



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**

**BENCHMARK HEALTHCARE OF PURYEAR  
PURYEAR, TENNESSEE**

**Cost Reports for the Period  
January 1, 2013, Through December 31, 2014;  
Resident Days for the Period  
January 1, 2014, Through January 31, 2017;  
and Resident Accounts for the Period  
January 1, 2015, Through February 6, 2017**

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**Justin P. Wilson, Comptroller**



**Division of State Audit  
TennCare Section**

**DEBORAH V. LOVELESS, CPA, CGFM, CGMA**  
Director

**GREGG S. HAWKINS, CPA, CFE**  
Assistant Director

**KAREN DEGGES, CPA**  
Legislative Auditor IV

**Maya Angelova, CPA, CFE**  
In-Charge Auditor

**Roxanne Berman**  
**Adam Gamble, CFE**  
**Aaron White**  
Staff Auditors

**Amy Brack**  
Editor

**Amanda Adams**  
Assistant Editor

---

**Comptroller of the Treasury, Division of State Audit**  
Cordell Hull Building  
425 Fifth Avenue North  
Nashville, TN 37243  
(615) 401-7897

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JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Chief of Staff*

May 25, 2018

The Honorable Bill Haslam, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Dr. Wendy Long, 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 and agencies providing home- and community-based waiver services 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 reports of Benchmark Healthcare of Puryear, in Puryear, Tennessee, for the period January 1, 2013, through December 31, 2014; resident days for the period January 1, 2014, through January 31, 2017; and resident accounts for the period January 1, 2015, through February 6, 2017.

Sincerely,

A handwritten signature in black ink that reads "Deborah V. Loveless".

Deborah V. Loveless, CPA, Director  
Division of State Audit

DVL/pn  
17/312

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report  
**Benchmark Healthcare of Puryear**  
Puryear, Tennessee  
Cost Reports for the Period  
January 1, 2013, Through December 31, 2014;  
Resident Days for the Period  
January 1, 2014, Through January 31, 2017;  
and Resident Accounts for the Period  
January 1, 2015, Through February 6, 2017

## FINDINGS RECOMMENDING MONETARY REFUNDS

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

Benchmark Healthcare of Puryear included a total of \$596,871.07 in nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the fiscal years ended December 31, 2013, and December 31, 2014. The nonallowable expenses included \$313,846.24 of unsupported or inadequately supported expenses; \$238,265.66 of nonallowable salaries; \$37,500.00 in donations; \$4,587.96 of expenses unrelated to resident care; \$1,173.07 in late fees; \$808.17 in marketing-related expenses; and \$689.97 in accounting errors. As a result of these adjustments, overpayments made to the facility by the Medicaid Program are estimated at \$570,945.02, computed from July 1, 2014, through January 31, 2017 (page 5).

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

Benchmark Healthcare of Puryear failed to take adequate measures to safeguard resident trust funds. The facility allowed the residents to overdraw funds from their accounts, paid wire fees from the residents’ trust fund money, and did not post transactions timely into residents’ trust fund accounts due to denied software access to trust fund accounts. Benchmark Healthcare of Puryear managed some residents’ money outside the trust fund; therefore, residents’ funds were not covered by a trust fund surety bond. The facility does not have a reliable system for resident trust fund interest allocation. Benchmark Healthcare of Puryear had \$6,204.99 in inadequately documented withdrawals for 19 residents. The facility also underpaid 1 of the 19 residents his personal allowance by \$83.25. The facility should refund \$6,288.24 to 19

residents or their authorized representatives (page 7).

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

Benchmark Healthcare of Puryear has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed and promptly refunded. Management should refund \$4,313.52 to 12 former residents or their authorized representatives (page 8).

#### **Residents Inappropriately Charged for Covered Services**

Benchmark Healthcare of Puryear inappropriately charged Medicaid residents'

trust fund accounts for haircuts and shampoos, which are Medicaid-covered services. As a result of the inappropriate charges, the facility should reimburse 28 Medicaid residents or their authorized representatives a total of \$2,060.00 (page 8).

