

# State of South Carolina



## Office of the State Auditor

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

RICHARD H. GILBERT, JR., CPA  
DEPUTY STATE AUDITOR

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March 5, 2007

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

Re: AC# 3-FLR-B3 – Cooke Associates of Florence, 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 August 12, 2002 through February 28, 2003. That report was used to set the rate covering the contract period beginning March 1, 2003.

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 Facility Health and Nursing Home 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.

Yours very truly,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

RHGjr/ms

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

**COOKE ASSOCIATES OF FLORENCE, INC.  
FLORENCE, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING MARCH 1, 2003  
AC# 3-FLR-B3**

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

September 28, 2006

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 Cooke Associates of Florence, Inc., for the contract period beginning March 1, 2003, and for the six month cost report period ended February 28, 2003, as set forth in the accompanying schedules. The management of Cooke Associates of Florence, Inc. 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 Cooke Associates of Florence, 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 Summaries of Costs and Total Patient Days, Adjustment Report, Cost of Capital Reimbursement Analysis, 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 contract between the South Carolina Department of Health and Human Services and Cooke Associates of Florence, Inc. 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 Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
September 28, 2006

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.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

**COOKE ASSOCIATES OF FLORENCE, INC.**

Computation of Rate Change  
For the Contract Periods  
Beginning March 1, 2003  
AC# 3-FLR-B3

	<u>03/01/03-</u> <u>09/30/03</u>	<u>10/01/03-</u> <u>09/30/04</u>
Interim Reimbursement Rate (1)	\$127.02	\$128.17
Adjusted Reimbursement Rate	<u>113.40</u>	<u>114.41</u>
Decrease in Reimbursement Rate	\$ <u>13.62</u>	\$ <u>13.76</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated March 1, 2006.

**COOKE ASSOCIATES OF FLORENCE, INC.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period March 1, 2003 Through September 30, 2003  
 AC# 3-FLR-B3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 53.67	\$63.44	
Dietary		12.19	11.63	
Laundry/Housekeeping/Maintenance		<u>11.06</u>	<u>10.22</u>	
Subtotal	\$ <u>5.97</u>	76.92	85.29	\$ 76.92
Administration & Medical Records	\$ <u>3.45</u>	<u>9.18</u>	<u>12.63</u>	<u>9.18</u>
Subtotal		86.10	<u>\$97.92</u>	86.10
<u>Costs Not Subject to Standards:</u>				
Utilities		2.57		2.57
Special Services		-		-
Medical Supplies & Oxygen		8.71		8.71
Taxes and Insurance		3.87		3.87
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$101.25</u>		101.25
Inflation Factor (3.70%)				3.75
Cost of Capital				7.32
Cost of Capital Limitation				(.67)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.45
Cost Incentive				5.97
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.67)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$113.40</u>

**COOKE ASSOCIATES OF FLORENCE, INC.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2003 Through September 30, 2004  
 AC# 3-FLR-B3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 53.67	\$ 67.92	
Dietary		12.19	11.76	
Laundry/Housekeeping/Maintenance		<u>11.06</u>	<u>10.49</u>	
Subtotal	<u>\$6.31</u>	76.92	90.17	\$ 76.92
Administration & Medical Records	<u>\$4.07</u>	<u>9.18</u>	<u>13.25</u>	<u>9.18</u>
Subtotal		86.10	<u>\$103.42</u>	86.10
<u>Costs Not Subject to Standards:</u>				
Utilities		2.57		2.57
Special Services		-		-
Medical Supplies & Oxygen		8.71		8.71
Taxes and Insurance		3.87		3.87
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$101.25</u>		101.25
Inflation Factor (4.70%)				4.76
Cost of Capital				7.38
Cost of Capital Limitation				(.73)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.54
Cost Incentive				6.31
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(8.10)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$114.41</u>

**COOKE ASSOCIATES OF FLORENCE, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended February 28, 2003  
 For the Contract Period March 1, 2003 Through September 30, 2003  
 AC# 3-FLR-B3

