



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF INVESTIGATIONS
FINANCIAL AND COMPLIANCE UNIT**

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Comptroller of the Treasury

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John Dreyzehner, MD, MPH, Commissioner
Tennessee Department of Health
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Commissioner Dreyzehner:

Our office received a referral from the Tennessee Bureau of Investigation's Medicaid Fraud Control Unit of an alleged misappropriation of state grant funds by the administrator of a private facility named the Jackson Street Faith Home. The allegations were originally received from the Tennessee Department of Health, Division of Health Care Facilities. The referral alleged that the Jackson Street Faith Home received Quality Enabling Program (QEP) funds from the Tennessee Department of Health, Division of Health Care Facilities, and the home's administrator had been unable to produce invoices and/or documentation supporting the expenditures of the QEP grant funds received.

The Jackson Street Faith Home is a residential assisted living facility located in Jackson, Tennessee. The grant was provided to assist with the care and services provided to low income residents of the home.

We performed an investigative audit of these allegations for the period July 1, 2009 to June 30, 2012. The audit focused primarily on the documentation provided by the home's administrator to support expenditures of \$54,650 in QEP grant funds received during the period, as well as bank statements, grant contracts, and internal controls of the program.

We determined only \$85 of the \$54,650 in QEP grant funds provided to the Jackson Street Faith Home was used to assist with the care and services of certain low income residents.

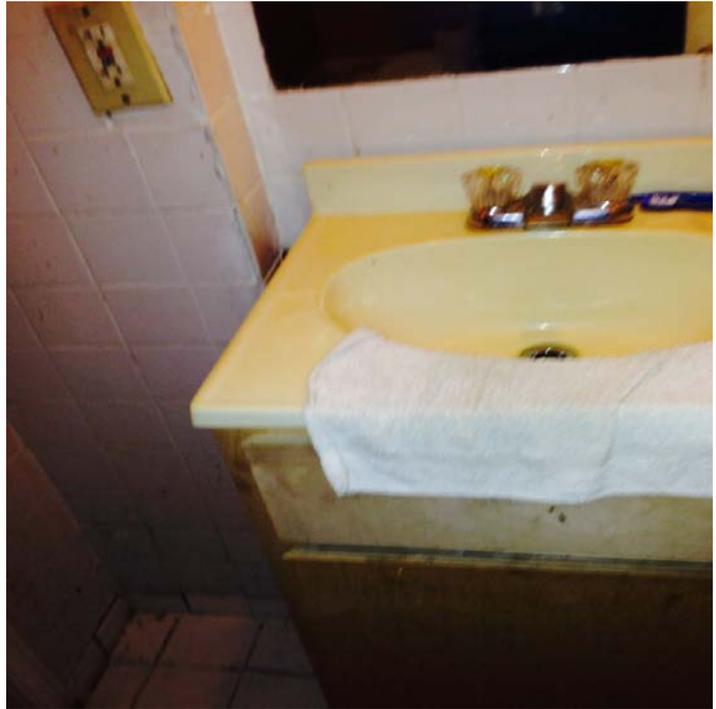
The investigative audit revealed the following:

- A cash shortage of at least \$38,235.43 existed at June 30, 2012, as a result of misspending, falsified or no documentation, and documentation submitted outside the grant period by the home's administrator as support for the grant.
- Questionable expenditures of \$16,329.57 existed at June 30, 2012, due to lack of adequate documentation.
- The Tennessee Department of Health, Division of Health Care Facilities, did not adequately review or provide accountability of the QEP grant funds provided to Jackson Street Faith Home.

The Jackson Street Faith Home - Jackson, Tennessee



Approximately eight full-time residents were housed at the Jackson Street Faith Home



The investigative findings, internal control and compliance deficiency, and management's responses resulting from this investigative audit are presented below. Also, these findings and recommendations have been reviewed with the District Attorney General for the 26th Judicial District. A copy is available for public inspection in our office and may be viewed at <http://comptroller.tn.gov/ia/>.

QUALITY ENABLING PROGRAM

The Residential Homes for the Aged Quality Enabling Program was a pilot program that began July 1, 1986. The program was created to improve the quality of care and services provided to low-income residents of licensed homes for the aged. The program reimburses these facilities a total of \$25 per day for each eligible resident. In order to be eligible, residents must be receiving Supplemental Security Income and/or Social Security, and the resident's total income must not exceed \$800 per month. According to the Department of Health's website, funding appropriations for this program were eliminated by the Tennessee General Assembly effective 2012.

