



November 24, 2021

Ms. Heidi Hayes
Acting Director
Division of Adult Care Facility/Assisted Living Surveillance
New York State Department of Health
875 Central Avenue
Albany, NY 12206-1331

By e-mail: Heidi.Hayes@health.ny.gov

**Re: Proposed Revisions to ACF, PPHA and EHP Medicaid Cost Reports
for the Impact of SAS 134**

Dear Ms. Hayes:

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 Adult Care Facilities (ACF), Private Proprietary Homes for Adults (PPHA) and Enriched Housing Programs (EHP).

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 supplied to providers for ACF, PPHA and EHP 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 "N Y S S C P A" in a stylized font, with "N Y S S" on the top line and "C P A" on the bottom line.

Rumbi Bwerinofa-Petrozzello
President

Attachments:

ACF, PPHA, EHP Standard Opinion

ACF, PPHA, EHP Consolidated Opinion

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of _____ (the Facility) which comprise the balance sheet as of _____, and the related statements of operations, changes in net assets or equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of _____ as of _____ and the results of its operations 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 _____ and meet our other ethical responsibilities, in accordance with ethical requirements related 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 _____ ability to continue as a going concern for the year ended _____.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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.

Attachment - ACF, PPHA, EHP STANDARD OPINION

- 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 _____ 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 _____ 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 was conducted for the purpose of forming an opinion on the financial statements as a whole. The following supplemental data, from the accompanying Adult Care Facility (ACF) Cost Report for the year ended, identified by the date of submission, which was _____, which are the responsibility of _____ management, is presented for purposes of additional analysis and is not a required part of the financial statements.

The financial data on:

Section II - 1A - Total Assets
 1B - Total Liabilities
 1C - Total Equity (For Profit Entities Only)
 1D - Total Net Assets (Not for Profit Entities Only)

Section III - Revenues:
 Sum of Accounts 34000-34016 - Total Medicaid Revenues
 37099 - Total ACF Revenues
 Non-ACF 05 – Non-ACF Revenues

 Expenses:
 58999 - Total Expenses
 Non-ACF 06 – Non ACF Expenses

 Operating Surplus/Deficit:
 7000 – Profit / Loss (Surplus/Deficit)
 Non-ACF 07 Profit / Loss (Surplus/Deficit)

The statistical data included on:

- Section I - Facility Licensed Bed Count
- Section IV - Resident Care Days

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 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 financial statements as a whole.

The other information included in the accompanying ACF Cost Report, not detailed in the preceding paragraphs, was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Report on the Supplemental Data in Accordance with the DOH Cost Report Instructions

We have examined the above supplemental data for the year ended_____.
_____ 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 ACF Cost Report as furnished by the New York State Department of Health for the year ended_____. 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 ACF Cost Report, 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 presented in accordance with (or based on) the applicable instructions relating to the preparation of the ACF Cost Report as furnished by the New York State Department of Health for the year ended_____, in all material respects.

Restriction on the Use of the Report

This ACF Cost Report, including this accountant's opinion, is intended solely for the information and use of the management and ownership of organization and the Offices 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.

Independence

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

Signature of Accounting Firm

Name of Accounting Firm

By: _____
Signature of CPA Partner-in Charge

Name of CPA

CPA License Number

Date of CPA Signature

Address

City/State/ZIP

Telephone

Facility _____

DCN#: _____

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 of or sole member of) _____ (the Facility) which comprise the consolidated balance sheet as of _____, and the related consolidated statements of operations, changes in net assets or equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of _____, (the parent company of or sole member of) _____ as of _____ and the results of its operations 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 _____ 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 _____'s ability to continue as a going concern for the year ended _____.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole 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.

Attachment - ACF, PPHA, EHP CONSOLIDATED OPINION

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 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 _____ 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 _____ 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 was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The following supplemental data from the accompanying Adult Care Facility (ACF) Cost Report for the year ended _____, identified by the date of submission which was ____, which are the responsibility of _____ management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

The financial data on:

Section II - 1A - Total Assets
1B - Total Liabilities
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Operating Surplus/Deficit:
7000 – Profit / Loss (Surplus/Deficit)
Non-ACF 07 Profit / Loss (Surplus/Deficit)

The statistical data included on:

- Section I - Facility Licensed Bed Count
- Section IV - Resident Care Days

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 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 consolidated financial statements as a whole.

The other information included in the accompanying ACF Cost Report, not detailed in the preceding paragraphs, was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on the Supplemental Data in Accordance with the DOH Cost Report Instructions

We have examined the above supplemental data for the year ended _____.
_____ 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 ACF Cost Report as furnished by the New York State Department of Health for the year ended _____. Our responsibility is to express an opinion on the supplemental data's conformity with those instructions 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 ACF Cost Report, 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 presented in accordance with (or based on) the applicable instructions relating to the preparation of the ACF Cost Report as furnished by the New York State Department of Health for the year ended _____, in all material respects.

Restriction on the Use of the Report

This ACF Cost Report, including this accountant's opinion, is intended solely for the information and use of the management and ownership of the organization and the Offices 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.

Attachment - ACF, PPHA, EHP CONSOLIDATED OPINION

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

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 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 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.

Signature of Accounting Firm

Name of Accounting Firm

By: _____
Signature of CPA Partner-in Charge

Name of CPA

CPA License Number

Date of CPA Signature

Address

City/State/ZIP

Telephone

Facility _____

Date of Submission _____