

Examination of Harbor Healthcare Long-Term Care Facility



**Delaware State Auditor
Kathleen K. McGuinness, RPh, CFE**



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Examination of Harbor Healthcare and Rehabilitation Center Long-Term Care Facility Fiscal Year Ended June 30, 2018

What Was Performed An examination of the Harbor Healthcare and Rehabilitation Center's fiscal records of the Delaware Department of Health and Social Services, Division of Medicaid and Medical Assistance, Medicaid Long-Term Care Facilities' Statement of Reimbursement Costs for Skilled and Intermediate Care Nursing Facilities – Title XIX and Nursing Wage Survey (cost report and nursing wage survey, respectively) for fiscal year ended June 30, 2018.

Why This Engagement? The State Auditor is authorized under 29 Del. C., §2906 to conduct post-audits of all financial transactions of all state agencies. This engagement was conducted in accordance with federal requirements (42 CFR 447.253 and 483 Subpart B) and state requirements (Title XIX Delaware Medicaid State Plan, Attachment 4.19D) (criteria), as applicable to the Harbor Healthcare and Rehabilitation Center's fiscal records. The criteria were used to prepare the Schedule of Adjustments to the Trial Balance, Patient Days, and Nursing Wage Survey for fiscal year ended June 30, 2018 found in the report.

The State of Delaware is required to ensure that the fiscal records at the nursing care facilities are retained and properly support the cost report, or the financial report showing the cost and charges related to Medicaid activities, submitted to the Medicaid Agency. These costs must be compliant with federal and state regulations. Under the Delaware Medicaid State Plan, the state is required to examine a sample of facilities located within the state to ensure the facilities' cost reports and nursing wage surveys are compliant with federal and state requirements.

What Was Found? The examination identified one finding, resulting in both a material weakness in internal control and a compliance finding. The examination was limited in that we were unable to obtain sufficient information to support facility costs incurred and patient census data to adequately test the underlying data used to prepare the cost report and survey. The facility did not provide sufficient supporting documentation for facility costs, including payroll, patient census data, and other costs for the period under examination. Not being able to support the costs recorded could result in a disallowance of those costs, which would affect the facility's reimbursement rate.

The Harbor Healthcare and Rehabilitation Center Long-Term Healthcare Facility Examination for Fiscal Year ended June 30, 2018, can be found on our website: [click here](#).

For any questions regarding the attached report, please contact State Auditor Kathleen K. McGuinness at Kathleen.Mcguinness@delaware.gov.

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Independent Accountant's Report

State of Delaware
Office of Auditor of Accounts
401 Federal Street
Dover, DE 19901

Department of Health and Social Services
Division of Medicaid and Medical Assistance
Medicaid's Long Term Care Facilities
1901 N. Dupont Highway, Lewis Building
New Castle, DE 19720

Provider: Harbor Healthcare and Rehabilitation Center
Period: Fiscal Year Ended June 30, 2018

We were engaged to examine management's assertions that Harbor Healthcare and Rehabilitation Center (Provider) 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) (criteria), as applicable, relative to the provider'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 (cost report and survey, respectively) for the fiscal year ended June 30, 2018. The provider's management is responsible for the assertions and the information contained in the cost report and survey, which were reported to DHSS for purposes of the criteria described above. The criteria was used to prepare the Schedule of Adjustments to the Trial Balance, Patient Days, and Nursing Wage Survey. Our responsibility is to express an opinion on the assertions based on conducting the examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Our examination was limited in that we were unable to obtain sufficient information to support facility costs incurred and patient census data in order to adequately test the underlying data used to prepare the cost report and survey and we were unable to obtain management's written representation.

