GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

REPORT OF THE TRANSITION PLAN FOR WASHINGTON CENTER FOR AGING SERVICES

CHARLES J. WILLOUGHBY
INSPECTOR GENERAL

OIG No. 10-1-02BY/HT(a) **September 13, 2010**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

September 13, 2010

Clarence Brown, Ph.D.
Executive Director
Office on Aging
441 4th Street, N.W., Suite 900S
Washington, D.C. 20001

Dear Dr. Brown:

Enclosed is our final report summarizing the results of the Office of the Inspector General's (OIG) *Report of the Transition Plan for Washington Center for Aging Services* (OIG No. 10-1-02BY/HT(a)). We issued a Management Alert Report (MAR), *Transition Plan for Washington Center for Aging Services (WCAS)*, OIG MAR No. 10-A-01, to you on June 9, 2010, as a part of our overall work to audit District contracts for operating and managing District-owned nursing homes. Audit fieldwork is continuing and additional report(s) will be issued when all fieldwork is completed.

As a result of the MAR, we directed two recommendations to the Executive Director of the Office on Aging (DCOA) for action we consider necessary to correct the identified deficiencies. We received DCOA's written response to the MAR on July 13, 2010. We consider actions taken by DCOA sufficient to meet the needs of a successful transition. However, some of the crucial tasks such as collecting overdue accounts receivable and getting funds for prepaid insurance premiums have not been included in the formal plan because a financial expert has not yet been hired. These items should be added to the written transition plan regardless of who performs the work. In addition, implementation dates should be included in the plan to ensure timely completion. The full text of DCOA's response is included at Exhibit B.

We appreciate the cooperation and courtesies extended to our staff by the DCOA and the WCAS staff. If you have any questions, please contact me or Ron King, Assistant Inspector General for Audits at 202-727-2540.

Sincerely,

Charles J. Willoughby
Inspector General

Enclosure

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REPORT OF THE TRANSITION PLAN FOR WASHINGTON CENTER FOR AGING SERVICES

ACRONYMS/ABBREVIATIONS/SHORT TITLES

CFO	Chief Financial Officer
CMS	Centers for Medicare and Medicaid Services
COTR	Contracting Officer Technical Representative
DCMR	District of Columbia Municipal Regulations
DCOA	District of Columbia Office on Aging
DHCF	Department of Health Care Finance
DRES	Department of Real Estate Services
MMIS	Medicaid Management Information System
OCFO	Office of the Chief Financial Officer
OCP	Office of Contracting and Procurement
OIG	Office of the Inspector General
SOAR	System of Accounting and Reporting
VMT	Vital Management Team
WCAS	Washington Center for Aging Services

REPORT OF THE TRANSITION PLAN FOR WASHINGTON CENTER FOR AGING SERVICES

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EXECUTIVE SUMMARY

OVERVIEW

This report summarizes the results of the Office of Inspector General's (OIG) Management Alert Report (MAR) on the need to enhance the transition plan for the Washington Center for Aging Services (WCAS). The OIG issued this MAR during the audit of the District's two (District-owned) nursing homes because of the District's imminent plan to change the operation of WCAS from a management contract to a ground lease. The overall objectives of the audit were to determine compliance by DCOA and the Office of Contracting and Procurement (OCP) with the district's contract award and administrative procedures for nursing home contracts.[1] However, during the beginning of the audit, we found that the District was planning to lease the facilities to private operators. As a result, we decided to issue the MAR to focus management on the transition from operating nursing homes to leasing them, which is a significant change for the District.

CONCLUSION

DCOA needs to enhance the current transition plan because there are multiple issues involved in moving to a ground lease arrangement from a management contractor that has operated the nursing home for over 20 years. Improving the transition plan will protect the interests of the District and help ensure the new leaseholder assumes operations with the least disruption possible.

