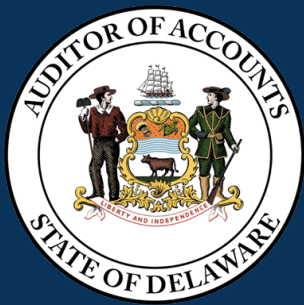


EXCEPTIONAL CARE FOR CHILDREN

EXAMINATION
FISCAL YEAR ENDED JUNE 30, 2020



EXCEPTIONAL CARE FOR CHILDREN

REPORT SUMMARY FOR FISCAL YEAR ENDED JUNE 30, 2020

BACKGROUND

An examination of the Exceptional Care for Children Long-Term Care Facility 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, 2020.

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 the Exceptional Care for Children 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, 2020, found in the report.

KEY INFORMATION AND FINDINGS

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. 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 to ensure the facilities' cost reports, patient days, and nursing wage surveys are compliant.

It is my pleasure to report that an **unqualified opinion*** was issued for this examination and Exceptional Care for Children Long-Term Care Facility complied, in all material respects, with the criteria mentioned above.

There were a total of six (6) findings issued including five adjustments and one comment related to the Trial Balance, Patient Days, or Nursing Survey Report that are stated below:

1. The Provider did not utilize American Hospital Association (AHA) Useful Life Guidelines when calculating depreciation expense on asset additions for the period July 1, 2019 through June 30, 2020.
2. The Provider grouped equipment rental expenditures, professional fees, and ancillary expenditures to improper cost centers.
3. The Provider included non-allowable personal patient use cable television expense, non-allowable promotional advertising expense, and non-allowable donation expense with reimbursable cost.
4. The Provider included capital assets in the support service cost center rather than depreciating the assets over their useful lives.
5. Interest and transportation expense was not properly stated because the Provider did not reduce expense by the associated income.
6. The Provider did not properly calculate total patient days available on the cost report.

*Unqualified Opinion - An unqualified opinion is considered a clean report. An unqualified opinion doesn't have any adverse comments, and it doesn't include any disclaimers about any clauses or the audit process.



**STATE OF DELAWARE
OFFICE OF AUDITOR OF ACCOUNTS**

INDEPENDENT ACCOUNTANT'S REPORT

**Examination of
Exceptional Care for Children**
For Fiscal Year Ended June 30, 2020



**MYERS AND
STAUFFER_{LC}**
CERTIFIED PUBLIC ACCOUNTANTS

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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: Exceptional Care for Children
Period: Fiscal Year Ended June 30, 2020

We have examined management's assertions that Exceptional Care for Children (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, 2020. 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 (AICPA) and the standards applicable to attestation engagements contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. 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 professional judgment, including an assessment of the risks of material misstatement of management's assertions, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

The accompanying Schedule of Adjustments to the Trial Balance, Patient Days, and Nursing Wage Survey were prepared from information contained in the Provider's cost report for the purpose of complying with the DHSS's requirements for the Medicaid program reimbursement, and is not intended to be a complete presentation in conformity with accounting principles generally accepted in the United States of America.

The items listed as adjustments on the accompanying Schedule of Adjustments to the Trial Balance, Patient Days, and Nursing Wage Survey do not materially impact the Provider's assertion.

In our opinion, management's assertions, referred to above, are presented in accordance with the criteria, in all material respects.

In accordance with *Government Auditing Standards*, we also issued our report dated January 5, 2024 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, the Office of the Controller General, the Office of the Attorney General, the General Assembly, and the Office of Management and Budget.

