



NEWARK MANOR NURSING HOME

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.



NEWARK MANOR NURSING HOME

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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 Newark Manor Nursing Home (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.

Payroll costs account for \$2,078,741 of \$3,817,138 (54.5%) total adjusted Medicaid Costs on the Statement. The Facility did not maintain supporting documentation for pay increases. Consequently, there was not adequate information available to allow for the examination of management assertions over payroll costs. Furthermore, the Facility's Survey was not completed and the Survey's Supplemental Schedules A and B included annual pay information instead of information from the last pay period of March.

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

Newark Manor Nursing Home

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	\$ -		\$ -	\$ -		
Staff Nurse	2	1b	1,494,477		-	1,494,477		
			<u>1,494,477</u>		<u>-</u>	<u>1,494,477</u>		
Nursing Staff Benefits	2	2	301,597		-	301,597		
Nursing Training Salaries	2	3	-		-	-		
Other	2	4	<u>-</u>		<u>-</u>	<u>-</u>		
Subtotal - Primary Patient Care Costs	2	5	1,796,074		-	1,796,074	\$ 86.13	
<i>Secondary Patient Care Costs (lines 6-14)</i>								
Clinical Consultants	2	6	10,916		-	10,916		
Social Services	2	7	-		-	-		
Employee Benefits	2	8	70,190		-	70,190		
Raw Food	2	9	166,318		-	166,318		
Medical Supplies	2	10	101,396		-	101,396		
Pharmacy	2	11	-		-	-		
Other - Allowable Ancillary	2	12	<u>-</u>		<u>-</u>	<u>-</u>		
Subtotal - Secondary Patient Care Costs	2	14	348,820		-	348,820	16.73	
<i>Support Service Costs (lines 15-22)</i>								
Dietary	2	15	180,215		-	180,215		
Operation and Maintenance of Facility	2	16	197,048		-	197,048		
Housekeeping	2	17	75,089		-	75,089		
Laundry & Linen	2	18	3,203		-	3,203		
Patient Recreation	2	19	59,568		-	59,568		
Employee Benefits	2	20	-		-	-		
Other	2	21	<u>-</u>		<u>-</u>	<u>-</u>		
Subtotal - Support Service Costs	2	22	515,123		-	515,123	24.70	

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

Newark Manor Nursing Home

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	223,855	-		223,855		
Medical and Nursing Director Salary	2	24	12,600	-		12,600		
Other Administrative Salaries	2	25	-	-		-		
Employee Benefits	2	26	47,719	-		47,719		
Medical Records	2	27	-	-		-		
Training	2	28	3,133	-		3,133		
Interest - Working Capital	2	29	-	-		-		
Home Office - Admin	3	30	220,749	-		220,749		
Other	3	31	156,280	-		156,280		
Subtotal - Administrative & Routine Costs	3	32	664,336	-		664,336	31.86	
<i>Capital Costs (lines 33-39)</i>								
Lease Costs	3	33	31,473	-		31,473		
Interest - Mortgage	3	34	296,247	-		296,247		
Property Taxes	3	35	-	-		-		
Depreciation	3	36	129,092	-		129,092		
Home Office Capital	3	37	-	-		-		
Other	3	38	35,972	-		35,972		
Subtotal - Capital Costs	3	39	492,784	-		492,784	23.63	
SUBTOTAL (lines 1-39)	3	40	3,817,138	-		3,817,138	183.03	

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

Newark Manor Nursing Home

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	-	-	-	-		
Oxygen	3	47	-	-	-	-		
Non Allowable Expenses	3	48	-	-	-	-		
Subtotal - Ancillary Costs	3	49	-	-	-	-		
<i>Other Costs - (lines 50-52)</i>								
Gift, Beauty Shop, etc.	3	50	-	-	-	-		
Util. Review	3	51	-	-	-	-		
Subtotal Other Costs	3	52	-	-	-	-		
TOTAL COSTS	3	53	\$ 3,817,138	\$ -	\$ 3,817,138	\$ 183.03		

PART II - COST REPORT PATIENT DAYS

Total beds	6	1, 3	66	-	66
Total bed days available	6	4	24,090	-	24,090
Medicaid Patient Days	6	5A	2,791	-	2,791
90% minimum census threshold	6		21,681	-	21,681
Total census days	6	5E	20,854	-	20,854

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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 Newark Manor Nursing Home (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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedules of findings and questioned costs as Condition 11-02.

