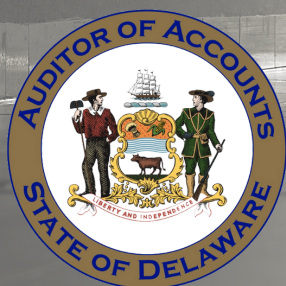


Examination of Cadbury At Lewes Long-Term Healthcare Facility

As of June 30, 2017

**Kathleen K. McGuinness, RPh, CFE
Delaware State Auditor**



August 2021



KATHLEEN
McGUINNESS
DELAWARE
STATE AUDITOR

*Examination of
Cadbury At Lewes
Long-Term Healthcare Facility*

What Was Performed? An examination of Cadbury At Lewes Long-Term Healthcare Facility as of June 30, 2017.

Why This Report? The State of Delaware is required to ensure the fiscal records at nursing care facilities are retained and properly support the cost report, or the financial report showing the cost and charges related to Medicaid activities that is submitted to the Medicaid Agency. These costs must comply with federal and state regulations.

Under the Delaware Medicaid State Plan, the state is required to examine a sample of long-term care facilities each year. This is to ensure the facility's cost reports and wage surveys comply with federal and state requirements.

What Was Found? The Cadbury At Lewes Long-Term Healthcare Facility examination could not be fully completed because administration could not provide supporting documentation for a portion of the costs (approximately \$1.1 million, or 18 percent) that were included on the 2016 report.

Because of the lack of documentation, auditors were unable to determine the accuracy of these costs, whether adjustments to these amounts were necessary, and whether management's assertions related to these costs were accurate.

The Examination of Cadbury At Lewes Long-Term Healthcare Facility as of June 30, 2017, can be found on our website: [click here](#).

Please do not reply to this email. For any questions regarding the attached report, please contact State Auditor Kathleen K. McGuinness at Kathleen.Mcguinness@delaware.gov

Cadbury at Lewes Long-Term Healthcare Facility

Contents

Independent Accountant's Report	2-3
Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey	4-7
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 <i>Government Auditing Standards</i>	8-9
Schedule of Findings and Responses	10

Independent Accountant's Report

State of Delaware
Office of Auditor of Accounts
Department of Health & Social Services
Division of Social Services Medicaid
Dover, Delaware

We have examined management's assertions that Cadbury at Lewes (the "Facility") has complied with federal requirements (42 CFR 447.253 and 483 Subpart B) and state requirements (Title XIX Delaware Medicaid State Plan, Attachment 4.19D), as applicable, relative to the Facility'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 ("Statement" and "Survey", respectively) for the fiscal year ended June 30, 2017. The Facility's management is responsible for the assertions. Our responsibility is to express an opinion on the assertions based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and United States Government Accountability Office, *Government Auditing Standards* and accordingly included examining, on a test basis, evidence supporting management's assertions and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our qualified opinion.

Basis for Qualified Opinion

The Facility was unable to provide detail support for certain costs. As a result, we were unable to obtain sufficient appropriate evidence about the accuracy and allowability of these costs. and we were unable to determine whether adjustments to these amounts were necessary, and whether management's assertions related to these costs was accurate. The total amount of untested costs was approximately \$1.1m (18% of total costs). Please see Part V on page 7 for the potential impact to each cost center.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph and the items listed as adjustments on the accompanying Schedule of Adjustments on pages 4-7, management's assertions referred to above are fairly stated, in all material respects, based on the federal requirements (42 CFR 447.253 and 483 Subpart B) and state requirements (Title XIX Delaware Medicaid State Plan, Attachment 4.19D).



Other Matters

In accordance with *Government Auditing Standards*, we also issued our report dated June 14, 2021 on our consideration of the Facility's internal control over reporting for the Statement 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 Office of Auditor of Accounts of the State of Delaware, the Department of Health and Social Services of the State of Delaware, the Board of Directors and management of the Facility, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Office of the State Treasurer and the Department of Finance. However, under 29 Del. C., Section 10002, this report is available to the public and its distribution is not limited.

