# REPORT
# ON THE
# RATE SETTING AUDIT

**MORGAN'S TLC – MEMORY LANE**
**PORTERVILLE, CALIFORNIA**
**NATIONAL PROVIDER IDENTIFIER: 1679759450**

**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**

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

TOBY DOUGLAS
*DIRECTOR*

EDMUND G. BROWN JR.
*GOVERNOR*

July 05, 2013

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

MORGAN'S TLC – MEMORY LANE
NATIONAL PROVIDER IDENTIFIER (NPI) 1679759450
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:

| COST AND COST PER DAY | | COST | | COST PER DAY |
|---|---|---|---|---|
| Reported Cost/Cost Per Day | $ | 353,917 | $ | 161.68 |
| Net Audit Adjustment | | (28,003) | | (12.86) |
| Audited Cost/Cost Per Day | $ | 325,914 | $ | 148.82 |

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 $5,011, 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.

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:**
MORGAN'S TLC - MEMORY LANE

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

**Provider NPI:**
1679759450

| SUMMARY OF AUDITED FACILITY CENSUS AND AUDITED CLIENT COST PER DAY | AS REPORTED | AS AUDITED |
|---|---|---|
| 1. Medi-Cal Client Days (Adj 14) | 2,189 | 2,190 |
| 2. Medi-Cal Managed Care Days (Adj ) | 0 | 0 |
| 3. Other Client Days (Adj ) | 0 | 0 |
| 4. Total Client Days | 2,189 | 2,190 |
| 5. Total Client Care Expenses (From Sch. 2) | $ 353,917 | $ 325,914 |
| 6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3) | $ 161.68 | $ 148.82 |
| **SHARE OF COST** | | |
| 1. Share of Cost Audit Adjustment (Adj 15) | $ NA | $ (5,011) |
| **OVERPAYMENTS** | | |
| 1. Duplicate Payments (Adj ) | $ 0 | $ 0 |
| 2. Credit Balances (Adj ) | $ 0 | $ 0 |
| 3. Total Overpayments | $ 0 | $ 0 |

## SUMMARY OF AUDITED FACILITY EXPENSES

**Provider:**
MORGAN'S TLC - MEMORY LANE

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

**Provider NPI:**
1679759450

| 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 | | $ 2,522 | $ 0 | $ 2,522 |
| 050 | Leases and Rentals | | | | 0 |
| 055 | Real Property Taxes | | 1,263 | 0 | 1,263 |
| 060 | Personal Property Taxes | | | | 0 |
| 065 | Mortgage Interest | | 3,333 | 0 | 3,333 |
| 070 | Property Insurance | | | | 0 |
| | | | | | |
| 075 | TOTAL PROPERTY EXPENSES (Lines 045 through 070) | | $ 7,118 | $ 0 | $ 7,118 |
| | **Basic Facility Cost - General Home Expenses** | | | | |
| 080 | Home Operations and Maintenance | 1-4 | $ 15,303 | $ (4,413) | $ 10,890 |
| 085 | Utilities | | 8,339 | 0 | 8,339 |
| 090 | Client Transportation (excluding Adult Day Services) | | | | 0 |
| 095 | Dietary | | 4,056 | 0 | 4,056 |
| 100 | Personal Care and Laundry | 5-7 | 2,196 | (626) | 1,570 |
| | | | | | |
| 105 | TOTAL GENERAL HOME EXPENSES (Lines 080 through 100) | | $ 29,894 | $ (5,039) | $ 24,855 |
| | | | | | |
| 110 | TOTAL BASIC FACILITY COST (Lines 075 plus 105) | | $ 37,012 | $ (5,039) | $ 31,973 |
| | **EXPENSES: DIRECT CARE STAFF COSTS** | | | | |
| 115 | QMRP Salaries | | $ 12,800 | $ 0 | $ 12,800 |
| 120 | QMRP Fringe Benefits | | | | 0 |
| 125 | Lead Salaries | | 45,676 | 0 | 45,676 |
| 130 | Lead Fringe Benefits | | 11,229 | 0 | 11,229 |
| 135 | Aides Salaries | | 106,576 | 0 | 106,576 |
| 140 | Aides Fringe Benefits | | 26,200 | 0 | 26,200 |
| 145 | Other Salaries | | | | 0 |
| 150 | Other Fringe Benefits | | | | 0 |
| 155 | TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150) | | $ 202,481 | $ 0 | $ 202,481 |

