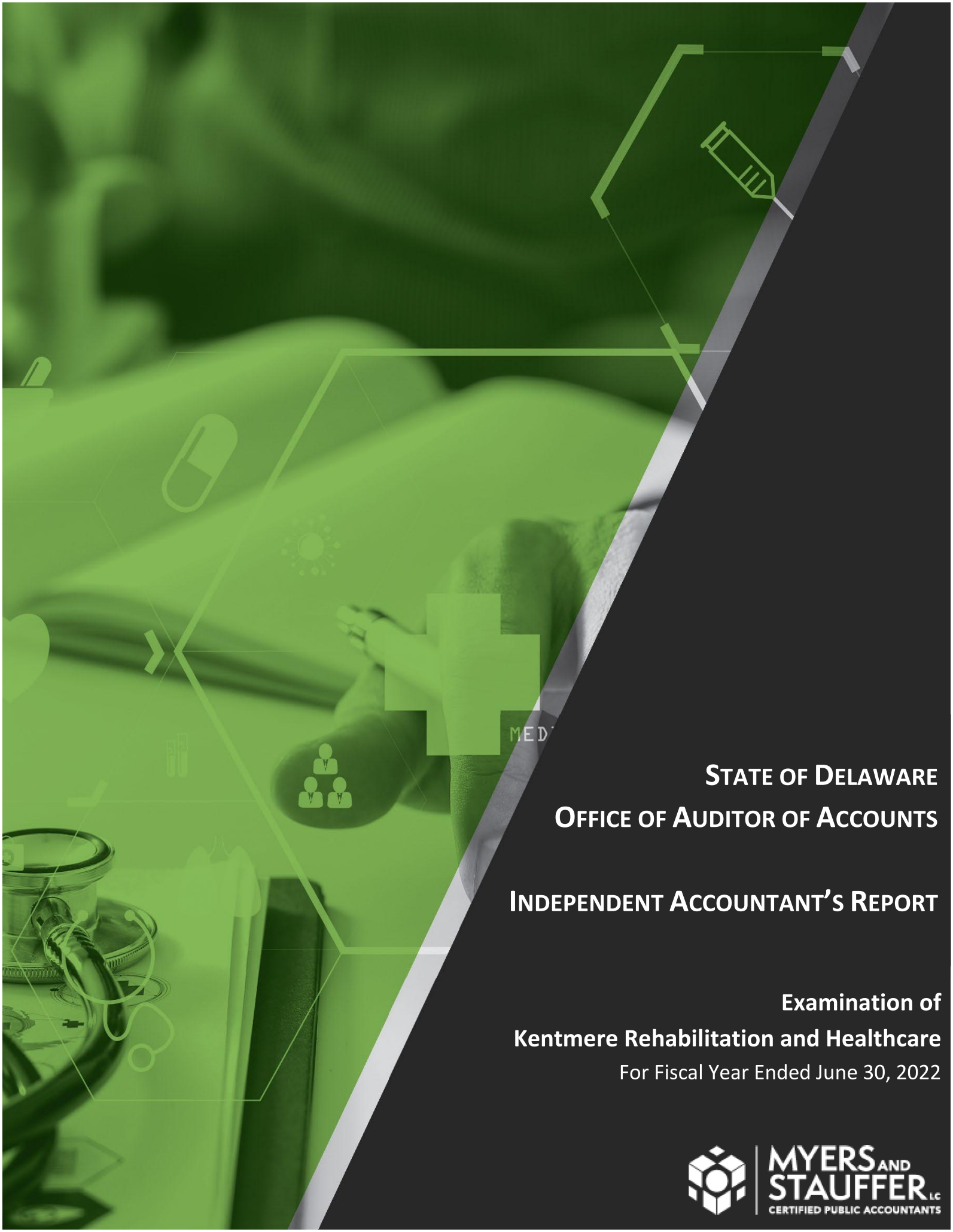
KENTMERE REHABILITATION AND HEALTHCARE

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



STATE OF DELAWARE
OFFICE OF AUDITOR OF ACCOUNTS

INDEPENDENT ACCOUNTANT'S REPORT

Examination of
Kentmere Rehabilitation and Healthcare

For Fiscal Year Ended June 30, 2022

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

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MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