<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>	
General Services	\$960,186	\$2,534 (1) 3,418 (10) 5,454 (13)	\$17,358 (2) 41,759 (12) 1,233 (12)	\$911,242
Dietary	221,783	131 (10) 1,330 (13)	7,704 (3) 5,614 (12) 2,880 (14)	207,046
Laundry	35,441	-	1,754 (12)	33,687
Housekeeping	70,868	115 (13)	3,299 (12)	67,684
Maintenance	112,954	1,200 (10)	23,046 (4) 1,703 (12) 2,905 (13)	86,500
Administration & Medical Records	194,278	-	4,107 (5) 2,748 (6) 3,571 (12) 361 (12) 27,626 (13)	155,865
Utilities	48,976	-	1,686 (7) 217 (13) 3,505 (14)	43,568
Special Services	-	23,833 (11) 1,828 (12)	25,661 (15)	-
Medical Supplies & Oxygen	224,739	646 (10)	47,659 (9) 23,833 (11) 6,079 (12)	147,814

**COOKE ASSOCIATES OF FLORENCE, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended February 28, 2003  
For the Contract Period March 1, 2003 Through September 30, 2003  
AC# 3-FLR-B3

<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>
Taxes and Insurance	73,173	-	7,135 (8) 243 (13)	65,795
Legal Fees	-	-	-	-
Cost of Capital	112,917	321 (3) 518 (4) 198 (5) 1,196 (6) 283 (9) <u>16,359 (16)</u>	6,547 (1) 942 (13)	124,303
Subtotal	2,055,315	59,364	271,175	1,843,504
Ancillary	-	-	-	-
Nonallowable	146,385	4,013 (1) 17,358 (2) 4,826 (4) 1,731 (5) 976 (7) 1,325 (8) 36,330 (9) 63,545 (12) 25,034 (13) 6,385 (14) <u>25,661 (15)</u>	16,359 (16)	317,210
Total Operating Expenses	<u>\$2,201,700</u>	<u>\$246,548</u>	<u>\$287,534</u>	<u>\$2,160,714</u>
Total Patient Days	<u>16,980</u>	<u>-</u>	<u>-</u>	<u>16,980</u>

Total Beds 88

**COOKE ASSOCIATES OF FLORENCE, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended February 28, 2003  
 For the Contract Period October 1, 2003 Through September 30, 2004  
 AC# 3-FLR-B3

<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>	
General Services	\$960,186	\$2,534 (1) 3,418 (10) 5,454 (13)	\$17,358 (2) 41,759 (12) 1,233 (12)	\$911,242
Dietary	221,783	131 (10) 1,330 (13)	7,704 (3) 5,614 (12) 2,880 (14)	207,046
Laundry	35,441	-	1,754 (12)	33,687
Housekeeping	70,868	115 (13)	3,299 (12)	67,684
Maintenance	112,954	1,200 (10)	23,046 (4) 1,703 (12) 2,905 (13)	86,500
Administration & Medical Records	194,278	-	4,107 (5) 2,748 (6) 3,571 (12) 361 (12) 27,626 (13)	155,865
Utilities	48,976	-	1,686 (7) 217 (13) 3,505 (14)	43,568
Special Services	-	23,833 (11) 1,828 (12)	25,661 (15)	-
Medical Supplies & Oxygen	224,739	646 (10)	47,659 (9) 23,833 (11) 6,079 (12)	147,814

**COOKE ASSOCIATES OF FLORENCE, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended February 28, 2003  
For the Contract Period October 1, 2003 Through September 30, 2004  
AC# 3-FLR-B3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	73,173	-	7,135 (8) 243 (13)	65,795
Legal Fees	-	-	-	-
Cost of Capital	112,917	321 (3) 518 (4) 198 (5) 1,196 (6) 283 (9) <u>17,332 (17)</u>	6,547 (1) 942 (13)	125,276
Subtotal	2,055,315	60,337	271,175	1,844,477
Ancillary	-	-	-	-
Nonallowable	146,385	4,013 (1) 17,358 (2) 4,826 (4) 1,731 (5) 976 (7) 1,325 (8) 36,330 (9) 63,545 (12) 25,034 (13) 6,385 (14) <u>25,661 (15)</u>	17,332 (17)	316,237
Total Operating Expenses	<u>\$2,201,700</u>	<u>\$247,521</u>	<u>\$288,507</u>	<u>\$2,160,714</u>
Total Patient Days	<u>16,980</u>	<u>-</u>	<u>-</u>	<u>16,980</u>

