

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

September 3, 2003

Mr. Richard C. Cooke
Cooke Management Company, Inc.
Post Office Box 808
Lake View, South Carolina 29563

Re: AC# 3-KGS-L0 – Kingstree Nursing Facility, Inc.

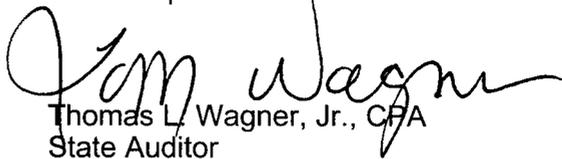
Dear Mr. Cooke:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period June 1, 2000 through November 30, 2000. That report was used to set the rate covering the contract periods beginning June 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

By request of the state medicaid agency this letter also serves as an official notice of your requirement to respond with a report of planned corrective actions on the recommendations and deficiencies noted in this report within forty-five (45) days of the date of this letter. Your response should reference the audit control number and be addressed to: Division of Home Health and Nursing Facility Services, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina, 29202-8206. You are also required to simultaneously furnish a copy of your corrective action report to the State Auditor's Office.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

KINGSTREE NURSING FACILITY, INC.

KINGSTREE, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING JUNE 1, 2000
AC# 3-KGS-L0**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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State of South Carolina



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(803) 253-4160
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 22, 2003

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Kingstree Nursing Facility, Inc., for the contract periods beginning June 1, 2000, and for the six month cost report period ended November 30, 2000, as set forth in the accompanying schedules. The management of Kingstree Nursing Facility, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

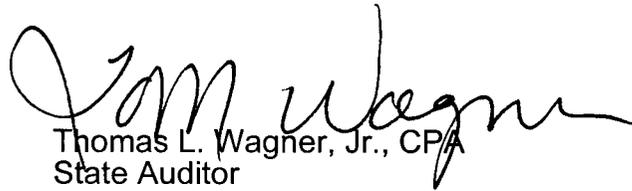
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Kingstree Nursing Facility, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, Cost of Capital Reimbursement Analyses and the Comments and Recommendations sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contracts between the Department of Health and Human Services and Kingstree Nursing Facility, Inc. dated as of October 1, 1994 and October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
May 22, 2003

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

KINGSTREE NURSING FACILITY, INC.

Computation of Rate Change
For the Contract Periods
Beginning June 1, 2000
AC# 3-KGS-L0

	<u>06/01/00-</u> <u>09/30/00</u>	<u>10/01/00-</u> <u>11/30/00</u>	<u>12/01/00-</u> <u>09/30/01</u>	<u>10/01/01-</u> <u>12/31/02</u>
Interim Reimbursement Rate (1)	\$102.92	\$104.65	\$107.62	\$109.37
Adjusted Reimbursement Rate	<u>99.17</u>	<u>98.17</u>	<u>100.95</u>	<u>102.30</u>
Decrease in Reimbursement Rate	\$ <u>3.75</u>	\$ <u>6.48</u>	\$ <u>6.67</u>	\$ <u>7.07</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

KINGSTREE NURSING FACILITY, INC.
 Computation of Adjusted Reimbursement Rate
 For the Contract Period June 1, 2000 Through September 30, 2000
 AC# 3-KGS-L0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$41.98	\$47.61	
Dietary		11.63	10.24	
Laundry/Housekeeping/Maintenance		<u>10.75</u>	<u>8.89</u>	
Subtotal	\$ <u>2.38</u>	64.36	66.74	\$64.36
Administration & Medical Records	\$ <u>-</u>	<u>11.97</u>	<u>11.39</u>	<u>11.39</u>
Subtotal		76.33	<u>\$78.13</u>	75.75
<u>Costs Not Subject to Standards:</u>				
Utilities		2.38		2.38
Special Services		.94		.94
Medical Supplies & Oxygen		6.48		6.48
Taxes and Insurance		1.44		1.44
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$87.57</u>		86.99
Inflation Factor (N/A)				-
Cost of Capital				9.68
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				2.38
Effect of \$1.75 Cap on Cost/Profit Incentives				(.63)
CNA Add-On				<u>.75</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$99.17</u>

