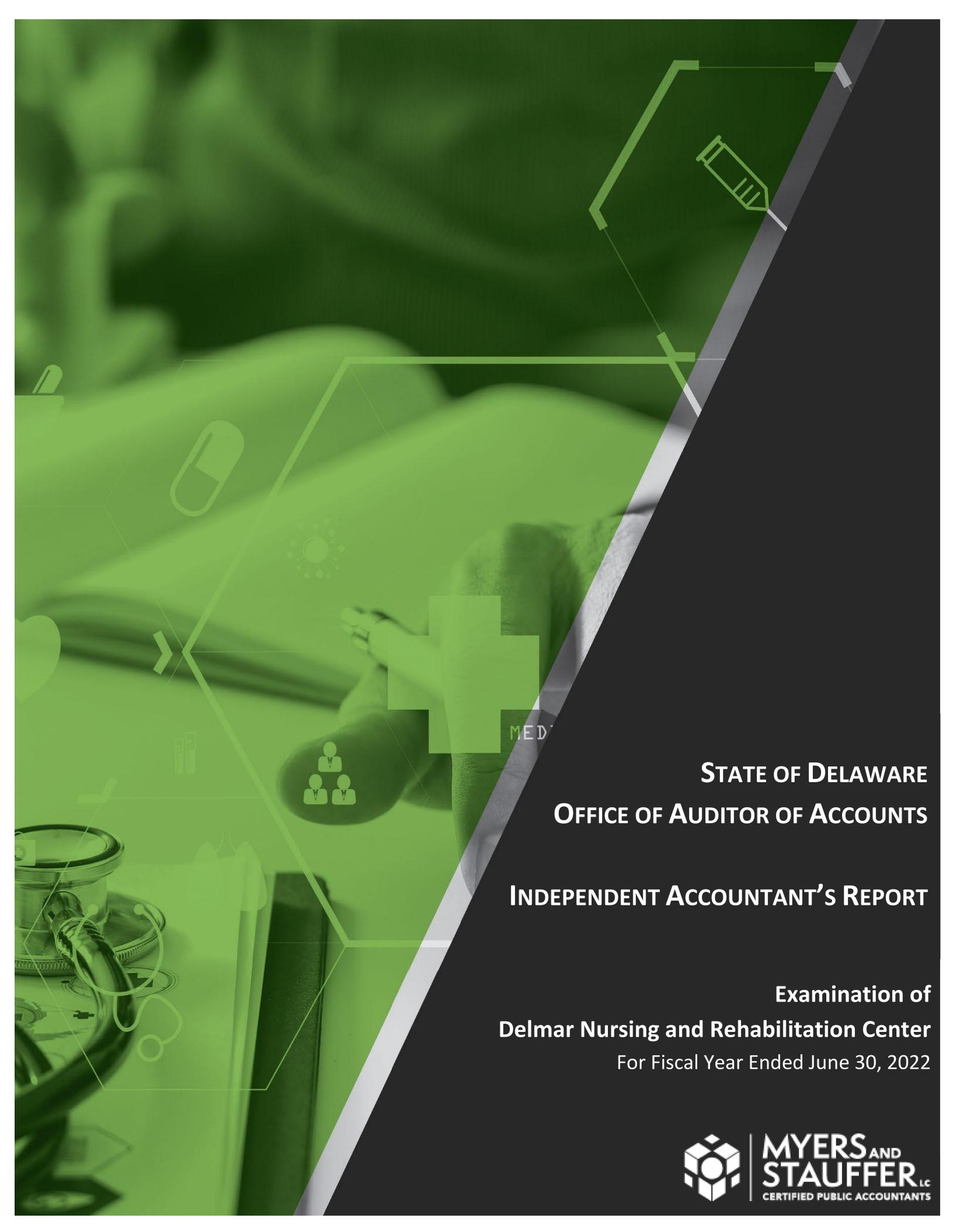




DELMAR NURSING AND REHABILITATION CENTER

LONG-TERM CARE FACILITY EXAMINATION
FISCAL YEAR ENDED JUNE 30, 2022

The background of the cover is a blurred photograph of a medical professional in a white coat, with a large green cross overlaid on their chest. The entire image is covered with a semi-transparent green overlay. Various medical icons are scattered across the green area, including a syringe, a pill, a stethoscope, a microscope, a person icon, and a virus-like symbol. A network of white lines connects these icons, suggesting a medical or healthcare system. The right side of the cover is a dark grey diagonal band containing the text.

