

**REPORT  
ON THE  
RATE SETTING AUDIT**

**POSITIVE DIRECTIONS #6  
DELANO, CALIFORNIA  
NATIONAL PROVIDER IDENTIFIER: 1558584102**

**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: Kristina Nacino  
Auditor: Effie Zoulek**



TOBY DOUGLAS  
DIRECTOR

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



EDMUND G. BROWN JR.  
GOVERNOR

July 16, 2013

Trisha LaGue, Administrator  
Positive Directions, Inc.  
P. O. Box 98  
Delano, CA 93216

POSITIVE DIRECTIONS #6  
NATIONAL PROVIDER IDENTIFIER (NPI) 1558584102  
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	\$	372,920	\$ 169.82
Net Audit Adjustment		(61,929)	(28.20)
Audited Cost/Cost Per Day	\$	<u>310,991</u>	\$ <u>141.62</u>

This audit report includes the:

1. Audit Report Schedules 1 and 2
2. Audit Adjustments Schedule
3. Audited Allocation of Home Office Cost

Trisha, LaGue  
Page 2

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  
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:**  
POSITIVE DIRECTIONS #6

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

**Provider NPI:**  
1558584102

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

	<b>AS REPORTED</b>	<b>AS AUDITED</b>
1. Medi-Cal Client Days (Adj )	2,196	2,196
2. Medi-Cal Managed Care Days (Adj )		0
3. Other Client Days (Adj )		0
4. Total Client Days	<u>2,196</u>	<u>2,196</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>372,920</u>	\$ <u>310,991</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>169.82</u>	\$ <u>141.62</u>

**SHARE OF COST**

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

**OVERPAYMENTS**

1. Duplicate Payments (Adj )	\$ <u>          </u>	\$ <u>0</u>
2. Credit Balances (Adj )	\$ <u>          </u>	\$ <u>0</u>
3. Total Overpayments	\$ <u>0</u>	\$ <u>0</u>

## SUMMARY OF AUDITED FACILITY EXPENSES

Provider:  
POSITIVE DIRECTIONS #6

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

Provider NPI:  
1558584102

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	<b>EXPENSES: CLIENT SERVICES</b>				
	<b>Basic Facility Cost - Property Expenses</b>				
045	Depreciation and Amortization	5, 6	\$ 4,353	\$ (940)	\$ 3,413
050	Leases and Rentals				0
055	Real Property Taxes		1,007		1,007
060	Personal Property Taxes				0
065	Mortgage Interest				0
070	Property Insurance	10	1,722	(1,253)	469
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 7,082	\$ (2,193)	\$ 4,889
	<b>Basic Facility Cost - General Home Expenses</b>				
080	Home Operations and Maintenance	1, 3, 4	\$ 26,019	\$ (17,294)	\$ 8,725
085	Utilities		9,440		9,440
090	Client Transportation (excluding Adult Day Services)	7, 8, 9	3,315	(2,258)	1,057
095	Dietary	1	15,290	2,920	18,210
100	Personal Care and Laundry		180		180
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 54,244	\$ (16,632)	\$ 37,612
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 61,326	\$ (18,825)	\$ 42,501
	<b>EXPENSES: DIRECT CARE STAFF COSTS</b>				
115	QMRP Salaries		\$ 11,377		\$ 11,377
120	QMRP Fringe Benefits		2,675		2,675
125	Lead Salaries		27,019		27,019
130	Lead Fringe Benefits		12,666		12,666
135	Aides Salaries		108,908		108,908
140	Aides Fringe Benefits		24,750		24,750
145	Other Salaries		2,171		2,171
150	Other Fringe Benefits		656		656
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 190,222	\$ 0	\$ 190,222

## SUMMARY OF AUDITED FACILITY EXPENSES

Provider:  
POSITIVE DIRECTIONS #6

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

Provider NPI:  
1558584102

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	<b>EXPENSES: CONSULTANT COSTS</b>				
160	Dietician Consultant		\$ 776	\$	\$ 776
165	Speech Pathology Consultant				0
170	Physical Therapy Consultant				0
175	Occupational Therapy Consultant				0
180	Pharmacist Consultant		1,994		1,994
185	Nurse Consultant	11	7,962	(156)	7,806
190	Psychologist Consultant				0
195	Physician Consultant				0
200	Recreational Consultant		1,452		1,452
205	Social Service Consultant				0
210	Other Consultant		1,434		1,434
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 13,618	\$ (156)	\$ 13,462
	<b>EXPENSES: ADMINISTRATIVE COSTS</b>				
220	Administrative Salaries **		\$	\$	\$ 0
225	Administrative Fringe Benefits				0
226	Quality Assurance Fees (excluding Adult Day Services)	2	22,326	(1,814)	20,512
230	Other General and Administrative*** (Excluding Adult Day Services)	10, 12	85,428	(41,134)	44,294
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 107,754	\$ (42,948)	\$ 64,806
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 372,920	\$ (61,929)	\$ 310,991
	<b>NON-CLIENT CARE EXPENSES</b>		(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)		\$ 372,920	\$ (61,929)	\$ 310,991