KINGSTREE NURSING FACILITY, INC.
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2000 Through November 30, 2000
 AC# 3-KGS-L0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$42.01	\$53.99	
Dietary		11.63	10.56	
Laundry/Housekeeping/Maintenance		<u>10.76</u>	<u>9.12</u>	
Subtotal	<u>\$5.16</u>	64.40	73.67	\$64.40
Administration & Medical Records	<u>\$ -</u>	<u>12.01</u>	<u>11.20</u>	<u>11.20</u>
Subtotal		76.41	<u>\$84.87</u>	75.60
<u>Costs Not Subject to Standards:</u>				
Utilities		2.39		2.39
Special Services		.94		.94
Medical Supplies & Oxygen		6.48		6.48
Taxes and Insurance		1.44		1.44
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$87.66</u>		86.85
Inflation Factor (N/A)				-
Cost of Capital				9.57
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.16
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(3.41)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$98.17</u>

KINGSTREE NURSING FACILITY, INC.
 Computation of Adjusted Reimbursement Rate
 For the Contract Period December 1, 2000 Through September 30, 2001
 AC# 3-KGS-L0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$42.01	\$53.99	
Dietary		11.63	10.56	
Laundry/Housekeeping/Maintenance		<u>10.76</u>	<u>9.12</u>	
Subtotal	\$ <u>5.16</u>	64.40	73.67	\$ 64.40
Administration & Medical Records	\$ <u>-</u>	<u>12.01</u>	<u>11.20</u>	<u>11.20</u>
Subtotal		76.41	\$ <u>84.87</u>	75.60
<u>Costs Not Subject to Standards:</u>				
Utilities		2.39		2.39
Special Services		.94		.94
Medical Supplies & Oxygen		6.48		6.48
Taxes and Insurance		1.44		1.44
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		\$ <u>87.66</u>		86.85
Inflation Factor (3.20%)				2.78
Cost of Capital				9.57
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.16
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(3.41)</u>
ADJUSTED REIMBURSEMENT RATE				\$ <u>100.95</u>

KINGSTREE NURSING FACILITY, INC.
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2001 Through December 31, 2002
 AC# 3-KGS-L0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$42.01	\$58.68	
Dietary		11.63	11.36	
Laundry/Housekeeping/Maintenance		<u>10.76</u>	<u>9.21</u>	
Subtotal	\$ <u>5.55</u>	64.40	79.25	\$ 64.40
Administration & Medical Records	\$ <u>.34</u>	<u>12.04</u>	<u>12.38</u>	<u>12.04</u>
Subtotal		76.44	\$ <u>91.63</u>	76.44
<u>Costs Not Subject to Standards:</u>				
Utilities		2.39		2.39
Special Services		.94		.94
Medical Supplies & Oxygen		6.48		6.48
Taxes and Insurance		1.44		1.44
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		\$ <u>87.69</u>		87.69
Inflation Factor (3.80%)				3.33
Cost of Capital				9.53
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.34
Cost Incentive				5.55
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(4.14)</u>
ADJUSTED REIMBURSEMENT RATE				\$ <u>102.30</u>

KINGSTREE NURSING FACILITY, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended November 30, 2000
 For the Contract Period June 1, 2000 Through September 30, 2000
 AC# 3-KGS-L0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 678,935	\$ 10,705 (8) 8,469 (8)	\$ 2,850 (3) 4,165 (9) 8,443 (10) 1,165 (10) 19,413 (11) 1,146 (11) 3,634 (12) 1,529 (13)	\$ 655,764
Dietary	198,190	448 (8)	1,950 (4) 2,327 (10) 3,192 (11) 9,553 (12)	181,616
Laundry	26,109	1,182 (8) 23 (13)	537 (10) 645 (11)	26,132
Housekeeping	96,427	-	1,385 (10) 2,341 (11)	92,701
Maintenance	58,294	527 (13)	9,000 (5) 128 (10) 593 (11)	49,100
Administration & Medical Records	207,914	-	585 (10) 1,156 (11) 382 (11) 18,772 (13)	187,019
Utilities	45,152	-	5,642 (6) 61 (13) 2,193 (14)	37,256
Special Services	14,681	6,316 (15)	6,316 (11)	14,681
Medical Supplies & Oxygen	134,120	-	32,890 (8)	101,230
Taxes and Insurance	24,501	-	919 (7) 1,065 (13)	22,517
Legal Fees	-	-	-	-

