



Independent Accountant's Report on Applying Agreed-Upon Procedures

November 29, 2011

State of Connecticut
Department of Social Services
Hartford, Connecticut 06106

The Guilford House, LLC, 109 West Lake Avenue, Guilford, Connecticut

We have performed the procedures set forth in the Connecticut Nursing Home Full Scope Review Program, approved by the Department of Social Services, to the Annual Report of Long-Term Care Facility to the State of Connecticut (Annual Report) of The Guilford House, LLC (Facility) for the years ended September 30, 2007, September 30, 2006 and September 30, 2005.

The Facility is a 50 bed Chronic and Convalescent Hospital (CCH). We were informed by the officials of the Facility who have responsibility for accounting and financial matters that the Annual Report was filed in accordance with the reporting requirements of the State of Connecticut as described on page 1 of the Annual Report.

This engagement to apply agreed-upon procedures was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures for the purpose for which this report has been requested or for any other purpose.

The agreed-upon procedures that you have requested we perform are set forth in the Connecticut Nursing Home Full Scope Review Program.

Our findings are described in the attached Schedule of Adjustments to the Rate Computation Report which sets forth the adjustments you have authorized us to make. The Other Comments section summarizes comments we wish to bring to your attention. We have discussed our findings which involve issues subject to interpretations, with State representatives and have determined that such matters were resolved in accordance with their interpretations and instructions furnished to us. As approved by those representatives, the absence of supporting documentation may result in the disallowance of costs reported by the Facility in the Annual Report.



These agreed-upon procedures do not constitute an audit or review of financial statements or any part thereof, the objective of which would be the expression of opinion or limited assurance on the Facility's financial statements or a part thereof. Accordingly, we do not express an opinion or give any limited assurance. We also do not express an opinion on the effectiveness of the internal control structure of this Facility over financial reporting or any part thereof. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the State of Connecticut Department of Social Services and is not intended to be and should not be used by anyone other than the Department of Social Services.

Very truly yours,

CQLC LLC

The Guilford House, LLC

Schedule of Adjustments to the Rate Computation Report

For the Years ended September 30, 2007, September 30, 2006 and September 30, 2005

| Explanation of Adjustment Followed by Line Description | 2007 | | 2006 | | 2005 | |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Amount After Desk Review | Field Review Adjustment | Amount After Desk Review | Field Review Adjustment | Amount After Desk Review | Field Review Adjustment |
| 1. Disallowance of the following: | | | | | | |
| Unsupported and unallowable accounting fees | \$ (3,559) | \$ (1,405) | \$ (3,559) | \$ (1,405) | \$ (16,064) | \$ (16,064) |
| Unsupported heat expense | (3,663) | (2,900) | (3,663) | (2,900) | (3,016) | (3,016) |
| Unsupported and unallowable repairs and maintenance expense | (673) | (416) | (673) | (416) | (825) | (825) |
| Other administrative and general adjustments | \$ (10,295) | \$ (7,895) | \$ (21,889) | \$ (4,721) | \$ (8,984) | \$ (19,905) |
| 2. To disallow unsupported and unallowable recreation expense. | 0 | (595) | (691) | (483) | (7,912) | (453) |
| 3. To disallow unallowable property and liability insurance expense. | 0 | (1,529) | 0 | (2,404) | 0 | (2,328) |
| Property insurance adjustment | 0 | (1,529) | 0 | (2,404) | 0 | (2,328) |
| 4. To disallow unallowable real estate and personal property tax expense. | 0 | (654) | 0 | (636) | 0 | (632) |
| Property and real estate tax adjustment | 0 | (654) | 0 | (636) | 0 | (632) |

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| Explanation of Adjustment Followed by Line Description | 2007 | | 2006 | | 2005 | |
|---|--------------------------------|-------------------------------|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|
| | Amount After Desk Review | 2007 Field Adjustment | Amount After Desk Review | 2006 Field Adjustment | Amount After Desk Review | 2005 Field Adjustment |
| 5. To disallow unsupported equipment lease expense. Capital expense adjustment | \$ 0 | \$ (75) | \$ (149,882) | \$ (149) | \$ (58,222) | \$ (342) |
| 6. To disallow medical supply expenses for the following: Unallowable expenses Medicare Part B billable supplies Medical supply adjustment | (186) | (1,764) (2,461) (4,225) | 0 | Not Applicable (1,861) (1,861) | (1,019) | Not Applicable (1,507) (1,507) |
| 7. To include physical therapy supplies in the calculation of allowable therapy expenses. Physical therapy expense | 0 | 1,228 | 0 | Not Applicable | 0 | Not Applicable |
| 8. To disallow Medical Director fees not supported with time records. See Comment #7. Physician disallowed salaries and fees | (5,823) | (7,289) | 0 | Not Applicable | 0 | Not Applicable |
| 9. To disallow unsupported payroll expense. Fringe adjustment | 0 | (25) | 0 | Not Applicable | 0 | Not Applicable |

