



**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-J2 – 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, 2011 through September 30, 2012. That report was used to set the rate covering the contract period beginning October 1, 2013.

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, 2013
AC# 3-MFB-J2**

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 30, 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, 2013, and for the twelve month cost report period ended September 30, 2012, 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 30, 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, 2013
AC# 3-MFB-J2

	10/01/13- <u>09/30/14</u>
Interim Reimbursement Rate (1)	\$167.30
Adjusted Reimbursement Rate	<u>164.24</u>
Decrease in Reimbursement Rate	\$ <u><u>3.06</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, 2013 Through September 30, 2014
 AC# 3-MFB-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 98.68	\$ 88.60	
Dietary		15.15	17.41	
Laundry/Housekeeping/Maintenance		<u>12.09</u>	<u>16.17</u>	
Subtotal	\$ <u>-</u>	125.92	122.18	\$122.18
Administration & Medical Records	<u>\$2.09</u>	<u>21.62</u>	<u>23.71</u>	<u>21.62</u>
Subtotal		147.54	<u>\$145.89</u>	143.80
<u>Costs Not Subject to Standards:</u>				
Utilities		3.61		3.61
Special Services		-		-
Medical Supplies & Oxygen		6.41		6.41
Taxes and Insurance		1.46		1.46
Legal Fees		<u>.04</u>		<u>.04</u>
TOTAL		<u>\$159.06</u>		155.32
Inflation Factor (3.60%)				5.59
Cost of Capital				6.53
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.09
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				(.34)
Budget Neutrality Adjustment (2.9241%)				<u>(4.95)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$164.24</u>

MARTHA FRANKS BAPTIST RETIREMENT COMMUNITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2012
 AC# 3-MFB-J2

<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	\$3,062,828	\$ 28,612 (7)	\$ 51,498 (3) 2,324 (3) 113,534 (6)	\$2,924,084
Dietary	618,933	626,421 (7)	10,736 (3) 785,589 (6)	449,029
Laundry	44,419	-	448 (3)	43,971
Housekeeping	210,036	42,698 (7)	3,330 (3) 55,653 (6)	193,751
Maintenance	128,814	449,345 (7)	4,378 (3) 453,375 (6)	120,406
Administration & Medical Records	759,746	307,200 (7)	8,199 (3) 1,060 (3) 20,261 (4) 396,850 (6)	640,576
Utilities	114,559	398,496 (7)	4,845 (5) 401,112 (6)	107,098
Special Services	-	-	-	-
Medical Supplies & Oxygen	215,154	-	25,246 (2) 59 (3)	189,849
Taxes and Insurance	45,202	147,437 (7)	149,394 (6)	43,245
Legal Fees	1,202	674 (7)	831 (6)	1,045

MARTHA FRANKS BAPTIST RETIREMENT COMMUNITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2012
AC# 3-MFB-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	238,181	5,448 (7) 6,272 (8)	10,614 (1) 14,901 (6) 31,014 (9)	193,372
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	5,439,074	2,012,603	2,545,251	4,906,426
 Ancillary	 318,722	 -	 -	 318,722
 Nonallowable	 3,930,644	 10,614 (1) 25,246 (2) 82,032 (3) 20,261 (4) 4,845 (5) 2,371,239 (6) 31,014 (9)	 2,006,331 (7) 6,272 (8)	 4,463,292
 CNA Training and Testing	 <hr/> 812	 <hr/> -	 <hr/> -	 <hr/> 812
 Total Operating Expenses	 <u>\$9,689,252</u>	 <u>\$4,557,854</u>	 <u>\$4,557,854</u>	 <u>\$9,689,252</u>
 Total Patient Days	 <hr/> 29,631	 <hr/> -	 <hr/> -	 <hr/> 29,631
 Total Beds	 <u>88</u>			

MARTHA FRANKS BAPTIST RETIREMENT COMMUNITY
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-MFB-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$56,972	
	Other Equity	52,823	
	Nonallowable	10,614	
	Fixed Assets		\$109,795
	Cost of Capital		10,614
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	25,246	
	Medical Supplies & Oxygen		25,246
	To disallow expense due to a lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	82,032	
	Nursing		51,498
	Restorative		2,324
	Dietary		10,736
	Laundry		448
	Housekeeping		3,330
	Maintenance		4,378
	Administration		8,199
	Medical Records		1,060
	Medical Supplies & Oxygen		59
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	20,261	
	Administration		20,261
	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, 2012
AC# 3-MFB-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable Utilities	4,845	4,845
	To disallow expense due to a lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Nonallowable	2,371,239	
	Restorative		113,534
	Dietary		785,589
	Housekeeping		55,653
	Maintenance		453,375
	Administration		396,850
	Legal		831
	Utilities		401,112
	Taxes and Insurance		149,394
	Cost of Capital		14,901
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
7	Restorative	28,612	
	Dietary	626,421	
	Housekeeping	42,698	
	Maintenance	449,345	
	Administration	307,200	
	Legal	674	
	Utilities	398,496	
	Taxes and Insurance	147,437	
	Cost of Capital	5,448	
	Nonallowable		2,006,331
	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, 2012
AC# 3-MFB-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Cost of Capital Nonallowable	6,272	6,272
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
9	Nonallowable Cost of Capital	31,014	31,014
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$4,667,649</u>	<u>\$4,667,649</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.

MARTHA FRANKS BAPTIST RETIREMENT COMMUNITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2012
 AC# 3-MFB-J2

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.21571</u>
Deemed Asset Value (Per Bed)	50,223
Number of Beds	<u>88</u>
Deemed Asset Value	4,419,624
Improvements Since 1981	521,595
Accumulated Depreciation at 9/30/12	<u>(1,903,864)</u>
Deemed Depreciated Value	3,037,355
Market Rate of Return	<u>.0369</u>
Total Annual Return	112,078
Return Applicable to Non-Reimbursable Cost Centers	(6,238)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>970</u>
Allowable Annual Return	106,810
Depreciation Expense	103,022
Amortization Expense	333
Capital Related Income Offsets	(1,892)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(14,901)</u>
Allowable Cost of Capital Expense	193,372
Total Patient Days (Minimum 92% Occupancy)	<u>29,631</u>
Cost of Capital Per Diem	<u>\$ 6.53</u>

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