

*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-WOY-J0 – White Oak Manor, Inc. d/b/a White Oak Manor - York

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 - YORK**

**YORK, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING NOVEMBER 1, 2011  
AC# 3-WOY-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 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 - York, 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 - York 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 - York, 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 - York 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 - YORK**  
Computation of Rate Change  
For the Contract Period  
Beginning November 1, 2011  
AC# 3-WOY-J0

11/01/11-  
09/30/12

Interim Reimbursement Rate (1)	\$163.19
Adjusted Reimbursement Rate	<u>157.20</u>
Decrease in Reimbursement Rate	\$ <u>5.99</u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 90.55	\$108.41	
Dietary		17.93	15.92	
Laundry/Housekeeping/Maintenance		<u>15.01</u>	<u>14.77</u>	
Subtotal	<u>\$9.74</u>	123.49	139.10	\$123.49
Administration & Medical Records	<u>\$4.65</u>	<u>15.97</u>	<u>20.62</u>	<u>15.97</u>
Subtotal		139.46	<u>\$159.72</u>	139.46
<u>Costs Not Subject to Standards:</u>				
Utilities		4.16		4.16
Special Services		-		-
Medical Supplies & Oxygen		5.61		5.61
Taxes and Insurance		2.38		2.38
Legal Fees		<u>.87</u>		<u>.87</u>
<b>TOTAL</b>		<u>\$152.48</u>		152.48
Inflation Factor (N/A)				-
Cost of Capital				8.04
Cost of Capital Limitation				(.17)
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.65
Cost Incentive				9.74
Effect of \$1.75 Cap on Cost/Profit Incentives				(12.64)
Budget Neutrality Adjustment (3.02%)				<u>(4.90)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$157.20</u>

**WHITE OAK MANOR - YORK**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2010  
 AC# 3-WOY-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	\$3,726,614	\$ 8 (6) 141 (6)	\$146,921 (4) 12,636 (4) 1,304 (5) 2,067 (5)	\$3,563,835
Dietary	721,658	78 (3) 878 (6)	17,001 (4)	705,613
Laundry	107,215	-	3,942 (4)	103,273
Housekeeping	278,148	351 (3) 227 (8)	9,954 (4) 51 (6) 219 (9)	268,502
Maintenance	226,581	183 (8)	6,714 (4) 777 (6) 177 (9)	219,096
Administration & Medical Records	660,279	2,075 (3) 423 (6) 72 (8)	18,494 (4) 355 (4) 196 (5) 14,589 (6) 616 (9)	628,599
Utilities	165,236	132 (8)	1,428 (2) 41 (6) 130 (9)	163,769
Special Services	-	-	-	-
Medical Supplies & Oxygen	230,713	-	4,375 (3) 110 (5) 5,345 (7)	220,883

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

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted Totals
Taxes and Insurance	94,028	71 (8)	161 (6) 75 (9)	93,863
Legal Fees	34,173	4 (8)	36 (9)	34,141
Cost of Capital	308,634	96 (8) 17,766 (10)	9,722 (1) 279 (6) 94 (9)	316,401
Subtotal	6,553,279	22,505	257,809	6,317,975
Ancillary	174,157	1,871 (3)	7,545 (5)	168,483
Nonallowable	471,648	9,722 (1) 1,428 (2) 216,017 (4) 11,222 (5) 14,448 (6) 5,345 (7) 1,347 (9)	785 (8) 17,766 (10)	712,626
CNA Training and Testing	<u>1,646</u>	<u>-</u>	<u>-</u>	<u>1,646</u>
Total Operating Expenses	<u>\$7,200,730</u>	<u>\$283,905</u>	<u>\$283,905</u>	<u>\$7,200,730</u>
Total Patient Days	<u>39,357</u>	<u>-</u>	<u>-</u>	<u>39,357</u>
Total Beds	<u>109</u>			

