

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-WON-J0 – White Oak Manor, Inc. d/b/a White Oak Manor – Newberry

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 MANOR - NEWBERRY**

NEWBERRY, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING NOVEMBER 1, 2011
AC# 3-WON-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 21, 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 - Newberry, 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 - Newberry 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 - Newberry, 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 - Newberry 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 21, 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 - NEWBERRY
Computation of Rate Change
For the Contract Period
Beginning November 1, 2011
AC# 3-WON-J0

| | <u>11/01/11-</u> <u>09/30/12</u> |
|--------------------------------|-------------------------------------|
| Interim Reimbursement Rate (1) | \$153.25 |
| Adjusted Reimbursement Rate | <u>150.28</u> |
| Decrease in Reimbursement Rate | \$ <u><u>2.97</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 - NEWBERRY

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

| | <u>Incentives</u> | <u>Allowable Cost</u> | <u>Cost Standard</u> | <u>Computed Rate</u> |
|---|-------------------|---------------------------|--------------------------|--------------------------|
| <u>Costs Subject to Standards:</u> | | | | |
| General Services | | \$ 91.90 | \$101.78 | |
| Dietary | | 15.44 | 15.92 | |
| Laundry/Housekeeping/Maintenance | | <u>13.77</u> | <u>14.77</u> | |
| Subtotal | <u>\$9.27</u> | 121.11 | 132.47 | \$121.11 |
| Administration & Medical Records | <u>\$6.01</u> | <u>14.61</u> | <u>20.62</u> | <u>14.61</u> |
| Subtotal | | 135.72 | <u>\$153.09</u> | 135.72 |
| <u>Costs Not Subject to Standards:</u> | | | | |
| Utilities | | 3.34 | | 3.34 |
| Special Services | | .01 | | .01 |
| Medical Supplies & Oxygen | | 5.96 | | 5.96 |
| Taxes and Insurance | | 2.17 | | 2.17 |
| Legal Fees | | <u>.07</u> | | <u>.07</u> |
| TOTAL | | <u>\$147.27</u> | | 147.27 |
| Inflation Factor (N/A) | | | | - |
| Cost of Capital | | | | 5.94 |
| Cost of Capital Limitation | | | | - |
| Profit Incentive (Maximum 3.5% of Allowable Cost) | | | | 5.15 |
| Cost Incentive | | | | 9.27 |
| Effect of \$1.75 Cap on Cost/Profit Incentives | | | | (12.67) |
| Budget Neutrality Adjustment (3.02%) | | | | <u>(4.68)</u> |
| ADJUSTED REIMBURSEMENT RATE | | | | <u>\$150.28</u> |

WHITE OAK MANOR - NEWBERRY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2010
 AC# 3-WON-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 | \$4,773,575 | \$25,082 (3) | \$73,384 (4) 5,409 (4) 2,484 (5) 1,740 (6) 655 (6) | \$4,714,985 |
| Dietary | 799,314 | 492 (3) 613 (6) | 8,539 (4) | 791,880 |
| Laundry | 169,625 | - | 2,186 (4) | 167,439 |
| Housekeeping | 347,077 | 651 (3) 351 (9) | 4,567 (4) 67 (6) 347 (10) | 343,098 |
| Maintenance | 200,096 | 198 (9) | 3,412 (4) 790 (6) 194 (10) | 195,898 |
| Administration & Medical Records | 785,295 | 552 (6) 96 (9) | 13,983 (4) 320 (4) 199 (5) 21,069 (6) 998 (10) | 749,374 |
| Utilities | 171,537 | 170 (9) | 53 (6) 169 (10) | 171,485 |
| Special Services | 544 | - | - | 544 |
| Medical Supplies & Oxygen | 339,456 | 1,390 (5) | 28,176 (3) 6,824 (7) | 305,846 |

WHITE OAK MANOR - NEWBERRY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2010
AC# 3-WON-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 | 115,698 | 110 (9) | 3,926 (2) 209 (6) 110 (10) | 111,563 |
| Legal Fees | 3,355 | - | 5 (10) | 3,350 |
| Cost of Capital | 311,090 | 1,893 (1) 505 (8) 108 (9) | 363 (6) 107 (10) 8,350 (11) | 304,776 |
| Subtotal | 8,016,662 | 32,211 | 188,635 | 7,860,238 |
| Ancillary | 151,291 | 1,951 (3) | 2,312 (5) | 150,930 |
| Nonallowable | 462,312 | 3,926 (2) 111,800 (4) 3,605 (5) 23,781 (6) 6,824 (7) 1,930 (10) 8,350 (11) | 1,893 (1) 505 (8) 1,033 (9) | 619,097 |
| CNA Training and Testing | <u>1,996</u> | <u>-</u> | <u>-</u> | <u>1,996</u> |
| Total Operating Expenses | <u>\$8,632,261</u> | <u>\$194,378</u> | <u>\$194,378</u> | <u>\$8,632,261</u> |
| Total Patient Days | <u>51,303</u> | <u>-</u> | <u>-</u> | <u>51,303</u> |
| Total Beds | <u>146</u> | | | |

