

**REPORT
ON THE
RATE SETTING AUDIT**

**CK I
LANCASTER, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1376723007**

**FISCAL PERIOD ENDED
DECEMBER 31, 2011**

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

**Section Chief: Daniel J. Giardinelli
Audit Supervisor: Celia Aviña
Auditor: Lok Lui**



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



EDMUND G. BROWN JR.
GOVERNOR

June 27, 2013

Administrator
CK I, Inc.
43111 Lemonwood Drive
Lancaster, CA 93536-4724

CK I
NATIONAL PROVIDER IDENTIFIER (NPI) 1376723007
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	\$	396,774	\$ 196.52
Net Audit Adjustment		<u>(164,287)</u>	<u>(83.06)</u>
Audited Cost/Cost Per Day	\$	<u>232,487</u>	\$ <u>113.46</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.

Administrator
Page 2

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.

If you have questions regarding this report, you may call the Audits Section—Burbank at (818) 295-2620.

Original Signed By

Daniel J. Giardinelli, Chief
Audits Section—Burbank
Financial Audits Branch

Certified

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

Provider:

CK I

Fiscal Period:

JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

Provider NPI:

1376723007

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

	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj 17)	2,019	2,049
2. Medi-Cal Managed Care Days (Adj)	0	0
3. Other Client Days (Adj)	0	0
4. Total Client Days	<u>2,019</u>	<u>2,049</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>396,774</u>	\$ <u>232,487</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>196.52</u>	\$ <u>113.46</u>

SHARE OF COST

1. Share of Cost Audit Adjustment (Adj)	\$ <u>NA</u>	\$ <u>0</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:
CK I

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

Provider NPI:
1376723007

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	1,16	\$ 40,000	\$ (35,552)	\$ 4,448
050	Leases and Rentals	1,8	28,890	(28,890)	0
055	Real Property Taxes	1,7	5,509	(5,509)	0
060	Personal Property Taxes		0		0
065	Mortgage Interest	1,14	12,956	(7,152)	5,804
070	Property Insurance	1,15	875	(454)	421
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 88,230	\$ (77,557)	\$ 10,673
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance	1,5,6	\$ 10,710	\$ (7,309)	\$ 3,401
085	Utilities	1,2,3,4	8,721	(2,347)	6,374
090	Client Transportation (excluding Adult Day Services)	1,11,12	15,262	(10,040)	5,222
095	Dietary	1	22,520	(18,500)	4,020
100	Personal Care and Laundry	1	2,620	(765)	1,855
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 59,833	\$ (38,961)	\$ 20,872
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 148,063	\$ (116,518)	\$ 31,545
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries	1	\$ 10,000	\$ 10,400	\$ 20,400
120	QMRP Fringe Benefits		0		0
125	Lead Salaries	1	58,824	(58,824)	0
130	Lead Fringe Benefits		0		0
135	Aides Salaries	1	53,152	16,460	69,612
140	Aides Fringe Benefits	1	6,500	(6,500)	0
145	Other Salaries	1	2,710	56,757	59,467
150	Other Fringe Benefits	1	25,777	(25,777)	0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 156,963	\$ (7,484)	\$ 149,479

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
CK I

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

Provider NPI:
1376723007

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
EXPENSES: CONSULTANT COSTS					
160	Dietician Consultant	1	\$ 1,128	\$ (1,128)	\$ 0
165	Speech Pathology Consultant	1	450	(450)	0
170	Physical Therapy Consultant	1	330	(330)	0
175	Occupational Therapy Consultant	1	330	(330)	0
180	Pharmacist Consultant	1	1,000	(1,000)	0
185	Nurse Consultant		0		0
190	Psychologist Consultant		0		0
195	Physician Consultant		0		0
200	Recreational Consultant		0		0
205	Social Service Consultant		0		0
210	Other Consultant	1,9	1,800	(1,800)	0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 5,038	\$ (5,038)	\$ 0
EXPENSES: ADMINISTRATIVE COSTS					
220	Administrative Salaries **	1,10	\$ 25,000	\$ (25,000)	\$ 0
225	Administrative Fringe Benefits	1	25,000	(25,000)	0
226	Quality Assurance Fees (excluding Adult Day Services)	1	25,510	(25,510)	0
230	Other General and Administrative*** (Excluding Adult Day Services)	1	11,200	40,263	51,463
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 86,710	\$ (35,247)	\$ 51,463
TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)			\$ 396,774	\$ (164,287)	\$ 232,487
NON-CLIENT CARE EXPENSES			(To Sch. 1)		(To Sch. 1)
240	Non-Program Services	1,13	\$ 16,500	\$ (12,502)	\$ 3,998
241	Adult Day Services and Related Transportation		0		0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235, 240 and 241)		\$ 413,274	\$ (176,789)	\$ 236,485

