



**STATE OF NEW YORK  
OFFICE OF THE MEDICAID INSPECTOR GENERAL**  
800 North Pearl Street  
Albany, New York 12204

**ANDREW M. CUOMO**  
GOVERNOR

**JAMES C. COX**  
MEDICAID INSPECTOR GENERAL

February 12, 2014

[REDACTED]  
Daughters of Sarah Nursing Center  
180 Washington Avenue Extension  
Albany, New York 12203-5398

Re: Medicaid Rate Audit #07-3232  
NPI Number: [REDACTED]  
Provider Number: [REDACTED]

Dear [REDACTED]

Enclosed is the final audit report of the Office of the Medicaid Inspector General's (the "OMIG") audit of Daughters of Sarah Nursing Center's (the "Facility") Medicaid rates for the rate period January 1, 2002 through December 31, 2006. In accordance with 18 NYCRR Section 517.6, this report represents the OMIG's final determination on issues raised in the draft audit report.

In response to the draft audit report dated June 17, 2013, you identified specific audit findings with which you disagreed. Your comments have been considered (see Attachment A) and the report has been either revised accordingly and/or amended to address your comments (see Attachment B). Consideration of your comments resulted in an overall reduction of \$279 to the total Medicaid overpayment shown in the draft audit report. As previously stated in the draft audit report, the Medicare Part B and D offsets were not within the scope of the review and may be examined as part of a future audit. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is \$415,190. This overpayment is subject to Department of Health (the "DOH") and Division of Budget (the "DOB") final approval. While not anticipated, any difference between the calculated overpayment and the final DOH and DOB approved amount will be resolved with the Facility by the OMIG Bureau of Collections Management.

In accordance with 18 NYCRR Part 518 which regulates the collection of overpayments, your repayment options are described below.

**OPTION #1:** Make full payment by check or money order within 20 days of the date of the final audit report. The check should be made payable to the New York State Department of Health and be sent with the attached Remittance Advice to:

[REDACTED]  
New York State Department of Health  
Medicaid Financial Management  
GNARESP Corning Tower, Room 2739  
File #:07-3232  
Albany, New York 12237-0048

**OPTION #2:** Enter into a repayment agreement with the Office of the Medicaid Inspector General. If your repayment terms exceed 90 days from the date of the final audit report, recoveries of amounts due are subject to interest charges at the prime rate plus 2%. If the process of establishing the repayment agreement exceeds 20 days from the date of the final audit report, the OMIG will impose a 15% withhold after 20 days until the agreement is established. The OMIG may require financial information from you to establish the terms of the repayment agreement. If additional information is requested, the OMIG must receive the information within 30 days of the request or a 50% withhold will be imposed. OMIG acceptance of the repayment agreement is based on your repaying the Medicaid overpayment as agreed. The OMIG will adjust the rate of recovery, or require payment in full, if your unpaid balance is not being repaid as agreed. The OMIG will notify you no later than 5 days after initiating such action. If you wish to enter into a repayment agreement, you must forward your written request within 20 days to the following:

Bureau of Collections Management  
New York State Office of the Medicaid Inspector General  
800 North Pearl Street  
Albany, New York 12204

[REDACTED]

If within 20 days, you fail to make full payment or contact the OMIG to make repayment arrangements, the OMIG will establish a withhold equal to 50% of your Medicaid billings to secure payment and liquidate the overpayment amount, interest and/or penalty, not barring any other remedy allowed by law. The OMIG will provide notice to you no later than 5 days after the withholding of any funds.

In addition, if you receive an adjustment in your favor while you owe funds to the State, such adjustment will be applied against the amount owed.

You have the right to challenge this action and determination by requesting an administrative hearing within sixty (60) days of the date of this notice. You may not request a hearing to raise issues related to rate setting or rate setting methodology. In addition, you may not raise any issue that was raised or could have been raised at a rate appeal with your rate setting agency. You may only request a hearing to challenge specific audit adjustments which you challenged in a response to the draft audit report.

