



## DDSN Executive Memo

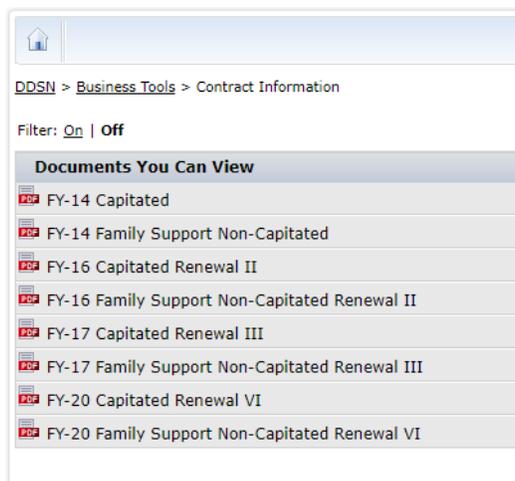
**TO:** FINANCE DIRECTORS  
EXECUTIVE DIRECTORS

**FROM:** W. CHRIS CLARK, CPA, CGMA  
CHIEF FINANCIAL OFFICER

**DATE:** JULY 12, 2019

**RE:** Year-end and Interim Financial Reporting

The contracts with SCDDSN signed by your Agency outline a variety of reporting requirements. Since the original contract was issued back in July 2013 and is amended annually, we realize that many of you may not be fully aware of the requirements contained within these contracts. The contracts have been uploaded to the SCDDSN Portal under business tools for your convenience. The contracts represent the original issued and any substantive changes made for any year that changes were made thereafter.



The purpose of this memorandum is to inform you of some of the contract requirements and our intent to begin enforcing the clauses within the contract document. Additionally, some other financial related matters will be covered in this memo.

- 1) As you know, you are required to submit your audited financial statements in accordance with 275-04-DD or 275-06-DD, as applicable. These directives require that you submit bound reports to various parties within 90 calendar days of your fiscal year-end. Due to changes in the Finance office, we are requesting that you submit your audited financial statements electronically to [financial.reports@ddsn.sc.gov](mailto:financial.reports@ddsn.sc.gov) in a pdf format. Bound copies will still need to be issued to the Internal Audit department as you are accustomed to. Note that you do not need to remit the Report on Agreed-Upon Procedures to the District Director or to myself so the printed copy will only go to the other parties. As a result, we only require the audited financial statements be submitted electronically to us. To facilitate our identification and storage of the financial statements,

we ask that you use the following naming convention for the file that is emailed to us:

YYYY-MM Agency Name Audited Financial or "2019-06 Some County DSN Board Audited Financial"

- 2) The contract stipulates that each Agency will "provide DDSN copies of financial statements as of the end of each calendar quarter at a minimum. These financial statements shall include, but not be limited to, a statement of financial position and results of operations of fiscal year to date. The Provider shall present these financial statements to the Provider's Board of Directors." Currently, very few Providers are remitting the required information to us. Beginning with calendar quarter ended September 30, 2019, we are going to enforce this clause of the contract. Financial information will be due by the end of the month following the quarter ended. The format and content of the financial information will be detailed in a future memorandum. At this time, we wanted to communicate to you that this is our intent and to provide you advance notice to make any changes internally to ensure you will be in a position to provide this information to us by October 31<sup>st</sup> and each calendar quarter thereafter.
- 3) We have noticed a variety of reporting concerns during our review of several audit reports. We would like to communicate the proper way to reflect waiver direct billed credit reports, Medicare part D, respite recoupments, and self-directed care recoupments in your audited financial statements.
  - a) Waiver direct billed credit reports and Medicare Part D – it is imperative that these recoupments be reflected as contra-revenues in your year-end reports to SCDDSN. These costs must be reported in the appropriate Waiver cost center and should not be spread to other program areas based on residential or day program participation by the consumers. In other words, all credit reports and Medicare Part D recoupments are to be shown in the ID/RD Waiver or CS Waiver program financials as a contra revenue. This should be reflected in your audit report in a manner that we can clearly separate the different components of revenue in these programs. For example, we suggest usage of the following line items in your audit reports:

State

DDSN – program revenue (this would be your allocation of capitated funds)

DDSN – direct billed credit reports (this would be the total of your credit reports)

DDSN – Medicare Part D (this would be the total of your Medicare Part D)

DDSN – supplemental revenue (this would be environmental mods, assistive tech, or any other supplemental waiver revenues)

The reason this is pertinent relates 1) our need to be able to compute cost settlements properly, 2) to ensure these costs are not being reported by us twice on our Statewide Medicaid Cost Report, 3) to ensure that Providers are not allocating administrative costs to these recoupments, and 4) to ensure that costs are reported in the correct program and are not being allocated to residential and day programs. The vast array of reporting makes it very difficult for us to ensure we are reporting costs properly to HHS.

- b) Respite and self-directed care recoupments – we would like to request that all providers record these amounts consistently in their audited financial statements. These recoupments should be reported as contractual services expense. The personnel and fringe cost should be reported in the same expense line item. While the actual underlying payment for these items is a payroll transaction, the caregivers being paid are not employees of the Agency. The employees are employed by the family or consumer. As a result, we feel the best way to reflect these costs is in contractual services.

We request that the following reporting be used on your audited financial statements reports to report these recoupments:

Contractual Services

Fiscal agent respite care

Fiscal agent self-directed care

Note that you should not be allocating administrative costs to these costs. Administrative costs are charged by the fiscal agents to process this payroll. Charging administrative costs at the Provider level would result in duplicative administrative costs being charged. Additionally, to allocate costs based on this recoupment would have a distorting effect on costs allocated to the IDR and CS Waiver programs.

- 4) We have determined that we need to be able to identify expenses associated with the recording of Other Post-Employment Benefits and Pension Expense associated with your Proportionate Share of the Net Pension Liabilities. These expenses may not be recorded by all entities since the standards may not apply to your entity. These expenses should be rationally allocated to programs as expense. We request that the amount allocated to each program be reported in your audited financial statements as follows:

Fringe benefits

Health Insurance – OPEB

Retirement – Net Pension Liability (NPL)

We hope that this memorandum is helpful in navigating the changes we are requesting. Please provide this memo to your auditor as a supplement to 275-04-DD or 275-06-DD. If you or your auditor should have any questions, then please do not hesitate to contact me at 803-898-4084 or [chris.clark@ddsn.sc.gov](mailto:chris.clark@ddsn.sc.gov).