



NEW CASTLE HEALTH AND REHABILITATION LONG TERM CARE FACILITY

EXAMINATION
FOR YEAR ENDED JUNE 30, 2019

NEW CASTLE HEALTH AND REHAB LONG TERM CARE FACILITY

REPORT SUMMARY FOR FISCAL YEAR ENDED JUNE 30, 2019

BACKGROUND

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 New Castle Health and Rehabilitation Long-Term Care Facility 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, 2019, 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.



KEY INFORMATION AND FINDINGS

A qualified opinion was issued for this examination with one finding that resulted in both a material weakness in internal control and a compliance finding. Specifically, the Provider did not provide a general ledger and supporting documentation for the period of July 1, 2018 through July 31, 2018. This resulted in untested costs of approximately \$1.2 million. The facility changed ownership on August 1, 2018.



For any questions regarding the attached report, please contact OAOA_Comms@delaware.gov.

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FULL REPORT](#)**

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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: New Castle Health and Rehabilitation
Period: Fiscal Year Ended June 30, 2019

We have examined management's assertions that New Castle Health and Rehabilitation (Provider) has complied with federal requirements (42 Code of Federal Regulations [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, 2019. 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our engagement.

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 \$1.2 million (11.7% 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 April 13, 2023 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, DHSS, 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, the General Assembly, and Office of Management and Budget.

Myers and Stauffer LC

Myers and Stauffer LC
Owings Mills, Maryland
April 13, 2023

New Castle Health and Rehabilitation
Schedule of Adjustments to the Trial Balance for the Fiscal Year Ending June 30, 2019

Type of Cost	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Expenses				
Primary Patient Care Costs per Trial Balance of Costs		\$ 3,909,998		
	Adjustments to Primary Patient Care Costs			
	None		\$ -	
Net Primary Patient Care Costs		\$ 3,909,998	\$ -	\$ 3,909,998
Primary Patient Care Cost Per Day (*)		\$ 116.9	\$ -	\$ 99.2
Secondary Patient Care Costs per Trial Balance of Costs		\$ 615,399		
	Adjustments to Secondary Patient Care Costs			
1	To reclassify various ancillary expense to the proper cost center		\$ (51,734)	
5	To reclassify wanderguard expense to the proper cost center		\$ 2,342	
Net Secondary Patient Care Costs		\$ 615,399	\$ (49,392)	\$ 566,007
Secondary Patient Care Cost Per Day (*)		\$ 18.4	\$ (1.3)	\$ 14.4
Support Service Costs per Trial Balance of Costs		\$ 1,196,775		
	Adjustments to Support Service Costs			
5	To reclassify wanderguard expense to the proper cost center		\$ (2,342)	
Net Support Service Costs		\$ 1,196,775	\$ (2,342)	\$ 1,194,433
Support Service Cost Per Day (*)		\$ 35.8	\$ (0.1)	\$ 30.3
Administrative & Routine Costs per Trial Balance of Costs		\$ 1,985,717		
	Adjustments to Administrative & Routine Costs			
4	To amortize legal expense deemed organizational costs		\$ (3,889)	
6	To remove expense not adequately documented		\$ (1,550)	
7	To adjust general liability insurance expense to the verified amount		\$ (15,906)	
8	To reclassify property insurance expense to the proper cost center		\$ (9,210)	
10	To adjust home office expense to the verified amount		\$ (81,819)	
Net Administrative & Routine Costs		\$ 1,985,717	\$ (112,374)	\$ 1,873,343
Administrative & Routine Cost Per Day (*)		\$ 59.4	\$ (2.9)	\$ 47.5

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

New Castle Health and Rehabilitation
Schedule of Adjustments to the Trial Balance for the Fiscal Year Ending June 30, 2019

Type of Cost	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Expenses				
Capital Costs per Trial Balance of Costs		\$ 1,676,085		
	Adjustments to Capital Costs			
2	To remove cable TV expense related to personal use		\$ (15,057)	
3	To reclassify specialty bed expense to the proper cost center		\$ (58,302)	
8	To reclassify property insurance expense to the proper cost center		\$ 9,210	
9	To adjust real estate tax expense to the verified amount		\$ 16,949	
10	To adjust home office expense to the verified amount		\$ (10,289)	
Net Capital Costs		\$ 1,676,085	\$ (57,489)	\$ 1,618,596
Net Capital Cost Per Day (*)		\$ 50.1	\$ (1.5)	\$ 41.1
Ancillary Costs per Trial Balance of Costs		\$ 1,053,220		
	Adjustments to Ancillary Costs			
1	To reclassify various ancillary expense to the proper cost center		\$ 51,734	
3	To reclassify specialty bed expense to the proper cost center		\$ 58,302	
Net Ancillary Costs		\$ 1,053,220	\$ 110,036	\$ 1,163,256
Ancillary Cost Per Day (*)		\$ 31.5	\$ 2.8	\$ 29.5
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.