If you wish to request a hearing, the request must be submitted in writing to:

General Counsel  
Office of Counsel  
New York State Office of the Medicaid Inspector General  
800 North Pearl Street  
Albany, New York 12204

Questions regarding the request for a hearing should be directed to the Office of Counsel at

If a hearing is held, you may have a person represent you or you may represent yourself. If you choose to be represented by someone other than an attorney, you must supply a signed authorization permitting that person to represent you along with your hearing request. At the hearing, you may call witnesses and present documentary evidence on your behalf.

Should you have any questions, please contact [REDACTED] or through email at [REDACTED]. Please refer to audit number 07-3232 in all correspondence.

Sincerely,

[REDACTED]  
Bureau of Rate Audit  
Division of Medicaid Audit  
Office of the Medicaid Inspector General

- Attachment A - Facility Draft Report Comments and OMIG Response
- Attachment B - Summary of Changes from Draft Report to Final Report
- EXHIBIT I - Summary of Per Diem Impact and Medicaid Overpayment
- EXHIBIT II - Summary of Medicaid Rates Audited
- EXHIBIT III - Property Expense Disallowances/(Allowances)

CERTIFIED MAIL [REDACTED]  
RETURN RECEIPT REQUESTED

**NEW YORK STATE  
OFFICE OF THE MEDICAID INSPECTOR GENERAL  
REMITTANCE ADVICE**

**NAME AND ADDRESS OF AUDITEE**

DAUGHTERS OF SARAH NURSING CENTER  
180 WASHINGTON AVENUE EXTENSION  
ALBANY NEW YORK 12203-5398

**AMOUNT DUE: \$415,190**

**NPI #:** [REDACTED]  
**PROVIDER #:** [REDACTED]

**AUDIT #07-3232**

<b>AUDIT TYPE</b>	<input type="checkbox"/> PROVIDER
	<input checked="" type="checkbox"/> RATE
	<input type="checkbox"/> PART B
	<input type="checkbox"/> OTHER:

**CHECKLIST**

1. To ensure proper credit, please enclose this form with your check.
2. Make checks payable to: *New York State Department of Health*
3. Record the Audit Number on your check.
4. Mail check to:

[REDACTED]  
New York State Department of Health  
Medicaid Financial Management  
GNARESP Corning Tower, Room 2739  
File #:07-3232  
Albany, New York 12237-0048

5. If the provider number shown above is incorrect, please enter the correct number below.

[REDACTED]

**CORRECT PROVIDER NUMBER**

DAUGHTERS OF SARAH NURSING CENTER - AUDIT #07-3232  
FACILITY DRAFT REPORT COMMENTS AND OMIG RESPONSE

All OMIG adjustments were accepted by the Facility except for those shown below. The following details the disposition of final report adjustments after consideration of the Facility's draft audit report response comments. See Attachment B for adjustment changes for final report.

**EXHIBIT III COMMENTS**

**Adjustment #1 – BUILDING DEPRECIATION EXPENSE ADJUSTMENTS**

**Facility Comment**

The non-APC base year improvements have not been recognized 2004 = \$88

**OMIG Response**

Due to materiality, the amount was added to rate year 2006 building and fixed equipment depreciation without verification. This resulted in additional allowance of \$3, which did not have any effect on the Medicaid Overpayment amount.

**Disposition: \$88 was added to the depreciation calculation, but this did not change any of the audit findings.**

**Adjustment #2 - MORTGAGE INTEREST EXPENSE ADJUSTMENTS**

**Facility Comment**

1-1-02 - Disagree - We need additional information relative to this adjustment.

4-25-02 - Disagree - We need additional information relative to this adjustment.

**OMIG Response**

OMIG provided a spreadsheet to the Facility which detailed the breakdown of the audit adjustment. The Facility failed to provide supporting documentation for all of the expense. Therefore, the unsubstantiated portion was disallowed.