Myers and Stauffer LC
Owings Mills, Maryland
January 5, 2024

Exceptional Care for Children
Schedule of Adjustments to the Trial Balance for the Fiscal Year Ended June 30, 2020

Type of Cost	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Expenses				
Primary Patient Care Costs per Trial Balance of Costs		\$ 7,325,313		
	Adjustments to Primary Patient Care Costs			
	None		\$ -	
Net Primary Patient Care Costs		\$ 7,325,313	\$ -	\$ 7,325,313
Primary Patient Care Cost Per Day (*)		\$ 500.4	\$ -	\$ 500.4
Secondary Patient Care Costs per Trial Balance of Costs		\$ 2,203,439		
	Adjustments to Secondary Patient Care Costs			
3	To reclassify other admin expense		\$ (16,553)	
4	To reclassify ancillary and capital expense		\$ (188,584)	
Net Secondary Patient Care Costs		\$ 2,203,439	\$ (205,137)	\$ 1,998,302
Secondary Patient Care Cost Per Day (*)		\$ 150.5	\$ (14.0)	\$ 136.5
Support Service Costs per Trial Balance of Costs		\$ 1,456,891		
	Adjustments to Support Service Costs			
7	To remove capital expense and to allow the applicable depreciation expense		\$ (16,374)	
8	To recover transportation income		\$ (35,602)	
Net Support Service Costs		\$ 1,456,891	\$ (51,976)	\$ 1,404,915
Support Service Cost Per Day (*)		\$ 99.5	\$ (3.6)	\$ 96.0
Administrative & Routine Costs per Trial Balance of Costs		\$ 1,979,333		
	Adjustments to Administrative & Routine Costs			
2	To reclassify equipment rental		\$ (15,299)	
3	To reclassify other admin expense		\$ 16,553	
6	To remove non-allowable promotional advertising expense		\$ (10,500)	
9	To adjust to remove non-allowable donation expense		\$ (18,859)	
Net Administrative & Routine Costs		\$ 1,979,333	\$ (28,105)	\$ 1,951,228
Administrative & Routine Cost Per Day (*)		\$ 135.2	\$ (1.9)	\$ 133.3

(*) Adjusted Cost Per Day is calculated utilizing actual patient days.

Exceptional Care for Children
Schedule of Adjustments to the Trial Balance for the Fiscal Year Ended June 30, 2020

Type of Cost	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Expenses				
Capital Costs per Trial Balance of Costs		\$ 714,971		
	Adjustments to Capital Costs			
1	To reflect verified total depreciation expense		\$ (4,061)	
2	To reclassify equipment rental		\$ 15,299	
4	To reclassify ancillary and capital expense		\$ 33,632	
5	To remove non-allowable cable expense related to patient use		\$ (12,910)	
7	To remove capital expense and to allow the applicable depreciation expense		\$ 546	
10	To recover interest income		\$ (84,165)	
Net Capital Costs		\$ 714,971	\$ (51,659)	\$ 663,312
Net Capital Cost Per Day (*)		\$ 48.8	\$ (3.5)	\$ 45.3
Ancillary Costs per Trial Balance of Costs		\$ 391,476		
	Adjustments to Ancillary Costs			
4	To reclassify ancillary and capital expense		\$ 154,952	
Net Ancillary Costs		\$ 391,476	\$ 154,952	\$ 546,428
Ancillary Cost Per Day (*)		\$ 26.7	\$ 10.6	\$ 37.3
Other Costs per Trial Balance of Costs		\$ 13,148		
	Adjustments to Other Costs			
11	To recover gift shop income		\$ (8,047)	
Net Other Costs		\$ 13,148	\$ (8,047)	\$ 5,101
Other Cost Per Day (*)		\$ 0.9	\$ (0.5)	\$ 0.3

(*) Adjusted Cost Per Day is calculated utilizing actual patient days.

Exceptional Care for Children Schedule of Adjustments to Patient Days for the Fiscal Year Ended June 30, 2020				
Census Type	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Census				
	Bed days available			15,372
	Medicaid Non-Super Skilled Patient Days	14,069		
	Adjustments to Medicaid Patient Days		-	
	Medicaid Super Skilled Patient Days	-		
	Adjustments to Medicaid Super Skilled Patient Days		-	
	Medicare Patient Days	-		
	Adjustments to Medicare Patient Days		-	
	Private Pay Patient Days	-		
	Adjustments to Private Pay Patient Days		-	
	Medicare/Private Pay Hospice Patient Days	-		
	Adjustments to Medicare/Private Pay Hospice Patient Days		-	
	Other Patient Days	569		
	Adjustments to Other Patient Days		-	
	Total Patient Days	14,638	-	14,638
	Minimum Occupancy			13,835