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

INDEPENDENT ACCOUNTANT'S REPORT

**Examination of
Delmar Nursing and Rehabilitation Center**
For Fiscal Year Ended June 30, 2022



**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: Delmar Nursing and Rehabilitation Center
Period: Fiscal Year Ended June 30, 2022

We have examined management's assertions that Delmar Nursing and Rehabilitation Center (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, 2022. 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 December 1, 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

Myers and Stauffer LC
Owings Mills, Maryland
December 1, 2025

Delmar Nursing and Rehabilitation Center
Schedule of Adjustments to the Trial Balance for the Fiscal Year Ending June 30, 2022

Type of Cost	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Expenses				
Primary Patient Care Costs per Trial Balance of Costs		\$ 2,803,671		
Adjustments to Primary Patient Care Costs				
1	To reclassify ancillary expense from the primary cost center		\$ (7,723)	
5	To adjust the employee benefits allocation to reflect the finalized audited worker's compensation for the cost report period		\$ 17,098	
Net Primary Patient Care Costs		\$ 2,803,671	\$ 9,375	\$ 2,813,046
Primary Patient Care Cost Per Day (*)		\$ 113.7	\$ 0.3	\$ 78.6
Secondary Patient Care Costs per Trial Balance of Costs		\$ 624,448		
Adjustments to Secondary Patient Care Costs				
2	To remove non-reimbursable medical fees based on account description		\$ (2,038)	
4	To remove monthly legal retainer fee expense		\$ (7,800)	
5	To adjust the employee benefits allocation to reflect the finalized audited worker's compensation for the cost report period		\$ 407	
Net Secondary Patient Care Costs		\$ 624,448	\$ (9,431)	\$ 615,017
Secondary Patient Care Cost Per Day (*)		\$ 25.3	\$ (0.3)	\$ 17.2
Support Service Costs per Trial Balance of Costs		\$ 1,398,870		
Adjustments to Support Service Costs				
5	To adjust the employee benefits allocation to reflect the finalized audited worker's compensation for the cost report period		\$ 6,402	
6	To add back expense related to year end adjusting journal entry for housekeeping supplies not included on the cost report		\$ 13,847	
Net Support Service Costs		\$ 1,398,870	\$ 20,249	\$ 1,419,119
Support Service Cost Per Day (*)		\$ 56.7	\$ 0.6	\$ 39.6
Administrative & Routine Costs per Trial Balance of Costs		\$ 1,886,108		
Adjustments to Administrative & Routine Costs				
5	To adjust the employee benefits allocation to reflect the finalized audited worker's compensation for the cost report period		\$ 7,163	
Net Administrative & Routine Costs		\$ 1,886,108	\$ 7,163	\$ 1,893,271
Administrative & Routine Cost Per Day (*)		\$ 76.5	\$ 0.2	\$ 52.9

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

Delmar Nursing and Rehabilitation Center
Schedule of Adjustments to the Trial Balance for the Fiscal Year Ending June 30, 2022

Type of Cost	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Expenses				
Capital Costs per Trial Balance of Costs		\$ 616,529		
	Adjustments to Capital Costs			
3	To adjust depreciation expense to add back the grant asset additions due to adjusting journal entries not included on the cost report		\$ 149,789	
7	To adjust depreciation expense to reflect verified amounts		\$ (11,508)	
8	To reclassify ancillary expense from the capital cost center		\$ (31,531)	
9	To adjust rent expense to actual cost of the related party property		\$ 200,984	
Net Capital Costs		\$ 616,529	\$ 307,734	\$ 924,263
Net Capital Cost Per Day (*)		\$ 25.0	\$ 8.6	\$ 25.8
Ancillary Costs per Trial Balance of Costs		\$ 643,239		
	Adjustments to Ancillary Costs			
1	To reclassify ancillary expense from the primary cost center		\$ 7,723	
5	To adjust the employee benefits allocation to reflect the finalized audited worker's compensation for the cost report period		\$ 579	
8	To reclassify ancillary expense from the capital cost center		\$ 31,531	
Net Ancillary Costs		\$ 643,239	\$ 39,833	\$ 683,072
Ancillary Cost Per Day (*)		\$ 26.1	\$ 1.1	\$ 19.1
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.

Delmar Nursing and Rehabilitation Center				
Schedule of Adjustments to Patient Days for the Fiscal Year Ending June 30, 2022				
Census Type	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Census				
Bed days available				39,785
Medicaid Non-Super Skilled Patient Days		16,480		
	Adjustments to Medicaid Patient Days		-	
Medicaid Super Skilled Patient Days		-		
	Adjustments to Medicaid Super Skilled Patient Days		-	
Medicare Patient Days		3,031		
	Adjustments to Medicare Patient Days		-	
Private Pay Patient Days		1,779		
	Adjustments to Private Pay Patient Days		-	
Medicare/Private Pay Hospice Patient Days		23		
	Adjustments to Medicare/Private Pay Hospice Patient Days		-	
Other Patient Days		3,354		
	Adjustments to Other Patient Days		-	
Total Patient Days		24,667	-	24,667
Minimum Occupancy				35,807

