

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
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September 16, 2015

Ms. Rachel Jackson, Director of Accounting
Epic Management, LLC
4493 East Sundance Court
Gilbert, Arizona 85297

Re: AC# 3-DUN-J1 – Dundee Manor, LLC

Dear Ms. Jackson:

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: Mr. Jeff Saxon
Ms. Melissa Simmons
Mr. Byron Roberts
Ms. Nicole Mitchell Threat
Ms. Brittany Sandifer
Ms. Chari Preacher

DUNDEE MANOR, LLC
BENNETTSVILLE, SOUTH CAROLINA

CONTRACT PERIOD
BEGINNING OCTOBER 1, 2012
AC# 3-DUN-J1

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

April 9, 2015

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 Dundee Manor, LLC, 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 Dundee Manor, LLC 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.

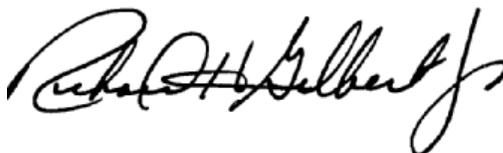
The procedures and the associated findings are as follows:

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 Dundee Manor, LLC, 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 Dundee Manor, LLC 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
April 9, 2015

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

DUNDEE MANOR, LLC
Computation of Rate Change
For the Contract Period
Beginning October 1, 2012
AC# 3-DUN-J1

	10/01/12- <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$122.31
Adjusted Reimbursement Rate	<u>121.42</u>
Decrease in Reimbursement Rate	\$ <u><u>.89</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 66.31	\$101.11	
Dietary		14.10	17.37	
Laundry/Housekeeping/Maintenance		<u>11.01</u>	<u>15.73</u>	
Subtotal	<u>\$9.39</u>	91.42	134.21	\$ 91.42
Administration & Medical Records	<u>\$8.53</u>	<u>14.42</u>	<u>22.95</u>	<u>14.42</u>
Subtotal		105.84	<u>\$157.16</u>	105.84
<u>Costs Not Subject to Standards:</u>				
Utilities		2.85		2.85
Special Services		.03		.03
Medical Supplies & Oxygen		5.45		5.45
Taxes and Insurance		3.65		3.65
Legal Fees		<u>.08</u>		<u>.08</u>
TOTAL		<u>\$117.90</u>		117.90
Inflation Factor (N/A)				-
Cost of Capital				6.57
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.13
Cost Incentive				9.39
Effect of \$1.75 Cap on Cost/Profit Incentives				(11.77)
Budget Neutrality Adjustment (3.805%)				<u>(4.80)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$121.42</u>

DUNDEE MANOR, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-DUN-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	\$2,470,975	\$10,429 (3)	\$ -	\$2,481,404
Dietary	524,687	2,910 (3)	-	527,597
Laundry	71,932	-	-	71,932
Housekeeping	211,276	-	-	211,276
Maintenance	142,292	-	13,339 (3)	128,953
Administration & Medical Records	539,523	-	-	539,523
Utilities	106,740	-	-	106,740
Special Services	1,129	-	-	1,129
Medical Supplies & Oxygen	203,889	-	-	203,889
Taxes and Insurance	167,568	-	30,939 (4)	136,629
Legal Fees	3,134	-	-	3,134
Cost of Capital	<u>249,605</u>	<u>333</u> (2)	<u>3,932</u> (1)	<u>246,006</u>
Subtotal	4,692,750	13,672	48,210	4,658,212
Ancillary	156,334	-	-	156,334

DUNDEE MANOR, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-DUN-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>
Nonallowable	1,072,196	3,932 (1) 30,939 (4)	333 (2)	1,106,734
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$5,921,280</u>	<u>\$48,543</u>	<u>\$48,543</u>	<u>\$5,921,280</u>
Total Patient Days	<u>37,422</u>	<u>-</u>	<u>-</u>	<u>37,422</u>
Total Beds	<u>110</u>			

DUNDEE MANOR, LLC
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-DUN-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 86,761	
	Nonallowable	3,932	
	Cost of Capital		\$ 3,932
	Fixed Assets		68,308
	Other Equity		18,453
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	333	
	Nonallowable		333
	To adjust capital return State Plan, Attachment 4.19D		
3	Dietary	2,910	
	Restorative	10,429	
	Maintenance		13,339
	To properly classify expenses DH&HS Expense Crosswalk		
4	Nonallowable	30,939	
	Taxes and Insurance		30,939
	To adjust property taxes HIM-15-1, Sections 2302.1 and 2304 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$135,304</u>	<u>\$135,304</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.

DUNDEE MANOR, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2011
 AC# 3-DUN-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>110</u>
Deemed Asset Value	5,466,780
Improvements Since 1981	992,206
Accumulated Depreciation at 9/30/11	<u>(1,206,280)</u>
Deemed Depreciated Value	5,252,706
Market Rate of Return	<u>.0408</u>
Total Annual Return	214,310
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	214,310
Depreciation Expense	31,698
Amortization Expense	-
Capital Related Income Offsets	(2)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	246,006
Total Patient Days (Actual)	<u>37,422</u>
Cost of Capital Per Diem	<u>\$ 6.57</u>

DUNDEE MANOR, LLC
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2011
AC# 3-DUN-J1

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$2.68
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.67</u>
Reimbursable Cost of Capital Per Diem	\$6.57
Cost of Capital Per Diem	<u>6.57</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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