



**South Carolina
Office of the State Auditor**

**George L. Kennedy, III, CPA
State Auditor**

March 24, 2016

Mr. Tom Turner, President
South Carolina Baptist Ministries for the Aging, Inc.
190 Stoneridge Drive
Columbia, South Carolina 29212

Re: AC# 3-MFB-J1 – South Carolina Baptist Ministries for the Aging, Inc. d/b/a
Martha Franks Baptist Retirement Community

Dear Mr. Turner:

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 blue ink that reads "George L. Kennedy, III".

George L. Kennedy, III, CPA
State Auditor

GLKIII/cwc

cc: Mr. Jeff Saxon
Ms. Melissa Simmons
Mr. Byron Roberts
Ms. Nicole Mitchell Threat
Ms. Brittany Sandifer
Ms. Chari Preacher
Ms. Kathy Wine
Ms. Dina Hair

**SOUTH CAROLINA BAPTIST MINISTRIES
FOR THE AGING, INC. D/B/A MARTHA FRANKS
BAPTIST RETIREMENT COMMUNITY**

LAURENS, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2012
AC# 3-MFB-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

October 21, 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 South Carolina Baptist Ministries for the Aging, Inc. d/b/a Martha Franks Baptist Retirement Community, 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 South Carolina Baptist Ministries for the Aging, Inc. d/b/a Martha Franks Baptist Retirement Community 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 South Carolina Baptist Ministries for the Aging, Inc. d/b/a Martha Franks Baptist Retirement Community, 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 South Carolina Baptist Ministries for the Aging, Inc. d/b/a Martha Franks Baptist Retirement Community 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
October 21, 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.



George L. Kennedy, III, CPA
State Auditor

MARTHA FRANKS BAPTIST RETIREMENT COMMUNITY

Computation of Rate Change
For the Contract Period
Beginning October 1, 2012
AC# 3-MFB-J1

	10/01/12- <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$161.11
Adjusted Reimbursement Rate	<u>156.63</u>
Decrease in Reimbursement Rate	\$ <u><u>4.48</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 12, 2015.

MARTHA FRANKS BAPTIST RETIREMENT COMMUNITY
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2012 Through September 30, 2013
 AC# 3-MFB-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 99.85	\$ 90.02	
Dietary		17.15	17.38	
Laundry/Housekeeping/Maintenance		<u>12.60</u>	<u>16.63</u>	
Subtotal	\$ <u>-</u>	129.60	124.03	\$124.03
Administration & Medical Records	<u>\$2.72</u>	<u>20.89</u>	<u>23.61</u>	<u>20.89</u>
Subtotal		150.49	<u>\$147.64</u>	144.92
<u>Costs Not Subject to Standards:</u>				
Utilities		3.82		3.82
Special Services		-		-
Medical Supplies & Oxygen		4.30		4.30
Taxes and Insurance		1.44		1.44
Legal Fees		<u>.13</u>		<u>.13</u>
TOTAL		<u>\$160.18</u>		154.61
Inflation Factor (N/A)				-
Cost of Capital				6.47
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.72
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				(.97)
Budget Neutrality Adjustment (3.805%)				<u>(6.20)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$156.63</u>

MARTHA FRANKS BAPTIST RETIREMENT COMMUNITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-MFB-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	\$3,099,164	\$ 21,769 (13)	\$ 63,043 (9) 2,885 (9) 104,465 (12)	\$2,950,540
Dietary	572,424	3,970 (5) 4,232 (6) 634,763 (13)	12,863 (9) 695,623 (12)	506,903
Laundry	94,796	-	1,532 (9)	93,264
Housekeeping	166,970	2,857 (5) 574 (6) 36,490 (13)	3,127 (9) 52,826 (12)	150,938
Maintenance	135,111	473,160 (13)	4,941 (9) 475,168 (12)	128,162
Administration & Medical Records	749,118	300,178 (13)	39,610 (2) 15,313 (3) 9,814 (9) 1,071 (9) 366,084 (12)	617,404
Utilities	118,644	414,364 (13)	3,799 (10) 416,397 (12)	112,812
Special Services	-	-	-	-
Medical Supplies & Oxygen	188,118	-	6,827 (5) 4,806 (6) 2,777 (7) 41,018 (8) 89 (9) 5,497 (11)	127,104
Taxes and Insurance	43,926	143,613 (13)	145,061 (12)	42,478

