



## **HARRISON SENIOR LIVING - GEORGETOWN**

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

June 30, 2012

Report Issued: September 16, 2014

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.



# HARRISON SENIOR LIVING - GEORGETOWN

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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 Harrison Senior Living - Georgetown (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, 2012. 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 September 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*

September 15, 2014

## Harrison Senior Living - Georgetown

### 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, 2012

<u>Description</u>	<u>Page</u>	<u>Line</u>	As Filed	Examination Adjustments		Adjusted	Adjusted	Note <u>Ref.</u>
			<u>Amounts</u>	<u>No.</u>	<u>Amount</u>	<u>Amounts</u>	<u>Per Day</u>	
<b><u>PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS</u></b>								
<i>Primary Patient Care Costs (lines 1-5)</i>								
Nursing Staff Salaries								
Agency Costs	2	1a	\$ 12,344	-		\$ 12,344		
Staff Nurse	2	1b	3,139,564	-		3,139,564		
			<u>3,151,908</u>	<u>-</u>		<u>3,151,908</u>		
Nursing Staff Benefits	2	2	620,402	-		620,402		
Nursing Training Salaries	2	3	19,080	-		19,080		
Other	2	4	48,558	(42,509)		6,049		O-1
<b>Subtotal - Primary Patient Care Costs</b>	<b>2</b>	<b>5</b>	<b>3,839,948</b>	<b>(42,509)</b>		<b>3,797,439</b>	<b>\$ 98.53</b>	
<i>Secondary Patient Care Costs (lines 6-14)</i>								
Clinical Consultants	2	6	11,000	-		11,000		
Social Services	2	7	108,915	-		108,915		
Employee Benefits	2	8	21,136	-		21,136		
Raw Food	2	9	250,425	-		250,425		
Medical Supplies	2	10	196,250	-		196,250		
Pharmacy	2	11	29,856	-		29,856		
Other - Allowable Ancillary	2	12	25,514	-		25,514		
<b>Subtotal - Secondary Patient Care Costs</b>	<b>2</b>	<b>14</b>	<b>643,096</b>	<b>-</b>		<b>643,096</b>	<b>16.69</b>	
<i>Support Service Costs (lines 15-22)</i>								
Dietary	2	15	374,106	-		374,106		
Operation and Maintenance of Facility	2	16	427,726	34,573		462,299		O-1
Housekeeping	2	17	185,765	-		185,765		
Laundry & Linen	2	18	114,797	-		114,797		
Patient Recreation	2	19	159,799	-		159,799		
Employee Benefits	2	20	144,022	-		144,022		
Other	2	21	-	-		-		
<b>Subtotal - Support Service Costs</b>	<b>2</b>	<b>22</b>	<b>1,406,215</b>	<b>34,573</b>		<b>1,440,788</b>	<b>37.38</b>	

## Harrison Senior Living - Georgetown

### 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, 2012

<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 &amp; Routine Costs (lines 23-32)</i>								
Owner/Executive Director Salary	2	23	98,609		-	98,609		
Medical and Nursing Director Salary	2	24	196,294		-	196,294		
Other Administrative Salaries	2	25	392,897			392,897		
Employee Benefits	2	26	125,562		-	125,562		
Medical Records	2	27	2,545		-	2,545		
Training	2	28	372		-	372		
Interest - Working Capital	2	29	-		-	-		
Home Office - Admin	3	30	383,241		-	383,241		
Other	3	31	373,286		7,936	381,222		O-1
<b>Subtotal - Administrative &amp; Routine Costs</b>	<b>3</b>	<b>32</b>	<b>1,572,806</b>		<b>7,936</b>	<b>1,580,742</b>	<b>41.02</b>	
<i>Capital Costs (lines 33-39)</i>								
Lease Costs	3	33	4,360		-	4,360		
Interest - Mortgage	3	34	242,108		-	242,108		
Property Taxes	3	35	69,276		-	69,276		
Depreciation	3	36	119,668		-	119,668		
Home Office Capital	3	37	32,191		-	32,191		
Other	3	38	9,587		-	9,587		
<b>Subtotal - Capital Costs</b>	<b>3</b>	<b>39</b>	<b>477,190</b>		<b>-</b>	<b>477,190</b>	<b>12.38</b>	
<b>SUBTOTAL (lines 1-39)</b>	<b>3</b>	<b>40</b>	<b>7,939,255</b>		<b>-</b>	<b>7,939,255</b>	<b>205.99</b>	

