

**REPORT
ON THE
HOME OFFICE AUDIT**

**CORE HEALTHCARE SERVICES
OAKLAND, CALIFORNIA**

**FISCAL PERIOD
FEBRUARY 4, 2010 THROUGH AUGUST 31, 2010**

**Audits Section - Richmond
Financial Audits Branch
Audits and Investigations
Department of Health Care Services**

**Section Chief: Louise Wong
Audit Supervisor: Marisa Ho
Auditor: Kent Huang**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

March 27, 2012

Stephen Renouf
Assistant Controller
Rockport Healthcare Services
330 30th Street
Oakland, CA 94609

CORE HEALTHCARE SERVICES
FISCAL PERIOD FEBRUARY 4, 2010 THROUGH AUGUST 31, 2010

We have examined the Medi-Cal Home Office cost report for the fiscal period February 4, 2010 through August 31, 2010. 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 Summary of Audited Home Office Costs to Health Facilities 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. Summary of Audited Home Office Costs to Health Care Facilities
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.

Stephen Renouf
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If you have further questions regarding this report, you may call the Audits Section-Richmond at (510) 620-3100.

Original Signed by

Louise Wong, Chief
Audits Section-Richmond
Financial Audits Branch

Certified

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SUMMARY OF AUDITED HOME OFFICE CAPITAL AND NONCAPITAL RELATED COSTS TO CHAIN COMPONENTS

HOME OFFICE NAME:
CORE HEALTHCARE CENTERSFISCAL PERIOD:
FEBRUARY 4, 2010 THROUGH AUGUST 31, 2010

	MEDI-CAL NUMBER	FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR		CAPITAL RELATED 1	NONCAPITAL RELATED (SCHEDULE 3-1) 2	TOTAL AUDITED H.O. COSTS (COLUMN 1 + 2) 3	
		FROM	TO				
<u>HEALTH CARE FACILITIES</u>							
1.	ALAMEDA HEALTHCARE AND WELLNESS CENTER	1073575338	02/04/10	08/31/10	\$0	\$244,903	\$244,903
2.	SAN JOSE HEALTHCARE AND WELLNESS CENTER	1609915727	02/04/10	08/31/10	0	86,120	86,120
3.	OAKLAND HEALTHCAE AND WELLNESS CENTER	1053450163	02/04/10	08/31/10	0	119,848	119,848
4.	SAN PABLO HEALTHCARE AND WELLNESS CENTER	1811036957	02/04/10	08/31/10	0	132,840	132,840
5.	HAYWARD HEALTHCARE AND WELLNESS CENTER	1730293820	02/04/10	08/31/10	0	122,207	122,207
6.	CUPERTINO HEALTHCARE AND WELLNESS CENTER	1922010842	02/04/10	08/31/10	0	196,104	196,104
7.	ROSEVILLE HEALTHCARE AND WELLNESS CENTER	1710026869	02/04/10	08/31/10	0	117,017	117,017
8.	THE REHABILITATION CENTER OF OAKLAND	N/A	02/04/10	08/31/10	0	107,061	107,061
SUBTOTAL (LINES 1 THROUGH 8)					\$0	\$1,126,100	\$1,126,100
<u>OTHER COMPONENTS</u>							
9.	N/A				\$0	\$0	\$0
SUBTOTAL (LINE 9)					\$0	\$0	\$0
GRAND TOTAL					\$0	\$1,126,100	\$1,126,100