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: Kentmere Rehabilitation and Healthcare
Period: Fiscal Year Ended June 30, 2022

We have examined management's assertions that Kentmere Rehabilitation and Healthcare (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

Kentmere Rehabilitation and Healthcare 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		$ 4,500,477		
	Adjustments to Primary Patient Care Costs			
5	To adjust the provider's employee benefits allocation based on salary reclassification and verified workers compensation		$ 6,342	
Net Primary Patient Care Costs		**$ 4,500,477**	**$ 6,342**	**$ 4,506,819**
Primary Patient Care Cost Per Day (*)		**$ 130.2**	**$ 0.2**	**$ 130.4**
Secondary Patient Care Costs per Trial Balance of Costs		$ 723,832		
	Adjustments to Secondary Patient Care Costs			
1	To reclassify medical director fees to the appropriate cost center		$ (46,116)	
2	To reclassify social service salaries to the appropriate cost center		$ 68,087	
3	To reclassify lease and rental expense to the appropriate cost center		$ (15,799)	
4	To offset barber and beauty revenue against the applicable expense		$ (10,740)	
5	To adjust the provider's employee benefits allocation based on salary reclassification and verified workers compensation		$ 10,940	
6	To reclassify direct medical care ancillary costs to the appropriate cost center		$ (28,110)	
7	To remove non-allowable patient reimbursement expense		$ (45,519)	
8	To remove expense due to lack of documentation		$ (6,500)	
Net Secondary Patient Care Costs		**$ 723,832**	**$ (73,757)**	**$ 650,075**
Secondary Patient Care Cost Per Day (*)		**$ 20.9**	**$ (2.1)**	**$ 18.8**
Support Service Costs per Trial Balance of Costs		$ 2,512,892		
	Adjustments to Support Service Costs			
5	To adjust the provider's employee benefits allocation based on salary reclassification and verified workers compensation		$ 2,177	
9	To remove expense due to lack of documentation		$ (13,829)	
10	To reclassify dietary supplies to the appropriate cost center		$ 12,859	
Net Support Service Costs		**$ 2,512,892**	**$ 1,207**	**$ 2,514,099**
Support Service Cost Per Day (*)		**$ 72.7**	**$ 0.0**	**$ 72.7**
Administrative & Routine Costs per Trial Balance of Costs		$ 2,049,395		
	Adjustments to Administrative & Routine Costs			
1	To reclassify medical director fees to the appropriate cost center		$ 46,116	
2	To reclassify social service salaries to the appropriate cost center		$ (68,087)	
5	To adjust the provider's employee benefits allocation based on salary reclassification and verified workers compensation		$ (8,953)	
10	To reclassify dietary supplies to the appropriate cost center		$ (12,859)	
11	To remove expense due to lack of documentation		$ (6,251)	
12	To remove expense due to lack of documentation		$ (35,000)	
13	To remove non-allowable aquarium service expense		$ (3,899)	
14	To remove expense due to lack of documentation		$ (2,380)	
15	To reclassify copier and printer lease expense to the appropriate cost center		$ (38,903)	
Net Administrative & Routine Costs		**$ 2,049,395**	**$ (130,216)**	**$ 1,919,179**
Administrative & Routine Cost Per Day (*)		**$ 59.3**	**$ (3.8)**	**$ 55.5**

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

Kentmere Rehabilitation and Healthcare 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		$ 900,325		
	Adjustments to Capital Costs			
3	To reclassify lease and rental expense to the appropriate cost center		$ 15,799	
15	To reclassify copier and printer lease expense to the appropriate cost center		$ 38,903	
16	To remove cable television expense related to personal patient use		$ (27,442)	
Net Capital Costs		**$ 900,325**	**$ 27,260**	**$ 927,585**
Net Capital Cost Per Day (*)		**$ 26.0**	**$ 0.8**	**$ 26.8**
Ancillary Costs per Trial Balance of Costs		$ 812,504		
	Adjustments to Ancillary Costs			
6	To reclassify direct medical care ancillary costs to the appropriate cost center		$ 28,110	
Net Ancillary Costs		**$ 812,504**	**$ 28,110**	**$ 840,614**
Ancillary Cost Per Day (*)		**$ 23.5**	**$ 0.8**	**$ 24.3**
Other Costs per Trial Balance of Costs		$ -		
	Adjustments to Other Costs			
	None			
Net Other Costs		**$ -**	**$ -**	**$ -**
Other Cost Per Day (*)		**$ -**	**$ -**	**$ -**