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

| <u>ADJUSTMENT NUMBER</u> | <u>ACCOUNT TITLE</u> | <u>DEBIT</u> | <u>CREDIT</u> |
|------------------------------|---|--------------|--------------------|
| 1 | Fixed Assets | \$230,893 | |
| | Other Equity | 55,105 | |
| | Cost of Capital | 1,893 | |
| | Accumulated Depreciation Nonallowable | | \$285,998 1,893 |
| | To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D | | |
| 2 | Nonallowable | 3,926 | |
| | Taxes and Insurance | | 3,926 |
| | To adjust property tax expense HIM-15-1, Sections 2302.1 and 2304 | | |
| 3 | Nursing | 25,082 | |
| | Dietary | 492 | |
| | Housekeeping | 651 | |
| | Ancillary | 1,951 | |
| | Medical Supplies | | 28,176 |
| | To reclassify expense to the proper cost center DH&HS Expense Crosswalk | | |
| 4 | Nonallowable | 111,800 | |
| | Nursing | | 73,384 |
| | Restorative | | 5,409 |
| | Dietary | | 8,539 |
| | Laundry | | 2,186 |
| | Housekeeping | | 4,567 |
| | Maintenance | | 3,412 |
| | Administration | | 13,983 |
| | Medical Records | | 320 |
| | To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D | | |

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

| <u>ADJUSTMENT</u> <u>NUMBER</u> | <u>ACCOUNT TITLE</u> | <u>DEBIT</u> | <u>CREDIT</u> |
|------------------------------------|--|--------------|---------------|
| 5 | Medical Supplies | 1,390 | |
| | Nonallowable | 3,605 | |
| | Restorative | | 2,484 |
| | Medical Records | | 199 |
| | Ancillary | | 2,312 |
| | To adjust related party cost HIM-15-1, Section 1000 | | |
| 6 | Dietary | 613 | |
| | Medical Records | 552 | |
| | Nonallowable | 23,781 | |
| | Nursing | | 1,740 |
| | Restorative | | 655 |
| | Housekeeping | | 67 |
| | Maintenance | | 790 |
| | Administration | | 21,069 |
| | Utilities | | 53 |
| | Taxes and Insurance | | 209 |
| | Cost of Capital | | 363 |
| | To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D | | |
| 7 | Nonallowable | 6,824 | |
| | Medical Supplies | | 6,824 |
| | To reclassify expense to the proper cost center DH&HS Expense Crosswalk | | |
| 8 | Cost of Capital | 505 | |
| | Nonallowable | | 505 |
| | To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D | | |

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

| <u>ADJUSTMENT</u> <u>NUMBER</u> | <u>ACCOUNT TITLE</u> | <u>DEBIT</u> | <u>CREDIT</u> |
|------------------------------------|--|--------------|---------------|
| 9 | Housekeeping | 351 | |
| | Maintenance | 198 | |
| | Administration | 96 | |
| | Utilities | 170 | |
| | Taxes and Insurance | 110 | |
| | Cost of Capital | 108 | |
| | Nonallowable | | 1,033 |
| | 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 | 1,930 | |
| | Housekeeping | | 347 |
| | Maintenance | | 194 |
| | Administration | | 998 |
| | Legal | | 5 |
| | Utilities | | 169 |
| | Taxes and Insurance | | 110 |
| | Cost of Capital | | 107 |
| | To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D | | |
| 11 | Nonallowable | 8,350 | |
| | Cost of Capital | | 8,350 |
| | To adjust capital return State Plan, Attachment 4.19D | | |
| | TOTAL ADJUSTMENTS | \$480,376 | \$480,376 |

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 - NEWBERRY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2010
 AC# 3-WON-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>62</u> | <u>64</u> | <u>20</u> | |
| Deemed Asset Value | 3,052,756 | 3,151,232 | 984,760 | |
| Improvements Since 1981 | 240,197 | 187,093 | 41,736 | |
| Accumulated Depreciation at 9/30/10 | <u>(814,068)</u> | <u>(1,531,158)</u> | <u>(423,983)</u> | |
| Deemed Depreciated Value | 2,478,885 | 1,807,167 | 602,513 | |
| Market Rate of Return | <u>.0420</u> | <u>.0420</u> | <u>.0420</u> | |
| Total Annual Return | 104,113 | 75,901 | 25,306 | |
| Return Applicable to Non-Reimbursable Cost Centers | (150) | (74) | (13) | |
| Allocation of Interest to Non-Reimbursable Cost Centers | <u>5</u> | <u>4</u> | <u>1</u> | |
| Allowable Annual Return | 103,968 | 75,831 | 25,294 | |
| Depreciation Expense | 27,707 | 44,434 | 27,696 | |
| Amortization Expense | - | - | - | |
| Capital Related Income Offsets | (20) | (21) | (6) | |
| Allocation of Capital Expenses to Non-Reimbursable Cost Centers | <u>(45)</u> | <u>(47)</u> | <u>(15)</u> | <u>Total</u> |
| Allowable Cost of Capital Expense | 131,610 | 120,197 | 52,969 | \$304,776 |
| Total Patient Days (Actual) | <u>21,786</u> | <u>22,489</u> | <u>7,028</u> | <u>51,303</u> |
| Cost of Capital Per Diem | <u>\$ 6.04</u> | <u>\$ 5.34</u> | <u>\$ 7.54</u> | <u>\$ 5.94</u> |

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

| | | | |
|--|---------------|---------------|---------------|
| 6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement | \$2.86 | \$ 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>\$6.85</u> | <u>\$5.34</u> | <u>\$7.54</u> |
| Reimbursable Cost of Capital Per Diem | | \$5.94 | |
| Cost of Capital Per Diem | | <u>5.94</u> | |
| Cost of Capital Per Diem Limitation | | <u>\$ -</u> | |

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