



## Milford Center

### Examination Report Medicaid Cost Report and Nursing Wage Survey

For the period July 1, 2010 to  
March 31, 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 and Nursing Wage Survey ("Statement" and "Survey", respectively) for the period of July 1, 2010 to March 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 April 1, 2011 through June 30, 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 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. 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 and the Nursing Wage Survey

For the period July 1, 2010 to March 31, 2011 \*\*

Description	Page	Line	As Filed Amounts	Examination Adjustments		Adjusted Amounts	Adjusted Cost Per Day	Note Ref.
				No.	Amount			
<b><u>PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS</u></b>								
<i>Primary Patient Care Costs (lines 1-5)</i>								
Nursing Staff Salaries								
Agency Costs	3	1a	\$ 16,004	4	\$ 418	\$ 16,422		C-2
Staff Nurse	3	1b	3,009,104	4	(418)	3,008,686		C-2
			<u>3,025,108</u>		<u>-</u>	<u>3,025,108</u>		
Nursing Staff Benefits	3	2	682,697	1	15,340	698,037		D-1
Nursing Training Salaries	3	3	6,396		-	6,396		
Other	3	4	<u>-</u>		<u>-</u>	<u>-</u>		
<b>Subtotal - Primary Patient Care Costs</b>	<b>3</b>	<b>5</b>	<b>3,714,201</b>		<b>15,340</b>	<b>3,729,541</b>	<b>\$ 108.18</b>	
<i>Secondary Patient Care Costs (lines 6-14)</i>								
Clinical Consultants	2	6	20,562		-	20,562		
Social Services	2	7	154,670	3	10,112	164,782		C-1
Employee Benefits	2	8	47,990	1	(9,774)	28,104		D-1
				3	(10,112)			C-1
Raw Food	2	9	216,505		-	216,505		
Medical Supplies	2	10	168,263		-	168,263		
Pharmacy	2	11	36,330		-	36,330		
Other - Allowable Ancillary	2	12	<u>-</u>		<u>-</u>	<u>-</u>		
<b>Subtotal - Secondary Patient Care Costs</b>	<b>2</b>	<b>14</b>	<b>644,320</b>		<b>(9,774)</b>	<b>634,546</b>	<b>18.41</b>	
<i>Support Service Costs (lines 15-22)</i>								
Dietary	2	15	336,343		-	336,343		
Operation and Maintenance of Facility	2	16	349,283	2	(16,263)	333,020		E-1
Housekeeping	2	17	218,887		-	218,887		
Laundry & Linen	2	18	109,262		-	109,262		
Patient Recreation	2	19	112,902		-	112,902		
Employee Benefits	2	20	178,462	1	(17,402)	161,060		D-1
Other	2	21	<u>-</u>		<u>-</u>	<u>-</u>		
<b>Subtotal - Support Service Costs</b>	<b>2</b>	<b>22</b>	<b>1,305,139</b>		<b>(33,665)</b>	<b>1,271,474</b>	<b>36.88</b>	

\*\* The examination of the assertions for the period April 1, 2011 through June 30, 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 and the Nursing Wage Survey, continued

For the period July 1, 2010 to March 31, 2011 \*\*

Description	Page	Line	As Filed Amounts	Examination Adjustments		Adjusted Amounts	Adjusted Cost Per Day	Note Ref.
				No.	Amount			
<i>Administrative &amp; Routine Costs (lines 23-32)</i>								
Owner/Executive Director Salary	2	23	-		-	-		
Medical and Nursing Director Salary	2	24	153,075		-	153,075		
Other Administrative Salaries	2	25	496,919		-	496,919		
Employee Benefits	2	26	134,043	1	11,835	145,878		D-1
Medical Records	2	27	-		-	-		
Training	2	28	-		-	-		
Interest - Working Capital	2	29	-		-	-		
Home Office - Admin	3	30	394,998		-	394,998		
Other	3	31	296,065		-	296,065		
<b>Subtotal - Administrative &amp; Routine Costs</b>	<b>3</b>	<b>32</b>	<b>1,475,099</b>		<b>11,835</b>	<b>1,486,935</b>	<b>43.13</b>	
<i>Capital Costs (lines 33-39)</i>								
Lease Costs	3	33	35,650		-	35,650		
Interest - Mortgage	3	34	121,212		-	121,212		
Property Taxes	3	35	33,794		-	33,794		
Depreciation	3	36	351,903		-	351,903		
Home Office Capital	3	37	55,257		-	55,257		
Other	3	38	4,151		-	4,151		
<b>Subtotal - Capital Costs</b>	<b>3</b>	<b>39</b>	<b>601,967</b>		<b>-</b>	<b>601,967</b>	<b>17.46</b>	
<b>SUBTOTAL (lines 1-39)</b>	<b>3</b>	<b>40</b>	<b>7,740,727</b>		<b>(16,264)</b>	<b>7,724,463</b>	<b>224.04</b>	

