

May 14, 2018

Ms. Ann Foster  
Deputy Director  
New York State Department of Health  
Division of Finance and Rate Setting  
Office of Health Insurance Programs  
Empire State Plaza, Corning Tower  
Albany, NY 12237

By e-mail: [ann.foster@health.ny.gov](mailto:ann.foster@health.ny.gov)

**Re: Proposed Revisions to RHCF Medicaid Cost Reports for Impact of SSAE No. 18**

Dear Ms. Foster:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 26,000 CPAs in public practice, business, government and education, is pleased to have the opportunity to work with your department to assess the impact of SSAE No. 18 on the various Medicaid cost report certifications.

Effective May 1, 2017, SSAE 18 (AT-C Sections 105 and 205) updated the attestation standards regarding examination engagements. SSAE 18 brought the documentation requirements of an examination engagement closer to auditing standards. As a result, certified public accountants (CPAs) need to ensure that they are following the new attestation standards when signing examination reports, including the examination reports that are included when CPAs certify the Residential Health Care Facility (RHCF) Medicaid Cost Reports.

Due to these changes in the attestation standards, the opinions currently included on the Health Commerce System (HCS) for RHCF Medicaid cost reports need to be updated with the appropriate language. We have included updated opinions for your convenience. The changes were as follows:

**Current Language**

**Standard**

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the supplemental data's conformity with the applicable instructions and performing such other procedures as we

considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

**Consolidated**

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the supplemental data's conformity with the applicable instructions and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

**Revised Language**

**Standard**

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the above supplemental data is in accordance with (or based on) the applicable instructions relating to the preparation of the Annual Report of Residential Health Care Facility (RHCF-4), in all material respects. An examination involves performing procedures to obtain evidence about the above supplemental data. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the above supplemental data, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

**Consolidated**

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the above supplemental data is in accordance with (or based on) the applicable instructions relating to the preparation of the Annual Report of Residential Health Care Facility (RHCF-4), in all material respects. An examination involves performing procedures to obtain evidence about the above supplemental data. The nature, timing, and extent of the procedures selected depend on the accountant's judgement, including an assessment of the risks of material misstatement of the above supplemental data, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

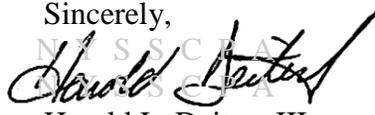
In addition, we are proposing any reference to "conformity with" the instructions be changed to "in accordance with (or based on)" the applicable instructions.

We did note several other inconsistencies between the reports and variances from standard language. If the Department would like us to provide input on the other changes, please let us know and we will provide you with completely updated opinions.

The New York State Society of Certified Public Accountants Healthcare Committee, led by Janine Mangione, Committee Chair and Steven Schwartz, Committee Member, at the request of the committee, reviewed the existing opinions and provided the updates as were necessary to comply with the change in the standards.

If you would like additional discussion with us, please contact Janine Mangione, the Healthcare Committee Chair, at (518) 250-7792, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

A handwritten signature in black ink, appearing to read "Harold Deiters III". The signature is written in a cursive style and is positioned over a faint, semi-transparent watermark of the NYSSCPA logo.

Harold L. Deiters III  
President

Attachments

## RHCF CONSOLIDATED OPINION

### Accountant New York State Certification

#### Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of the parent company <CLIENT NAME>, which includes the consolidated balance sheet of <CLIENT NAME> as of <DATE> and the related consolidated statements of operations, changes in net assets or equity, and cash flows for the year then ended, included as Exhibits A through E (the basic financial statements), and the related notes to the financial statements, except for lines 041, 042 and 043 of Exhibit E of Part IV of the accompanying Annual Report of Residential Health Care Facility (RHCF-4) identified by Declaration Control Number <NUMBER>.

#### Management`s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor`s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor`s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to management`s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the management`s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the parent company <CLIENT NAME>, as of <DATE> and the results of its operations, changes in net assets or equity and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

While not affecting our unmodified opinion on the consolidated financial statements referred to above, we have added explanatory language in the independent accountant`s notepad of this report. The explanatory language in the independent accountant`s notepad must be read in conjunction with this Opinion of Independent Accountants in order for the reader to understand the opinion expressed on the consolidated financial statements.

## RHCF CONSOLIDATED OPINION

### Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the parent company taken as a whole. The following supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements identified by Declaration Control Number <NUMBER>.

#### **PART I - STATISTICAL DATA**

Bed Capacity-Patient Days, Line 017

#### **PART II - CROSSWALK**

Schedule 7, Column 0161

Schedules 8 thru 11, except for Schedule 8C, Lines 010 through 036 and Schedule 8E

#### **PART IV - UNIFORM REPORT**

Exhibit H, except Columns 0034-0044, Lines 054-057, 060-069 and 090 Exhibit I

Schedule 4, except Columns 0114-0122, Lines 054-057, 060-069 and 090

Schedule 6

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### Report on Other Legal and Regulatory Requirements

Our procedures were not intended to determine compliance with, and therefore would not necessarily disclose deviations from, reporting requirements contained in the New York State Residential Health Care Facility Accounting and Reporting Manual.

The other information included on Parts I, II, III and IV of the Annual Report of Residential Health Care Facility (RHCF-4) identified by Declaration Control Number <NUMBER>, (not detailed in the preceding paragraphs), was not audited by us and, accordingly, we express no opinion thereon.

