

**REPORT
ON THE
RATE SETTING AUDIT**

**POSITIVE DIRECTIONS # 3
DELANO, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1730302381**

**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: Linda King
Auditor: Dianna Morgan**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

July 12, 2013

Trisha LaGue
Positive Directions, Inc.
921 13th Avenue
Delano, CA 93215

POSITIVE DIRECTIONS # 3
NATIONAL PROVIDER IDENTIFIER (NPI) 1730302381
FISCAL PERIOD ENDED JUNE 30, 2012

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	\$	355,839	\$ 167.53
Net Audit Adjustment		<u>(48,038)</u>	<u>(23.02)</u>
Audited Cost/Cost Per Day	\$	<u>307,801</u>	\$ <u>144.51</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 \$354, 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.

Trisha LaGue
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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

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

Provider:
POSITIVE DIRECTIONS # 3

Fiscal Period:
JULY 1, 2011 THROUGH JUNE 30, 2012

Provider NPI:
1730302381

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

	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj 13)	2,124	2,130
2. Medi-Cal Managed Care Days (Adj)	0	0
3. Other Client Days (Adj)	0	0
4. Total Client Days	<u>2,124</u>	<u>2,130</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>355,839</u>	\$ <u>307,801</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>167.53</u>	\$ <u>144.51</u>

SHARE OF COST

1. Share of Cost Audit Adjustment (Adj 14)	\$ <u>NA</u>	\$ <u>(354)</u>
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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:
POSITIVE DIRECTIONS # 3

Fiscal Period:
JULY 1, 2011 THROUGH JUNE 30, 2012

Provider NPI:
1730302381

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	\$ 4,014	\$ (1,218)	\$ 2,796
050	Leases and Rentals		0		0
055	Real Property Taxes		1,623		1,623
060	Personal Property Taxes		0		0
065	Mortgage Interest		0		0
070	Property Insurance	3	1,843	(1,298)	545
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 7,480	\$ (2,516)	\$ 4,964
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance	4	\$ 12,223	\$ (2,139)	\$ 10,084
085	Utilities	5	6,757	(133)	6,624
090	Client Transportation (excluding Adult Day Services)	3, 6	2,994	(1,375)	1,619
095	Dietary	7	20,491	(440)	20,051
100	Personal Care and Laundry		40		40
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 42,505	\$ (4,087)	\$ 38,418
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 49,985	\$ (6,603)	\$ 43,382
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		\$ 12,478		\$ 12,478
120	QMRP Fringe Benefits		4,230		4,230
125	Lead Salaries		22,550		22,550
130	Lead Fringe Benefits		10,439		10,439
135	Aides Salaries		108,082		108,082
140	Aides Fringe Benefits		25,847		25,847
145	Other Salaries		2,171		2,171
150	Other Benefits	1	655	(64)	591
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 186,452	\$ (64)	\$ 186,388

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
POSITIVE DIRECTIONS # 3

Fiscal Period:
JULY 1, 2011 THROUGH JUNE 30, 2012

Provider NPI:
1730302381

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant	8	\$ 1,278	\$ (47)	\$ 1,231
165	Speech Pathology Consultant		0		0
170	Physical Therapy Consultant		0		0
175	Occupational Therapy Consultant		0		0
180	Pharmacist Consultant		640		640
185	Nurse Consultant		7,962		7,962
190	Psychologist Consultant		2,184		2,184
195	Physician Consultant		0		0
200	Recreational Consultant		1,452		1,452
205	Social Service Consultant		0		0
210	Other Consultant	9	1,539	(220)	1,319
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 15,055	\$ (267)	\$ 14,788
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries **		\$ 0	\$	\$ 0
225	Administrative Fringe Benefits		0		0
226	Quality Assurance Fees (excluding Adult Day Services)		21,924		21,924
230	Other General and Administrative*** (Excluding Adult Day Services)	1, 3, 10-12	82,423	(41,104)	41,319
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 104,347	\$ (41,104)	\$ 63,243
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 355,839	\$ (48,038)	\$ 307,801
	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)		\$ 355,839	\$ (48,038)	\$ 307,801

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

*** List allocated administrative costs on Line 230

Provider Name							Fiscal Period	Provider NPI	Adjustments	
POSITIVE DIRECTIONS # 3							JULY 1 , 2011 THROUGH JUNE 30, 2012	1730302381	14	
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>RECLASSIFICATION OF REPORTED COSTS</u>										
1	4.1	150	4	2	150	3	Other Benefits	\$655	(\$64)	\$591
	4.1	230	4	2	230	3	Other General and Administrative To reclassify mileage expense to the appropriate cost center 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2304, 2302.4 and 2302.8	82,423	64	82,487 *

