



GILPIN HALL

Examination Report Medicaid Cost Report and Nursing Wage Survey

June 30, 2010

Issued: March 7, 2013

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



GILPIN HALL

Contents

Independent Accountants' Report	1-2
Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey	3-6
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Examination of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	7-8
Schedule of Findings and Responses	9



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

270 Presidential Drive
Wilmington, DE 19807

Independent Accountants' Report

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

We have examined management's assertions that Gilpin Hall (the "Facility") has complied with federal requirements (42 CFR 447.253 and 483 Subpart B) and state requirements (Title XIX Delaware Medicaid State Plan, Attachment 4.19D), as applicable, relative to the Facility's fiscal records of the Department of Health and Social Services (DHSS), Division of Social Services, Medicaid Long-Term Care Facilities' Statement of Reimbursement Costs for Skilled and Intermediate Care Nursing Facilities - Title XIX and Nursing Wage Survey ("Statement" and "Survey", respectively) for the fiscal year ended June 30, 2010. The Facility's management is responsible for the assertions. Our responsibility is to express an opinion on the assertions based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and United States Government Accountability Office, *Government Auditing Standards* and, accordingly, included examining, on a test basis, evidence supporting management's assertions and performing such other tests as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, except for the items listed as adjustments on the accompanying Schedule of Adjustments on pages 3-6, management's assertions referred to above are fairly stated, in all material respects, based on the federal requirements (42 CFR 447.253 and 483 Subpart B) and state requirements (Title XIX Delaware Medicaid State Plan, Attachment 4.19D).

In accordance with *Government Auditing Standards*, we also issued our report dated February 28, 2013, on our consideration of the Facility's internal control over reporting for the Cost Report and Survey and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 and compliance. This report is an integral part of an examination performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our examination.



(Independent Accountants' Report, Continued)

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 the Facility, 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.

BDO USA, LLP

February 28, 2013

Gilpin Hall

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, 2010

Description	Page	Line	As Filed	Adjustments		Adjusted	Adjusted	Note
			Amounts	No.	Amount	Amounts	Cost Per Day	
<u>PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS</u>								
<i>Primary Patient Care Costs (lines 1-5)</i>								
Nursing Staff Salaries								
Agency costs	2	1a	\$ 172,470	1	\$ (4,072)	\$ 168,398		J-1
Staff Nurse	2	1b	2,018,713	2	161,036	2,179,749		D-1
			2,191,183		156,964	2,348,147		
Nursing Staff Benefits	2	2	637,326	1	(41,522)	595,804		D-1
Nursing Training Salaries	2	3	4,149		-	4,149		
Other	2	4	13,374		(13,374)	-		J-2
Subtotal - Primary Patient Care	2	5	2,846,032		102,068	2,948,100	\$ 85.21	
<i>Secondary Patient Care Costs (lines 6-14)</i>								
Clinical Consultants	2	6	55,964		(5,320)	50,644		J-1
Social Services	2	7	-		-	-		
Employee Benefits	2	8	-		-	-		
Raw Food	2	9	204,830		-	204,830		
Medical Supplies	2	10	223,645		(2,022)	221,623		J-1
Pharmacy	2	11	7,750		(196)	7,554		J-1
Other - Allowable Ancillary	2	12	-		-	-		
Subtotal - Secondary Patient Care Costs	2	14	492,189		(7,538)	484,651	14.01	
<i>Support Service Costs (lines 15-22)</i>								
Dietary	2	15	648,816	1	(1,719)	568,321		D-1
				2	(78,776)			J-1
Operation and Maintenance of Facility	2	16	446,646	1	1,790	438,518		D-1
				2	(9,918)			J-1
Housekeeping	2	17	410,883		-	410,883		
Laundry & Linen	2	18	28,346		80	28,426		J-1
Patient Recreation	2	19	81,028		5,353 (173)	86,208		D-1 J-1
Employee Benefits	2	20	207,206		(177,543)	29,663		D-1
Other	2	21	-		-	-		
Subtotal - Support Service Costs	2	22	1,822,925		(260,906)	1,562,019	45.15	

Gilpin Hall

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

Year ended June 30, 2010

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amounts</u>	<u>Adjustments</u>		<u>Adjusted Amounts</u>	<u>Adjusted Cost Per Day</u>	<u>Note Ref.</u>
				<u>No.</u>	<u>Amount</u>			
<i>Administrative & Routine Costs (lines 23-32)</i>								
Owner/Executive Director Salary	2	23	-		-	-		
Medical and Nursing Director Salary	2	24	159,159		9,709	168,868		D-1
Other Administrative Salaries	2	25	1,174,730		62,383	1,237,113		D-1
Employee Benefits	2	26	317,996		(18,588)	299,408		D-1
Medical Records	2	27	1,961		(165)	1,796		J-1
Training	2	28	-		-	-		
Interest - Working Capital	2	29	-		-	-		
Home Office - Admin	3	30	-		-	-		
Other	3	31	280,624		73,083 (93,964) (164) 5,866	265,445		D-1 D-1 J-1 J-2
Subtotal - Administrative & Routine	3	32	1,934,470		38,160	1,972,630	57.01	
<i>Capital Costs (lines 33-39)</i>								
Lease Costs	3	33	802		-	802		
Interest - Mortgage	3	34	372,188		-	372,188		
Property Taxes	3	36	-		-	-		
Depreciation	3	36	567,045		-	567,045		
Home Office Capital	3	37	-		-	-		
Other	3	38	33,120		-	33,120		
Subtotal - Capital	3	39	973,155		-	973,155	28.13	
SUBTOTAL	3	40	8,068,771		(128,216)	7,940,555	229.51	