Exceptional Care for Children Schedule of Adjustments to the Nursing Wage Survey for the Fiscal Year Ended June 30, 2020				
Nurse Type	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Nursing Wage Survey (**)				
II-A Administrative Nurses				
	Director of Nursing - Total Payroll	\$ -	\$ -	\$ -
	Director of Nursing - Total Hours	-	-	-
	Assistant Director of Nursing - Total Payroll	\$ -	\$ -	\$ -
	Assistant Director of Nursing - Total Hours	-	-	-
	Registered Nurses - Total Payroll	\$ -	\$ -	\$ -
	Registered Nurses - Total Hours	-	-	-
	Licensed Practical Nurses - Total Payroll	\$ -	\$ -	\$ -
	Licensed Practical Nurses - Total Hours	-	-	-
	Nurse Aides - Total Payroll	\$ -	\$ -	\$ -
	Nurse Aides - Total Hours	-	-	-
II-B All Remaining Nursing Staff				
	Registered Nurses - Total Payroll	\$ -	\$ -	\$ -
	Registered Nurses - Total Hours	-	-	-
	Licensed Practical Nurses - Total Payroll	\$ -	\$ -	\$ -
	Licensed Practical Nurses - Total Hours	-	-	-
	Nurse Aides - Total Payroll	\$ -	\$ -	\$ -
	Nurse Aides - Total Hours	-	-	-

(**) Exceptional Care for Children was identified by DHSS as not being required to submit a nursing wage survey.

Commentary

1) The Provider calculated bed days available based on 365 days instead of the leap year of 366 days.



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 Exceptional Care for Children (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, 2020, and have issued our report thereon dated January 5, 2024. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) 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.

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 not identify any 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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, the Office of the Controller General, Office of the Attorney General, the General Assembly, and the Office of Management and Budget.

Myers and Stauffer LC
Owings Mills, Maryland
January 5, 2024

Exceptional Care for Children
Schedule of Findings for the Fiscal Year Ended June 30, 2020

Findings and Responses

Finding 20-01 Adjustment Number(s) Impacted: 1

Condition: The Provider did not utilize American Hospital Association (AHA) Useful Life Guidelines when calculating depreciation expense on asset additions for the period July 1, 2019 through June 30, 2020.

Criteria: Provider Reimbursement Manual 15-1, Chapter 1, Section 104.17 requires the AHA Useful Life Guidelines to be used for estimated useful life of an asset for all assets acquired on or after January 1, 1981.

Cause: Management's capitalization policy and submitted depreciation expense does not align with AHA guidelines.

Effect: Submitted depreciation expense was not calculated in accordance with AHA guidelines for estimated useful life of an asset resulting in a compliance finding. The calculated administrative and routine cost center reimbursement rate is overstated.

Recommendation: Management should ensure that AHA Useful Life Guidelines are used when calculating depreciation for all assets.

Management's Response: Management did not provide a response.

Finding 20-02 Adjustment Number(s) Impacted: 2, 3, and 4

Condition: The Provider grouped equipment rental expenditures, professional fees, and ancillary expenditures to improper cost centers.

Criteria: State of Delaware Department of Health and Social Services Division of Medicaid and Medical Assistance Medicaid Cost Report Instructions for Nursing Facilities provides descriptions by cost center line on the appropriate grouping of expense. Equipment rental expenditures, professional fees, and ancillary expenditures are to be grouped to the capital, administrative and routine, and ancillary cost centers respectively.

Cause: Management's working trial balance account grouping to the cost report does not match the requirements in the Medicaid cost report instructions.

Effect: Management did not properly group expense resulting in a compliance finding. The calculated reimbursement rate submitted on the cost report for the secondary cost center is overstated while the administrative and routine, capital, and ancillary cost centers are understated.