SUMMARY OF RECOMMENDATIONS

We recommended that the DCOA officials enhance its written transition plan by requiring all necessary stakeholders to participate in the transition committee meetings and including all the financial aspects detailed in the MAR in the written plan.

MANAGEMENT RESPONSE

DCOA provided us with a written response to the MAR on July 13, 2010, which indicates that DCOA is taking action on many of the items listed in the MAR. According to the response, DCOA is focusing on high risk issues such as cash and investment activities. DCOA is also addressing quality of care and continuity of services, and recognizes the importance of identifying and involving necessary stakeholders in the transition. In addition, DCOA plans to hire a financial expert with Medicaid billing experience to help with the transition. Finally, DCOA stated that OCP does not get involved with invoicing on any level, whether it is to receive, review, or settle contract invoices. The full text of the DCOA response is included at Exhibit B.

[1] Audit work in this regard continues, and additional report(s) will be issued when all fieldwork is completed.

EXECUTIVE SUMMARY

OIG COMMENT

We consider the actions taken and planned by DCOA to meet the intent of the recommendations. However, DCOA did not provide us with completion dates on all transition items because enhancement of the transition plan is ongoing, and a financial expert to help with the transition has not been hired.

INTRODUCTION

BACKGROUND

WCAS is a 259-bed, long-term care facility owned by the District of Columbia. This Medicare- and Medicaid-certified facility provides skilled and intermediate nursing care. VMT Long Term Care Management, Inc. (VMT) has operated and managed the WCAS on behalf of the D.C. Office on Aging (DCOA) for the past 20 years pursuant to a contract awarded by the Office of Contracting and Procurement (OCP) and administered by the DCOA.

In fiscal year (FY) 2009, DCOA finalized plans to move from a management contract to a ground lease option for WCAS, and the Department of Real Estate Services (DRES) issued a request for proposal. On April 2, 2010, the D.C. Council approved the ground lease with Stoddard Baptist Home, Inc. (Stoddard). The ground lease became effective in July 2010.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the MAR was to determine the adequacy of the transition plan once it was revealed that the WCAS management contract was being closed out and a company would lease WCAS facilities. We focused on this issue because of the inherent risk in transitions and to ensure that financial considerations were not assigned a lower priority than quality of life and continuity of services. We also focused on the role of the Contracting Officer's Technical Representative (COTR), who is responsible for providing oversight and ensuring that the current management contractor complies with the contract requirement to exercise "best efforts and cooperation to effect an orderly and efficient transition to a successor."[2]

To accomplish the objectives of the MAR, we reviewed applicable laws, policies and procedures. We conducted interviews with DCOA, OCP, and contractor officials. We analyzed management contract data and financial records, and researched various references on business transition planning. Finally, we viewed recent City Council hearings on the subject of District-owned nursing home operations.

Our work supporting this MAR was performed in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

[2] Contract number POBY-2005-C-003, *Manage and Operate the Washington Center for Aging Services*, Oct. 22, 2004, at 35.

FINDING AND RECOMMENDATIONS

FINDING: TRANSITION PLAN FOR WASHINGTON CENTER FOR AGING SERVICES

DISCUSSION

During our field work, we found that DCOA had taken action to facilitate and oversee continuity of services, as required by the contract, by establishing weekly meetings with VMT and Stoddard. Further, DCOA officials appear focused on the safety, comfort, and care of residents,[3] as well as the retention of current employees who will be reporting to a new management team when Stoddard takes full responsibility for WCAS operations.

However, we also determined that DCOA officials had not prepared an adequate written transition plan that included and prioritized goals and objectives; identified the various stakeholders and their roles in the transition; addressed the risks of transitioning from one contractor to another; and listed officials responsible for accomplishing objectives and monitoring performance. While DCOA officials had created a partial list of financial actions needed and estimated dates of completion, DCOA should give special attention to the multiple stakeholders and financial aspects of this transition to ensure that the interests of the District are protected.