#### **Improper Billing of Resident Days**

Benchmark Healthcare of Puryear improperly billed the Medicaid Program for seven Medicare-eligible days for the period January 1, 2014, through January 31, 2017. As a result of the billing for seven noncovered resident days, the facility should refund \$1,087.94 to the State of Tennessee (page 9).

### **FINDINGS NOT RECOMMENDING MONETARY REFUNDS**

#### **Insufficient Surety Bond Coverage for the Resident Trust Fund**

Benchmark Healthcare of Puryear failed to maintain a resident trust fund surety bond as required by law to insure funds held in trust for its residents (page 10).

#### **Charges and Accounts Payable on the Cost Report Not Supported by Financial Records**

Benchmark Healthcare of Puryear was unable to provide adequate financial records that would substantiate the gross routine service charges and accounts payable reported on the cost report (page 11).

**Benchmark Healthcare of Puryear  
Puryear, Tennessee  
Cost Reports for the Period  
January 1, 2013, Through December 31, 2014;  
Resident Days for the Period  
January 1, 2014, Through January 31, 2017;  
and Resident Accounts for the Period  
January 1, 2015, Through February 6, 2017**

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**Benchmark Healthcare of Puryear  
Puryear, Tennessee  
Cost Reports 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.

Benchmark Healthcare of Puryear, in Puryear, Tennessee, provides both NF-1 and NF-2 services. Prior to February 1, 2017, the facility was owned and operated by Benchmark Healthcare of Puryear, Inc., a Missouri corporation located in Puryear, Tennessee. Mr. John M. Sells is the president of the corporation and owns 100% of the corporate shares. Effective February 1, 2017, Towne Square Care Mgt of Puryear, Inc. became the operator of the facility. There was no change in ownership of the facility.

During the examination period, the facility maintained a total of 32 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 11,680 available bed days, the facility reported 6,157 for Medicaid NF-1 residents for the year ended December 31, 2014. Also, the facility reported total operating expenses of \$1,967,682 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 (744-0575)</u>	<u>Level II NF (044-5470)</u>
July 1, 2014, through June 30, 2015	\$167.35	\$157.12
July 1, 2015, through June 30, 2016	\$170.31	\$153.58
July 1, 2016, through January 31, 2017	\$170.66	\$153.92

**PRIOR EXAMINATION FINDINGS**

Benchmark Healthcare of Puryear 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  
SUITE 1500, JAMES K. POLK STATE OFFICE BUILDING  
505 DEADERICK STREET  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7897  
FAX (615) 532-2765

## **Independent Accountant's Report**

**March 16, 2017**

The Honorable Bill Haslam, Governor  
and

Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

and

Dr. Wendy Long, 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 March 16, 2017, that Benchmark Healthcare of Puryear complied with the following requirements:

- Income and expenses reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal years ended December 31, 2013, and December 31, 2014, are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Resident days reported on the Medicaid cost report have been counted in accordance with state regulations. Medicaid resident days billed to the state from January 1, 2014, through January 31, 2017, when residents were hospitalized or on therapeutic leave are in accordance with the bed hold rules.
- Charges to residents and charges to residents' personal funds from January 1, 2015, through February 6, 2017, 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 Benchmark Healthcare of Puryear's compliance with those requirements and performing other such procedures that we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

- nonallowable expenses included on the cost report,
- deficiency in accounting for the resident trust fund,
- improper management of credit balances,
- residents inappropriately charged for covered services,
- improper billing of resident days,
- insufficient surety bond coverage for the resident trust fund, and
- charges and accounts payable on the cost report not supported by financial records.

In our opinion, except for the instances of material noncompliance described above, Benchmark Healthcare of Puryear complied with, in all material respects, the aforementioned requirements for income and expenses reported on the Medicaid cost reports for the period January 1, 2013, through December 31, 2014; for resident days for the period January 1, 2014, through January 31, 2017; and for resident accounts for the period January 1, 2015, through February 6, 2017.

