

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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November 9, 2010

Ms. Christie Browder, Controller
Clarendon Memorial Hospital
10 Hospital Street
Post Office Box 550
Manning, South Carolina 29102

Re: AC# 3-WND-J6 – Clarendon Memorial Hospital d/b/a Windsor Manor

Dear Ms. Browder:

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.

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.

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

**CLARENDON MEMORIAL HOSPITAL
D/B/A WINDSOR MANOR**

SUMMERTON, SOUTH CAROLINA

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

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

July 27, 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 Clarendon Memorial Hospital d/b/a Windsor Manor, 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 Clarendon Memorial Hospital d/b/a Windsor Manor 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 Clarendon Memorial Hospital d/b/a Windsor Manor, 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 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 Clarendon Memorial Hospital d/b/a Windsor Manor 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
July 27, 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

CLARENDON MEMORIAL HOSPITAL D/B/A WINDSOR MANOR

Computation of Rate Change
For the Contract Period
Beginning October 1, 2007
AC# 3-WND-J6

10/01/07-
09/30/08

Interim Reimbursement Rate (1)	\$126.97
Adjusted Reimbursement Rate	<u>126.51</u>
Decrease in Reimbursement Rate	\$ <u><u>.46</u></u>

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

WINDSOR MANOR
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2007 Through September 30, 2008
AC# 3-WND-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 60.72	\$ 83.18	
Dietary		16.01	13.90	
Laundry/Housekeeping/Maintenance		<u>12.72</u>	<u>13.36</u>	
Subtotal	<u>\$7.73</u>	89.45	110.44	\$ 89.45
Administration & Medical Records	<u>\$1.19</u>	<u>15.88</u>	<u>17.07</u>	<u>15.88</u>
Subtotal		105.33	<u>\$127.51</u>	105.33
<u>Costs Not Subject to Standards:</u>				
Utilities		2.05		2.05
Special Services		-		-
Medical Supplies & Oxygen		4.09		4.09
Taxes and Insurance		1.11		1.11
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$112.58</u>		112.58
Inflation Factor (4.60%)				5.18
Cost of Capital				6.11
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.19
Cost Incentive				7.73
Effect of \$1.75 Cap on Cost/Profit Incentives				(7.17)
Transportation Escort Add-On				<u>.89</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$126.51</u>

WINDSOR MANOR
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2006
 AC# 3-WND-J6

<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	\$1,379,282	\$ -	\$ -	\$1,379,282
Dietary	363,674	-	-	363,674
Laundry	70,204	-	-	70,204
Housekeeping	139,421	-	-	139,421
Maintenance	79,236	-	-	79,236
Administration & Medical Records	366,356	-	5,723 (3)	360,633
Utilities	46,633	-	-	46,633
Special Services	-	-	-	-
Medical Supplies & Oxygen	97,127	-	2,679 (1) 1,501 (2)	92,947
Taxes and Insurance	25,251	-	-	25,251
Legal Fees	-	-	-	-
Cost of Capital	<u>138,784</u>	<u>-</u>	<u>-</u>	<u>138,784</u>
Subtotal	2,705,968	-	9,903	2,696,065
Ancillary	58,641	2,679 (1)	-	61,320

WINDSOR MANOR
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2006
AC# 3-WND-J6

<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>	
Nonallowable	199,780	1,501 (2) 5,723 (3)	-	207,004
CNA Training and Testing	<u>1,300</u>	-	-	<u>1,300</u>
Total Operating Expenses	<u>\$2,965,689</u>	<u>\$9,903</u>	<u>\$9,903</u>	<u>\$2,965,689</u>
Total Patient Days	<u>22,715</u>	-	-	<u>22,715</u>
Total Beds	<u>64</u>			

WINDSOR MANOR
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-WND-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Ancillary Medical Supplies & Oxygen	\$2,679	\$2,679
	To reclassify expense to proper cost center DH&HS Expense Crosswalk		
2	Nonallowable Medical Supplies & Oxygen	1,501	1,501
	To remove mark-up costs associated with related party transactions HIM-15-1, Section 1005 State Plan, Attachment 4.19D		
3	Nonallowable Administration	5,723	5,723
	To adjust home office costs HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$9,903	\$9,903

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.

COMMENTS AND RECOMMENDATIONS

EMPLOYEE EDUCATION ABOUT FALSE CLAIMS RECOVERY

The provider has no policies and procedures in place to inform or educate employees, including management and any contractor or agent, about preventing and detecting fraud, waste, and abuse or about whistleblower protections.

The provider was unaware of the False Claims Recovery requirement. This resulted in the provider's failure to comply with Section 6032 of the Deficit Reduction Act of 2005.

Section 6032 of the Deficit Reduction Act of 2005 provides:

Any entity that receives or makes annual payments under the State plan of at least \$5,000,000, as a condition of receiving such payments, shall-

“(A) establish written policies for all employees of the entity (including management), and of any contractor or agent of the entity, that provide detailed information about the False Claims Act established under Sections 3729 through 3733 of Title 31, United States Code, administrative remedies for false claims and statements established under Chapter 38 of Title 31, United States Code, any State laws pertaining to civil or criminal penalties for false claims and statements, and whistleblower protections under such laws, with respect to the role of such laws in preventing and detecting fraud, waste, and abuse in Federal health care programs (as defined in Section 1128B(f));

“(B) include as part of such written policies, detailed provisions regarding the entity's policies and procedures for detecting and preventing fraud, waste, and abuse; and

“(C) include in any employee handbook for the entity, a specific discussion of the laws described in subparagraph (A), the rights of employees to be protected as whistleblowers, and the entity's policies and procedures for detecting and preventing fraud, waste, and abuse.”

EFFECTIVE DATE. – Except as provided in Section 6035 (e), the amendments made by subsection (a) take effect on January 1, 2007.

We recommend that the Provider develop and implement policies and procedures in conformity with the requirements of Section 6032 of the Deficit Reduction Act of 2005.

2 copies of this document were published at an estimated printing cost of \$1.32 each, and a total printing cost of \$2.64. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.