**Disposition: The draft report adjustment remains the same.**

**Facility Comment**

1-1-03 - Disagree - The operational interest expense for January and February of 2003 amount to the interest related to the defeased mortgage only. This amounts to \$23,012 monthly or \$276,144 annually. The currently allowed operational interest in the 1-1-03

rate amounts to \$154,276. The appropriate adjustment would be to add an additional \$121,868 versus the current add on of \$193,232. We are requesting that the add-on effective 1-1-03 be reduced by \$71,364. See below for rate adjustment effective 3-1-03.

3-1-03- Disagree - Effective with the date of first use, the interest expense related to the project was "expensed" not "capitalized." It appears that the auditors have not included the interest expense incurred on the new project debt for the period 3-1-03 through 9-30-03. We estimate this amount to approximate an additional \$186,149. We also noted, the November and December interest payments from the audit work papers were short by \$1,029 and \$975 respectively. In any event, we estimate the operational interest expense for the period 3-1-03 through 12-31-03 amounts to \$548,078 or annualized at \$602,465. The current allowance of \$347,508 should be increased to \$602,465 or an increase of \$254,957.

**OMIG Response:**

As the table below shows, audited mortgage interest consists of twelve payments; evidenced by payment receipts the Facility provided. These payments cover the entire year. Therefore, annualizing the expense is not required.

**Mortgage Interest Payments for 2003**

Jan- 03	\$23,012
Feb-03	23,012
Mar-03	23,012
Apr-03	23,012
May-03	23,012
Jun-03	23,012
Jul-03	23,012
Aug-03	23,012
Sep-03	23,012
Oct-03	51,917
Nov-03	50,450
Dec-03	50,450

**Disposition: The draft report adjustment remains the same.**

**Facility Comment**

1-1-04- Disagree - The interest payments listed in our permanent mortgage schedule amount to \$578,147. This is the amount included in our latest paid rates. Furthermore, we do not believe there should be an over-mortgaging percentage applied to our mortgage interest expense. As such, we are requesting the removal of the negative \$25,550 adjustment in our 1-1-04 rates.

**OMIG Response**

Though the Facility's permanent mortgage schedule showed mortgage interest expense to be \$578,147, only \$572,343 was substantiated with the back-up provided. In addition, the Facility asserts that the application of the over-mortgaging is not proper; however, they did not provide any specifics as to how the calculation is incorrect.

**Disposition: The draft report adjustment remains the same.**

**Facility Comment**

1-1-05- Disagree - it appears that the audited interest expense of \$467,852 approximates the correct amount. The auditors then apply an over-mortgaging percentage to the actual expense. We do not believe this project is over-mortgaged. As such, we believe the correct disallowance effective 1-1-05 would amount to \$521,090-\$467,852 or \$53,238 versus the current disallowance of \$69,379.

8-12-05- Disagree - Our disagreement with this allowance relates to the application of an over-mortgaging percentage to the overall mortgage interest expense. The allowed interest expense calculation appears to be correct.

1-1-06- Disagree - Again our only disagreement is with the over-mortgaging percentage disallowance.

**OMIG Response**

The 2005 and 2006 worksheets for mortgage interest expense illustrate how the OMIG arrived at the over-mortgaging percentage. The Facility asserts that they do not believe an over-mortgaging percentage should be applied. However, they did not provide any specifics as to how the calculation is incorrect.

**Disposition: The draft report adjustment remains the same.**

**Adjustment #3 - PROPERTY AND BOILER INSURANCE EXPENSE ADJUSTMENTS**

**Facility Comment**

1-1-06 - Disagree -This audit has been in process for more than two years. At the initiation of the field work all of the backup documentation was provided to the auditors. At the completion of the field work, there was no indication that any of the backup was missing. The first time that we heard anything about inadequate or missing documentation was at the exit conference held at the end of 2012. Our files had long ago been put back in storage. The delay in having the exit conference and the lack of any indication that documents were missing has penalized this facility because we can no longer locate all of the backup to the updated expense. Due to the lack of any

indication that documents were missing, any adjustment which uses an unsubstantiated reference should be removed.

