

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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June 1, 2005

Mr. John Barber, Vice President of Finance
White Oak Manor, Inc.
Post Office Box 3347
Spartanburg, South Carolina 29304

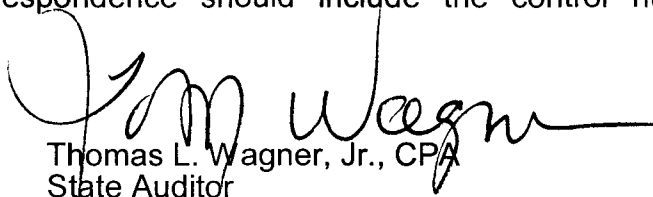
Re: AC# 3-WOE-J1 – White Oak Manor, Inc. d/b/a White Oak Estates

Dear Mr. Barber:

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, 2000 through September 30, 2001. That report was used to set the rate covering the contract period beginning January 1, 2003.

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.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**WHITE OAK MANOR, INC.
D/B/A WHITE OAK ESTATES**

SPARTANBURG, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING JANUARY 1, 2003
AC# 3-WOE-J1**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

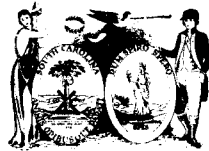
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 18, 2005

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 Estates, for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001, as set forth in the accompanying schedules. The management of White Oak Manor, Inc. d/b/a White Oak Estates 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.

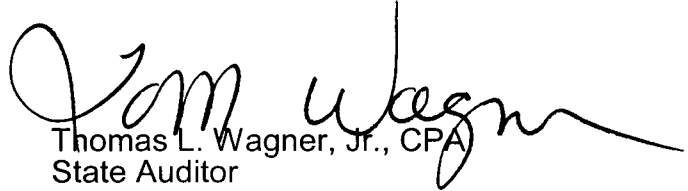
The procedures and the associated findings are as follows:

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 Estates, 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 Adjustment Report, Summary of Costs and Total Patient Days, 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 Estates dated as of October 1, 2001 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
February 18, 2005

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.



Thomas L. Wagner, Jr., CPA
State Auditor

WHITE OAK ESTATES
Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-WOE-J1

	01/01/03- <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$123.61
Adjusted Reimbursement Rate	<u>121.31</u>
Decrease in Reimbursement Rate	\$ <u><u>2.30</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

WHITE OAK ESTATES
 Computation of Adjusted Reimbursement Rate
 For the Contract Period January 1, 2003 Through September 30, 2003
 AC# 3-WOE-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 68.80	\$ 67.86	
Dietary		12.71	11.63	
Laundry/Housekeeping/Maintenance		<u>10.65</u>	<u>10.22</u>	
Subtotal	\$ <u>-</u>	92.16	89.71	\$ 89.71
Administration & Medical Records	<u>\$1.23</u>	<u>11.40</u>	<u>12.63</u>	<u>11.40</u>
Subtotal		103.56	<u>\$102.34</u>	101.11
<u>Costs Not Subject to Standards:</u>				
Utilities		2.83		2.83
Special Services		.19		.19
Medical Supplies & Oxygen		2.79		2.79
Taxes and Insurance		2.45		2.45
Legal Fees		<u>.09</u>		<u>.09</u>
TOTAL		<u>\$111.91</u>		109.46
Inflation Factor (3.70%)				4.05
Cost of Capital				6.57
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.23
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$121.31</u>

WHITE OAK ESTATES
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2001
 AC# 3-WOE-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	\$2,162,778	\$ -	\$ -	\$2,162,778
Dietary	477,259	213,079 (3)	290,782 (6)	399,556
Laundry	107,295	-	3,833 (6)	103,462
Housekeeping	124,473	-	9,951 (6)	114,522
Maintenance	126,685	-	9,786 (6)	116,899
Administration & Medical Records	388,429	-	30,180 (6)	358,249
Utilities	96,069	-	7,006 (6)	89,063
Special Services	5,924	-	-	5,924
Medical Supplies & Oxygen	87,780	-	-	87,780
Taxes and Insurance	110,564	-	28,717 (4) 4,831 (6)	77,016
Legal Fees	3,237	-	299 (6)	2,938
Cost of Capital	235,225	474 (1) 6,214 (5)	20,400 (2) 9,405 (6) 5,677 (7)	206,431
Subtotal	3,925,718	219,767	420,867	3,724,618
Ancillary	75,395	-	-	75,395

WHITE OAK ESTATES
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2001
AC# 3-WOE-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>	
Nonallowable	272,759	20,400 (2)	474 (1)	686,938
		28,717 (4)	6,214 (5)	
		366,073 (6)		
		<u>5,677 (7)</u>		
Total Operating Expenses	<u>\$4,273,872</u>	<u>\$640,634</u>	<u>\$427,555</u>	<u>\$4,486,951</u>
Total Patient Days	<u>31,435</u>	<u>-</u>	<u>-</u>	<u>31,435</u>
Total Beds	<u>88</u>			

WHITE OAK ESTATES
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-WOE-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 31,588	
	Other Equity	8,732	
	Cost of Capital - Depreciation	474	
	Fixed Assets		\$ 40,320
	Nonallowable		474
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	20,400	
	Cost of Capital - Amortization		20,400
	To remove amortization of loan closing costs HIM-15-1, Section 233.4 State Plan, Attachment 4.19D		
3	Dietary	213,079	
	Meal Income		213,079
	To reverse dietary income offset for stepdown State Plan, Attachment 4.19D		
4	Nonallowable	28,717	
	Taxes and Insurance		28,717
	To adjust property taxes HIM-15-1, Section 2304		
5	Cost of Capital	6,214	
	Accumulated Depreciation	106,168	
	Nonallowable		6,214
	Other Equity		106,168
	To adjust depreciation and amortization expense to comply with cost of capital policy effective 7/1/89 State Plan, Attachment 4.19D		

WHITE OAK ESTATES
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-WOE-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	366,073	
	Cost of Capital		9,405
	Taxes and Insurance		4,831
	Administration		30,180
	Legal		299
	Maintenance		9,786
	Utilities		7,006
	Laundry		3,833
	Housekeeping		9,951
	Dietary		290,782
	To correct DH&HS stepdown HIM-15-1, Section 2102.3		
7	Nonallowable	5,677	
	Cost of Capital		5,677
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		<u> </u>	<u> </u>
	TOTAL ADJUSTMENTS	\$ <u>787,122</u>	\$ <u>787,122</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 ESTATES
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2001
 AC# 3-WOE-J1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.4607</u>
Deemed Asset Value (Per Bed)	38,431
Number of Beds	<u>88</u>
Deemed Asset Value	3,381,928
Improvements Since 1981	336,701
Accumulated Depreciation at 9/30/01	<u>(1,176,056)</u>
Deemed Depreciated Value	2,542,573
Market Rate of Return	<u>.0577</u>
Total Annual Return	146,706
Return Applicable to Non-Reimbursable Cost Centers	(8,857)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>5,174</u>
Allowable Annual Return	143,023
Depreciation Expense	78,705
Amortization Expense	-
Capital Related Income Offsets	(5,716)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(9,581)</u>
Allowable Cost of Capital Expense	206,431
Total Patient Days (Minimum 96% Occupancy)	<u>31,435</u>
Cost of Capital Per Diem	\$ <u><u>6.57</u></u>

2 copies of this document were published at an estimated printing cost of \$1.35 each, and a total printing cost of \$2.70. The FY 2004-05 Appropriation Act requires that this information on printing costs be added to the document.