

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 13, 2014

Mr. Joey Haney, Vice President of Finance
White Oak Management, Inc.
Post Office Box 3347
Spartanburg, South Carolina 29304

Re: AC# 3-WCH-J0 – White Oak Manor, Inc. d/b/a White Oak Manor - Charleston

Dear Mr. Haney:

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, 2009 through September 30, 2010. That report was used to set the rate covering the contract period beginning November 1, 2011.

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. Nicole Mitchell Threat
Ms. Melissa Simmons

**WHITE OAK MANOR, INC. D/B/A
WHITE OAK MANOR - CHARLESTON
CHARLESTON, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING NOVEMBER 1, 2011
AC# 3-WCH-J0**

**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 20, 2013

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 White Oak Manor, Inc. d/b/a White Oak Manor - Charleston, for the contract period beginning November 1, 2011, and for the twelve month cost report period ended September 30, 2010, as set forth in the accompanying schedules. The management of White Oak Manor, Inc. d/b/a White Oak Manor - Charleston 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 White Oak Manor, Inc. d/b/a White Oak Manor - Charleston, 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 White Oak Manor, Inc. d/b/a White Oak Manor - Charleston dated as of October 1, 2011, 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 20, 2013

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.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

WHITE OAK MANOR - CHARLESTON
Computation of Rate Change
For the Contract Period
Beginning November 1, 2011
AC# 3-WCH-J0

	<u>11/01/11-</u> <u>09/30/12</u>
Interim Reimbursement Rate (1)	\$176.69
Adjusted Reimbursement Rate	<u>176.38</u>
Decrease in Reimbursement Rate	\$ <u><u>.31</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated April 10, 2012.

WHITE OAK MANOR - CHARLESTON
 Computation of Adjusted Reimbursement Rate
 For the Contract Period November 1, 2011 Through September 30, 2012
 AC# 3-WCH-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$110.54	\$108.41	
Dietary		16.96	15.92	
Laundry/Housekeeping/Maintenance		<u>16.18</u>	<u>14.77</u>	
Subtotal	\$ <u>-</u>	143.68	139.10	\$139.10
Administration & Medical Records	\$ <u>.81</u>	<u>19.81</u>	<u>20.62</u>	<u>19.81</u>
Subtotal		163.49	<u>\$159.72</u>	158.91
<u>Costs Not Subject to Standards:</u>				
Utilities		5.39		5.39
Special Services		.03		.03
Medical Supplies & Oxygen		5.82		5.82
Taxes and Insurance		2.17		2.17
Legal Fees		<u>.04</u>		<u>.04</u>
TOTAL		<u>\$176.94</u>		172.36
Inflation Factor (N/A)				-
Cost of Capital				8.70
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.81
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Budget Neutrality Adjustment (3.02%)				<u>(5.49)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$176.38</u>

WHITE OAK MANOR - CHARLESTON
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2010
 AC# 3-WCH-J0

<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	\$6,788,506	\$ 3,393 (4) 34,176 (5) 190 (5)	\$ 2,019 (6) 3,044 (6) 3,670 (7) 686 (7)	\$6,816,846
Dietary	1,036,678	8,192 (4) 2,751 (5)	1,500 (7)	1,046,121
Laundry	158,539	644 (5)	-	159,183
Housekeeping	481,064	2,192 (4) 2,259 (5) 329 (9)	80 (7) 331 (10)	485,433
Maintenance	355,264	187 (5) 235 (9)	2,328 (7) 234 (10)	353,124
Administration & Medical Records	1,255,848	348 (5) 657 (7) 114 (9)	10,566 (5) 22,927 (7) 1,835 (10)	1,221,639
Utilities	346,868	230 (9)	14,429 (3) 63 (7) 219 (10)	332,387
Special Services	1,729	-	3 (8)	1,726
Medical Supplies & Oxygen	379,940	1,584 (6)	15,688 (4) 6,765 (8)	359,071
Taxes and Insurance	134,163	85 (9)	250 (7) 93 (10)	133,905

WHITE OAK MANOR - CHARLESTON
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2010
AC# 3-WCH-J0

<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>	
Legal Fees	2,182	-	4 (10)	2,178
Cost of Capital	520,271	201 (9) 68,084 (11)	31,870 (1) 19,672 (2) 432 (7) <u>163 (10)</u>	536,419
Subtotal	11,461,052	125,851	138,871	11,448,032
Ancillary	305,822	1,911 (4)	10,160 (6) 7,055 (8)	290,518
Nonallowable	876,793	31,870 (1) 19,672 (2) 15,568 (3) 13,639 (6) 31,279 (7) 13,823 (8) 2,879 (10)	29,989 (5) 1,194 (9) 68,084 (11)	906,256
CNA Training and Testing	<u>1,473</u>	<u>-</u>	<u>-</u>	<u>1,473</u>
Total Operating Expenses	<u>\$12,645,140</u>	<u>\$256,492</u>	<u>\$255,353</u>	<u>\$12,646,279</u>
Total Patient Days	<u>61,670</u>	<u>-</u>	<u>-</u>	<u>61,670</u>
Total Beds	<u>176</u>			

