

**REPORT
ON THE
RATE SETTING AUDIT**

**SAFE HARBOR RESIDENTIAL SERVICES -
MAGNOLIA
HANFORD, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER:
1801018908
FISCAL PERIOD ENDED
DECEMBER 31, 2011**

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

**Section Chief: Michael Harrold
Audit Supervisor: Linda King
Auditor: Pawandeep Boparai**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

June 26, 2013

Gwendolyn Smith
Corporate Officer
Safe Harbor Residential Services
318 E 4th St
Hanford, CA 93230

SAFE HARBOR RESIDENTIAL SERVICES – MAGNOLIA
NATIONAL PROVIDER IDENTIFIER (NPI) 1801018908
FISCAL PERIOD ENDED DECEMBER 31, 2011

We have examined the facility's financial records/Medi-Cal Cost Report for the above-referenced fiscal period. We also examined the facility's use of and Records of Noncovered Services deducted from Share of Cost. 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, patient days, and use of share of cost 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	\$	352,979	\$ 161.25
Net Audit Adjustment		(31,671)	(14.53)
Audited Cost/Cost Per Day	\$	<u>321,308</u>	\$ <u>146.72</u>

This audit report includes the:

1. Audit Report Schedules 1 and 2
2. Audit Adjustments that include a summary of the total due the state in the amount of \$937, which resulted from Medi-Cal overpayments
3. Audited Allocation of Home Office Cost

The audit settlement will be incorporated into a Statement of Account Status, which may reflect tentative retroactive adjustment determinations, payments from the provider, and other financial transactions initiated by the Department. The Statement of Account Status will be forwarded to the provider by the State's fiscal intermediary. Instructions regarding payment will be included with the Statement of Account Status.

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 Medi-Cal Benefits, Waiver Analysis and Rates Division.

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:

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.

Gwendolyn Smith
Page 3

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

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

Provider:
SAFE HARBOR RESIDENTIAL SERVICES - MAGNOLIA

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

Provider NPI:
1801018908

SUMMARY OF AUDITED FACILITY CENSUS AND AUDITED CLIENT COST PER DAY	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj 8)	2,189	2,190
2. Medi-Cal Managed Care Days (Adj)	0	0
3. Other Client Days (Adj)	0	0
4. Total Client Days	<u>2,189</u>	<u>2,190</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>352,979</u>	\$ <u>321,308</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>161.25</u>	\$ <u>146.72</u>
SHARE OF COST		
1. Share of Cost Audit Adjustment (Adj 9)	\$ <u>NA</u>	\$ <u>(937)</u>
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:
SAFE HARBOR RESIDENTIAL SERVICES - MAGNOLIA

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

Provider NPI:
1801018908

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	EXPENSES: CLIENT SERVICES				
	Basic Facility Cost - Property Expenses				
045	Depreciation and Amortization		\$ 0	\$	\$ 0
050	Leases and Rentals		0		0
055	Real Property Taxes	1	(1,663)	3,317	1,654
060	Personal Property Taxes		0		0
065	Mortgage Interest		583		583
070	Property Insurance	3	3,714	(168)	3,546
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 2,634	\$ 3,149	\$ 5,783
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance	5,6	\$ 12,520	\$ (442)	\$ 12,078
085	Utilities		7,842		7,842
090	Client Transportation (excluding Adult Day Services)	4	5,384	(2,700)	2,684
095	Dietary	2	14,100	(514)	13,586
100	Personal Care and Laundry	2	0	514	514
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 39,846	\$ (3,142)	\$ 36,704
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 42,480	\$ 7	\$ 42,487
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		\$ 11,394	\$	\$ 11,394
120	QMRP Fringe Benefits		4,007		4,007
125	Lead Salaries		8,011		8,011
130	Lead Fringe Benefits		2,859		2,859
135	Aides Salaries		120,754		120,754
140	Aides Fringe Benefits		33,635		33,635
145	Other Salaries		12,307		12,307
150	Other Fringe Benefits		2,779		2,779
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 195,746	\$ 0	\$ 195,746