We have examined the above supplemental data for the year ended <DATE>. <CLIENT NAME> management is responsible for the preparation of the supplemental data in accordance with (or based on) the applicable instructions relating to the preparation of the RHCF-4 as furnished by the New York State Department of Health for the year ended December 31, 2016. Our responsibility is to express an opinion on the supplemental data based upon our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the above supplemental data is in accordance with (or based on) the applicable instructions relating to the preparation of the Annual Report of Residential Health Care Facility (RHCF-4), in all material respects. An examination involves performing procedures to obtain evidence about the above supplemental data. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the above supplemental data, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the above supplemental data are in all material respects in accordance with (or based on) the applicable instructions relating to the preparation of the RHCF-4 as furnished by the New York State Department of Health for the year ended December 31, <YEAR>.

## RHCF CONSOLIDATED OPINION

This RHCF-4 report, including this accountant's opinion, is intended solely for the information and use of the management and ownership of the facility and the officers and agencies of the State of New York, and is not intended to be and should not be used by anyone other than these specified parties. The undersigned hereby certifies this opinion and that I/we have disclosed any and all material facts known to me/us, disclosure of which is necessary to make this opinion, the basic financial statements and the supplemental data not misleading. The undersigned hereby further certifies that I/we will disclose any material fact discovered by me/us subsequent to this certification which existed at the time of this certification and was not disclosed in the basic financial statements or the supplemental data, the disclosure of which is necessary to make the basic financial statements or the supplemental data not misleading and will disclose any material misstatement in said financial statements or supplemental data.

During the period of this professional engagement, at the time of expressing this opinion, and during the period covered by the financial statements I/we did not have nor were committed to acquire, any direct financial interest or material indirect financial interest in the ownership or operation of the facility and I/we were not connected in any way with the ownership, financing or operation of the facility as a director, officer or employee, or in any capacity other than as an independent certified public accountant or independent public accountant.

## RHCF STANDARD OPINION

### Accountant New York State Certification

#### Report on the Financial Statements

We have audited the financial statements of <CLIENT NAME>, which comprise the balance sheet as of <DATE>, and the related statements of operations, changes in net assets or equity, and cash flows for the year then ended, included as Exhibits A through E (the basic financial statements), and the related notes to the financial statements, except for lines 041, 042 and 043 of Exhibit E of Part IV of the accompanying Annual Report of Residential Health Care Facility (RHCF-4) identified by Declaration Control Number <NUMBER>.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of <CLIENT NAME> as of <DATE> and the results of its operations, changes in net assets or equity and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## RHCF STANDARD OPINION

### Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The following supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements identified by Declaration Control Number <NUMBER>.

#### **PART I - STATISTICAL DATA**

Bed Capacity-Patient Days, Line 017

#### **PART II - CROSSWALK**

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Schedule 6

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### Report on Other Legal and Regulatory Requirements

Our procedures were not intended to determine compliance with, and therefore would not necessarily disclose deviations from, reporting requirements contained in the New York State Residential Health Care Facility Accounting and Reporting Manual.

The other information included on Parts I, II, III and IV of the Annual Report of Residential Health Care Facility (RHCF-4) identified by Declaration Control Number <NUMBER>, (not detailed in the preceding paragraphs), was not audited by us and, accordingly, we express no opinion thereon.

We have examined the above supplemental data for the year ended <DATE>. <CLIENT>'s management is responsible for the preparation of the supplemental data in accordance with (or based on) the applicable instructions relating to the preparation of the RHCF-4 as furnished by the New York State Department of Health for the year ended December 31, <YEAR>. Our responsibility is to express an opinion on the supplemental data based upon our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the above supplemental data is in accordance with (or based on) the applicable instructions relating to the preparation of the Annual Report of Residential Health Care Facility (RHCF-4), in all material respects. An examination involves performing procedures to obtain evidence about the above supplemental data. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the above supplemental data, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the above supplemental data are in all material respects in accordance with (or based on) the applicable instructions relating to the preparation of the RHCF-4 as furnished by the New York

## RHCF STANDARD OPINION

State Department of Health for the year ended December 31, <YEAR>.

This RHCF-4 report, including this accountant's opinion, is intended solely for the information and use of the management and ownership of the facility and the officers and agencies of the State of New York, and is not intended to be and should not be used by anyone other than these specified parties. The undersigned hereby certifies this opinion and that I/we have disclosed any and all material facts known to me/us, disclosure of which is necessary to make this opinion, the basic financial statements and the supplemental data not misleading. The undersigned hereby further certifies that I/we will disclose any material fact discovered by me/us subsequent to this certification which existed at the time of this certification and was not disclosed in the basic financial statements or the supplemental data, the disclosure of which is necessary to make the basic financial statements or the supplemental data not misleading and will disclose any material misstatement in said financial statements or supplemental data.

During the period of this professional engagement, at the time of expressing this opinion, and during the period covered by the financial statements I/we did not have nor were committed to acquire, any direct financial interest or material indirect financial interest in the ownership or operation of the facility and I/we were not connected in any way with the ownership, financing or operation of the facility as a director, officer or employee, or in any capacity other than as an independent certified public accountant or independent public accountant.