

**REPORT
ON THE
HOME OFFICE AUDIT**

**HIGHER GROUND HOMES, INC.
DELANO, CALIFORNIA**

**FISCAL PERIOD ENDED
JUNE 30, 2012**

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

**Section Chief: Michael Harrold
Audit Supervisor: Kathy Atkins
Auditor: Brian Emo**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

July 9, 2013

Steve Loflin, President
Higher Ground Homes, Inc.
302 Balboa Drive
Delano, CA 93215

HIGHER GROUND HOMES, INC.
FISCAL PERIOD ENDED JUNE 30, 2012

We have examined the Medi-Cal Home Office Cost Report for the fiscal period ended June 30, 2012. 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 Comparison of Reported and Audited Home Office Cost represents a proper determination of home office allowable costs for the above fiscal period in accordance with Medi-Cal reimbursement principles. The audited home office cost will be incorporated, by separate adjustment, into each applicable facility audit report.

This audit report includes the:

1. Comparison of Reported and Audited Home Office Cost and supporting schedules
2. Audit Adjustments Schedule

If you disagree with the decision of the Department, the results of the home office audit may only be appealed through each individual facility's audit report. Please refer to the appeal instructions in each facility's audit report.

Steve Loflin
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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

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**COMPARISON OF REPORTED AND AUDITED
HOME OFFICE COST**

HOME OFFICE:
HIGHER GROUND HOMES, INC.

FISCAL PERIOD ENDED:
JUNE 30, 2012

CHAIN COMPONENTS 1	NPI NUMBER 2	FISCAL YEAR END 3	REPORTED COST 4	AUDITED COST 5	VARIANCE 6
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(From Sch 2, Col 6) (Col 5 - Col 4)

1.	Higher Ground Homes #1	1356634331	06/30/12	\$90,023	\$81,050	(\$8,973)
2.	Higher Ground Homes #2	1861785842	06/30/12	94,635	85,202	(9,433)
3.					0	0
4.					0	0
5.					0	0
6.					0	0
7.					0	0
8.					0	0
9.					0	0
10.					0	0
11.					0	0
12.					0	0
13.					0	0
14.					0	0
15.					0	0
16.					0	0
17.					0	0
18.					0	0
19.					0	0
20.					0	0
21.					0	0
22.					0	0
23.					0	0
24.					0	0
25.					0	0

TOTALS

<u>\$184,658</u>	<u>\$166,252</u>	<u>(\$18,406)</u>
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SUMMARY OF DIRECT AND ALLOCATED POOL COST

HOME OFFICE:
HIGHER GROUND HOMES, INC.FISCAL PERIOD ENDED:
JUNE 30, 2012

CHAIN COMPONENTS 1	NPI NUMBER 2	FISCAL YEAR END 3	DIRECT EXPENSES 4	POOLED EXPENSES 5	TOTAL DIRECT & POOLED FACILITY EXPENSE 6
			(From Sch 4)	(From Sch 3)	(Col 4 + Col 5)
1. Higher Ground Homes #1	1356634331	06/30/12	\$0	\$81,050	\$81,050
2. Higher Ground Homes #2	1861785842	06/30/12	0	85,202	85,202
3.			0	0	0
4.			0	0	0
5.			0	0	0
6.			0	0	0
7.			0	0	0
8.			0	0	0
9.			0	0	0
10.			0	0	0
11.			0	0	0
12.			0	0	0
13.			0	0	0
14.			0	0	0
15.			0	0	0
16.			0	0	0
17.			0	0	0
18.			0	0	0
19.			0	0	0
20.			0	0	0
21.			0	0	0
22.			0	0	0
23.			0	0	0
24.			0	0	0
25.			0	0	0
TOTALS			\$0	\$166,252	\$166,252

(To Sch 1)

ALLOCATION OF POOLED EXPENSES

HOME OFFICE:
HIGHER GROUND HOMES, INC.

FISCAL PERIOD ENDED:
JUNE 30, 2012

PART I - ALLOCATION BETWEEN PROVIDER AND NONPROVIDER COMPONENTS

FACILITY 1	Allocation Statistics Base: Accumulated Cost 2	Percent 3	Allocation Pool Expenses 4
Program Services (Adj)	\$184,658	100.0000%	\$166,252
Nonprogram Services (Adj)		0.0000%	0
TOTAL	\$184,658	100.0000%	\$166,252

(From Sch 5)

PART II - ALLOCATION TO INDIVIDUAL CHAIN COMPONENTS

CHAIN COMPONENTS	NPI NUMBER	Audit Adjustment	Allocation Statistic: (Client Days)	Allocated Pool Expense (Col 3 X UCM)
1. Higher Ground Homes #1	1356634331		2,089	\$81,050
2. Higher Ground Homes #2	1861785842		2,196	85,202
3.				0
4.				0
5.				0
6.				0
7.				0
8.				0
9.				0
10.				0
11.				0
12.				0
13.				0
14.				0
15.				0
16.				0
17.				0
18.				0
19.				0
20.				0
21.				0
22.				0
23.				0
24.				0
25.				0

TOTALS

4,285	\$166,252
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(To Sch 2)

UNIT COST MULTIPLIER (UCM) (Pooled Expenses/Patient Days)	38.798600
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DIRECT ALLOCATION OF EXPENSES TO CHAIN COMPONENTS

HOME OFFICE:
HIGHER GROUND HOMES, INC.