**OMIG Response**

OMIG requested this information via email on June 7, 2007. These expenses were categorized as unsubstantiated because their back-up was never provided.

**Disposition: The draft report adjustment remains the same.**

**Adjustment #4a - MOVABLE EQUIPMENT DEPREC. EXPENSE DISALLOWANCES**

**Facility Comment**

1-1-02- Disagree - This adjustment has been the subject of numerous Requests for Hearing and Article 78 litigation. Upon legal settlement of this issue we will abide by the ruling, we will disagree until then.

**OMIG Response**

The OMIG will continue to apply existing policy until present litigation outcome necessitates that it do otherwise.

**Disposition: The draft report adjustment remains the same.**

**Adjustment #4b - MOVABLE EQUIPMENT DEPR. EXPENSE DISALLOWANCES**

**Facility Comment**

1-1-05- Disagree - The 2005 allowable Movable Equipment depreciation expense should also include non-project additions. The reported depreciation expense should include \$14,581 for APC assets \$15,026 for Non-APC improvements and \$225 for Motor Vehicle depreciation expense. The total allowable amount should equal \$29,832 vs. the currently allowed \$29,597. We include this adjustment only because we are not certain how OMIG will incorporate it into the rate.

**OMIG Response**

The OMIG agrees with the Facility. Further review confirmed the Facility's assertion that \$225 in motor vehicle depreciation was not included in audited expense.

**Disposition: The draft report adjustment was revised accordingly.**

**Adjustment #5 - EQUIPMENT RENTAL EXPENSE ADJUSTMENTS**

**Facility Comment**

Disagree - please refer to our response to Item #3. We were never notified of any documentation issues during the audit and notification years after the fact creates an inappropriate penalty.

**OMIG Response**

OMIG requested this information via email on June 7, 2007. These expenses were categorized as unsubstantiated because their back-up was never provided.

**Disposition: The draft report adjustment remains the same.**

**Adjustment #10 - WORKING CAPITAL INTEREST EXPENSE DISALLOWANCE**

**Facility Comment**

Disagree - Please see our response to Item #3.

**OMIG Response**

OMIG requested this information via email on June 7, 2007. These expenses were categorized as unsubstantiated because back-up was never provided for them.

**Disposition: The draft report adjustment remains the same.**

**Adjustment #11 - DISALLOWANCE OF EXPENSES NOT RELATED TO NURSING FACILITY PATIENT CARE**

**Facility Comment**

Disagree - throughout the work papers forwarded to us, a common theme is to eliminate any expense related to our Adult Day Care program. Since we believe the majority of the trace back percentage disallowance also relates to the Adult Day Care program we believe these disallowances are duplicated. Given that, we believe the entire adjustment #13 should be deleted.

**OMIG Response**

The Facility asserts that the calculation is wrong; however it has not presented any detailed information to illustrate why it feels the calculation is incorrect.

