

**REPORT
ON THE
HOME OFFICE AUDIT**

**MORGAN'S TLC
LINDSAY, CALIFORNIA**

**FISCAL PERIOD ENDED
DECEMBER 31, 2011**

**Audits Section—Fresno
Financial Audits Branch
Audits and Investigations
Department of Health Care Services**

**Section Chief: Michael Harrold
Auditor: Emilee Hogg**



TOBY DOUGLAS
DIRECTOR

State of California—Health and Human Services Agency
Department of Health Care Services



EDMUND G. BROWN JR.
GOVERNOR

June 27, 2013

Pamela Steele, Owner
Morgan's TLC
21556 Avenue 200
Lindsay, CA 93247

MORGAN'S TLC
FISCAL PERIOD ENDED DECEMBER 31, 2011

We have examined the Medi-Cal Home Office Cost Report for the fiscal period ended December 31, 2011. Our examination was made under the authority of Section 14170 of the Welfare and Institutions Code and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the data presented in the Comparison of Reported and Audited Home Office Cost represents a proper determination of home office allowable costs for the above fiscal period in accordance with Medi-Cal reimbursement principles. The audited home office cost will be incorporated, by separate adjustment, into each applicable facility audit report.

This audit report includes the:

1. Comparison of Reported and Audited Home Office Cost and supporting schedules
2. Audit Adjustments Schedule

If you disagree with the decision of the Department, the results of the home office audit may only be appealed through each individual facility's audit report. Please refer to the appeal instructions in each facility's audit report.

Pamela Steele
Page 2

If you have questions regarding this report, you may call the Audits Section—Fresno at (559) 446-2458.

Original Signed by

Michael A. Harrold, Chief
Audits Section—Fresno
Financial Audits Branch

Certified

TABLE OF CONTENTS

SCHEDULES

- 1 - COMPARISON OF REPORTED AND AUDITED HOME OFFICE COST**
- 2 - SUMMARY OF DIRECT AND ALLOCATED POOL COST**
- 3 - ALLOCATION OF POOLED EXPENSES**
- 4 - DIRECT ALLOCATION OF EXPENSES TO CHAIN COMPONENTS**
- 5 - STATEMENT OF REIMBURSABLE COSTS**

COMPARISON OF REPORTED AND AUDITED
HOME OFFICE COST

HOME OFFICE:
MORGAN'S TLC

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

CHAIN COMPONENTS 1	NPI NUMBER 2	FISCAL YEAR END 3	REPORTED COST 4	AUDITED COST 5	VARIANCE 6
-----------------------	--------------------	-------------------------	-----------------------	----------------------	---------------

(From Sch 2, Col 6) (Col 5 - Col 4)

1.	MORGAN'S HOME- LINDLEY	1235354499	12/31/11	\$59,349	\$50,066	(\$9,283)
2.	MORGAN'S HOME- KANAI	1457577322	12/31/11	55,222	46,821	(8,401)
3.	MORGAN'S HOME- MEMORY LANE	1679759450	12/31/11	67,418	56,899	(10,519)
4.					0	0
5.					0	0
6.					0	0
7.					0	0
8.					0	0
9.					0	0
10.					0	0
11.					0	0
12.					0	0
13.					0	0
14.					0	0
15.					0	0
16.					0	0
17.					0	0
18.					0	0
19.					0	0
20.					0	0
21.					0	0
22.					0	0
23.					0	0
24.					0	0
25.					0	0