FISCAL PERIOD ENDED:
JUNE 30, 2012

CHAIN COMPONENTS 1	NPI NUMBER	REPORTED TOTAL (Col F) 2	Expense Directly Allocable to Chain Component				AUDITED TOTAL 7
			specify expense 3	specify expense 4	specify expense 5	specify expense 6	
			(Adj)	(Adj)	(Adj)	(Adj)	
			(Adj)	(Adj)	(Adj)	(Adj)	
1. Higher Ground Homes #1	1356634331	\$0	\$0	\$0	\$0	\$0	\$0
2. Higher Ground Homes #2	1861785842	0	0	0	0	0	0
3.		0	0	0	0	0	0
4.		0	0	0	0	0	0
5.		0	0	0	0	0	0
6.		0	0	0	0	0	0
7.		0	0	0	0	0	0
8.		0	0	0	0	0	0
9.		0	0	0	0	0	0
10.		0	0	0	0	0	0
11.		0	0	0	0	0	0
12.		0	0	0	0	0	0
13.		0	0	0	0	0	0
14.		0	0	0	0	0	0
15.		0	0	0	0	0	0
16.		0	0	0	0	0	0
17.		0	0	0	0	0	0
18.		0	0	0	0	0	0
19.		0	0	0	0	0	0
20.		0	0	0	0	0	0
21.		0	0	0	0	0	0
22.		0	0	0	0	0	0
23.		0	0	0	0	0	0
24.		0	0	0	0	0	0
25.		0	0	0	0	0	0
TOTALS		\$0	\$0	\$0	\$0	\$0	\$0

(To Sch 2)

STATEMENT OF REIMBURSABLE COSTS

HOME OFFICE:
HIGHER GROUND HOMES, INC.FISCAL PERIOD ENDED:
JUNE 30, 2012

ACCOUNT DESCRIPTION 1	REPORTED POOLED COSTS 2	COST AUDIT ADJUSTMENTS 3	AUDITED POOLED COSTS 4	DIRECT COST 5
		(Adjs 1 - 5)	(Col 2 + Col 3)	(Adj)
1. Salaries-Officers	\$122,400		\$122,400	
2. Salaries-Other			0	
3. Payroll Taxes			0	
4. Employee Benefits	15,638		15,638	
5. Travel			0	
6. Entertainment			0	
7. Automobile	5,099	(3,186)	1,913	
8. Depreciation-Building			0	
9. Depreciation-Equipment	4,565	(2,852)	1,713	
10. Other Depreciation and Amortization			0	
11. Leases and Rentals	1,821		1,821	
12. Interest-Mortgages			0	
13. Interest-Other	20,020	(19,867)	153	
14. Taxes and Licenses			0	
15. Legal and Accounting			0	
16. Insurance			0	
17. Telephone			0	
18. Utilities			0	
19. Office Supplies			0	
20. Nonprogram			0	
21. Other			0	
22. Repairs/Maintenance			0	
23. Dietary			0	
24. Consultant			0	
25. General Administrative	15,115	7,499	22,614	
26.			0	
27.			0	
28.			0	
29.			0	
30.			0	
31.			0	
32.			0	
33.			0	
34.			0	
TOTAL EXPENSES	\$184,658	(\$18,406)	\$166,252	\$0
			(To Sch 3)	(To Sch 4)

Provider Name				Fiscal Period				Provider Number		Adjustments
HIGHER GROUND HOMES, INC.				JULY 1, 2011 THROUGH JUNE 30, 2012				N/A		5
Report References						Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
COST REPORT			AUDIT REPORT							
Adj. No.	DHS 3099 Page or Exhibit	Line	Col.	Sch	Line					
ADJUSTMENTS TO REPORTED POOLED COSTS										
	2	25	6	5	25.00	General Administrative	\$15,115			
1						To include overhead applicable to the home office that was previously included in the Higher Ground Home #2 cost report for proper cost finding. 42 CFR 413.20, 413.24 and 413.50 CMS Pub. 15-I, Sections 2150, 2150.3D, 2300, 2304, 2306 and 2306.1		\$8,037		
2						To adjust sales tax expense related to the lease of a copier to agree with expense applicable to the audit period. 42 CFR 413.5 and 413.24 CMS Pub. 15-I, Sections 2300, 2302.1 and 2304		(274)		
3						To adjust corporate income tax preparation expense to agree with the provider's records and to eliminate the portion of CAHF membership fess related to nonallowable lobbying activities. 42 CFR 413.20, 413.24 and 413.9(c)(3) CMS Pub. 15-I, Sections 2139, 2300 and 2304		(264) \$7,499	\$22,614	
4	2	13	6	5	13.00	Interest - Other To eliminate interest expense subject to DEFRA due to insufficient documentation. 42 CFR 413.20, 413.24 and 413.134 CMS Pub. 15-I, Sections 2300 and 2304	\$20,020	(\$19,867)	\$153	
5	2	7	6	5	7.00	Automobile	\$5,099	(\$3,186)	\$1,913	
	2	9	6	5	9.00	Depreciation Equipment To adjust transportation related expenses to agree with the provider's mileage records and due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-I, Sections 2300 and 2304	4,565	(2,852)	1,713	