INVESTIGATIVE FINDINGS

FINDING 1 A CASH SHORTAGE OF \$38,235.43 EXISTED ON JUNE 30, 2012 AT THE JACKSON STREET FAITH HOME RESULTING FROM THE ADMINISTRATOR'S MISSPENDING OF QUALITY ENABLING PROGRAM GRANT FUNDS

During the period July 1, 2009 to June 30, 2012, the administrator of the Jackson Street Faith Home received a total of \$54,650 in Quality Enabling Program funds. These funds were sent to the Jackson Street Faith Home by the Tennessee Department of Health, Division of Health Care Facilities. The program required the submission of documentation by the home's administrator before grant funds were reimbursed; however, the grant funds were generally provided on a quarterly basis to the home's administrator with amounts ranging from \$4,500 to \$4,600. In many cases, the Tennessee Department of Health, Division of Health Care Facilities, submitted funds to the home's administrator without requiring or reviewing the documentation submitted by the administrator.

Based on our examination of records submitted by the administrator as supporting documentation for the grant to the Tennessee Department of Health, Division of Health Care Facilities, a cash shortage of \$38,235.43 existed at June 30, 2012, as follows:

- A. The home's administrator submitted a check in the amount of \$2,639.03 to the Madison County Chancery Court. This check was for the delinquent property taxes on eight pieces of personal property owned by the administrator in the Jackson area. In our interview with the administrator, he advised that he used bad judgment in submitting this documentation.
- B. The home's administrator purchased a pendant and other items totaling \$373.58 from Sam's Club. When questioned about this expenditure, the administrator advised us this was a mistake, and another instance of bad judgment.
- C. The home's administrator purchased a portable heater from Home Depot in the amount of \$216.32. The administrator advised us that he used the heater in the home as a heat source for the residents until he had the home's fireplace operational. We consulted with the director of the home regarding the portable heater. The resident director has lived at the home on a full-time basis for approximately seven years. The director of the home advised that a portable heater has never been seen or used at the Jackson Street Faith Home.
- D. The home's administrator made purchases of approximately thirty pounds of air conditioning refrigerant from Johnstone Supply and carpet from Lowe's, totaling \$171.53 and \$533.23, respectively. The home's administrator advised auditors the refrigerant was used in the home's air conditioning unit and the carpet was used in the front room of the home. We consulted with the home's director, who advised us the air conditioner had never had any problems or needed refrigerant. In addition, the home's administrator telephoned the director during our interview regarding the carpet. After learning from the home's director that the carpet was never placed at the home, the home's administrator advised us that he didn't know where the carpet was located, and a mistake had been made.

- E. On numerous occasions, the home’s administrator purchased Alaskan salmon from Sam’s Club, in the amount of \$114.25. Both the home’s administrator and director advised us that no Alaskan salmon was ever eaten by residents of the home.
- F. Our examination of expenditures determined the home’s administrator submitted documentation in the amount of \$15,510.77 to the Tennessee Department of Health, Division of Health Care Facilities, as documentation for reimbursement; however, these expenditures were not in the same fiscal year of the grant award.
- G. The Tennessee Department of Health, Division of Health Care Facilities, provided QEP grant funds in the amount of \$18,676.72 to the home’s administrator; however, the home’s administrator never provided any documentation for these expenditures after repeated inquiries.

During a follow up interview with auditors on November 5, 2013, the home’s administrator admitted to us that he may have made up some of the invoices that were submitted to the state as documentation. He further advised he did not scrutinize the documentation like he should have, and some of the documentation he was no longer sure about.

The following table details the cash shortage identified at June 30, 2012:

Description	Amount
A. Check to Madison County Chancery Court	\$ 2,639.03
B. Sam’s Club - Jewelry	373.58
C. Home Depot	216.32
D. Johnston Supply	171.53
D. Lowe’s	533.23
E. Sam’s Club – Alaskan Salmon	114.25
F. Documentation Submitted In different Year	15,510.77
G. No Documentation Submitted	<u>18,676.72</u>
Total Cash Shortage	<u>\$38,235.43</u>

RECOMMENDATION

State officials with the Tennessee Department of Health, Division of Health Care Facilities, should take immediate steps to recover the QEP grant funds of \$38,235.43 issued to the administrator of the Jackson Street Faith Home.

