

The Nathaniel Witherell Accounting Processes Observations and Recommendations

March 18, 2019

Reporting Should Flow From Munis

Financial reports are generated for a number of reasons; TNH board reports, annual financial statements for the Town of Greenwich, Medicare and Medicaid “cost” reports, negotiations in regard to managed care agreements, etc. The official year end of the Town is June 30 while a number of reports are required on a September 30-year end. The accounting in Munis is the core source of data for all of these reports. However, the General Ledger accounts in Munis does not always translate into the data as need for reporting outside what is needed for the Town’s financial reports

Modifications should be made to the Chart of Accounts in order to improve the tracking of expenditures in reports outside of the Town’s reports. There is a separate discussion regarding this observation later in the report. Any reporting process should have a clear reconciliation of the amounts reported in the Munis system to what is displayed on the report.

Special Revenue Fund versus an Enterprise Fund

The financial results of TNW are accounted for and reported as a special revenue fund. A special revenue fund is an account established by a government to collect money that must be used for a specific project. A special revenue funds provide an extra level of accountability and transparency to taxpayers that their dollars will go towards an intended purpose. An enterprise fund in governmental account is a fund that provides goods or services to the public for a fee that makes **the entity self-supporting**. It basically follows FASB GAAP.

We have recommended that the Town consider accounting for TNW as an enterprise fund. After having the opportunity to understand the three years of operation results it does not appear that this is feasible at this time as TNH is not in a position to be self-supporting.

Attached, based on the 2018 report, is a summary of the differences in the core operational numbers. With the exception of depreciation there was only a \$69,883 difference in who the amounts to determine the net operating loss from the skilled nursing facility.

Responsibility for the Reporting Process

Accounting for TNW is done in two places, at the facility and at Town Hall. In addition, there are two different software products used in the process (Munis and Matrix). Reports generated serve two functions; the financial statements for the Town and operating reports for TNH. We observed incidences where the reports were misleading particularly in the area of billing, receivables, and credit balances.

We recommend that one person be responsible to be sure that all reporting accurate.

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Chart of Accounts

Discussed above we mention that basis of accounting used in Munis for the core operating numbers does not vary much from a FASB basis presentation. In addition, we mentioned that all reporting should flow from Munis. Currently in Munis there are a limited number of accounts used to accumulate the data. A “cross walk” of the general codes used in a facilities accounting system is included in both the Medicare and Medicaid reports. The current chart of accounts uses terminology that will create questions. For example, there is an account called “Prior Year Expenses”. A number of accounts are called “Other”. A significant amount of effort has to be taken to properly re-account for the items in the questioned categories and put them into accounts acceptable for a cross walk. In addition, the accounts used to record revenues should mirror the Matrix system

We recommend that a major reworking of the Chart of Accounts be undertaken to improve the reporting process and eliminate accounts that will be questioned by rate setting authorities.

Accounts Receivable and Billing

Billings for nursing homes is a complex process. The fee charged to a resident or outpatient client is most often paid by a number of payers. They can be paid by Medicaid, Medicare, insurance companies (both managed care and medical insurance), assigned payments such as pensions and social security and in some case the resident. In the process of developing the financial statements we did observe some billing practices that we would not consider “best practices”. It is clear that the adjustments made by the Department of Social Services created issues with the Accounts Receivable Data basis. Currently there is no posting of expected effects of the reimbursement system. All changes are posted retractably.

We recommend that a thorough review of the billing process be undertaken. The goal of this process is to be sure that accurate billings are developed and what historic amounts in the data base need to be changed.

Operational Efficiency

The primary sources of revenue for the facility is Medicaid and Medicare. Not all costs incurred by this facility are eligible for these programs.

We recommend that an understanding be developed as to how the reimbursement rates are developed and which costs are reimbursed and which are not. This will impact future decisions and improve operational efficiency.