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  
Division of State Audit

DVL/pn

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## FINDINGS AND RECOMMENDATIONS

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### 1. Nonallowable Expenses Included on the Cost Report

#### Finding

Benchmark Healthcare of Puryear included a total of \$596,871.07 in nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the fiscal years ended December 31, 2013, and December 31, 2014.

For 2013, the facility included \$131,340.59 in nonallowable expenses. The nonallowable amount consists of \$58,977.54 of unsupported or inadequately supported expenses; \$40,000.00 of salaries not related to NF-1 resident care; \$30,000.00 in donations to World Nature Coalition; \$1,027.48 for expenses unrelated to resident care; \$629.47 in late fees; \$396.00 in marketing expenses; and \$310.10 in accounting errors.

For 2014, the facility included \$465,530.48 in nonallowable expenses. The nonallowable amount consists of \$254,868.70 of unsupported or inadequately supported expenses; \$198,265.66 of salaries for physical therapy, speech therapy, occupational therapy, and officers who are not covered under the NF-1 program; \$7,500.00 in donations to World Nature Coalition; \$3,560.48 for expenses unrelated to resident care; \$543.60 in late fees; \$412.17 in marketing expenses; and \$379.87 in accounting errors.

Chapter 1200-13-6-.09 of the *Rules of the Tennessee Department of Finance and Administration* states, “Adequate financial records, statistical data, and source documents must be maintained for proper determination of costs under the program.” Such costs that are not allowable in computing reimbursable costs include, but are not limited to,

- costs which are not necessary or related to patient care;
- any fines, penalties, or interest paid on any tax payments or interest charges on overdue payables; and
- advertising costs incurred in seeking to increase patient population or utilization of the provider’s facilities by the general public.

Part 1, Paragraph 2102.3 of the *Provider Reimbursement Manual* states,

Costs not related to patient care are costs which are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Costs which are not necessary include costs which usually are not common or accepted occurrences in the field of the provider’s activity.

Such costs are not allowable in computing reimbursable costs and include the cost of gifts and donations.

As a result of the adjustments to allowable expenses above, the facility's Medicaid reimbursable rate was reduced as follows:

<u>Period</u>	<u>NF-1 Original Rate</u>	<u>NF-1 Adjusted Rate</u>	<u>Difference</u>
July 1, 2014, through June 30, 2015	\$167.35	\$155.68	\$(11.67)
July 1, 2015, through June 30, 2016	\$170.31	\$121.45	\$(48.86)
July 1, 2016, through January 31, 2017	\$170.66	\$121.80	\$(48.86)
February 1, 2017, through June 30, 2017	\$178.45	\$178.45	\$ (0.00)
July 1, 2017, through June 30, 2018	\$178.76	\$178.76	\$ (0.00)

The Division of State Audit will send the above rate adjustments to the Bureau of TennCare for reprocessing of all Medicaid claims for the dates of service from July 1, 2014, through January 31, 2017. Estimated overpayments made to the facility as a result of the expense adjustments total \$570,945.02 for Medicaid NF-1 services as reported on the cost report.

### **Recommendation**

Benchmark Healthcare of Puryear should include only allowable expenses on the Medicaid cost report. All reported expenses should be adequately supported for covered services, related to resident care, and in compliance with other applicable regulations. The Bureau of TennCare should reprocess all claims for the period July 1, 2014, through January 31, 2017. The estimated recoupment for the reprocessed Medicaid claims for the period is \$570,945.02 for Medicaid NF-1 services, as reported on the cost report.

### **Management's Comment**

We agree that many of the expenses were nonallowable, which occurred during the term of Benchmark Healthcare, the prior management for the facility. However, some of the expenses could have been allowed but the supporting documentation could not be produced since the home office was no longer in existence. The former owner did not respond to multiple attempts by the facility and auditors to provide documentation requested by the auditors.