KINGSTREE NURSING FACILITY, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended November 30, 2000
 For the Contract Period June 1, 2000 Through September 30, 2000
 AC# 3-KGS-L0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Adjustments</u>		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	156,962	151 (16)	5,184 (1) 178 (2) 479 (13)	151,272
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	1,641,285	27,821	149,818	1,519,288
Ancillary	-	8,004 (8)	-	8,004
Non-Allowable	246,567	5,184 (1) 178 (2) 2,850 (3) 1,950 (4) 7,500 (5) 5,642 (6) 919 (7) 4,082 (8) 4,165 (9) 35,184 (11) 13,187 (12) 21,356 (13) 2,193 (14)	6,316 (15) 151 (16)	344,490
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenses	<u>\$1,887,852</u>	<u>\$140,215</u>	<u>\$156,285</u>	<u>\$1,871,782</u>
Total Patient Days	<u>15,621</u>	<u>-</u>	<u>-</u>	<u>15,621</u>
Total Beds	<u>88</u>			

KINGSTREE NURSING FACILITY, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended November 30, 2000
 For the Contract Periods October 1, 2000 Through September 30, 2001
 AC# 3-KGS-L0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 678,935	\$ 10,705 (8) 8,469 (8)	\$ 2,850 (3) 4,165 (9) 8,443 (10) 1,165 (10) 19,413 (11) 1,146 (11) 3,634 (12) 1,529 (13)	\$ 655,764
Dietary	198,190	448 (8)	1,950 (4) 2,327 (10) 3,192 (11) 9,553 (12)	181,616
Laundry	26,109	1,182 (8) 23 (13)	537 (10) 645 (11)	26,132
Housekeeping	96,427	-	1,385 (10) 2,341 (11)	92,701
Maintenance	58,294	527 (13)	9,000 (5) 128 (10) 593 (11)	49,100
Administration & Medical Records	208,436	-	585 (10) 1,156 (11) 382 (11) 18,772 (13)	187,541
Utilities	45,152	-	5,642 (6) 61 (13) 2,193 (14)	37,256
Special Services	14,671	6,316 (15)	6,316 (11)	14,671
Medical Supplies & Oxygen	134,114	-	32,890 (8)	101,224
Taxes and Insurance	24,501	-	919 (7) 1,065 (13)	22,517
Legal Fees	-	-	-	-

KINGSTREE NURSING FACILITY, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended November 30, 2000
 For the Contract Periods October 1, 2000 Through September 30, 2001
 AC# 3-KGS-L0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	155,142	144 (17)	5,184 (1) 178 (2) 479 (13)	149,445
	_____	_____	_____	_____
Subtotal	1,639,971	27,814	149,818	1,517,967
Ancillary	-	8,004 (8)	-	8,004
Non-Allowable	247,881	5,184 (1) 178 (2) 2,850 (3) 1,950 (4) 7,500 (5) 5,642 (6) 919 (7) 4,082 (8) 4,165 (9) 35,184 (11) 13,187 (12) 21,356 (13) 2,193 (14)	6,316 (15) 144 (17)	345,811
	_____	_____	_____	_____
Total Operating Expenses	<u>\$1,887,852</u>	<u>\$140,208</u>	<u>\$156,278</u>	<u>\$1,871,782</u>
Total Patient Days	<u>15,610</u>	<u>-</u>	<u>-</u>	<u>15,610</u>
Total Beds	<u>88</u>			

KINGSTREE NURSING FACILITY, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended November 30, 2000
 For the Contract Period October 1, 2001 Through December 31, 2002
 AC# 3-KGS-L0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 678,935	\$ 10,705 (8) 8,469 (8)	\$ 2,850 (3) 4,165 (9) 8,443 (10) 1,165 (10) 19,413 (11) 1,146 (11) 3,634 (12) 1,529 (13)	\$ 655,764
Dietary	198,190	448 (8)	1,950 (4) 2,327 (10) 3,192 (11) 9,553 (12)	181,616
Laundry	26,109	1,182 (8) 23 (13)	537 (10) 645 (11)	26,132
Housekeeping	96,427	-	1,385 (10) 2,341 (11)	92,701
Maintenance	58,294	527 (13)	9,000 (5) 128 (10) 593 (11)	49,100
Administration & Medical Records	208,890	-	585 (10) 1,156 (11) 382 (11) 18,772 (13)	187,995
Utilities	45,152	-	5,642 (6) 61 (13) 2,193 (14)	37,256
Special Services	14,671	6,316 (15)	6,316 (11)	14,671
Medical Supplies & Oxygen	134,114	-	32,890 (8)	101,224
Taxes and Insurance	24,501	-	919 (7) 1,065 (13)	22,517
Legal Fees	-	-	-	-