**Disposition: The draft report adjustment remains the same.**

**DAUGHTERS OF SARAH NURSING CENTER**  
**SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT - AUDIT #07-3232**

	<u>Rate</u> <u>Period</u>	<u>Draft</u> <u>Disallowance</u> <u>(Allowance)</u>	<u>Change</u>	<u>Final</u> <u>Disallowance</u> <u>(Allowance)</u>
<b><u>EXHIBIT III - PROPERTY EXPENSE DISALLOWANCE //(ALLOWANCE)</u></b>				
<b>1</b> BUILDING AND FIXED EQUIP. DEPR. EXPENSE	01/01/06 -12/31/06	(\$108,236)	(\$3)	(\$108,239)
<b>2</b> MORTGAGE INTEREST EXPENSE	01/01/02-12/31/02	(41,947)		(41,947)
	01/01/03 -12/31/03	(193,232)		(193,232)
	01/01/04 - 12/31/04	25,550		25,550
	01/01/05 - 08/11/05	69,379		69,379
	08/12/05 - 12/31/05	(593,273)		(593,273)
<b>3</b> PROPERTY AND BOILER INSURANCE EXPENSE	01/01/06 - 12/31/06	19,811		19,811
<b>4a</b> MOVABLE EQUIPMENT DEPRECIATION EXPENSE	01/01/02 - 04/24/02	7,474		7,474
<b>4b</b> MOVABLE EQUIPMENT DEPRECIATION EXPENSE	01/01/05 - 08/11/05	209,174	(225)	208,949
	08/12/05 -12/31/05	153,676	(225)	153,451
<b>5a</b> EQUIPMENT RENTAL EXPENSE				
RENT C	01/01/02 - 12/31/02	130		130
RENT E	01/01/03 - 12/31/03	4,948		4,948
RENT C	01/01/03 - 12/31/03	7,566		7,566
RENT F	01/01/03 -12/31/03	4,080		4,080
RENT G	01/01/03 - 12/31/03	8,074		8,074
RENT A	01/01/04 - 12/01/04	6,514		6,514
RENT B	01/01/04 - 12/31/04	(6,613)		(6,613)
RENT C	01/01/04 - 12/31/04	707		707
RENT D	01/01/04 - 12/31/04	104		104
RENT E	01/01/04 - 12/31/04	(6,388)		(6,388)
RENT F	01/01/04 - 12/31/04	4,327		4,327
RENT G	01/01/04 - 12/31/04	(655)		(655)
RENT H	01/01/04 - 12/31/04	4,869		4,869
RENT G	01/01/05 - 12/31/05	1,011		1,011
<b>5b</b> EQUIPMENT RENTAL EXPENSE				
RENT G	01/01/02 - 12/31/02	8,218		8,218
<b>10</b> WORKING CAPITAL INTEREST EXPENSE	01/01/02 - 12/31/02	7,865		7,865
<b>11</b> EXPENSE NOT RELATED TO NURSING FACILITY PATIENT CARE	01/01/02-04/24/02	14,626		14,626
	04/25/02-12/31/02	7,723		7,723
	01/01/03 -02/28/03	10,129		10,129
	03/01/03 -12/31/03	13,066		13,066
	01/01/04 -12/31/04	14,569		14,569

Note: The adjustments shown above only reflect those adjustments that were disputed by the Facility in its draft response. All other adjustments remain the same as shown in the draft audit report.

**DAUGHTERS OF SARAH NURSING CENTER - AUDIT #07-3232**  
**RATE PERIODS JANUARY 1, 2002 THROUGH DECEMBER 31, 2006**  
**SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT**