TOTALS

				\$181,989	\$153,785	(\$28,204)
--	--	--	--	-----------	-----------	------------

SUMMARY OF DIRECT AND ALLOCATED POOL COST

HOME OFFICE:
MORGAN'S TLC

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

CHAIN COMPONENTS 1	NPI NUMBER 2	FISCAL YEAR END 3	DIRECT EXPENSES 4	POOLED EXPENSES 5	TOTAL DIRECT & POOLED FACILITY EXPENSE 6
			(From Sch 4)	(From Sch 3)	(Col 4 + Col 5)
1. MORGAN'S HOME- LINDLEY	1235354499	12/31/11	\$0	\$50,066	\$50,066
2. MORGAN'S HOME- KANAI	1457577322	12/31/11	133	46,688	46,821
3. MORGAN'S HOME- MEMORY LANE	1679759450	12/31/11	0	56,899	56,899
4.			0	0	0
5.			0	0	0
6.			0	0	0
7.			0	0	0
8.			0	0	0
9.			0	0	0
10.			0	0	0
11.			0	0	0
12.			0	0	0
13.			0	0	0
14.			0	0	0
15.			0	0	0
16.			0	0	0
17.			0	0	0
18.			0	0	0
19.			0	0	0
20.			0	0	0
21.			0	0	0
22.			0	0	0
23.			0	0	0
24.			0	0	0
25.			0	0	0
TOTALS			\$133	\$153,652	\$153,785

(To Sch 1)

ALLOCATION OF POOLED EXPENSES

HOME OFFICE:
MORGAN'S TLC

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

PART I - ALLOCATION BETWEEN PROVIDER AND NONPROVIDER COMPONENTS

FACILITY	Allocation Statistics Base: Accumulated Cost 1	Percent 2	Allocation Pool Expenses 3
Program Services (Adj 1)	181,988	100.0000%	\$153,652
Nonprogram Services (Adj)		0.0000%	0
TOTAL	181,988	100.0000%	\$153,652

(From Sch 5)

PART II - ALLOCATION TO INDIVIDUAL CHAIN COMPONENTS

CHAIN COMPONENTS	NPI NUMBER	Audit Adjustment	Allocation Statistic: (Client Days)	Allocated Pool Expense (Col 2 X UCM)
1. MORGAN'S HOME- LINDLEY	1235354499		1,927	\$50,066
2. MORGAN'S HOME- KANAI	1457577322	17	1,797	46,688
3. MORGAN'S HOME- MEMORY LANE	1679759450	17	2,190	56,899
4.				0
5.				0
6.				0
7.				0
8.				0
9.				0
10.				0
11.				0
12.				0
13.				0
14.				0
15.				0
16.				0
17.				0
18.				0
19.				0
20.				0
21.				0
22.				0
23.				0
24.				0
25.				0

TOTALS

5,914 \$153,652

(To Sch 2)

UNIT COST MULTIPLIER (UCM) (Pooled Expenses/Patient Days)	25.981062
---	-----------

DIRECT ALLOCATION OF EXPENSES TO CHAIN COMPONENTS

HOME OFFICE:
MORGAN'S TLC

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

CHAIN COMPONENTS 1	NPI NUMBER	REPORTED TOTAL (Col F) 2	Expense Directly Allocable to Chain Component				AUDITED TOTAL 7
			Utilities Expense 3 (Adj 2)	specify expense 4 (Adj)	specify expense 5 (Adj)	specify expense 6 (Adj)	
1. MORGAN'S HOME- LINDLEY	1235354499	\$0	\$0	\$0	\$0	\$0	\$0
2. MORGAN'S HOME- KANAI	1457577322	0	133	0	0	0	133
3. MORGAN'S HOME- MEMORY LANE	1679759450	0	0	0	0	0	0
4.		0	0	0	0	0	0
5.		0	0	0	0	0	0
6.		0	0	0	0	0	0
7.		0	0	0	0	0	0
8.		0	0	0	0	0	0
9.		0	0	0	0	0	0
10.		0	0	0	0	0	0
11.		0	0	0	0	0	0
12.		0	0	0	0	0	0
13.		0	0	0	0	0	0
14.		0	0	0	0	0	0
15.		0	0	0	0	0	0
16.		0	0	0	0	0	0
17.		0	0	0	0	0	0
18.		0	0	0	0	0	0
19.		0	0	0	0	0	0
20.		0	0	0	0	0	0
21.		0	0	0	0	0	0
22.		0	0	0	0	0	0
23.		0	0	0	0	0	0
24.		0	0	0	0	0	0
25.		0	0	0	0	0	0
TOTALS		\$0	\$133	\$0	\$0	\$0	\$133

