



November 24, 2021

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

Re: Proposed Revisions to RHCF Medicaid Cost Reports for the Impact of SAS 134

Dear Ms. Foster:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 21,000 CPAs in public practice, business, government and education, is pleased to have the opportunity to work with your department to assess the impact of Statement on Auditing Standards (SAS) No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements* on the various Medicaid cost report certifications for Residential Health Care Facilities (RHCF).

Effective for reporting periods ending on or after December 15, 2021, SAS 134 addresses the auditor's responsibility to form an opinion on the financial statements and provides new requirements for the form and content of the auditor's report. This standard also contains requirements for when the auditor concludes that a modification to the auditor's opinion on the financial statements is necessary, and when additional communications are necessary in the auditor's report. SAS 134 aligns U.S. generally accepted auditing standards (GAAS) with the standards issued by the International Auditing and Assurance Standards Board and the Public Company Accounting Oversight Board. SAS 134 includes a new auditing standard (AU-C 701) and replaces AU-C 700, 705, and 706. The new sections are as follows:

- AU-C Section 701, Communicating Key Matters in the Independent Auditor's Report
- AU-C Section 700, Forming an Opinion and Reporting on Financial Statements
- AU-C Section 705, Modifications to the Opinion in the Independent Auditor's Report
- AU-C Section 706, Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report.

This new SAS completely revises the audit opinion. Due to these changes in the 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 as attachments updated opinions for your convenience.

The NYSSCPA Health Care Committee, led by committee chair Steven Schwartz and drafting committee member Janine Mangione, along with the AICPA, reviewed the existing opinions and drafted the attached updates as were necessary to comply with the change in the auditing standards.

If you would like additional discussion with us, please contact committee chair Steven Schwartz at (646) 254-7484 or committee member Janine Mangione at (518) 250-7792, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

A handwritten signature in black ink, appearing to read "Rumbi Bwerinofa-Petrozzello", is written over a faint, semi-transparent watermark of the NYSSCPA logo. The logo consists of the letters "NYSSCPA" in a serif font, with "NYSSCPA" repeated below it. The signature is written in a cursive style and extends to the right.

Rumbi Bwerinofa-Petrozzello
President

Attachments:

RHCF Standard Opinion

RHCF Consolidated Opinion

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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 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>.

In our opinion, the accompanying financial statements 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of <CLIENT NAME> and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about <CLIENT NAME>'s ability to continue as a going concern for the period ended <DATE>.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 <CLIENT NAME>'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about <CLIENT NAME>'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on the Supplementary Information in Relation to the Financial Statements as a Whole

Our audit of the financial statements was conducted for the purpose of forming an opinion on the financial statements as a whole. The following supplemental information is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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 (RHC-4) identified by Declaration Control Number <NUMBER>, (not detailed in the preceding

paragraphs), was not audited by us and, accordingly, we express no opinion or provide any assurance thereon.

Report on the Supplementary Information in Accordance with the DOH Cost Report Instructions

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) with 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 in accordance with those instructions based on 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 is 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>, in all material respects.

Restriction on the Use of the Report

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.

Certification of Opinion

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 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 financial statements or the supplemental data, the disclosure of which is necessary to make the financial statements or the supplemental data not misleading and will disclose any material misstatement in said financial statements or supplemental data.

Other Matter

While not affecting our unmodified opinion on the financial statements referred to above, we may 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 financial statements.

Independence

We are required to be independent and meet our other ethical responsibilities, in accordance with ethical requirements related to the engagement. 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.

Independent Auditor's Report

Report on the Audit of the Consolidated Financial Statements

Opinion

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 consolidated financial statements), and the related notes to the consolidated 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>.

In our opinion, the accompanying consolidated financial statements 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of <CLIENT NAME> and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about <CLIENT NAME>'s ability to continue as a going concern for the period ended <DATE>.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

In performing an audit in accordance with GAAS, we:

Attachment - RHCFC CONSOLIDATED OPINION

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 <CLIENT NAME>'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about <CLIENT NAME>'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on the Supplementary Information in Relation to the Consolidated Financial Statements as a Whole

Our audit of the consolidated financial statements was conducted for the purpose of forming an opinion on the consolidated financial statements of the parent company as a whole. The following supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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

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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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 GAAS. In our opinion, the information is stated fairly in all material respects in relation to the consolidated financial statements as a whole.

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 (RHCFC-4) identified by Declaration Control Number <NUMBER>, (not detailed in the preceding

paragraphs), was not audited by us and, accordingly, we express no opinion or provide any assurance thereon.

Report on the Supplementary Information in Accordance with the DOH Cost Report Instructions

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, <YEAR>. Our responsibility is to express an opinion on the supplemental data in accordance with those instructions based on 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 is 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>, in all material respects.

Restriction on the Use of the Report

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.

Certification of Opinion

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 consolidated 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 consolidated financial statements or the supplemental data, the disclosure of which is necessary to make the consolidated financial statements or the supplemental data not misleading and will disclose any material misstatement in said consolidated financial statements or supplemental data.

Other Matter

While not affecting our unmodified opinion on the consolidated financial statements referred to above, we may 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.

Independence

We are required to be independent and meet our other ethical responsibilities, in accordance with relevant ethical requirements related to the engagement. During the period of this professional engagement, at the time of expressing this opinion, and during the period covered by the consolidated 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.