Delmar Nursing and Rehabilitation Center				
Schedule of Adjustments to the Nursing Wage Survey for the Fiscal Year Ending June 30, 2022				
Nurse Type	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Nursing Wage Survey				
II-A Administrative Nurses				
	Director of Nursing - Number Paid	1	-	1
	Director of Nursing - Total Payroll	\$ 5,394	\$ -	\$ 5,394
	Director of Nursing - Total Hours	80.0	-	80.0
	Assistant Director of Nursing - Number Paid	1	-	1
	Assistant Director of Nursing - Total Payroll	\$ 3,754	\$ -	\$ 3,754
	Assistant Director of Nursing - Total Hours	80.0	-	80.0
	Registered Nurses - Number Paid	2	-	2
	Registered Nurses - Total Payroll	\$ 5,107	\$ -	\$ 5,107
	Registered Nurses - Total Hours	119.5	-	119.5
	Licensed Practical Nurses - Number Paid	-	-	-
	Licensed Practical Nurses - Total Payroll	\$ -	\$ -	\$ -
	Licensed Practical Nurses - Total Hours	-	-	-
	Nurse Aides - Number Paid	-	-	-
	Nurse Aides - Total Payroll	\$ -	\$ -	\$ -
	Nurse Aides - Total Hours	-	-	-
II-B All Remaining Nursing Staff				
	Registered Nurses - Number Paid	4	-	4
	Registered Nurses - Total Payroll	\$ 16,268	\$ -	\$ 16,268
	Registered Nurses - Total Hours	376.2	-	376.2
	Licensed Practical Nurses - Number Paid	12	-	12
	Licensed Practical Nurses - Total Payroll	\$ 30,877	\$ -	\$ 30,877
	Licensed Practical Nurses - Total Hours	900.2	-	900.2
	Nurse Aides - Number Paid	38	-	38
	Nurse Aides - Total Payroll	\$ 40,108	\$ -	\$ 40,108
	Nurse Aides - Total Hours	2,180.4	-	2,180.4

Commentary

- 1) Three residents had negative fund account balances noted in both months reviewed. It was confirmed that there were attempted resolutions but the balances remained negative.
- 2) Medicaid accounts receivable credit balances exist and have not been resolved.
- 3) There are several unpaid invoices from previous cost report periods that are still unresolved.



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 Delmar Nursing and Rehabilitation Center (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, 2022, and have issued our report thereon dated December 1, 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

Myers and Stauffer LC
Owings Mills, Maryland
December 1, 2025

Delmar Nursing and Rehabilitation Center
Schedule of Findings for the Fiscal Year Ending June 30, 2022

Findings and Responses

Finding 22-01 Adjustment Number(s) Impacted: 1 and 8

Condition: The provider grouped therapy and oxygen equipment, and non-emergency transportation expense 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, for the appropriate grouping of expense. Therapy and oxygen equipment, and non-emergency transportation expense should be grouped to the ancillary cost center.

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

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

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: We hire an outside consultant to prepare and file our cost report and we have faith that he is grouping items as required by the State.

Finding 22-02 Adjustment Number(s) Impacted: 2 and 4

Condition: The provider included non-allowable medical fees and legal retainer fees expense with reimbursable cost.

Criteria: Provider Reimbursement Manual 15-1, Chapter 21, Section 2102.3 states that costs not related to patient care are costs which are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities.

Cause: Non-allowable expense was 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 secondary cost center is 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: We hire an outside consultant to prepare and file our cost report and we have faith that he is grouping items as required by the State.

Finding 22-03 Adjustment Number(s) Impacted: 3 and 6

Condition: The provider did not submit depreciation related to grant activity and housekeeping supplies expense on the cost report.

Criteria: Provider Reimbursement Manual 15-1, Chapter 23, Section 2302.1 states that under the accrual basis of accounting, revenue is recorded in the period when it is earned, regardless of when it is collected, and expenditures for expense and asset items are recorded in the period in which they are incurred, regardless of when they are paid.

Cause: Management did not factor in year end adjusting journal entries when preparing the cost report.

Effect: Management did not properly include all allowable expense, resulting in a compliance finding. The calculated reimbursement rates submitted on the cost report for the capital and support service cost centers are understated.

Recommendation: Management should utilize the most up to date financial information when completing the State of Delaware Medicaid Cost Report.

Management's Response: Since we are on a calendar year end of 12.31 and the cost report is on a fiscal year end of 6.30 there will be differences seen when comparing the accounts after audit work is done and year end entries are made. We find this finding to be circumstantial rather than systematic.

Finding 22-04 Adjustment Number(s) Impacted: 7

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, 2021 through June 30, 2022.

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 reimbursement rate submitted on the cost report for the capital cost center is overstated.

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

Management's Response: We will look into these guidelines. We use industry standard guidelines that are in line with GAAP accounting.

Finding 22-05 Adjustment Number(s) Impacted: 9

Condition: The provider did not submit accurate costs of ownership of the facility.

Criteria: Provider Reimbursement Manual 15-1, Chapter 10, Section 1011.5 requires rent paid to the related party lessor by the provider be deemed a not allowable cost. The provider, however, would include in its costs the actual costs of ownership of the facility.

Cause: A cost report adjustment was proposed to properly disallow related party rent and replace disallowed cost with the actual costs of ownership of the facility. However, management did not calculate the adjustment to cost accurately.

Effect: Management did not accurately submit costs related to the realty company on the cost report, resulting in a compliance finding. The calculated reimbursement rate submitted on the cost report for the capital cost center is understated.

Recommendation: Management should ensure accuracy of the working trial balance used to complete the State of Delaware Medicaid Cost Report.

Management's Response: We hire an outside consultant to prepare and file our cost report and we have faith that he is grouping items as required by the State.