

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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December 2, 2011

Mr. Tom Turner, President
South Carolina Baptist Ministries for the Aging
190 Stoneridge Drive
Columbia, South Carolina 29210

Re: AC# 3-MFB-J7 – Martha Franks Baptist Retirement Center

Dear Mr. Turner:

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, 2006 through September 30, 2007. That report was used to set the rate covering the contract periods beginning October 1, 2008.

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/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider
Ms. Dina Hair
Mrs. Kathy B. Wine

**MARTHA FRANKS BAPTIST RETIREMENT CENTER
LAURENS, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2008
AC# 3-MFB-J7**

**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

November 8, 2011

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 Martha Franks Baptist Retirement Center, for the contract period beginning October 1, 2008, and for the twelve month cost report period ended September 30, 2007, as set forth in the accompanying schedules. The management of Martha Franks Baptist Retirement 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 Martha Franks Baptist Retirement 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 Martha Franks Baptist Retirement Center 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
November 8, 2011

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

MARTHA FRANKS BAPTIST RETIREMENT CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2008
AC# 3-MFB-J7

10/01/08-
09/30/09

Interim Reimbursement Rate (1)	\$147.07
Adjusted Reimbursement Rate	<u>139.20</u>
Decrease in Reimbursement Rate	\$ <u>7.87</u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated October 20, 2010.

MARTHA FRANKS BAPTIST RETIREMENT CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2008 Through September 30, 2009
 AC# 3-MFB-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 93.78	\$ 73.13	
Dietary		16.25	14.42	
Laundry/Housekeeping/Maintenance		<u>9.95</u>	<u>13.38</u>	
Subtotal	\$ <u>-</u>	119.98	100.93	\$100.93
Administration & Medical Records	\$ <u>5.07</u>	<u>14.34</u>	<u>19.41</u>	<u>14.34</u>
Subtotal		134.32	<u>\$120.34</u>	115.27
<u>Costs Not Subject to Standards:</u>				
Utilities		3.31		3.31
Special Services		.39		.39
Medical Supplies & Oxygen		4.26		4.26
Taxes and Insurance		1.32		1.32
Legal Fees		<u>.04</u>		<u>.04</u>
TOTAL		<u>\$143.64</u>		124.59
Inflation Factor (4.80%)				5.98
Cost of Capital				6.20
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				5.03
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.28)
Transportation Escort Add-On				<u>.68</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$139.20</u>

MARTHA FRANKS BAPTIST RETIREMENT CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2007
 AC# 3-MFB-J7

<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	\$3,001,380	\$ 8,879 (2)	\$ 191 (1)	\$2,891,598
		224 (7)	40,671 (13)	
		14,566 (11)	34,459 (16)	
		124,400 (21)	3,508 (16)	
			179,022 (22)	
Dietary	638,413	1,449 (7)	1,167 (16)	501,078
		7,519 (11)	739,501 (22)	
		1,160 (12)		
		10,694 (13)		
		3,008 (18)		
		579,503 (21)		
Laundry	66,495	-	225 (16)	66,270
Housekeeping	129,597	1,199 (7)	604 (16)	127,641
		1,319 (11)	70,890 (22)	
		154 (12)		
		66,866 (21)		
Maintenance	123,088	20 (7)	1,135 (16)	112,895
		409,636 (21)	418,714 (22)	
Administration & Medical Records	528,576	4,878 (16)	721 (1)	442,064
		801 (19)	8,879 (2)	
		237,662 (21)	6,326 (3)	
			730 (4)	
			2,210 (5)	
			1,346 (6)	
			2,920 (7)	
			48,031 (8)	
			502 (14)	
			258,188 (22)	