<u>RATE PERIOD</u>	ISSUED	FINAL	<u>RATE</u> <u>DECREASE</u> <u>(INCREASE)</u>	<u>MEDICAID</u> <u>DAYS</u>	<u>MEDICAID</u> <u>OVERPAYMENT</u>
	<u>PART B &amp; D</u> <u>NON-ELIGIBLE</u> <u>RATES*</u>	<u>PART B &amp; D</u> <u>NON-ELIGIBLE</u> <u>RATES</u>			
01/01/02 - 02/28/02	\$135.24	\$134.82	\$0.42	8,088	\$ 3,397
03/01/02 - 03/31/02	131.49	131.07	0.42	4,149	1,743
04/01/02 - 04/24/02	134.10	133.68	0.42	3,173	1,333
04/25/02 - 05/31/02	134.10	128.61	5.49	4,847	26,610
06/01/02 - 08/31/02	135.45	129.96	5.49	12,678	69,602
09/01/02 - 11/30/02	134.23	128.74	5.49	12,772	70,118
12/01/02 - 12/31/02	134.67	129.18	5.49	4,296	23,585
01/01/03 - 02/28/03	133.33	131.54	1.79	7,869	14,086
03/01/03 - 03/31/03	133.87	134.76	(0.89)	4,144	(3,688)
04/01/03 - 05/31/03	133.87	134.76	(0.89)	8,117	(7,224)
06/01/03 - 08/31/03	133.73	134.62	(0.89)	12,662	(11,269)
09/01/03 - 11/30/03	136.64	137.53	(0.89)	12,128	(10,794)
12/01/03 - 12/31/03	135.98	136.87	(0.89)	4,060	(3,613)
01/01/04 - 02/29/04	150.41	147.19	3.22	7,850	25,277
03/01/04 - 03/31/04	152.25	149.03	3.22	4,182	13,466
04/01/04 - 05/31/04	157.12	153.90	3.22	8,243	26,542
06/01/04 - 08/31/04	156.58	153.36	3.22	11,877	38,244
09/01/04 - 11/30/04	156.08	152.86	3.22	11,602	37,358
12/01/04 - 12/31/04	155.90	152.68	3.22	3,986	12,835
01/01/05 - 02/28/05	160.93	153.20	7.73	7,337	56,715
03/01/05 - 05/31/05	161.43	153.70	7.73	11,205	86,615
06/01/05 - 06/30/05	160.21	152.48	7.73	3,909	30,217
07/01/05 - 07/31/05	160.88	153.15	7.73	4,099	31,685
08/01/05 - 08/11/05	160.88	153.15	7.73	1,430	11,054
08/12/05 - 08/31/05	160.88	168.68	(7.80)	2,470	(19,266)
09/01/05 - 11/30/05	165.06	172.86	(7.80)	11,175	(87,165)
12/01/05 - 12/31/05	165.03	172.83	(7.80)	3,880	(30,264)
01/01/06 - 02/28/06	179.63	179.46	0.17	7,589	1,290
03/01/06 - 03/31/06	178.89	178.72	0.17	3,999	680
04/01/06 - 05/31/06	178.55	178.38	0.17	7,989	1,358
06/01/06 - 08/31/06	179.38	179.21	0.17	11,641	1,979
09/01/06 - 11/30/06	180.55	180.38	0.17	11,761	1,999
12/01/06 - 12/31/06	182.70	182.53	0.17	4,028	685
<b>TOTAL MEDICAID OVERPAYMENT</b>					<b><u>\$ 415,190</u></b>

\* Any differences between these rates and the rates listed in Exhibit II of this report represent rate changes made subsequent to OMIG's audit. These changes remain open to future audit by the OMIG. For the purpose of this Exhibit, the Medicare Part B and D rates are not shown. The rate decrease/(increase) for those rates is the same as shown for the Medicare Part B and D non-eligible rates above.

**DAUGHTERS OF SARAH NURSING CENTER - AUDIT #07-3232**  
**RATE PERIODS JANUARY 1, 2002 THROUGH DECEMBER 31, 2006**  
**SUMMARY OF MEDICAID RATES AUDITED**

The Facility's Medicaid utilization was approximately 65 percent for the period under audit and the Medicaid per diem rates audited are shown below. Any differences between these rates and the "Issued Rates" listed in Exhibit I of this report represent rate changes made subsequent to our audit. These changes remain open to future audit by the OMIG.

<u>RATE PERIOD</u>	<u>Issued Medicare Part B &amp; D Non-Eligible Rates *</u>
01/01/02 - 02/28/02	\$ 135.98
03/01/02 - 03/31/02	132.24
04/01/02 - 04/24/02	134.85
04/25/02 - 05/31/02	134.85
06/01/02 - 08/31/02	136.19
09/01/02 - 11/30/02	134.97
12/01/02 - 12/31/02	135.41
01/01/03 - 02/28/03	134.07
03/01/03 - 03/31/03	134.62
04/01/03 - 05/31/03	134.62
06/01/03 - 08/31/03	134.47
09/01/03 - 11/30/03	137.39
12/01/03 - 12/31/03	136.73
01/01/04 - 02/29/04	151.18
03/01/04 - 03/31/04	153.02
04/01/04 - 05/31/04	157.89
06/01/04 - 08/31/04	157.35
09/01/04 - 11/30/04	156.84
12/01/04 - 12/31/04	156.67
01/01/05 - 02/28/05	161.73
03/01/05 - 05/31/05	162.22
06/01/05 - 06/30/05	161.01
07/01/05 - 07/31/05	161.68
08/01/05 - 08/11/05	161.68
08/12/05 - 08/31/05	161.68
09/01/05 - 11/30/05	165.85
12/01/05 - 12/31/05	165.83
01/01/06 - 02/28/06	180.46
03/01/06 - 03/31/06	179.72
04/01/06 - 05/31/06	179.38
06/01/06 - 08/31/06	180.21
09/01/06 - 11/30/06	181.37
12/01/06 - 12/31/06	183.52