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

### Finding

Benchmark Healthcare of Puryear failed to take adequate measures to safeguard resident trust funds as required by federal and state laws. The facility lacked regular access to resident trust fund software and did not make timely deposits into residents' trust fund accounts. The facility also allowed the residents to overdraw funds from their accounts and paid wire fees with residents' trust fund money. Benchmark Healthcare of Puryear managed some residents' money outside the trust fund; therefore, the facility did not cover residents' funds with a trust fund surety bond. The facility does not have a reliable system for resident trust fund interest allocation.

Additionally, the facility lacked adequate documentation and proper authorization for \$6,204.99 in withdrawals from the trust fund accounts of 19 residents. The facility also underpaid 1 of the 19 residents his personal allowance by \$83.25. The facility should refund \$6,288.24 to 19 residents or their authorized representatives.

Title 42, *Code of Federal Regulations*, Part 483, Section 10, states that the facility must "hold, safeguard, manage, and account for the personal funds of the resident deposited with the facility." It further requires the facility to "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."

In addition, Section 71-6-120, *Tennessee Code Annotated*, provides for damages in cases of improper use of funds paid by a government agency to an adult or to a caretaker for the adult's use.

### Recommendation

Benchmark Healthcare of Puryear should establish and maintain a system that assures each resident's personal funds entrusted to the facility. The facility should refund \$6,288.24 to 19 residents or their authorized representatives.

### Management's Comment

The facility will refund the 19 residents or their authorized representatives the monies owed to them from the resident trust account, which occurred during the term of Benchmark Healthcare, the prior management company for the facility, totaling \$6,288.24.

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

#### **Finding**

Benchmark Healthcare of Puryear has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed and promptly refunded. Management failed to refund \$4,313.52 due to 12 former residents or their authorized representatives.

Section 66-29-123(a), *Tennessee Code Annotated*, requires “A holder of property presumed abandoned and subject to the custody of the treasurer shall report in a record to the treasurer concerning the property.” Chapter 1700-2-1-19(1) 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.”

#### **Recommendation**

Benchmark Healthcare of Puryear should immediately implement a system to promptly refund credit balances on the accounts of former residents. The facility should refund \$4,313.52 to 12 residents or their authorized representatives.

#### **Management’s Comment**

The facility will refund 12 former residents or their authorized representatives the monies owed to them for credit balances remaining on their accounts, which occurred during the term of Benchmark Healthcare, the prior management company for the facility, totaling \$4,313.52.

### **4. Residents Inappropriately Charged for Covered Services**

#### **Finding**

Benchmark Healthcare of Puryear has inappropriately charged Medicaid residents’ trust fund accounts for Medicaid-covered services. From January 1, 2015, through February 6, 2017, the facility inappropriately charged 28 residents \$2,060.00 for basic haircuts and shampoos, services that are covered in the reimbursable cost of the provider.

Chapter 1200-08-06-.06(4)(q) of the *Rules of the Tennessee Department of Health* states, in regard to basic services, “Residents shall have shampoos, haircuts and shaves as needed, or desired.”

As a result of the charges for basic haircuts and shampoos, the resident trust fund accounts for 28 Medicaid residents have been improperly charged \$2,060.00 for these Medicaid-covered services.

### **Recommendation**

Benchmark Healthcare of Puryear should not charge Medicaid residents for covered services. The facility should reimburse 28 Medicaid residents or their authorized representatives a total of \$2,060.00. In the future, the facility should provide covered services to all Medicaid residents without charge.

### **Management's Comment**

The facility will reimburse the 28 residents or their authorized representatives the monies owed to them for services that are Medicaid covered, which occurred during the term of Benchmark Healthcare, the prior management company, totaling \$2,060.00.

## **5. Improper Billing of Resident Days**

### **Finding**

Benchmark Healthcare of Puryear improperly billed the Medicaid Program \$1,087.94 for seven Medicare-eligible days for the period January 1, 2014, through January 31, 2017.