**COOKE ASSOCIATES OF FLORENCE, INC.**  
Adjustment Report  
Cost Report Period Ended February 28, 2003  
AC# 3-FLR-B3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 5,775	
	Other Equity	41,611	
	Restorative	2,534	
	Nonallowable	4,013	
	Accumulated Depreciation		\$47,386
	Cost of Capital		6,547
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	17,358	
	Nursing		17,358
	To remove expense related to unliquidated liabilities HIM-15-1, Section 2305		
3	Fixed Assets	7,704	
	Cost of Capital	321	
	Accumulated Depreciation		321
	Dietary		7,704
	To capitalize fixed asset and record related depreciation HIM-15-1, Section 108.1		
4	Fixed Assets	18,220	
	Cost of Capital	518	
	Nonallowable	4,826	
	Accumulated Depreciation		518
	Maintenance		23,046
	To capitalize fixed assets and record related depreciation and disallow expense not related to patient care HIM-15-1, Sections 108.1 and 2102.3		

**COOKE ASSOCIATES OF FLORENCE, INC.**  
Adjustment Report  
Cost Report Period Ended February 28, 2003  
AC# 3-FLR-B3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Fixed Assets	2,376	
	Cost of Capital	198	
	Nonallowable	1,731	
	Accumulated Depreciation		198
	Administration		4,107
	To capitalize fixed asset and record related depreciation and reclassify expense to the proper cost center HIM-15-1, Section 108.1 DH&HS Expense Crosswalk		
6	Fixed Assets	21,720	
	Cost of Capital	1,196	
	Accumulated Depreciation		3,984
	Lease Payable		11,093
	Other Equity		5,091
	Administration		2,748
	To capitalize fixed assets and record related depreciation HIM-15-1, Section 110		
7	Retained Earnings	1,934	
	Nonallowable	976	
	Accrued Expense		1,224
	Utilities		1,686
	To reclassify expense to the proper cost center, properly accrue expense applicable to period and disallow cable television expense HIM-15-1, Sections 2103, 2106.1 and 2304 DH&HS Expense Crosswalk		

**COOKE ASSOCIATES OF FLORENCE, INC.**  
Adjustment Report  
Cost Report Period Ended February 28, 2003  
AC# 3-FLR-B3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Retained Earnings	8,092	
	Nonallowable	1,325	
	Accrued Property Taxes		2,282
	Taxes and Insurance		7,135
	To adjust property taxes and related accrual HIM-15-1, Sections 2302.1 and 2304		
9	Fixed Assets	11,329	
	Cost of Capital	283	
	Nonallowable	36,330	
	Accumulated Depreciation		283
	Medical Supplies		47,659
	To capitalize fixed assets and record related depreciation, reclassify expense to the proper cost center, disallow expense due to lack of documentation, remove duplicate postings of expense, and remove expense related to unliquidated liabilities HIM-15-1, Sections 108.1, 2304 and 2305 DH&HS Expense Crosswalk		
10	Nursing	3,418	
	Dietary	131	
	Maintenance	1,200	
	Medical Supplies	646	
	Retained Earnings		5,395
	To record payroll expense HIM-15-1, Section 2304		
11	Special Services	23,833	
	Medical Supplies		23,833
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

**COOKE ASSOCIATES OF FLORENCE, INC.**  
Adjustment Report  
Cost Report Period Ended February 28, 2003  
AC# 3-FLR-B3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Special Services	1,828	
	Nonallowable	63,545	
	Nursing		41,759
	Restorative		1,233
	Dietary		5,614
	Laundry		1,754
	Housekeeping		3,299
	Maintenance		1,703
	Administration		3,571
	Medical Records		361
	Medical Supplies		6,079
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
13	Nursing	5,454	
	Dietary	1,330	
	Housekeeping	115	
	Nonallowable	25,034	
	Maintenance		2,905
	Administration		27,626
	Utilities		217
	Taxes and Insurance		243
	Cost of Capital		942
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
14	Nonallowable	6,385	
	Dietary		2,880
	Utilities		3,505
	To remove costs not related to patient care HIM-15-1, Sections 2102.3 and 2328		