BDO USA, LLP

June 14, 2021

Cadbury at Lewes Long-Term Healthcare Facility

Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey

Year ended June 30, 2017

Description	Page	Line	As Filed Amounts	Examination Adjustments		Adjusted Amounts	Adjusted Cost Per Day	Note Ref.
				No.	Amount			
<u>PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS</u>								
<i>Primary Patient Care Costs (lines 1-5)</i>								
Nursing Staff Salaries								
Agency Costs	2	1a	\$ -		\$ -	\$ -		
Staff Nurse	2	1b	<u>1,616,453</u>		<u>-</u>	<u>1,616,453</u>		
			1,616,453		-	1,616,453		
Nursing Staff Benefits	2	2	602,849		-	602,849		
Nursing Training Salaries	2	3	-		-	-		
Other	2	4	<u>122,865</u>	1	<u>(105,312)</u>	<u>17,553</u>		J-1
Subtotal - Primary Patient Care Costs*	2	5	2,342,167		(105,312)	2,236,855	\$ 162.94	
<i>Secondary Patient Care Costs (lines 6-14)</i>								
Clinical Consultants	2	6	-	1	84,796	84,796		J-1
Social Services	2	7	44,179			44,179		
Employee Benefits	2	8	15,672		-	15,672		
Raw Food	2	9	259,185		-	259,185		
Medical Supplies	2	10	92,070	1	1,118	93,188		J-1
Pharmacy	2	11	11,932		-	11,932		
Other - Allowable Ancillary	2	12	<u>-</u>		<u>-</u>	<u>-</u>		
Subtotal - Secondary Patient Care Costs*	2	14	423,038		85,914	508,952	37.07	
<i>Support Service Costs (lines 15-22)</i>								
Dietary	2	15	463,566		-	463,566		
Operation and Maintenance of Facility	2	16	140,054		-	140,054		
Housekeeping	2	17	75,583		-	75,583		
Laundry & Linen	2	18	20,160		-	20,160		
Patient Recreation	2	19	119,737		-	119,737		
Employee Benefits	2	20	232,514		-	232,514		
Other	2	21	<u>-</u>		<u>-</u>	<u>-</u>		
Subtotal - Support Service Costs*	2	22	1,051,614		-	1,051,614	76.60	

*See Part V for untested costs

Cadbury at Lewes Long-Term Healthcare Facility

Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey, continued

Year ended June 30, 2017

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amounts</u>	<u>Examination Adjustments</u>		<u>Adjusted Amounts</u>	<u>Adjusted Cost Per Day</u>	<u>Note Ref.</u>
				<u>No.</u>	<u>Amount</u>			
<i>Administrative & Routine Costs (lines 23-32)</i>								
Owner/Executive Director Salary	2	23	70,601		-	70,601		
Medical and Nursing Director Salary	2	24	187,991	1	78,291	266,282		J-2
Other Administrative Salaries	2	25	340,527	1	35,565	376,092		J-2
Employee Benefits	2	26	205,479		-	205,479		
Medical Records	2	27	-		-	-		
Training	2	28	-		-	-		
Interest - Working Capital	2	29	-		-	-		
Home Office - Admin	2	30	-		-	-		
Other	2	31	520,300	1 2	9,032 (6,948)	522,384		J-1 J-2
Quality Assessment/Provider Tax	2	31A	-		-	-		
Subtotal - Administrative & Routine Costs*	2	32	1,324,898		115,940	1,440,838	104.96	
<i>Capital Costs (lines 33-39)</i>								
Lease Costs	3	33	4,438		-	4,438		
Interest - Mortgage	3	34	180,165		-	180,165		
Property Taxes	3	35	8,037		-	8,037		
Depreciation	3	36	236,751		-	236,751		
Home Office Capital	3	37	-		-	-		
Other	3	38	29,595	1	10,366	39,961		J-1
Subtotal - Capital Costs*	3	39	458,986		10,366	469,352	34.19	
SUBTOTAL (lines 1-39)	3	40	5,600,703		106,908	5,707,611	415.76	