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
CK I							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1376723007		17
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				
ADJUSTMENTS TO REPORTED COSTS										
1	4	045	4	2	045	2	Depreciation and Amortization	\$40,000	(\$40,000)	\$0 *
	4	050	4	2	050	2	Leases and Rentals	28,890	(15,747)	13,143 *
	4	055	4	2	055	2	Real Property Taxes	5,509	(5,049)	460 *
	4	065	4	2	065	2	Mortgage Interest	12,956	(12,956)	0 *
	4	070	4	2	070	2	Property Insurance	875	(875)	0 *
	4	080	4	2	080	2	Home Operations and Maintenance	10,710	(8,417)	2,293 *
	4	085	4	2	085	2	Utilities	8,721	(2,758)	5,963 *
	4	090	4	2	090	2	Client Transportation	15,262	(13,492)	1,770 *
	4	095	4	2	095	2	Dietary	22,520	(18,500)	4,020
	4	100	4	2	100	2	Personal Care and Laundry	2,620	(765)	1,855
	4.1	115	4	2	115	2	QMRP Salaries	10,000	10,400	20,400
	4.1	125	4	2	125	2	Lead Salaries	58,824	(58,824)	0
	4.1	135	4	2	135	2	Aides Salaries	53,152	16,460	69,612
	4.1	140	4	2	140	2	Aides Fringe Benefits	6,500	(6,500)	0
	4.1	145	4	2	145	2	Other Salaries	2,710	56,757	59,467
	4.1	150	4	2	150	2	Other Fringe Benefits	25,777	(25,777)	0
	4.1	160	4	2	160	2	Dietician Consultant	1,128	(1,128)	0
	4.1	165	4	2	165	2	Speech Pathology Consultant	450	(450)	0
	4.1	170	4	2	170	2	Physical Therapy Consultant	330	(330)	0
	4.1	175	4	2	175	2	Occupational Therapy Consultant	330	(330)	0
	4.1	180	4	2	180	2	Pharmacist Consultant	1,000	(1,000)	0
	4.1	210	4	2	210	2	Other Consultant	1,800	(1,299)	501 *
	4.1	220	4	2	220	2	Administrative Salaries	25,000	21,514	46,514 *
	4.1	225	4	2	225	2	Administrative Fringe Benefits	25,000	(25,000)	0
	4.1	226	4	2	226	2	Quality Assurance Fees	25,510	(25,510)	0
	4.1	230	4	2	230	2	Other General and Administrative	11,200	40,263	51,463
	4.1	240	4	2	240	2	Non-Program Services	16,500	37,998	54,498 *
							To adjust the reported expenses to agree with the provider's record. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			

Provider Name							Fiscal Period	Provider NPI		Adjustments	
CK I							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1376723007		17	
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					
ADJUSTMENTS TO REPORTED COSTS											
2	4	085	4	2	085	2	Utilities To adjust the reported utility expenses to agree with the invoices and provider's record. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	*	\$5,963	\$2,951	\$8,914 *
3	4	085	4	2	085	2	Utilities To adjust utilities expense to agree with expense applicable to the audit period. 42 CFR 413.5 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1, 2304 and 2306	*	\$8,914	(\$498)	\$8,416 *
4	4	085	4	2	085	2	Utilities To eliminate expenses that are not related to developing and maintaining the operation of CK I's client care. 42 CFR 413.9(c)(3) CMS Pub. 15-1, Sections 2102.3 and 2105	*	\$8,416	(\$2,042)	\$6,374
5	4	080	4	2	080	2	Home Operations and Maintenance To adjust the reported home operations and maintenance expenses to agree with the provider's receipts and record. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	*	\$2,293	\$1,177	\$3,470 *
6	4	080	4	2	080	2	Home Operations and Maintenance To eliminate swimming pool expenses that are not related to developing and maintaining the operation of CK I's client care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105	*	\$3,470	(\$69)	\$3,401
7	4	055	4	2	055	2	Real Property Taxes To eliminate real property tax expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	*	\$460	(\$460)	\$0

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments	
CK I							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1376723007		17	
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					
ADJUSTMENTS TO REPORTED COSTS											
8	4	050	4	2	050	2	Leases and Rentals To eliminate rental/lease expenses paid to a related party. 42 CFR 413.17, 413.134(h), 413.20 and 413.24 CMS Pub. 15-1, Sections 1002.1, 1002.2, 1002.3, 1004, 1005, 1011.4, 1011.5, 2300 and 2304	*	\$13,143	(\$13,143)	\$0
9	4.1	210	4	2	210	2	Other Consultant - Legal To eliminate other consultant 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)	*	\$501	(\$501)	\$0
10	4.1	220	4	2	220	2	Administrative Salaries To eliminate administrative salaries 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)	*	\$46,514	(\$46,514)	\$0
11	4	090	4	2	090	2	Client Transportation To adjust the reported client transportation expenses to agree with the invoices and provider's record. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	*	\$1,770	\$8,094	\$9,864 *
12	4	090	4	2	090	2	Client Transportation To adjust client transportation expenses to reflect proper allocation of costs between CK I and CK II. 42 CFR 413.24 / CMS Pub. 15-1, Sections 2102.1, 2302.4 and 2302.8	*	\$9,864	(\$4,642)	\$5,222

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments	
CK I							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1376723007		17	
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>											
13	4.1	240	4	2	240	2	Non-Program Services To eliminate miscellaneous expenses 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)	*	\$54,498	(\$50,500)	\$3,998
14	4	065	4	2	065	2	Mortgage Interest To reconcile the reported expenses to agree with the mortgage bank statement. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	*	\$0	\$5,804	\$5,804
15	4	070	4	2	070	2	Property Insurance To reconcile the reported expenses to agree with the property insurance policy. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	*	\$0	\$421	\$421
16	4	045	4	2	045	2	Depreciation and Amortization To adjust depreciation expense to agree with the home buyer's settlement statement and American Hospital Association Guidelines. 42 CFR 413.20 and 413.134(b)(7) CMS Pub. 15-1, Sections 104.17, 104.18, 122, 2300 and 2304	*	\$0	\$4,448	\$4,448

*Balance carried forward from prior/to subsequent adjustments

Provider Name			Fiscal Period				Provider NPI		Adjustments	
CK I			JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				1376723007		17	
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 PATIENT DAYS</u>										
17	2	3	1	1	1	2	Medi-Cal Client Days To adjust Medi-Cal client days to agree with the provider's patient census reports. 42 CFR 413.20, 413.24 and 413.50 CMS Pub. 15-1, Sections 2205, 2300 and 2304	2,019	30	2,049