

*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-MCY-J2 – Cooke Associates, Inc. d/b/a McCoy Memorial Nursing Center

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 October 1, 2001 through September 30, 2002. That report was used to set the rate covering the contract period beginning October 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.

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/sag

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

**COOKE ASSOCIATES, INC.  
D/B/A MCCOY MEMORIAL NURSING CENTER  
BISHOPVILLE, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2003  
AC# 3-MCY-J2**

**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

October 9, 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, Inc. d/b/a McCoy Memorial Nursing Center, for the contract period beginning October 1, 2003, and for the twelve month cost report period ended September 30, 2002, as set forth in the accompanying schedules. The management of Cooke Associates, Inc. d/b/a McCoy Memorial Nursing Center 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, Inc. d/b/a McCoy Memorial Nursing Center, 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 Summary of Costs and Total Patient Days, Adjustment Report, 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 Cooke Associates, Inc. d/b/a McCoy Memorial Nursing Center 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  
October 9, 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

**MCCOY MEMORIAL NURSING CENTER**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2003  
AC# 3-MCY-J2

	10/01/03- <u>09/30/04</u>
Interim Reimbursement Rate (1)	\$105.69
Adjusted Reimbursement Rate	<u>103.79</u>
Decrease in Reimbursement Rate	\$ <u><u>1.90</u></u>

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

**MCCOY MEMORIAL NURSING CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2003 Through September 30, 2004  
 AC# 3-MCY-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$47.23	\$ 66.44	
Dietary		11.74	11.55	
Laundry/Housekeeping/Maintenance		<u>10.78</u>	<u>9.83</u>	
Subtotal	\$ <u>6.15</u>	69.75	87.82	\$ 69.75
Administration & Medical Records	\$ <u>5.97</u>	<u>7.49</u>	<u>13.46</u>	<u>7.49</u>
Subtotal		77.24	<u>\$101.28</u>	77.24
<u>Costs Not Subject to Standards:</u>				
Utilities		2.01		2.01
Special Services		-		-
Medical Supplies & Oxygen		6.26		6.26
Taxes and Insurance		4.77		4.77
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$90.28</u>		90.28
Inflation Factor (4.70%)				4.24
Cost of Capital				7.52
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.16
Cost Incentive				6.15
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.56)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$103.79</u>

**MCCOY MEMORIAL NURSING CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2002  
 AC# 3-MCY-J2

<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	\$2,026,432	\$5,562 (1)	\$18,354 (5)	\$2,013,640
Dietary	500,632	-	-	500,632
Laundry	54,395	-	-	54,395
Housekeeping	229,396	-	-	229,396
Maintenance	178,209	283 (1)	2,462 (5)	176,030
Administration & Medical Records	374,335	-	10,351 (4) 44,613 (5)	319,371
Utilities	86,041	-	189 (5)	85,852
Special Services	-	-	-	-
Medical Supplies & Oxygen	266,956	-	-	266,956
Taxes and Insurance	203,563	-	386 (5)	203,177
Legal Fees	-	-	-	-
Cost of Capital	327,627	2,397 (6)	2,604 (1) 5,623 (2) 1,130 (3) 2 (5)	320,665
Subtotal	4,247,586	8,242	85,714	4,170,114

**MCCOY MEMORIAL NURSING CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2002  
AC# 3-MCY-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	-	-	-	-
Nonallowable	1,020,821	5,623 (2)	3,241 (1)	1,098,293
		1,130 (3)	2,397 (6)	
		10,351 (4)		
	_____	<u>66,006</u> (5)	_____	_____
Total Operating Expenses	<u>\$5,268,407</u>	<u>\$91,352</u>	<u>\$91,352</u>	<u>\$5,268,407</u>
Total Patient Days	<u>42,639</u>	<u>-</u>	<u>-</u>	<u>42,639</u>
Total Beds	<u>120</u>			

**MCCOY MEMORIAL NURSING CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2002  
AC# 3-MCY-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$89,232	
	Restorative	5,562	
	Maintenance	283	
	Accumulated Depreciation		\$ 3,694
	Other Equity		85,538
	Cost of Capital		2,604
	Nonallowable		3,241
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	5,623	
	Cost of Capital		5,623
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nonallowable	1,130	
	Cost of Capital		1,130
	To adjust amortization expense State Plan, Attachment 4.19D		
4	Nonallowable	10,351	
	Administration		10,351
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D		
5	Nonallowable	66,006	
	Nursing		18,354
	Maintenance		2,462
	Administration		44,613
	Utilities		189
	Taxes and Insurance		386
	Cost of Capital		2
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**MCCOY MEMORIAL NURSING CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2002  
AC# 3-MCY-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Cost of Capital Nonallowable	2,397	2,397
	To adjust capital return State Plan, Attachment 4.19D		
		\$ <u>180,584</u>	\$ <u>180,584</u>
	TOTAL ADJUSTMENTS		

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.

**MCCOY MEMORIAL NURSING CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2002  
 AC# 3-MCY-J2

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.55013</u>	<u>2.55013</u>	
Deemed Asset Value (Per Bed)	39,828	39,828	
Number of Beds	<u>88</u>	<u>32</u>	
Deemed Asset Value	3,504,864	1,274,496	
Improvements Since 1981	26,193	8,570	
Accumulated Depreciation at 9/30/02	<u>(1,082,567)</u>	<u>(217,167)</u>	
Deemed Depreciated Value	2,448,490	1,065,899	
Market Rate of Return	<u>.0561</u>	<u>.0561</u>	
Total Annual Return	137,360	59,797	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	137,360	59,797	
Depreciation Expense	77,303	44,762	
Amortization Expense	-	1,443	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	214,663	106,002	\$320,665
Total Patient Days (Actual)	<u>31,269</u>	<u>11,370</u>	<u>42,639</u>
Cost of Capital Per Diem	\$ <u>6.87</u>	\$ <u>9.32</u>	\$ <u>7.52</u>

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