COMPARISON OF REPORTED AND AUDITED HOME OFFICE COSTS

HOME OFFICE NAME:
CORE HEALTHCARE CENTERS

FISCAL PERIOD:
FEBRUARY 4, 2010 THROUGH AUGUST 31, 2010

	MEDI-CAL NUMBER	FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR		REPORTED HOME OFFICE COSTS (SCH. 9) 1	AUDITED H.O. COSTS (SCH. 3-1) 2	VARIANCE (COLUMN 2-1) 3
		FROM	TO			
<u>HEALTH CARE FACILITIES</u>						
1. ALAMEDA HEALTHCARE AND WELLNESS CENTER	1073575338	02/04/10	08/31/10	\$267,915	\$244,903	(\$23,012)
2. SAN JOSE HEALTHCARE AND WELLNESS CENTER	1609915727	02/04/10	08/31/10	94,211	86,120	(8,091)
3. OAKLAND HEALTHCAE AND WELLNESS CENTER	1053450163	02/04/10	08/31/10	131,107	119,848	(11,259)
4. SAN PABLO HEALTHCARE AND WELLNESS CENTER	1811036957	02/04/10	08/31/10	145,321	132,840	(12,481)
5. HAYWARD HEALTHCARE AND WELLNESS CENTER	1730293820	02/04/10	08/31/10	133,688	122,207	(11,481)
6. CUPERTINO HEALTHCARE AND WELLNESS CENTER	1922010842	02/04/10	08/31/10	214,529	196,104	(18,425)
7. ROSEVILLE HEALTHCARE AND WELLNESS CENTER	1710026869	02/04/10	08/31/10	128,010	117,017	(10,993)
8. THE REHABILITATION CENTER OF OAKLAND	N/A	02/04/10	08/31/10	117,119	107,061	(10,058)
SUBTOTAL (LINES 1 THROUGH 8)				\$1,231,900	\$1,126,100	(\$105,800)
<u>OTHER COMPONENTS</u>						
9. N/A				\$0	\$0	\$0
SUBTOTAL (LINE 9)				\$0	\$0	\$0
GRAND TOTAL				\$1,231,900	\$1,126,100	(\$105,800)

SUMMARY ALLOCATION OF HOME OFFICE COSTS - NONCAPITAL RELATED

HOME OFFICE NAME:
CORE HEALTHCARE CENTERS

FISCAL PERIOD:
FEBRUARY 4, 2010 THROUGH AUGUST 31, 2010

	MEDI-CAL NUMBER	FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR		DIRECT COSTS 1	FUNCTIONAL COSTS 2	POOLED COSTS (SCH. 4) 3	TOTAL NONCAPITAL COSTS (COL. 1 TO 3)	
		FROM	TO					
<u>HEALTH CARE FACILITIES</u>								
1.	ALAMEDA HEALTHCARE AND WELLNESS CENTER	1073575338	02/04/10	08/31/10	\$0	\$0	\$244,903	\$244,903
2.	SAN JOSE HEALTHCARE AND WELLNESS CENTER	1609915727	02/04/10	08/31/10	0	0	86,120	86,120
3.	OAKLAND HEALTHCAE AND WELLNESS CENTER	1053450163	02/04/10	08/31/10	0	0	119,848	119,848
4.	SAN PABLO HEALTHCARE AND WELLNESS CENTER	1811036957	02/04/10	08/31/10	0	0	132,840	132,840
5.	HAYWARD HEALTHCARE AND WELLNESS CENTER	1730293820	02/04/10	08/31/10	0	0	122,207	122,207
6.	CUPERTINO HEALTHCARE AND WELLNESS CENTER	1922010842	02/04/10	08/31/10	0	0	196,104	196,104
7.	ROSEVILLE HEALTHCARE AND WELLNESS CENTER	1710026869	02/04/10	08/31/10	0	0	117,017	117,017
8.	THE REHABILITATION CENTER OF OAKLAND	N/A	02/04/10	08/31/10	0	0	107,061	107,061
SUBTOTAL (LINES 1 THROUGH 8)					\$0	\$0	\$1,126,100	\$1,126,100
<u>OTHER COMPONENTS</u>								
9.	N/A				\$0	\$0	\$0	\$0
SUBTOTAL (LINE 9)					\$0	\$0	\$0	\$0
GRAND TOTAL					\$0	\$0	\$1,126,100	\$1,126,100

(To Schedule 1 & 2)

