

**DELAWARE HOSPITAL FOR THE
CHRONICALLY ILL**

**Audit Report
Medicaid Cost Report
and Nursing Wage Survey**

June 30, 2008

Issuance Date: August 17, 2011

Delaware Hospital for the Chronically III

Contents

Independent Auditor's Report	1
Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and Nursing Wage Survey	2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on a Financial Audit performed in accordance with <i>Government Auditing Standards</i>	3-4
Schedule of Findings and Responses	5



Tel: 302-656-5500
Fax: 302-656-8024
www.bdo.com

270 Presidential Drive
Wilmington, DE 19807

Independent Auditor's Report

State of Delaware
Office of Auditor of Accounts
Dover, Delaware

We have audited the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX, pages 2 through 6 (the Cost Report) and Nursing Wage Survey (the Survey) of the Delaware Hospital for the Chronically III (the Facility) for the year ended June 30, 2008. The Cost Report and Survey, which are not affixed hereto, are the responsibility of the Facility's management. Our responsibility is to express opinions on the Cost Report and Survey based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Cost Report and Survey are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Cost Report and Survey. An audit also includes assessing the accounting principles used and Medicaid principles of cost reimbursement used and the significant estimates made by management, as well as evaluating the overall presentation of the Cost Report and Survey. We believe that our audit provides a reasonable basis for our opinions.

The Cost Report and Survey were prepared in conformity with the State of Delaware Medicaid principles of cost reimbursement. Certain adjustments were required to be made to the Survey based on the results of our audit. The detail of the adjustments and their effects can be found on the accompanying Schedule of Adjustments on page 2.

In our opinion, except for the accompanying Schedule of Adjustments, the Cost Report and Survey of the Delaware Hospital for the Chronically III referred to above presents fairly, in all material respects, the respective reimbursement costs of the Facility for the year ended June 30, 2008 in conformity with accounting principles generally accepted in the United States of America and the State of Delaware Medicaid principles of cost reimbursement.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2011, on our consideration of the Facility's internal control over financial reporting for the Cost Report and Survey and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BDO USA, LLP

February 14, 2011

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Delaware Hospital for the Chronically III

Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey

Year ended June 30, 2008

Description	Page	Line	As Filed Amount	Audit Adjustments		Adjusted Amount	Adjusted Cost Per Day	Note Ref.
				No.	Amount			
<u>PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS</u>								
Primary Patient Care Costs - unadjusted (lines 1-5)	2	5	\$ 15,033,671	\$	-	\$ 15,033,671	197.35	
Secondary Patient Care Costs - unadjusted (lines 6-14)	2	14	2,179,005		-	2,179,005	28.60	
Support Service Costs - unadjusted (Lines 15-22)	2	22	9,162,849		-	9,162,849	120.28	
Administrative & Routine Costs - unadjusted (lines 23-32)	3	32	8,485,961		-	8,485,961	111.40	
Capital Costs - unadjusted (lines 33-39)	3	39	<u>478,056</u>		-	<u>478,056</u>	<u>6.28</u>	
SUBTOTAL	3	40	35,339,542		-	35,339,542	463.91	
Ancillary Costs - unadjusted (lines 41-49)	3	49	1,357,814		-	1,357,814	17.82	
Other Costs - unadjusted (lines 50-52)	3	52	<u>-</u>		-	<u>-</u>	<u>-</u>	
TOTAL COSTS	3	53	<u>\$ 36,697,356</u>	\$	-	<u>\$ 36,697,356</u>	<u>\$ 481.73</u>	

PART II - COST REPORT PATIENT DAYS

Total beds	6	3	397	-	397
Total bed days available	6	4	145,302	-	145,302
Medicaid Patient Days	6	5A	60,721	-	60,721
90% minimum census threshold	6	-	-	-	-
Total census days	6	5E	76,178	-	76,178

PART III - NURSING WAGE SURVEY

Number of Staff Paid During Pay Period - RN's	B	58	(8)	50	NWS-1
Number of Staff Paid During Pay Period - LPN's	B	57	(3)	54	NWS-1
Number of Staff Paid During Pay Period - CNA's	B	185	(1)	181	NWS-1

PART IV - DETAILED EXPLANATION OF ADJUSTMENTS

NWS-1 To adjust Nursing Wage Survey to amounts supported by facility records.



