

**REPORT
ON THE
RATE SETTING AUDIT**

**SMITH RESIDENTIAL CARE - TERRACE
HANFORD, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1669504510**

**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: Jeanene Lopez**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

May 17, 2013

Catherine Smith, Owner
Smith Residential Care
P.O. Box 1093
Hanford, CA 93232

SMITH RESIDENTIAL CARE - TERRACE
NATIONAL PROVIDER IDENTIFIER (NPI) 1669504510
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	\$	324,000		\$ 147.95
Net Audit Adjustment		<u>(13,209)</u>		<u>(6.04)</u>
Audited Cost/Cost Per Day	\$	<u>310,791</u>		\$ <u>141.91</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 \$1,183, which resulted from Medi-Cal overpayments.

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

Catherine Smith
Page 2

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.

Catherine 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:
SMITH RESIDENTIAL CARE - TERRACE

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

Provider NPI:
1669504510

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

	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj)	2,190	2,190
2. Medi-Cal Managed Care Days (Adj)	0	0
3. Other Client Days (Adj)	0	0
4. Total Client Days	<u>2,190</u>	<u>2,190</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>324,000</u>	\$ <u>310,791</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>147.95</u>	\$ <u>141.91</u>

SHARE OF COST

1. Share of Cost Audit Adjustment (Adj 9)	\$ <u>NA</u>	\$ <u>(1,183)</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:
SMITH RESIDENTIAL CARE - TERRACE

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

Provider NPI:
1669504510

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	2	\$ 3,880	\$ (3,526)	\$ 354
050	Leases and Rentals				0
055	Real Property Taxes		1,765		1,765
060	Personal Property Taxes				0
065	Mortgage Interest	3	5,617	(5,617)	0
070	Property Insurance		946		946
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 12,208	\$ (9,143)	\$ 3,065
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance	4,5	\$ 17,647	\$ (3,140)	\$ 14,507
085	Utilities	6	9,398	(24)	9,374
090	Client Transportation (excluding Adult Day Services)	7	2,126	(392)	1,734
095	Dietary	1	14,071	73	14,144
100	Personal Care and Laundry		482		482
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 43,724	\$ (3,483)	\$ 40,241
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 55,932	\$ (12,626)	\$ 43,306
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		\$ 9,098		\$ 9,098
120	QMRP Fringe Benefits		2,316		2,316
125	Lead Salaries		9,901		9,901
130	Lead Fringe Benefits		2,937		2,937
135	Aides Salaries		108,469		108,469
140	Aides Fringe Benefits		31,731		31,731
145	Other Salaries		13,844		13,844
150	Other Fringe Benefits		4,806		4,806
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 183,102	\$ 0	\$ 183,102

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
SMITH RESIDENTIAL CARE - TERRACE

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

Provider NPI:
1669504510

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant	1,8	\$ 1,007	\$ (513)	\$ 494
165	Speech Pathology Consultant				0
170	Physical Therapy Consultant				0
175	Occupational Therapy Consultant				0
180	Pharmacist Consultant		140		140
185	Nurse Consultant	8	2,895	(70)	2,825
190	Psychologist Consultant				0
195	Physician Consultant				0
200	Recreational Consultant		1,500		1,500
205	Social Service Consultant				0
210	Other Consultant				0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 5,542	\$ (583)	\$ 4,959
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries **		\$ 4,021		\$ 4,021
225	Administrative Fringe Benefits		1,017		1,017
226	Quality Assurance Fees (excluding Adult Day Services)		22,970		22,970
230	Other General and Administrative*** (Excluding Adult Day Services)		51,416		51,416
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 79,424	\$ 0	\$ 79,424
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 324,000	\$ (13,209)	\$ 310,791
	NON-CLIENT CARE EXPENSES		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$	\$	\$ 0
241	Adult Day Services and Related Transportation				0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235, 240 and 241)		\$ 324,000	\$ (13,209)	\$ 310,791

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	
SMITH RESIDENTIAL CARE - TERRACE							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1669504510	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>ADJUSTMENTS TO REPORTED COSTS</u>										
1	4 4.1	095 160	4 4	2 2	095 160	3 3	Dietary Dietician Consultan To reconcile reported expenses to provider's general ledge 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$14,071 1,007	\$73 (100)	\$14,144 907 *
2	4	045	4	2	045	3	Depreciation and Amortization To adjust reported depreciation to agree with provider's depreciation schedule. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$3,880	(\$3,526)	\$354
3	4	065	4	2	065	3	Mortgage Interest To adjust mortgage interest due to insufficient documentation to determine allowability. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$5,617	(\$5,617)	\$0
	4	080	4	2	080	3	Home Operations and Maintenance	\$17,647		
4							To adjust reported expenses for insufficient documentation and not related to the audit period. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		(\$420)	
5							To adjust reported expenses for items that are separately billable, not included in the Medi-Cal daily rate or deducted from client's share of cost. CCR, Title 22, 51510.2		(2,720) (\$3,140)	\$14,507

Provider Name							Fiscal Period	Provider NPI		Adjustments	
SMITH RESIDENTIAL CARE - TERRACE							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1669504510		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>ADJUSTMENTS TO REPORTED COSTS</u>											
6	4	085	4	2	085	3	Utilities To adjust utilities expense for nonallowable late fees and lack of documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2103, 2300 and 2304	\$9,398	(\$24)	\$9,374	
7	4	090	4	2	090	3	Client Transportation To exclude transportation costs related to another facility and for insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$2,126	(\$392)	\$1,734	
8	4.1	160	4	2	160	3	Dietician Consultant	*	\$907	(\$413)	\$494
	4.1	185	4	2	185	3	Nurse Consultant To adjust reported consultant expense to agree with consultant contracts supported by vendor invoices. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	2,895	(70)	2,825	

*Balance carried forward from prior/to subsequent adjustments

Provider Name				Fiscal Period				Provider NPI		Adjustments
SMITH RESIDENTIAL CARE - TERRACE				JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				1669504510		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		Share of Cost To recover Medi-Cal overpayments for items that are separately billable. 42 CFR 413.5 and 413.20 CMS Pub. 15-1, Sections 2300 and 2409 CCR, Title 22, Sections 50786 and 51458.1	\$0	\$1,183	\$1,183