(To Sch 2)

STATEMENT OF REIMBURSABLE COSTS

HOME OFFICE:
MORGAN'S TLCFISCAL PERIOD ENDED:
DECEMBER 31, 2011

ACCOUNT DESCRIPTION 1	REPORTED POOLED COSTS 2	COST AUDIT ADJUSTMENTS 3	AUDITED POOLED COSTS 4	DIRECT COST 5
		(Adj 2-16)	(Col 2 + Col 3)	(Adj 2)
1. Salaries-Officers	\$120,000	\$0	\$120,000	\$0
2. Salaries-Other	0	0	0	0
3. Payroll Taxes	0	0	0	0
4. Employee Benefits	1,266	0	1,266	0
5. Travel	0	0	0	0
6. Entertainment	0	0	0	0
7. Automobile	5,189	(5,189)	0	0
8. Depreciation-Building	0	0	0	0
9. Depreciation-Equipment	0	0	0	0
10. Other Depreciation and Amortization	0	0	0	0
11. Leases and Rentals	2,843	(1,395)	1,448	0
12. Interest-Mortgages	0	0	0	0
13. Interest-Other	0	0	0	0
14. Taxes and Licenses	0	0	0	0
15. Legal and Accounting	6,850	(1,895)	4,955	0
16. Insurance	12,437	(12,437)	0	0
17. Telephone	3,824	0	3,824	0
18. Utilities	3,011	(263)	2,748	133
19. Office Supplies	4,280	(300)	3,980	0
20. Nonprogram	0	0	0	0
21. Other	717	(517)	200	0
22. Advertising	671	0	671	0
23. Bank Charges	42	0	42	0
24. Business Meals	0	0	0	0
25. Security	0	0	0	0
26. Postage	241	0	241	0
27. Training	0	0	0	0
28. Consultants	0	0	0	0
29. Dues and Subscriptions	0	0	0	0
30. Groceries	2,321	0	2,321	0
31. Home Operations and Maintenance	6,663	(4,052)	2,611	0
32. Security	11,631	(2,286)	9,345	0
33.	0	0	0	0
34.	0	0	0	0
TOTAL EXPENSES	\$181,986	(\$28,334)	\$153,652	\$133
			(To Sch 3)	(To Sch 4)

Provider Name							Fiscal Period			Provider NPI		Adjustments
MORGAN'S TLC							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011			N/A		17
Report References							Explanation of Audit Adjustments			As Reported	Increase (Decrease)	As Adjusted
Adj. No.	Audit Report	Cost Report										
		Work Sheet	Part	Title	Line	Col.						
<u>MEMORANDUM ADJUSTMENT</u>												
1	3	5	I		1.00	1	Program Services (Accumulated Cost) To include accumulated cost statistics for program services in order for pooled costs to be properly allocated to the using facilities. 42 CFR 413.17, 413.20 and 413.24 CMS Pub. 15-1, Sections 2150, 2300 and 2304			0	181,988	181,988

Provider Name							Fiscal Period			Provider NPI		Adjustments
MORGAN'S TLC							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011			N/A		17
Report References							Explanation of Audit Adjustments			As Reported	Increase (Decrease)	As Adjusted
Cost Report												
Adj. No.	Audit Report	Work Sheet	Part	Title	Line	Col.						
RECLASSIFICATION OF REPORTED COSTS												
2	5	2			18.00	6	Pooled Costs - Utilities	\$3,011	(\$133)	\$2,878 *		
	4	4			2.00	2	Direct Costs - Utilities - Kanai	0	133	133		
							To reclassify utilities expense related to Kanai to direct costs.					
							42 CFR 413.17 / CMS Pub. 15-1, Section 2150					