New Castle Health and Rehabilitation
Scope Limitation Impact for the Fiscal Year Ending June 30, 2019

Type of Cost	Adjusted Amounts	Untested Amounts	% Untested by Cost Center
Primary Patient Care Costs	\$ 3,909,998	\$ 313,478	8.0%
Secondary Patient Care Costs	\$ 566,007	\$ 136,585	24.1%
Support Service Costs	\$ 1,194,433	\$ 83,658	7.0%
Administrative & Routine Costs	\$ 1,873,343	\$ 214,950	11.5%
Capital Costs	\$ 1,618,596	\$ 338,322	20.9%
Ancillary Costs	\$ 1,163,256	\$ 121,838	10.5%
Other Costs	\$ -	\$ -	0.0%
Total	\$ 10,325,633	\$ 1,208,831	11.7%

(1) - Untested amounts are reported costs related to the period July 1, 2018 through July 31, 2018. See Schedule of Findings.

New Castle Health and Rehabilitation				
Schedule of Adjustments to Patient Days for the Fiscal Year Ending June 30, 2019				
Census Type	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Census				
	Bed days available			43,800
	Medicaid Non-Super Skilled Patient Days	28,354	-	
	Medicaid Super Skilled Patient Days	-	-	
	Medicare Patient Days	3,129	-	
	Private Pay Patient Days	1,314	-	
	Medicare/Private Pay Hospice Patient Days	9	-	
	Other Patient Days	637	-	
	Total Patient Days	33,443	-	33,443
	Minimum Occupancy			39,420

New Castle Health and Rehabilitation				
Schedule of Adjustments to the Nursing Wage Survey for the Fiscal Year Ending June 30, 2019				
Nurse Type	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Nursing Wage Survey				
II-A Administrative Nurses				
	Director of Nursing - Total Payroll	\$ 4,308	\$ -	\$ 4,308
	Director of Nursing - Total Hours	80.0	-	80.0
	Assistant Director of Nursing - Total Payroll	\$ 6,846	\$ -	\$ 6,846
	Assistant Director of Nursing - Total Hours	160.0	-	160.0
	Registered Nurses - Total Payroll	\$ 6,567	\$ -	\$ 6,567
	Registered Nurses - Total Hours	192.8	-	192.8
	Licensed Practical Nurses - Total Payroll	\$ 2,806	\$ -	\$ 2,806
	Licensed Practical Nurses - Total Hours	86.8	-	86.8
	Nurse Aides - Total Payroll	\$ 2,074	\$ -	\$ 2,074
	Nurse Aides - Total Hours	107.8	-	107.8
II-B All Remaining Nursing Staff				
	Registered Nurses - Total Payroll	\$ 33,397	\$ -	\$ 33,397
	Registered Nurses - Total Hours	805.5	-	805.5
	Licensed Practical Nurses - Total Payroll	\$ 30,332	\$ 300	\$ 30,632
	Licensed Practical Nurses - Total Hours	1,104.3	-	1,104.3
	Nurse Aides - Total Payroll	\$ 46,807	\$ -	\$ 46,807
	Nurse Aides - Total Hours	2,923.0	-	2,923.0

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 New Castle Health and Rehabilitation (Provider) has complied with federal requirements (42 Code of Federal Regulations [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, 2019, and have issued our report thereon dated April 13, 2023. 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 Finding 19-01 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 Finding 19-01.

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, DHSS, 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, the General Assembly, and Office of Management and Budget.

Myers and Stauffer LC

Myers and Stauffer LC
Owings Mills, Maryland
April 13, 2023

New Castle Health and Rehabilitation
Schedule of Findings for the Fiscal Year Ending June 30, 2019

Findings and Responses

Finding 19-01

Condition: The Provider did not provide a general ledger and supporting documentation for the period July 1, 2018 through July 31, 2018.

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 August 1, 2018 during the Medicaid Cost report period. New management was unable to access any records related to the period July 1, 2018 through July 31, 2018.

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.