

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

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-WOC-J0 – White Oak Manor, Inc. d/b/a White Oak Manor - Columbia

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 - COLUMBIA**

COLUMBIA, SOUTH CAROLINA

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

**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 NOVEMBER 1, 2011	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD NOVEMBER 1, 2011 THROUGH SEPTEMBER 30, 2012	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2010	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	11

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

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 - Columbia, 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 - Columbia 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 - Columbia, 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 - Columbia 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.", written in a cursive style.

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

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

11/01/11-
09/30/12

Interim Reimbursement Rate (1)	\$162.09
Adjusted Reimbursement Rate	<u>160.72</u>
Decrease in Reimbursement Rate	\$ <u><u>1.37</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 - COLUMBIA
 Computation of Adjusted Reimbursement Rate
 For the Contract Period November 1, 2011 Through September 30, 2012
 AC# 3-WOC-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 97.88	\$108.41	
Dietary		15.10	15.92	
Laundry/Housekeeping/Maintenance		<u>13.78</u>	<u>14.77</u>	
Subtotal	<u>\$9.74</u>	126.76	139.10	\$126.76
Administration & Medical Records	<u>\$2.95</u>	<u>17.67</u>	<u>20.62</u>	<u>17.67</u>
Subtotal		144.43	<u>\$159.72</u>	144.43
<u>Costs Not Subject to Standards:</u>				
Utilities		4.48		4.48
Special Services		.02		.02
Medical Supplies & Oxygen		6.58		6.58
Taxes and Insurance		2.22		2.22
Legal Fees		<u>.06</u>		<u>.06</u>
TOTAL		<u>\$157.79</u>		157.79
Inflation Factor (N/A)				-
Cost of Capital				6.18
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.95
Cost Incentive				9.74
Effect of \$1.75 Cap on Cost/Profit Incentives				(10.94)
Budget Neutrality Adjustment (3.02%)				<u>(5.00)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$160.72</u>

WHITE OAK MANOR - COLUMBIA
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2010
 AC# 3-WOC-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	\$3,913,779	\$222,995 (5)	\$ 134 (6) 2,074 (6) 186 (7) 2,437 (7) 1,501 (8) 102 (8)	\$4,130,340
Dietary	638,311	296 (5)	774 (6) 688 (8)	637,145
Laundry	173,102	16 (6)	-	173,118
Housekeeping	215,875	90 (5) 19 (6) 217 (9)	55 (8) 218 (10)	215,928
Maintenance	220,601	214 (9)	25,744 (2) 1,469 (6) 957 (8) 187 (10)	192,458
Administration & Medical Records	773,744	5 (6) 454 (8) 78 (9)	13,893 (6) 13,702 (8) 979 (10)	745,707
Utilities	191,130	186 (9)	2,006 (3) 44 (8) 184 (10)	189,082
Special Services	921	-	-	921
Medical Supplies & Oxygen	510,881	1,479 (7)	6,420 (4) 228,221 (5)	277,719

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

<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	93,689	86 (9)	173 (8) 93 (10)	93,509
Legal Fees	2,741	-	4 (10)	2,737
Cost of Capital	243,891	12,880 (1) 2,574 (2) 41 (9) <u>1,766 (11)</u>	298 (8) 58 (10)	260,796
Subtotal	6,978,665	243,396	302,601	6,919,460
Ancillary	238,818	6,420 (4) 4,840 (5)	37,362 (7)	212,716
Nonallowable	1,017,456	2,006 (3) 18,304 (6) 47,143 (7) 17,066 (8) 1,723 (10)	12,880 (1) 822 (9) 1,766 (11)	1,088,230
CNA Training and Testing	<u>984</u>	<u>-</u>	<u>-</u>	<u>984</u>
Total Operating Expenses	<u>\$8,235,923</u>	<u>\$340,898</u>	<u>\$355,431</u>	<u>\$8,221,390</u>
Total Patient Days	<u>42,196</u>	<u>-</u>	<u>-</u>	<u>42,196</u>
Total Beds	<u>120</u>			

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$28,899	
	Other Equity	67,095	
	Cost of Capital	12,880	
	Accumulated Depreciation		\$95,994
	Nonallowable		12,880
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Fixed Assets	25,744	
	Cost of Capital	2,574	
	Accumulated Depreciation		2,574
	Maintenance		25,744
	To capitalize building improvements and record related depreciation HIM-15-1, Sections 108 and 2304		
3	Nonallowable	2,006	
	Utilities		2,006
	To disallow cable television expense HIM-15-1, Section 2106.1		
4	Ancillary	6,420	
	Medical Supplies		6,420
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nursing	222,995	
	Dietary	296	
	Housekeeping	90	
	Ancillary	4,840	
	Medical Supplies		228,221
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
6	Laundry	16	
	Housekeeping	19	
	Medical Records	5	
	Nonallowable	18,304	
	Nursing		134
	Restorative		2,074
	Dietary		774
	Maintenance		1,469
	Administration		13,893
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Medical Supplies	1,479	
	Nonallowable	47,143	
	Ancillary Revenue		8,637
	Nursing		186
	Restorative		2,437
	Ancillary		37,362
	To adjust related party cost HIM-15-1, Section 1000		

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Medical Records	454	
	Nonallowable	17,066	
	Nursing		1,501
	Restorative		102
	Dietary		688
	Housekeeping		55
	Maintenance		957
	Administration		13,702
	Utilities		44
	Taxes and Insurance		173
	Cost of Capital		298
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
9	Housekeeping	217	
	Maintenance	214	
	Administration	78	
	Utilities	186	
	Taxes and Insurance	86	
	Cost of Capital	41	
	Nonallowable		822
	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	1,723	
	Housekeeping		218
	Maintenance		187
	Administration		979
	Legal		4
	Utilities		184
	Taxes and Insurance		93
	Cost of Capital		58
	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 - COLUMBIA
 Adjustment Report
 Cost Report Period Ended September 30, 2010
 AC# 3-WOC-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Cost of Capital Nonallowable	1,766	1,766
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$462,636</u>	<u>\$462,636</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 - COLUMBIA
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2010
 AC# 3-WOC-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.15264</u>
Deemed Asset Value (Per Bed)	49,238
Number of Beds	<u>120</u>
Deemed Asset Value	5,908,560
Improvements Since 1981	777,839
Accumulated Depreciation at 9/30/10	<u>(1,707,609)</u>
Deemed Depreciated Value	4,978,790
Market Rate of Return	<u>.0420</u>
Total Annual Return	209,109
Return Applicable to Non-Reimbursable Cost Centers	(207)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>7</u>
Allowable Annual Return	208,909
Depreciation Expense	51,951
Amortization Expense	-
Capital Related Income Offsets	(6)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(58)</u>
Allowable Cost of Capital Expense	260,796
Total Patient Days (Minimum 96% Occupancy)	<u>42,196</u>
Cost of Capital Per Diem	\$ <u><u>6.18</u></u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.33
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.32</u>
Reimbursable Cost of Capital Per Diem	\$6.18
Cost of Capital Per Diem	<u>6.18</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

2 copies of this document were published at an estimated printing cost of \$1.44 each, and a total printing cost of \$2.88. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.