



HARBOR HEALTHCARE AND REHABILITATION CENTER

Examination Report Medicaid Cost Report and Nursing Wage Survey

June 30, 2010

Issued: March 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.



HARBOR HEALTHCARE AND REHABILITATION 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 Harbor Healthcare and Rehabilitation 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, 2010. 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 3-6, 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 28, 2013, on our consideration of the Facility's internal control over reporting for the Cost Report 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. This report is an integral part of an examination performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our examination.



(Independent Accountants' Report, Continued)

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 public record and its distribution is not limited.

BDO USA, LLP

February 28, 2013

Harbor Healthcare and Rehabilitation 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, 2010

Description	Page	Line	As Filed Amounts	Audit 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	4,723,567	1	(3,673)	4,719,894		D-1
			<u>4,723,567</u>		<u>(3,673)</u>	<u>4,719,894</u>		
Nursing Staff Benefits	2	2	902,960	1	2,553	905,513		D-1
Nursing Training Salaries	2	3	46,444	1	5,217	51,661		D-1
Other	2	4	309,052	1	(31,285)	-		J-1
				2	<u>(277,767)</u>			J-2
Subtotal - Primary Patient Care	2	5	5,982,023		(304,955)	5,677,068	\$ 98.35	
<i>Secondary Patient Care Costs (lines 6-14)</i>								
Clinical Consultants	2	6	127,790		-	127,790		
Social Services	2	7	51,403	1	(40)	51,363		D-1
Employee Benefits	2	8	9,826	1	(79)	9,747		D-1
Raw Food	2	9	404,543		-	404,543		
Medical Supplies	2	10	92,510	1	266,532	359,042		J-2
Pharmacy	2	11	79,861		-	79,861		
Other - Allowable Ancillary	2	12	-		-	-		
Subtotal - Secondary Patient Care Costs	2	14	765,933		266,413	1,032,346	17.88	
<i>Support Service Costs (lines 15-22)</i>								
Dietary	2	15	543,941	1	(386)	543,555		D-1
Operation and Maintenance of Facility	2	16	644,337	1	(88)	644,249		D-1
Housekeeping	2	17	301,637		-	301,637		
Laundry & Linen	2	18	165,377		-	165,377		
Patient Recreation	2	19	236,274	1	(158)	236,116		D-1
Employee Benefits	2	20	155,736	1	(1,251)	154,485		D-1
Other	2	21	-		-	-		
Subtotal - Support Service Costs	2	22	2,047,302		(1,883)	2,045,419	35.43	

Harbor Healthcare and Rehabilitation 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, 2010

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amounts</u>	<u>Audit 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	96,204	1	(75)	96,129		D-1
Medical and Nursing Director Salary	2	24	481,633	1	(334)	481,299		D-1
Other Administrative Salaries	2	25	375,372	1	(292)	375,080		D-1
Employee Benefits	2	26	172,338	1	(1,384)	170,954		D-1
Medical Records	2	27	-		-	-		
Training	2	28	-		-	-		
Interest - Working Capital	2	29	-		-	-		
Home Office - Admin	3	30	-		-	-		
Other	3	31	1,309,937	1	(11,048)	731,403		E-1
				2	11,235			J-2
				3	(3,052)			J-3
				4	(575,669)			GG-1
Subtotal - Administrative & Routine	3	32	2,435,484		(580,619)	1,854,865	32.13	
<i>Capital Costs (lines 33-39)</i>								
Lease Costs	3	33	189,765		-	189,765		
Interest - Mortgage	3	34	706,231		-	706,231		
Property Taxes	3	36	56,513		-	56,513		
Depreciation	3	36	394,866		-	394,866		
Home Office Capital	3	37	-		-	-		
Other	3	38	112,992		-	112,992		
Subtotal - Capital	3	39	1,460,367		-	1,460,367	25.30	
SUBTOTAL	3	40	12,691,109		(621,044)	12,070,065	209.09	

Harbor Healthcare and Rehabilitation 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, 2010

