



Milford Center

Examination Report Medicaid Cost Report

For the period April 1, 2011 to
June 30, 2011

Issued: August 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.



Milford Center

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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 **Milford Center** (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 ("Statement") for the period of April 1, 2011 to July 31, 2011. On March 31, 2011, the Facility became a non-owner operator provider, resulting in a change in legal form and new provider number. The examination of the assertions for the period of July 1, 2010 through March 31, 2011 is covered in a separate report dated July 31, 2013. 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 4-7, 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 July 31, 2013, on our consideration of the Facility's internal control over reporting for the Statement 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. That report is an integral part of an examination performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.



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 available to the public and its distribution is not limited.

BDO USA, LLP

July 31, 2013

Milford Center

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

*For the period April 1, 2011 to June 30, 2011 ***

Description	Page	Line	As Filed Amounts	Examination Adjustments		Adjusted Amounts	Adjusted Cost Per Day	Note Ref.
				No.	Amount			
<u>PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS</u>								
<i>Primary Patient Care Costs (lines 1-5)</i>								
Nursing Staff Salaries								
Agency Costs	3	1a	\$ 20,356	3	\$ 33,465	\$ 53,821		C-2
Staff Nurse	3	1b	(12,700)	1	1,000,000	953,835		C-1
				3	(33,465)			C-2
			7,656		1,000,000	1,007,656		
Nursing Staff Benefits	3	2	14,102	2	209,886	223,988		D-1
Nursing Training Salaries	3	3	319		-	319		
Other	3	4	-		-	-		
			22,077		1,209,886	1,231,963	\$ 107.49	
<i>Secondary Patient Care Costs (lines 6-14)</i>								
Clinical Consultants	2	6	7,925		-	7,925		
Social Services	2	7	37,409	4	9,509	46,918		C-3
Employee Benefits	2	8	19,516	2	(8,498)	1,509		D-1
				4	(9,509)			C-3
Raw Food	2	9	75,302		-	75,302		
Medical Supplies	2	10	56,542		-	56,542		
Pharmacy	2	11	12,319		-	12,319		
Other - Allowable Ancillary	2	12	-		-	-		
			209,013		(8,498)	200,515	17.50	
<i>Support Service Costs (lines 15-22)</i>								
Dietary	2	15	122,816		-	122,816		
Operation and Maintenance of Facility	2	16	113,377		-	113,377		
Housekeeping	2	17	70,555		-	70,555		
Laundry & Linen	2	18	36,020		-	36,020		
Patient Recreation	2	19	38,519		-	38,519		
Employee Benefits	2	20	58,394	2	(2,939)	55,455		D-1
Other	2	21	-		-	-		
			439,681		(2,939)	436,742	38.11	

*** The examination of the assertions for the period of July 1, 2010 through March 31, 2011 is covered in a separate report dated July 31, 2013.*

Milford Center

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

*For the period April 1, 2011 to June 30, 2011 ***

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amounts</u>	<u>Examination 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	52,459		-	52,459		
Other Administrative Salaries	2	25	180,892		-	180,892		
Employee Benefits	2	26	251,563	2	(198,449)	53,114		D-1
Medical Records	2	27	-		-	-		
Training	2	28	-		-	-		
Interest - Working Capital	2	29	-		-	-		
Home Office - Admin	3	30	131,666		-	131,666		
Other	3	31	92,084		-	92,084		
Subtotal - Administrative & Routine Costs	3	32	708,664		(198,449)	510,215	44.52	
<i>Capital Costs (lines 33-39)</i>								
Lease Costs	3	33	18,159		-	18,159		
Interest - Mortgage	3	34	25,257		-	25,257		
Property Taxes	3	35	11,584		-	11,584		
Depreciation	3	36	117,539		-	117,539		
Home Office Capital	3	37	44,548		-	44,548		
Other	3	38	1,449		-	1,449		
Subtotal - Capital Costs	3	39	218,536		-	218,536	19.07	
SUBTOTAL (lines 1-39)	3	40	1,597,971		1,000,000	2,597,971	226.68	

