



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, 2025



**University of Kentucky
Agreed-Upon Procedures
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Year Ended June 30, 2025**

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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 (Statement or 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, 2025. 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) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assessing compliance of the contract between UK and DBHDID with the Statements for the year ended June 30, 2025. 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 the Statements. 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 Mazars, LLP

**Louisville, Kentucky
November 5, 2025**

**University of Kentucky
Procedures Performed and Findings
June 30, 2025**

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, 2025 (see Exhibit I). Our procedures and findings are described as follows. Management responses were added for context and were not subject to our procedures.

1. We will obtain the budget-to-actual schedule related to the University of Kentucky (UK) HealthCare Hospital System's management of Eastern State Hospital (ESH), as prepared by the administration of UK (Statement) for the year ended June 30, 2025. We will compare the amounts disclosed in the Statement to UK's general ledger and note whether the activity has been billed to the Department of Behavioral Health, Developmental and Intellectual Disabilities (DBHDID). We will obtain supporting documentation for the five largest transfers from DBHDID.

Results and Findings: We performed the procedures; we noted that \$50,522,746 has been advanced to UK by BDHDID. No other matters reportable related to this procedure.

2. We will compare the amount of the personnel and operating expense categories reported in the Statement for the year ended June 30, 2025, to the budgeted amounts within the Commonwealth of Kentucky contract, Document ID No. PON2-729-2400003810, for the period from July 1, 2024 through June 30, 2025. We will obtain and document an understanding of any significant variances (10% of the contract fee revenues and 10% change).

Results and Findings: No variances meeting the above-defined scope were noted.

3. We will compare 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, 2025 and agree it to the Statement.

Results and Findings: We performed the procedures; no matters are reportable.

4. We will obtain a listing of all the equipment, furniture, or fixtures purchased for ESH for the year ended June 30, 2025. We will select a sample of three items exceeding a purchase price of \$500. We will agree the three items selected to invoices and quotes received. We will compare the number of quotes received to the contract requirements as noted, per contract Section 2.04.

Results and Findings: We obtained a listing of all equipment, furniture or fixtures purchased for ESH for the year ended June 30, 2025. We selected a sample of three items (invoice number 30699628 & 30693714 – GE HealthCare; invoice number 1132749 – Follett; and invoice number 10782140151 – Dell), which exceeded a purchase price of \$500. We agreed each selection to the applicable invoice, without exception. We compared the number of quotes received to the contract requirements as noted, per Section 2.04, noting that for the GE HealthCare selection the required number of quotes of three, were not obtained. The required number of quotes for the Follett and Dell additions were obtained.

Management Response: Management represented that for the GE HealthCare addition, only one quote was obtained due to this item being considered a single source purchase and the custom nature of the addition.

**University of Kentucky
Procedures Performed and Findings
June 30, 2025**

5. We will obtain three payroll registers for the year ended June 30, 2025. For the three selected pay period payroll registers, we will select a sample of 10 individuals, 30 in total. We will note the job titles of those individuals and their pay rates and compare data per timecards to the payroll register.

Results and Findings: We obtained three payroll registers for the year ended June 30, 2025. For each of the three selected pay period payroll registers, September 8, 2024 through September 21, 2024; January 12, 2025 through January 25, 2025; and April 20, 2025 through May 3, 2025; 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 the data per timecards to the payroll registers, noting that all agreed. We noted two individuals required the use of a separately maintained excel file in order for management to hard key the correct pay rate into the payroll register based on the individual's pay code and the shift that had been worked.

Management Response: Management represented this was due to these two individuals being paid based on a "pooled rate" determined by the nature of the shift worked. This "pooled rate" cannot be maintained within the timecard system.

6. On the June 30, 2025 Statement, for the four largest expense lines and miscellaneous (total of five categories) other than personnel/fringe and furniture and equipment, we will obtain detail of the expenses included. We will select a sample of five items and agree those expenses to supporting documentation.

Results and Findings: For the June 30, 2025 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 (contract labor – other; legal & professional; supplies – drugs and clinical; supplies – food; and miscellaneous). We selected a sample of five items (reference Document ID numbers 5002817190, 111373014, 1200553805, 111144533, and 5002843159) and agreed them to supporting documentation.

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, 2025 (see Exhibit II). Our procedures and findings are described as follows. Management responses were added for context and were not subject to our procedures.

7. We will obtain the budget-to-actual schedules related to UK HealthCare's management of Central Kentucky Recovery Center (CKRC), as prepared by the administration of UK (Statement) for the year ended June 30, 2025. We will compare the amounts disclosed in the Statement to UK's general ledger and note the amounts advanced to UK by the DBHDID. We will obtain supporting documentation for the five largest transfers from DBHDID.

Results and Findings: We performed the procedures; we noted the Statement did not agree to the UK general ledger. We noted that \$2,286,690 has been advanced to UK by BDHDID. No other matters reportable related to this procedure.

Management Response: Management represented the Statement did not agree to the UK general ledger due to adjustments made by UK which related to FY2023 and FY2024 that were posted in FY2025.