MARTHA FRANKS BAPTIST RETIREMENT CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2007
AC# 3-MFB-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Utilities	177,695	89,129 (9)	2,243 (1)	102,084
		232,167 (21)	3,008 (18)	
			14,875 (20)	
			376,781 (22)	
Special Services	12,025	-	-	12,025
Medical Supplies & Oxygen	177,278	28 (7)	6,803 (1)	131,452
			31,033 (11)	
			1,345 (12)	
			6,673 (13)	
Taxes and Insurance	69,880	53,120 (10)	138,941 (22)	40,647
		1 (19)		
		56,587 (21)		
Legal Fees	1,256	643 (21)	766 (22)	1,133
Cost of Capital	185,427	12,046 (17)	5,441 (15)	191,209
		631 (19)	12,978 (22)	
		62,742 (21)	107,706 (23)	
		56,488 (24)		
Subtotal	5,111,110	2,037,519	2,528,533	4,620,096
Ancillary	235,246	401 (11)	21,906 (1)	261,914
		31 (12)		
		48,142 (13)		

MARTHA FRANKS BAPTIST RETIREMENT CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2007
AC# 3-MFB-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Nonallowable	3,082,330	31,864 (1)	89,129 (9)	3,579,362
		6,326 (3)	53,120 (10)	
		2,210 (5)	11,492 (13)	
		1,346 (6)	1,433 (19)	
		48,031 (8)	1,770,206 (21)	
		7,228 (11)	56,488 (24)	
		502 (14)		
		5,441 (15)		
		36,220 (16)		
		21,370 (17)		
		14,875 (20)		
		2,195,781 (22)		
		107,706 (23)		
CNA Training and Testing	-	-	-	-
Total Operating Expenses	<u>\$8,428,686</u>	<u>\$4,564,993</u>	<u>\$4,532,307</u>	<u>\$8,461,372</u>
Total Patient Days	<u>30,835</u>	<u>-</u>	<u>-</u>	<u>30,835</u>
Total Beds	<u>88</u>			

MARTHA FRANKS BAPTIST RETIREMENT CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-MFB-J7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$31,864	
	Nursing		\$ 191
	Administration		721
	Utilities		2,243
	Medical Supplies & Oxygen		6,803
	Ancillary		21,906
	To adjust the trial balance to the general ledger balances HIM-15-1, Section 2304		
2	Restorative	8,879	
	Administration		8,879
	To reclassify expenses to the proper cost centers DH&HS Expense Crosswalk HIM-15-1, Section 2304		
3	Nonallowable	6,326	
	Administration		6,326
	To correct the overstatement of expense HIM-15-1, Sections 2304 and 2320		
4	Prepaid Expenses	730	
	Administration		730
	To remove expense applicable to the subsequent period HIM-15-1, Section 2302.1		
5	Nonallowable	2,210	
	Administration		2,210
	To remove expense not directly allocable to the nursing home HIM-15-1, Section 2304		

MARTHA FRANKS BAPTIST RETIREMENT CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-MFB-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Administration	1,346	1,346
	To remove expense previously recorded HIM-15-1, Section 2304		
7	Restorative Dietary Housekeeping Maintenance Medical Supplies & Oxygen Administration	224 1,449 1,199 20 28	2,920
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
8	Nonallowable Administration	48,031	48,031
	To remove expense which is not adequately documented HIM-15-1, Section 2304		
9	Utilities Nonallowable - Non SNF	89,129	89,129
	To reverse cost report adjustment number eight HIM-15-1, Section 2304		
10	Taxes and Insurance Nonallowable - Non SNF Nonallowable	53,120	38,365 14,755
	To adjust professional liability expense and reverse cost report adjustment number ten HIM-15-1, Section 2161 State Plan, Attachment 4.19D		