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

Kentmere Rehabilitation and Healthcare 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				38,064
Medicaid Non-Super Skilled Patient Days		23,176		
	Adjustments to Medicaid Patient Days		-	
Medicaid Super Skilled Patient Days		-		
	Adjustments to Medicaid Super Skilled Patient Days		-	
Medicare Patient Days		5,205		
	Adjustments to Medicare Patient Days		-	
Private Pay Patient Days		5,841		
	Adjustments to Private Pay Patient Days		-	
Medicare/Private Pay Hospice Patient Days		76		
	Adjustments to Medicare/Private Pay Hospice Patient Days		-	
Other Patient Days		272		
	Adjustments to Other Patient Days		-	
Total Patient Days		**34,570**	**-**	**34,570**
Minimum Occupancy				**34,258**

Kentmere Rehabilitation and Healthcare 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	$ 4,422	$ -	**$ 4,422**
	Director of Nursing - Total Hours	80.0	-	**80.0**
	Assistant Director of Nursing - Number Paid	1	-	**1**
	Assistant Director of Nursing - Total Payroll	$ 3,476	$ -	**$ 3,476**
	Assistant Director of Nursing - Total Hours	80.0	-	**80.0**
	Registered Nurses - Number Paid	3	-	**3**
	Registered Nurses - Total Payroll	$ 11,109	$ -	**$ 11,109**
	Registered Nurses - Total Hours	210.8	-	**210.8**
	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	11	-	**11**
	Registered Nurses - Total Payroll	$ 30,507	$ -	**$ 30,507**
	Registered Nurses - Total Hours	706.3	-	**706.3**
	Licensed Practical Nurses - Number Paid	17	-	**17**
	Licensed Practical Nurses - Total Payroll	$ 50,454	$ -	**$ 50,454**
	Licensed Practical Nurses - Total Hours	1,419.8	-	**1,419.8**
	Nurse Aides - Number Paid	39	(1.0)	**38**
	Nurse Aides - Total Payroll	$ 62,008	$ (2,295)	**$ 59,713**
	Nurse Aides - Total Hours	3,061.8	(87.0)	**2,974.8**

Commentary

1) Two sampled resident disbursements were not supported.

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 Kentmere Rehabilitation and Healthcare (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

Findings and Responses

Finding 22-01	**Adjustment Number(s) Impacted: 1, 2, 3, 6, 10, and 15**
Condition:	The provider grouped medical director fees, social service salaries, lease and rental, direct medical care, dietary supplies, and copier and printer lease 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. Social service salaries, dietary supplies, medical director fees, lease and rental, and direct medical care expenses are to be grouped to the secondary, support service, administrative and routine, capital, 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 rates submitted on the cost report for the support service, capital, and ancillary cost centers are understated, while the secondary and administrative and routine cost centers 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:	Management has changed cost report preparers (as of the 06/30/2025 year) and has updated groupings accordingly to reflect proper Medicaid cost report groupings.

Finding 22-02	**Adjustment Number(s) Impacted: 4**
Condition:	Barber and Beauty expense was not properly stated because the Provider did not offset the associated income.
Criteria:	Provider Reimbursement Manual 15-1, Chapter 23, Section 2302.5 states that applicable credits are receipts or types of transactions which offset or reduce expense items that are allocable to cost centers as direct or indirect costs.
Cause:	Management did not properly recover barber and beauty income against barber and beauty 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 secondary cost center is overstated.
Recommendation:	Management should review working trial balance revenue accounts and recover income against the associated expense, when appropriate.
Management's Response:	Management will communicate with the new cost report preparation team to break out beauty and barber revenue against the related expense.