POOLED ALLOCATION OF HOME OFFICE COSTS TO CHAIN COMPONENTS

HOME OFFICE NAME:
CORE HEALTHCARE CENTERSFISCAL PERIOD:
FEBRUARY 4, 2010 THROUGH AUGUST 31, 2010

	MEDI-CAL NUMBER	TOTAL COST (SCH. G, COL. 1) 1	CAPITAL (SCH. 8) 2	NONCAPITAL (SCH. 8) 3	TOTAL POOLED (COL. 2 + 3) 4	
<u>HEALTH CARE FACILITIES</u>						
1.	ALAMEDA HEALTHCARE AND WELLNESS CENTER	1073575338	\$8,125,007	\$0	\$244,903	\$244,903
2.	SAN JOSE HEALTHCARE AND WELLNESS CENTER	1609915727	2,857,146	0	86,120	86,120
3.	OAKLAND HEALTHCAE AND WELLNESS CENTER	1053450163	3,976,119	0	119,848	119,848
4.	SAN PABLO HEALTHCARE AND WELLNESS CENTER	1811036957	4,407,169	0	132,840	132,840
5.	HAYWARD HEALTHCARE AND WELLNESS CENTER	1730293820	4,054,376	0	122,207	122,207
6.	CUPERTINO HEALTHCARE AND WELLNESS CENTER	1922010842	6,506,040	0	196,104	196,104
7.	ROSEVILLE HEALTHCARE AND WELLNESS CENTER	1710026869	3,882,197	0	117,017	117,017
8.	THE REHABILITATION CENTER OF OAKLAND	N/A	3,551,902	0	107,061	107,061
SUBTOTAL (LINES 1 THROUGH 8)			\$37,359,956	\$0	\$1,126,100	\$1,126,100
<u>OTHER COMPONENTS</u>						
9.	N/A		\$0	\$0	\$0	\$0
SUBTOTAL (LINE 9)			\$0	\$0	\$0	\$0
GRAND TOTAL			\$37,359,956	\$0	\$1,126,100	\$1,126,100
(To Schedule 3-1)						
MULTIPLIER			0.000000	0.030142		

TRIAL BALANCE OF EXPENSES

HOME OFFICE NAME:
CORE HEALTHCARE CENTERSFISCAL PERIOD:
FEBRUARY 4, 2010 THROUGH AUGUST 31, 2010

LINE NO.	COST CENTER DESCRIPTION	REPORTED POOLED ALLOC. (SCH. B, COL 8)	ADJ. NOS.	ADJUSTMENT AMOUNTS	AUDITED POOLED COSTS
CAPITAL-RELATED COSTS - OLD					
1.00	Old Cap. Related - Buildings and Fixtures	\$0		\$0	\$0
2.00	Old Cap. Related - Movable Equipment	0		0	0
3.00	SUBTOTAL (sum of lines 1 through 2.00)	\$0		\$0	\$0
CAPITAL-RELATED COSTS - NEW					
4.00	New Cap. Related - Buildings and Fixtures	\$0		\$0	\$0
5.00	New Cap. Related - Movable Equipment	0		0	0
6.00	SUBTOTAL (sum of lines 4 through 5.00)	\$0		\$0	\$0
OTHER CAPITAL-RELATED COSTS					
7.00	Insurance Premiums	\$0		\$0	\$0
8.00	Taxes and Licenses - Not INCM	0		0	0
9.00	Other	0		0	0
10.00	SUBTOTAL (sum of lines 7 through 9)	\$0		\$0	\$0
NON CAPITAL-RELATED COSTS					
11.00	Salaries of Officers	\$103,990		\$0	\$103,990
12.00	Salaries and Wages of Others	482,453		0	482,453
13.00	Payroll Taxes	54,618		0	54,618
14.00	Employee Benefits - Payroll Related	36,484		0	36,484
15.00	Employee Benefits - Nonpayroll Related	68,252		0	68,252
16.00	Profit Sharing/Pension Plans	0		0	0
17.00	Legal Fees	146,884	1, 2	(50,800)	96,084
18.00	Auditing and Accounting Fees	0		0	0
19.00	Utilities	23,413		0	23,413
20.00	Communications	11,464		0	11,464
21.00	Travel and Entertainment	56,938		0	56,938
22.00	Transportation	9,426		0	9,426
23.00	Cleaning Office and Admin Supplies	43,225	4	(15,000)	28,225
24.00	Minor Equipment Expensed	26,749		0	26,749
25.00	Repairs and Maintenance	2,582		0	2,582
26.00	Dues and Subscriptions	197		0	197
27.00	Contributions	0		0	0
28.00	Insurance Premium - Non Capital Related	1,921		0	1,921
29.00	Taxes and Licenses - Non Capital Related	3,816		0	3,816
30.00	Interest Expense	29		0	29
31.00	Seminars and Education	7,291		0	7,291
32.00	Purchased Services	141,292	3	(40,000)	101,292
33.00	Fines and Penalties	0		0	0
34.00	Public Relations	0		0	0
35.00	Recruiting	10,000		0	10,000
35.01	Insurance, Depreciation, Taxes	876		0	876
36.00	SUBTOTAL (sum of lines 11 through 35.01)	\$1,231,900		(\$105,800)	\$1,126,100
37.00	TOTAL ALLOWABLE EXPENSES	\$1,231,900		(\$105,800)	\$1,126,100 (To Sch. 4)
38.00	NONREIMBURSABLE EXPENSES	\$0		\$0	\$0
	TOTAL EXPENSES	\$1,231,900		(\$105,800)	\$1,126,100