Because of the limitation 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). Because of the significance of the restriction in scope, we were unable to, and did not, perform the examination in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

In accordance with *Government Auditing Standards*, we also issued our report dated June 14, 2022 on our consideration of the Provider'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. 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 State of Delaware Office of Auditor of Accounts, the Department of Health and Social Services, Division of Medicaid and Medical Assistance, and Medicaid's Long Term Care Facilities and is not intended to be and should not be used by anyone other than the specified parties. However, under 29 Del. C. §10002, this report is public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, and Office of Management and Budget.

Myers and Stauffer LC

Myers and Stauffer LC
Owings Mills, Maryland
June 14, 2022

Harbor Healthcare and Rehabilitation Center
Schedule of Adjustments to the Trial Balance for the Fiscal Year Ending June 30, 2018

Type of Cost	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Expenses				
Primary Patient Care Costs per Trial Balance of Costs		\$ 6,437,953		
	Adjustments to Primary Patient Care Costs			
	None		\$ -	
Net Primary Patient Care Costs		\$ 6,437,953	\$ -	\$ 6,437,953
Primary Patient Care Cost Per Day (*)		\$ 114.0	\$ -	\$ 109.5
Secondary Patient Care Costs per Trial Balance of Costs		\$ 328,166		
	Adjustments to Secondary Patient Care Costs			
	None		\$ -	
Net Secondary Patient Care Costs		\$ 328,166	\$ -	\$ 328,166
Secondary Patient Care Cost Per Day (*)		\$ 5.8	\$ -	\$ 5.6
Support Service Costs per Trial Balance of Costs		\$ 2,556,565		
	Adjustments to Support Service Costs			
	None		\$ -	
Net Support Service Costs		\$ 2,556,565	\$ -	\$ 2,556,565
Support Service Cost Per Day (*)		\$ 45.3	\$ -	\$ 43.5
Administrative & Routine Costs per Trial Balance of Costs		\$ 2,827,608		
	Adjustments to Administrative & Routine Costs			
	None		\$ -	
Net Administrative & Routine Costs		\$ 2,827,608	\$ -	\$ 2,827,608
Administrative & Routine Cost Per Day (*)		\$ 50.1	\$ -	\$ 48.1
Capital Costs per Trial Balance of Costs		\$ 1,287,483		
	Adjustments to Capital Costs			
	None		\$ -	
Net Capital Costs		\$ 1,287,483	\$ -	\$ 1,287,483
Net Capital Cost Per Day (*)		\$ 22.8	\$ -	\$ 21.9
Ancillary Costs per Trial Balance of Costs		\$ 1,475,144		
	Adjustments to Ancillary Costs			
	None		\$ -	
Net Ancillary Costs		\$ 1,475,144	\$ -	\$ 1,475,144
Ancillary Cost Per Day (*)		\$ 26.1	\$ -	\$ 25.1
Other Costs per Trial Balance of Costs		\$ 2,634		
	Adjustments to Other Costs			
	None		\$ -	
Net Other Costs		\$ 2,634	\$ -	\$ 2,634
Other Cost Per Day (*)		\$ 0.0	\$ -	\$ 0.0

No adjustments were proposed as sufficient evidence was not provided. (*) Adjusted Cost Per Day is calculated utilizing days at minimum occupancy.

Harbor Healthcare and Rehabilitation Center Schedule of Adjustments to Patient Days for the Fiscal Year Ending June 30, 2018				
Census Type	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Census				
	Bed days available			65,335
	Medicaid Non-Super Skilled Patient Days	42,544	-	
	Medicaid Super Skilled Patient Days	-	-	
	Medicare Patient Days	5,937	-	
	Private Pay Patient Days	4,595	-	
	Medicare/Private Pay Hospice Patient Days	390	-	
	Other Patient Days	2,988	-	
	Total Patient Days	56,454	-	56,454
	Minimum Occupancy			58,802

No adjustments were proposed as sufficient evidence was not provided.