**MANAGEMENT'S RESPONSE – JOHN DREYZEHNER, MD, MPH,
COMMISSIONER**

We Concur. The Office of Health Care Facilities will consult with the Attorney General's Office regarding the recuperation of funds from the Jackson Street Faith Home.

**FINDING 2 THERE WERE \$16,329.57 IN QUESTIONABLE
EXPENDITURES SUBMITTED FOR REIMBURSEMENT**

Our investigative audit noted \$16,329.57 in questionable disbursements submitted by the home's administrator to the Tennessee Department of Health, Division of Health Care Facilities, for reimbursement on the QEP grant. We noted instances where invoices either did not have a date of purchase, or we could not ascertain whether the disbursements were related to the operations of the Jackson Street Faith Home.

RECOMMENDATION

State officials should determine if these questionable disbursements are proper. If the questionable disbursements are determined to be improper, steps should be taken to recover the grant funds.

**MANAGEMENT'S RESPONSE – JOHN DREYZEHNER, MD, MPH,
COMMISSIONER**

We concur in part. When the Regional Office received the receipts for questionable spending and determined they were inappropriate, the receipts were referred to the Tennessee Bureau of Investigation for investigation of fraudulent spending. We will consult with the Attorney General's Office regarding the recuperation of these funds from the Jackson Street Faith Home.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCY

**FINDING 3 THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH
CARE FACILITIES, DID NOT REQUIRE THE HOME'S
ADMINISTRATOR TO PRESENT RECORDS THAT GRANT
FUNDS WERE PROPERLY SPENT ON ELIGIBLE RESIDENTS**

Our investigation determined the Tennessee Department of Health, Division of Health Care Facilities, failed to require the home's administrator to present records that grant funds were proper and spent on eligible residents. Section A.2 (c) of the grant contract between the State of Tennessee, Department of Health and Jackson Street Faith Home, required the grantee to make available and allow access by the state to all necessary records including, "any records that will enable the State to verify that each payment pursuant to this grant contract is proper and for an eligible resident." While performing required inspections at the home, health department employees requested on multiple

occasions during our period that the home's administrator present receipts or other documentation to verify that grant funds were proper and spent on eligible residents. The home's administrator failed to provide this documentation; however, the Division of Health Care Facilities allowed the Jackson Street Faith Home to remain compliant and receive funding in spite of this deficiency. We determined grant funds were generally provided on a quarterly basis to the home's administrator with amounts ranging from \$4,500 to \$4,600 during the period examined without required receipts. This condition created a material lack of accountability for program funds issued to the grantee.

RECOMMENDATION

State officials with the Tennessee Department of Health, Division of Health Care Facilities, should properly monitor documentation of grantee expenditures as provided by the contract in order to provide proper accountability of all grant program funds.

MANAGEMENT'S RESPONSE – JOHN DREYZEHNER, MD, MPH, COMMISSIONER

We concur.

We concur that the receipts ultimately produced by the home's owner/administrator in support of the Quality Enabling Program (QEP) expenditures were insufficient to ensure fiscal accountability of this grantee or that grant funds were properly spent on eligible residents.

We acknowledge that a lack of coordinated communication and effort between the Nashville Central Office overseeing the QEP and the surveyors at the West Tennessee Office of Health Care Facilities allowed Jackson Street Faith Home to continue receiving QEP funds when they might not otherwise have. Even though the QEP program has been terminated, the Office of Health Care Facilities (HCF) is committed to improving communication between its field offices and the central office.

The surveyor's normal on-site monitoring tool checks facilities' compliance with health and safety regulations and cites deficient practices pertaining to health, safety, or welfare. The facility is then permitted to submit an acceptable Plan of Correction for the deficient practice and a revisit survey is conducted to confirm the completion of the corrective action. The surveyor's monitoring of the QEP compliance was simply added to that tool. We believe that adding the QEP monitoring to the normal annual health care facility on-site survey tool may have contributed to this miscommunication; and, in retrospect, was not the most effective means of monitoring the QEP funds.

However, it is important to note that the contract with the home did not require receipts to be submitted prior to the payment of an invoice. But, we acknowledge receipts can, and should, be requested as confirmation of the legitimacy of the expenditures during an after-the-fact monitoring survey, review, or audit. To maintain eligibility to continue in the QEP program, the contract only required the grantee to submit quarterly a completed Compensation Claim for Residential Homes for the Aged Quality Enabling Program form, a Quality Enabling Program Verification form, and a Quality Enabling Grant Budget form.

