

*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  
FAX (803) 343-0723

September 30, 2010

Ms. Ann Goff, CPA, CFO  
1053 Center Street  
West Columbia, South Carolina 29169

Re: AC# 3-EBN-J6 – Ebenezer Senior Services

Dear Ms. Goff:

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, 2005 through September 30, 2006. That report was used to set the rate covering the contract period beginning October 1, 2007.

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.

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

**EBENEZER SENIOR SERVICES  
ROCK HILL, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2007  
AC# 3-EBN-J6**

**AGREED-UPON PROCEDURES REPORT  
ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2007	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2006	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	12

# 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  
FAX (803) 343-0723

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

June 14, 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 Ebenezer Senior Services, for the contract period beginning October 1, 2007, and for the twelve month cost report period ended September 30, 2006, as set forth in the accompanying schedules. The management of Ebenezer Senior Services 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 Ebenezer Senior Services, 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 Ebenezer Senior Services 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  
June 14, 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

**EBENEZER SENIOR SERVICES**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2007  
AC# 3-EBN-J6

	10/01/07- <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$141.74
Adjusted Reimbursement Rate	<u>120.71</u>
Decrease in Reimbursement Rate	\$ <u><u>21.03</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated February 13, 2008.

**EBENEZER SENIOR SERVICES**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2007 Through September 30, 2008  
 AC# 3-EBN-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 62.21	\$ 83.18	
Dietary		9.65	13.90	
Laundry/Housekeeping/Maintenance		<u>9.71</u>	<u>13.36</u>	
Subtotal	<u>\$7.73</u>	81.57	110.44	\$ 81.57
Administration & Medical Records	<u>\$6.08</u>	<u>10.99</u>	<u>17.07</u>	<u>10.99</u>
Subtotal		92.56	<u>\$127.51</u>	92.56
<u>Costs Not Subject to Standards:</u>				
Utilities		3.20		3.20
Special Services		-		-
Medical Supplies & Oxygen		1.92		1.92
Taxes and Insurance		7.64		7.64
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$105.32</u>		105.32
Inflation Factor (4.60%)				4.84
Cost of Capital				8.26
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.69
Cost Incentive				7.73
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.67)
Transportation Escort Add-On				<u>.54</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$120.71</u>

**EBENEZER SENIOR SERVICES**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2006  
 AC# 3-EBN-J6

<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	\$2,272,725	\$ 30,587 (11)	\$ 10,563 (12)	\$2,157,934
		2,357 (11)	57 (13)	
		392 (12)	8,068 (14)	
			926 (15)	
			128,513 (17)	
Dietary	389,193	991 (11)	10,813 (18)	334,784
		401 (12)	93,888 (21)	
		48,900 (16)		
Laundry	-	-	-	-
Housekeeping	166,681	1,306 (11)	6,835 (21)	162,038
		350 (12)		
		536 (20)		
Maintenance	188,870	1,468 (11)	10,000 (19)	174,694
		292 (12)	6,536 (21)	
		600 (20)		
Administration & Medical Records	1,001,236	138,572 (17)	27,937 (2)	381,212
		10,813 (18)	185,654 (8)	
		839 (20)	445,000 (9)	
			27,126 (10)	
			46,394 (11)	
			6,862 (12)	
			15,889 (15)	
			15,386 (21)	
Utilities	121,640	387 (20)	386 (14)	111,163
			4,588 (15)	
			5,890 (21)	
Special Services	-	-	-	-
Medical Supplies & Oxygen	128,656	-	10,207 (5)	66,461
			2,484 (6)	
			16,267 (7)	
			33,237 (13)	

**EBENEZER SENIOR SERVICES**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2006  
AC# 3-EBN-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Taxes and Insurance	423,583	1,293 (20)	27,400 (3) 122,214 (4) 10,358 (21)	264,904
Legal Fees	-	-	-	-
Cost of Capital	356,724	1,740 (20) 2,239 (23)	47,036 (1) 21,104 (21) <u>5,939 (22)</u>	286,624
Subtotal	5,049,308	244,063	1,353,557	3,939,814
Ancillary	475,268	-	-	475,268
Nonallowable	1,712,950	47,036 (1) 27,937 (2) 27,400 (3) 122,214 (4) 10,207 (5) 2,484 (6) 16,267 (7) 185,654 (8) 445,000 (9) 27,126 (10) 9,685 (11) 15,990 (12) 33,294 (13) 8,454 (14) 21,403 (15) 10,000 (19) 159,997 (21) 5,939 (22)	10,059 (17) 5,395 (20) 2,239 (23)	2,871,344
CNA Training and Testing	-	-	-	-
Total Operating Expenses	<u>\$7,237,526</u>	<u>\$1,420,150</u>	<u>\$1,371,250</u>	<u>\$7,286,426</u>
Total Patient Days	<u>34,690</u>	<u>-</u>	<u>-</u>	<u>34,690</u>