*See Part V for untested costs

Cadbury at Lewes Long-Term Healthcare Facility

Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey, continued

Year ended June 30, 2017

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amounts</u>	<u>Examination Adjustments</u>		<u>Adjusted Amounts</u>	<u>Adjusted Cost Per Day</u>	<u>Note Ref.</u>
				<u>No.</u>	<u>Amount</u>			
<i>Ancillary Costs (lines 41-49)</i>								
Laboratory	3	41	7,475		-	7,475		
X-Rays	3	42	5,713		-	5,713		
Physical Therapy	3	43	609,259		-	609,259		
Occupational Therapy	3	44	-		-	-		
Speech Therapy	3	45	-		-	-		
Pharmacy (Rx)	3	46	304,074		-	304,074		
Oxygen	3	47	7,124		-	7,124		
Non Allowable Expenses	3	48	17,222		-	17,222		
Subtotal - Ancillary Costs*	3	49	950,867		-	950,867	69.26	
<i>Other Costs (lines 50-52)</i>								
Gift, Beauty Shop, etc.	3	50	-		-	-		
Util. Review	3	51	-		-	-		
Subtotal - Other Costs	3	52	-		-	-	-	
TOTAL COSTS	3	53	\$ 6,551,570		\$ 106,908	\$ 6,658,478	\$ 485.03	

*See Part V for untested costs

PART II - COST REPORT PATIENT DAYS

Total Beds	6	1, 3	40	-	40	
Total Bed Days Available	6	4	14,600	-	14,600	
Medicaid Patient Days	6	5D	1,892	(102)	1,790	K-1
Medicare Patient Days	6	5F	5,985	(976)	5,009	K-1
Private Pay Patient Days	6	5G,H	5,985	857	6,842	K-1
Other Days	6	5I	-	87	87	K-1
Total Census Days	6	5J	13,862	(134)	13,728	
90% Minimum Census Threshold	6		13,140	-	13,140	

Cadbury at Lewes Long-Term Healthcare Facility

Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey, continued

Year ended June 30, 2017

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amounts</u>	<u>Examination Adjustments</u>		<u>Adjusted Amounts</u>	
				<u>No.</u>	<u>Amount</u>		
<u>PART III - NURSING WAGE SURVEY</u>							
<u>II - Staff Nurse Information</u>							
DON - Number	2	A1	1		(1)	-	NWS-1
DON - Total Pay	2	A1	3,962		(3,962)	-	NWS-1
DON - Total Hours	2	A1	80		(80)	-	NWS-1
ADON - Total Pay	2	A2	3,061		(506)	2,555	NWS-3
<u>Administrative Nurses</u>							
LPNs - Total Payroll	3	A	1,715		27	1,742	NWS-2
<u>All Remaining Nursing Staff</u>							
RNs - Total Payroll	3	B	16,446		2,125	18,571	NWS-2
LPNs - Number	3	B	12		(1)	11	NWS-2
LPNs - Total Payroll	3	B	22,828		(458)	22,370	NWS-2
LPNs - Total Hours	3	B	857		(57)	800	NWS-2
Aides - Total Payroll	3	B	20,641		1,481	22,122	NWS-2
Aides - Total Hours	3	B	1,534		(11)	1,523	NWS-2

PART IV - DETAILED EXPLANATION OF ADJUSTMENTS

J-1 To reclassify non-primary costs into proper costs centers.

J-2 To adjust for administrative wage allocations.

K-1 To adjust Census data to agree to supporting documentation.

NWS-1 To remove the amounts attributable to the DON as the position was vacant during the period covered by the Nursing Wage Survey.

NWS-2 To adjust to supporting documentation.