\*\* The examination of the assertions for the period April 1, 2011 through June 30, 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 and the Nursing Wage Survey, continued

For the period July 1, 2010 to March 31, 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	40,644	-	-	40,644		
X-Rays	3	42	11,070	-	-	11,070		
Physical Therapy	3	43	434,546	-	-	434,546		
Occupational Therapy	3	44	410,988	-	-	410,988		
Speech Therapy	3	45	88,504	-	-	88,504		
Pharmacy (Rx)	3	46	257,682	-	-	257,682		
Oxygen	3	47	31,413	-	-	31,413		
Non Allowable Expenses	3	48	53,071	-	-	53,071		
<b>Subtotal - Ancillary Costs</b>	<b>3</b>	<b>49</b>	<b>1,327,918</b>	<b>-</b>	<b>-</b>	<b>1,327,918</b>	<b>38.52</b>	
<i>Other Costs (lines 50-52)</i>								
Gift, Beauty Shop, etc.	3	50	20,183	-	-	20,183		
Util. Review	3	51	-	-	-	-		
<b>Subtotal Other Costs</b>	<b>3</b>	<b>52</b>	<b>20,183</b>	<b>-</b>	<b>-</b>	<b>20,183</b>	<b>0.59</b>	
<b>TOTAL COSTS</b>	<b>3</b>	<b>53</b>	<b>\$ 9,088,828</b>	<b>\$ (16,264)</b>	<b>\$ 9,072,564</b>	<b>\$ 263.15</b>		

#### PART II - COST REPORT PATIENT DAYS

Total beds	7	1, 3	136	-	-	136		
Total bed days available	7	4	37,264	-	-	37,264		
Medicaid patient days	7	5A	20,074	-	-	20,074		
90% minimum census threshold	7	90%	33,538	-	-	33,538		
Total census days	7	5E	34,474	5	2	34,476		K-1

\*\* The examination of the assertions for the period April 1, 2011 through June 30, 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 and the Nursing Wage Survey, continued

*For the period July 1, 2010 to March 31, 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>			
<b><u>PART III - NURSING WAGE SURVEY</u></b>								
<i>II A. Staff Nurse Information</i>								
RNs - Total Payroll	10	B	9,308	6	2,015	11,323		NWS-1
RNs - Total Hours	10	B	248	6	72	320		NWS-1
CNAs - Total Payroll	10	B	5,104	6	1,722	6,826		NWS-1
CNAs - Total Hours	10	B	350	6	120	470		NWS-1
<i>II B. Staff Nurse Information</i>								
All remaining Nursing Staff								
RNs - Number of RNs	10	B	29	6	(1)	28		NWS-1
RNs - Total Payroll	10	B	60,624	6	(2,015)	58,609		NWS-1
RNs - Total Hours	10	B	1,812	6	(72)	1,740		NWS-1

### PART IV - DETAILED EXPLANATION OF ADJUSTMENTS

- D-1 *To adjust allocated benefits to actual per supporting documentation.*
- E-1 *To remove a transaction from the Medicaid Cost Report that related to a prior period.*
- C-1 *To reclass Social Services salary expense out of Employee Benefits (line 8) and into Social Services (line 7).*
- C-2 *To reclass expenses related to agency nurses to Line 1.*
- K-1 *To adjust Total Census Days as listed on the Cost Report to supporting documentation. Total Census Days were understated by two days.*
- NWS-1 *To adjust Nursing Wage Survey to agree to supporting documentation.*

*\*\* The examination of the assertions for the period April 1, 2011 through June 30, 2011 is covered in a separate report dated July 31, 2013.*



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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 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 **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 and Nursing Wage Survey ("Statement" and "Survey", respectively) the period of July 1, 2010 to March 31, 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.

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 Statement 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 Statement 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 July 31, 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 available to the public and its distribution is not limited.

BDO USA, LLP

July 31, 2013

**Milford Center**  
**Schedule of Findings and Responses**

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*March 31, 2011*

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**CURRENT YEAR CONDITIONS**

NONE