

EXAMINATION OF

THE MOORINGS AT LEWES

LONG-TERM HEALTHCARE FACILITY

For Fiscal Year Ended June 30, 2018



KATHLEEN K. MCGUINNESS, RPH, CFE
DELAWARE STATE AUDITOR



What Was Performed? An examination of The Moorings at Lewes Nursing Home'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? 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 Moorings at Lewes Nursing Home'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 two findings, with each finding resulting in both a material weakness in internal control and a compliance finding:

- The facility did not provide the general ledger and supporting documentation for the period of July 1, 2017 through September 30, 2017.
- The facility did not provide sufficient supporting documentation for salary expense for the period of July 1, 2017 through December 31, 2017.

The facility was unable to provide the above detail support for certain costs, with the total amount of untested costs being approximately \$2.1 million (34.3% of total costs) on the cost report and nursing wage survey. As a result, we were unable to obtain sufficient appropriate evidence about the accuracy and allowability of these costs. We were also unable to determine whether adjustments to these amounts were necessary, and whether management's assertions related to these costs are accurate. 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 Moorings at Lewes Nursing Home Long-Term Healthcare Facility Examination for Fiscal Year ended June 30, 2018, can be found [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: The Moorings at Lewes Nursing Home
Period: Fiscal Year Ended June 30, 2018

We have examined management's assertions that The Moorings at Lewes Nursing Home (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 our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertions are in accordance with the criteria in all material respects. An examination includes performing procedures to obtain evidence about management's assertions. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertions, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

Basis for Qualified Opinion

The facility was unable to provide detailed support for certain costs. As a result, we were unable to obtain sufficient appropriate evidence about the accuracy and allowability of these costs. We were unable to determine whether adjustments to these amounts were necessary, and whether management's assertions related to these costs are accurate. The total amount of untested costs was approximately \$2.1 million (34.3% of total costs). Please see page 4 for the potential impact to each cost center.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph and the items listed as adjustments on the accompanying Schedule of Adjustments to the Trial Balance, Patient Days, and Nursing Wage Survey for the period cited, 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). The examination was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the application of procedures to the insufficient evidence related to the matter described in the previous paragraph.

Other Matters

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

The Moorings at Lewes Nursing Home
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		\$ 1,812,104		
Adjustments to Primary Patient Care Costs				
9	To adjust non nursing allocation removal based on verified statistics		\$ (53,103)	
Net Primary Patient Care Costs		\$ 1,812,104	\$ (53,103)	\$ 1,759,001
Primary Patient Care Cost Per Day (*)		\$ 139.3	\$ (4.0)	\$ 133.9
Secondary Patient Care Costs per Trial Balance of Costs		\$ 288,286		
Adjustments to Secondary Patient Care Costs				
9	To adjust non nursing allocation removal based on verified statistics		\$ (5,648)	
Net Secondary Patient Care Costs		\$ 288,286	\$ (5,648)	\$ 282,638
Secondary Patient Care Cost Per Day (*)		\$ 22.2	\$ (0.4)	\$ 21.5
Support Service Costs per Trial Balance of Costs		\$ 975,453		
Adjustments to Support Service Costs				
6	To reclassify dietician expense to the proper cost center		\$ 3,238	
9	To adjust non nursing allocation removal based on verified statistics		\$ (73,082)	
Net Support Service Costs		\$ 975,453	\$ (69,844)	\$ 905,609
Support Service Cost Per Day (*)		\$ 75.0	\$ (5.3)	\$ 68.9
Administrative & Routine Costs per Trial Balance of Costs		\$ 1,325,261		
Adjustments to Administrative & Routine Costs				
3	To offset miscellaneous income against the proper cost center		\$ (25,808)	
4	To remove undocumented legal expense		\$ (815)	
5	To amortize start-up and organization expense across 60 months		\$ (5,535)	
5	To amortize start-up and organization expense across 60 months		\$ 1,107	
6	To reclassify dietician expense to the proper cost center		\$ (3,238)	
7	To remove undocumented dues, fees & subscription expense		\$ (713)	
8	To adjust the home office pass down expense to the verified amount		\$ 512,086	
9	To adjust non nursing allocation removal based on verified statistics		\$ 47,779	
Net Administrative & Routine Costs		\$ 1,325,261	\$ 524,863	\$ 1,850,124
Administrative & Routine Cost Per Day (*)		\$ 101.9	\$ 39.9	\$ 140.8

(*) Adjusted Cost Per Day is calculated utilizing days at minimum occupancy.

