

**University of Kentucky**  
Independent Accountant's Report on  
Applying Agreed-Upon Procedures Performed on the  
University of Kentucky HealthCare Hospital System's Management  
of Eastern State Hospital and Central Kentucky Recovery Center  
Year Ended June 30, 2021



**University of Kentucky**  
**Agreed-Upon Procedures**  
**Year Ended June 30, 2021**

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## Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Trustees  
University of Kentucky  
Lexington, Kentucky

We have performed the procedures enumerated below on the budget-to-actual schedules (Statements) related to the University of Kentucky HealthCare Hospital System's management of Eastern State Hospital (ESH) and Central Kentucky Recovery Center (CKRC) for the year ended June 30, 2021. The management of the University of Kentucky (UK) is responsible for the Statements.

UK and the Commonwealth of Kentucky's Department for Behavioral Health and Developmental Intellectual Disabilities (DBHDID) have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of ensuring the accuracy, completeness, proper recording of transactions and preparation of the Statements as of and for the year ended June 30, 2021. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed and our findings are described below.

### Eastern State Hospital

We obtained the Statement related to the University of Kentucky HealthCare Hospital System's management of ESH, as prepared by the administration of UK, for the year ended June 30, 2021 (see Exhibit I).

1. We compared the amounts disclosed in the Statement to UK's general ledger for the year ended June 30, 2021, noting that all but three amounts agreed, without exception. An \$11,508 difference for contract revenue, (\$3,395) difference for legal and professional and \$14,903 difference for administrative fee were noted between the Statement and UK's general ledger. UK's management represented that this was due to the annual ESH performance at-risk calculation resulting in more revenue based on the final outstanding statistics netted with a reduction for certain COVID-19 funding expenses being erroneously included in the monthly revenue recognition and legal and professional expense line items. These amounts were not recorded due to the timing and immateriality of the amount to the overall financial statements.

- We noted that budgeted contract amounts of \$40,239,083 for the year ended June 30, 2021, were advanced to UK by the DBHDID. We selected five of the advancements from the detail, and agreed them to checks received by UK, without exception. UK's management represented that the total difference between the advancements of \$40,239,083 and the actual contract revenues of \$40,994,109 per the Statement are amounts due from DBHDID of \$755,026.
2. We compared the amount of the operating expense categories reported in the Statement for the year ended June 30, 2021, to the budgeted amounts within the Commonwealth of Kentucky contract, document ID number PON2-729-2000002942, for the period from July 1, 2020, through June 30, 2021. We noted no variances exceeding 10% of the contract revenue (\$4,099,411) and 10% difference from budgeted amounts to be reported.
  3. We compared the sum of the ESH contract amount for personnel and operating costs, plus the management fee (fixed amount per the contract, less the amount at risk based on certain performance metrics) per UK's detail for the year ended June 30, 2021, which agreed to the amount per the Statement, without exception.
  4. We obtained a listing of all equipment, furniture or fixtures purchased for ESH for the year ended June 30, 2021. We selected a sample of three items (invoice number 5898512 – Tennant; invoice number 3000067339754.1 – Dell; and invoice number 0215113UNIX – Pieratt's), which exceeded a purchase price of \$500. We agreed each selection to the applicable invoice and quote received without exception. We compared the number of quotes received to the contract requirements as noted, per Section 2.05B, noting that all requirements were met for the fixed asset additions.
  5. We obtained three payroll registers for the year ended June 30, 2021. For each of the three selected pay period payroll registers, August 16, 2020, through August 29, 2020; November 22, 2020, through December 5, 2020; and March 28, 2021, through April 10, 2021; we selected a sample of 10 individuals from each payroll register, 30 in total. We noted the job titles of those individuals, as compared to their pay rates, agreed except for the following selection. We noted that one individual's salary fell outside of the pay range noted on the employee position form. UK's management stated that this employee was a physician on call and the pay rate is based on going market pay, so it can be above the max of the range. We compared data per timecards to the payroll register, noting that all agreed, without exception.
  6. For the year ended June 30, 2021, Statement, for the four largest expense lines and miscellaneous (total of five categories per Statement), other than personnel/fringe and furniture and equipment, we obtained a detail of the expenses included (legal and professional; contract labor – janitorial/maintenance; supplies – drugs and clinical; contract labor – other; and miscellaneous), noting that all agreed to the Statement, without exception. We selected a sample of five items (reference document ID numbers 5108501421, 108973909, 1200478210, 108579812 and 5502076160) and agreed them to supporting documentation, such as invoices, without exception.

## Central Kentucky Recovery Center

We obtained the Statement related to the University of Kentucky HealthCare Hospital System's management of CKRC, as prepared by the administration of UK for the year ended June 30, 2021 (see Exhibit II).

7. We compared the amounts disclosed in the Statement to UK's general ledger for the year ended June 30, 2021, noting that all agreed, without exception.

We noted that budgeted contract amounts of \$2,352,445 for the year ended June 30, 2021, were advanced to UK by the DBHDID. The budgeted contract amounts differed from advancements to UK by \$65,764. UK's management represented this was due to the state withholding the final advancement for operating and personnel costs which were under budget and an additional "at-risk" management fee. We selected five, in total, of the advancements from the detail and agreed them to checks received by UK, without exception. UK's management represented that the total difference between the advancements of \$2,286,681, and the actual contract revenues of \$2,191,050 per the Statement are amounts due to DBHDID of \$95,631.

