

**REPORT
ON THE
RATE SETTING AUDIT**

**THIRD AVENUE HOUSE
UPLAND, CALIFORNIA
PROVIDER NUMBER: LTC60899H**

**FISCAL PERIOD ENDED
JUNE 30, 2007**

**Audits Section – Santa Ana
Financial Audits Branch
Audits and Investigations
Department of Health Care Services**

**Section Chief: Margaret A. Varho
Audit Supervisor: Lan Nguyen
Auditor: Claudia Sanjuan**



SANDRA SHEWRY
Director

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



ARNOLD SCHWARZENEGGER
Governor

December 23, 2008

Sally Blanco-Braun, Controller
Independent Options, Inc
P.O. Box 2197
Corona, CA 92878

PROVIDER: THIRD AVENUE HOUSE
PROVIDER NO. LTC60899H
FISCAL PERIOD ENDED JUNE 30, 2007

We have examined the facility's financial records/Medi-Cal Cost Report for the above-referenced fiscal period. 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 and patient days 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	\$	394,008		\$ 191.92
Net Audit Adjustment		(10,883)		(5.30)
Audited Cost/Cost Per Day	\$	<u>383,125</u>		\$ <u>186.62</u>

This audit report includes the:

1. Audit Report Schedules 1 through 3
2. Audit Adjustments Schedule

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 Rate Development Branch.

Sally Blanco-Braun
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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
Office of Administrative Appeals and Hearings
1029 J Street, Suite 200
Sacramento, CA 95814-2825
(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 95899-7413

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 95814-5005
(916) 440-7745

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—Santa Ana at (714) 558-4434.

(Original signed by Margaret Varho)

Margaret A. Varho, Chief
Audits Section—Santa Ana
Financial Audits Branch

Certified

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

Provider:
THIRD AVENUE HOUSE

Fiscal Period:
JULY 1, 2006 THROUGH JUNE 30, 2007

Provider Number:
LTC60899H

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

	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj)	2,053	2,053
2. Other Client Days (Adj)		0
3. Total Client Days	<u>2,053</u>	<u>2,053</u>
4. Total Client Care Expenses (From Sch. 2)	\$ <u>394,008</u>	\$ <u>383,125</u>
5. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>191.92</u>	\$ <u>186.62</u>

SHARE OF COST

1. Share of Cost Audit Adjustment (Adj)	\$ <u>NA</u>	\$ <u>0</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:
THIRD AVENUE HOUSE

Fiscal Period:
JULY 1, 2006 THROUGH JUNE 30, 2007

Provider Number:
LTC60899H

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED	AUDIT ADJUSTMENT	AS AUDITED
	EXPENSES: CLIENT SERVICES				
	Basic Facility Cost - Property Expenses				
045	Depreciation and Amortization	1	\$ 10,743	\$ (4,965)	\$ 5,778
050	Leases and Rentals		2,818		2,818
055	Real Property Taxes		2,604		2,604
060	Personal Property Taxes				0
065	Mortgage Interest	2	10,974	(2,704)	8,270
070	Property Insurance	3	603	(33)	570
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 27,742	\$ (7,702)	\$ 20,040
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance		\$ 18,243	\$	\$ 18,243
085	Utilities		7,194		7,194
090	Client Transportation	4, 5	17,830	(3,181)	14,649
095	Dietary		11,086		11,086
100	Personal Care and Laundry		5,195		5,195
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 59,548	\$ (3,181)	\$ 56,367
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 87,290	\$ (10,883)	\$ 76,407
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		\$ 18,916	\$	\$ 18,916
120	QMRP Fringe Benefits		1,631		1,631
125	Lead Salaries		43,778		43,778
130	Lead Fringe Benefits		4,028		4,028
135	Aides Salaries		96,503		96,503
140	Aides Fringe Benefits		10,510		10,510
145	Other Salaries		21,272		21,272
150	Other Fringe Benefits		1,844		1,844
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 198,482	\$ 0	\$ 198,482