Transition Committee. The transition plan should require all necessary stakeholders to participate in the transition as part of a transition committee. The role of the transition committee is to encourage for example, the OCP contracting officer, in conjunction with the DCOA COTR, to be responsible for, in part, settling the outstanding invoices related to the management contract. Contractor final invoices often include additional costs related to terminating the contract and transitioning to a successor. Including the contracting officer in transition meetings would facilitate a determination regarding whether invoiced amounts are proper.

In addition, DRES awarded and will manage the new ground lease. However, DRES officials do not have the knowledge to manage transition issues related to Medicaid billing. Currently, VMT submits Medicaid claims through the District Medicaid Management Information System (MMIS), which is operated by a contractor on behalf of the Department of Health Care Finance (DHCF). DHCF provides oversight of the MMIS contractor. Payment of Medicaid claims is made through the System of Accounting and Reporting (SOAR), which is operated and managed by the D.C. Office of the Chief Financial Officer (OCFO). When we briefed DCOA on the working draft of this MAR, DCOA had not finalized all agencies that would participate in the transition meetings.

[3] In addition, the D.C. Council has conducted hearings to monitor quality of life issues related to the transition.

FINDING AND RECOMMENDATIONS

We believe that as part of a transition committee DCOA, DRES, DHCF, and OCFO officials would need to come together to discuss the Medicaid billing process and address issues related to the same that could occur during the transition period. For example, the outgoing contractor has acted as the DCOA fiscal agent for Medicaid billing for at least 20 years. Although included in the contract, the COTR did not provide oversight of Medicaid billing because she mistakenly believed DHCF was responsible for this task. Private nursing homes submit claims through MMIS, which either approves the claim for payment or denies the claim if it does not pass certain edits. Typically, the provider submitting the claims will "work" and resubmit denied claims. According to MMIS, 550 claims totaling $2.6 million were denied in FY 2009 and 1,114 claims totaling $4.8 million were denied in FY 2010 to date. The District should clearly identify who will be responsible for "working" and resubmitting denied claims and receiving payment after July, and include that decision in the transition plan.

Further, WCAS assets have been included in the District's financial statements and the Comprehensive Annual Financial Report (CAFR) in the past. Moving to a long-term lease will require the District to change how it presents WCAS assets in the CAFR report. The OCFO is responsible for financial reporting and its officials could provide valuable information and assistance if included in the transition meetings.

Enhancing the Transition Plan. DCOA officials should use items such as the WCAS financial statements, statements of revenues and expenses submitted by VMT, audits of WCAS, and generally accepted accounting principles to identify financial aspects to be considered during the transition. Some examples of financial items that DCOA officials should carefully review include:

- cash and investments;
- inventories and supplies;
- income, expenses, and tax consequences;
- accounting and auditing requirements; and
- managing data and records.

Cash and Investments. Cash and investments are a high-risk area and all major transactions related to these accounts should be approved by a District employee rather than the outgoing contractor. Responsibilities related to cash and investment oversight include:

- Changing the names and signatures on all bank and investment accounts.
- Monitoring short and long-term investment decisions to ensure plans for idle cash meet District needs.
- Monitoring old bank accounts and closing them once checks clear.
- Obtaining bank statements for patient accounts and reconciling them to detailed patient account records.

FINDING AND RECOMMENDATIONS

- Conducting cash counts of money on hand as of the last day VMT will handle cash.

Inventories and Supplies. The current level of inventories and supplies were purchased under the WCAS Medicaid provider number for the period prior to the end of the management contract. Stoddard is responsible for obtaining a new Medicaid provider number for WCAS operations. As a result, plans should be in place to ensure liabilities and assets are allocated to the correct entity. Related tasks to ensure proper allocation include:

- Completing inventories for items on hand such as food, supplies, and drugs that have been acquired under the VMT contract.
- Determining the appropriate disposal method for excess inventories and supplies, which could include sale to Stoddard or utilization at JB Johnson Nursing Home, which is also operated and managed by VMT.
- Documenting the delivery of new supplies to ensure they are billed to the proper accounts.
- Notifying vendors that Stoddard will take over responsibility for the purchase of goods and services and the effective date of such change.