## SUMMARY OF AUDITED FACILITY EXPENSES

**Provider:**
MORGAN'S TLC - MEMORY LANE

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

**Provider NPI:**
1679759450

| Line No. | DESCRIPTION | ADJ NO. | AS REPORTED Col. 1 | AUDIT ADJUSTMENT Col. 2 | AS AUDITED Col. 3 |
|---|---|---|---|---|---|
| | **EXPENSES: CONSULTANT COSTS** | | | | |
| 160 | Dietician Consultant | | $ 916 | $ 0 | $ 916 |
| 165 | Speech Pathology Consultant | | | | 0 |
| 170 | Physical Therapy Consultant | | | | 0 |
| 175 | Occupational Therapy Consultant | | | | 0 |
| 180 | Pharmacist Consultant | 8 | 840 | (840) | 0 |
| 185 | Nurse Consultant | 9 | 14,240 | (2,240) | 12,000 |
| 190 | Psychologist Consultant | | | | 0 |
| 195 | Physician Consultant | 10 | 7,985 | (7,985) | 0 |
| 200 | Recreational Consultant | | | | 0 |
| 205 | Social Service Consultant | | | | 0 |
| 210 | Other Consultant | 11 | 1,040 | (1,040) | 0 |
| 215 | TOTAL CONSULTANT COST (Lines 160 through 210) | | $ 25,021 | $ (12,105) | $ 12,916 |
| | **EXPENSES: ADMINISTRATIVE COSTS** | | | | |
| 220 | Administrative Salaries ** | | $ 6,000 | $ 0 | $ 6,000 |
| 225 | Administrative Fringe Benefits | | | | 0 |
| 226 | Quality Assurance Fees (excluding Adult Day Services) | | 13,187 | 0 | 13,187 |
| 230 | Other General and Administrative*** (Excluding Adult Day Services) | 12-13 | 70,216 | (10,859) | 59,357 |
| 235 | TOTAL ADMINISTRATIVE COST (Lines 220 through 230) | | $ 89,403 | $ (10,859) | $ 78,544 |
| | TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235) | | $ 353,917 | $ (28,003) | $ 325,914 |
| | **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) | | $ 353,917 | $ (28,003) | $ 325,914 |

Variance from cost report due to rounding



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

*** List allocated administrative costs on Line 230

| Provider Name | Fiscal Period | Provider NPI | Adjustments |
|---|---|---|---|
| MORGAN'S TLC - MEMORY LANE | JANUARY 1, 2011 THROUGH DECEMBER 31, 2011 | 1679759450 | 15 |

| Report References | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost Report | | | Audit Report | | | | | | |
| Adj. No. | DHS 3076 Page or Exhibit | Line | Col. | Sch. | Line | Col | Explanation of Audit Adjustments | As Reported | Increase (Decrease) | As Adjusted |
| | | | | | | | ADJUSTMENTS TO REPORTED COSTS | | | |
| | 4 | 080 | 4 | 2 | 080 | 3 | Home Operations and Maintenance | $15,303 | | |
| 1 | | | | | | | To eliminate expense due to lack of documentatio<br>42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 230 | | ($3,456) | |
| 2 | | | | | | | To eliminate one month of gardening services expense not related to the audit period.<br>42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304 | | (100) | |
| 3 | | | | | | | To eliminate CASH transactions from the cost report due to insufficient documentation.<br>42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304 | | (385) | |
| 4 | | | | | | | To eliminate the cost of DME that should be billed separately.<br>CCR, Title 22, 51510.3 and 51321 | | (472)<br>($4,413) | $10,890 |
| | 4 | 100 | 4 | 2 | 100 | 3 | Personal Care and Laundry | $2,196 | | |
| 5 | | | | | | | To eliminate expense due to lack of documentation.<br>42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304 | | ($146) | |
| 6 | | | | | | | To eliminate expenses not related to the audit period.<br>42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304 | | (362) | |
| 7 | | | | | | | To eliminate the cost of DME that should be billed separately.<br>CCR, Title 22, 51510.3 and 51321 | | (118)<br>($626) | $1,570 |
| 8 | 4.1 | 180 | 4 | 2 | 180 | 3 | Pharmacist Consultant<br>To eliminate consultation fees due to insufficient documentation.<br>42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304 | $840 | ($840) | $0 |
| 9 | 4.1 | 185 | 4 | 2 | 185 | 3 | Nurse Consultant<br>To adjust reported expenses to agree with contract amounts.<br>42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304 | $14,240 | ($2,240) | $12,000 |