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
THIRD AVENUE HOUSE

Fiscal Period:
JULY 1, 2006 THROUGH JUNE 30, 2007

Provider Number:
LTC60899H

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED	AUDIT ADJUSTMENT	AS AUDITED
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant		\$ 1,269	\$	\$ 1,269
165	Speech Pathology Consultant		1,980		1,980
170	Physical Therapy Consultant		2,304		2,304
175	Occupational Therapy Consultant		2,070		2,070
180	Pharmacist Consultant		780		780
185	Nurse Consultant				0
190	Psychologist Consultant		908		908
195	Physician Consultant		2,100		2,100
200	Recreational Consultant				0
205	Social Service Consultant				0
210	Other Consultant		1,500		1,500
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 12,911	\$ 0	\$ 12,911
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries		\$	\$	\$ 0
225	Administrative Fringe Benefits				0
226	Quality Assurance Fees		21,774		21,774
230	Other Administrative and General		73,551		73,551
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 95,325	\$ 0	\$ 95,325
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 394,008	\$ (10,883)	\$ 383,125
	NON-CLIENT CARE EXPENSES		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$	\$	\$ 0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235 and 240)		\$ 394,008	\$ (10,883)	\$ 383,125

SUMMARY OF AUDITED LABOR REPORT

Provider:
THIRD AVENUE HOUSE

Fiscal Period:
JULY 1, 2006 THROUGH JUNE 30, 2007

Provider Number:
LTC60899H

Line No.	Description	AS AUDITED			Average Hourly Wage (Col 2 / Col 3)
		(1) Benefits	(2) Salaries	(3) Total Hours (Adj 6)	
	DIRECT CARE STAFF				
		(From Sch. 2)	(From Sch. 2)		
1	QMRP	\$ 1,631	\$ 18,916	598	\$ 31.63
2	Lead	4,028	43,778	5,030	8.70
3	Aides	10,510	96,503	12,417	7.77
4	Other	1,844	21,272	719	29.57
5	TOTAL DIRECT CARE (Lines1 through 4)	\$ 18,013	\$ 180,469	18,764	
	CONSULTANT STAFF				
6	Dietician	\$	\$ 1,269	27	\$ 47.00
7	Speech Pathology		1,980	36	55.00
8	Physical Therapy		2,304	48	48.00
9	Occupational Therapy		2,070	36	57.50
10	Pharmacist		780	13	60.00
11	Nurse				0.00
12	Psychologist		908	17	55.03
13	Physician		2,100	12	175.00
14	Recreational				0.00
15	Social Service				0.00
16	Other		1,500	12	125.00
17	TOTAL CONSULTANT (Lines 6 through 16)	\$ 0	\$ 12,911	201	
	ADMINISTRATIVE STAFF				
18	Administrative Staff	\$	\$		\$ 0.00
19	TOTAL STAFF (Lines 5, 17, 18)	\$ 18,013	\$ 193,380	18,965	

Provider Name		Fiscal Period		Provider Number		Adjustments		
THIRD AVENUE HOUSE		JULY 1, 2006 TO JUNE 30, 2007		LTC60899H		6		
Adj. No.	DHS 3076 Page or Exhibit	Report References		Sch	Line	As Reported	Increase (Decrease)	As Adjusted
		COST REPORT	AUDIT REPORT					
<u>ADJUSTMENTS TO REPORTED COSTS</u>								
1	4	45	4	2	45.00	\$10,743	(\$4,965)	\$5,778
Depreciation and Amortization To eliminate nonallowable depreciation expense for assets subject to DEFRA. 42 CFR 413.134 / CMS Pub. 15-1, Section 104.10								
2	4	65	4	2	65.00	\$10,974	(\$2,704)	\$8,270
Mortgage Interest To eliminate nonallowable interest expense for assets subject to DEFRA. 42 CFR 413.134 / CMS Pub. 15-1, Section 104.10								
3	4	70	4	2	70.00	\$603	(\$33)	\$570
Property Insurance To adjust property insurance expense to agree with provider's invoices. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304								
4	4	90	4	2	90.00	\$17,830	(\$2,936)	\$14,894 *
Client Transportation To adjust auto lease expense to agree with vehicle lease agreement. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2304 and 2300								
5	4	90	4	2	90.00	\$14,894	(\$245)	\$14,649
Client Transportation To adjust auto expense to agree with provider's invoices 24 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2304 and 2300								

*Balance carried forward from prior/to subsequent adjustments

Provider Name		Fiscal Period		Provider Number		Adjustments		
THIRD AVENUE HOUSE		JULY 1, 2006 TO JUNE 30, 2007		LTC60899H		6		
Adj. No.	Report References		Line	Sch	Col.	As Reported	Increase (Decrease)	As Adjusted
	COST REPORT	AUDIT REPORT						
6	DHS 3076 Page or Exhibit	13	3	3	3	11	1	12
<p>Explanation of Audit Adjustments</p> <p><u>ADJUSTMENT TO THE LABOR REPORT</u></p> <p>13.00 Physician Consultant (Hours) To adjust productive hours to agree with the consultant invoices. 42 CFR 413.20 / CMS Pub. 15-1, Section 2304</p>								