Income, Expenses, and Tax Consequences. When the existing management contract ends and the new ground lease begins, routine transactions will remain unchanged. The correct allocation of income, expenses, and taxes is necessary to ensure the District and Stoddard are treated fairly. Tasks related to this area include the following:

- Reviewing contracts currently in place for services–such as maintenance or medical assistance–and revise, cancel, or obtain refunds depending on terms.
- Obtaining a refund on any prepaid expenses (such as insurance) and cancel accounts promptly.
- Ensuring that Stoddard has proper insurance coverage when it assumes responsibility.
- Ensuring proper cutoffs for utility readings–such as gas and water–so expenses are evenly proportioned.
- Ensuring that payments for utilities and other expenses are current.
- Determining proper cutoffs for health insurance claims.
- Ensuring proper cutoffs for tax collection, such as the provider tax.
- Identifying and reviewing other possible tax consequences related to the move from the management contract to the new ground lease arrangement to ensure proper accounting treatment.

Accounting and Auditing. Accounting transactions must be allocated to the proper accounting periods and audit procedures determine whether transactions occurred before or subsequent to the end of an accounting period. For example, in taking a physical inventory, there must be a cutoff date applicable to sales and purchases. Proper cutoffs are needed to

FINDING AND RECOMMENDATIONS

maintain accountability in the event problems arise during the transition. Other accounting and auditing responsibilities include:

- Changing passwords for building access, bank accounts, and any other information that is sensitive.
- Collecting keys and access cards from VMT employees.
- Ensuring accurate accounts receivable collection and cutoff dates.
- Ensuring that the MMIS and SOAR contain the proper remittance address and other payment information for VMT Medicaid claims that will be processed and paid after the contract end date.
- Confirming the proper provider number is used for billing purposes.
- Documenting the current bad debts for which VMT is responsible.
- Establishing firm dates for collection.
- Determining any audit requirements for Stoddard.
- Ensuring that VMT undergoes a financial statement audit through the end of its contract period and that CAFR reporting requirements are fulfilled.

Data and Records. Retention of all data and records for audit is important because some business activity related to the management contract will occur after the transition to Stoddard occurs. For example, Medicaid claims submitted through the last day of the management contract will be processed after the transition to Stoddard. If MMIS denies any claims for payment, financial and patient records supporting the claims may be needed. Other tasks related to compiling and maintaining data and records include:

- Retaining ownership of current operating and nursing policies and procedures for use as criteria during claim resolution or audits.
- Determining whether any outstanding legal issues or contractor claims exist, and if so, documenting the status.
- Determining the impact of the transition on employee status, severance, leave balances, and human resource records.

CONCLUSION

The transition from a management contract to a ground lease arrangement is a significant change for the District that involves multiple stakeholders. Many of the contracting issues our audits have identified in the past have been caused by a lack of or inadequate communication and coordination between stakeholders. Establishing a transition committee and having a detailed plan will protect the interests of the District and help ensure that Stoddard assumes operations with the least disruption possible.

FINDING AND RECOMMENDATIONS

RECOMMENDATIONS, MANAGEMENT RESPONSE, AND OIG COMMENTS

We recommend that the Director, DCOA:

1. Enhance the written transition plan to require all necessary stakeholders to participate in the transition as part of the transition committee.

DCOA RESPONSE

DCOA stated that necessary stakeholders are currently involved in the transition and others will be added as needed. They stated that "OCP does not get involved with invoicing on any level whether it is to receive, review, or settle contract invoices." The full text of the DCOA response is included at Exhibit B.