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Milford Center

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

For the period April 1, 2011 to June 30, 2011 **

Description	Page	Line	As Filed Amounts	Examination Adjustments		Adjusted Amounts	Adjusted Cost Per Day	Note Ref.
				No.	Amount			
<i>Ancillary Costs (lines 41-49)</i>								
Laboratory	3	41	7,887	-	-	7,887		
X-Rays	3	42	5,594	-	-	5,594		
Physical Therapy	3	43	161,097	-	-	161,097		
Occupational Therapy	3	44	147,934	-	-	147,934		
Speech Therapy	3	45	30,060	-	-	30,060		
Pharmacy (Rx)	3	46	87,097	-	-	87,097		
Oxygen	3	47	10,442	-	-	10,442		
Non Allowable Expenses	3	48	18,148	-	-	18,148		
Subtotal - Ancillary Costs	3	49	468,259	-	-	468,259	40.86	
<i>Other Costs (lines 50-52)</i>								
Gift, Beauty Shop, etc.	3	50	7,082	-	-	7,082		
Util. Review	3	51	-	-	-	-		
Subtotal Other Costs	3	52	7,082	-	-	7,082	0.62	
TOTAL COSTS	3	53	\$ 2,073,312	\$ 1,000,000	\$ 3,073,312	\$ 268.14		

PART II - COST REPORT PATIENT DAYS

Total beds	7	1, 3	136	-	-	136		
Total bed days available	7	4	12,376	-	-	12,376		
Medicaid patient days	7	5A	6,249	-	-	6,249		
90% minimum census threshold	7	90%	11,138	-	-	11,138		
Total census days	7	5E	11,460	1		11,461		K-1

** The examination of the assertions for the period of July 1, 2010 through March 31, 2011 is covered in a separate report dated July 31, 2013.

Milford Center

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

*For the period April 1, 2011 to June 30, 2011 ***

PART III - DETAILED EXPLANATION OF ADJUSTMENTS

- C-1 *To adjust Primary Patient Care Costs to actual. Initial Trial Balance Costs for Staff Nurses should have been \$1,114,690 instead of \$114,690.*
- D-1 *To adjust allocated benefits to actual per supporting documentation.*
- C-2 *To reclass agency nurse costs to Line 1A.*
- C-3 *To reclass Social Services salary expense out of Secondary Patient Care Employee Benefits (line 8) and into Social Services (line 7).*
- K-1 *Total Census Days as listed on the Cost Report did not agree to supporting documentation. Total Census Days were understated by one day.*

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270 Presidential Drive
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Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit 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 **Milford Center** (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 ("Statement") for the period of April 1, 2011 to June 30, 2011, and have issued our report thereon dated July 31, 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 management's 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.

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 over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Condition 11-01 in the accompanying Schedule of Findings and Responses to be a material weakness.

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.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Facility's Statement is 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Condition 11-01 in the accompanying Schedule of Findings and Responses.

We noted certain matters that we reported to management of the Facility in a separate letter dated July 31, 2013.

The Facility's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Facility's response and, accordingly, we express no opinion on it.

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 available to the public and its distribution is not limited.

BDO USA, LLP

July 31, 2013

Milford Center
Schedule of Findings and Responses

June 30, 2011

CURRENT YEAR CONDITIONS

CONDITION 11-01

Condition: Line 1b, Staff Nurse Costs, was understated by \$1,000,000. The unadjusted cost was \$1,114,690 per supporting documentation, but was recorded as \$114,690.

Criteria: Reporting guidelines require that a complete and accurate report of costs should be submitted on the Cost Report.

Cause: There was a clerical error made in preparing the Cost Report. This error was not detected during the reporting process.

Effect: The Cost Report was understated by \$1,000,000. This has the potential to greatly impact reimbursement, as total costs for the facility were understated by \$1,000,000.

Suggestion: The Cost Report should be prepared and reviewed by the Facility before submission to ensure accuracy and completeness.

Management Response: No response provided.