

**Community Care of Rutherford County, Inc.**  
**Murfreesboro, Tennessee**

**Cost Report and Resident Accounts**  
**For the Period**  
**April 1, 2000, Through March 31, 2001**

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TennCare/Medicaid audits are available on-line at [www.comptroller.state.tn.us/sa/reports/index.html](http://www.comptroller.state.tn.us/sa/reports/index.html).  
For more information about the Comptroller of the Treasury, please visit our Web site at  
[www.comptroller.state.tn.us](http://www.comptroller.state.tn.us).



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
State Capitol  
Nashville, Tennessee 37243-0260  
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John G. Morgan  
Comptroller

July 15, 2003

The Honorable Phil Bredesen, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and

Mr. Manny Martins, Deputy Commissioner  
Bureau of TennCare  
729 Church Street, Fifth Floor  
Nashville, Tennessee 37247

Ladies and Gentlemen:

Pursuant to Section 71-5-130, *Tennessee Code Annotated*, and a cooperative agreement between the Comptroller of the Treasury and the Department of Finance and Administration, the Division of State Audit performs examinations of nursing facilities participating in the Tennessee Medical Assistance Program under Title XIX of the Social Security Act (Medicaid).

Submitted herewith is the report of the examination of the Medicaid cost report of Community Care of Rutherford County, Inc., Murfreesboro, Tennessee, for the period April 1, 2000, through March 31, 2001, and resident accounts for the period April 1, 2000, through March 31, 2001.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/pn  
02/108

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report  
**Community Care of Rutherford County, Inc.**  
Murfreesboro, Tennessee  
Cost Report and Resident Accounts  
For the Period  
April 1, 2000, Through March 31, 2001

## **FINDING RECOMMENDING MONETARY REFUNDS**

### **Need to Properly Manage Unrefunded Credit Balances**

The facility failed to refund \$1,442.66 of credit balances on the accounts of former residents. The facility should refund \$531.00 to the State of Tennessee and \$911.66 to former residents or their authorized representatives (page 6).

## **FINDING NOT RECOMMENDING MONETARY REFUNDS**

### **Nonallowable Expenses Included on the Cost Report**

The facility reported \$3,443.86 of nonallowable expenses on its cost report, including \$1,147.48 of unsupported expenses and \$2,296.38 of expenses unrelated to patient care. The adjustment to allowable expenses had no effect on the facility's Medicaid reimbursable rate (page 5).

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

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**Community Care of Rutherford County, Inc.**  
**Murfreesboro, Tennessee**  
**Cost Report and Resident Accounts**  
**For the Period**  
**April 1, 2000, Through March 31, 2001**

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**INTRODUCTION**

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**PURPOSE AND AUTHORITY OF THE EXAMINATION**

The terms of contract between the Tennessee Department of Finance and Administration and the Tennessee Comptroller's office authorize the Comptroller to perform examinations of nursing facilities that participate in the Tennessee Medicaid Nursing Facility Program.

Under their agreements with the state and as stated on cost reports submitted to the state, participating nursing facilities have asserted that they are in compliance with the applicable state and federal regulations covering services provided to Medicaid-eligible recipients. The purpose of our examination is to render an opinion on the nursing facilities' assertions that they are in compliance with such requirements.

**BACKGROUND**

To receive services under the Medicaid Nursing Facility Program, a recipient must meet Medicaid eligibility requirements under one of the coverage groups included in the *State Plan for Medical Assistance*. The need for nursing care is not in itself sufficient to establish eligibility. Additionally, a physician must certify that recipients need nursing facility care before they can be admitted to a facility. Once a recipient is admitted, a physician must certify periodically that continued nursing care is required. The number of days of coverage available to recipients in a nursing facility is not limited.

The Medicaid Nursing Facility Program provides for nursing services on two levels of care. Level I Nursing Facility (NF-1) services are provided to recipients who do not require an intensive degree of care. Level II Nursing Facility (NF-2) services, which must be under the direct supervision of licensed nursing personnel and under the general direction of a physician, represent a higher degree of care.