**University of Kentucky
Procedures Performed and Findings
June 30, 2025**

8. We will compare the amount of the personnel and operating expense categories reported in the Statement for the year ended June 30, 2025 to the budgeted amounts within the Commonwealth of Kentucky contract, Document ID No. PON2-729-2400003809, for the period from July 1, 2024 through June 30, 2025. We will obtain and document an understanding of any significant variances (10% of the contract fee revenues and 10% change).

Results and Findings: No variances meeting the above-defined scope were noted.

9. We will compare 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 for CKRC for the year ended June 30, 2025 and agree it to UK's supporting detail and to the Statement.

Results and Findings: We performed the procedures; no matters are reportable.

10. We will obtain three payroll registers for the year ended June 30, 2025. For the three selected pay period payroll registers, we will select a sample of 10 individuals, 30 in total. We will note the job titles of those individuals and their pay rates and compare data per timecards to the payroll register.

Results and Findings: We obtained three payroll registers for the year ended June 30, 2025. For each of the three selected pay period payroll registers, September 8, 2024 through September 21, 2024; January 12, 2025 through January 25, 2025; and April 20, 2025 through May 3, 2025, 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 data per timecards to the payroll register, noting that all agreed, without exception.

11. For the June 30, 2025 Statement, for the three largest expense lines other than personnel/fringe and furniture and equipment, we will obtain detail of the expenses included. We will select a sample of three items from the Statement and agree those expenses to supporting documentation.

Results and Findings: For the June 30, 2025 Statement, for the three largest expense lines other than personnel/fringe and furniture and equipment, we obtained a detail of the expenses included (utilities, supplies – food, and contract labor – other), noting that all agreed to the Statement, without exception. We selected a sample of three items (accounting document numbers 111034068, 111373682, and 1902079389) and agreed them to supporting documentation.

University of Kentucky
 Eastern State Hospital Statement of Activity
 Year Ended June 30, 2025

	<u>June 30, 2025 Budget</u>	<u>June 30, 2025 Actual</u>
Revenue		
Contract revenue	\$ 63,348,146	\$ 63,264,444
Other revenue	-	18,710
Revenue Subtotal	<u>63,348,146</u>	<u>63,283,154</u>
Personnel Expenses		
Personnel	37,356,800	39,080,862
Fringe	11,158,500	10,191,190
Personnel Subtotal	<u>48,515,300</u>	<u>49,272,052</u>
Operating Expenses		
Travel and training	116,900	97,498
Rentals	11,200	4,981
Supplies – drugs and clinical	1,458,300	1,564,370
Supplies – office, janitorial, and printing	380,800	520,252
Supplies – education, recreation, and re-socialization	43,600	22,264
Supplies – food	923,200	1,511,224
Supplies – miscellaneous	63,600	57,154
Furniture and equipment	209,100	217,340
Repairs and maintenance	17,100	87,225
Legal and professional	2,596,200	1,795,782
Contract labor – janitorial/maintenance	1,099,500	1,224,442
Contract labor – other	1,899,300	1,573,287
Telephone/data communication	1,052,398	1,153,281
Utilities	877,700	822,272
Insurance – professional	91,200	142
Miscellaneous	644,604	750,443
Operating Subtotal	<u>11,484,702</u>	<u>11,401,957</u>
Total Personnel and Operating	60,000,002	60,674,009
Other revenue	-	(18,710)
Total expense less, other revenue collected	60,000,002	60,655,299
Administrative fee	3,348,144	3,264,440
Upgrade nurse call system	-	125,560
Total expenses	<u>63,348,146</u>	<u>64,045,299</u>
Net Income (Loss)	<u>\$ -</u>	<u>\$ (762,145)</u>

University of Kentucky
 Central Kentucky Recovery Center Statement of Activity
 Year Ended June 30, 2025

	<u>June 30, 2025</u> <u>Budget</u>	<u>June 30, 2025</u> <u>Actual</u>
Contract Revenue	\$ 2,352,445	\$ 2,352,445
Revenue Subtotal	<u>2,352,445</u>	<u>2,352,445</u>
Personnel Expenses		
Personnel	1,531,789	1,364,404
Fringe	<u>510,596</u>	<u>445,114</u>
Personnel Subtotal	<u>2,042,385</u>	<u>1,809,518</u>
Operating Expenses		
Travel and training	500	3
Rentals	200	-
Supplies – drugs and clinical	11,000	5,242
Supplies – office, janitorial, and printing	20,000	30,357
Supplies – food	33,500	31,372
Supplies – miscellaneous	1,300	15,231
Furniture and equipment	1,000	-
Repairs and maintenance	100	5,020
Legal and professional	14,000	1,067
Contract labor – janitorial/maintenance	25,000	28,180
Contract labor – other	129,000	157,618
Telephone/data communication	150	17,516
Utilities	113,000	123,259
Insurance – professional	28,000	-
Miscellaneous	<u>2,000</u>	<u>1,613</u>
Operating Subtotal	<u>378,750</u>	<u>416,478</u>
Total Personnel and Operating	2,421,135	2,225,996
Rental revenues	<u>(242,945)</u>	<u>(236,393)</u>
Total expense, less rental revenue collected	2,178,190	1,989,603
Administrative fee	<u>174,255</u>	<u>174,255</u>
Total expenses	<u>2,352,445</u>	<u>2,163,858</u>
Net Income	<u>\$ -</u>	<u>\$ 188,587</u>