



SILVER LAKE 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.



SILVER LAKE 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 Silver Lake 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

Silver Lake 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

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amounts</u>	<u>Adjustments No. Amount</u>	<u>Adjusted Amounts</u>	<u>Adjusted Cost Per Day</u>	<u>Note Ref.</u>
<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	\$ 161,613	\$ (29,707)	\$ 131,906		S-1
Staff Nurse	2	1b	2,943,397	-	2,943,397		
			<u>3,105,010</u>	<u>(29,707)</u>	<u>3,075,303</u>		
Nursing Staff Benefits	2	2	571,653	-	571,653		
Nursing Training Salaries	2	3	5,756	-	5,756		
Other	2	4	-	-	-		
			<u>3,682,419</u>	<u>(29,707)</u>	<u>3,652,712</u>	\$ 89.56	
<i>Secondary Patient Care Costs (lines 6-14)</i>							
Clinical Consultants	2	6	44,322	-	44,322		
Social Services	2	7	136,772	14,921	151,693		S-2
Employee Benefits	2	8	50,544	(14,921)	35,623		S-2
Raw Food	2	9	230,902	-	230,902		
Medical Supplies	2	10	155,653	-	155,653		
Pharmacy	2	11	55,636	-	55,636		
Other - Allowable Ancillary	2	12	-	-	-		
			<u>673,829</u>	<u>-</u>	<u>673,829</u>	16.52	
<i>Support Service Costs (lines 15-22)</i>							
Dietary	2	15	413,172	-	413,172		
Operation and Maintenance of Facility	2	16	487,820	-	487,820		
Housekeeping	2	17	235,503	-	235,503		
Laundry & Linen	2	18	80,529	-	80,529		
Patient Recreation	2	19	117,942	-	117,942		
Employee Benefits	2	20	198,845	-	198,845		
Other	2	21	-	-	-		
			<u>1,533,811</u>	<u>-</u>	<u>1,533,811</u>	37.61	

Silver Lake 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</u>	<u>Adjustments</u>		<u>Adjusted</u>	<u>Adjusted</u>	<u>Note</u>
			<u>Amounts</u>	<u>No.</u>	<u>Amount</u>	<u>Amounts</u>	<u>Cost</u>	
							<u>Per Day</u>	<u>Ref.</u>
<i>Administrative & Routine Costs (lines 23-32)</i>								
Owner/Executive Director Salary	2	23	-		-	-		
Medical and Nursing Director Salary	2	24	207,358		-	207,358		
Other Administrative Salaries	2	25	590,537		29,707	620,244		S-1
Employee Benefits	2	26	154,423		-	154,423		
Medical Records	2	27	-		-	-		
Training	2	28	225		-	225		
Interest - Working Capital	2	29	-		-	-		
Home Office - Admin	3	30	475,222		-	475,222		
Other	3	31	356,907		-	356,907		
			<hr/>		<hr/>	<hr/>		
Subtotal - Administrative & Routine	3	32	1,784,672		29,707	1,814,379	44.49	
<i>Capital Costs (lines 33-39)</i>								
Lease Costs	3	33	33,481		-	33,481		
Interest - Mortgage	3	34	101,026		-	101,026		
Property Taxes	3	36	53,215		-	53,215		
Depreciation	3	36	347,398		-	347,398		
Home Office Capital	3	37	71,064		-	71,064		
Other	3	38	5,170		-	5,170		
			<hr/>		<hr/>	<hr/>		
Subtotal - Capital	3	39	611,354		-	611,354	14.99	
SUBTOTAL	3	40	8,286,085		-	8,286,085	203.17	

Silver Lake 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

Description	Page	Line	As Filed Amounts	Adjustments		Adjusted Amounts	Adjusted Cost Per Day	Note Ref.
				No.	Amount			
Ancillary Costs - (lines 41-49)								
Laboratory	3	41	17,009	-		17,009		
X-Rays	3	42	15,352	-		15,352		
Physical Therapy	3	43	421,222	-		421,222		
Occupational Therapy	3	44	531,836	-		531,836		
Speech Therapy	3	45	132,565	-		132,565		
Pharmacy (Rx)	3	46	325,397	-		325,397		
Oxygen	3	47	70,704	-		70,704		
Non Allowable Expenses	3	48	9,116	-		9,116		
Subtotal - Ancillary	3	49	1,523,201	-		1,523,201	37.35	
Other Costs - (lines 50-52)								
Gift, Beauty Shop, etc.	3	50	27,830	-		27,830		
Util. Review	3	51	-	-		-		
Subtotal	3	52	27,830	-		27,830	0.68	
TOTAL COSTS	3	53	\$ 9,837,116	\$ -		\$ 9,837,116	\$ 241.20	

PART II - COST REPORT PATIENT DAYS

Total beds	6	1, 3	120	-		120		
Total bed days available	6	4	43,800	-		43,800		
Medicaid Patient Days	6	5A	25,626	1		25,627		K-1
90% minimum census threshold	6		39,420	-		39,420		
Total census days	6	5E	40,780	6		40,786		K-1

Silver Lake 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

Description	Page	Line	As Filed Amounts	Adjustments		Adjusted Amounts	Note Ref.
				No.	Amount		
<u>PART III - NURSING WAGE SURVEY</u>							
<i>I. Administrative Nurse Information</i>							
RN's - Total Payroll	9	A	13,604		1,379	14,983	NWS-1
RN's - Total Hours	9	A	397		40	437	NWS-1
CNA's - Total Payroll	9	A	1,464		20	1,484	NWS-2
<i>II. Staff Nurse Information</i>							
RN's - Total Number	9	B	20		(2)	18	NWS-1
RN's - Total Payroll	9	B	29,245		(1,379)	27,866	NWS-1
RN's - Total Hours	9	B	865		(40)	825	NWS-1

PART IV - DETAILED EXPLANATION OF ADJUSTMENTS

- S-1 *To reclassify Administrative Agency Nurses out of Primary Costs.*
- S-2 *To reclassify Non-Productive time out of benefits and into salaries.*
- K-1 *Medicaid Patient Days and Total Census Days as listed on the cost report did not agree to supporting documentation. Medicaid Patient Days were understated by one day, and Total Census Days were understated by six days.*
- NWS-1 *To adjust Nursing Wage Survey to agree to supporting documentation. Administrative Nurse RN's Total Wages and Total Hours did not include all of the wages and hours paid to Administrative RN's, as some was allocated to Staff Nurse RN's. An adjustment was made to move these wages and hours from Staff Nurse RN's Total Wages and Total Hours to Administrative Nurse RN's Total Wages and Total Hours. In addition, an adjustment was made to remove the two nurses from Staff Nurse RN's - Total Number who had already been counted in the Administrative Nurse RN's Total Number.*
- NWS-2 *To adjust Nursing Wage Survey to agree to supporting documentation. Administrative Nurse CNA's Total Hours were understated by 20 hours when compared to detail records.*



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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 Silver Lake 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

SILVER LAKE CENTER
Schedule of Findings and Responses

June 30, 2010

CURRENT YEAR CONDITIONS

NONE