

August 11, 2010

To the Management of
Passageway Residence of Dade County, Inc.
Miami, Florida

We performed a study and evaluation of Passageway Residence of Dade County, Inc.'s (Agency) internal control structure for the purpose of planning and determining our audit procedures in connection with our audit of your financial statements as of June 30, 2010. As a result, we gathered certain observations and recommendations, none of which by itself are reportable conditions or material weaknesses. Further, these comments are offered as part of the Agency's ongoing evaluation of procedures and control structure. In this connection, we make the following observations and recommendations:

Observation

We noted that the detail listing of Medicaid claims receivable by client reflected numerous old outstanding claims for services rendered. We determined that a substantial portion of the claims were uncollectible due to the payor/processor (UMBH) not advising the Agency on a timely basis that the client had exceeded their maximum allowed units of service. Accordingly, the Agency has rendered service for which it will not be compensated for.

Recommendation

It should be noted that a client's classification could determine who bears the financial responsibility for services. For example, when a client is classified in the category "Room and Board With Supervision" the Agency bills Medicaid for day treatment services up to their authorized allowable units of service. Upon reaching the maximum available units of day treatment services, a client may be transferred to a "Resident Level II" category from "Room and Board with supervision" wherein Medicaid no longer bears the financial responsibility but the Florida Department of Children and Families becomes, in part, financially responsible for day treatment services. Accordingly, we recommend implementing a procedure whereby records are maintained by either the Data Processing Manager or the Medical Records Coordinator of client service status with effective communication provided to program administrative personnel to effectively implement changes of client status. Records should be established either through the purchase of new software or the effective use of Excel Spreadsheets.

Observation

Instances were noted where Medicaid billable services were rendered to clients, and validly billed to UMBH but were not being paid nor were collection efforts being pursued. It appears that the ageing of a portion of those receivables were not being monitored and thus payment status was going undetected.

Recommendation

We suggest that the Agency obtain software that provides aged Medicaid billed receivables by client and nature of services. Upon a receivable remaining unpaid for more than sixty days after billing, the Medical Records Clerk should contact UMBH directly to seek payment. This procedure should be formalized in your procedures manual.

Observation

Classifications of expenditures between capital expenditures and those chargeable to current operations have been inconsistent.

Recommendation

We recognize that determining whether an expenditure is capitalizable or should be charged to current operations may be subjective and highly judgmental. Accordingly, we suggest that accounting policy and procedure manuals should enhance its definition of a capitalizable expenditure and a designated official should approve expenditure classifications of all "repairs and maintenance" and "capital items" in excess of a stipulated amount.

We will be pleased to discuss the foregoing with you at your convenience.



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