Gilpin Hall

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

Year ended June 30, 2010

Description	Page	Line	As Filed Amounts	Adjustments		Adjusted Amounts	Adjusted Cost Per Day	Note Ref.
				No.	Amount			
Ancillary Costs - (lines 41-49)								
Laboratory	3	41	2,136		(184)	1,952		J-1
X-Rays	3	42	-		-	-		
Physical Therapy	3	43	49,112		(4,837)	44,275		J-1
Occupational Therapy	3	44	18,638		(2,898)	15,740		J-1
Speech Therapy	3	45	14,169		(4,190)	9,979		J-1
Pharmacy (Rx)	3	46	50,745		(5,872)	44,873		J-1
Oxygen	3	47	-		-	-		
Non Allowable Expenses	3	48	1,170,206		15,920	1,190,189		D-1
					4,063			D-1
Subtotal - Ancillary	3	49	1,305,006		2,002	1,307,008	37.78	
Other Costs - (lines 50-52)								
Gift, Beauty Shop, etc.	3	50	(2,317)		2,317	-		J-3
Util. Review	3	51	-		-	-		
Subtotal	3	52	(2,317)		2,317	-	-	
TOTAL COSTS	3	53	\$ 9,371,460		\$ (123,897)	\$ 9,247,563	\$ 267.29	

PART II - COST REPORT PATIENT DAYS

Total beds	6	1, 3	96	-	96
Total bed days available	6	4	35,040	-	35,040
Medicaid Patient Days	6	5A	24,736	-	24,736
90% minimum census threshold	6		31,536	-	31,536
Total census days	6	5E	34,599	-	34,599

Gilpin Hall

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

Year ended June 30, 2010

Description	Page	Line	As Filed Amounts	Adjustments		Adjusted Amounts	Note Ref.
				No.	Amount		
<u>PART III - NURSING WAGE SURVEY</u>							
<i>I. Administrative Nurse Information</i>							
RN's - Total Number	9	B	13	(1)		12	NWS-1
RN's - Total Payroll	9	B	27,953	(2,376)		25,577	NWS-1
RN's - Total Hours	9	B	860	(87)		773	NWS-1
LPN's - Total Number	9	B	-	1		1	NWS-1
LPN's - Total Payroll	9	B	-	2,376		2,376	NWS-1
LPN's - Total Hours	9	B	-	87		87	NWS-1
<i>II. Staff Nurse Information</i>							
RN's - Total Number	9	B	7	(7)		-	NWS-1
RN's - Total Payroll	9	B	12,896	(12,896)		-	NWS-1
RN's - Total Hours	9	B	371	(371)		-	NWS-1
LPN's - Total Number	9	B	16	(1)		15	NWS-1
LPN's - Total Payroll	9	B	27,401	(2,376)		25,025	NWS-1
LPN's - Total Hours	9	B	1,093	(87)		1,006	NWS-1

PART IV - DETAILED EXPLANATION OF ADJUSTMENTS

- S-1 *To correct provider adjustment reclassifying Administrative Salaries out of Nursing Salaries. Provider did not take into account the allocation for the Skilled Nursing Facility.*
- D-1 *To adjust allocation of Non-Productive Wages and allocation of Benefits. Original allocation included \$622,389 of Dietary Payroll, which was actually a contracted service and not Salary.*
- J-1 *To remove items that had been recorded in the incorrect period.*
- J-2 *Per Cost Report Instructions, Line 4 includes other costs associated with Nursing Staff to provide basic medical care for nursing home patients. \$5,866 was related to licenses and publications, and was reclassified into the Administrative Cost center. \$7,508 was related to "Resident Health Insurance", which is not an allowable cost under Medicaid guidelines.*
- J-3 *To correct provider adjustment for revenue offset. Provider did not take into account the allocation for the Skilled Nursing Facility.*
- NWS-1 *To adjust Nursing Wage Survey to agree to supporting documentation. Administrative RN's included one nurse who was a LPN, and Administrative LPN's excluded the same nurse. Staff Nurse RN's included 7 administrative RN's who had already been included in the administrative section. Their corresponding hours and payroll were also removed. Staff Nurse LPN's included one administrative LPN that had already been included in the Administrative section, and her corresponding hours and payroll were also removed.*



Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Examination of Financial Statements 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 examined management's assertions that Gilpin Hall (the "Facility") has complied with federal requirements (42 CFR 447.253 and 483 Subpart B) and state requirements (Title XIX Delaware Medicaid State Plan, Attachment 4.19D), as applicable, relative to the Facility's fiscal records of the Department of Health and Social Services (DHSS), Division of Social Services, Medicaid Long-Term Care Facilities' Statement of Reimbursement Costs for Skilled and Intermediate Care Nursing Facilities - Title XIX and Nursing Wage Survey ("Statement" and "Survey", respectively) for the fiscal year ended June 30, 2010, and have issued our report thereon dated February 28, 2013, which was qualified due to the required adjustments reported in the Schedule of Adjustments accompanying it. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to financial examinations contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Reporting

Management of the Facility is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our examination, we considered the Facility's internal control over financial reporting in order to determine our examination procedures for the purpose of expressing our opinions on managements' assertions, 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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 examination, 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 28, 2013.

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 the Facility, 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.

BDO USA, LLP

February 28, 2013

GILPIN HALL

Schedule of Findings and Responses

June 30, 2010

CURRENT YEAR CONDITIONS

NONE