



**MASONIC HOME OF DELAWARE,
INC.**

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

June 30, 2011

Issued: August 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.



MASONIC HOME OF DELAWARE, INC.

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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 were engaged to examine management's assertions that Masonic Home of Delaware, Inc. (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, 2011. The Facility's management is responsible for the assertions.

The Facility is a multi-purpose facility, and includes both a skilled nursing facility ("SNF") unit and a rest-residential ("RR") unit. Only those costs and bed days related to the SNF unit are allowable for Medicaid reimbursement purposes. The Facility included all costs and bed days for both units on the Statement and Survey, and did not prepare or maintain a cost allocation between the units. Consequently, the Facility did not maintain adequate records to provide sufficient information for the examination of management's assertions.

Due to the significance of the departure from the requirements, we were unable to and did not perform an examination in accordance with *Government Auditing Standards*. Because of the restriction on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether 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 June 30, 2013, 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

June 30, 2013

Masonic Home of Delaware, Inc.

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, 2011

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	\$ 13,181	\$ -	\$ -	\$ 13,181		
Staff Nurse	2	1b	<u>1,248,679</u>	-	-	<u>1,248,679</u>		
			1,261,860	-	-	1,261,860		
Nursing Staff Benefits	2	2	162,509	-	-	162,509		
Nursing Training Salaries	2	3	1,740	-	-	1,740		
Other	2	4	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Subtotal - Primary Patient Care Costs	2	5	1,426,109	-	-	1,426,109	\$ 82.56	
<i>Secondary Patient Care Costs (lines 6-14)</i>								
Clinical Consultants	2	6	4,050	-	-	4,050		
Social Services	2	7	24,461	-	-	24,461		
Employee Benefits	2	8	1,871	-	-	1,871		
Raw Food	2	9	107,310	-	-	107,310		
Medical Supplies	2	10	44,082	-	-	44,082		
Pharmacy	2	11	22	-	-	22		
Other - Allowable Ancillary	2	12	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Subtotal - Secondary Patient Care Costs	2	14	181,796	-	-	181,796	10.52	
<i>Support Service Costs (lines 15-22)</i>								
Dietary	2	15	467,570	-	-	467,570		
Operation and Maintenance of Facility	2	16	653,742	-	-	653,742		
Housekeeping	2	17	225,571	-	-	225,571		
Laundry & Linen	2	18	63,982	-	-	63,982		
Patient Recreation	2	19	103,300	-	-	103,300		
Employee Benefits	2	20	141,057	-	-	141,057		
Other	2	21	<u>39,848</u>	<u>-</u>	<u>-</u>	<u>39,848</u>		
Subtotal - Support Service Costs	2	22	1,695,070	-	-	1,695,070	98.13	

** There were no adjustments proposed due to the disclaimer of opinion. Please see Independent Accountants' Report on pages 2-3.

Masonic Home of Delaware, Inc.

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, 2011

<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	119,369	-		119,369		
Medical and Nursing Director Salary	2	24	80,000	-		80,000		
Other Administrative Salaries	2	25	303,708	-		303,708		
Employee Benefits	2	26	56,413	-		56,413		
Medical Records	2	27	-	-		-		
Training	2	28	-	-		-		
Interest - Working Capital	2	29	-	-		-		
Home Office - Admin	3	30	-	-		-		
Other	3	31	725,903	-		725,903		
Subtotal - Administrative & Routine Costs	3	32	1,285,393	8		1,285,393	74.41	
<i>Capital Costs (lines 33-39)</i>								
Lease Costs	3	33	-	-		-		
Interest - Mortgage	3	34	-	-		-		
Property Taxes	3	35	-	-		-		
Depreciation	3	36	-	-		-		
Home Office Capital	3	37	-	-		-		
Other	3	38	-	-		-		
Subtotal - Capital Costs	3	39	-	-		-	-	
SUBTOTAL (lines 1-39)	3	40	4,588,368	8		4,588,368	265.61	

** There were no adjustments proposed due to the disclaimer of opinion. Please see Independent Accountants' Report on pages 2-3.
 - The 'As Filed' subtotal as submitted by the Facility did not foot. The total shown here reflects the correct footing.

Masonic Home of Delaware, Inc.

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, 2011

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	-		-	-		
X-Rays	3	42	-		-	-		
Physical Therapy	3	43	-		-	-		
Occupational Therapy	3	44	-		-	-		
Speech Therapy	3	45	-		-	-		
Pharmacy (Rx)	3	46	12,043		-	12,043		
Oxygen	3	47	-		-	-		
Non Allowable Expenses	3	48	-		-	-		
Subtotal - Ancillary Costs	3	49	12,043		-	12,043	0.70	
<i>Other Costs - (lines 50-52)</i>								
Gift, Beauty Shop, etc.	3	50	5,325		-	5,325		
Util. Review	3	51	-		-	-		
Subtotal - Other Costs	3	52	5,325		-	5,325	0.31	
TOTAL COSTS	3	53	\$ 4,605,736	X	\$ -	\$ 4,605,736	\$ 266.62	

PART II - COST REPORT PATIENT DAYS

Total beds	6	1, 3	57	-	57
Total bed days available	6	4	20,805	-	20,805
Medicaid Patient Days	6	5A	604	-	604
90% minimum census threshold	6		18,725	-	18,725
Total census days	6	5E	17,274	-	17,274

** There were no adjustments proposed due to the disclaimer of opinion. Please see Independent Accountants' Report on pages 2-3.
X - The 'As Filed' subtotal as submitted by the Facility did not foot. The total shown here reflects the correct footing.



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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 were engaged to examine management's assertions that Masonic Home of Delaware, Inc. (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, 2011, and have issued our report thereon dated June 30, 2013, which was disclaimed due to scope limitations. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiency described in Condition 11-01 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.



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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Facility's response to the findings identified in our examination is described in the accompanying schedule of findings and questioned costs. We did not audit the Facility's response, and accordingly, we express no opinion on it.

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

June 30, 2013

MASONIC HOME OF DELAWARE, INC.

Schedule of Findings and Responses

June 30, 2011

CURRENT YEAR CONDITIONS

CONDITION 11-01

Condition: The Facility included all costs and bed days on the Statement and Survey, and was unable to provide a cost allocation breakdown between the Skilled Nursing Facility ("SNF") and Rest Residential ("RR") units.

Criteria: Only those costs and bed days related to the SNF are to be included on the Statement and Survey.

Cause: The Facility did not prepare or maintain an allocation of costs between the units.

Effect: The Statement and Survey were overstated by the amount of the RR costs and bed days. The bed days were overstated by 9,125 days, or 53%. The amount of costs that were overstated on the Statement and Survey is indeterminable, as there was no cost allocation or breakdown available.

Suggestion: Management should prepare an allocation of bed days and costs between the units, and amend the Statement and Survey.

Management Response:

Management is setting up a system for allocating costs and will be amending the Cost Report and Nursing Wage Survey.