TRIAL BALANCE OF EXPENSES

HOME OFFICE NAME:
CORE HEALTHCARE CENTERSFISCAL PERIOD:
FEBRUARY 4, 2010 THROUGH AUGUST 31, 2010

LINE NO.	COST CENTER DESCRIPTION	REPORTED DIRECT ALLOC. (SCH. B, COL 6)	ADJ. NO.	ADJUSTMENT AMOUNTS	AUDITED DIRECT COSTS
CAPITAL-RELATED COSTS - OLD					
1.00	Old Cap. Related - Buildings and Fixtures	\$0		\$0	\$0
2.00	Old Cap. Related - Movable Equipment	0		0	0
3.00	SUBTOTAL (sum of lines 1 through 2.00)	\$0		\$0	\$0
CAPITAL-RELATED COSTS - NEW					
4.00	New Cap. Related - Buildings and Fixtures	\$0		\$0	\$0
5.00	New Cap. Related - Movable Equipment	0		0	0
6.00	SUBTOTAL (sum of lines 4 through 5.00)	\$0		\$0	\$0
OTHER CAPITAL-RELATED COSTS					
7.00	Insurance Premiums	\$0		\$0	\$0
8.00	Taxes and Licenses - Not INCM	0		0	0
9.00	Other	0		0	0
10.00	SUBTOTAL (sum of lines 7 through 9)	\$0		\$0	\$0
NON CAPITAL-RELATED COSTS					
11.00	Salaries of Officers	\$0		\$0	\$0
12.00	Salaries and Wages of Others	0		0	0
13.00	Payroll Taxes	0		0	0
14.00	Employee Benefits - Payroll Related	0		0	0
15.00	Employee Benefits - Nonpayroll Related	0		0	0
16.00	Profit Sharing/Pension Plans	0		0	0
17.00	Legal Fees	0		0	0
18.00	Auditing and Accounting Fees	0		0	0
19.00	Utilities	0		0	0
20.00	Communications	0		0	0
21.00	Travel and Entertainment	0		0	0
22.00	Transportation	0		0	0
23.00	Cleaning Office and Admin Supplies	0		0	0
24.00	Minor Equipment Expensed	0		0	0
25.00	Repairs and Maintenance	0		0	0
26.00	Dues and Subscriptions	0		0	0
27.00	Contributions	0		0	0
28.00	Insurance Premium - Non Capital Related	0		0	0
29.00	Taxes and Licenses - Non Capital Related	0		0	0
30.00	Interest Expense	0		0	0
31.00	Seminars and Education	0		0	0
32.00	Purchased Services	0		0	0
33.00	Fines and Penalties	0		0	0
34.00	Public Relations	0		0	0
35.00	Recruiting	0		0	0
35.01	Insurance, Depreciation, Taxes	0		0	0
36.00	SUBTOTAL (sum of lines 11 through 35.01)	\$0		\$0	\$0
37.00	TOTAL ALLOWABLE EXPENSES	\$0		\$0	\$0
38.00	NONREIMBURSABLE EXPENSES	\$0		\$0	\$0
	TOTAL EXPENSES	\$0		\$0	\$0

