

**REPORT  
ON THE  
RATE SETTING AUDIT**

**PETALUMA ICF/DDH  
SONOMA, CALIFORNIA  
NATIONAL PROVIDER IDENTIFIER: 1265596373**

**FISCAL PERIOD ENDED  
DECEMBER 31, 2011**

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

**Section Chief: Louise Wong  
Audit Supervisor: Jesse Duran  
Auditor: Marilyn Clark**



TOBY DOUGLAS  
DIRECTOR

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



EDMUND G. BROWN JR.  
GOVERNOR

June 28, 2013

Benjamin Cabie, Jr.  
Owner/Administrator  
Petaluma ICF/DDH  
226 Merced Drive  
San Bruno, CA 94066

PETALUMA ICF/DDH  
NATIONAL PROVIDER IDENTIFIER (NPI) 1265596373  
FISCAL PERIOD ENDED DECEMBER 31, 2011

We have examined the facility's financial records/Medi-Cal Cost Report for the above-referenced fiscal period. 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 accompanying audit report schedules represent a proper determination of the allowable costs and patient days for the above fiscal period in accordance with Medi-Cal reimbursement principles. The results of our examination are as follows:

<u>COST AND COST PER DAY</u>		<u>COST</u>	<u>COST PER DAY</u>
Reported Cost/Cost Per Day	\$	436,413	\$ 149.46
Net Audit Adjustment		(98,389)	(33.70)
Audited Cost/Cost Per Day	\$	<u>338,024</u>	\$ <u>115.76</u>

This audit report includes the:

1. Audit Report Schedules 1 and 2
2. Audit Adjustments Schedule

Future Medi-Cal long-term care prospective rates may be affected by this examination. The extent to which the rates change will be determined by the Department's Fee-For-Service Rates Development Division.

Benjamin Cabie, Jr.  
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Notwithstanding this audit report, overpayments to the provider are subject to recovery pursuant to Section 51458.1, Article 6 of Division 3, Title 22, California Code of Regulations.

If you disagree with the decision of the Department, you may appeal by writing to:

John Melton, Chief  
Department of Health Care Services  
Office of Administrative Hearings and Appeals  
1029 J Street, Suite 200  
Sacramento, CA 95814  
(916) 322-5603

The written notice of disagreement must be received by the Department within 60 calendar days from the day you receive this letter. A copy of this notice should be sent to:

**United States Postal Service (USPS)**

Assistant Chief Counsel  
Department of Health Care Services  
Office of Legal Services  
MS 0010  
PO Box 997413  
Sacramento, CA 95899

**Courier (UPS, FedEx, etc.)**

Assistant Chief Counsel  
Department of Health Care Services  
Office of Legal Services  
MS 0010  
1501 Capitol Avenue, Suite 71.5001  
Sacramento, CA 95814  
(916) 440-7700

The procedures that govern an appeal are contained in Welfare and Institutions Code, Section 14171, and California Code of Regulations, Title 22, Section 51016, et seq.

If you have questions regarding this report, you may call the Audits Section—Richmond at (510) 620-3100.

Original Signed by

Louise Wong, Chief  
Audits Section—Richmond  
Financial Audits Branch

Certified

**SUMMARY OF AUDITED FACILITY CENSUS  
AND AUDITED CLIENT COST PER DAY**

**Provider:**  
PETALUMA ICF/DDH

**Fiscal Period:**  
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

**Provider NPI:**  
1265596373

**SUMMARY OF AUDITED FACILITY CENSUS  
AND AUDITED CLIENT COST PER DAY**

	<b>AS REPORTED</b>	<b>AS AUDITED</b>
1. Medi-Cal Client Days (Adj 14)	2,920	0
2. Medi-Cal Managed Care Days (Adj 14)	0	2,920
3. Other Client Days (Adj )	0	0
4. Total Client Days	<u>2,920</u>	<u>2,920</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>436,413</u>	\$ <u>338,024</u>
6. AVERAGE CLIENT COST PER DAY (Line 5 / Line 4)	\$ <u>149.46</u>	\$ <u>115.76</u>

**SHARE OF COST**

1. Share of Cost Audit Adjustment (Adj )	\$ <u>NA</u>	\$ <u>0</u>
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**OVERPAYMENTS**

1. Duplicate Payments (Adj )	\$ <u>0</u>	\$ <u>0</u>
2. Credit Balances (Adj )	\$ <u>0</u>	\$ <u>0</u>
3. Total Overpayments	\$ <u>0</u>	\$ <u>0</u>