KINGSTREE NURSING FACILITY, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended November 30, 2000
 For the Contract Period October 1, 2001 Through December 31, 2002
 AC# 3-KGS-L0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	154,522	139 (18)	5,184 (1) 178 (2) 479 (13)	148,820
	_____	_____	_____	_____
Subtotal	1,639,805	27,809	149,818	1,517,796
Ancillary	-	8,004 (8)	-	8,004
Non-Allowable	248,047	5,184 (1) 178 (2) 2,850 (3) 1,950 (4) 7,500 (5) 5,642 (6) 919 (7) 4,082 (8) 4,165 (9) 35,184 (11) 13,187 (12) 21,356 (13) 2,193 (14)	6,316 (15) 139 (18)	345,982
	_____	_____	_____	_____
Total Operating Expenses	<u>\$1,887,852</u>	<u>\$140,203</u>	<u>\$156,273</u>	<u>\$1,871,782</u>
Total Patient Days	<u>15,610</u>	<u>-</u>	<u>-</u>	<u>15,610</u>
Total Beds	<u>88</u>			

KINGSTREE NURSING FACILITY, INC.
Adjustment Report
Cost Report Period Ended November 30, 2000
AC# 3-KGS-L0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 13,231	
	Other Equity	23,060	
	Nonallowable	5,184	
	Fixed Assets		\$ 36,291
	Cost of Capital		5,184
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	178	
	Cost of Capital		178
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nonallowable	2,850	
	Nursing		2,850
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
4	Nonallowable	1,950	
	Dietary		1,950
	To remove cost not related to patient care HIM-15-1, Section 2102.3		
5	Prepaid Expense	1,500	
	Nonallowable	7,500	
	Maintenance		9,000
	To disallow expense due to lack of documentation and reclassify duplicate payment of expense HIM-15-1, Section 2304		

KINGSTREE NURSING FACILITY, INC.
Adjustment Report
Cost Report Period Ended November 30, 2000
AC# 3-KGS-L0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Utilities	5,642	5,642
	To adjust utility expense HIM-15-1, Sections 2106 and 2304		
7	Nonallowable Taxes and Insurance	919	919
	To adjust liability insurance HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nursing	10,705	
	Restorative	8,469	
	Dietary	448	
	Laundry	1,182	
	Ancillary	8,004	
	Nonallowable Medical Supplies	4,082	32,890
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
9	Nonallowable Nursing	4,165	4,165
	To remove duplicate posting of expense HIM-15-1, Section 2304		

KINGSTREE NURSING FACILITY, INC.
Adjustment Report
Cost Report Period Ended November 30, 2000
AC# 3-KGS-L0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Accrued Vacation	24,251	
	Retained Earnings		9,681
	Nursing		8,443
	Restorative		1,165
	Dietary		2,327
	Laundry		537
	Housekeeping		1,385
	Maintenance		128
	Medical Records		585
	To adjust vacation expense and related accrual HIM-15-1, Sections 2302.1 and 2304		
11	Nonallowable	35,184	
	Nursing		19,413
	Restorative		1,146
	Dietary		3,192
	Laundry		645
	Housekeeping		2,341
	Maintenance		593
	Administration		1,156
	Medical Records		382
	Special Services		6,316
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
12	Nonallowable	13,187	
	Nursing		3,634
	Dietary		9,553
	To remove cost not related to patient care HIM-15-1, Section 2102.3		

KINGSTREE NURSING FACILITY, INC.
Adjustment Report
Cost Report Period Ended November 30, 2000
AC# 3-KGS-L0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Nonallowable	21,356	
	Laundry	23	
	Maintenance	527	
	Nursing		1,529
	Administration		18,772
	Utilities		61
	Taxes and Insurance		1,065
	Cost of Capital		479
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
14	Nonallowance	2,193	
	Utilities		2,193
	To remove cost not related to patient care HIM-15-1, Sections 2102.3 and 2328		
15	Special Services	6,316	
	Nonallowable		6,316
	To adjust special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
16	Cost of Capital	151	
	Nonallowable		151
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 6/1/00 - 9/30/00)		
17	Cost of Capital	144	
	Nonallowable		144
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 10/1/00 - 9/30/01)		

