



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**

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**BOULEVARD TERRACE  
MURFREESBORO, TENNESSEE**

**Depreciation Expense for the Period  
January 1, 2011, Through December 31, 2011;  
Resident Days for the Period  
January 1, 2011, Through August 31, 2012;  
and Resident Accounts for the Period  
January 1, 2011, Through October 1, 2012**

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**Justin P. Wilson, Comptroller**



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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF STATE AUDIT

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June 9, 2015

The Honorable Bill Haslam, 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 limited scope examination of the depreciation expense reported on the Medicaid cost report of Boulevard Terrace, Murfreesboro, Tennessee, for the period January 1, 2011, through December 31, 2011; resident days for the period January 1, 2011, through August 31, 2012; and resident accounts for the period January 1, 2011, through October 1, 2012.

Sincerely,

Deborah V. Loveless, CPA  
Director

DVL/pn  
13/024

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report  
**Boulevard Terrace**  
Murfreesboro, Tennessee  
Depreciation Expense for the Period  
January 1, 2011, Through December 31, 2011;  
Resident Days for the Period  
January 1, 2011, Through August 31, 2012;  
and Resident Accounts for the Period  
January 1, 2011, Through October 1, 2012

## FINDINGS RECOMMENDING MONETARY REFUNDS

### **Deficiency in Accounting for the Resident Trust Fund**

Boulevard Terrace overcharged one resident \$321.89 on her monthly resident liability for the period December 31, 2011, through September 1, 2012. The facility should refund the resident or her authorized representative \$321.89.

### **Improper Management of Credit Balances**

The facility failed to ensure that credit balances on the accounts of deceased or discharged residents were properly managed

and promptly refunded. Accounts receivable unrefunded credit balances of \$243.38, due to the Medicaid Program, remain on the accounts of two former Medicaid residents.

### **Residents Inappropriately Charged for Covered Items**

Boulevard Terrace inappropriately charged two Medicaid residents' trust fund accounts for diapers, a Medicaid-covered item. As a result of the inappropriate charges, the facility should reimburse \$119.67 to the two Medicaid residents or their authorized representatives.

## **FINDING NOT RECOMMENDING MONETARY REFUND**

### **Incorrect Useful Lives Used on Depreciable Assets**

Boulevard Terrace reported excess depreciation expense on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2011. Of the 33 assets tested that were purchased during the fiscal year, 15 of the assets had

incorrect useful lives, resulting in improper acceleration of depreciation expense totaling \$4,542.56. The adjustment to allowable expenses had no effect on the facility's Medicaid reimbursable rate, since the facility's per diem costs are greater than the statewide ceiling.

**Boulevard Terrace  
Murfreesboro, Tennessee  
Depreciation Expense for the Period  
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and Resident Accounts for the Period  
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**Boulevard Terrace  
Murfreesboro, Tennessee  
Depreciation Expense for the Period  
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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 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.

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.

Boulevard Terrace, Murfreesboro, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Vanguard Healthcare, LLC. The officers/members of the board of directors are as follows:

William D. Orand  
L. Scott Burleyson  
David L. Cheek

During the examination period, the facility maintained a total of 100 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 36,500 available bed days, the facility reported 18,798 for Medicaid NF-1 residents and 2,018 for Medicaid NF-2 residents for the year ended December 31, 2011. Also, the facility reported total operating expenses of \$7,007,247 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 (744-0016)</u>	<u>Level II NF (044-5235)</u>
July 1, 2010, Through June 30, 2011	\$159.19	\$177.66
July 1, 2011, Through December 31, 2011	\$159.16	\$177.64
January 1, 2012, Through June 30, 2012	\$155.33	\$173.35
July 1, 2012, Through June 30, 2013	\$165.07	\$178.41

**PRIOR EXAMINATION FINDINGS**

The facility has not been examined within the past five years.

**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 or clinical or medical provisions.



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF STATE AUDIT

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505 DEADERICK STREET  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7897  
FAX (615) 532-2765

**Independent Accountant's Report**

**October 1, 2012**

The Honorable Bill Haslam, 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 1, 2012, that Boulevard Terrace complied with the following requirements:

- Depreciation expense reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2011, was in accordance with state and federal regulations.
- Resident days reported on the cost report have been counted in accordance with state regulations. Medicaid resident days billed to the state from January 1, 2011, through August 31, 2012, when residents were hospitalized or on therapeutic leave are in accordance with bed hold rules.
- Charges to residents' personal funds from January 1, 2011, through October 1, 2012, 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 conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included examining, on a test basis, evidence about Boulevard Terrace's compliance with those requirements and performing other such procedures we considered necessary. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Boulevard Terrace's compliance with specified requirements.

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

1. Deficiency in accounting for the resident trust fund
2. Improper management of credit balances
3. Residents inappropriately charged for covered items
4. Incorrect useful lives used on depreciable assets

In our opinion, except for the instances of material noncompliance described above, Boulevard Terrace complied with, in all material respects, the aforementioned requirements for the depreciation expense reported on the cost report for the period January 1, 2011, through December 31, 2011; resident days for the period January 1, 2011, through August 31, 2012; and for resident accounts for the period January 1, 2011, through October 1, 2012.

This report is intended solely for the information and use of the Tennessee General Assembly and the Tennessee Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,



Deborah V. Loveless, CPA  
Director

DVL/pn

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## FINDINGS AND RECOMMENDATIONS

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### 1. Deficiency in Accounting for the Resident Trust Fund

#### Finding

Boulevard Terrace improperly removed too much money from one resident's trust fund account for her monthly resident liability. The facility overcharged her \$321.89 for the period December 1, 2011, through September 1, 2012.

