



Mid-Atlantic of Delmar, LLC.

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

June 30, 2013

Report Issued: January 5, 2015

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.



Mid-Atlantic of Delmar, LLC.

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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 Mid-Atlantic of Delmar, LLC. (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, 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 December 15, 2014, 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

December 15, 2014

Mid-Atlantic of Delmar, LLC.

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, 2013

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	2	1a	\$ -			\$ -		
Staff Nurse	2	1b	2,193,612			2,193,612		
			<u>2,193,612</u>			<u>2,193,612</u>		
Nursing Staff Benefits	2	2	489,322			489,322		
Nursing Training Salaries	2	3	49,068			49,068		
Other	2	4	52,331			52,331		
			<u>52,331</u>			<u>52,331</u>		
Subtotal - Primary Patient Care Costs	2	5	2,784,333			2,784,333	\$ 87.58	
<i>Secondary Patient Care Costs (lines 6-14)</i>								
Clinical Consultants	2	6	139,912			139,912		
Social Services	2	7	-			-		
Employee Benefits	2	8	-			-		
Raw Food	2	9	211,667			211,667		
Medical Supplies	2	10	160,832			160,832		
Pharmacy	2	11	23,852			23,852		
Other - Allowable Ancillary	2	12	41,693			41,693		
			<u>41,693</u>			<u>41,693</u>		
Subtotal - Secondary Patient Care Costs	2	14	577,956			577,956	18.18	
<i>Support Service Costs (lines 15-22)</i>								
Dietary	2	15	253,139			253,139		
Operation and Maintenance of Facility	2	16	372,366			372,366		
Housekeeping	2	17	164,141			164,141		
Laundry & Linen	2	18	116,664			116,664		
Patient Recreation	2	19	80,179			80,179		
Employee Benefits	2	20	115,923			115,923		
Other	2	21	-			-		
			<u>-</u>			<u>-</u>		
Subtotal - Support Service Costs	2	22	1,102,412			1,102,412	34.67	

Mid-Atlantic of Delmar, LLC.

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, 2013

Description	Page	Line	As Filed Amounts	Examination Adjustments		Adjusted Amounts	Adjusted Cost Per Day	Note Ref.
				No.	Amount			
<i>Administrative & Routine Costs (lines 23-32)</i>								
Owner/Executive Director Salary	2	23	-	-	-	-		
Medical and Nursing Director Salary	2	24	121,607	-	-	121,607		
Other Administrative Salaries	2	25	641,581	-	-	641,581		
Employee Benefits	2	26	73,843	-	-	73,843		
Medical Records	2	27	229	-	-	229		
Training	2	28	-	-	-	-		
Interest - Working Capital	2	29	-	-	-	-		
Home Office - Admin	2	30	184,731	-	-	184,731		
Other	2	31	454,858	-	-	454,858		
Subtotal - Administrative & Routine Costs	3	32	1,476,849	-	-	1,476,849	46.45	
<i>Capital Costs (lines 33-39)</i>								
Lease Costs	3	33	961	-	-	961		
Interest - Mortgage	3	34	-	-	-	-		
Property Taxes	3	35	32,808	-	-	32,808		
Depreciation	3	36	85,872	-	-	85,872		
Home Office Capital	3	37	7,976	-	-	7,976		
Other	3	38	520,760	-	-	520,760		
Subtotal - Capital Costs	3	39	648,377	-	-	648,377	20.39	
SUBTOTAL (lines 1-39)	3	40	6,589,927	-	-	6,589,927	207.27	

Mid-Atlantic of Delmar, LLC.