KINGSTREE NURSING FACILITY, INC.
Adjustment Report
Cost Report Period Ended November 30, 2000
AC# 3-KGS-L0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
18	Cost of Capital Nonallowable	139	139
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 10/1/01 - 12/31/02)		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>202,540</u>	\$ <u>202,540</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

KINGSTREE NURSING FACILITY, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended November 30, 2000
 For the Contract Period June 1, 2000 Through September 30, 2000
 AC# 3-KGS-L0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>88</u>
Deemed Asset Value	3,091,440
Improvements Since 1981	-
Accumulated Depreciation at 11/30/00	<u>(55,582)</u>
Deemed Depreciated Value	3,035,858
Market Rate of Return	<u>.063</u>
Total Annual Return	191,259
Number of Days in Period	<u>183/365</u>
Adjusted Annual Return	95,892
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	95,892
Depreciation Expense	55,380
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	151,272
Total Patient Days (Minimum 97% Occupancy)	<u>15,621</u>
Cost of Capital Per Diem	\$ <u><u>9.68</u></u>

KINGSTREE NURSING FACILITY, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended November 30, 2000
 For the Contract Periods October 1, 2000 Through September 30, 2001
 AC# 3-KGS-L0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>88</u>
Deemed Asset Value	3,182,520
Improvements Since 1981	-
Accumulated Depreciation at 11/30/00	<u>(55,582)</u>
Deemed Depreciated Value	3,126,938
Market Rate of Return	<u>.060</u>
Total Annual Return	187,616
Number of Days in Period	<u>183/365</u>
Adjusted Annual Return	94,065
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	94,065
Depreciation Expense	53,380
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	149,445
Total Patient Days (Actual)	<u>15,610</u>
Cost of Capital Per Diem	\$ <u><u>9.57</u></u>

KINGSTREE NURSING FACILITY, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended November 30, 2000
 For the Contract Period October 1, 2001 Through December 31, 2002
 AC# 3-KGS-L0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3848</u>
Deemed Asset Value (Per Bed)	37,246
Number of Beds	<u>88</u>
Deemed Asset Value	3,277,648
Improvements Since 1981	-
Accumulated Depreciation at 11/30/00	<u>(55,582)</u>
Deemed Depreciated Value	3,222,066
Market Rate of Return	<u>.058</u>
Total Annual Return	186,880
Number of Days in Period	<u>183/366</u>
Adjusted Annual Return	93,440
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	93,440
Depreciation Expense	55,380
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	148,820
Total Patient Days (Actual)	<u>15,610</u>
Cost of Capital Per Diem	<u><u>\$ 9.53</u></u>

COMMENTS AND RECOMMENDATIONS

Our agreed-upon procedures identified a condition that we have determined to be subject to correction or improvement. We believe these conditions should be brought to your attention.

VENDING MACHINE SALES

Income from vending machine sales was not deposited in the facility operating account. Funds generated from these sales were retained by the owners and used to make minor purchases for the facility, similar to a petty cash fund.

A system of good internal accounting control requires that all cash received be deposited intact.

By failing to deposit these receipts, the Provider is unable to readily document income derived from vending machines, and has understated income and overstated reimburseable expenses.

We recommend the Provider establish and implement the necessary controls to ensure that all cash received is deposited timely and intact.

TRANSACTION CLASSIFICATION

The Provider classified a significant number of transactions to improper accounts and cost centers.

Guidance for the proper classification of transactions is provided in the South Carolina Department of Health and Human Services Medicaid Nursing Home Accounting and Reporting Manual (Expense Crosswalk), the State Plan under Title XIX of the Social Security Act, Medicaid Bulletins and South Carolina Department of Health and Human Services directives.

By failing to classify transactions in accordance with the administering agency's guidelines, the Provider misstated several accounts and cost centers.

We recommend the Provider establish and implement necessary controls to ensure that all transactions are properly classified in accordance with South Carolina Department of Health and Human Services guidelines.

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