According to Chapter 1200-13-6-.09(4) of the *Rules of the Tennessee Department of Finance and Administration*, "Adequate financial records, statistical data, and source documents must be maintained for proper determination of costs under the program."

Chapter 1200-13-6-.10(5) of the *Rules of the Tennessee Department of Finance and Administration* states, "Each facility must maintain daily census records and an adequate patient log. . . . This log, however, must be sufficient . . . to accumulate monthly and yearly totals for Medicaid NF-1 patients and for all other patients."

As a result of the improper billing of resident days, the Medicaid Program overpaid the facility a total of \$1,087.94 for seven days for the period January 1, 2014, through January 31, 2017.

### **Recommendation**

Benchmark Healthcare of Puryear should not accumulate and bill the Medicaid Program when the days should be charged to another program. As a result of the billing for seven

noncovered days, the facility should refund \$1,087.94, representing overpayments by the Medicaid Program, to the managed care organization.

### **Management's Comment**

The facility will refund \$1,087.94 to the State of Tennessee for seven noncovered resident days, which occurred during the term of Benchmark Healthcare, the prior management company for the facility.

## **6. Insufficient Surety Bond Coverage for the Resident Trust Fund**

### **Finding**

Benchmark Healthcare of Puryear failed to maintain a surety bond as required by law to protect resident funds. The facility did not have a sufficient surety bond to insure individual resident trust fund balances.

Section 68-11-906(f), *Tennessee Code Annotated*, states, "The nursing home shall maintain a surety bond on all funds held in trust for facility residents and shall make an annual, audited accounting of such funds available to the residents and for public inspection."

Failure to maintain an adequate surety bond increases the risk that residents' trust funds would not be replaced in the event of misappropriation or theft.

### **Recommendation**

Benchmark Healthcare of Puryear should establish procedures to ensure compliance with applicable laws and regulations for the protection of resident trust funds. The facility should obtain a surety bond to provide coverage for all money held in trust for the residents of the facility.

### **Management's Comment**

The facility will maintain a surety bond to cover all monies held in the trust.

7. **Charges and Accounts Payable on the Cost Report Not Supported by Financial Records**

**Finding**

Benchmark Healthcare of Puryear was unable to provide adequate records to substantiate the gross routine service charges reported on the cost report. The facility's home office no longer exists. Although the auditors and the administrator of the facility made multiple attempts to contact home office personnel, the home office personnel did not provide the facility's records.

Chapter 1200-13-6-.10(4) of the *Rules of the Tennessee Department of Finance and Administration* states, "Gross charges to the patients' accounts must match the charges to the patient log."

Chapter 1200-13-6-.16 of the *Rules of the Tennessee Department of Finance and Administration* states, "Each provider of Level 1 nursing facility services is required to maintain adequate financial and statistical records which are accurate and in sufficient detail to substantiate the cost data reported."

Gross routine service charges must be substantiated by the facility's financial records in order to be utilized to compute the Medicaid reimbursement rate.

**Recommendation**

Benchmark Healthcare of Puryear should maintain sufficient records and documentation to support the cost data reported on the Medicaid cost report. Adequate charge logs must be maintained to accumulate monthly and yearly totals. These records must be available upon demand to the state's Comptroller of the Treasury or his agents.

**Management's Comment**

The facility will maintain adequate financial records that substantiate routine charges and payables for cost reporting purposes.

## SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

### Source of Overpayments

Rate reduction (see Finding 1)	\$ 570,945.02
Unauthorized charges to residents' trust fund accounts (see Finding 2)	\$ 6,288.24
Unrefunded credit balances (see Finding 3)	\$4,313.52
Residents inappropriately charged for covered services (see Finding 4)	\$2,060.00
Improper billing of resident days (see Finding 5)	<u>\$ 1,087.94</u>
Total	<u>\$ 584,694.72</u>

### Disposition of Overpayments

Due to the State of Tennessee	\$ 572,032.96
Due to residents or their authorized representatives	<u>\$ 12,661.76</u>
Total	<u>\$ 584,694.72</u>