## SUMMARY OF AUDITED FACILITY EXPENSES

Provider:  
PETALUMA ICF/DDH

Fiscal Period:  
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

Provider NPI:  
1265596373

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	<b>EXPENSES: CLIENT SERVICES</b>				
	<b>Basic Facility Cost - Property Expenses</b>				
045	Depreciation and Amortization	4	\$ 0	\$ 10,000	\$ 10,000
050	Leases and Rentals	3	54,000	(54,000)	0
055	Real Property Taxes	4	0	7,074	7,074
060	Personal Property Taxes		0	0	0
065	Mortgage Interest	4	0	23,134	23,134
070	Property Insurance		0	0	0
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 54,000	\$ (13,792)	\$ 40,208
	<b>Basic Facility Cost - General Home Expenses</b>				
080	Home Operations and Maintenance	5	\$ 20,656	\$ (650)	\$ 20,006
085	Utilities		5,811	0	5,811
090	Client Transportation (excluding Adult Day Services)	2	6,094	962	7,056
095	Dietary		12,943	0	12,943
100	Personal Care and Laundry		217	0	217
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 45,721	\$ 312	\$ 46,033
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 99,721	\$ (13,480)	\$ 86,241
	<b>EXPENSES: DIRECT CARE STAFF COSTS</b>				
115	QMRP Salaries		\$ 0	\$ 0	\$ 0
120	QMRP Fringe Benefits		0	0	0
125	Lead Salaries		0	0	0
130	Lead Fringe Benefits		0	0	0
135	Aides Salaries		105,393	0	105,393
140	Aides Fringe Benefits	6, 12	28,086	(5,220)	22,866
145	Other Salaries		0	0	0
150	Other Fringe Benefits		0	0	0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 133,479	\$ (5,220)	\$ 128,259

## SUMMARY OF AUDITED FACILITY EXPENSES

Provider:  
PETALUMA ICF/DDH

Fiscal Period:  
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

Provider NPI:  
1265596373

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	<b>EXPENSES: CONSULTANT COSTS</b>				
160	Dietician Consultant		\$ 0	\$ 0	\$ 0
165	Speech Pathology Consultant		0	0	0
170	Physical Therapy Consultant		0	0	0
175	Occupational Therapy Consultant		0	0	0
180	Pharmacist Consultant		0	0	0
185	Nurse Consultant		11,520	0	11,520
190	Psychologist Consultant		6,600	0	6,600
195	Physician Consultant		0	0	0
200	Recreational Consultant		0	0	0
205	Social Service Consultant		0	0	0
210	Other Consultant	1	6,320	(200)	6,120
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 24,440	\$ (200)	\$ 24,240
	<b>EXPENSES: ADMINISTRATIVE COSTS</b>				
220	Administrative Salaries **	7	\$ 120,000	\$ (60,990)	\$ 59,010
225	Administrative Fringe Benefits	8, 12	10,713	(6,177)	4,536
226	Quality Assurance Fees (excluding Adult Day Services)		24,347	0	24,347
230	Other General and Administrative*** (excluding Adult Day Services)	1, 2, 9, 10, 11, 13	23,713	(12,322)	11,391
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 178,773	\$ (79,489)	\$ 99,284
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 436,413	\$ (98,389)	\$ 338,024
	<b>NON-CLIENT CARE EXPENSES</b>		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$ 0	\$ 0	\$ 0
241	Adult Day Services and Related Transportation		92,424	0	92,424
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235, 240 and 241)		\$ 528,837	\$ (98,389)	\$ 430,448

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\*\* List only direct administrative salaries incurred at the facility level

\*\*\* List allocated administrative costs on Line 230

Provider Name							Fiscal Period	Provider NPI	Adjustments	
PETALUMA ICF/DDH							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1265596373	14	
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Cost Report			Audit Report							
Adj. No.	DHS 3076 Page or Exhibit	Line	Col.	Sch.	Line	Col.				
<b><u>RECLASSIFICATIONS OF REPORTED COSTS</u></b>										
1	4.1	210	4	2	210	3	Other Consultant	\$6,320	(\$200)	\$6,120
	4.1	230	4	2	230	3	Other General and Administrative To reclassify medical billing fees to the appropriate cost center for proper cost determination 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.4, and 2302.8	23,713	200	23,913 *
2	4.1	230	4	2	230	3	Other General and Administrative	* \$23,913	(\$962)	\$22,951 *
	4	090	4	2	090	3	Client Transportation To reclassify auto insurance expense to the appropriate cost center for proper cost determination. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.4, and 2302.8	6,094	962	7,056

