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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

Fiscal Year Ended June 30, 2021 Period:

We have examined management's assertions that The Moorings at Lewes Nursing Home (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, 2021. 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 March 25, 2025 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

Myers and Stauffer LC

March 25, 2025

The Moorings at Lewes Nursing Home Schedule of Adjustments to the Trial Balance for the Fiscal Year Ending June 30, 2021										
Type of Cost	Description	the Fiscal Year Ending June : Reported Amounts		Adjustment Amounts		Adjusted Amounts				
Expenses										
Primary Patient Ca	are Costs per Trial Balance of Costs	\$	1,923,612							
	Adjustments to Primary Patient Care Costs									
1	To reclassify nursing supplies expense to the proper cost center			\$	(12,123)					
2	To reclassify rehab supplies expense to the proper cost center			\$	(1,402)					
3	To adjust non-nursing expense allocation based on verified statistics			\$	(14,546)					
Net Primary Patie	nt Care Costs	\$	1,923,612	\$	(28,071)	\$	1,895,54			
Primary Patient Ca	are Cost Per Day (*)	\$	181.7	\$	(2.1)	\$	144.			
Secondary Patient	Care Costs per Trial Balance of Costs	\$	400,673							
	Adjustments to Secondary Patient Care Costs									
1	To reclassify nursing supplies expense to the proper cost center			\$	12,123					
3	To adjust non-nursing expense allocation based on verified statistics			\$	(4,575)					
Net Secondary Pat	ient Care Costs	\$	400,673	\$	7,548	\$	408,22			
Secondary Patient Care Cost Per Day (*)		\$	37.8	\$	0.6	\$	31.			
Support Service Co	osts per Trial Balance of Costs	\$	746,564							
	Adjustments to Support Service Costs									
3	To adjust non-nursing expense allocation based on verified statistics			\$	(24,005)					
Net Support Servi	ce Costs	\$	746,564	\$	(24,005)	\$	722,55			
Support Service Co	ost Per Day (*)	\$	70.5	\$	(1.8)	\$	55.			
Administrative & F	Routine Costs per Trial Balance of Costs	Ś	984,679							
	Adjustments to Administrative & Routine Costs	Ş	384,073							
3	To adjust non-nursing expense allocation based on verified statistics			\$	47,642					
6	To remove unsupported expense			\$	(725)					
7	To adjust the home office expense to the verified amount			Ś	143,300					
	e & Routine Costs	\$	984,679	\$	190.217	ć	1.174.89			
Administrative & Routine Cost Per Day (*)			984,679		190,217	-	1,174,89			

<sup>(\*)</sup> Adjusted Cost Per Day is calculated utilizing days at minimum occupancy.

	Schedule of Adjustments to the Trial Balance for th			<u> </u>	
Type of Cost	Description	Reported Amounts		Adjustment Amounts	Adjusted Amounts
Expenses					
Capital Costs per 1	rial Balance of Costs	\$	221,426		
	Adjustments to Capital Costs				
3	To adjust non-nursing expense allocation based on verified statistics			\$ (4,695)	
4	To reflect verified depreciation expense			\$ (2,535)	
5	To reclassify leased ancillary equipment expense to the proper cost center			\$ (11,218)	
7	To adjust the home office expense to the verified amount			\$ 5,802	
Net Capital Costs		\$	221,426	\$ (12,646)	\$ 208,78
Net Capital Cost Per Day (*)		\$	20.9	\$ (1.0)	\$ 15.
Ancillary Costs per	Trial Balance of Costs	\$	676,217		
	Adjustments to Ancillary Costs				
2	To reclassify rehab supplies expense to the proper cost center			\$ 1,402	
3	To adjust non-nursing expense allocation based on verified statistics			\$ (85,711)	
5	To reclassify leased ancillary equipment expense to the proper cost center			\$ 11,218	
Net Ancillary Cost	s	\$	676,217	\$ (73,091)	\$ 603,12
Ancillary Cost Per	Day (*)	\$	63.9	\$ (5.6)	\$ 45.
Other Costs per Trial Balance of Costs		\$	-		
	Adjustments to Other Costs				
	None			\$ -	
let Other Costs		\$		\$ -	\$ -
Other Cost Per Da	ther Cost Per Day (*)			ś -	ś -

<sup>(\*)</sup> Adjusted Cost Per Day is calculated utilizing days at minimum occupancy.