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
SAFE HARBOR RESIDENTIAL SERVICES - MAGNOLIA

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

Provider NPI:
1801018908

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant		\$ 724	\$	\$ 724
165	Speech Pathology Consultant		0		0
170	Physical Therapy Consultant		0		0
175	Occupational Therapy Consultant		0		0
180	Pharmacist Consultant		130		130
185	Nurse Consultant		4,207		4,207
190	Psychologist Consultant		0		0
195	Physician Consultant		0		0
200	Recreational Consultant		1,500		1,500
205	Social Service Consultant		0		0
210	Other Consultant		0		0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 6,561	\$ 0	\$ 6,561
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries **		\$ 16,283	\$	\$ 16,283
225	Administrative Fringe Benefits		3,918		3,918
226	Quality Assurance Fees (excluding Adult Day Services)	1	23,470	(3,317)	20,153
230	Other General and Administrative*** (Excluding Adult Day Services)	7	64,521	(28,361)	36,160
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 108,192	\$ (31,678)	\$ 76,514
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 352,979	\$ (31,671)	\$ 321,308
	NON-CLIENT CARE EXPENSES		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$ 0	\$	\$ 0
241	Adult Day Services and Related Transportation		0		0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235, 240 and 241)		\$ 352,979	\$ (31,671)	\$ 321,308

Page 2 of 2

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

*** List allocated administrative costs on Line 230

Provider Name							Fiscal Period	Provider NPI	Adjustments		
SAFE HARBOR RESIDENTIAL SERVICES - MAGNOLIA							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1801018908	9		
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					
<u>RECLASSIFICATIONS OF REPORTED COSTS</u>											
1	4	55	4	2	55	2	Real Property Taxes	(\$1,663)	\$3,317	\$1,654	
	4.1	226	4	2	226	2	Quality Assurance Fees	23,470	(3,317)	20,153	
							To reclassify quality assurance fees credit to the appropriate cos center.				
							42 CFR 413.20 and 413.24				
							CMS Pub. 15-1, Sections 2300 and 2304				
2	4	95	4	2	95	2	Dietary	\$14,100	(\$514)	\$13,586	
	4	100	4	2	100	2	Personal Care and Laundry	0	514	514	
							To reclassify personal care and laundry costs to the appropriate cost center for proper cost determination.				
							42 CFR 413.20 and 413.24				
							CMS Pub. 15-1, Sections 2300 and 2304				

Provider Name							Fiscal Period	Provider NPI		Adjustments
SAFE HARBOR RESIDENTIAL SERVICES - MAGNOLIA							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1801018908		9
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				
<u>ADJUSTMENTS TO REPORTED COSTS</u>										
3	4	70	4	2	70	2	Property Insurance To adjust property insurance expense to agree with the provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$3,714	(\$168)	\$3,546
4	4	90	4	2	90	2	Client Transportation To eliminate related party auto lease expense. 42 CFR 413.17, 413.20 and 413.24 CMS Pub. 15-1, Sections 1000, 1005, 2300 and 2304	\$5,384	(\$2,700)	\$2,684
5	4	80	4	2	80	2	Home Operations and Maintenance To eliminate prescription drugs costs not included in the rate. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 CCR, Title 22, Section 51510.2(b)	\$12,520	(\$122)	\$12,398 *
6	4	80	4	2	80	2	Home Operations and Maintenance To eliminate facility supplies - other expense due to lack of documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 W&I Code 14124.2(b)	* \$12,398	(\$320)	\$12,078
7	4.1	230	4	2	230	3	Other General and Administrative To adjust home office costs to agree with the Safe Harbor Residential Services, Inc. Home Office Audit Report for fiscal period ended December 31, 2011. 42 CFR 413.17 CMS Pub. 15-1, Sections 2150.2 and 2304	64,521	(28,361)	36,160

*Balance carried forward from prior/to subsequent adjustments

Provider Name				Fiscal Period				Provider NPI		Adjustments
SAFE HARBOR RESIDENTIAL SERVICES - MAGNOLIA				JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				1801018908		9
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				
<u>ADJUSTMENT TO REPORTED CLIENT DAYS</u>										
8	2	3	1	1	1	2	Medi-Cal Days To adjust total client days to agree with the provider's client census reports. 42 CFR 413.20, 413.24 and 413.50 CMS Pub. 15-1, Sections 2205, 2300 and 2304	2,189	1	2,190

Provider Name				Fiscal Period				Provider NPI		Adjustments
SAFE HARBOR RESIDENTIAL SERVICES - MAGNOLIA				JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				1801018908		9
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				
<u>ADJUSTMENT TO OTHER MATTERS</u>										
9	N/A			1	1	2	Amount Due State To recover overbillings for Medi-Cal List of Contract Drugs that were charged to patient share of cost that are separately billable and payable by the Medi-Cal program. CCR, Title 22, Sections 51313(b) and 51510.2(b)(4)	\$0	\$937	\$937