



Hillside Center

Examination Report Medicaid Cost Report and Nursing Wage Survey

June 30, 2014

Report Issued: March 2, 2016

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.



Hillside Center

Contents

Independent Accountant's Report	2-3
Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey	4-7
Independent Accountant's 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>	8-9
Schedule of Findings and Responses	10



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Independent Accountant's 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 Hillside 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 fiscal year ended June 30, 2014. 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 February 5, 2016, 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

February 5, 2016

Hillside Center

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, 2014

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	\$ 12,242	\$ -		12,242		
Staff Nurse	2	1b	2,991,354	-		2,991,354		
			3,003,596	-		3,003,596		
Nursing Staff Benefits	2	2	505,073	-		505,073		
Nursing Training Salaries	2	3	163	-		163		
Other	2	4	-	-		-		
Subtotal - Primary Patient Care Costs	2	5	3,508,832	-		3,508,832	\$ 97.19	
<i>Secondary Patient Care Costs (lines 6-14)</i>								
Clinical Consultants	2	6	9,380	-		9,380		
Social Services	2	7	146,584	-		146,584		
Employee Benefits	2	8	25,460	-		25,460		
Raw Food	2	9	201,810	-		201,810		
Medical Supplies	2	10	149,952	-		149,952		
Pharmacy	2	11	43,418	-		43,418		
Other - Allowable Ancillary	2	12	-	-		-		
Subtotal - Secondary Patient Care Costs	2	14	576,604	-		576,604	15.97	
<i>Support Service Costs (lines 15-22)</i>								
Dietary	2	15	427,242	-		427,242		
Operation and Maintenance of Facility	2	16	460,795	-		460,795		
Housekeeping	2	17	237,523	-		237,523		
Laundry & Linen	2	18	60,796	-		60,796		
Patient Recreation	2	19	99,184	-		99,184		
Employee Benefits	2	20	162,993	-		162,993		
Other	2	21	-	-		-		
Subtotal - Support Service Costs	2	22	1,448,533	-		1,448,533	40.12	

Hillside 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

Year ended June 30, 2014

<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	189,334		-	189,334		
Other Administrative Salaries	2	25	630,848		-	630,848		
Employee Benefits	2	26	135,864		-	135,864		
Medical Records	2	27	-		-	-		
Training	2	28	-		-	-		
Interest - Working Capital	2	29	-		-	-		
Home Office - Admin	2	30	457,266		-	457,266		
Other	2	31	347,440		-	347,440		
Subtotal - Administrative & Routine Costs	2	32	1,760,752		-	1,760,752	48.77	
<i>Capital Costs (lines 33-39)</i>								
Lease Costs	3	33	38,502		-	38,502		
Interest - Mortgage	3	34	276,623		-	276,623		
Property Taxes	3	35	123,926		-	123,926		
Depreciation	3	36	460,611		-	460,611		
Home Office Capital	3	37	49,164		-	49,164		
Other	3	38	5,448		-	5,448		
Subtotal - Capital Costs	3	39	954,274		-	954,274	26.43	
SUBTOTAL (lines 1-39)	3	40	8,248,995		-	8,248,995	228.49	

Hillside 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

Year ended June 30, 2014

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	8,121	-	-	8,121		
X-Rays	3	42	14,687	-	-	14,687		
Physical Therapy	3	43	367,540	-	-	367,540		
Occupational Therapy	3	44	348,368	-	-	348,368		
Speech Therapy	3	45	181,701	-	-	181,701		
Pharmacy (Rx)	3	46	344,321	-	-	344,321		
Oxygen	3	47	39,992	-	-	39,992		
Non Allowable Expenses	3	48	53,375	-	-	53,375		
Subtotal - Ancillary Costs	3	49	1,358,105	-	-	1,358,105	37.62	
<i>Other Costs (lines 50-52)</i>								
Gift, Beauty Shop, etc.	3	50	5,353	-	-	5,353		
Util. Review	3	51	-	-	-	-		
Subtotal - Other Costs	3	52	5,353	-	-	5,353	0.15	
TOTAL COSTS	3	53	\$ 9,612,453	\$ -	\$ -	\$ 9,612,453	\$ 266.26	

PART II - COST REPORT PATIENT DAYS

Total Beds	6	1, 3	106	-	-	106		
Total Bed Days Available	6	4	38,630	-	-	38,630		
Medicaid Patient Days	6	5D	26,404	394	-	26,798		K-1
Medicare Patient Days	6	5F	6,189	-	-	6,189		
Private Pay Patient Days	6	5G,H	1,211	29	-	1,240		K-1
Other Days	6	5I	2,298	(423)	-	1,875		K-1
Total Census Days	6	5J	36,102	-	-	36,102		
90% Minimum Census Threshold	6		34,767	-	-	34,767		

Hillside 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

Year ended June 30, 2014

<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-A.3 - Administrative Nurse Information</i>							
RNs - Total Payroll	3	A	\$ 5,978	\$	250	\$ 6,228	NWS-1
<i>II-B - All Remaining Nursing Staff</i>							
RNs - Total Number	3	B	20		(2)	18	NWS-2
RNs - Total Payroll	3	B	\$ 32,006	\$	(598)	\$ 31,408	NWS-2
RNs - Total Hours	3	B	1,017		(16)	1,001	NWS-2
LPNs - Total Number	3	B	21		(5)	16	NWS-2
LPNs - Total Payroll	3	B	\$ 32,471	\$	(2,295)	\$ 30,176	NWS-2
LPNs - Total Hours	3	B	1,239		(78)	1,161	NWS-2
CNAs - Total Number	3	B	45		2	47	NWS-1
CNAs - Total Payroll	3	B	\$ 40,411	\$	2,102	\$ 42,513	NWS-1
CNAs - Total Hours	3	B	2,956		155	3,111	NWS-1

PART IV - DETAILED EXPLANATION OF ADJUSTMENTS

K-1 To adjust Census data to agree to supporting documentation.

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

NWS-2 To adjust Nursing Wage Survey to remove employees that were also included as Agency Nurses.



Independent Accountant’s 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 Hillside 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 fiscal year ended June 30, 2014, and have issued our report thereon dated February 5, 2016, 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 or Survey will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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 14-001.

We noted certain matters that we reported to management of the Facility in a separate letter dated February 5, 2016.

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

February 5, 2016

Hillside Center

Schedule of Findings and Responses

June 30, 2014

CURRENT YEAR CONDITIONS

CONDITION 14-001

Condition: During testing of payroll and employee records, eleven out of sixty-one items selected for testing had both overtime and shift differential hours for which 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 total amount of payroll tested was \$67,314. Eleven of the samples selected included overtime (a total of \$1,898) paid to employees with shift differential hours. Of these eleven items, the Facility paid an overtime rate that was lower than what would have been calculated under the FLSA for one of the items, resulting in an underpayment of less than \$1. The Facility paid an overtime rate that was higher than what would have been calculated under the FLSA for ten out of eleven items, resulting in an overpayment of \$30, for a net difference of \$29 (0.04% and 1.5% 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. However, using a calculation other than the prescribed guidance resulted in a lower rate of pay for one item; consequently the facility is not 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's

Response: None provided.