

*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-WOE-J0 – White Oak Manor, Inc. d/b/a White Oak Estates

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/cwc

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 ESTATES**

**SPARTANBURG, SOUTH CAROLINA**

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

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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 Estates, 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 Estates 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 Estates, 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 Estates 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 ESTATES**  
Computation of Rate Change  
For the Contract Period  
Beginning November 1, 2011  
AC# 3-WOE-J0

	<u>11/01/11-</u> <u>09/30/12</u>
Interim Reimbursement Rate (1)	\$176.68
Adjusted Reimbursement Rate	<u>169.70</u>
Decrease in Reimbursement Rate	\$ <u><u>6.98</u></u>

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

**WHITE OAK ESTATES**

Computation of Adjusted Reimbursement Rate  
 For the Contract Period November 1, 2011 Through September 30, 2012  
 AC# 3-WOE-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$104.57	\$108.54	
Dietary		15.21	16.01	
Laundry/Housekeeping/Maintenance		<u>14.14</u>	<u>15.28</u>	
Subtotal	<u>\$5.91</u>	133.92	139.83	\$133.92
Administration & Medical Records	<u>\$3.69</u>	<u>18.79</u>	<u>22.48</u>	<u>18.79</u>
Subtotal		152.71	<u>\$162.31</u>	152.71
<u>Costs Not Subject to Standards:</u>				
Utilities		2.86		2.86
Special Services		-		-
Medical Supplies & Oxygen		6.55		6.55
Taxes and Insurance		3.04		3.04
Legal Fees		<u>1.68</u>		<u>1.68</u>
<b>TOTAL</b>		<u>\$166.84</u>		166.84
Inflation Factor (N/A)				-
Cost of Capital				6.39
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.69
Cost Incentive				5.91
Effect of \$1.75 Cap on Cost/Profit Incentives				(7.85)
Budget Neutrality Adjustment (3.02%)				<u>(5.28)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$169.70</u>

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

<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	\$3,339,636	\$ 4,375 (5) 338 (8) 164 (8)	\$ 47,700 (6) 4,338 (6) 33 (7) 1,529 (7)	\$3,290,913
Dietary	541,173	104 (5) 309,604 (12)	6,725 (6) 529 (8) 8,292 (10) 356,730 (13)	478,605
Laundry	98,990	5 (5) 8,733 (12)	1,293 (6) 8,618 (13)	97,817
Housekeeping	193,825	143 (5) 14,998 (12)	2,432 (6) 41 (8) 15,831 (13)	190,662
Maintenance	177,367	13,815 (12)	19,691 (3) 2,364 (6) 465 (8) 12,254 (13)	156,408
Administration & Medical Records	627,433	338 (8) 34,446 (12)	15,227 (6) 640 (6) 166 (7) 6,491 (8) 24,016 (11) 24,179 (13)	591,498
Utilities	90,538	6,773 (12)	32 (8) 7,178 (13)	90,101
Special Services	-	-	-	-
Medical Supplies & Oxygen	224,482	-	10,908 (5) 3 (7) 7,286 (9)	206,285

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

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	120,062	7,273 (12)	25,351 (4) 129 (8) 6,196 (13)	95,659
Legal Fees	53,824	3,646 (12)	4,674 (13)	52,796
Cost of Capital	211,229	303 (3) 5,554 (12)	3,320 (1) 483 (2) 222 (8) 4,697 (13) <u>7,229 (14)</u>	201,135
Subtotal	<u>5,678,559</u>	<u>410,612</u>	637,292	5,451,879
Ancillary	217,286	6,281 (5)	611 (7)	222,956
Nonallowable	1,605,918	3,320 (1) 483 (2) 13,622 (3) 25,351 (4) 80,719 (6) 2,342 (7) 7,069 (8) 7,286 (9) 24,016 (11) 440,357 (13) 7,229 (14)	404,842 (12)	1,812,870
CNA Training & Testing	<u>2,594</u>	<u>-</u>	<u>-</u>	<u>2,594</u>
Total Operating Expenses	<u>\$7,504,357</u>	<u>\$1,028,687</u>	<u>\$1,042,745</u>	<u>\$7,490,299</u>
Total Patient Days	<u>31,472</u>	<u>-</u>	<u>-</u>	<u>31,472</u>
Total Beds	<u>88</u>			