OIG COMMENT

We consider the actions taken and planned by DCOA to meet the intent of the recommendations. OCP gets involved in the contract closeout process, including resolving outstanding issues such as ensuring claims are settled and liquidated damages are collected or adjusted against any payments made to the contractor. On July 13, 2010, OCP sent a certified letter to VMT suspending final payment to them because of disallowed contract costs of $121,239.71.

This action was taken pursuant to paragraph H.2.1 of the contract (POBY-2005-C-0003), Chapter 5 of the OCP 2009 Procedure Manual, and 27 DCMR § 1217. This action and other audit issues will be discussed in our final report of the nursing homes.

We recommend that the Director, DCOA:

2. Enhance the written transition plan to address, at a minimum, the financial aspects detailed in the MAR.

DCOA RESPONSE

DCOA stated that it has taken action on many of the items listed in the MAR, including cash and investment activities, contacting vendors, and retaining data and records.

In addition, DCOA has plans to have a financial expert with Medicaid billing experience on site during the period July 5, 2010, to July 20, 2010, and for several months afterward. They stated that this financial expert will more than likely handle some of the more sensitive financial closeout activities, including accounts payable, accounts receivable, taxes, and payroll. The full text of the DCOA response is included at Exhibit B.

FINDING AND RECOMMENDATIONS

OIG COMMENT

We consider the actions taken and planned by DCOA to meet the intent of the recommendations. The DCOA response mentions almost all the items identified in the MAR. Many items in the MAR, but not all, were itemized in the DCOA formal transition plan dated June 30, 2010. This written transition plan includes the organization responsible and a September 30, 2010, expected date of completion. It is a good document to track the implementation of planned tasks.

The DCOA's plan to hire a financial expert (effective approximately September 7, 2010) from a CPA firm with Medicaid billing experience is also a positive step. However, the tasks they expect the financial expert to perform are not specifically listed in the formal transition plan. Unless these tasks are listed in the transition plan and assigned to the financial expert for completion, with an implementation date, there is an increased chance these items could be overlooked in the closeout activities.

Several critical items were mentioned in the DCOA response but not specifically listed in the DCOA transition plan. They included collection of accounts receivable, especially older Medicare claims, and obtaining refunds for prepaid insurance amounts for various premiums paid by WCAS prior to July 20, 2010. All tasks to be performed by the financial expert should be added to the formal transition plan.

EXHIBIT A. SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

RECOMMENDATIONS	DESCRIPTION OF BENEFIT	AMOUNT AND TYPE OF BENEFIT	AGENCY REPORTED ESTIMATED COMPLETION DATE	STATUS[4]
1	**Internal Control.** Enhances operational efficiency.	Non-Monetary	9/30/2010	Open
2	**Internal Control and Economy and Efficiency.** Enhances operational efficiency and reduces the risk of fraud, waste, and abuse.	Non-Monetary	9/30/2010	Open

[4] This column provides the status of a recommendation as of the report date. For final reports, "**Open**" means management and the OIG are in agreement on the action to be taken, but action is not complete. "**Closed**" means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management's response is used. "**Unresolved**" means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

EXHIBIT B. OFFICE ON AGING RESPONSE TO MANAGEMENT ALERT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE ON AGING

Office of the Director

July 13, 2010

Charles J. Willoughby
Inspector General
Office of the Inspector General
717 14th Street, NW
Washington, DC 20005

Subject: District of Columbia Office on Aging's Response to the Office of Inspector General's Management Alert Report on the Need to Enhance the Transition Plan for Washington Center for Aging Services

Dear Inspector Willoughby:

The District of Columbia Office on Aging (DCOA) has carefully reviewed the Office of Inspector General (OIG) Management Alert Report (MAR) on the need for a written financial services transition plan for Washington Center for Aging Services (WCAS). DCOA greatly appreciates the decision of the OIG to audit the Washington Center for Aging Services and values your work in preventing and detecting fraud, waste, abuse, and mismanagement of Medicare and Medicaid funds.

