



University of Kentucky

Independent Accountant's Report on Applying Agreed-Upon Procedures Performed on the UK HealthCare Hospital System's Management of Eastern State Hospital and Central Kentucky Recovery Center

Year Ended June 30, 2023



**University of Kentucky
Agreed-Upon Procedures
Year Ended June 30, 2023**

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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 in the attachment to this report on the budget-to-actual schedules (Statements) related to UK HealthCare Hospital System's management of Eastern State Hospital (ESH) and Central Kentucky Recovery Center (CKRC) for the year ended June 30, 2023. 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 for the year ended June 30, 2023. 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 and the associated findings are described in the attachment to this report.

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 Statements related to UK 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 UK and DBHDID and is not intended to be, and should not be, used by anyone other than these specified parties.

FORVIS, LLP

Louisville, Kentucky
November 14, 2023

University of Kentucky
Procedures Performed and Findings
June 30, 2023

Eastern State Hospital

We obtained the Statement related to the UK HealthCare Hospital System's management of Eastern State Hospital (ESH), as prepared by the administration of UK, for the year ended June 30, 2023 (see Exhibit I).

1. We compared the amounts disclosed in the Statement to UK's general ledger for the year ended June 30, 2023, noting that all amounts agreed without exception.

We noted that of the budgeted contract amount of \$59,200,016, only \$52,615,981 for the year ended June 30, 2023, was advanced to UK by DBHDID. The budgeted contract amounts differed from advancements to UK by \$6,584,035. UK's management represented this was due to the state's reconciliation process and withholding the final advancement of personnel and operating costs at the end of the fiscal year until an analysis of actual to contract amounts is performed. 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 \$52,615,981 and the actual contract allocation or expenses of \$58,452,856 per the Statement, less a reimbursement of an expense from a prior year of \$4,800, are amounts due from DBHDID of \$5,832,075.

2. We compared the amount of the personnel and operating expense categories reported in the Statement for the year ended June 30, 2023, to the budgeted amounts within the Commonwealth of Kentucky contract, document ID number PON2-729-2000003655 version 2, for the period from July 1, 2022, through June 30, 2023. We noted one variance exceeding 10% of the contract revenue (\$5,907,089) and 10% difference from budgeted amounts to be reported. We noted that actual personnel expenses exceeded budget by \$11,721,424 or 46%. We inquired of UK's management who represented that the increase was due to several factors including an increase in capacity, increase in travel nurse expenses, additional staff assigned to high-risk patients, increase in minimum pay and the opening of the Wendell Tower third floor unit.
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) and the Covid census quarterly settlement per UK's detail for the year ended June 30, 2023, which agreed to the total amounts 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, 2023. We selected a sample of three items (invoice number 1006212AROC – Pieratt's; invoice number INV3122734 –Allied 100; and invoice number 126357 – ORI), 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 2.04B, noting that all requirements were met for the fixed asset additions.

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Procedures Performed and Findings
June 30, 2023

5. We obtained three payroll registers for the year ended June 30, 2023. For each of the three selected pay period payroll registers, July 31, 2022, through August 13, 2022; January 15, 2023, through January 28, 2023; and May 21, 2023, through June 3, 2023; we selected a sample of 10 individuals from each payroll register, 30 in total. We noted the job titles of those individuals and their pay rates and compared them to the pay range per the employee position form. We noted four exceptions where the individual's salary fell outside of the pay range noted on the employee position form. UK's management stated that three of the employees are physicians on call who are paid a standard rate across UK HealthCare. For the other employee, UK management stated that the employee's rate was grandfathered in from Bluegrass Care Clinic. We compared data per timecards to the payroll register, noting that all agreed, without exception.
6. For the June 30, 2023, 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 5502404006, 5109065768, 5109283860, 5109154580 and 4280854) and agreed them to supporting documentation, such as invoices, without exception.

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Procedures Performed and Findings
June 30, 2023

Central Kentucky Recovery Center

We obtained the Statement related to the UK HealthCare Hospital System's management of Central Kentucky Recovery Center (CKRC), as prepared by the administration of UK for the year ended June 30, 2023 (see Exhibit II).

7. We compared the amounts disclosed in the Statement to UK's general ledger for the year ended June 30, 2023, noting that all agreed, without exception.

We noted that of the budgeted contract amount of \$2,352,445, only \$2,284,511 for the year ended June 30, 2023, was advanced to UK by DBHDID. The budgeted contract amounts differed from advancements to UK by \$67,934. UK's management represented this was due to the state's reconciliation process and withholding the final advancement of personnel and operating costs at the end of the fiscal year until an analysis of actual to contract amounts is performed. 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 \$2,284,511, and the actual contract allocations or expenses of \$1,973,279 per the Statement are amounts due to DBHDID of \$311,232.