		Reported	Adjustment	Adjusted	
Census Type	Description	Amounts	Amounts	Amounts	
Census					
Bed days available				14,60	
Medicaid Non-Super	Skilled Patient Days	773			
	Adjustments to Medicaid Patient Days		(4)		
Medicaid Super Skille	d Patient Days	-			
	Adjustments to Medicaid Super Skilled Patient Days		-		
Medicare Patient Day	ys .	2,735			
	Adjustments to Medicare Patient Days		30		
Private Pay Patient D	ays	7,068			
	Adjustments to Private Pay Patient Days		(15)		
Medicare/Private Pay	y Hospice Patient Days	-			
	Adjustments to Medicare/Private Pay Hospice Patient Days		-		
Other Patient Days		11			
	Adjustments to Other Patient Days		(11)		
Total Patient Days		10,587		10,58	
Minimum Occupancy				13,14	

The Moorings at Lewes Nursing Home Schedule of Adjustments to the Nursing Wage Survey for the Fiscal Year Ending June 30, 2021							
Nurse Type	Description		Reported Amounts	Adjustment Amounts		Adjusted Amounts	
Nursing Wage Sur	vey						
II-A Administration	e Nurses						
	Director of Nursing - Number Paid		1		-	1	
	Director of Nursing - Total Payroll	\$	4,442	\$	-	\$ 4,442	
	Director of Nursing - Total Hours		80.0		-	80.0	
	Assistant Director of Nursing - Number Paid		1		-	1	
	Assistant Director of Nursing - Total Payroll	\$	3,731	\$	-	\$ 3,731	
	Assistant Director of Nursing - Total Hours		80.0		-	80.0	
	Registered Nurses - Number Paid		1		-	1	
	Registered Nurses - Total Payroll	\$	3,056	\$	-	\$ 3,056	
	Registered Nurses - Total Hours		80.0		-	80.0	
	Licensed Practical Nurses - Number Paid		1		-	1	
	Licensed Practical Nurses - Total Payroll	\$	2,243	\$	-	\$ 2,243	
	Licensed Practical Nurses - Total Hours		83.5		-	83.5	
	Nurse Aides - Number Paid		-		-		
	Nurse Aides - Total Payroll	\$	-	\$	-	\$ -	
	Nurse Aides - Total Hours		-		-	-	
II-B All Remaining	Nursing Staff						
	Registered Nurses - Number Paid		7		-	7	
	Registered Nurses - Total Payroll	\$	19,615	\$	-	\$ 19,615	
	Registered Nurses - Total Hours		503.0		-	503.0	
	Licensed Practical Nurses - Number Paid		10		-	10	
	Licensed Practical Nurses - Total Payroll	\$	13,180	\$	-	\$ 13,180	
	Licensed Practical Nurses - Total Hours		460.0		-	460.0	
	Nurse Aides - Number Paid		17		-	17	
	Nurse Aides - Total Payroll	\$	17,845	\$	-	\$ 17,845	
	Nurse Aides - Total Hours		1,065.0		-	1,065.0	

# The Moorings at Lewes Nursing Home Resident Fund and General Commentary for the Fiscal Year Ending June 30, 2021

Commentary

None.



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 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, 2021, and have issued our report thereon dated March 25, 2025. 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 instances of noncompliance detailed on the schedule of findings that warrant the attention of those charged with governance. These findings do not materially impact the Provider's assertion and are not 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

Myers and Stauffer LC

March 25, 2025

#### The Moorings at Lewes Nursing Home Schedule of Findings for the Fiscal Year Ending June 30, 2021

Findings and Responses

Finding 21-01 Adjustment Number(s) Impacted: 1, 2, and 5

Condition: The provider grouped nursing supplies, rehab supplies, and leased ancillary equipment expenses to improper cost centers.

Criteria: The 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, of the appropriate grouping of expense. Nursing supplies, rehab supplies, and leased ancillary equipment expenses should be grouped to the secondary and ancillary cost centers, respectively.

Cause: Management's working trial balance account grouping to the cost report does not align with 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 primary and capital cost centers are overstated while the secondary and ancillary cost centers are understated.

Recommendation: Management should submit expenses on the Medicaid cost report in accordance with account groupings specified 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 will implement procedures to ensure amounts posted to the noted accounts are reviewed in detail to ensure proper reporting in

accordance with Delaware Medicaid cost report instructions.

Finding 21-02 Adjustment Number(s) Impacted: 3

Condition: The provider incorrectly calculated the indirect non-nursing expenses.

Criteria: Provider Reimbursement Manual 15-1, Chapter 23, Section 2304 requires that cost information developed by the provider be current, accurate, and

sufficiently detailed to support payments made for services rendered to beneficiaries.