Additionally, we understand the OIG recommendations and further recognize that the WCAS contract is very unusual and complex due to the dynamics of the public-private partnership which has been in existence and remained relatively unchanged for more than twenty years. Besides JB Johnson Nursing Center, also a District-owned nursing facility, there is no other nursing home like WCAS in the District. Therefore, the Office on Aging would like to respond to the findings and recommendations highlighted in the Management Alert Report (MAR).

WCAS History

In 1981, the District of Columbia purchased the Washington Center for Aging Services (WCAS), formerly the National Lutheran Home. Upon the District's purchase of the WCAS, the nursing facility was assigned to the DC Office on Aging with the understanding that the agency did not possess the staff bandwidth or specialized skills to manage and operate a skilled nursing facility. Therefore, this acquisition required the Office of Contracts and Procurement (OCP) to solicit and award a contract to a competitive bidder to fully manage and operate the facility on behalf of the District of Columbia Office on Aging. Over the past 20 years, Vital Management Team Incorporated (VMT) was selected to serve as the contractual fiscal and management agent for the nursing facility for the Office on Aging. It is important to note that in the contract, "the fiscal agent responsibilities include the billing, collection and accounting of all Medicaid, Medicare, private-pay and other third party payments for services provided

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EXHIBIT B. OFFICE ON AGING RESPONSE TO MANAGEMENT ALERT REPORT

on behalf of Center residents."[1] Since the District's acquisition of the property and per the contract requirements, VMT has always been and will continue to serve as the fiscal agent until the contract expires on July 20, 2010 and a new ground lease is fully executed on July 21, 2010. In the interim, DCOA will continue to take significant strides in this unprecedented effort to ensure a smooth transition from a management contract to a ground lease, which includes both the safety and comfort of the residents and protection of the District's financial interests.

DCOA COTR Responsibilities/Medicaid Billing

The Office on Aging understands one of the audit objectives was to evaluate the administration of the District-owned nursing home contract, which included the duties and responsibilities of the DC Office on Aging Contracting Officer Technical Representative (DCOA COTR). In the report, the OIG stated "Although included in the contract, the COTR did not provide oversight of Medicaid billing because she mistakenly believed DHCF was responsible for this task". The COTR is responsible for the general administration of the contract and advising the Contracting Officer within the Office of Contract and Procurement (OCP) as to the contractor's compliance or noncompliance with the contract."[2] The DCOA COTR is not responsible for tracking and accounting for Medicaid billing based on the executed management contract. It would, however, be in the interest of the District to inquire about the contractor's (VMT) billing practices through the Department of Health Care Finance (DC Medicaid Office) and Centers for Medicare and Medicaid Services (CMS) to ensure effective and sound financial management and to account for any funds that belong or should accrue to the District.

WCAS Denied Medicaid Claims

The Office on Aging would like to follow-up on another finding in the report that indicated the WCAS has pending denied Medicaid claims. The MAR states, "According to the Medicaid Management Information System (MMIS), 550 claims totaling $2.6 million were denied in FY 2009 and 1,114 claims totaling $4.8 million were denied in FY 2010 to date. According to the Department of Health Care Finance, Medicaid claims can be denied for a number of reasons, and a denial does not necessarily mean that there is a problem. The reasons for a denial can include the fact that a claim has been previously paid, more information is required (such as diagnosis codes and revenue codes) that was not included on the initial claim form submitted, a person not being eligible for nursing home level of care, and for numerous other reasons.

It is also our understanding that the Remittance Advice (RA) that facilities receive includes the reason a claim is denied for a specific person. This information on the RA helps the facility determine what they need to do to correct the reason for the denial and if it is a claim that has not already been paid or should be paid by another payor source. In this case, the WCAS typically would be able to correct the problem and resubmit the claim. In DCOA's conversation with VMT, WCAS has "reworked" and "resubmitted" all denied claims, but we plan to investigate the matter further with the Department of Health Care Finance to determine whether all denied claims have indeed been resubmitted.