8. We compared the amount of the personnel and operating expense categories reported in the Statement for the year ended June 30, 2023, to the budgeted amounts within the Commonwealth of Kentucky contract, document ID number PON2-729-2000003457 for the period from July 1, 2022, through June 30, 2023. We noted one variance exceeding 10% of the contract revenue (\$234,809) and 10% difference from budgeted amounts to be reported. We noted that personnel actual expenses was less than budget by \$333,611 or 22%. We inquired of UK's management who represented that the variance was due to a reduction in staffing, which was the result of the consolidation of CKRC from two buildings to one.
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, 2023, which agreed to the amount per the Statement.
10. We obtained three payroll registers for the year ended June 30, 2023. For each of the three selected pay period payroll registers, August 14, 2022, through August 27, 2022; January 29, 2023, through February 11, 2023; and May 7, 2023, through May 20, 2023, we selected a sample of 10 individuals from each payroll register, 30 in total. We noted the job titles of those individuals and their pay rates and compared them to the pay range per the employee position form. We noted four exceptions where individuals' salaries fell outside of the pay range noted on the employee position forms. For two of the employees, whose job titles are advanced practice providers, UK's management stated that this was due to these employees having longevity within their position and a high-demand job. UK management noted it is not uncommon for pay to exceed the maximum pay rate. For the other two employees, whose job titles are nurse clinicals, their salaries fell outside of the employee position forms; however, they were within the nurse step scale pay ranges. We also compared data per timecards to the payroll register, noting that all agreed, without exception.

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Procedures Performed and Findings
June 30, 2023

11. For the June 30, 2023, 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 – office, janitorial and printing), noting that all agreed to the Statement, without exception. We selected a sample of three items (reference document ID numbers 5109075117, 5502587462 and 3000817196) and agreed them to supporting documentation, such as invoices, without exception.

University of Kentucky
Eastern State Hospital Statement of Activity
Year Ended June 30, 2023

| | <u>June 30, 2023</u> <u>Budget</u> | <u>June 30, 2023</u> <u>Actual</u> |
|---|---------------------------------------|---------------------------------------|
| Contract Revenue | \$ 59,200,016 | \$ 59,070,890 |
| Revenue subtotal | <u>59,200,016</u> | <u>59,070,890</u> |
| Personnel Expenses | | |
| Personnel | 25,569,118 | 37,290,542 |
| Fringe | <u>7,677,270</u> | <u>7,762,351</u> |
| Personnel subtotal | <u>33,246,388</u> | <u>45,052,893</u> |
| Operating Expenses | | |
| Travel and training | 241,069 | 120,829 |
| Rentals | 17,522 | 9,136 |
| Supplies – drugs and clinical | 1,185,640 | 1,361,843 |
| Supplies – office, janitorial and printing | 405,119 | 418,283 |
| Supplies – education, recreation and re-socialization | 142,428 | 21,307 |
| Supplies – food | 800,576 | 965,111 |
| Supplies – miscellaneous | 152,752 | 87,036 |
| Furniture and equipment | 424,127 | 221,553 |
| Repairs and maintenance | 25,553 | 36,877 |
| Legal and professional | 1,559,502 | 2,180,384 |
| Contract labor – janitorial/maintenance | 819,058 | 1,225,807 |
| Contract labor – other | 1,143,646 | 1,735,018 |
| Telephone/data communication | 54,532 | 88,193 |
| Utilities | 696,488 | 949,869 |
| Insurance – professional | 183,225 | 90,660 |
| Miscellaneous | <u>754,247</u> | <u>673,839</u> |
| Operating subtotal | <u>8,605,484</u> | <u>10,185,745</u> |
| Total personnel and operating | 41,851,872 | 55,238,638 |
| Administrative fee | 3,348,144 | 3,214,218 |
| COVID-19 Census Quarterly Settlement | <u>14,000,000</u> | <u>-</u> |
| Total expenses | <u>59,200,016</u> | <u>58,452,856</u> |
| Net Income | <u>\$ -</u> | <u>\$ 618,034</u> |

University of Kentucky
Central Kentucky Recovery Center Statement of Activity
Year Ended June 30, 2023

| | June 30, 2023 Budget | June 30, 2023 Actual |
|--|---------------------------------------|---------------------------------------|
| Contract Revenue | \$ 2,352,445 | \$ 2,348,089 |
| Revenue subtotal | <u>2,352,445</u> | <u>2,348,089</u> |
| Personnel Expenses | | |
| Personnel | 1,531,789 | 1,198,178 |
| Fringe | <u>510,596</u> | <u>396,723</u> |
| Personnel subtotal | <u>2,042,385</u> | <u>1,594,901</u> |
| Operating Expenses | | |
| Travel and training | 500 | - |
| Rentals | 200 | - |
| Supplies – drugs and clinical | 11,000 | 13,070 |
| Supplies – office, janitorial and printing | 20,000 | 28,415 |
| Supplies – food | 33,500 | 27,979 |
| Supplies – miscellaneous | 1,300 | 18,261 |
| Furniture and equipment | 1,000 | 2,646 |
| Repairs and maintenance | 100 | 50 |
| Legal and professional | 14,000 | 730 |
| Contract labor – janitorial/maintenance | 25,000 | 14,464 |
| Contract labor – other | 129,000 | 171,676 |
| Telephone/data communication | 150 | 99 |
| Utilities | 113,000 | 143,495 |
| Insurance – professional | 28,000 | 13,797 |
| Miscellaneous | <u>2,000</u> | <u>2,773</u> |
| Operating subtotal | <u>378,750</u> | <u>437,455</u> |
| Total personnel and operating | 2,421,135 | 2,032,356 |
| Rental revenues | <u>(242,945)</u> | <u>(228,976)</u> |
| Total expense, less rental revenue collected | 2,178,190 | 1,803,380 |
| Administrative fee | <u>174,255</u> | <u>169,899</u> |
| Total expenses | <u>2,352,445</u> | <u>1,973,279</u> |
| Net Income | <u>\$ -</u> | <u>\$ 374,810</u> |