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments
POSITIVE DIRECTIONS # 3							JULY 1 , 2011 THROUGH JUNE 30, 2012	1730302381		14
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>										
2	4	045	4	2	045	3	Depreciation and Amortization To eliminate depreciation expense due to insufficient and lack of documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 104.10E, 104.14A(4), 2102.3, 2300 and 2304 W & I Code 14124.2(b)	\$4,014	(\$1,218)	\$2,796
3	4	070	4	2	070	3	Property Insurance	\$1,843	(\$1,298)	\$545
	4	090	4	2	090	3	Client Transportation	2,994	36	3,030 *
	4.1	230	4	2	230	3	Other General and Administrative To adjust the reported insurance expenses to agree with the provider's records and to properly allocate costs. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	* 82,487	1,314	83,801 *
4	4	080	4	2	080	3	Home Operations and Maintenance To eliminate home operations and maintenance expense due to insufficient documentation, not related to the facility and for prior period expenses. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 W & I Code 14124.2(b)	\$12,223	(\$2,139)	\$10,084
5	4	085	4	2	085	3	Utilities To eliminate utilities expense that is not reasonable and not prudent. 42 CFR 413.9(c)(3), 413.24 and 413.50 CMS Pub. 15-1, Sections 2103, 2106.1 and 2304	\$6,757	(\$133)	\$6,624
6	4	090	4	2	090	3	Client Transportation To eliminate client transportation expenses due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	* \$3,030	(\$1,411)	\$1,619

*Balance carried forward from prior/to subsequent adjustments

Provider Name				Fiscal Period				Provider NPI		Adjustments
POSITIVE DIRECTIONS # 3				JULY 1 , 2011 THROUGH JUNE 30, 2012				1730302381		14
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>										
7	4	095	4	2	095	3	Dietary To eliminate dietary expenses related to a prior period and due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 W & I Code 14124.2(b)	\$20,491	(\$440)	\$20,051
8	4.1	160	4	2	160	3	Dietitian Consultant To eliminate dietary consultant expense due to insufficient documentation and to agree with the provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$1,278	(\$47)	\$1,231
9	4.1	210	4	2	210	3	Other Consultant To eliminate other consultant expense for the prior period. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$1,539	(\$220)	\$1,319

Provider Name				Fiscal Period				Provider NPI		Adjustments
POSITIVE DIRECTIONS # 3				JULY 1 , 2011 THROUGH JUNE 30, 2012				1730302381		14
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>										
	4.1	230	4	2	230	3	Other General and Administrative	*	\$83,801	
10							To eliminate general and administrative expenses due to insufficient documentation, to agree to the provider's records and for fines and penalties not included in the daily rate. 42 CFR 413.9(c)(3), 413.20 and 413.24 CMS Pub. 15-1, Sections 2102.3, 2122.1, 2300 and 2304 W & I Code 14124.2(b)			(\$531)
11							To eliminate mileage expense due to insufficient documentation, mileage related to the day program, to agree with the State/Federal published rates and to agree with the provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			(1,674)
12							To adjust reported home office costs to agree with the Positive Directions Home Office Audit Report for fiscal period ended June 30, 2012. 42 CFR 413.17 and 413.24 CMS Pub. 15-1, Sections 2150.2 and 2304			<u>(40,277)</u> (\$42,482) \$41,319

*Balance carried forward from prior/to subsequent adjustments

Provider Name				Fiscal Period				Provider NPI		Adjustments
POSITIVE DIRECTIONS # 3				JULY 1 , 2011 THROUGH JUNE 30, 2012				1730302381		14
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>										
13	2	3	1	1	1	N/A	Medi-Cal Client Days To adjust client days to include bed hold or leave days. 42 CFR 413.20, 413.24 and 413.50 CMS Pub. 15-1, Sections 2205, 2205.4, 2300 and 2304 CCR, Title 22, Sections 51535(a) and 51535(b)	2,124	6	2,130

Provider Name				Fiscal Period				Provider NPI		Adjustments
POSITIVE DIRECTIONS # 3				JULY 1 , 2011 THROUGH JUNE 30, 2012				1730302381		14
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>										
14	N/A			1	1	N/A	Medi-Cal Overpayments To recover Medi-Cal overpayments because the Share of Cost was not properly deducted from the amount billed and due to insufficient documentation. 42 CFR 413.20, 413.24 and 431.107 CMS Pub. 15-1, Sections 2300 and 2304 CCR, Title 22, Section 51476 W & I Code 14124.2(b)	\$0	\$354	\$354