TRIAL BALANCE OF EXPENSES

HOME OFFICE NAME:
CORE HEALTHCARE CENTERSFISCAL PERIOD:
FEBRUARY 4, 2010 THROUGH AUGUST 31, 2010

LINE NO.	COST CENTER DESCRIPTION	REPORTED FUNCTIONAL COSTS (SCH. B, COL 7)	ADJ. NO.	ADJUSTMENT AMOUNTS	AUDITED FUNCTIONAL COSTS
CAPITAL-RELATED COSTS - OLD					
1.00	Old Cap. Related - Buildings and Fixtures	\$0		\$0	\$0
2.00	Old Cap. Related - Movable Equipment	0		0	0
3.00	SUBTOTAL (sum of lines 1 through 2.00)	\$0		\$0	\$0
CAPITAL-RELATED COSTS - NEW					
4.00	New Cap. Related - Buildings and Fixtures	\$0		\$0	\$0
5.00	New Cap. Related - Movable Equipment	0		0	0
6.00	SUBTOTAL (sum of lines 4 through 5.00)	\$0		\$0	\$0
OTHER CAPITAL-RELATED COSTS					
7.00	Insurance Premiums	\$0		\$0	\$0
8.00	Taxes and Licenses - Not INCM	0		0	0
9.00	Other	0		0	0
10.00	SUBTOTAL (sum of lines 7 through 9)	\$0		\$0	\$0
NON CAPITAL-RELATED COSTS					
11.00	Salaries of Officers	\$0		\$0	\$0
12.00	Salaries and Wages of Others	0		0	0
13.00	Payroll Taxes	0		0	0
14.00	Employee Benefits - Payroll Related	0		0	0
15.00	Employee Benefits - Nonpayroll Related	0		0	0
16.00	Profit Sharing/Pension Plans	0		0	0
17.00	Legal Fees	0		0	0
18.00	Auditing and Accounting Fees	0		0	0
19.00	Utilities	0		0	0
20.00	Communications	0		0	0
21.00	Travel and Entertainment	0		0	0
22.00	Transportation	0		0	0
23.00	Cleaning Office and Admin Supplies	0		0	0
24.00	Minor Equipment Expensed	0		0	0
25.00	Repairs and Maintenance	0		0	0
26.00	Dues and Subscriptions	0		0	0
27.00	Contributions	0		0	0
28.00	Insurance Premium - Non Capital Related	0		0	0
29.00	Taxes and Licenses - Non Capital Related	0		0	0
30.00	Interest Expense	0		0	0
31.00	Seminars and Education	0		0	0
32.00	Purchased Services	0		0	0
33.00	Fines and Penalties	0		0	0
34.00	Public Relations	0		0	0
35.00	Recruiting	0		0	0
35.01	Insurance, Depreciation, Taxes	0		0	0
36.00	SUBTOTAL (sum of lines 11 through 35.01)	\$0		\$0	\$0
37.00	TOTAL ALLOWABLE EXPENSES	\$0		\$0	\$0
38.00	NONREIMBURSABLE EXPENSES	\$0		\$0	\$0
	TOTAL EXPENSES	\$0		\$0	\$0