\* The Medicare Part B and D rates are not shown for the purpose of this Exhibit. The Medicare Part B and D offsets were not within the scope of this audit and may be examined as part of a future audit.

**DAUGHTERS OF SARAH NURSING CENTER - AUDIT #07-3232**  
**RATE PERIODS JANUARY 1, 2002 THROUGH DECEMBER 31, 2006**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

DESCRIPTION	CTR.	DISALLOWED	TRACE-BACK %	RATE PERIODS											
				01/01/02	04/25/02	01/01/03	31/12/03	01/01/04	12/31/04	08/12/05	12/31/05	01/01/06	12/31/06		
				\$877,408	\$877,408	\$728,063	\$728,063	\$1,260,049	\$1,520,260	\$1,520,260	\$1,520,260	\$1,520,260	\$1,520,260	\$2,147,983	
Bldg. Depr.	001	\$ 29,624	99.78%	29,559											
Bldg. Depr.	001	(128,856)	99.78%	(128,573)											
Bldg. Depr.	001	175,841	99.78%		175,454										
Bldg. Depr.	001	(5,345)	99.78%		(5,333)										
Bldg. Depr.	001	3,102	99.78%			3,095									
Bldg. Depr.	001	292,259	98.82%						288,810						
Bldg. Depr.	001	(130,969)	98.82%												
Bldg. Depr.	001	(108,239)	98.81%											(106,951)	
Mort. Int.	003	(41,947)	99.78%	(41,855)											
Mort. Int.	003	(193,232)	99.78%		(192,807)										
Mort. Int.	003	25,550	99.78%					25,494							
Mort. Int.	003	69,379	98.82%						68,560						
Mort. Int.	003	(593,273)	98.82%											(586,272)	
Mort. Int.	003	24,646	98.81%											24,353	
Prop. Ins.	005	4,046	99.95%							4,044					
Prop. Ins.	005	(1,238)	97.88%												
Prop. Ins.	005	19,811	97.78%										(1,212)	19,372	
ME Depr.	002	7,474	99.78%	7,458											
ME Depr.	002	126,180	99.78%		125,902										
ME Depr.	002	116,309	99.78%			116,054									
ME Depr.	002	101,738	99.78%				101,515								
ME Depr.	002	146,950	99.78%										146,627		
ME Depr.	002	208,949	98.82%											206,483	
ME Depr.	002	153,451	98.82%											151,640	
ME Depr.	002	74,308	98.81%											73,424	

Property Expense Allowed per HE-12B  
Less Disallowances/(Allowances):

**1. BUILDING DEPRECIATION EXPENSE ADJUSTMENTS**

Providers receiving payments on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. Cost data must be current, accurate, and in sufficient detail. Audited building depreciation varied from expense allowed in the rate resulting in adjustments.  
Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.19(a), PRM-1 Sections 2300 & 2304

**2. MORTGAGE INTEREST EXPENSE ADJUSTMENTS**

According to the Bureau of Long Term Care Reimbursement (BLTCR) capital cost methodology, mortgage interest expense is reimbursed on a rate year basis. Audited rate year interest expense varied from mortgage interest allowed in the promulgated rates resulting in adjustments.  
Regulation: 10 NYCRR Section 86-2.20(a)