**WHITE OAK MANOR - YORK**  
Adjustment Report  
Cost Report Period Ended September 30, 2010  
AC# 3-WOY-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 38,276	
	Other Equity	29,054	
	Nonallowable	9,722	
	Fixed Assets		\$ 67,330
	Cost of Capital		9,722
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	1,428	
	Utilities		1,428
	To disallow cable TV expense and late fees		
	HIM-15-1, Sections 2103 and 2106.1		
	DH&HS Expense Crosswalk		
3	Dietary	78	
	Housekeeping	351	
	Administration	2,075	
	Ancillary	1,871	
	Medical Supplies		4,375
	To reclassify expense to the proper cost center		
	DH&HS Expense Crosswalk		
4	Nonallowable	216,017	
	Nursing		146,921
	Restorative		12,636
	Dietary		17,001
	Laundry		3,942
	Housekeeping		9,954
	Maintenance		6,714
	Administration		18,494
	Medical Records		355
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

**WHITE OAK MANOR - YORK**  
Adjustment Report  
Cost Report Period Ended September 30, 2010  
AC# 3-WOY-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	11,222	
	Nursing		1,304
	Restorative		2,067
	Medical Records		196
	Medical Supplies		110
	Ancillary		7,545
	To adjust related party cost HIM-15-1, Section 1000		
6	Nursing	8	
	Restorative	141	
	Dietary	878	
	Medical Records	423	
	Nonallowable	14,448	
	Housekeeping		51
	Maintenance		777
	Administration		14,589
	Utilities		41
	Taxes and Insurance		161
	Cost of Capital		279
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable	5,345	
	Medical Supplies		5,345
	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		

**WHITE OAK MANOR - YORK**  
Adjustment Report  
Cost Report Period Ended September 30, 2010  
AC# 3-WOY-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Housekeeping	227	
	Maintenance	183	
	Administration	72	
	Legal	4	
	Utilities	132	
	Taxes and Insurance	71	
	Cost of Capital	96	
	Nonallowable		785
	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		
9	Nonallowable	1,347	
	Housekeeping		219
	Maintenance		177
	Administration		616
	Legal		36
	Utilities		130
	Taxes and Insurance		75
	Cost of Capital		94
	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 - YORK**  
 Adjustment Report  
 Cost Report Period Ended September 30, 2010  
 AC# 3-WOY-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Cost of Capital Nonallowable	17,766	17,766
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$351,235</u>	<u>\$351,235</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 - YORK**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2010  
 AC# 3-WOY-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>66</u>	<u>33</u>	<u>10</u>	
Deemed Asset Value	3,249,708	1,624,854	492,380	
Improvements Since 1981	1,013,310	152,045	78,932	
Accumulated Depreciation at 9/30/10	<u>(1,025,533)</u>	<u>(640,599)</u>	<u>(63,704)</u>	
Deemed Depreciated Value	3,237,485	1,136,300	507,608	
Market Rate of Return	<u>.0420</u>	<u>.0420</u>	<u>.0420</u>	
Total Annual Return	135,974	47,725	21,320	
Return Applicable to Non-Reimbursable Cost Centers	(130)	(26)	(25)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>4</u>	<u>1</u>	<u>1</u>	
Allowable Annual Return	135,848	47,700	21,296	
Depreciation Expense	56,011	48,585	7,095	
Amortization Expense	-	-	-	
Capital Related Income Offsets	(24)	(12)	(4)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(57)</u>	<u>(28)</u>	<u>(9)</u>	<u>Total</u>
Allowable Cost of Capital Expense	191,778	96,245	28,378	\$316,401
Total Patient Days (Actual)	<u>23,831</u>	<u>11,915</u>	<u>3,611</u>	<u>39,357</u>
Cost of Capital Per Diem	\$ <u>8.05</u>	\$ <u>8.08</u>	\$ <u>7.86</u>	\$ <u>8.04</u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.77	\$ 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>\$7.76</u>	<u>\$8.08</u>	<u>\$7.86</u>
Reimbursable Cost of Capital Per Diem		\$7.87	
Cost of Capital Per Diem		<u>8.04</u>	
Cost of Capital Per Diem Limitation		<u>\$(.17)</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.