**EBENEZER SENIOR SERVICES**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-EBN-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 47,036	
	Other Equity	669,586	
	Accumulated Depreciation		\$ 20,160
	Fixed Assets		649,426
	Cost of Capital		47,036
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	27,937	
	Administration		27,937
	To adjust Medical Director cost		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
3	Nonallowable	27,400	
	Taxes and Insurance		27,400
	To adjust property taxes		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
4	Nonallowable	122,214	
	Taxes and Insurance		122,214
	To adjust liability insurance		
	HIM-15-1, Section 2161.2		
	State Plan, Attachment 4.19D		
5	Nonallowable	10,207	
	Medical Supplies		10,207
	To adjust medical supplies		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
6	Nonallowable	2,484	
	Medical Supplies		2,484
	To properly record expense		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

**EBENEZER SENIOR SERVICES**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-EBN-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Nonallowable Medical Supplies	16,267	16,267
	To adjust for costs outside cost report period HIM-15-1, Section 2302 State Plan, Attachment 4.19D		
8	Nonallowable Administration	185,654	185,654
	To adjust administration cost HIM-15-1, Section 2105.1 State Plan, Attachment 4.19D		
9	Nonallowable Administration	445,000	445,000
	To remove related party Management Fees HIM-15-1, Section 2300 State Plan, Attachment 4.19D		
10	Nonallowable Administration	27,126	27,126
	To disallow capitalized lease payments HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
11	Nonallowable Nursing Restorative Dietary Housekeeping Maintenance Administration	9,685 30,587 2,357 991 1,306 1,468	46,394
	To reclassify salaries HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**EBENEZER SENIOR SERVICES**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-EBN-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Nonallowable	15,990	
	Restorative	392	
	Dietary	401	
	Housekeeping	350	
	Maintenance	292	
	Nursing		10,563
	Administration		6,862
	To adjust fringe benefits		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
13	Nonallowable	33,294	
	Medical Supplies		33,237
	Nursing		57
	To adjust to related party		
	cost		
	HIM-15-1, Section 1005		
	State Plan, Attachment 4.19D		
14	Nonallowable	8,454	
	Restorative		8,068
	Utilities		386
	To adjust undocumented cost		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
15	Nonallowable	21,403	
	Administration		15,889
	Utilities		4,588
	Nursing		926
	To adjust undocumented cost		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

**EBENEZER SENIOR SERVICES**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-EBN-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
16	Dietary Revenue Employee/Guest Meals	48,900	48,900
	To reverse provider's Cost Report AJE #6 HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
17	Administration Nursing Nonallowable	138,572	128,513 10,059
	To reverse part of provider's AJE #492 HIM-15-1, Section 2105.2 State Plan, Attachment 4.19D		
18	Administration Dietary	10,813	10,813
	To reverse provider's Cost Report AJE #9 HIM-15-1, Section 2105.2 State Plan, Attachment 4.19D		
19	Nonallowable Maintenance	10,000	10,000
	To capitalize fixed asset HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
20	Cost of Capital Taxes and Insurance Administration Maintenance Utilities Housekeeping Nonallowable	1,740 1,293 839 600 387 536	5,395
	To reverse DH&HS adjustment to remove indirect costs HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**EBENEZER SENIOR SERVICES**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-EBN-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
21	Nonallowable	159,997	
	Cost of Capital		21,104
	Taxes and Insurance		10,358
	Administration		15,386
	Maintenance		6,536
	Utilities		5,890
	Housekeeping		6,835
	Dietary		93,888
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
22	Nonallowable	5,939	
	Cost of Capital		5,939
	To adjust capital return State Plan, Attachment 4.19D		
23	Cost of Capital	2,239	
	Nonallowable		2,239
	To adjust deemed asset value limitation State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$2,089,736</u>	<u>\$2,089,736</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.

**EBENEZER SENIOR SERVICES**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2006  
 AC# 3-EBN-J6

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.85382</u>	<u>2.85382</u>	
Deemed Asset Value (Per Bed)	44,571	44,571	
Number of Beds	<u>44</u>	<u>55</u>	
Deemed Asset Value	1,961,124	2,451,405	
Improvements Since 1981	110,251	90,674	
Accumulated Depreciation at 9/30/06	<u>(521,331)</u>	<u>(316,283)</u>	
Deemed Depreciated Value	1,550,044	2,225,796	
Market Rate of Return	<u>.0489</u>	<u>.0489</u>	
Total Annual Return	75,797	108,841	
Return Applicable to Non-Reimbursable Cost Centers	(3,012)	(4,324)	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>6,690</u>	<u>8,361</u>	
Allowable Annual Return	79,475	112,878	
Depreciation Expense	38,808	75,760	
Amortization Expense	-	3,571	
Capital Related Income Offsets	(1,228)	(1,536)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(9,380)</u>	<u>(11,724)</u>	<u>Total</u>
Allowable Cost of Capital Expense	107,675	178,949	\$286,624
Total Patient Days (Minimum 96% Occupancy)	<u>15,418</u>	<u>19,272</u>	<u>34,690</u>
Cost of Capital Per Diem	\$ <u>6.98</u>	\$ <u>9.29</u>	\$ <u>8.26</u>

**EBENEZER SENIOR SERVICES**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2006  
 AC# 3-EBN-J6

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.98</u>	<u>\$9.29</u>
Reimbursable Cost of Capital Per Diem		\$8.26
Cost of Capital Per Diem		<u>8.26</u>
Cost of Capital Per Diem Limitation		<u>\$ -</u>

2 copies of this document were published at an estimated printing cost of \$1.47 each, and a total printing cost of \$2.94. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.