

TENNCARE REPORT

The Margie and Thomas Winfrey Center
Trenton, Tennessee

Cost Report and Resident Accounts
for the Period
July 1, 2007, Through June 30, 2008



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit
Division of State Audit



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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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April 8, 2010

The Honorable Phil Bredesen, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

Mr. Darin Gordon, Deputy Commissioner
Bureau of TennCare
Department of Finance and Administration
310 Great Circle Road, 4W
Nashville, Tennessee 37243

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 The Margie and Thomas Winfrey Center, Trenton, Tennessee, for the period July 1, 2007, through June 30, 2008, and resident accounts for the period July 1, 2007, through June 30, 2008.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/pn
09/026

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
The Margie and Thomas Winfrey Center
Trenton, Tennessee
Cost Report and Resident Accounts
for the Period
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FINDING RECOMMENDING MONETARY REFUND

Deficiencies in Accounting for Resident Trust Funds

The Margie and Thomas Winfrey Center failed to take adequate measures to safeguard resident trust funds. The facility had discrepancies between the control ledger and the money in the resident trust fund envelopes for 13 of the 56 residents. This resulted in the trust account being underfunded by \$12.55, which the facility should refund to the trust fund account. Also, there were 16 outstanding checks totaling \$1,431.81, dating from March 22, 1999, to December 20, 2007. The facility should reissue these checks to the appropriate parties or to the Unclaimed Property Division of the State of Tennessee.

**The Margie and Thomas Winfrey Center
Trenton, Tennessee
Cost Report and Resident Accounts
for the Period
July 1, 2007, Through June 30, 2008**

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**The Margie and Thomas Winfrey Center
Trenton, Tennessee
Cost Report and Resident Accounts
for the Period
July 1, 2007, Through June 30, 2008**

INTRODUCTION

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 of the Treasury 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.

An Intermediate Care Facility for the Mentally Retarded (ICF/MR) is a facility approved for Medicaid reimbursement and is required to provide routine services, including supplies, that comply with current federal standards and certification. Medicaid pays for covered services through an all-inclusive per diem rate, less any available patient resources.

The Margie and Thomas Winfrey Center, Trenton, Tennessee, provides only ICF/MR services. The facility is owned by Resource Housing of America, Inc., and is managed by Developmental Disability Management Services of Tennessee, LLC. The officers/members of the board of directors are as follows:

Robert B. Coats, Chairman/Director
Chester Braden, Director
James Loftin, Director
Tim Carssow, Director
Gordon J. Simmons, COO/Director
Nick Sulaiman, VP

William P. Walker, Director
Howard Oakes, Director
Charles W. Northcutt, III, Secretary/Director
Bryant G. Coats, CEO/Director
John R. West, VP/CFO
Chase Northcutt, VP

During the examination period, the facility maintained a total of 84 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 30,744 available bed days, the facility reported 28,998 for Medicaid ICF/MR residents for the year ended June 30, 2008. Also, the facility reported total operating expenses of \$5,141,370 for the period.

The Division of Quality Assurance inspected the quality of the facility's physical plant, professional staff, and resident 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 (744-7036)</u>
August 1, 2006, through September 30, 2007	\$156.20
October 1, 2007, through June 30, 2008	\$167.40

PRIOR EXAMINATION FINDINGS

The prior report of The Margie and Thomas Winfrey Center, for the period July 1, 2003, through June 30, 2004, contained the following finding:

Nonallowable expenses included on the cost report

This finding has been satisfactorily remedied.

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.



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Independent Accountant's Report

October 2, 2008

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. Darin Gordon, Deputy Commissioner
Bureau of TennCare
Department of Finance and Administration
310 Great Circle Road, 4W
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated October 2, 2008, that The Margie and Thomas Winfrey Center complied with the following requirements on the "Medicaid Nursing Facility Level 1 Cost Report" for the period July 1, 2007, through June 30, 2008, and to the facility's resident accounts for the period July 1, 2007, through June 30, 2008.

