



Seaford Center

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.



Seaford 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 Seaford 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, 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 November 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

Seaford 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, 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	3,516,923			3,516,923		
			<u>3,516,923</u>			<u>3,516,923</u>		
Nursing Staff Benefits	2	2	787,273			787,273		
Nursing Training Salaries	2	3	-			-		
Other	2	4	-			-		
			<u>-</u>			<u>-</u>		
Subtotal - Primary Patient Care Costs	2	5	4,304,196			4,304,196	\$ 107.79	
<i>Secondary Patient Care Costs (lines 6-14)</i>								
Clinical Consultants	2	6	11,746			11,746		
Social Services	2	7	181,635			181,635		
Employee Benefits	2	8	33,980			33,980		
Raw Food	2	9	224,638			224,638		
Medical Supplies	2	10	198,264			198,264		
Pharmacy	2	11	14,502			14,502		
Other - Allowable Ancillary	2	12	-			-		
			<u>-</u>			<u>-</u>		
Subtotal - Secondary Patient Care Costs	2	14	664,765			664,765	16.65	
<i>Support Service Costs (lines 15-22)</i>								
Dietary	2	15	446,748			446,748		
Operation and Maintenance of Facility	2	16	329,949			329,949		
Housekeeping	2	17	252,582			252,582		
Laundry & Linen	2	18	144,828			144,828		
Patient Recreation	2	19	82,880			82,880		
Employee Benefits	2	20	123,526			123,526		
Other	2	21	-			-		
			<u>-</u>			<u>-</u>		
Subtotal - Support Service Costs	2	22	1,380,513			1,380,513	34.57	

Seaford 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, 2013

<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	228,117		-	228,117		
Other Administrative Salaries	2	25	642,697		-	642,697		
Employee Benefits	2	26	168,470		-	168,470		
Medical Records	2	27	-		-	-		
Training	2	28	-		-	-		
Interest - Working Capital	2	29	1,548		-	1,548		
Home Office - Admin	2	30	492,177		-	492,177		
Other	2	31	329,888		-	329,888		
			<hr/>		<hr/>	<hr/>		
Subtotal - Administrative & Routine Costs	3	32	1,862,897		-	1,862,897	46.65	
<i>Capital Costs (lines 33-39)</i>								
Lease Costs	3	33	(269,750)		-	(269,750)		
Interest - Mortgage	3	34	159,743		-	159,743		
Property Taxes	3	35	34,062		-	34,062		
Depreciation	3	36	248,450		-	248,450		
Home Office Capital	3	37	70,355		-	70,355		
Other	3	38	4,850		-	4,850		
			<hr/>		<hr/>	<hr/>		
Subtotal - Capital Costs	3	39	247,710		-	247,710	6.20	
			<hr/>		<hr/>	<hr/>		
SUBTOTAL (lines 1-39)	3	40	8,460,081		-	8,460,081	211.86	

Seaford 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, 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	28,187	-	-	28,187		
X-Rays	3	42	16,115	-	-	16,115		
Physical Therapy	3	43	508,119	-	-	508,119		
Occupational Therapy	3	44	471,607	-	-	471,607		
Speech Therapy	3	45	101,238	-	-	101,238		
Pharmacy (Rx)	3	46	364,908	-	-	364,908		
Oxygen	3	47	64,378	-	-	64,378		
Non Allowable Expenses	3	48	54,923	-	-	54,923		
Subtotal - Ancillary Costs	3	49	1,609,475	-	-	1,609,475	40.30	
<i>Other Costs - (lines 50-52)</i>								
Gift, Beauty Shop, etc.	3	50	13,358	-	-	13,358		
Util. Review	3	51	-	-	-	-		
Subtotal Other Costs	3	52	13,358	-	-	13,358	0.33	
TOTAL COSTS	3	53	\$ 10,082,914	-	-	\$ 10,082,914	\$ 252.49	

PART II - COST REPORT PATIENT DAYS

Total beds	6	1, 3	124	-	-	124	
Total bed days available	6	4	45,260	-	-	45,260	
Medicaid Patient Days	6	5D	28,279	99	-	28,378	K-1
Medicare Patient Days	6	5F	7,811	(50)	-	7,761	K-1
Private Pay Patient Days	6	5G	2,602	-	-	2,602	
Other Patient Days	6	5I	1,241	(49)	-	1,192	K-1
Total census days	6	5J	39,933	-	-	39,933	
90% minimum census threshold	6		40,734	-	-	40,734	

Seaford 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, 2013

PART III - NURSING WAGE SURVEY

No adjustments.

PART IV - DETAILED EXPLANATION OF ADJUSTMENTS

K-1 *To adjust census data 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 Seaford 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, 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 12-01.

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

Seaford Center

Schedule of Findings and Responses

June 30, 2013

CURRENT YEAR CONDITIONS

CONDITION 12-01

Condition: During testing of payroll and employee records, seven out of sixty items selected for testing had both overtime and shift differential hours. For these seven 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 \$70,993, and overtime paid for the seven items was \$875. Had the Facility calculated overtime under the FLSA guidelines, overtime pay would have been \$858, or a difference of \$17 (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 Seaf 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: Upon notification of these issues, Genesis initiated an investigation as to understand any potential inconsistency and, if needed, make necessary changes to prevent any potential future inconsistency.

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