persons are considered immediate family for program purposes:

- (1) Husband and wife
- (2) Natural parent, child and sibling
- (3) Adopted child and adoptive parent

- (4) Step-parent, step-child, step-sister, and step-brother
- (5) Father-in-law, mother-in-law, sister-in-law, brother-in-law, son-in-law and daughter-in-law
- (6) Grandparent and grandchild

Some examples of common types of transactions between related parties are:

- (a) Sales
- (b) Purchases
- (c) Transfers of realty and personal property
- (d) Services received or furnished (i.e. accounting, management, engineering, and legal services)
- (e) Use of property and equipment by lease or otherwise
- (f) Borrowing and lending
- (g) Guarantees
- (h) Maintenance of bank balances as compensating balances for the benefit of another
- (i) Inter-company billings based on allocations of common costs
- (j) Filings of consolidated tax returns

How to reconcile your audit (or G/L) with Schedule C

There are 3 worksheets to use: **Audit**, **Sched_C** and **BreakDown**.



First, enter your expense descriptions on the **Audit** worksheet.

Expenses (Rows 2 through 51 are available to add or edit your audit expense descriptions.)	Audit Total	Reference	Expense Statement Column 1
Salaries	-		
	-		

You will notice that 10 columns have been provided for you to enter your expenses. You can rename the column header to match the column description in the audit or GL report.

Expenses (Rows 2 through 51 are available to add or edit your audit expense descriptions.)	Audit Total	Reference	Expense Statement Column 1	Schedule C
Salaries	1,252,691		1,252,691	
	-			

Next, add the amount from the audit (or GL report) for each expense item.

Next, simply select the reference marks to match the item(s) on the Audit sheet with Schedule C.

Expenses (Rows 2 through 51 are available to add or edit your audit expense descriptions.)	Audit Total	Reference	Expense Statement Column 1
Direct Family Costs	1,630,053	A	1,630,053
	-	B	
	-	C	

On the Sched_C worksheet, select the reference mark that corresponds to the matching expense item on the Audit worksheet.

Line	Schedule C Expenses	Reference	Child Placement / Family Foster
31	Miscellaneous Travel		-
32	Foster Care Board Payments to Foster Parents	A	29,565

Line	Schedule C Expenses	Room & Board Residential LEVEL IV	Reference	Therapeutic Foster Care Family Setting LEVEL I & II	Total
31	Miscellaneous Travel	-		-	-
32	Foster Care Board Payments to Foster Parents	-	A	1,600,488	1,630,053

If you cannot clearly match items between the Audit sheet and Schedule C, you will need to mark those particular items with a “Z”, and then match them on the **BreakDown** sheet.

Expenses (Rows 2 through 51 are available to add or edit your audit expense descriptions.)	Audit Total	Reference	North Carolina	Schedule C
Postage & shipping	9,593	f	9,593	9,593
Occupancy	49,106	Z	49,106	49,106
Outside Printing	8,145	g	8,145	8,145

Use this page if a line item on Schedule C consists of more than one expense item from the audit.

Schedule C Line	Description	Schedule C Column	Audit Expense Description	Audit Column	Amount
62	Facility Rent	Other Programs	Occupancy	North Carolina	39,800
87	Office Utilities and Cleaning Service	Other Programs	Occupancy	North Carolina	1,919
63	Repairs & Maintenance Building &	Other Programs	Occupancy	North Carolina	375
63	Repairs & Maintenance Building &	Other Programs	Occupancy	North Carolina	1,882
46	Insurance - General	Other Programs	Occupancy	North Carolina	472
51	Real Estate Taxes	Other Programs	Occupancy	North Carolina	12
63	Repairs & Maintenance Building &	Child Placement / Family Foster	Occupancy	North Carolina	75
63	Repairs & Maintenance Building &	Child Placement / Family Foster	Occupancy	North Carolina	318
46	Insurance - General	Child Placement / Family Foster	Occupancy	North Carolina	53
62	Facility Rent	Child Placement / Family Foster	Occupancy	North Carolina	4,200

BreakDown Worksheet

Submitting Cost Report Forms and Schedules:

- Please submit documents electronically if possible. pdf files of audits are acceptable. A scanned copy of signed Schedule A can also be submitted electronically via email.

Email forms to: mike.thompson@dhhs.nc.gov

- Mail final, signed, dated, paper forms to:

Physical Address for hand delivery or delivery service:

DHHS Foster Care Rate Setting
Office of the Controller
(Spruill Annex on Dix Campus)
1050 Umstead Drive
Raleigh, North Carolina, 27603

Or

US Postal Mailing Address:
DHHS Foster Care Rate Setting
Office of the Controller
2019 Mail Service Center
Raleigh, North Carolina 27699-2019