We noted certain matters that we reported to management of the Facility in a separate letter dated June 30, 2013.

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

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

NEWARK MANOR NURSING HOME
Schedule of Findings and Responses

June 30, 2011

CURRENT YEAR CONDITIONS

CONDITION 11-01

Condition: During employee payroll testing, we noted that the Facility could only provide supporting documentation for initial pay rates, and could not provide backup for any pay increases. Consequently, 21 out of 45 paychecks selected did not have support for the current pay rate in the file.

Criteria: Employee files should contain documents referencing current position and current approved pay rate.

Cause: Management is not documenting pay raises and promotions as they occur.

Effect: Employee files do not include updated information regarding position and pay rate. Additionally, the possibility for error increases with the lack of appropriate supporting documentation.

Suggestion: The Facility should document all approved pay raises and promotions and include the documentation in employee files.

Management Response:

Management has implemented new documentation procedures. There is a now a document for each employee who receives an increase in pay and/or a promotion. This document is placed in employee personal files as pay raises and promotions occur.

* * * * *

CONDITION 11-02

- Condition: The Facility did not complete the Nursing Wage Survey for the fiscal year ended June 30, 2011. In addition, Supplemental Schedules A and B included annual pay information instead of the information pertaining to the period of the Nursing Wage Survey.
- Criteria: The State of Delaware requires every Facility to submit a Nursing Wage Survey with the submission of the Cost Report. The Instructions for completion of the fiscal year 2011 Nursing Home Nursing Wage Survey requires that information on the Nursing Wage Survey for the year ended June 30, 2011 include information from the last complete pay period in March 2011.
- Cause: Facility personnel that are in charge of completing the Nursing Wage Survey did not prepare a complete cost report for submission, and did not follow the Nursing Wage Survey instructions for the Schedule attachments.
- Effect: BDO could not perform examination procedures over the Nursing Wage Survey.
- Suggestion: Management should prepare a complete Nursing Wage Survey for submission, and adjust the period included to only include the last pay period in March 2011.

Management Response:

Management was not aware that the Nursing Wage survey was not completed. Management assumed The Lancaster Group, who prepared the 2011 Cost Report completed this. Supplemental Schedules A and B were completed. Management will submit a complete Nursing Wage Survey for June 30, 2011, once clean templates or forms are provided.

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CONDITION 11-03

Condition: During our testing of census information reported on the Medicaid Cost Report, BDO noted that census days as reported on the Cost Report did not agree to supporting documentation. Additionally, BDO was unable to obtain patient files for two out of forty patients selected.

Criteria: Guidelines require that the related support for amounts on the Cost Report must be available for audit within the State of Delaware by the Medicaid Agency or its designated representative for the period of five years after the date of filing the Medicaid Cost Report.

Cause: Census information was not properly reported on the Cost Report. Also, patient files were not able to be located.

Effect: Private Pay Bed Days and Total Patient Days were overstated by 3,485 days (16.71%). Additionally, the Facility was unable to adequately support the two missing patient files mentioned in the condition. An adjustment was not proposed to the Cost Report due to the disclaimer of opinion.

Suggestion: The Facility should maintain internal records which support the census information reported on the Cost Report.

Management Response:

Management has implemented new documentation procedures for internal medical records. One of the new documents contains detailed reporting to reflect the information for the cost report. In addition, there has been organization in the medical records room to support all records of all residents.

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