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
POSITIVE DIRECTIONS #6							JULY 1, 2011 THROUGH JUNE 30, 2012	1558584102		12
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				
<b><u>RECLASSIFICATION OF REPORTED COSTS</u></b>										
1	4	080	4	2	080	3	Home Operations and Maintenance	\$26,019	(\$2,920)	\$23,099 *
	4	095	4	2	095	3	Dietary	15,290	2,920	18,210
To reclassify food expenses to the appropriate cost center for proper cost determination. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.4 and 2302.8										

\*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments
POSITIVE DIRECTIONS #6							JULY 1, 2011 THROUGH JUNE 30, 2012	1558584102		12
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				
<b>ADJUSTMENTS TO REPORTED COSTS</b>										
2	4.1	226	4	2	226	3	Quality Assurance Fees To adjust reported quality assurance expense to agree with the provider general ledger 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$22,326	(\$1,814)	\$20,512
	4	080	4	2	080	3	Home Operations and Maintenance	\$23,099		
3							To eliminate expense for assets or building improvements that should have been capitalized. 42 CFR 413.20 and 413.134 CMS Pub. 15-1, Sections 104.8, 108.1, 108.2 and 2300		(\$13,000)	
4							To eliminate expenses not related to patient care and due to insufficient documentation. 42 CFR 413.9(c)(3), 413.20 and 413.24 CMS Pub. 15-1, Sections 2102.3, 2105, 2300 and 2304		(1,374) (\$14,374)	\$8,725
	4	045	4	2	045	3	Depreciation and Amortization	\$4,353		
5							To include depreciation expense on the assets or building improvements to be capitalized in conjunction with adjustment 3. 42 CFR 413.20 and 413.134 CMS Pub. 15-1, Sections 104.8, 108.1, 108.2 and 2300		\$96	
6							To eliminate depreciation expenses not related to the facility under audit and due to insufficient documentation. 42 CFR 413.20, 413.24 and 413.134 CMS Pub. 15-1, Sections 102, 2300 and 2304		(1,036) (\$940)	\$3,413

Provider Name			Fiscal Period				Provider NPI		Adjustments	
POSITIVE DIRECTIONS #6			JULY 1, 2011 THROUGH JUNE 30, 2012				1558584102		12	
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				
<b><u>ADJUSTMENTS TO REPORTED COSTS</u></b>										
	4	090	4	2	090	3	Client Transportation	\$3,315		
7							To eliminate auto repair expenses not related to the facility under audit. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		(\$213)	
8							To eliminate auto insurance expenses not related to the facility under audit and due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		(634)	
9							To eliminate gas expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		<u>(1,411)</u> (\$2,258)	\$1,057
10	4	070	4	2	070	3	Property Insurance	\$1,722	(\$1,253)	\$469
	4.1	230	4	2	230	3	Other General and Administrative To adjust 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	85,428	1,267	86,695 *
11	4.1	185	4	2	185	3	Nurse Consultant To eliminate bonus expense not included in the provider's agreement. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$7,962	(\$156)	\$7,806

\*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period		Provider NPI		Adjustments
POSITIVE DIRECTIONS #6							JULY 1, 2011 THROUGH JUNE 30, 2012		1558584102		12
Report References							Explanation of Audit Adjustments				
Cost Report			Audit Report								
Adj. No.	DHS 3076 Page or Exhibit	Line	Col.	Sch.	Line	Col					
<b><u>ADJUSTMENTS TO REPORTED COSTS</u></b>											
12	4.1	230	4	2	230	3	Other General and Administrative To adjust reported home office costs to agree with the Positive Directions, Inc. Home Office Audit Report for fiscal period ended June 30, 2012. 42 CFR 413.17, 413.20 and 413.24 CMS Pub. 15-1, Sections 2150, 2300 and 2304	*	\$86,695	(\$42,401)	\$44,294

\*Balance carried forward from prior/to subsequent adjustments