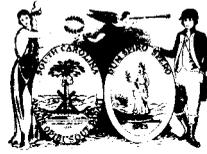


State of South Carolina



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

June 1, 2005

Mr. John Barber, Vice President of Finance  
White Oak Manor, Inc.  
Post Office Box 3347  
Spartanburg, South Carolina 29304

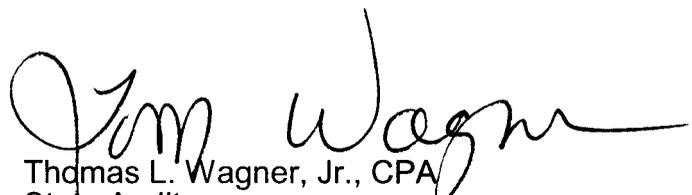
Re: AC# 3-WOE-J0 – White Oak Manor, Inc. d/b/a White Oak Estates

Dear Mr. Barber:

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 October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

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.

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/ksg

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Ms. Kathleen C. Snider

**WHITE OAK MANOR, INC.  
D/B/A WHITE OAK ESTATES  
SPARTANBURG, SOUTH CAROLINA**

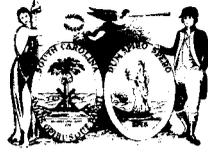
**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2001  
AC# 3-WOE-J0**

**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



## Office of the State Auditor

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 28, 2005

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

We have performed the procedures enumerated 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 White Oak Manor, Inc. d/b/a White Oak Estates, for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of White Oak Manor, Inc. d/b/a White Oak Estates is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted 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 South Carolina 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.

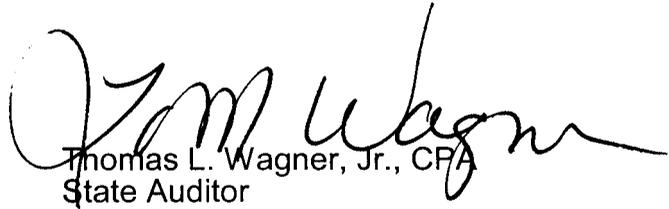
The procedures and the associated findings are as follows:

1. We 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 White Oak Manor, Inc. d/b/a White Oak Estates, 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, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis 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 contract between the South Carolina Department of Health and Human Services and White Oak Manor, Inc. d/b/a White Oak Estates dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
February 28, 2005

We were not engaged to and did not conduct an examination, the objective of which would be 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

**WHITE OAK ESTATES**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2001  
AC# 3-WOE-J0

	10/01/01- <u>12/31/02</u>
Interim Reimbursement Rate (1)	\$116.08
Adjusted Reimbursement Rate	<u>111.85</u>
Decrease in Reimbursement Rate	\$ <u><u>4.23</u></u>

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

**WHITE OAK ESTATES**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2001 Through December 31, 2002  
 AC# 3-WOE-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$58.53	\$62.78	
Dietary		12.24	11.36	
Laundry/Housekeeping/Maintenance		<u>10.31</u>	<u>9.21</u>	
Subtotal	\$ <u>2.27</u>	81.08	83.35	\$ 81.08
Administration & Medical Records	\$ <u>2.23</u>	<u>10.15</u>	<u>12.38</u>	<u>10.15</u>
Subtotal		91.23	\$ <u>95.73</u>	91.23
<u>Costs Not Subject to Standards:</u>				
Utilities		2.38		2.38
Special Services		.19		.19
Medical Supplies & Oxygen		2.46		2.46
Taxes and Insurance		2.26		2.26
Legal Fees		<u>.08</u>		<u>.08</u>
<b>TOTAL</b>		\$ <u>98.60</u>		98.60
Inflation Factor (3.80%)				3.75
Cost of Capital				6.57
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.23
Cost Incentive				2.27
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.75)
Nurse Aide Staffing Add-On 10/01/2000				<u>1.18</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				\$ <u>111.85</u>

**WHITE OAK ESTATES**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2000  
 AC# 3-WOE-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,833,902	\$ -	\$ -	\$1,833,902
Dietary	460,896	174,965 (3)	252,267 (5)	383,594
Laundry	98,681	-	2,679 (5)	96,002
Housekeeping	121,256	-	9,116 (5)	112,140
Maintenance	124,053	-	8,985 (5)	115,068
Administration & Medical Records	343,852	-	25,818 (5)	318,034
Utilities	80,180	-	5,467 (5)	74,713
Special Services	5,815	-	-	5,815
Medical Supplies & Oxygen	77,055	-	-	77,055
Taxes and Insurance	74,885	-	4,165 (5)	70,720
Legal Fees	2,726	-	247 (5)	2,479
Cost of Capital	238,017	519 (1) 1,230 (4)	20,355 (2) 9,504 (5) <u>4,173 (6)</u>	205,734
Subtotal	3,461,318	176,714	342,776	3,295,256

**WHITE OAK ESTATES**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2000  
AC# 3-WOE-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	68,344	-	-	68,344
Nonallowable	295,280	20,355 (2) 318,248 (5) <u>4,173 (6)</u>	519 (1) 1,230 (4)	636,307
Total Operating Expenses	<u>\$3,824,942</u>	<u>\$519,490</u>	<u>\$344,525</u>	<u>\$3,999,907</u>
Total Patient Days	<u>31,335</u>	<u>-</u>	<u>-</u>	<u>31,335</u>
Total Beds	<u>88</u>			

**WHITE OAK ESTATES**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-WOE-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 30,803	
	Other Equity	1,983	
	Cost of Capital - Depreciation	519	
	Fixed Assets		\$ 32,786
	Nonallowable		519
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	20,355	
	Cost of Capital - Amortization		20,355
	To remove amortization of loan closing costs HIM-15-1, Section 233.4 State Plan, Attachment 4.19D		
3	Dietary	174,965	
	Meal Income		174,965
	To reverse dietary income offset State Plan, Attachment 4.19D		
4	Cost of Capital	1,230	
	Accumulated Depreciation	6,965	
	Nonallowable		1,230
	Other Equity		6,965
	To adjust depreciation and amortization expense in accordance with cost of capital policy effective 7/1/89 State Plan, Attachment 4.19D		

**WHITE OAK ESTATES**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-WOE-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	318,248	
	Cost of Capital		9,504
	Taxes and Insurance		4,165
	Administration		25,818
	Legal		247
	Maintenance		8,985
	Utilities		5,467
	Laundry		2,679
	Housekeeping		9,116
	Dietary		252,267
	To stepdown dietary and vending cost HIM-15-1, Section 2102.3		
6	Nonallowable	4,173	
	Cost of Capital		4,173
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$559,241	\$559,241

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.

**WHITE OAK ESTATES**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2000  
 AC# 3-WOE-J0

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		317,840
Accumulated Depreciation at 9/30/00		<u>(1,099,970)</u>
Deemed Depreciated Value		2,495,518
Market Rate of Return		<u>.0580</u>
Total Annual Return		144,740
Return Applicable to Non-Reimbursable Cost Centers		(8,184)
Allocation of Interest to Non-Reimbursable Cost Centers		<u>5,550</u>
Allowable Annual Return		142,106
Depreciation Expense		78,635
Amortization Expense		-
Capital Related Income Offsets		(5,311)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers		<u>(9,696)</u>
Allowable Cost of Capital Expense		205,734
Total Patient Days (Minimum 96% Occupancy)		<u>31,335</u>
Cost of Capital Per Diem	\$	<u><u>6.57</u></u>

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