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amounts</u>	<u>Audit Adjustments</u>		<u>Adjusted Amounts</u>	<u>Adjusted Cost Per Day</u>	<u>Note Ref.</u>
				<u>No.</u>	<u>Amount</u>			
<i>Ancillary Costs - (lines 41-49)</i>								
Laboratory	3	41	34,636			34,636		
X-Rays	3	42	30,103			30,103		
Physical Therapy	3	43	627,436			627,436		
Occupational Therapy	3	44	473,760			473,760		
Speech Therapy	3	45	108,768			108,768		
Pharmacy (Rx)	3	46	538,703			538,703		
Oxygen	3	47	33,349			33,349		
Non Allowable Expenses	3	48	276,803	1	(10)	276,793		D-1
Subtotal - Ancillary	3	49	2,123,558		(10)	2,123,548	36.79	
<i>Other Costs - (lines 50-52)</i>								
Gift, Beauty Shop, etc.	3	50	15,731			15,731		
Util. Review	3	51	-			-		
Subtotal	3	52	15,731		-	15,731	0.27	
TOTAL COSTS	3	53	\$ 14,830,398		\$ (621,054)	\$ 14,209,344	\$ 246.15	

PART II - COST REPORT PATIENT DAYS

Total beds	6	1, 3	179	-	179
Total bed days available	6	4	65,335	-	65,335
Medicaid Patient Days	6	5A	36,221	-	36,221
90% minimum census threshold	6		58,802	-	58,802
Total census days	6	5E	57,724	-	57,724

Harbor Healthcare and Rehabilitation 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, 2010

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amounts</u>	<u>Audit Adjustments</u>		<u>Adjusted Amounts</u>	<u>Adjusted Cost Per Day</u>	<u>Note Ref.</u>
				<u>No.</u>	<u>Amount</u>			
<u>PART III - NURSING WAGE SURVEY</u>								
<i>II. Staff Nurse Information</i>								
LPN - Total Number	9	B	27	1		28		NWS-1
LPN - Total Payroll	9	B	4,524	132		4,656		NWS-1
LPN - Total Hours	9	B	1,703	74		1,777		NWS-1
CNA's - Total Number	9	B	87	2		89		NWS-1
CNA's - Total Payroll	9	B	82,052	1,154		83,206		NWS-1
CNA's - Total Hours	9	B	4,971	447		5,418		NWS-1

PART IV - DETAILED EXPLANATION OF ADJUSTMENTS

- D-1 *To adjust allocated benefits to actual per supporting documentation.*
- J-1 *To remove ambulance fees, which are reimbursed separately and not an allowable cost.*
- J-2 *Per Cost Report Instructions, Line 4 includes other costs associated with **Nursing Staff to provide basic medical care for nursing home patients**. The costs listed are related to supplies and administrative costs, and therefore needed to be reclassified into the proper cost category.*
- J-3 *To remove unallowable marketing costs.*
- GG-1 *To remove management fees paid to a related party, and to record the actual expenses associated with the related party.*
- NWS-1 *To adjust Nursing Wage Survey to agree to supporting documentation. Staff Nurse LPN's were missing one nurse that should have been included and Staff Nurse CNA's were missing two nurses that were paid from Department 235. Corresponding payroll and hours for these exclusions were also added to the Staff Nurse LPN's and Staff Nurse CNA's Total Payroll and Total Hours. In addition, Staff Nurse LPN's and Staff Nurse CNA's Total Hours did not include non-productive time, including sick, vacation, and Bailer time. Per the cost report instructions, these hours should be included on the report.*



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 Harbor Healthcare and Rehabilitation 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, 2010, and have issued our report thereon dated February 28, 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 managements' 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 Cost Report 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 Cost Report 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 February 28, 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 public record and its distribution is not limited.

BDO USA, LLP

February 28, 2013

HARBOR HEALTHCARE
Schedule of Findings and Responses

June 30, 2010

CURRENT YEAR CONDITIONS

NONE