PART V - SCOPE LIMITATION IMPACT

Management was unable to provide detail support for certain costs. The potential effect to each cost center is summarized below. See Condition 17-001.

	<u>Page</u>	<u>Line</u>	<u>Total (as Adjusted)</u>	<u>Untested Costs</u>	<u>% Untested by Cost Center</u>
Primary Patient Care Costs	2	5	\$ 2,236,855	17,553	0.8%
Secondary Patient Care Costs	2	14	508,952	464,773	91.3%
Support Service Costs	2	22	1,051,614	164,530	15.6%
Administrative & Routine Costs	2	32	1,440,838	185,083	12.8%
Capital Costs	3	39	469,352	232,601	49.6%
Subtotal			5,707,611	1,064,540	18.7%
Ancillary Costs	3	49	950,867	950,867	100.0%
Grand Total Costs	3	53	\$ 6,658,478	\$ 3,079,947	46.3%

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
Department of Health & Social Services
Division of Social Services Medicaid
Dover, Delaware

We have examined management's assertions Cadbury at Lewes (the "Facility") has complied with federal requirements (42 CFR 447.253 and 483 Subpart B) and state requirements (Title XIX Delaware Medicaid State Plan, Attachment 4.19D), as applicable, relative to the Facility'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 ("Statement" and "Survey", respectively) for the fiscal year ended June 30, 2017, and have issued our report thereon dated June 14, 2021. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to financial examinations contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Reporting

In planning and performing our examination, we considered the Facility'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 Facility's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Facility's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify a deficiency in internal control that we consider to be a material weaknesses

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 Statement or Survey will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as Condition 17-001 to be a material weakness.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Facility's Statement 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as Condition 17-001.

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 Facility'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 Facility'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 Office of Auditor of Accounts of the State of Delaware, the Department of Health and Social Services of the State of Delaware, the Board of Directors and management of the Facility, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Office of the State Treasurer, and the Department of Finance. However, under 29 Del. C., Section 10002, this report is available to the public and its distribution is not limited.

BDO USA, LLP

June 14, 2021

Cadbury at Lewes Long-Term Healthcare Facility

Schedule of Findings and Responses

June 30, 2017

CURRENT YEAR CONDITION

CONDITION 17-001

Condition: Management of Facility did not provide a general ledger for the period under examination.

Criteria: The Medicaid Cost Report for Nursing Facilities should be supported by a trial balance and necessary schedules. The Facility should have internal controls in place to ensure that the trial balance and schedules be available for audit within the State of Delaware by the Medicaid Agency or its designated representative for a period of five years after the date of filing of the Medicaid Cost Report with the Medicaid Agency.

Cause: The Facility changed ownership after the Medicaid Cost Report was filed. New management was unable to access certain records that were utilized to prepare the cost report. In addition, the COVID-19 pandemic created hardships for the Facility in that they were unable to devote resources to provide the requested information.

Effect: Management was unable to provide the detail support for certain costs recorded on the Cost Report, resulting in both a material weakness in internal control and a compliance finding. Not being able to support the costs recorded could result in a disallowance of those costs, which would affect the Facility's reimbursement rate.

Suggestion: Management should ensure they have internal controls in place in order to be able to comply with the requirement to keep the supporting data for a period of five years.

Management's

Response On October 1, 2017, Cadbury at Lewes completed a change of ownership and became an affiliate of Springpoint Senior Living, Inc. at that time. The cost report period ended June 30, 2017, which was subject to the current examination, was prior to the change of ownership. As a result, there were certain records that were unable to be provided by Springpoint Senior Living and unable to be obtained from the prior owners for the cost report period under audit. The Lewes facility currently has in place and follows a record retention policy that requires general ledger, payroll, and other financial records to be retained for a minimum of seven years. The retention policy in place complies with the requirement of keeping supporting data for a period of five years after the date of filing of the Medicaid Cost Report with the Medicaid Agency.