WHITE OAK MANOR - CHARLESTON
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-WCH-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$199,245	
	Other Equity	133,610	
	Nonallowable	31,870	
	Accumulated Depreciation		\$332,855
	Cost of Capital		31,870
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	19,672	
	Cost of Capital		19,672
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nonallowable	15,568	
	Accrued Expense		1,139
	Utilities		14,429
	To disallow cable TV expense and record expense related to the current period HIM-15-1, Sections 2106.1 and 2302.1		
4	Nursing	3,393	
	Dietary	8,192	
	Housekeeping	2,192	
	Ancillary	1,911	
	Medical Supplies		15,688
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

WHITE OAK MANOR - CHARLESTON
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-WCH-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nursing	34,176	
	Restorative	190	
	Dietary	2,751	
	Laundry	644	
	Housekeeping	2,259	
	Maintenance	187	
	Medical Records	348	
	Administration		10,566
	Nonallowable		29,989
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
6	Medical Supplies	1,584	
	Nonallowable	13,639	
	Nursing		2,019
	Restorative		3,044
	Ancillary		10,160
	To adjust related party cost		
	HIM-15-1, Section 1000		
7	Medical Records	657	
	Nonallowable	31,279	
	Nursing		3,670
	Restorative		686
	Dietary		1,500
	Housekeeping		80
	Maintenance		2,328
	Administration		22,927
	Utilities		63
	Taxes and Insurance		250
	Cost of Capital		432
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

WHITE OAK MANOR - CHARLESTON
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-WCH-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	13,823	
	Medical Supplies		6,765
	Special Services		3
	Ancillary		7,055
	To remove special (ancillary) services reimbursed by Medicare and reclassify expense to the proper cost center State Plan, Attachment 4.19D DH&HS Expense Crosswalk		
9	Housekeeping	329	
	Maintenance	235	
	Administration	114	
	Utilities	230	
	Taxes and Insurance	85	
	Cost of Capital	201	
	Nonallowable		1,194
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
10	Nonallowable	2,879	
	Housekeeping		331
	Maintenance		234
	Administration		1,835
	Legal		4
	Utilities		219
	Taxes and Insurance		93
	Cost of Capital		163
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

WHITE OAK MANOR - CHARLESTON
 Adjustment Report
 Cost Report Period Ended September 30, 2010
 AC# 3-WCH-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Cost of Capital Nonallowable	68,084	68,084
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$589,347</u>	<u>\$589,347</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.

WHITE OAK MANOR - CHARLESTON
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2010
 AC# 3-WCH-J0

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.15264</u>	<u>3.15264</u>	<u>3.15264</u>	
Deemed Asset Value (Per Bed)	49,238	49,238	49,238	
Number of Beds	<u>106</u>	<u>44</u>	<u>26</u>	
Deemed Asset Value	5,219,228	2,166,472	1,280,188	
Improvements Since 1981	1,547,445	578,804	24,969	
Accumulated Depreciation at 9/30/10	<u>(2,025,731)</u>	<u>(1,194,120)</u>	<u>(95,688)</u>	
Deemed Depreciated Value	4,740,942	1,551,156	1,209,469	
Market Rate of Return	<u>.0420</u>	<u>.0420</u>	<u>.0420</u>	
Total Annual Return	199,120	65,149	50,798	
Return Applicable to Non-Reimbursable Cost Centers	(204)	(39)	(18)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>6</u>	<u>1</u>	<u>1</u>	
Allowable Annual Return	198,922	65,111	50,781	
Depreciation Expense	89,771	65,816	66,378	
Amortization Expense	-	-	-	
Capital Related Income Offsets	(119)	(49)	(29)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(98)</u>	<u>(41)</u>	<u>(24)</u>	<u>Total</u>
Allowable Cost of Capital Expense	288,476	130,837	117,106	\$536,419
Total Patient Days (Minimum 96% Occupancy)	<u>37,142</u>	<u>15,418</u>	<u>9,110</u>	<u>61,670</u>
Cost of Capital Per Diem	\$ <u><u>7.77</u></u>	\$ <u><u>8.49</u></u>	\$ <u><u>12.85</u></u>	\$ <u><u>8.70</u></u>

WHITE OAK MANOR - CHARLESTON
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2010
 AC# 3-WCH-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.16	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.15</u>	<u>\$8.49</u>	<u>\$12.85</u>
Reimbursable Cost of Capital Per Diem		\$8.70	
Cost of Capital Per Diem		<u>8.70</u>	
Cost of Capital Per Diem Limitation		<u>\$ -</u>	

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