The Moorings at Lewes Nursing Home 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				
Capital Costs per Trial Balance of Costs		\$ 280,538		
Adjustments to Capital Costs				
1	To adjust depreciation to the verified amount		\$ (31,614)	
2	To remove late fees related to the copier lease		\$ (995)	
8	To adjust the home office pass down expense to the verified amount		\$ 231,519	
9	To adjust non nursing allocation removal based on verified statistics		\$ (45,690)	
Net Capital Costs		\$ 280,538	\$ 153,220	\$ 433,758
Net Capital Cost Per Day (*)		\$ 21.6	\$ 11.7	\$ 33.0
Ancillary Costs per Trial Balance of Costs		\$ 897,746		
Adjustments to Ancillary Costs				
	None		\$ -	
Net Ancillary Costs		\$ 897,746	\$ -	\$ 897,746
Ancillary Cost Per Day (*)		\$ 69.0	\$ -	\$ 68.3
Other Costs per Trial Balance of Costs		\$ -		
Adjustments to Other Costs				
	None		\$ -	
Net Other Costs		\$ -	\$ -	\$ -
Other Cost Per Day (*)		\$ -	\$ -	\$ -

(*) Adjusted Cost Per Day is calculated utilizing days at minimum occupancy.

The Moorings at Lewes Nursing Home Scope Limitation Impact for the Fiscal Year Ending June 30, 2018			
Type of Cost	Adjusted Amounts	Untested Amounts	% Untested by Cost Center
Primary Patient Care Costs	\$ 1,759,001	\$ 785,319	44.6%
Secondary Patient Care Costs	\$ 282,638	\$ 79,636	28.2%
Support Service Costs	\$ 905,609	\$ 394,972	43.6%
Administrative & Routine Costs	\$ 1,850,124	\$ 499,172	27.0%
Capital Costs	\$ 433,758	\$ 74,469	17.2%
Ancillary Costs	\$ 897,746	\$ 266,281	29.7%
Other Costs	\$ -	\$ -	0.0%
Total	\$ 6,128,876	\$ 2,099,849	34.3%

(1) - Untested amounts are an estimation of costs related to the combination of salary expense for the period July 1, 2017 through December 31, 2017 and non-salary expense for the period July 1, 2017 through September 30, 2017. See Schedule of Findings.

The Moorings at Lewes Nursing Home				
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			14,600
	Medicaid Non-Super Skilled Patient Days	1,160	-	
	Medicaid Super Skilled Patient Days	-	-	
	Medicare Patient Days	5,006	-	
	Private Pay Patient Days	6,845	92	
	Medicare/Private Pay Hospice Patient Days	-	-	
	Other Patient Days	-	-	
	Total Patient Days	13,011	92	13,103
	Minimum Occupancy			13,140

The Moorings at Lewes Nursing Home				
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	\$ 3,973	\$ -	\$ 3,973
	Director of Nursing - Total Hours	80.0	-	80.0
	Assistant Director of Nursing - Total Payroll	\$ 3,271	\$ -	\$ 3,271
	Assistant Director of Nursing - Total Hours	80.0	-	80.0
	Registered Nurses - Total Payroll	\$ 8,157	\$ -	\$ 8,157
	Registered Nurses - Total Hours	223.9	-	223.9
	Licensed Practical Nurses - Total Payroll	\$ 3,441	\$ -	\$ 3,441
	Licensed Practical Nurses - Total Hours	176.8	-	176.8
	Nurse Aides - Total Payroll	\$ -	\$ -	\$ -
	Nurse Aides - Total Hours	-	-	-
II-B All Remaining Nursing Staff				
	Registered Nurses - Total Payroll	\$ 20,037	\$ -	\$ 20,037
	Registered Nurses - Total Hours	614.5	-	614.5
	Licensed Practical Nurses - Total Payroll	\$ 24,679	\$ -	\$ 24,679
	Licensed Practical Nurses - Total Hours	889.5	-	889.5
	Nurse Aides - Total Payroll	\$ 25,595	\$ -	\$ 25,595
	Nurse Aides - Total Hours	1,725.0	-	1,725.0

The Moorings at Lewes Nursing Home
Resident Fund and General Commentary for the Fiscal Year Ending June 30, 2018

Commentary

The provider has a capitalization policy of three year useful life which is higher than the Medicare requirement of two years.



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 The Moorings at Lewes Nursing Home (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 deficiencies described in the accompanying schedule of findings as Findings 18-01 and 18-02 to be material weaknesses.

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 deficiencies 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 instances of noncompliance that are required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings as Findings 18-01 and 18-02.

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

The Moorings at Lewes Nursing Home
Schedule of Findings for the Fiscal Year Ending June 30, 2018

Findings and Responses

Finding 18-01

Condition: The Provider did not provide a general ledger and supporting documentation for the period July 1, 2017 through September 30, 2017.

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: The facility changed ownership on October 1, 2017 after the Medicaid Cost report was filed. New management was unable to access any records related to the period July 1, 2017 through September 30, 2017.

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.

Finding 18-02

Condition: The Provider did not provide sufficient supporting documentation for salary expense for the period July 1, 2017 through December 31, 2017.

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: The facility changed their payroll vendor as of January 1, 2019. They were not able to obtain documentation from the prior payroll vendor.

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.