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments
MORGAN'S TLC							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	N/A		17
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Adj. No.	Audit Report	Cost Report								
		Work Sheet	Part	Title	Line	Col.				
<u>ADJUSTMENTS TO REPORTED COSTS</u>										
3	5	2			7.00	6	Pooled Costs - Automobile To eliminate automobile expense due to lack of documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	\$5,189	(\$5,189)	\$0
4	5	2			11.00	6	Pooled Costs - Leases and Rentals To eliminate lease and rent expense due to lack of documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	\$2,843	(\$1,395)	\$1,448
5	5	2			15.00	6	Pooled Costs - Legal and Accounting To eliminate two months of accounting fees to allow 12 months of expense rather than 14 as reported. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	\$6,850	(\$760)	\$6,090 *
6	5	2			15.00	6	Pooled Costs - Legal and Accounting * To eliminate legal and accounting fees due to insufficient documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	\$6,090	(\$1,135)	\$4,955
7	5	2			16.00	6	Pooled Costs - Insurance To eliminate insurance expense due to lack of documentation, insufficient documentation and for items not related to the audit period. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	\$12,437	(\$12,437)	\$0
8	5	2			18.00	6	Pooled Costs - Utilities * To eliminate utilities expense due to lack of documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	\$2,878	(\$130)	\$2,748
9	5	2			19.00	6	Pooled Costs - Office Supplies To eliminate office supplies expense due to lack of documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	\$4,280	(\$300)	\$3,980
*Balance carried forward from prior/to subsequent adjustments										Page 3

Provider Name							Fiscal Period			Provider NPI		Adjustments
MORGAN'S TLC							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011			N/A		17
Report References												
Adj. No.	Audit Report	Cost Report					Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted		
		Work Sheet	Part	Title	Line	Col.						
<u>ADJUSTMENTS TO REPORTED COSTS</u>												
	5	2			21.00	6	Pooled Costs - Other	\$717				
10							To eliminate overpayment related to the 12/31/09 Lindley audit as not related to patient care. 42 CFR 413.9(c)(3), 413.20 and 413.24 CMS Pub. 15-1, Sections 2102.3, 2300 and 2304		(\$217)			
11							To eliminate a late payment penalty paid to a Workers Compensation TICF assessment. 42 CFR 413.9(c)(3), 413.20 and 413.24 CMS Pub. 15-1, Sections 2102.3, 2105.10, 2300 and 2304		(50)			
12							To eliminate Workers Compensation TICF Assessment not related to the audit period. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304		<u>(250)</u> (\$517)	\$200		
13	5	2			31.00	6	Pooled Costs - Home Operations and Maintenance To eliminate expense due to lack of documentation 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	\$6,663	(\$1,987)	\$4,676 *		
14	5	2			31.00	6	Pooled Costs - Home Operations and Maintenance To eliminate expense related to civil penalties. 42 CFR 413.9(c)(3), 413.20 and 413.24 CMS Pub. 15-1, Sections 2102.3, 2105.10, 2300 and 2304	* \$4,676	(\$2,065)	\$2,611		
15	5	2			32.00	6	Pooled Costs - Security To eliminate expense due to lack of documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	\$11,631	(\$1,911)	\$9,720 *		
16	5	2			32.00	6	Pooled Costs - Security To eliminate expense due to insufficient documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	* \$9,720	(\$375)	\$9,345		
*Balance carried forward from prior/to subsequent adjustments										Page	4	

Provider Name							Fiscal Period			Provider NPI		Adjustments
MORGAN'S TLC							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011			N/A		17
Report References							Explanation of Audit Adjustments			As Reported	Increase (Decrease)	As Adjusted
Cost Report												
Adj. No.	Audit Report	Work Sheet	Part	Title	Line	Col.						
<u>ADJUSTMENT TO REPORTED STATISTICS</u>												
17	3	5	II		2.00	2	Morgan's Home - Kanai (Client Days)	1,793	4	1,797		
	3	5	II		3.00	2	Morgan's Home - Memory Lane	2,189	1	2,190		
							To adjust client day statistics to agree with audit findings. 42 CFR 413.17, 413.20 and 413.24 CMS Pub. 15-1, Sections 2150, 2300 and 2304					