

Paul R. LePage, Governor

Mary C. Moyhew, Commissioner

Department of Health and Human Services
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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: **MDI Center - Day Habilitation Program**

Dear Mr. Zambrano:

Your facility requested an informal review of an audit report for **Downeast Horizons, Inc., MDI Center Day Habilitation Program** dated June 27, 2013 for the fiscal period from July 1, 2006 through June 30, 2007, which resulted in an underpayment of \$3,433. 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. 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.

2. 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.

3. 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 the clients work an average of one to two hours per day Monday through Friday. You state that their residential support staff provides transportation. To provide transportation to a job for one hour of work on a daily basis would appear to be supported or sheltered employment.

Per Chapter II, Section 24, Principle 24.07-2 Vocational Services Non-Covered Services

"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 appear to be Vocational services and are not allowable, therefore no revision will be made to the Audit Report dated June 27, 2013.

4. 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 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 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.

5. Staff Travel

You disagree with the removal of staff travel as a direct expense to be allocated based on square foot usage of the MDI Building.

After review of the MDI Center travel log 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. A revision will be made to reclassify staff travel to central office for allocation. Section 50, Principle 2030.8.

6. 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.

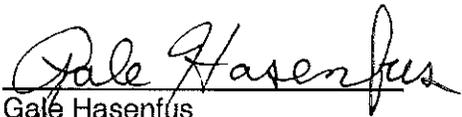
Per Section 50, Principle 1010, "Costs must be ordinary and necessary and related to resident care."

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.

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
Auditor of Record



Herbert F. Downs, Director
Division of Audit

Enclosures:

Notice of Appeal Rights of MaineCare Providers

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF AUDIT – MAINECARE AND SOCIAL SERVICES**

NOTICE OF APPEAL RIGHTS OF MAINECARE PROVIDERS

1. Informal Review:

If you disagree with any portion of the audit report, you must request an informal review by the Director of the Division of Audit, or his designee, by notifying the Division of Audit, 11 State House Station, Augusta, Maine 04333-0011, in writing **within 60 days of receipt of the audit report** of the issues that are in dispute. You must also provide any and all information that you intend to rely upon in disputing each issue. Failure to give timely notice or to include the information relied upon shall constitute a waiver of your facility's right to an informal review and to any subsequent administrative appeals. See the following chart for a reference to the Department's regulation that provides further explanation of your facility's appeal rights and the information you must present in your response:

<u>Type of Facility</u>	<u>Effective Date</u>	<u>Appeal Regulation Citation</u>
ICF/MR	08-01-03	Principle #8010 (MCBM, Chapter III, section 50)
Developmental Training	12-01-05	Principle #11000 (MMAM, Chapter III, section 24)

(Note: MMAM = Maine Medical Assistance Manual, MCBM = MaineCare Benefits Manual)

2. Administrative Hearing:

If you disagree with the decision made after an informal review, you must request an administrative hearing by the Commissioner of the Department of Health and Human Services, or Commissioner's designee, by notifying the Commissioner's office, in writing **within 60 days of receipt of the informal review decision** of the issues that are in dispute. Only those issues presented for informal review will be considered at the administrative hearing. See MaineCare Benefits Manual, Chapter, I, Section 1.21; also see the Administrative Hearing Regulations.

3. Petition for Judicial Review:

If you disagree with the Commissioner's final decision made after an administrative hearing, you may petition the Superior Court for judicial review of final agency action. See 5 M.R.S.A §§ 11001-11007.