Paragraph 22,163.420(b)(1) of the *Medicare and Medicaid Guide* requires the facility to establish and maintain a system that "(i) assures a full and complete accounting of clients' personal funds entrusted to the facility."

Paragraph 22,163.10(c) of the *Medicare and Medicaid Guide* further states,

The facility must 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.

#### Recommendation

Boulevard Terrace should ensure residents are not overcharged and excess monies are not removed from the residents' trust fund accounts. The resident who was overcharged should be refunded \$321.89 for the period December 1, 2011, through September 1, 2012.

#### Management's Comment

Boulevard Terrace takes its fiduciary responsibility over resident funds quite seriously. For the audit period, Boulevard Terrace applied over \$350,000 of resident funds to services provided by our skilled nursing facility. Due to monthly fluctuations in resident cash flows, diligence is required to monitor patient liability so that appropriate amounts are withdrawn to cover cost of care. We are constantly reviewing the process by which patient liabilities are calculated on a monthly basis to avoid instances such as the one cited.

## **2. Improper Management of Credit Balances**

### **Finding**

Boulevard Terrace failed to ensure that credit balances on all of the accounts of deceased or discharged residents are properly managed and promptly refunded. Management failed to refund accounts receivable credit balances due the Medicaid Program.

Section 6402 of the *Affordable Care Act* contains new obligations for health care providers regarding reporting and returning overpayments from the Bureau of TennCare or one of its contractors. Overpayments that are not returned within 60 days from the date the overpayment was identified can trigger a liability under the False Claims Act. The overpayment will be considered an “obligation,” as this term is defined at 31 US Code §3729(b)(3). The False Claims Act subjects a provider to a fine and treble damages if he knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay money to the federal government.

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 the 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 \$243.38 remain on the accounts of two former residents of Boulevard Terrace. The entire amount is due the Medicaid Program.

### **Recommendation**

Boulevard Terrace should immediately implement a system to promptly refund credit balances on the accounts of former residents. A refund of \$243.38 should be remitted to the Medicaid Program.

### **Management’s Comment**

We are working to refund the amount cited to the Medicaid Program. It is Boulevard Terrace’s goal to address credit balances in a timely manner, and to maintain records of credit balance resolutions.

**3. Residents Inappropriately Charged for Covered Items**

**Finding**

Boulevard Terrace has inappropriately charged residents' trust fund accounts for diapers, which are Medicaid-covered items. The facility charged two Medicaid residents the full cost of non-stocked diapers that were specifically requested by the residents. The facility is only allowed to charge residents the difference in cost between the diapers stocked by the facility and the diapers specifically requested by the residents. The cost of the stocked diapers charged totaled \$119.67 for the period January 1, 2011, through October 1, 2012.

No. 93-2 of the *Medicaid Bulletin* states, “. . . diapers, cloth and/or disposable, is an NF responsibility and considered a covered service.”

No. 94-1 of the *Medicaid Bulletin* states, “For covered items, the NF may charge no more than the difference between the cost of an item and/or service it provides and one specifically requested by name by the resident.”

As a result of the inappropriate charges, the resident trust fund accounts for two Medicaid residents have been incorrectly charged \$119.67 for Medicaid-covered items.

**Recommendation**

Boulevard Terrace should not charge Medicaid residents for covered items. The facility can only charge a resident the difference between the cost of the diaper stocked by the facility and the cost of the specific diaper requested by the resident. The facility should reimburse two Medicaid residents or their authorized representatives a total of \$119.67.

**Management's Comment**

Boulevard Terrace understands that items cited in the audit are exceptions for which an additional amount may be charged. We agree that the billing procedures for these items mistakenly billed for the entire purchase, not the incremental cost over the fully covered items. We are working to refund the two residents who were affected by the billing mistake.

**4. Incorrect Useful Lives Used on Depreciable Assets**

**Finding**

Boulevard Terrace reported excess depreciation expense on the “Medicaid Nursing Facility Level 1 Cost Report” for the fiscal year ended December 31, 2011. Of the 33 assets

tested that were purchased during the fiscal year, 15 of the assets had incorrect useful lives resulting in improper acceleration of depreciation expense totaling \$4,542.56.

Paragraph 4695 of the *Medicare and Medicaid Guide* states, “In initially selecting a proper useful life for computing depreciation . . . the provider may use certain published useful life guidelines. . . . For assets acquired on or after January 1, 1981, only the AHA (American Hospital Association) guidelines may be used.”

The adjustment to allowable expenses had no effect on the facility’s Medicaid reimbursable rate, since the facility’s per diem costs are greater than the statewide ceiling.

### **Recommendation**

Boulevard Terrace is required to use the useful life guidelines as published by the American Hospital Association. Management should immediately change the useful lives of any asset, including the 15 noted to be incorrect in this examination, and properly report depreciation expense on subsequent cost reports.

### **Management’s Comment**

The asset schedule tested utilized asset lives according to Generally Accepted Accounting Principles. However, since the audit, an additional category of asset lives that adhere to AHA standards has been added for use in Medicaid and Medicare cost reports.

## **SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS**

### **Source of Overpayments**

Deficiency in accounting for the resident trust fund (see finding 1)	\$321.89
Unrefunded credit balances (see finding 2)	\$243.38
Residents inappropriately charged for covered items (see finding 3)	<u>\$119.67</u>
Total	<u>\$684.94</u>

### **Disposition of Overpayments**

Due to the State of Tennessee	\$243.38
Due to residents or their authorized representatives	<u>\$441.56</u>
Total	<u>\$684.94</u>