**WHITE OAK ESTATES**  
Adjustment Report  
Cost Report Period Ended September 30, 2010  
AC# 3-WOE-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$188,475	
	Other Equity	18,011	
	Nonallowable	3,320	
	Accumulated Depreciation		\$206,486
	Cost of Capital		3,320
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	483	
	Cost of Capital		483
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Fixed Assets	6,069	
	Cost of Capital	303	
	Nonallowable	13,622	
	Accumulated Depreciation		303
	Maintenance		19,691
	To capitalize a fixed asset and record related depreciation and disallow expense due to lack of adequate documentation HIM-15-1, Sections 108 and 2304		
4	Nonallowable	25,351	
	Taxes and Insurance		25,351
	To adjust property taxes HIM-15-1, Section 2304		
5	Nursing	4,375	
	Dietary	104	
	Laundry	5	
	Housekeeping	143	
	Ancillary	6,281	
	Medical Supplies		10,908
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

**WHITE OAK ESTATES**  
Adjustment Report  
Cost Report Period Ended September 30, 2010  
AC# 3-WOE-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	80,719	
	Nursing		47,700
	Restorative		4,338
	Dietary		6,725
	Laundry		1,293
	Housekeeping		2,432
	Maintenance		2,364
	Administration		15,227
	Medical Records		640
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable	2,342	
	Nursing		33
	Restorative		1,529
	Medical Records		166
	Medical Supplies		3
	Ancillary		611
	To adjust related party cost HIM-15-1, Section 1000		
8	Nursing	338	
	Restorative	164	
	Medical Records	338	
	Nonallowable	7,069	
	Dietary		529
	Housekeeping		41
	Maintenance		465
	Administration		6,491
	Utilities		32
	Taxes and Insurance		129
	Cost of Capital		222
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**WHITE OAK ESTATES**  
Adjustment Report  
Cost Report Period Ended September 30, 2010  
AC# 3-WOE-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable Medical Supplies	7,286	7,286
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
10	Other Revenue Dietary	8,292	8,292
	To offset income against related expense HIM-15-1, Section 2105.2		
11	Nonallowable Administration	24,016	24,016
	To remove expense related to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
12	Dietary	309,604	
	Laundry	8,733	
	Housekeeping	14,998	
	Maintenance	13,815	
	Administration	34,446	
	Legal	3,646	
	Utilities	6,773	
	Taxes and Insurance	7,273	
	Cost of Capital	5,554	
	Nonallowable		404,842
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**WHITE OAK ESTATES**  
Adjustment Report  
Cost Report Period Ended September 30, 2010  
AC# 3-WOE-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Nonallowable	440,357	
	Dietary		356,730
	Laundry		8,618
	Housekeeping		15,831
	Maintenance		12,254
	Administration		24,179
	Legal		4,674
	Utilities		7,178
	Taxes and Insurance		6,196
	Cost of Capital		4,697
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
14	Nonallowable	7,229	
	Cost of Capital		7,229
	To adjust capital return State Plan, Attachment 4.19D		
		\$1,249,534	\$1,249,534
	TOTAL ADJUSTMENTS		

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 ESTATES**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2010  
 AC# 3-WOE-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>88</u>
Deemed Asset Value	4,332,944
Improvements Since 1981	434,500
Accumulated Depreciation at 9/30/10	<u>(1,606,759)</u>
Deemed Depreciated Value	3,160,685
Market Rate of Return	<u>.0420</u>
Total Annual Return	132,749
Return Applicable to Non-Reimbursable Cost Centers	(8,452)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	124,297
Depreciation Expense	81,551
Amortization Expense	-
Capital Related Income Offsets	(16)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(4,697)</u>
Allowable Cost of Capital Expense	201,135
Total Patient Days (Actual)	<u>31,472</u>
Cost of Capital Per Diem	\$ <u><u>6.39</u></u>

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