Community Care of Rutherford County, Inc., Murfreesboro, Tennessee, provides both NF-1 and NF-2 services. The facility is owned by Rutherford County and leased to Community Care of Rutherford County, Inc., a nonprofit corporation. Serving on the board of directors for Community Care of Rutherford County, Inc., were Nancy R. Allen (Chairman), Greg Lyles, Gene Patterson, Katherine Elrod, Annie Ruth Uselton, Mike Nunley, and Clyde Elrod.

During the examination period, the facility maintained a total of 131 licensed nursing facility beds. The Division of Quality Assurance of the Department of Health licensed the facility for these beds. Eligible recipients receive services through an agreement with the Department of Health. Of the 47,815 available bed days, 32,669 were for Medicaid NF-1 patients and 3,600 were for Medicaid NF-2 patients for the year ended March 31, 2001. Also, the facility reported total operating expenses of \$4,890,332 for the period.

The Division of Quality Assurance inspected the quality of the facility's physical plant, professional staff, and patient services. The nursing facility met the required standards.

The following Medicaid reimbursable rates were in effect for the period covered by this examination:

<u>Period</u>	<u>Level I NF (744-0175)</u>	<u>Level II NF (044-5406)</u>
April 1 through June 30, 2000	\$ 95.85	\$156.55
July 1, 2000, through March 31, 2001	\$101.40	\$155.98

#### **PRIOR EXAMINATION FINDINGS**

The prior report of Community Care of Rutherford County, Inc., for the period July 1, 1988 through June 30, 1989, contained the following finding: Failure to acquire a surety bond for the patient trust fund. This finding has been satisfactorily corrected.

#### **SCOPE OF THE EXAMINATION**

Our examination covers certain financial-related requirements of the Medicaid Nursing Facility Program. The requirements covered are referred to under management's assertions specified later in the Independent Accountant's report. Our examination does not cover quality of care, clinical, or medical provisions.



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
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NASHVILLE, TENNESSEE 37243-0264  
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**Independent Accountant's Report**

**August 7, 2002**

The Honorable Don Sundquist, Governor  
and

Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

and

Mr. Manny Martins, Deputy Commissioner  
Bureau of TennCare  
729 Church Street, Fifth Floor  
Nashville, Tennessee 37247

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated August 7, 2002, that Community Care of Rutherford County, Inc., complied with the following requirements during the cost report period April 1, 2000, through March 31, 2001, and to the facility's resident accounts for the period April 1, 2000, through March 31, 2001.

- Income and expenses reported on the Medicaid Cost Report are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Patient days reported on the Medicaid Cost Report have been counted in accordance with state regulations. Medicaid patient days billed to the state for periods when residents were hospitalized or on therapeutic leave are in accordance with the 15-day hospital stay rule, the 85 percent occupancy rule, and the 60-day therapeutic leave day rule.

- Charges to residents and charges to residents' personal funds are in accordance with state and federal regulations.

As discussed in management's representation letter, management is responsible for ensuring compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the facility's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants, and accordingly, included examining on a test basis, evidence about the compliance of Community Care of Rutherford County with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the compliance of Community Care of Rutherford County with specified requirements.

Our examination disclosed the following material noncompliance applicable to state and federal regulations:

- nonallowable expenses included on the cost report
- need to properly manage unrefunded credit balances

In our opinion, except for the material noncompliance described above, management's assertions that Community Care of Rutherford County, Inc., complied with the aforementioned requirements for the cost reporting period April 1, 2000, to March 31, 2001, and for resident accounts for the period April 1, 2000, to March 31, 2001, are fairly stated in all material respects.

This report is intended solely for the use of the Tennessee General Assembly and the Tennessee Department of Finance and Administration. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Hayes, Jr.", written in a cursive style.

