



Delaware Veterans Home

Examination Report Medicaid Cost Report and Nursing Wage Survey

June 30, 2015

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.



Delaware Veterans Home

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Independent Accountant's 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 Delaware Veterans 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, 2015. 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 December 8, 2017, 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

December 8, 2017

Delaware Veterans 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, 2015

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	\$ 68,800	\$ -		\$ 68,800		
Staff Nurse	2	1b	5,600,092	-		5,600,092		
			5,668,892	-		5,668,892		
Nursing Staff Benefits	2	2	2,557,421	-		2,557,421		
Nursing Training Salaries	2	3	10,639	-		10,639		
Other	2	4	-	-		-		
Subtotal - Primary Patient Care Costs	2	5	8,236,952	-		8,236,952	\$ 177.75	
<i>Secondary Patient Care Costs (lines 6-14)</i>								
Clinical Consultants	2	6	84,315	-		84,315		
Social Services	2	7	62,611	-		62,611		
Employee Benefits	2	8	26,296	-		26,296		
Raw Food	2	9	443,259	-		443,259		
Medical Supplies	2	10	377,757	-		377,757		
Pharmacy	2	11	47,260	-		47,260		
Other - Allowable Ancillary	2	12	66,450	-		66,450		
Subtotal - Secondary Patient Care Costs	2	14	1,107,948	-		1,107,948	23.91	
<i>Support Service Costs (lines 15-22)</i>								
Dietary	2	15	906,884	-		906,884		
Operation and Maintenance of Facility	2	16	1,382,266	-		1,382,266		
Housekeeping	2	17	323,545	-		323,545		
Laundry & Linen	2	18	202,135	-		202,135		
Patient Recreation	2	19	217,199	-		217,199		
Employee Benefits	2	20	947,836	-		947,836		
Other	2	21	-	-		-		
Subtotal - Support Service Costs	2	22	3,979,865	-		3,979,865	85.89	

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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, 2015

<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	105,111		-	105,111		
Medical and Nursing Director Salary	2	24	420,454		-	420,454		
Other Administrative Salaries	2	25	1,174,452		-	1,174,452		
Employee Benefits	2	26	700,169		-	700,169		
Medical Records	2	27	-		-	-		
Training	2	28	23,220		-	23,220		
Interest - Working Capital	2	29	-		-	-		
Home Office - Admin	2	30	-		-	-		
Other	2	31	290,183		-	290,183		
Quality Assessment/Provider Tax	2	31A	-		-	-		
Subtotal - Administrative & Routine Costs	2	32	2,713,589		-	2,713,589	58.56	
<i>Capital Costs (lines 33-39)</i>								
Lease Costs	3	33	-		-	-		
Interest - Mortgage	3	34	-		-	-		
Property Taxes	3	35	-		-	-		
Depreciation	3	36	6,598,039	(1) (2)	(6,598,039) 848,099	848,099		E-1 E-2
Home Office Capital	3	37	-		-	-		
Other	3	38	-		-	-		
Subtotal - Capital Costs	3	39	6,598,039		(5,749,940)	848,099	18.30	
SUBTOTAL (lines 1-39)	3	40	22,636,393		(5,749,940)	16,886,453	364.41	

Delaware Veterans 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, 2015

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	15,822	-	-	15,822		
X-Rays	3	42	42,142	-	-	42,142		
Physical Therapy	3	43	175,620	-	-	175,620		
Occupational Therapy	3	44	166,556	-	-	166,556		
Speech Therapy	3	45	99,487	-	-	99,487		
Pharmacy (Rx)	3	46	332,127	-	-	332,127		
Oxygen	3	47	32,854	-	-	32,854		
Non Allowable Expenses	3	48	-	-	-	-		
Subtotal - Ancillary Costs	3	49	864,608	-	-	864,608	18.66	
<i>Other Costs (lines 50-52)</i>								
Gift, Beauty Shop, etc.	3	50	48,611	-	-	48,611		
Util. Review	3	51	-	-	-	-		
Subtotal - Other Costs	3	52	48,611	-	-	48,611	1.05	
TOTAL COSTS	3	53	\$ 23,549,612	\$ (5,749,940)	\$ 17,799,672	\$ 384.12		