8. We compared the amount of the operating expense categories reported in the Statement for the year ended June 30, 2021, to the budgeted amounts within the Commonwealth of Kentucky contract, document ID number PON2-729-2000002872 for the period from July 1, 2020, through June 30, 2021. We noted no variances exceeding 10% of the contract revenue (\$219,105) and 10% difference from budgeted amounts to be reported.
9. We compared the sum of the CKRC contract amount for personnel and operating costs, plus the management fee (fixed amount per the contract, less the amount at risk based on certain performance metrics), plus rental revenue, per UK's detail for the year ended June 30, 2021, which agreed to the amount per the Statement, without exception.
10. We obtained three payroll registers for the year ended June 30, 2021. For each of the three selected pay period payroll registers, August 16, 2020, through August 29, 2020; November 22, 2020, through December 5, 2020; and March 28, 2021, through April 10, 2021, we selected a sample of 10 individuals from each payroll register, 30 in total. We noted the job titles of those individuals, as compared to their pay rates, agreed without exception except for two individuals. We noted that two individuals' salaries fell outside of the pay range noted on the employee position forms. UK's management stated that this was due to these employees having longevity within their position and a high-demand job, and it is not uncommon for pay to exceed the max pay rate. We also compared data per timecards to the payroll register, noting that all agreed, without exception.
11. For the June 30, 2021, Statement, for the three largest expense lines, other than personnel/fringe and furniture and equipment, we obtained detail of the expenses included (contract labor – other, utilities and supplies – food), noting that all agreed to the Statement, without exception. We selected a sample of three items (reference document ID numbers 108878092, 108974794 and 3000714087) and agreed them to supporting documentation, such as invoices, without exception.

We were engaged by UK and DBHDID to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Statements related to the University of Kentucky HealthCare Hospital System's management of ESH and CKRC. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of UK and DBHDID and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

\* \* \* \* \*

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

Louisville, Kentucky  
November 9, 2021

## Exhibit I

### University of Kentucky Eastern State Hospital Statement of Activity Year Ended June 30, 2021

	<u>June 30, 2021</u> <u>Budget</u>	<u>June 30, 2021</u> <u>Actual</u>
<b>Contract Revenue</b>	\$ 40,239,083	\$ 40,994,109
Revenue subtotal	<u>\$ 40,239,083</u>	<u>\$ 40,994,109</u>
Personnel	\$ 22,602,477	\$ 24,477,613
Fringe	<u>6,427,785</u>	<u>6,067,695</u>
Personnel subtotal	<u>29,030,262</u>	<u>30,545,308</u>
<b>Operating Expenses</b>		
Travel and training	231,732	98,449
Rentals	16,848	6,829
Supplies – drugs and clinical	1,168,885	959,335
Supplies – office, janitorial and printing	399,153	327,127
Supplies – education, recreation and re-socialization	77,389	4,585
Supplies – food	769,785	754,647
Supplies – miscellaneous	146,877	129,002
Furniture and equipment	306,957	116,418
Repairs and maintenance	24,570	35,857
Legal and professional	1,517,213	1,648,828
Contract labor – janitorial/maintenance	772,696	921,129
Contract labor – other	1,143,646	1,210,147
Telephone/data communication	52,435	56,944
Utilities	669,700	701,766
Insurance – professional	176,178	178,452
Miscellaneous	<u>754,084</u>	<u>363,323</u>
Operating subtotal	<u>8,228,148</u>	<u>7,512,838</u>
Total personnel and operating	37,258,410	38,058,146
Administrative fee	<u>2,980,673</u>	<u>2,935,963</u>
Total expenses	<u>\$ 40,239,083</u>	<u>\$ 40,994,109</u>

## Exhibit II

### University of Kentucky Central Kentucky Recovery Center Statement of Activity Year Ended June 30, 2021

	<u>June 30, 2021</u> <u>Budget</u>	<u>June 30, 2021</u> <u>Actual</u>
<b>Contract Revenue</b>	\$ 2,352,445	\$ 2,191,050
Revenue subtotal	<u>\$ 2,352,445</u>	<u>\$ 2,191,050</u>
Personnel	\$ 1,639,656	\$ 1,450,681
Fringe	<u>508,735</u>	<u>457,898</u>
Personnel subtotal	<u>2,148,391</u>	<u>1,908,579</u>
<b>Operating Expenses</b>		
Travel and training	410	-
Rentals	-	122
Supplies – drugs and clinical	10,467	6,046
Supplies – office, janitorial and printing	23,316	20,404
Supplies – food	44,509	36,022
Supplies – miscellaneous	209	1,047
Repairs and maintenance	64	68
Legal and professional	16,087	13,290
Contract labor – janitorial/maintenance	26,568	14,080
Contract labor – other	121,049	159,191
Telephone/data communication	123	137
Utilities	95,627	104,559
Insurance – professional	27,479	27,410
Miscellaneous	<u>2,615</u>	<u>1,838</u>
Operating subtotal	<u>368,523</u>	<u>384,214</u>
Total personnel and operating	2,516,914	2,292,793
Rental revenues	<u>(338,724)</u>	<u>(273,820)</u>
Total expense, less rental revenue collected	2,178,190	2,018,973
Administrative fee	<u>174,255</u>	<u>172,077</u>
Total expenses	<u>\$ 2,352,445</u>	<u>\$ 2,191,050</u>