

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
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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-J1 – 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, 2010 through September 30, 2011. That report was used to set the rate covering the contract period beginning October 1, 2012.

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 OCTOBER 1, 2012
AC# 3-WOE-J1**

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 OCTOBER 1, 2012	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2012 THROUGH SEPTEMBER 30, 2013	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2011	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

January 27, 2014

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 October 1, 2012, and for the twelve month cost report period ended September 30, 2011, 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
January 27, 2014

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 October 1, 2012
AC# 3-WOE-J1

	<u>10/01/12-</u> <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$180.48
Adjusted Reimbursement Rate	<u>179.67</u>
Decrease in Reimbursement Rate	\$ <u><u>.81</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated August 23, 2013.

WHITE OAK ESTATES

Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2012 Through September 30, 2013
 AC# 3-WOE-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$114.54	\$110.27	
Dietary		15.57	17.38	
Laundry/Housekeeping/Maintenance		<u>15.93</u>	<u>16.63</u>	
Subtotal	\$ <u>-</u>	146.04	144.28	\$144.28
Administration & Medical Records	<u>\$3.62</u>	<u>19.99</u>	<u>23.61</u>	<u>19.99</u>
Subtotal		166.03	<u>\$167.89</u>	164.27
<u>Costs Not Subject to Standards:</u>				
Utilities		2.81		2.81
Special Services		-		-
Medical Supplies & Oxygen		7.84		7.84
Taxes and Insurance		3.03		3.03
Legal Fees		<u>.61</u>		<u>.61</u>
TOTAL		<u>\$180.32</u>		178.56
Inflation Factor (N/A)				-
Cost of Capital				6.47
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.62
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				(1.87)
Budget Neutrality Adjustment (3.805%)				<u>(7.11)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$179.67</u>

WHITE OAK ESTATES
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-WOE-J1

<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	\$3,515,175	\$ 69,894 (4) 3,941 (4) 1,939 (5) 1,523 (5)	\$ -	\$3,592,472
Dietary	546,600	8,634 (4) 293,916 (8)	113 (5) 10,546 (6) 350,031 (9)	488,460
Laundry	99,842	1,808 (4) 7,369 (8)	7,487 (9)	101,532
Housekeeping	221,103	3,927 (4) 16,241 (8)	44 (5) 17,965 (9)	223,262
Maintenance	184,846	1,489 (4) 362 (5) 13,539 (8)	11,715 (3) 13,588 (9)	174,933
Administration & Medical Records	642,573	716 (4) 6,402 (5) 345 (5) 33,313 (8)	9,537 (4) 23,374 (7) 23,322 (9)	627,116
Utilities	88,501	6,263 (8)	31 (5) 6,742 (9)	87,991
Special Services	-	-	-	-
Medical Supplies & Oxygen	245,904	-	-	245,904
Taxes and Insurance	95,578	5,506 (8)	107 (5) 5,948 (9)	95,029

WHITE OAK ESTATES
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-WOE-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Legal Fees	19,302	1,202 (8)	1,406 (9)	19,098
Cost of Capital	212,418	5,434 (8)	2,102 (1) 601 (2) 187 (5) 4,787 (9) <u>7,273 (10)</u>	202,902
Subtotal	<u>5,871,842</u>	<u>483,763</u>	496,906	5,858,699
Ancillary	222,488	-	-	222,488
Nonallowable	1,487,076	2,102 (1) 601 (2) 11,715 (3) 23,374 (7) 431,276 (9) 7,273 (10)	80,872 (4) 10,089 (5) 382,783 (8)	1,489,673
CNA Training & Testing	<u>2,065</u>	<u>-</u>	<u>-</u>	<u>2,065</u>
Total Operating Expenses	<u>\$7,583,471</u>	<u>\$960,104</u>	<u>\$970,650</u>	<u>\$7,572,925</u>
Total Patient Days	<u>31,364</u>	<u>-</u>	<u>-</u>	<u>31,364</u>
Total Beds	<u>88</u>			

WHITE OAK ESTATES
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-WOE-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$194,544	
	Other Equity	10,144	
	Nonallowable	2,102	
	Accumulated Depreciation		\$204,688
	Cost of Capital		2,102
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	601	
	Cost of Capital		601
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nonallowable	11,715	
	Maintenance		11,715
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
4	Nursing	69,894	
	Restorative	3,941	
	Dietary	8,634	
	Laundry	1,808	
	Housekeeping	3,927	
	Maintenance	1,489	
	Medical Records	716	
	Administration		9,537
	Nonallowable		80,872
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

WHITE OAK ESTATES
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-WOE-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nursing	1,939	
	Restorative	1,523	
	Maintenance	362	
	Administration	6,402	
	Medical Records	345	
	Dietary		113
	Housekeeping		44
	Utilities		31
	Taxes and Insurance		107
	Cost of Capital		187
	Nonallowable		10,089
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Other Revenue	10,546	
	Dietary		10,546
	To offset income against related expense HIM-15-1, Section 2105.2		
7	Nonallowable	23,374	
	Administration		23,374
	To remove expense related 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, 2011
AC# 3-WOE-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Dietary	293,916	
	Laundry	7,369	
	Housekeeping	16,241	
	Maintenance	13,539	
	Administration	33,313	
	Legal	1,202	
	Utilities	6,263	
	Taxes and Insurance	5,506	
	Cost of Capital	5,434	
	Nonallowable		382,783
	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		
9	Nonallowable	431,276	
	Dietary		350,031
	Laundry		7,487
	Housekeeping		17,965
	Maintenance		13,588
	Administration		23,322
	Legal		1,406
	Utilities		6,742
	Taxes and Insurance		5,948
	Cost of Capital		4,787
	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, 2011
AC# 3-WOE-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable Cost of Capital	7,273	7,273
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$1,175,338</u>	<u>\$1,175,338</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 ESTATES
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2011
 AC# 3-WOE-J1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3,18210</u>
Deemed Asset Value (Per Bed)	49,698
Number of Beds	<u>88</u>
Deemed Asset Value	4,373,424
Improvements Since 1981	514,485
Accumulated Depreciation at 9/30/11	<u>(1,684,770)</u>
Deemed Depreciated Value	3,203,139
Market Rate of Return	<u>.0408</u>
Total Annual Return	130,688
Return Applicable to Non-Reimbursable Cost Centers	(8,023)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	122,665
Depreciation Expense	85,059
Amortization Expense	-
Capital Related Income Offsets	(35)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(4,787)</u>
Allowable Cost of Capital Expense	202,902
Total Patient Days (Actual)	<u>31,364</u>
Cost of Capital Per Diem	\$ <u><u>6.47</u></u>

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