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, 2013

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	-		-	-		
X-Rays	3	42	4,231		-	4,231		
Physical Therapy	3	43	137,373		-	137,373		
Occupational Therapy	3	44	118,374		-	118,374		
Speech Therapy	3	45	33,178		-	33,178		
Pharmacy (Rx)	3	46	134,539		-	134,539		
Oxygen	3	47	2,384		-	2,384		
Non Allowable Expenses	3	48	5,331		-	5,331		
Subtotal - Ancillary Costs	3	49	435,410		-	435,410	13.70	
<i>Other Costs - (lines 50-52)</i>								
Gift, Beauty Shop, etc.	3	50	1,043		-	1,043		
Util. Review	3	51	-		-	-		
Subtotal Other Costs	3	52	1,043		-	1,043	0.03	
TOTAL COSTS	3	53	\$ 7,026,380		-	\$ 7,026,380	\$ 221.00	

PART II - COST REPORT PATIENT DAYS

Total beds	6	1, 3	109		-	109		
Total bed days available	6	4	39,785		-	39,785		
Medicaid Patient Days	6	5D	25,748	1	(4)	25,744		K-1
Medicare Patient Days	6	5F	2,424	1	29	2,453		K-1
Private Pay Patient Days	6	5G,H	1,194	1	98	1,292		K-1
Other Patient Days	6	5I	2,309	1	(5)	2,304		K-1
Total census days	6	5J	31,675		118	31,793		
90% minimum census threshold	6		35,807		-	35,807		

Mid-Atlantic of Delmar, LLC.

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, 2013

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amounts</u>	<u>Examination Adjustments</u>		<u>Adjusted Amounts</u>	<u>Note Ref.</u>
				<u>No.</u>	<u>Amount</u>		
<u>PART III - NURSING WAGE SURVEY</u>							
<i>II. Staff Nurse Information</i>							
Administrative CNA's - Total Hours	5	A	96	1	(8)	88	NWS-1

PART IV - DETAILED EXPLANATION OF ADJUSTMENTS

K-1 *To adjust census to agree to supporting documentation.*

NWS-1 *To adjust Nursing Wage Survey to agree to supporting documentation.*



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 Mid-Atlantic of Delmar, LLC (the "Facility") has complied with federal requirements (42 CRF 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, 2013, and have issued our report thereon dated December 15, 2014, 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 an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Responses as condition 13-01.

We noted certain matters that we reported to management of the Facility in a separate letter dated December 15, 2014.

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

December 15, 2014

Mid-Atlantic of Delmar, LLC.
Schedule of Findings and Responses

June 30, 2013

CURRENT YEAR CONDITIONS

CONDITION 12-01

Condition: During testing of payroll and employee records, ten out of forty items selected for testing had both overtime and shift differential hours. For the ten items, the overtime rate was not calculated in accordance with the Fair Labor Standards Act ("FLSA").

Criteria: Overtime pay for non-exempt employees is to be computed in accordance with the FLSA. Under the FLSA, overtime pay is determined by multiplying the employee's "straight time of pay" by all overtime hours worked PLUS one-half of the employee's "hourly regular rate of pay" times all overtime hours worked (5 CFR part 551).

The "hourly regular rate of pay" is calculated by dividing the total amount of pay earned, including shift differentials, by the total number of hours worked.

Cause: The Facility did not use the prescribed method when calculating overtime pay.

Effect: The amount of payroll tested was \$52,389, and overtime paid for the ten items was \$2,013. Had the Facility calculated overtime under the FLSA guidelines, overtime pay would have been \$1,971, or a difference of \$42 (less than 0.1% and 2% of payroll tested and overtime tested, respectively). The difference is clearly trivial, and as the amount paid was properly reported on the cost report, no adjustment was proposed.

For the period under examination, the Facility paid an overtime rate greater than what would have been calculated under the FLSA. However, the risk is present that using a calculation other than the prescribed guidance could result in a lower rate of pay and the Facility would not be in compliance with the FLSA.

Suggestion: Management should review their payroll processes and procedures and ensure they are in compliance with all federal and state regulations.

Management

Response: The time period under examination involved a previous payroll vendor (Payce) at the facility level. Management discovered that this provider had not been using the proper blended rate in their calculations. During the time in question, management had deferred to the payroll provider's expertise, and was unaware that they were non-compliant.

The Facility implemented a new software application in mid-2013 (Ultipro). Management has performed a thorough review to confirm current compliance status, and has found that the Facility now consistently utilizes a blended rate calculation as required by the FLSA.

The Facility and its management are committed to complying with all federal and state laws, and will continue to monitor compliance going forward.

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