The submitted statistics used in the calculation of indirect non-nursing expense removal did not reflect verified documentation. Cause:

Effect: Management did not properly address indirect non-nursing expenses, resulting in a compliance finding. The calculated reimbursement rates

submitted on the cost report for the primary, secondary, support service, capital, and ancillary cost centers are overstated, while the administrative

and routine cost center is understated.

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

Management's Response:

Management will review allocation of expenses, along with the underlying allocation methodologies to ensure they reflect the most current data

Finding 21-03 Adjustment Number(s) Impacted: 4

Condition: The provider did not properly calculate depreciation expense on assets for the period July 1, 2020 through June 30, 2021.

Provider Reimbursement Manual 15-1, Chapter 1, Section 102 states depreciation must be: (a) identifiable and recorded in the provider's accounting Criteria:

records; (b) based on the historical cost of the asset; and (c) prorated over the estimated useful life of the asset using an allowable method of

depreciation.

Cause: Management included depreciation expense on a calendar year-end and failed to appropriately align with the State of Delaware Medicaid Cost

Report period of July 1, 2020 through June 30, 2021 via adjustment.

Effect: Submitted depreciation expense was not appropriately calculated, resulting in a compliance finding. The calculated reimbursement rate submitted

on the cost report for the capital cost center is overstated.

Management should ensure that depreciation expense is appropriately calculated when completing the State of Delaware Medicaid Cost Report. Recommendation:

Management's Response:

The Moorings at Lewes is on a December 31st fiscal year for financial reporting purposes. However, depreciation expense is recorded based on actual each month. There may be instances in which corrections may be needed, which may result in changes to the depreciation reports. Management will

implement procedures to ensure depreciation expense is reconciled to underlying support at June 30th.

Finding 21-04 Adjustment Number(s) Impacted: 6

Condition: The provider did not provide supporting documentation for two sampled expense entries in one account.

Criteria: The State of Delaware Department of Health and Social Services, Division of Medicaid and Medical Assistance Medicaid Cost Report Instructions for

Nursing Facilities states that the Medicaid Cost Report for Nursing Facilities must 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 are available for audit by the State of Delaware Medicaid Agency

or its designated representative for a period of five years after the date of filing of the Medicaid Cost Report.

Cause: Management was not able to locate supporting third party invoices within their systems.

Effect: Management was unable to provide supporting documentation, resulting in a compliance finding. The calculated reimbursement rate submitted on

the cost report for the administrative and routine cost center is overstated.

Management should ensure that internal control policies over record retention are in place to comply with the five year record retention Recommendation:

Management's The facility has a record retention policy to maintain records for a period of seven (7) years. While management was not able to locate two invoices Response:

that were selected for testing, Management believes this is an isolated issue. The fiscal year audited of June 30, 2021 was early in the conversion to electronic storage of supporting documentation and these invoices may have been overlooked at the time. Management will reiterate the record

retention policy to appropriate staff, along with the methods for maintaining documentation.

Finding 21-05 Adjustment Number(s) Impacted: 7

Condition: The provider's cost report adjustment to include allocated home office expense was not calculated properly.

Criteria: Provider Reimbursement Manual 15-1, Chapter 21, Section 2150 requires that home office costs, which are not otherwise allowable costs when

incurred directly by the provider, cannot be considered allowable as home office costs to be allocated to providers.

The home office expense allocation included non-allowable therapy expenses and failed to adjust workers compensation insurance expense to Cause:

reflect actual claims paid.

Effect: Management included non-allowable therapy costs and did not properly submit workers compensation expense, resulting in a compliance finding.

The calculated reimbursement rate submitted on the cost report for the administrative and routine cost center is overstated.

Recommendation: Management should submit home office costs in accordance with appropriate regulations.

Management's Response:

Management will revisit the methodology for compiling home office costs to ensure non-allowable expenses are being excluded from allocations.

Finding 21-06 Schedule of Adjustments to Patient Days

Condition: Verified patient days classification variances between Medicaid, Medicare, Private, and Other payer types were noted.

Criteria: The 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 census line, on the appropriate classification of patient days. Line 5D should reflect Medicaid patient days, Line 5F should reflect Medicare patient days (excluding hospice days), Line 5G should reflect total Private patient days, and Line 5I should reflect any

other patient days that do not fit on another line.

Cause: Management did not utilize a finalized census when preparing the cost report, as payer classification variances existed.

Management did not properly group patient days, resulting in a compliance finding.

Recommendation: Management should utilize a finalized census to accurately report patient days on the State of Delaware Medicaid Cost Report.

Management will ensure the current patient census is utilized when preparing the cost report to ensure accurate reporting of census days by payor Management's

Response: category.