Recommendation: Management should submit expenses on the Medicaid cost report in accordance with account groupings identified in the State of Delaware Department of Health and Social Services Division of Medicaid and Medical Assistance Medicaid Cost Report Instructions for Nursing Facilities.

Management's Response: Management did not provide a response.

Finding 20-03 Adjustment Number(s) Impacted: 5, 6, and 9

Condition: The Provider included non-allowable personal patient use cable television expense, non-allowable promotional advertising expense, and non-allowable donation expense with reimbursable cost.

Criteria: Provider Reimbursement Manual 15-1, Chapter 21, Section 2106.1 requires the removal from allowable costs any costs of items or services such as telephone, television, and radio which are located in patient accommodations and which are furnished solely for the personal comfort of the patients.

Provider Reimbursement Manual 15-1, Chapter 21, Section 2136.2 requires the removal from allowable costs any costs incurred for advertising to the general public which seeks to increase patient utilization of the provider's facilities.

Provider Reimbursement Manual 15-1, Chapter 21, Section 2105.7 requires the removal from allowable costs any costs incurred by providers for gifts or donations.

Cause: Non-allowable expenses were submitted with allowable costs on the State of Delaware Medicaid Cost Report.

Effect: Management did not properly address non-allowable expense resulting in a compliance finding. The calculated reimbursement rate submitted on the cost report for the administrative and routine and capital cost centers are overstated.

Recommendation: Management should review submitted cost report expense to ensure they are appropriate when completing the State of Delaware Medicaid Cost Report.

Management's Response: Management did not provide a response.

Finding 20-04 **Adjustment Number(s) Impacted: 7**

Condition: The Provider included capital assets in the support service cost center rather than depreciating the assets over their useful lives.

Criteria: Provider Reimbursement Manual 15-1, Chapter 1, Section 108.1 states that if a depreciable asset at the time of its acquisition has an estimated useful life of at least 2 years and a historical cost of at least \$5,000, its cost must be capitalized and written off ratably over the estimated useful life of the asset using an approved method of depreciation.

Cause: Management's capitalization policy was not applied for the expense.

Effect: Management did not capitalize assets in accordance with its capitalization policy, resulting in a compliance finding. The calculated reimbursement rate for the support service cost center is overstated while the capital cost center is understated.

Recommendation: Management should capitalize assets and calculate depreciation in accordance with the requirements of PRM 15-1, Chapter 1, Section 108.1.

Management's Response: Management did not provide a response.

Finding 20-05 **Adjustment Number(s) Impacted: 8, 10, and 11**

Condition: Interest and transportation expense was not properly stated because the Provider did not reduce expense by the associated income.

Criteria: Provider Reimbursement Manual 15-1, Chapter 2, Section 202.2 requires funds generated from patient care activities invested in nonpatient care related activities to be reduced or offset against allowable interest expense.

 Provider Reimbursement Manual 15-1, Chapter 23, Section 2302.5 requires transactions that generate income to be offset to reduce the applicable expense.

Cause: Management did not properly recover income against interest and transportation expense.

Effect: Management did not properly recover revenue accounts resulting in a compliance finding. The calculated reimbursement rate submitted on the cost report for the other cost center is overstated.

Recommendation: Management should review Working Trial Balance revenue account descriptions and recover income against the associated expense, when appropriate.

Management's Response: Management did not provide a response.

Finding 20-06 **Comment Number(s) Impacted: 1**

Condition: The Provider did not properly calculate total patient days available on the cost report.

Criteria: Delaware Medicaid Nursing Facility Cost Report instructions Patient Days section requires Line 4 of Page 6 Patient Days reflect total bed days available for the year. This is determined by multiplying the number of available beds by the number of days in the reporting period.

Cause: Management calculated bed days available based on 365 days rather than 366 actual days in the reporting period.

Effect: Management did not properly calculate total patient days available resulting in a compliance finding. The calculated reimbursement rates submitted on the cost report for all cost centers are overstated.

Recommendation: Management should ensure that all calculated fields are accurate on the cost report prior to submission.

Management's Response: Management did not provide a response.