Tel: 302-656-5500
Fax: 302-656-8024
www.bdo.com

270 Presidential Drive
Wilmington, DE 19807

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on a Financial Audit performed in accordance with *Government Auditing Standards*

State of Delaware
Office of Auditor of Accounts
Department of Health & Social Services
Division of Social Services Medicaid
Dover, Delaware

We have audited the Statement of Reimbursement Costs for Skilled and Intermediate Care Nursing Facilities - Title XIX, pages 2 through 6 (the Cost Report) and the Nursing Wage Survey (the Survey) for the Delaware Hospital for the Chronically III (the Facility) for the year ended June 30, 2008, and have issued our report thereon dated November 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Reporting

In planning and performing our audit, we considered the Facility's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the Cost Report and Survey but not for the purposes of expressing an opinion on the effectiveness of the Facility's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Facility's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Cost Report and/or Survey will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies, or material weaknesses, and therefore, there can be no assurances that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Facility's Cost Report and Survey are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of reported amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Facility in a separate letter dated February 14, 2011.

This communication is intended solely for the information and use of the Office of Auditor of Accounts of the State of Delaware, the Department of Health and Social Services of the State of Delaware, the Board of Directors and management of the Delaware Hospital for the Chronically III, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Office of the State Treasurer, and the Department of Finance and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002, this report is public record and its distribution is not limited.

BDO USA, LLP

February 14, 2011

Delaware Hospital for the Chronically III

Schedule of Findings and Responses

June 30, 2008

Current Year Conditions:

NONE



Tel: 302-656-5500
Fax: 302-656-8024
www.bdo.com

270 Presidential Drive
Wilmington, DE 19807

Ms. Cindi Ridenour
Delaware Hospital for the Chronically III
100 Sunnyside Road
Smyrna, DE 19977

RE: Audit of the Statement of Reimbursement Costs for Skilled and Intermediate
Care Nursing Facilities - Title XIX and the Nursing Wage Survey for June 30, 2008

Dear Ms. Ridenour:

We have audited the Statement of Reimbursement Costs for Skilled and Intermediate Care Nursing Facilities - Title XIX, pages 2 through 6 (the Cost Report) and the Nursing Wage Survey (the Survey), for Delaware Hospital for the Chronically III (the Facility) for the year ended June 30, 2008, and issued our report thereon dated February 14, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

There were no deficiencies in internal control over financial reporting that we consider to be material weaknesses, nor were there any instances of noncompliance or other matters that were required to be reported under *Government Auditing Standards*.

However, during our audit, we noted certain matters involving instances of immaterial noncompliance and nonreportable conditions or other matters involving internal control over reporting that came to our attention. The following summarizes our comments and suggestions regarding those matters. We previously reported on the Facility's internal control in our report dated February 14, 2011. This letter does not affect our report dated February 14, 2011 on the Facility's Cost Report and Survey.

CONDITION 08-01

Condition: The number of RN's, LPN's, and CNA's were overstated on the Nursing Wage Survey.

Criteria: The instructions for the Nursing Wage Survey state to include the "*total number of staff other than the Director(s) of Nursing or Assistant Director(s) of Nursing or the Administrative nurses... paid in the pay period*". It specifically states to "*Include all relevant staff regardless of whether they actually worked at the facility or were absent for holiday, vacation, sick or other leave reasons.*" The interpretation is that only employees who were actually paid are to be included, but it does not matter if they were paid for productive time or for non-productive time.

Cause: Management included employees in the count who were not paid during the period.

Effect: The Nursing Wage Survey employee counts were overstated.

Suggestion: Management should include on the Nursing Wage Survey only those employees who were actually paid during the relevant reporting period.

This report is intended solely for the information and use of the Office of Auditor of Accounts of the State of Delaware, the Department of Health and Social Services of the State of Delaware, the Board of Directors and management of Delaware Hospital for the Chronically Ill, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Office of the State Treasurer, and the Department of Finance. However, under 29 Del. C., Section 10002, this report is public record and its distribution is not limited.

We would be pleased to discuss these comments and suggestions in further detail at your convenience.

BDO USA, LLP

February 14, 2011