**COOKE ASSOCIATES OF FLORENCE, INC.**  
Adjustment Report  
Cost Report Period Ended February 28, 2003  
AC# 3-FLR-B3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
15	Nonallowable Special Services	25,661	25,661
	To adjust special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
16	Cost of Capital Nonallowable	16,359	16,359
	To adjust capital return State Plan, Attachment 4.19D  (This adjustment applies only to the contract period 3/1/03 - 9/30/03)		
17	Cost of Capital Nonallowable	17,332	17,332
	To adjust capital return State Plan, Attachment 4.19D  (This adjustment applies only to the contract period 10/1/03 - 9/30/04)		
	TOTAL ADJUSTMENTS	<u>\$382,641</u>	<u>\$382,641</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.

**COOKE ASSOCIATES OF FLORENCE, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended February 28, 2003  
 For the Contract Period March 1, 2003 Through September 30, 2003  
 AC# 3-FLR-B3

Original Asset Cost (Per Bed)	\$	15,618
Inflation Adjustment		<u>2.4607</u>
Deemed Asset Value (Per Bed)		38,431
Number of Beds		<u>88</u>
Deemed Asset Value		3,381,928
Improvements Since 1981		637,624
Accumulated Depreciation at 2/28/03		<u>(813,813)</u>
Deemed Depreciated Value		3,205,739
Market Rate of Return		<u>.0577</u>
Total Annual Return		184,971
Number of Days in Period		<u>201/365</u>
Adjusted Annual Return		101,861
Return Applicable to Non-Reimbursable Cost Centers		-
Allocation of Interest to Non-Reimbursable Cost Centers		<u>-</u>
Allowable Annual Return		101,861
Depreciation Expense		22,442
Amortization Expense		-
Capital Related Income Offsets		-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers		<u>-</u>
Allowable Cost of Capital Expense		124,303
Total Patient Days (Minimum 96% Occupancy)		<u>16,980</u>
Cost of Capital Per Diem	\$	<u><u>7.32</u></u>

**COOKE ASSOCIATES OF FLORENCE, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended February 28, 2003  
For the Contract Period March 1, 2003 Through September 30, 2003  
AC# 3-FLR-B3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.66
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.65</u>
Reimbursable Cost of Capital Per Diem	\$6.65
Cost of Capital Per Diem	<u>7.32</u>
Cost of Capital Per Diem Limitation	<u>\$(.67)</u>

**COOKE ASSOCIATES OF FLORENCE, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended February 28, 2003  
 For the Contract Period October 1, 2003 Through September 30, 2004  
 AC# 3-FLR-B3

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.55013</u>
Deemed Asset Value (Per Bed)	39,828
Number of Beds	<u>88</u>
Deemed Asset Value	3,504,864
Improvements Since 1981	637,624
Accumulated Depreciation at 2/28/03	<u>(813,813)</u>
Deemed Depreciated Value	3,328,675
Market Rate of Return	<u>.0561</u>
Total Annual Return	186,739
Number of Days in Period	<u>201/365</u>
Adjusted Annual Return	102,834
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	102,834
Depreciation Expense	22,442
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	125,276
Total Patient Days (Minimum 96% Occupancy)	<u>16,980</u>
Cost of Capital Per Diem	\$ <u><u>7.38</u></u>

**COOKE ASSOCIATES OF FLORENCE, INC.**

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended February 28, 2003

For the Contract Period October 1, 2003 Through September 30, 2004  
AC# 3-FLR-B3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.66
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.65</u>
Reimbursable Cost of Capital Per Diem	\$6.65
Cost of Capital Per Diem	<u>7.38</u>
Cost of Capital Per Diem Limitation	<u>\$(.73)</u>

## **COMMENTS AND RECOMMENDATIONS**

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

### **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.

### MEAL AND VENDING MACHINE SALES

Income from meal and vending machines 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 meals and vending machines, and has understated income and overstated reimbursable expenses.

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

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