## Harrison Senior Living - Georgetown

### 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, 2012

<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>Ancillary Costs - (lines 41-49)</i>								
Laboratory	3	41	19,502	-		19,502		
X-Rays	3	42	25,262	-		25,262		
Physical Therapy	3	43	321,540	-		321,540		
Occupational Therapy	3	44	217,317	-		217,317		
Speech Therapy	3	45	87,846	-		87,846		
Pharmacy (Rx)	3	46	174,687	-		174,687		
Oxygen	3	47	-	-		-		
Non Allowable Expenses	3	48	713	-		713		
<b>Subtotal - Ancillary Costs</b>	<b>3</b>	<b>49</b>	<b>846,867</b>	<b>-</b>		<b>846,867</b>	<b>21.97</b>	
<i>Other Costs - (lines 50-52)</i>								
Gift, Beauty Shop, etc.	3	50	28,028	-		28,028		
Util. Review	3	51	-	-		-		
<b>Subtotal Other Costs</b>	<b>3</b>	<b>52</b>	<b>28,028</b>	<b>-</b>		<b>28,028</b>	<b>0.73</b>	
<b>TOTAL COSTS</b>	<b>3</b>	<b>53</b>	<b>\$ 8,814,150</b>	<b>\$ -</b>		<b>\$ 8,814,150</b>	<b>\$ 228.69</b>	

#### PART II - COST REPORT PATIENT DAYS

Total beds	6	1, 3	139	-		139		
Total bed days available	6	4	42,624	-		42,624		
Medicaid Patient Days	6	5A	25,588	-		25,588		
Medicare Patient Days	6	5B	4,622	-		4,622		
Private Pay Patient Days	6	5C	8,270	-		8,270		
Other Days	6	5D	60	-		60		
Total census days	6	5E	38,540	-		<b>38,540</b>		
90% minimum census threshold	6		38,362	-		38,362		

# Harrison Senior Living - Georgetown

## 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, 2012

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed</u> <u>Amounts</u>	<u>Examination</u> <u>Adjustments</u>		<u>Adjusted</u> <u>Amounts</u>	<u>Note</u> <u>Ref.</u>
				<u>No.</u>	<u>Amount</u>		

**PART III - NURSING WAGE SURVEY**

*No adjustments.*

**PART IV - DETAILED EXPLANATION OF ADJUSTMENTS**

O-1 *To reclassify uniforms, small equipment, and other miscellaneous costs out of Line 4. Per the cost report instructions, Line 4 includes "all other costs associated with nursing staff providing basic medical care for nursing home patients", and these items do not meet that criteria.*



Tel: 302-656-5500  
Fax: 302-656-8024  
www.bdo.com

270 Presidential Drive  
Wilmington, DE 19807

## 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 Harrison Senior Living - Georgetown (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, 2012, and have issued our report thereon dated September 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 and those of the other auditors disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Responses as item 12-01.

We noted certain matters that we reported to management of the Facility in a separate letter dated September 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

September 15, 2014

# HARRISON SENIOR LIVING - GEORGETOWN

## Schedule of Findings and Responses

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*June 30, 2012*

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### CURRENT YEAR CONDITIONS

#### CONDITION 12-01

**Condition:** During testing of payroll and employee records, nine out of forty items selected for testing had both overtime and shift differential hours. For these nine 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 rates. The Facility calculated overtime pay by multiplying the employee's "straight time of pay" by 1.5, adding the related shift differential, and then multiplying by overtime hours worked.

**Effect:** The amount of payroll tested was \$48,832.49, and overtime paid for the nine items was \$3,230. Had the Facility calculated overtime under the FLSA guidelines, overtime pay would have been \$3,049, or a difference of \$181 (0.3% and 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.

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.

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