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For the Years ended September 30, 2007, September 30, 2006 and September 30, 2005

| Explanation of Adjustment Followed by Line Description | 2007 | | 2006 | | 2006 | | 2005 | |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Amount After Desk Review | Field Review Adjustment |
| 10. To disallow over reported resident day user fee expense. | | | | | | | | |
| Capital expense adjustment | \$ 0 | \$ (1,337) | \$ (149,882) | \$ (2,201) | | | | Not Applicable |
| 11. To reclassify corporate business tax expense incorrectly reported as personal property tax expense. | | | | | | | | |
| Personal property taxes | 750 | (250) | 3,231 | (250) | 2,580 | \$ | (250) | \$ (250) |
| Corporation business taxes | 0 | 250 | 0 | 250 | 0 | 0 | 0 | 250 |

The Guilford House, LLC

Other Comments

- *1. The Facility prepared its Federal tax return on a calendar year basis. As a result, we were unable to reconcile total Annual Report expenses to total Federal tax return expenses. In addition, the tax returns provided for the years under review were incomplete as they did not contain the referenced statements.
2. It was not disclosed on page 4 of the Annual Report that the Facility shared an employee with a related nursing facility. The Facility appropriately excluded the associated payroll expense from costs claimed for reimbursement.
3. It was not disclosed on page 4 of the Annual Report that the Facility paid rental payments to a related party realty company. As rent expense is replaced with fair rent, no adjustments have been proposed.
4. It was not disclosed on page 4 of the Annual Report that the Facility received loans from a related party. As interest expense is replaced with fair rent, no adjustments have been proposed.
5. It was not disclosed on page 4 of the Annual Report that the Facility Owner received compensation from the Facility from a Member Draw account.
- *6. The Facility bed hold policy did not include parameters to determine if Medicaid bed hold days due to home leave are billable to the Department. The Facility should be aware that section 19a-537a of the Connecticut General Statutes allows the Department to impose a fine of \$8,500 for each violation of the bed hold statute. In the future, the Facility must adopt a revised bed hold policy that is consistent with Sections 19a-537 of the Connecticut General Statutes.
- *7. The contract with the Medical Director did not indicate the hours to be worked. The contract stipulated a monthly fee in lieu of an hourly rate. Additionally, the Facility did not maintain documentation to support the Medical Director hours and estimated the hours reported in the Annual Report. The Facility was notified in an earlier report, dated March 15, 2007 of the requirement to maintain time records. As no time records were maintained, an adjustment has been included in this report to disallow all reported Medical Director fees subsequent to April 1, 2007 (see Adjustment #8).
8. We were unable to physically inspect certain equipment acquired in 2005 and 2006 as they had been replaced. We did review the invoices and cancelled checks to support the claimed costs. No disallowance of these items has been included in this report.

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Other Comments (continued)

9. We reviewed the Facility handbooks and policy/procedure manuals for compliance with the Deficit Reduction Act of 2005. The Facility received notification and instructions for compliance with the Act through Provider Bulletin 2007-41 issued in June 2007. Based on our review, it was noted that the Facility policies did not include a specific description of “qui tam relators” and the ability of an individual to bring an action on behalf of the Federal Government. The Facility must amend the necessary documents to contain all information and references required by the Act. Failure to do so may cause the Facility to be excluded from the Medicaid program.
10. We reviewed Fair Rental Value and Movable Equipment additions for the 2005 and 2006 cost years.

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Resident Fund Comments

During our test work of the Facility's handling of resident personal funds for the month of November 2010 we noted the following:

1. The Facility filed form W-411 with the Department on July 15, 2010. In the future, the Facility should file a completed form annually by June 1st in accordance with Section 17-2-144 of the Regulations of Connecticut State Agencies.
2. The reconciliation provided by the Facility included a reconciling item for \$4,106.76 associated with four residents who were not included on the resident ledger cards. These individuals were former residents. The Facility maintained funds for these individuals in the resident trust account but had removed them from the accounting records for the trust account. In the future, the Facility should maintain accounting records for all residents who have funds in the trust account.
- *3. The Facility held funds totaling \$1,813.87 for six residents who no longer reside at the Facility. A listing of these individuals has been provided to the Department.
4. The Facility did not provide sufficient support for a deposit in transit totaling \$138. The documentation provided indicated that the deposit was not made within two weeks of receipt by the Facility. In the future, the Facility must deposit all resident funds into the trust account within two weeks of receipt as required by Section 17-2-143 of the Regulations of Connecticut State Agencies.
5. The Facility's reconciliation included an unreconciled amount equal to \$8.36. The Facility reimbursed the residents funds for this variance in December 2010 and posted the unreconciled amount as interest.

*A similar comment was included in an earlier report dated March 15, 2007.