PART II - COST REPORT PATIENT DAYS

Total Beds	6	1, 3	150	-	-	150		
Total Bed Days Available	6	4	54,750	-	-	54,750		
Medicaid Patient Days	6	5D	17,438	-	-	17,438		
Medicare Patient Days	6	5F	1,135	-	-	1,135		
Private Pay Patient Days	6	5G,H	18,193	(58)	(58)	18,135		K-1
Other Days	6	5I	9,860	(229)	(229)	9,631		K-1
Total Census Days	6	5J	46,626	(287)	(287)	46,339		
90% Minimum Census Threshold	6		49,275	-	-	49,275		

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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, 2015

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amounts</u>	<u>Examination Adjustments</u>		<u>Adjusted Amounts</u>	<u>Note Ref.</u>
				<u>No.</u>	<u>Amount</u>		
<u>PART III - NURSING WAGE SURVEY</u>							
<i>II-A.3 - Administrative Nurse Information</i>							
RNs - Total Number	3	A	19		(1)	18	NWS-1
RNs - Total Payroll	3	A	\$ 46,109	\$	(1,679)	\$ 44,430	NWS-1
RNs - Total Hours	3	A	1,379		(40)	1,339	NWS-1

PART IV - DETAILED EXPLANATION OF ADJUSTMENTS

K-1 *To adjust Census data to agree to supporting documentation.*

NWS-1 *To adjust Nursing Wage Survey to agree to supporting documentation.*

E-1 *To remove \$6,598,039 of Accumulated Depreciation erroneously recorded as Depreciation Expense.*

E-2 *To record actual depreciation expense per client records.*



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Independent Accountant’s 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 Delaware Veterans 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, 2015, and have issued our report thereon dated December 8, 2017 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 or Survey will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in condition 15-001 in the accompanying schedule of findings and questioned costs to be a material weakness.



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.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as condition 15-002.

We noted certain matters that we reported to management of the Facility in a separate letter dated December 8, 2017.

Facility's Response to Findings

The Facility's response to the findings identified in our examination are described in the accompanying schedule of findings and questioned costs. The Facility's response was not subjected to the procedures applied in the examination, and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an examination performed in accordance with *Government Auditing Standards* in considering the Facility's internal control and compliance.

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

December 8, 2017

Delaware Veterans Home
Schedule of Findings and Responses

June 30, 2015

CURRENT YEAR CONDITIONS

CONDITION 15-001

Condition: The Facility erroneously reported depreciation expense of \$6,598,039 on the Cost Report.

Criteria: Per Cost Report instructions, Column A should be prepared from a trial balance that was prepared from the books of original entry. Line 36, Depreciation, should include depreciation on all depreciable real property, calculated using the appropriate methods.

Cause: The Facility reported accumulated depreciation instead of depreciation expense.

Effect: Depreciation expense was overstated by \$5,749,940.

Suggestion: Management should carefully review the cost report prior to submission in order to ensure the amounts reported are appropriate.

Management's
Response: None provided.

* * * * *

CONDITION 15-002

Condition: During testing of payroll and employee records, eight out of sixty-one items selected for testing had both overtime and shift differential hours for which 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.



Effect: The total amount of payroll tested was \$55,869. Eight of the samples selected included overtime (a total of \$3,363) paid to employees with shift differential hours. Of these eight items, the Facility paid an overtime rate that was lower than what would have been calculated under the FLSA for two of the items, resulting in an underpayment of \$17. The Facility paid an overtime rate that was higher than what would have been calculated under the FLSA for six out of eight items, resulting in an overpayment of \$167, for a net difference of \$151 (0.27% and 4.49% 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. However, using a calculation other than the prescribed guidance resulted in a lower rate of pay for two items; consequently the facility is not 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.

Management's

Response: None provided.