MARTHA FRANKS BAPTIST RETIREMENT CENTER
 Adjustment Report
 Cost Report Period Ended September 30, 2007
 AC# 3-MFB-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nursing	14,566	
	Dietary	7,519	
	Housekeeping	1,319	
	Ancillary	401	
	Nonallowable - Non SNF	1,030	
	Nonallowable	6,198	
	Medical Supplies & Oxygen		31,033
	To reclassify expenses to the proper cost centers		
	DH&HS Expense Crosswalk		
	State Plan, Attachment 4.19D		
12	Dietary	1,160	
	Housekeeping	154	
	Ancillary	31	
	Medical Supplies & Oxygen		1,345
	To reclassify expenses to the proper cost centers		
	DH&HS Expense Crosswalk		
	State Plan, Attachment 4.19D		
13	Dietary	10,694	
	Ancillary	48,142	
	Nursing		40,671
	Medical Supplies & Oxygen		6,673
	Nonallowable		11,492
	To reclassify expenses to the proper cost centers		
	DH&HS Expense Crosswalk		
	State Plan, Attachment 4.19D		
14	Nonallowable	502	
	Administration		502
	To remove undocumented expense		
	HIM-15-1, Section 2304		

MARTHA FRANKS BAPTIST RETIREMENT CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-MFB-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
15	Accumulated Depreciation	50,521	
	Other Equity	12,881	
	Nonallowable	5,441	
	Fixed Assets		63,402
	Cost of Capital		5,441
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
16	Nonallowable	36,220	
	Administration	4,878	
	Nursing		34,459
	Restorative		3,508
	Dietary		1,167
	Laundry		225
	Housekeeping		604
	Maintenance		1,135
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
17	Cost of Capital	12,046	
	Nonallowable	21,370	
	Interest Income		33,416
	To reverse the offset of interest from contributions HIM-15-1, Section 202.2		
18	Dietary	3,008	
	Utilities		3,008
	To correct the offset of vending revenue HIM-15-1, Section 2328 DH&HS Desk Audit Guide		

MARTHA FRANKS BAPTIST RETIREMENT CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-MFB-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
19	Administration	801	
	Taxes and Insurance	1	
	Cost of Capital	631	
	Nonallowable - Non SNF	2,525	
	Nonallowable		3,958
	To adjust the home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
20	Nonallowable	14,875	
	Utilities		14,875
	To remove cable expense		
	HIM-15-1, Section 2106		
21	Restorative	124,400	
	Dietary	579,503	
	Housekeeping	66,866	
	Maintenance	409,636	
	Administration	237,662	
	Legal	643	
	Utilities	232,167	
	Taxes and Insurance	56,587	
	Cost of Capital	62,742	
	Nonallowable		1,770,206
	To reverse DH&HS adjustment to		
	remove indirect costs applicable		
	to non-reimbursable cost centers		
	HIM-15-1, Section 2102.3		
	State Plan, Attachment 4.19D		

MARTHA FRANKS BAPTIST RETIREMENT CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-MFB-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
22	Nonallowable	2,195,781	
	Restorative		179,022
	Dietary		739,501
	Housekeeping		70,890
	Maintenance		418,714
	Administration		258,188
	Legal		766
	Utilities		376,781
	Taxes and Insurance		138,941
	Cost of Capital		12,978
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
23	Nonallowable	107,706	
	Cost of Capital - Depreciation Expense		106,385
	Cost of Capital - Amortization Expense		1,321
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
24	Cost of Capital Nonallowable	56,488	56,488
	To adjust capital return State Plan Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$4,631,650	\$4,631,650

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.

MARTHA FRANKS BAPTIST RETIREMENT CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2007
AC# 3-MFB-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.94141</u>
Deemed Asset Value (Per Bed)	45,939
Number of Beds	<u>88</u>
Deemed Asset Value	4,042,632
Improvements Since 1981	215,961
Accumulated Depreciation at 9/30/07	<u>(1,500,648)</u>
Deemed Depreciated Value	2,757,945
Market Rate of Return	<u>.0483</u>
Total Annual Return	133,209
Return Applicable to Non-Reimbursable Cost Centers	(7,028)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>3,358</u>
Allowable Annual Return	129,539
Depreciation Expense	73,737
Amortization Expense	911
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(12,978)</u>
Allowable Cost of Capital Expense	191,209
Total Patient Days (Minimum 96% Occupancy)	<u>30,835</u>
Cost of Capital Per Diem	\$ <u><u>6.20</u></u>

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