Harbor Healthcare and Rehabilitation Center Schedule of Adjustments to the Nursing Wage Survey for the Fiscal Year Ending June 30, 2018				
Nurse Type	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Nursing Wage Survey				
II-A Administrative Nurses				
	Director of Nursing - Total Payroll	\$ 4,237	\$ -	\$ 4,237
	Director of Nursing - Total Hours	80.0	-	80.0
	Assistant Director of Nursing - Total Payroll	\$ 3,548	\$ -	\$ 3,548
	Assistant Director of Nursing - Total Hours	80.0	-	80.0
	Registered Nurses - Total Payroll	\$ 11,534	\$ -	\$ 11,534
	Registered Nurses - Total Hours	312.3	-	312.3
	Licensed Practical Nurses - Total Payroll	\$ -	\$ -	\$ -
	Licensed Practical Nurses - Total Hours	-	-	-
	Nurse Aides - Total Payroll	\$ 2,676	\$ -	\$ 2,676
	Nurse Aides - Total Hours	160.5	-	160.5
II-B All Remaining Nursing Staff				
	Registered Nurses - Total Payroll	\$ 36,954	\$ -	\$ 36,954
	Registered Nurses - Total Hours	1,000.0	-	1,000.0
	Licensed Practical Nurses - Total Payroll	\$ 55,589	\$ -	\$ 55,589
	Licensed Practical Nurses - Total Hours	1,867.8	-	1,867.8
	Nurse Aides - Total Payroll	\$ 92,147	\$ -	\$ 92,147
	Nurse Aides - Total Hours	5,286.0	-	5,286.0

No adjustments were proposed as sufficient evidence was not provided.

Commentary

None.



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
401 Federal Street
Dover, DE 19901

Department of Health and Social Services
Division of Medicaid and Medical Assistance
Medicaid's Long Term Care Facilities
1901 N. Dupont Highway, Lewis Building
New Castle, DE 19720

We have examined management’s assertions that Harbor Healthcare and Rehabilitation Center (Provider) 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 Provider’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 (cost report and survey, respectively) for the fiscal year ended June 30, 2018, and have issued our report thereon dated June 14, 2022. 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

In planning and performing our examination, we considered the Provider’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 Provider’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Provider’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 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 the accompanying schedule of findings as Finding 18-01 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. We did identify a deficiency 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 Provider'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 an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings as Finding 18-01.

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 results of that testing, and not to provide an opinion on the effectiveness of the Provider'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 Provider's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the State of Delaware Office of Auditor of Accounts, the Department of Health and Social Services, Division of Medicaid and Medical Assistance, and Medicaid's Long Term Care Facilities and is not intended to be and should not be used by anyone other than the specified parties. However, under 29 Del. C. §10002, this report is public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, and Office of Management and Budget.

Myers and Stauffer LC

Myers and Stauffer LC
Owings Mills, Maryland
June 14, 2022

Harbor Healthcare and Rehabilitation Center
Schedule of Findings for the Fiscal Year Ending June 30, 2018

Findings and Responses

Finding 18-01

Condition: The Provider did not provide sufficient supporting documentation for facility costs, including payroll, patient census data, and other costs for the period under examination.

Criteria: The Medicaid Cost Report for Nursing Facilities should be supported by a trial balance and necessary schedules. The Facility should have internal controls in place to ensure that the trial balance and schedules be available for audit within the State of Delaware by the Medicaid Agency or its designated representative for a period of five years after the date of filing of the Medicaid Cost Report with the Medicaid Agency.

Cause: Harbor Healthcare and Rehabilitation Center went through a change of ownership in fiscal year 2020. The new owner was not able to provide requested documentation to support the 2018 cost report.

Effect: Management was unable to provide the detail support for costs and patient census data recorded on the Cost Report and Nursing Wage Survey, resulting in both a material weakness in internal control and a compliance finding. Not being able to support the costs recorded could result in a disallowance of those costs, which would affect the Facility's reimbursement rate.

Recommendation: Management should ensure they have internal controls in place in order to be able to comply with the requirement to keep the supporting data for a period of five years.

Management's Response: None.