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**FINAL AUDIT REPORT**
**PROVIDER NAME: CRANBURY CENTER**
**PROVIDER ID [redacted]**
**MARCH 30, 2012**

## Background

Cranbury Center (CC) is a for profit nursing home located in Monroe Township, New Jersey. The healthcare units provide skilled nursing, medical and rehabilitative care for patients and residents. CC was approved to provide Medicaid services on May 1, 1996.

This audit was referred to the Medicaid Fraud Division of the Office of the State Comptroller (MFD) by the Department of Health, Office of Nursing Rate Setting and Reimbursement (DOH). The audit performed by the State's independent auditors [redacted] revealed the following: In the April 2007 audit report which covered the Fiscal Year End (FYE) December 31, 2004 cost report, the Provider failed to provide or provided incomplete documentation for the costs in question and related party costs did not agree with the information supplied by the facility. Based on the audit findings, the cumulative effect of the adjustments made from the audit and per diem recalculation performed by DOH in January 2009, resulted in a Medicaid overpayment in the amount of $320,630 (excluding interest).

## Objective

The objective of the audit is to determine whether internal controls were strengthened subsequent to [redacted] audit and to determine if additional adjustments are warranted should control weaknesses persist in the preparation of the Cost Report.

## Scope

The MFD performed a limited scope audit of CC. The review included an evaluation of internal controls over Medicaid cost report preparation as well as certain procedures for settlement of the Medicaid cost reports for the FYE December 31, 2005. Our examination was conducted under the authority of the *Medicaid Program Integrity and Protection Act* (N.J.S.A. 30:4D-53 *et seq.*) and N.J.S.A. 52:15C-23 *et seq.*

## Audit Finding

Based on the audit work performed on the FYE December 31, 2005 cost report, MFD determined that adjustments were necessary to properly report office supplies and expenses, Medical Insurance costs and Medical Director Fees based on the supporting documentation. Further adjustments were deemed necessary to properly report Medical Director Fees in accordance with the contract and to eliminate the allocation of indirect Medical Director Costs. Lastly, an adjustment was made to properly report Fresh Start Depreciation based on supporting documentation.

Overall, MFD referred the findings of the FYE December 31, 2005 cost report to the DOH to determine if there was any change in reimbursement to the provider. Based on the recalculated cost report and update to the per diem the adjustments resulted in an overpayment of $30,270 (excluding interest) related to the 2005 cost report.

## Recommendation:

We recommend the provider file amended cost reports to properly report Medical Director Fees in accordance with the contract and to eliminate the indirect allocation of Medical Director Costs. Furthermore, amended cost reports should be filed to properly report Fresh Start Depreciation and Medical Insurance Costs in accordance with Program Reimbursement Manual (PRM) regulations and supporting documentation. Additionally, we recommend that CC repay Medicaid, $41,557 which consists of $30,270 overpayment (principle) and interest of $11,287.

## ***Auditee Response:***

*I agree with your findings but your recommendation to amend subsequent cost reports, I believe is void.* [redacted] *did an audit of the provider's cost report for the subsequent period ending December 31, 2006 and their audit incorporated the same adjustments as the MFD audit. I have attached a copy of their final audit report for your review. This audit resulted in no overpayment to the State for the rate period ending July 1, 2007 and all subsequent rate periods. As you are aware, this was the last cost reporting period used by DHSS for rate setting and rebasing. All rate calculations after this period were inflationary adjusted. DHSS did not need to recalculate any of the center's subsequent rates because there was no July 1, 2007 overpayment. Also, attached is a copy of this correspondence for your files.*

*In addition Cranbury Center will repay their overpayment with interest when DHSS Notice of Claim is received.*

## Conclusion

Based on the adjustments made to the FYE 12/31/05 cost report, CC will repay Medicaid $41,557 which consists of $30,270 overpayment (principle) and interest of $11,287. Based on the review of the [redacted] audit report for the FYE ending December 31, 2006 cost report, we agree that adjustments had been made for Medical Director Costs and Fresh Start Depreciation. CC should ensure that future years cost reports audited by [redacted] incorporate all adjustments which will strengthen internal controls over the preparation of cost reports.