\*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments
PETALUMA ICF/DDH							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1265596373		14
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Adj. No.	Cost Report			Audit Report						
	DHS 3076 Page or Exhibit	Line	Col.	Sch.	Line	Col.				
<b><u>ADJUSTMENTS TO REPORTED COSTS</u></b>										
3	4	050	4	2	050	3	Leases and Rentals To eliminate rental expenses paid to a related party. 42 CFR 413.17, 413.134(h), 413.20, and 413.24 CMS Pub. 15-1, Sections 1005, 1011.4, 1011.5, 2300, and 2304	\$54,000	(\$54,000)	\$0
4	4	045	4	2	045	3	Depreciation and Amortization	\$0	\$10,000	\$10,000
	4	055	4	2	055	3	Real Property Taxes	0	7,074	7,074
	4	065	4	2	065	3	Mortgage Interest To include costs of ownership in lieu of related party lease expenses. 42 CFR 413.17, 413.134(h), 413.20, and 413.24 CMS Pub. 15-1, Sections 1005, 1011.4, 1011.5, 2300, and 2304	0	23,134	23,134
5	4	080	4	2	080	3	Home Operations and Maintenance To eliminate home repairs and maintenance expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$20,656	(\$650)	\$20,006
6	4.1	140	4	2	140	3	Aides Fringe Benefits To adjust workmen's compensation insurance to agree with the provider's supporting document. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$28,086	(\$3,914)	\$24,172 *
7	4.1	220	4	2	220	3	Administrative Salaries To adjust owners' compensation based on actual hours worked. 42 CFR 413.102 CMS Pub. 15-1, Sections 900 - 907, 1005, and 2102.1	\$120,000	(\$60,990)	\$59,010

\*Balance carried forward from prior/to subsequent adjustments

Provider Name			Fiscal Period				Provider NPI		Adjustments	
PETALUMA ICF/DDH			JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				1265596373		14	
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Adj. No.	Cost Report			Audit Report						
	DHS 3076 Page or Exhibit	Line	Col.	Sch.	Line	Col.				
<b><u>ADJUSTMENTS TO REPORTED COSTS</u></b>										
8	4.1	225	4	2	225	3	Administrative Fringe Benefits To eliminate employee benefits associated with the owners' compensation in conjunction with adjustment 7. 42 CFR 413.102 CMS Pub. 15-1, Sections 900 - 907, 1005, and 2102.1	\$10,713	(\$5,445)	\$5,268 *
9	4.1	230	4	2	230	3	Other General and Administrative To reflect the proper accrual of insurance expenses applicable to the audit period. 42 CFR 413.5 and 413.24 CMS Pub. 15-1, Sections 2300 and 2302.1	* \$22,951	(\$3,606)	\$19,345 *
10	4.1	230	4	2	230	3	Other General and Administrative To eliminate penalty imposed by the Department of Public Health not related to patient care. 42 CFR 413.9(c)(3) CMS Pub. 15-1, Sections 2102.2 and 2102.3	* \$19,345	(\$6,000)	\$13,345 *
11	4.1	230	4	2	230	3	Other General and Administrative To eliminate state income tax not related to patient care. 42 CFR 413.9, 413.20, and 413.24 CMS Pub. 15-1, Sections 2122.2A, 2122.2B, 2300, and 2304	* \$13,345	(\$800)	\$12,545 *
12	4.1	140	4	2	140	3	Aides Fringe Benefits	* \$24,172	(\$1,306)	\$22,866
	4.1	225	4	2	225	3	Administrative Fringe Benefits To abate refund of excess payroll taxes payment against the related costs. 42 CFR 413.5 and 413.9 CMS Pub. 15-1, Sections 2302.5 and 2328 CMS Pub. 15-2, Section 3613	* 5,268	(732)	4,536

\*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments	
PETALUMA ICF/DDH							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1265596373		14	
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
Cost Report			Audit Report								
Adj. No.	DHS 3076 Page or Exhibit	Line	Col.	Sch.	Line	Col.					
<b><u>ADJUSTMENTS TO REPORTED COSTS</u></b>											
13	4.1	230	4	2	230	3	Other General and Administrative To eliminate vehicle expenses of another facility, renewal penalty and expense not applicable to the current fiscal year. 42 CFR 413.5, 413.9(c)(3), 413.20, and 413.24 CMS Pub. 15-1, Sections 2102.1, 2102.2, 2102.3, 2300, and 2304 W&I Code 14124.2(b)	*	\$12,545	(\$1,154)	\$11,391

\*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period		Provider NPI		Adjustments
PETALUMA ICF/DDH							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011		1265596373		14
Report References							Explanation of Audit Adjustments				
Cost Report			Audit Report								
Adj. No.	DHS 3076 Page or Exhibit	Line	Col.	Sch.	Line	Col.	As Reported	Increase (Decrease)	As Adjusted		
<b><u>ADJUSTMENT TO REPORTED PATIENT DAYS</u></b>											
14	2	3	1	1	1	N/A	Medi-Cal Client Days	2,920	(2,920)	0	
	2	3	2	1	2	N/A	Medi-Cal Managed Care Days	0	2,920	2,920	
							To reclassify the reported Medi-Cal patient days as the provider is paid by Partnership Health Plan of California, a managed care county plan. 42 CFR 413.20 and 413.50 CMS Pub. 15-1, Sections 2205 and 2304				