Non-compliance in the program was governed by HCF Policy & Procedure 240 and the terms and conditions of the QEP contract.

It is also important to note that the Department did require the home's owner/administrator to present records that QEP grant funds were properly spent on eligible residents to continue reimbursement in the program. As noted below, the surveyors in the West Tennessee Office of Health Care Facilities reviewed and monitored the QEP at the facility during their annual surveys and made repeated requests and attempts to obtain documentation for the expenditures. Additionally, the Central Office staff reviewed the required quarterly filings and grant budget, and ultimately funding was ceased in 2012 for a continued failure to provide the required documentation.¹

- In February 2009 and 2010, the facility was cited for lack of documentation of expenditures. Both times a Plan of Correction was submitted and on re-visit the surveyor was presented information by the owner/administrator that contained the minimum necessary response to be accepted by the surveyor. Receipts were not provided but commitments were made by the owner/administrator to the surveyors that the next time they visited supporting documentation would be more adequate. All quarterly budget documents for 2009 and 2010 had been reviewed by the Central Office QEP Manager and found to be in compliance. Based on these actions, submissions, and commitments by the administrator/owner the facility was permitted to continue in the program during these two years.
- In June 2011, the facility was again cited for lack of adequate documentation of expenditures and the owner/administrator again filed an acceptable Plan of Correction. However, two subsequent revisits in 2012 found that the facility had not corrected the QEP deficiency. During this timeframe, the Central Office QEP Manager and a surveyor from the West Tennessee Office of Health Care Facilities contacted the owner requesting proper receipts and educating him on the necessity of the documentation. In July 2012, the owner, in attempt to settle the 2011 documentation issues, provided receipts and residents enrolled in the QEP program to the West Tennessee Office of Health Care Facilities for the 4th quarter of the current contract period. A review of the receipts raised further questions about the spending and resulted in another citation for failure to use QEP funds for goods and services to enhance the quality of care of residents participating in the program. But, as noted below, by this time, funding for the facility had been stopped but not communicated to the West Tennessee staff. The quarterly budget documents for 2011 had been reviewed by the Central Office QEP Manager and found to be in compliance.
- In 2012, the Central Office QEP Manager reviewed the budget documents for the quarters ending in March and June and noted that the budget for the quarter ending March 31, 2012, contained sufficient documentation for disbursement; but, the budget submitted for the quarter ending June 30, 2012, did not. During the last week of April,

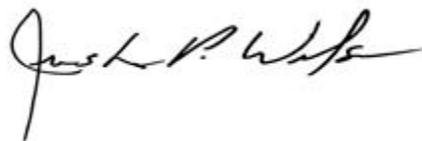
¹ In 2008, the Department of Health's Office of Internal Audit issued a report stating that there were no written policies and procedures or statewide review of the QEP performed during a facility's annual survey but that the West Tennessee Regional Office was reviewing the QEP using form PH-3486 to document those reviews. In response, management instituted the review procedures utilized by the West Tennessee surveyors statewide and began monitoring the QEP in two ways: 1) reviewing the use of the QEP grant funds during the quarterly submission of budget documentation managed by the Central Office QEP Manager, and 2) during the annual facility survey.

the owner hand delivered a bag of receipts to the West Tennessee supervisors and after reviewing those documents, they notified both the HCF Central Office and the Tennessee Bureau of Investigation of what appeared to be evidence of fraudulent spending of state funds. Due to the failure of the facility operator to provide requested records year after year, questionable spending in the program, and failure to submit appropriate budget documentation for the quarter ending June 30, 2012, QEP funds were not disbursed to the facility for the remainder of 2012.

- In 2013, a revisit survey found that the facility had not corrected its deficient practice related to the documentation of expenditures; however, the facility, even though still a participant in the program, had not received any disbursements of QEP funds since the quarter ending June 30, 2012. Because the facility had failed to bring its operations into compliance, a disciplinary hearing was scheduled. Before that hearing could be held the General Assembly chose not to fund the QEP program for fiscal year 2013 and as of January 21, 2014, the facility's license as a residential home for the aged was closed pursuant to the owner's request.

If you have any questions concerning the above, please contact this office.

Sincerely,



Justin P. Wilson
Comptroller of the Treasury

JPW/kbh