MARTHA FRANKS BAPTIST RETIREMENT COMMUNITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-MFB-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	4,353	2,361 (13)	2,890 (12)	3,824
Cost of Capital	230,797	4,753 (13) 3,748 (14)	6,333 (1) 29,160 (4) 12,478 (12)	191,327
Subtotal	5,403,421	2,046,832	2,525,497	4,924,756
Ancillary	322,111	-	-	322,111
Nonallowable	3,992,052	6,333 (1) 39,610 (2) 15,313 (3) 29,160 (4) 2,777 (7) 41,018 (8) 99,365 (9) 3,799 (10) 5,497 (11) 2,270,992 (12)	2,031,451 (13) 3,748 (14)	4,470,717
CNA Training and Testing	<u>784</u>	<u>-</u>	<u>-</u>	<u>784</u>
Total Operating Expenses	<u>\$9,718,368</u>	<u>\$4,560,696</u>	<u>\$4,560,696</u>	<u>\$9,718,368</u>
Total Patient Days	<u>29,550</u>	<u>-</u>	<u>-</u>	<u>29,550</u>
Total Beds	<u>88</u>			

MARTHA FRANKS BAPTIST RETIREMENT COMMUNITY
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-MFB-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$29,425	
	Other Equity	42,620	
	Nonallowable	6,333	
	Fixed Assets		\$72,045
	Cost of Capital		6,333
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	39,610	
	Administration		39,610
	To disallow expense due to a lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	15,313	
	Administration		15,313
	To disallow expense due to a lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	29,160	
	Cost of Capital		29,160
	To adjust capital return State Plan, Attachment 4.19D		
5	Dietary	3,970	
	Housekeeping	2,857	
	Medical Supplies & Oxygen - Med Sup Billable		6,827
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D		

MARTHA FRANKS BAPTIST RETIREMENT COMMUNITY
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-MFB-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Dietary	4,232	
	Housekeeping	574	
	Medical Supplies & Oxygen		4,806
	To properly classify expenses		
	DH&HS Expense Crosswalk		
	State Plan, Attachment 4.19D		
7	Nonallowable	2,777	
	Medical Supplies & Oxygen		2,777
	To properly charge expense applicable		
	to the prior period		
	HIM-15-1, Section 2302.1		
8	Nonallowable	41,018	
	Medical Supplies & Oxygen		41,018
	To disallow expense due to a		
	lack of documentation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
9	Nonallowable	99,365	
	Nursing		63,043
	Restorative		2,885
	Dietary		12,863
	Laundry		1,532
	Housekeeping		3,127
	Maintenance		4,941
	Administration		9,814
	Medical Records		1,071
	Medical Supplies & Oxygen		89
	To adjust fringe benefits and related		
	allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
10	Nonallowable	3,799	
	Utilities		3,799
	To disallow expense due to a		
	lack of documentation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

MARTHA FRANKS BAPTIST RETIREMENT COMMUNITY
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-MFB-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nonallowable Medical Supplies & Oxygen	5,497	5,497
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
12	Nonallowable	2,270,992	
	Restorative		104,465
	Dietary		695,623
	Housekeeping		52,826
	Maintenance		475,168
	Administration		366,084
	Legal		2,890
	Utilities		416,397
	Taxes and Insurance		145,061
	Cost of Capital		12,478
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
13	Restorative	21,769	
	Dietary	634,763	
	Housekeeping	36,490	
	Maintenance	473,160	
	Administration	300,178	
	Legal	2,361	
	Utilities	414,364	
	Taxes and Insurance	143,613	
	Cost of Capital	4,753	
	Nonallowable		2,031,451
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

MARTHA FRANKS BAPTIST RETIREMENT COMMUNITY
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-MFB-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	Cost of Capital Nonallowable	3,748	3,748
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$4,632,741	\$4,632,741

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.

MARTHA FRANKS BAPTIST RETIREMENT COMMUNITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2011
 AC# 3-MFB-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	446,492
Accumulated Depreciation at 9/30/11	<u>(1,812,022)</u>
Deemed Depreciated Value	3,007,894
Market Rate of Return	<u>.0408</u>
Total Annual Return	122,722
Return Applicable to Non-Reimbursable Cost Centers	(6,416)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>1,257</u>
Allowable Annual Return	117,563
Depreciation Expense	88,987
Amortization Expense	474
Capital Related Income Offsets	(3,219)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(12,478)</u>
Allowable Cost of Capital Expense	191,327
Total Patient Days (Minimum 92% Occupancy)	<u>29,550</u>
Cost of Capital Per Diem	<u>\$ 6.47</u>

4 copies of this document were published at an estimated printing cost of \$1.41 each, and a total printing cost of \$5.64. Section 1-11-425 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.