Financial Transition Activities

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[1] Contract Number POBY-2005-C-003, "Manage and Operate the Washington Center for Aging Services," Oct. 22, 2004, at 13.
[2] Contract Number POBY-2005-C-003, "Manage and Operate the Washington Center for Aging Services," Oct. 22, 2004, at 23.

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EXHIBIT B. OFFICE ON AGING RESPONSE TO MANAGEMENT ALERT REPORT

To ensure the transition from a management contract to a ground lease is a success, DCOA has developed and implemented a plan to secure continuity and quality of services for WCAS residents as well as to protect the financial interest of the District. Certain items such as licensure and certificates, Medicare and Medicaid provider numbers, vendor and employee communications, the Certificate of Occupancy (COO), the Certificate of Need (CON) and the like must be handled first because of the longer lead time needed and the involvement with other District government agencies to complete these tasks.

The Office on Aging has focused on and resolved the high-risk areas such as the cash and investment activities. It was recognized early in the transition process that all the WCAS funds are not necessary to the complete the lease transaction and that certain funds and accounts should be placed under the control of the District. Prior to the District of Columbia City Council's approval of the ground lease to Stoddard Baptist Foundation (Stoddard), the Office on Aging informed the Office of the Chief Financial Officer (OCFO) about the ground lease transaction and they subsequently prepared a fiscal impact statement in February 2010 for the ground lease legislative process.

After the lease was approved by Council, the Office on Aging engaged the OCFO again when DCOA decided to transfer four WCAS accounts, including two investment accounts, totaling approximately $13.5 million to the District with the OCFO as the account holder. These accounts were taken out of the control of VMT altogether with only the operational accounts remaining in joint control of VMT and DCOA. The remaining accounts are used for operational purposes (including payroll) and must be left in place until the transition is complete and lease is fully executed on July 21, 2010. Upon execution of the lease, the remaining accounts totaling a balance of approximately $3.5 million (with the exception of $147,309 of patient owned funds) will also be transferred to the District with the OCFO as the account holder. The patient owned account will be audited by Stoddard upon entry of the facility on July 5, 2010 and all existing WCAS accounts will be transferred to the District on July 20, 2010. Subsequently, Stoddard will have its own bank accounts and its own Medicare and Medicaid provider number starting July 21, 2010. In the past, the OCFO has presented the WCAS cash and investment account balances in the Comprehensive Annual Financial Report (CAFR) along with the value of the land and building, which are displayed under the 'Business Type Activities Capital Assets, Non-major Business Type Non-Depreciable, and Depreciable" section. After the official take-over of Stoddard, the OCFO has indicated that they are unclear at this point as to whether a change in the presentation of this data is necessary. These accounts (cash and investments) were not only tracked by the OCFO, but the DCOA COTR monitored these same accounts/balances on a monthly basis per the contract requirements and will continue to do so during the wind-down phase until all VMT's transactions have been officially closed out.

Vendor services will also be cut-off on July 20, 2010. Stoddard has contacted existing vendors and has indicated they plan to keep 99% of the vendors used by VMT to ensure a smooth transition. Consequently, there should be no additional costs related to terminating vendor services and transitioning to a successor. To continue to ensure financial oversight and transparency during the closeout phase, DCOA will have a financial expert with Medicaid billing experience (CPA firm) on-site at WCAS to begin the closeout phase along with Stoddard and the DCOA COTR during the July 5, 2010 through July 20, 2010 timeframe and for several months thereafter. DCOA has already begun interviewing financial experts to determine how best to proceed with some of the more sensitive

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financial closeout activities. The accounts payable, accounts receivable, tax reports and consequences, payroll, and other matters will more than likely be handled by a financial expert through the closeout process. DCOA and the OIG are in agreement per the recommendation set forth in the MAR that addresses the financial aspects of the transition as the suggested activities have either been completed or were planned during the process of terminating the management contract and implementing the ground lease.