- Income and expenses reported on the cost report are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Resident days reported on the cost report have been counted in accordance with state regulations. Medicaid resident days billed to the state for periods when residents were hospitalized or on therapeutic leave are in accordance with the 15 day per occasion hospital stay rule, the 85% occupancy rule applicable to hospital leave days, and the therapeutic leave day rule limited to 60 days per state fiscal year and 14 days per occasion.

- 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 based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included examining on a test basis, evidence about The Margie and Thomas Winfrey Center's compliance 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 Margie and Thomas Winfrey Center's compliance with specified requirements.

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

- Deficiencies in Accounting for Resident Trust Funds

In our opinion, except for the instance of material noncompliance described above, The Margie and Thomas Winfrey Center complied with, in all material respects, the aforementioned requirements for the "Medicaid Nursing Facility Level 1 Cost Report" for the period July 1, 2007, through June 30, 2008, and for resident accounts for the period July 1, 2007, through June 30, 2008.

This report is intended solely for the information and 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 that reads "Arthur A. Hayes, Jr." with a stylized flourish at the end.

Arthur A. Hayes, Jr., CPA
Director

AAH/pn

FINDING AND RECOMMENDATION

Deficiencies in Accounting for Resident Trust Funds

Finding

The Margie and Thomas Winfrey Center failed to take adequate measures to safeguard resident trust funds. The facility had discrepancies between the control ledger and the money in the resident trust fund envelopes for 13 of the 56 residents. This resulted in the resident trust funds being underfunded by \$12.55. Also, on October 1, 2008, there were 16 outstanding resident trust fund checks totaling \$1,431.81, dating from March 22, 1999, through December 20, 2007.

Paragraph 22,163.10(c) of the *Medicare and Medicaid Guide* requires the facility to “hold, safeguard, manage and account for the personal funds of the resident deposited with the facility . . . establish and maintain a system that assures a full and complete and separate accounting, according to generally accepted accounting principles, of each resident’s personal funds entrusted to the facility on the resident’s behalf.”

Section 66-29-113 of *Tennessee Code Annotated* requires anyone holding funds or property presumed abandoned to file a report of that property with the State Treasurer. 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.”

Recommendation

The Margie and Thomas Winfrey Center should immediately implement adequate procedures to ensure compliance with applicable laws and regulations relative to protection of resident trust funds. The facility should reimburse \$12.55 to the resident trust fund and make appropriate adjustments to the residents’ accounts to ensure accuracy. The facility should reissue the 16 outstanding checks, totaling \$1,431.81, to the appropriate parties or to the Unclaimed Property Division of the State of Tennessee.

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.

Management's Comment

We are reimbursing the residents that were found to be understated in their cash on hand. We are deducting the amounts from the residents that are overstated in their cash on hand. We established a policy and procedure effective 12/1/08 for the use of resident cash on hand. This policy establishes resident cash on hand, which was funded through the facility, and the parameters of its usage. The policy also requires proper documentation and approval of resident cash on hand prior to reimbursement from the individual's account.

All of the outstanding checks noted during the audit have been addressed. Additional training was given to the accounting director to ensure timely resolution of such items in the future. As of the date of this letter, there are no outstanding items that need to be addressed.

Auditor's Comment

The Margie and Thomas Winfrey Center provided evidence that the \$12.55 shortage was reimbursed to the resident trust fund. Also, documentation was provided that showed the 13 discrepancies noted in the resident trust fund envelopes had been corrected.

Of the 16 outstanding resident trust fund checks totaling \$1,431.81, the facility provided evidence of void adjustments for these 16 checks. However, only five of the reissued checks have cleared the bank as of August 3, 2009, proving \$727.18 has been refunded. The remaining \$704.63 appears to still be outstanding.

SUMMARY OF MONETARY FINDING AND RECOMMENDATION

Source of Overpayments

Deficiencies in accounting for resident trust funds	<u>\$1,444.36</u>
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Disposition of Overpayments

Due to residents or their authorized representatives	<u>\$1,444.36</u>
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