Department of Health and Human Services
Maine People Living Safe, Healthy and Productive Lives
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Mary C. Mayhew, Commissioner

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Final Informal Review Decision

March 28, 2014

Anthony Zambrano, Executive Director
Downeast Horizons, Inc.
1200 State Highway 3
Bar Harbor, ME 04609

Re: **Ellsworth Center - Day Habilitation Program**

Dear Mr. Zambrano:

Your facility requested an informal review of an audit report for **Downeast Horizons, Inc., Ellsworth Center Day Habilitation Program** dated June 27, 2013 for the fiscal period from July 1, 2006 through June 30, 2007, which resulted in an overpayment of $69,509. Your appeal request is based upon a letter dated August 13, 2013 from Ken Bustard d/b/a The Accounting Coach.

As a result of this request, we have prepared an informal review. Our **Final Informal Review Decision** is as follows:

1. Space Utilization
You disagree with the allocation of rooms #16 and #21 to central office. The letter states that room #16, the receptionist area, and room #21, the meeting room, should be considered part of the Day Habilitation space.

On August 30, 2012, Linda Gray, Audit Supervisor, and Gale Hasenfus, Auditor of Record, held a telephone conference with Amanda Davis, Business Manager, and Ken Bustard, The Accounting Coach. The use of each room was discussed and identified per the discussion. The results of this conversation were used to allocate the Ellsworth Center space. The job description for the receptionist in room #16, says to assist the HR Director and provide clerical support to the administrative office. There is already a meeting room included in the day habilitation area, therefore meeting room, #21 would not be necessary. Also, in your appeal you state that in future years the amount of space used by central office at the Ellsworth Center increases. This space may have been available to the day hab program but was not necessary. Section 50, Principle 1013, states "Costs that relate to inefficiency, unnecessary or luxurious care or unnecessary or luxurious facilities and to activities not common and accepted in the field of mental retardation services are not allowable."

Per audit, it was determined that room #16 and room #21 are not necessary for the Day Habilitation Program. Since the rooms are not necessary, no revision will be made to the Audit Report dated June 27, 2013.

2. Unallowable Hiring/Employee Costs
You disagree with the removal of the Maine Human Rights settlement.

Section 50, Principle 1011 states, "Costs must be ordinary and necessary and related to resident care."

Section 50, Principle 4160 states, " Legal fees to be allowable costs must be directly related to resident care."

Per audit, it was determined that expenses for a Human Rights Settlement are not an allowable cost because they are not directly related to resident care. Since the Human Rights Settlement is not allowable, no revision will be made to the Audit Report dated June 27, 2013.

3. Maintenance Salaries
You disagree with the removal of maintenance salaries and related expenses as a direct allocation.

Per the notarized letter from the maintenance manager, "The timesheets submitted, while accurate regarding total hours worked, may not have been totally representative of exact hours at each location."

Per Section 50, Principles 2051, "Providers must maintain accurate and auditable financial and statistical records which are in sufficient detail to substantiate their cost reports for a period of not less than three years following the date of final settlement with the Department of Human Services."

Per audit, it was determined that there was not adequate documentation to direct expense the maintenance salaries to the day habilitation program, therefore no revision will be made to the Audit Report dated June 27, 2013.

4. Housekeeping Wages
You state that the explanation for removing Housekeeping wages is unclear. Section 24, Principle 6020 states, "Services for which reimbursement will not be made include any services or components of services provided to members of which the basic nature is to provide vocational services." The timecards provided show that the housekeeping wages are client wages. Client wages are not allowable under Section 24.

Per Chapter II, Section 24, Principle 24.07-2 <u>Vocational Services</u>
<u>Non-Covered Services</u>

> "Any services or components of service provided to clients of which the basic nature is to provide a vocational program are not reimbursable by MaineCare. Vocational services relate to organized programs directly related to the preparation of individuals for paid or unpaid employment, such as vocational skills training or sheltered employment."

Per Audit, it was determined that the housekeeping wages are client wages and are not allowable, therefore no revision will be made to the Audit Report dated June 27, 2013.

5. Vehicle Costs
You disagree with the removal of transportation as a direct cost to be allocated with central office. The letter states that vehicles are not for generic use, but assigned to specific locations.

On November 3, 2008 we received written documentation from Amanda Davis which states, "Vehicles are switched between programs throughout the year, which is typical for such agencies as DEHI."

Per Section 50 Principles 2030, "When long term care facilities provide more than one level of care, total allowable costs shall be allocated to each level based on the occupancy data reported for each level and the following statistical basis:"

One statistic used is per Principle 2038, "General and Administrative and Financial and Other Expenses. Total accumulated costs not including General and Administrative and Financial Expense."

Per audit it was determined that the vehicles are switched between programs throughout the year and should therefore be allocated through central office. No revision will be made to the Audit Report dated June 27, 2013.

6. Equipment Allocation

You disagree with the allocation of equipment depreciation. The letter states that the equipment purchased was specific to the day programs and should be allocated only to the day programs. The asset listing for Ellsworth Center equipment includes equipment purchased for both central office and the day programs. The entire Ellsworth Center equipment depreciation was posted to the day habilitation program. While a portion of the depreciation expense for equipment used solely by the day programs has been allocated to the central office, conversely the day program absorbs 88 percent of the equipment used solely by central office.

Per Section 50 Principle 2030, "When long term care facilities provide more than one level of care, total allowable costs shall be allocated to each level based on the occupancy data reported for each level and the following statistical basis:"

One statistic used is per Principle 2033, "Capital costs. Square foot Serviced."

Per audit, it was determined that there is one combined asset list for the Ellsworth Center which includes both day habilitation assets as well as central office assets. It is audit's position that the equipment costs for the Ellsworth Center should be allocated based on square footage. No revision will be made to the Audit Report dated June 27, 2013.

7. Accounting Consultation

You disagree with the removal of the accounting consultation fee. An allocation sheet was submitted with the cost report which lists the services as, contract development and amendments, monthly, quarterly and annual allocations, quarterly and annual review of financial reports as related to the two major day programs, preparation of cost reports and development and review of end of year allocation and audit work papers. Per prior year notes this cost is for a consultant hired to review the business operations.

The financial statements are prepared by MacDonald, Page & Co., LLC. There is an expense of $26,670 posted to the General Ledger for auditing fees. Per page one of the cost reports; they are prepared by Ken Bustard who is already included in payroll.

Per Section 50, Principle 1010, "Costs must be ordinary and necessary and related to resident care."

Per audit, it was determined that expenses for the accounting consultation fee are not an allowable cost because they are not necessary and they are not directly related to resident care, therefore no revision will be made to the Audit Report dated June 27, 2013.

8. Staff Travel
After review of the MDI Center travel logs sent by Amanda Davis on February 12, 2014, it was determined that the staff travel for the MDI Center has been co-mingled with staff travel for other programs. This will also affect the settlement for the Ellsworth Center. Therefore a revision will be made to reclassify staff travel to central office for allocation. Section 50, Principle 2038.

This final informal review decision was based upon a consultation with the auditor of record, a review of her audit report and the related work papers, and your subsequent communications to us.

Please refer to the attached Notice of Appeal Rights of MaineCare Providers for an explanation of your facility's further appeal options.

Sincerely,

Gale Hasenfus

Gale Hasenfus
Auditor of Record

Herbert F. Downs, Director
Division of Audit

Enclosures:
Notice of Appeal Rights of MaineCare Providers