Stakeholders vs. Core Transition Planning Team

DCOA recognizes the importance of identifying and involving the necessary stakeholders in the transition plan and process. As a result, the transition planning team was formed early on to begin the dialogue among the key players of the WCAS transition. The District Government agencies that have been involved with the transition are: the Executive Office of the Mayor (EOM); Department of Health/Health Regulation Licensing Administration (DOH/HRLA); Department of Health/State Health Agency Planning Department (DOH/SHPDA); Department of Health Care Finance (DHCF); the Department of Employment Services (DOES); the Office of the Chief Financial Officer (OCFO); the Office of Contract and Procurement (OCP); the Department of Real Estate Services (DRES); and District of Columbia City Council.

Some of the aforementioned stakeholders are involved by process alone and do not have a material role on the transition planning team. Some stakeholders have and will continue to be inserted along the way on an as needed basis. For example, OCP has been involved from the beginning of the transition process, but agrees with the DCOA that they should not have a material role on the transition planning team. In particular, the MAR suggested that the OCP Contracting Officer in conjunction with the DCOA COTR settle outstanding invoices related to the management of the contract. The OCP does not get involved with invoicing on any level whether it is to receive, review, or settle contract invoices. This function, according to the contract, is required of the DCOA COTR, not the OCP Contracting Officer. However, VMT has met with both OCP and DCOA to discuss closeout and wind-down activities. All stakeholders were informed of the transition from the management contract to the ground lease early in the process and have been extremely cooperative in helping make the WCAS transition a success.

WCAS Transition Process & Plan

DCOA created a transition action plan that is adequate for and evident to the stakeholders involved with the transition plan/process. In sum, the priorities and objectives of each task are clear; the various stakeholders have been identified and cooperative throughout the entire transition process; the officials responsible for accomplishing specific objectives and monitoring performance have been onboard from the beginning and are carrying out their roles; and the risks of transitioning the nursing facility from one firm to another is well understood by all parties involved.

For example, the transition plan includes a task for the very purpose of minimizing the risks of transitioning the facility from one firm to another. Beginning July 5, 2010, Stoddard will have personnel on-site at WCAS to work with existing VMT staff and patients to ensure a seamless transition occurs on July 21, 2010. The DCOA COTR will have an on-site presence during this time as well. In addition to operational concerns, verification of the equipment inventory and evaluation of the supply inventory,

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transaction of keys, pass/access codes, etc. will also be accomplished during this timeframe. The current transition plan also takes into account that Stoddard will retain data and records on-site and will allow the District and VMT access to these records for billing and financial reporting purposes after the July 21st transition date. Additionally, the plan covers topics, such as the introduction of Stoddard Baptist Foundation to the employees, residents, and family members; new employee benefits; employee hiring/retaining techniques; reviewing existing contracts; contacting all vendors/contractors; new survey results/findings; transferring of utilities; accounting and auditing activities along with closeout options and efforts; and other transitioning tasks.

DCOA officials are focused on the safety and quality of care provided to WCAS residents as well as the financial safeguards to ensure the District's interests are protected during this transition. The transition from a management contract to a ground lease arrangement is a significant change for the District. Thus, DCOA will continue to pay careful attention to the transition and its plan to protect the interest of the District while ensuring Stoddard assumes operations with the least disruption possible.

If you should have any further questions or concerns, please direct them to Camile Williams, Long-Term Care Coordinator at (202) 727-8365.

Sincerely,

Clarence Brown, Ph.D.
Executive Director

cc: David Gragan, CPPO, Director, Office of Contracting and Procurement
Susan B. Kennedy, Director, OIG Medicaid Fraud Control Unit
Julie Hudman, Ph.D., Director, Department of Health Care Finance
John Henry, Office of the Chief Financial Officer
Todd Douglas, Department of Real Estate Services
Feseha Woldu, Ph.D., Director, Health Regulation Licensing Administration

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