Finding 22-03	**Adjustment Number(s) Impacted: 5**
Condition:	The provider improperly allocated social service fringe benefits expense on the cost report.
Criteria:	Provider Reimbursement Manual 15-1, Chapter 21, Section 2144.7 states that some accounting systems are not designed to accumulate, on a departmentalized or cost center basis, the various employee fringe benefits incurred by the providers. Such providers may accumulate fringe benefits for all employees in one account during the cost reporting period and allocate fringe benefits to the appropriate cost centers.
Cause:	The provider did not properly classify social service salary expense when calculating the employee benefits allocation.
Effect:	Management did not properly allocate social service fringe benefits expenses, resulting in a compliance finding. The calculated reimbursement rates submitted on the cost report for the primary, secondary, and support service cost centers are understated, while the administrative and routine cost center is overstated.
Recommendation:	Management should submit health insurance expense in accordance with appropriate regulations.
Management's Response:	Management has changed cost report preparers and will be allocating these expenses in accordance with appropriate regulations.

Finding 22-04 **Adjustment Number(s) Impacted: 7, 8, 9, 11, 12, 13, 14, and 16**

Condition: The provider included non-allowable personal patient reimbursement, expense not adequately documented, aquarium service, and personal patient use cable television expense with reimbursable cost.

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

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.

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 that are located in patient accommodations and furnished solely for the personal comfort of the patients.

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

Effect: Management did not properly address non-allowable expense and did not provide supporting documentation, resulting in a compliance finding. The calculated reimbursement rates submitted on the cost report for the secondary, support service, administrative and routine, and capital cost centers are overstated.

Recommendation: Management should submit expenses on the Medicaid cost report in accordance with appropriate regulations when completing the State of Delaware Medicaid Cost Report and ensure that internal control policies over record retention are followed to comply with the five year record retention requirement.

Management's Response: Management put in place electronic storage systems a few years ago to make historical information more readily available and is committed to maintaining these systems. Non-allowable costs will be removed for future reporting.

Finding 22-05 **Schedule of Adjustments to the Nursing Wage Survey**

Condition: The provider improperly recorded total number of staff, total pay, and total hours for non-administrative nurses aides on the nursing wage survey.

Criteria: The State of Delaware Department of Health and Social Services Division of Medicaid and Medical Assistance Instructions for Completion of Nursing Home: Nursing Wage Survey provides instructions, by occupational group, on the appropriate grouping of total number of staff, total pay, and total hours. Total number of staff, total pay, and total hours for non-administrative nurses aides are to be included in Section II.B.

Cause: Total number of staff, total pay, and total hours recorded on the nursing wage survey did not align due to the provider including one laundry aide as a nurses aide.

Effect: Management did not properly report total number of staff, total pay, and total hours, resulting in a compliance finding. The calculated total number of staff, total pay, and total hours for the non-administrative nurses aides were overstated on the nursing wage survey.

Recommendation: Management should submit total number of staff, total pay, and total hours on the nursing wage survey in accordance with the State of Delaware Department of Health and Social Services, Division of Medicaid and Medical Assistance Instructions for Completion of Nursing Home: Nursing Wage Survey.

Management's Response: Management has noted this error and will ensure future wage survey staff are appropriately reported.

Finding 22-06	**Comment Number(s) Impacted: 1**
Condition:	The provider did not provide supporting documentation for sampled patient funds disbursements.
Criteria:	Under CFR 483.10 (f) (10) (iii) Patient Rights, the facility must establish and maintain a system that assures full, complete, and separate accounting, according to generally accepted accounting principles (GAAP), of each resident's personal funds entrusted to the facility on the resident's behalf.
Cause:	Management was not able to provide the supporting documentation for the sampled patient fund disbursements.
Effect:	Management was not able to confirm the establishment and maintenance of full, complete, and separate accounting for patient personal funds.
Recommendation:	Management should ensure that internal controls over patient funds are followed, including maintenance of a full, complete, and separate accounting in accordance with GAAP.
Management's Response:	Management has since established a patient fund tracking system to document all items. Documentation was being transitioned during this cost report audit year due to management changes that are now resolved.