Arthur A. Hayes, Jr., CPA,  
Director

AAH/pn

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## FINDINGS AND RECOMMENDATIONS

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### 1. Nonallowable expenses included on the cost report

#### Finding

Community Care of Rutherford County, Inc., included \$3,443.86 of nonallowable expenses on the Nursing Facility Level I Cost Report for the year ended March 31, 2001. Disallowed costs for the period consist of \$1,147.48 of unsupported expenses and \$2,296.38 of expenses not related to patient care.

Chapter 1200-13-6-.09 of the *Rules of Tennessee Department of Finance and Administration* states that “[a]dequate financial records, statistical data, and source documents must be maintained for proper determination of costs under the program.” The rule also specifies that unnecessary costs and costs not related to patient care are to be deducted from allowable expenses.

The adjustment to allowable expenses had no effect on the facility’s Medicaid reimbursable rate.

#### Recommendation

Community Care of Rutherford County should include only allowable expenses on the Nursing Facility Level I Cost Report. All reported expenses should be adequately supported and related to patient care.

#### Management’s Comment

Management concurs. We have implemented purchasing controls, including payment of invoices with receipts only. The administrator reviews invoices and receipts prior to entrance into the payables system. Purchase orders are placed on requested expenses and petty cash tickets are reconciled with receipts prior to reimbursement. The administrator approves them in writing prior to purchase.

2. **Need to properly manage unrefunded credit balances**

**Finding**

Community Care of Rutherford County, Inc., has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed. Management did not maintain evidence that former residents or their authorized representatives were notified of money due them. Management also failed to refund the portion of the credit balances due to the TennCare Program.

Section 62-29-112 of *Tennessee Code Annotated* states:

All property . . . that is held or owing in the ordinary course of the holder's business and has remained unclaimed by the owner for more than five (5) years after it became payable or distributable is presumed abandoned. . . . Property . . . shall also be presumed abandoned if the owner thereof is known to the holder to have died and left no one to take the property by will and no one to take the property by intestate succession.

Section 66-29-113 requires anyone holding funds or property presumed abandoned to file a report of that property with the State Treasury.

Chapter 1700-2-1-.19 of the *Rules of Tennessee Department of Treasury* states, "Before filing the annual report of property presumed abandoned, the holder shall exercise due diligence to ascertain the whereabouts of the owner to prevent abandonment from being presumed."

Accounts receivable unrefunded credit balances of \$1,442.66 remain on the accounts of eight former residents of Community Care of Rutherford County, Inc. Of this amount, \$531.00 is due the TennCare Program for overpayments to the facility made on behalf of the residents, and \$911.66 is due former residents or their authorized representatives who were not notified of money due them.

**Recommendation**

Community Care of Rutherford County, Inc., should maintain evidence that former residents or their authorized representatives are notified of money due them. The facility should maintain a record of balances with the resident's name and social security number, the dates of last account activity and last owner contact, and the amount due the former resident.

Return of first-class mailing sent to the owner's last known address would satisfy the requirement that an attempt to contact the owner had been made, provided the mailing was not returned "undeliverable." If the proper owners cannot be located within five years from the date of last account activity, a report of the abandoned property must be filed with the Tennessee Department of Treasury, Division of Unclaimed Property. Such a report is to be made before

May 1 of each year and is to include all property deemed abandoned as of the previous December 31. Remittance of the abandoned property is due with the filing of the report. Funds transferred to the Tennessee Department of Treasury must include any accrued interest. Proper claims against the funds will be honored by the Tennessee Department of Treasury.

A refund of \$531.00 should be made to the State of Tennessee for the amount due the TennCare Program, and \$911.66 should be refunded to the former residents or their authorized representatives.

### **Management's Comment**

Management concurs. Attempts to refund the credit balances have been successfully made. Documentation of these has been kept at the facility. Staff is aware and will comply with the expectation to refund/notify former residents of credit balances.

## SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

### Source of Overpayments

Unrefunded credit balances (finding 2)	<u>\$1,442.66</u>
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### Disposition of Overpayments

Due to the State of Tennessee	\$531.00
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Due to residents or their authorized representatives	<u>\$911.66</u>
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Total	<u>\$1,442.66</u>
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