**3. PROPERTY AND BOILER INSURANCE EXPENSE ADJUSTMENTS**

Providers receiving payments on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. Cost data must be current, accurate, and in sufficient detail. Audited property insurance varied from the insurance expense allowed in the rate resulting in adjustments.  
Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2300 & 2304

**4. MOVABLE EQUIPMENT DEPRECIATION EXPENSE DISALLOWANCES**

a. The Bureau of Long Term Care Reimbursement has determined the nature of telephone expense to be an operating expense. Since the expense is included in the formula to determine the base, mean, and ceiling prices used to establish the indirect expense corridor, the reimbursement of telephone depreciation expense in the property component amounts to duplicate reimbursement. Consequently, disallowances were necessary.  
Regulation: 10 NYCRR Section 86-2.17(d)

b. The Facility defensed its 28-A mortgage on April 25, 2002. Effective with that date an allowable Medicaid Allowable Transfer Price (MATP) was calculated and included in the rates. The audit disclosed that depreciation allowed in the promulgated rate included depreciation on movable equipment for 28-A financed costs which was included in the MATP. This resulted in duplicate reimbursement. Since the 28-A financed costs were properly included in the MATP, the depreciation expense applicable to these costs was disallowed.  
Regulations: 10 NYCRR Sections 86-2.17(d) & 86-2.19(d)

DAUGHTERS OF SARAH NURSING CENTER - AUDIT #07-3232  
RATE PERIODS JANUARY 1, 2002 THROUGH DECEMBER 31, 2006  
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	CTR.	COST DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS														
				01/01/02	04/25/02	01/01/03	02/28/03	12/31/03	01/01/04	12/31/04	01/01/05	08/12/05	12/31/05	01/01/06	12/31/06			
Rent C	001	130	99.78%	128	128													
Rent E	001	4,948	99.78%	4,937	4,937													
Rent C	006	7,566	99.76%		7,548	7,548												
Rent F	013	4,080	100.00%		4,080	4,080												
Rent G	043	8,074	100.00%		8,074	8,074												
Rent A	004	6,514	99.95%					6,511										
Rent B	005	(6,613)	99.95%					(6,610)										
Rent C	006	707	99.76%					705										
Rent D	010	104	100.00%					104										
Rent E	011	(6,388)	100.00%					(6,388)										
Rent F	013	4,327	100.00%					4,327										
Rent G	021	(655)	100.00%					(655)										
Rent H	043	4,869	100.00%					4,869										
Rent D	043	1,011	100.00%					1,011						1,011				
Rent G	001	8,218	99.78%	8,200	8,200													
Auto Ins.	005	2,955	99.95%											2,954				
Auto Ins.	005	(6,803)	100.00%											(6,803)				(6,803)
Other	001	23,589	99.78%															23,537

5. EQUIPMENT RENTAL EXPENSE ADJUSTMENTS  
a. Providers receiving payments on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. Cost data must be current, accurate, and in sufficient detail. Audited equipment rental expense varied from the expense allowed in the rate resulting in adjustments.  
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304

b. Laundry and linen expenses were included in base period operating costs and the Facility was reimbursed for such costs in the operating component of the rate. Reimbursement of laundry and linen costs in the property portion of the rates would result in duplicate reimbursement. Consequently, the laundry rental expense was disallowed.  
Regulations: 10 NYCRR Sections 86-2.17(a) & (d)

6. AUTO INSURANCE EXPENSE ADJUSTMENTS  
Providers receiving payments on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. Cost data must be current, accurate, and in sufficient detail. Audited auto insurance varied from the insurance expense allowed in the rate resulting in adjustments.  
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304

7. ABANDONED PROJECT COST DISALLOWANCE  
Providers receiving payments on the basis of reimbursable cost must provide adequate cost data that can be verified on audit. The OMIG determined that the abandoned project is a component of the building portion of the Approved Project Cost. Thus, allowing it as a separate cost resulted in duplicate reimbursement. Consequently, the expense was disallowed.  
Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2300 & 2304