| Provider Name | Fiscal Period | Provider NPI | Adjustments |
|---|---|---|---|
| MORGAN'S TLC - MEMORY LANE | JANUARY 1, 2011 THROUGH DECEMBER 31, 2011 | 1679759450 | 15 |

| Report References | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost Report | | | Audit Report | | | | | | |
| Adj. No. | DHS 3076 Page or Exhibit | Line | Col. | Sch. | Line | Col | Explanation of Audit Adjustments | As Reported | Increase (Decrease) | As Adjusted |
| | | | | | | | ADJUSTMENTS TO REPORTED COSTS | | | |
| 10 | 4.1 | 195 | 4 | 2 | 195 | 3 | Physician Consultant<br>To eliminate physician consultant expenses not included in the routine rate.<br>CCR, Title 22, 51510.3(b)(4)(S) | $7,985 | ($7,985) | $0 |
| 11 | 4.1 | 210 | 4 | 2 | 210 | 3 | Other Consultant<br>To eliminate physician and audiology professional services that should be billed separately.<br>CCR, Title 22, 51510.3 | $1,040 | ($1,040) | $0 |
| | 4.1 | 230 | 4 | 2 | 230 | 3 | Other General and Administrative | $70,216 | | |
| 12 | | | | | | | To eliminate expenses included twice in the cost report.<br>42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304 | | ($340) | |
| 13 | | | | | | | To adjust reported home office costs to agree with the Morgan's TLC Home Office Audit Report for fiscal period ended December 31, 2011.<br>42 CFR 413.17 and 413.24<br>CMS Pub. 15-1, Sections 2150.2 and 2304 | | (10,519)<br>($10,859) | $59,357 |

| Provider Name | Fiscal Period | Provider NPI | Adjustments |
|---|---|---|---|
| MORGAN'S TLC - MEMORY LANE | JANUARY 1, 2011 THROUGH DECEMBER 31, 2011 | 1679759450 | 15 |

| Report References | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost Report | | | Audit Report | | | | | | |
| Adj. No. | DHS 3076 Page or Exhibit | Line | Col. | Sch. | Line | Col | Explanation of Audit Adjustments | As Reported | Increase (Decrease) | As Adjusted |
| | | | | | | | ADJUSTMENT TO REPORTED CLIENT DAYS | | | |
| 14 | 2 | 3 | 1 | 1 | 1 | 2 | Total Client Days - Medi-Cal<br>To include client days for day billed and not included in the census count.<br>42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2205, 2300 and 2304 | 2,189 | 1 | 2,190 |

| Provider Name | Fiscal Period | Provider NPI | Adjustments |
|---|---|---|---|
| MORGAN'S TLC - MEMORY LANE | JANUARY 1, 2011 THROUGH DECEMBER 31, 2011 | 1679759450 | 15 |

| Report References | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost Report | | | Audit Report | | | | | | |
| Adj. No. | DHS 3076 Page or Exhibit | Line | Col. | Sch. | Line | Col | Explanation of Audit Adjustments | As Reported | Increase (Decrease) | As Adjusted |
| | | | | | | | ADJUSTMENT TO OTHER MATTERS | | | |
| 15 | N/A | | | 1 | 1 | 2 | Share of Cost<br>To recover Medi-Cal overpayments because the Share of Cost was not properly deducted from the amount billed.<br>42 CFR 413.5 and 413.20<br>CMS Pub. 15-1, Sections 2300 and 2409<br>CCR, Title 22, 50786 and 51458.1 | $0 | $5,011 | $5,011 |