

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

(803) 253-4160
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June 28, 2010

Mr. Jerry D. Morton, CFO
Wesley Commons
1110 Marshall Road
Greenwood, South Carolina 29646

Re: AC# 3-MHG-J5 – Wesley Commons

Dear Mr. Morton:

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, 2004 through September 30, 2005. That report was used to set the rate covering the contract period beginning October 1, 2006.

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/cwc

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

**WESLEY COMMONS
GREENWOOD, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2006
AC# 3-MHG-J5**

**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

April 29, 2010

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 Wesley Commons, for the contract period beginning October 1, 2006, and for the twelve month cost report period ended September 30, 2005, as set forth in the accompanying schedules. The management of Wesley Commons 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 Wesley Commons, 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 and Adjustment Report 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 Wesley Commons dated as of October 1, 2006, 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
April 29, 2010

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

WESLEY COMMONS
Computation of Rate Change
For the Contract Period
Beginning October 1, 2006
AC# 3-MHG-J5

	10/01/06- <u>09/30/07</u>
Interim Reimbursement Rate (1)	\$133.08
Adjusted Reimbursement Rate	<u>131.29</u>
Decrease in Reimbursement Rate	\$ <u><u>1.79</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated June 8, 2009.

WESLEY COMMONS
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2006 Through September 30, 2007
 AC# 3-MHG-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 62.73	\$ 79.77	
Dietary		16.06	13.46	
Laundry/Housekeeping/Maintenance		<u>14.62</u>	<u>12.03</u>	
Subtotal	<u>\$7.37</u>	93.41	105.26	\$ 93.41
Administration & Medical Records	<u>\$4.18</u>	<u>12.69</u>	<u>16.87</u>	<u>12.69</u>
Subtotal		106.10	<u>\$122.13</u>	106.10
<u>Costs Not Subject to Standards:</u>				
Utilities		4.51		4.51
Special Services		-		-
Medical Supplies & Oxygen		3.84		3.84
Taxes and Insurance		3.58		3.58
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$118.05</u>		118.05
Inflation Factor (4.60%)				5.43
Cost of Capital				6.06
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.13
Cost Incentive				7.37
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(9.75)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$131.29</u>

WESLEY COMMONS
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2005
 AC# 3-MHG-J5

<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	\$2,258,525	\$ 759 (3)	\$ 12,965 (1) 4,288 (3)	\$2,242,031
Dietary	574,675	-	718 (3)	573,957
Laundry	116,828	-	183 (3)	116,645
Housekeeping	178,526	-	226 (3) 1,260 (7)	177,040
Maintenance	147,408	19,919 (1) 81,074 (2) 20,502 (3) 604,589 (6)	644,625 (7)	228,867
Administration & Medical Records	533,951	751,354 (6)	115,132 (2) 33,206 (3) 23,181 (4) 660,135 (7)	453,651
Utilities	169,239	-	6,954 (1) 1,117 (7)	161,168
Special Services	-	-	-	-
Medical Supplies & Oxygen	136,060	1,017 (3)	-	137,077
Taxes and Insurance	164,147	111,431 (6) 8,143 (8)	39,305 (5) 50,451 (7) 66,146 (9)	127,819

WESLEY COMMONS
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2005
AC# 3-MHG-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Legal Fees	780	1,349 (6)	1,463 (7)	666
Cost of Capital	<u>216,590</u>	<u>-</u>	<u>-</u>	<u>216,590</u>
Subtotal	4,496,729	1,600,137	1,661,355	4,435,511
Ancillary	153,984	-	-	153,984
Nonallowable	9,830,560	34,058 (2) 16,343 (3) 23,181 (4) 39,305 (5) 1,359,051 (7) 66,146 (9)	1,468,723 (6) 8,143 (8)	9,891,778
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$14,481,273</u>	<u>\$3,138,221</u>	<u>\$3,138,221</u>	<u>\$14,481,273</u>
Total Patient Days	<u>35,741</u>	<u>-</u>	<u>-</u>	<u>35,741</u>
Total Beds	<u>102</u>			

WESLEY COMMONS
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-MHG-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Maintenance Restorative Utilities	\$19,919	\$ 12,965 6,954
	To reclassify shared auto repairs, maintenance, gas, and insurance HIM-15-1, Section 2304 DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
2	Maintenance Nonallowable - Assisted Living/ Independent Living Administration	81,074 34,058	 115,132
	To properly classify security and non-nursing home resident service manager wages DH&HS Expense Crosswalk		
3	Restorative Maintenance Medical Supplies & Oxygen Nonallowable Nursing Dietary Laundry Housekeeping Administration	759 20,502 1,017 16,343	 4,288 718 183 226 33,206
	To adjust the fringe benefits allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable - Assisted Living Administration	23,181	 23,181
	To properly classify administrator wages DH&HS Expense Crosswalk		

WESLEY COMMONS
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-MHG-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable - Assisted Living/ Independent Living Taxes and Insurance	39,305	39,305
	To directly allocate non-nursing home liability insurance HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
6	Maintenance Administration Taxes and Insurance Legal Nonallowable	604,589 751,354 111,431 1,349	1,468,723
	To reverse the DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
7	Nonallowable Housekeeping Maintenance Administration Legal Utilities Taxes and Insurance	1,359,051	1,260 644,625 660,135 1,463 1,117 50,451
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

WESLEY COMMONS
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-MHG-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Taxes and Insurance Nonallowable	8,143	8,143
	To allow officer and director liability insurance HIM-15-1, Sections 2161 and 2162		
9	Nonallowable - Assisted Living/ Independent Living Taxes and Insurance	66,146	66,146
	To directly allocate non-nursing home property insurance HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$3,138,221	\$3,138,221

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.

2 copies of this document were published at an estimated printing cost of \$1.35 each, and a total printing cost of \$2.70. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.