REPORTED HOME OFFICE COSTS

HOME OFFICE NAME:
CORE HEALTHCARE CENTERSFISCAL PERIOD:
FEBRUARY 4, 2010 THROUGH AUGUST 31, 2010

	NPI NUMBER	FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR		DIRECT ALLOCATION		FUNCTIONAL ALLOCATION		POOLED ALLOCATION		TOTAL ALLOCATION HOME OFFICE COSTS	
		FROM	TO	CAPITAL RELATED COSTS (SCH. E)	NON-CAPITAL RELATED COSTS (SCH. E-1)	CAPITAL RELATED COSTS (SCH. F)	NON-CAPITAL RELATED COSTS (SCH. F-1)	CAPITAL RELATED COSTS (SCH. G)	NON-CAPITAL RELATED COSTS (SCH. G)		
HEALTH CARE FACILITIES											
1.	ALAMEDA HEALTHCARE AND WELLNESS CENTER	1073575338	02/04/10	08/31/10						\$267,915	\$267,915
2.	SAN JOSE HEALTHCARE AND WELLNESS CENTER	1609915727	02/04/10	08/31/10						94,211	94,211
3.	OAKLAND HEALTHCAE AND WELLNESS CENTER	1053450163	02/04/10	08/31/10						131,107	131,107
4.	SAN PABLO HEALTHCARE AND WELLNESS CENTER	1811036957	02/04/10	08/31/10						145,321	145,321
5.	HAYWARD HEALTHCARE AND WELLNESS CENTER	1730293820	02/04/10	08/31/10						133,688	133,688
6.	CUPERTINO HEALTHCARE AND WELLNESS CENTER	1922010842	02/04/10	08/31/10						214,529	214,529
7.	ROSEVILLE HEALTHCARE AND WELLNESS CENTER	1710026869	02/04/10	08/31/10						128,010	128,010
8.	THE REHABILITATION CENTER OF OAKLAND	N/A	02/04/10	08/31/10						117,119	117,119
SUBTOTAL (LINES 1 THROUGH 8)					\$0	\$0	\$0	\$0	\$0	\$1,231,900	\$1,231,900
OTHER COMPONENTS											
9.	N/A										\$0
SUBTOTAL (LINE 9)					\$0	\$0	\$0	\$0	\$0	\$0	\$0
GRAND TOTAL					\$0	\$0	\$0	\$0	\$0	\$1,231,900	\$1,231,900

(To Sch. 2, Col. 1)

Provider Name						Fiscal Period		Provider Number		Adjustments
CORE HEALTHCARE CENTERS						FEBRUARY 4, 2010 THROUGH AUGUST 31, 2010		N/A		4
Report References						Explanation of Audit Adjustments		As Reported	Increase (Decrease)	As Adjusted
Cost Report			Audit Report							
Adj. No.	CMS 287-05 Page or Sch.	Line	Col.	Sch	Line					
<u>ADJUSTMENTS TO REPORTED COSTS</u>										
1	B	17	5	8	17.00	Legal Fees To eliminate nonallowable legal fees for proper cost determination. CMS Pub.15-1, Sections 2102.3, 2183, 2300, and 2304	\$146,884	(\$38,300)	\$108,584	*
2	B	17	5	8	17.00	Legal Fees To eliminate the reported retainer fees outside of the audit period. CMS Pub.15-1, Sections 2300 and 2302	* \$108,584	(\$12,500)	\$96,084	
3	B	32	5	8	32.00	Purchased Services To eliminate the consultant fees due to insufficient documentation. CMS Pub.15-1, Sections 2135.2, 2300, 2304, and 2404.2	\$141,292	(\$40,000)	\$101,292	
4	B	23	5	8	23.00	Cleaning, Office and Administrative Supplies To eliminate the good faith deposit for proper cost determination. CMS Pub.15-1, Section 2102	\$43,225	(\$15,000)	\$28,225	

*Balance carried forward from prior/to subsequent adjustments