REPORT
ON THE
RATE SETTING AUDIT

DUKE FACILITIES INC., #1
STOCKTON, CALIFORNIA
PROVIDER NUMBER: LTC60845G
NATIONAL PROVIDER IDENTIFIER: 1700935509

FISCAL PERIOD ENDED
DECEMBER 31, 2009

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

Section Chief: Steven Gary
Audit Supervisor: Gary Diffenderffer
Auditor: Mony Sor

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

DAVID MAXWELL-JOLLY
Director

ARNOLD SCHWARZENEGGER
Governor

December 29, 2010

Brian Duke, Administrator
Duke Facilities Inc., #1
1150 Robinhood Drive, Suite 2C
Stockton, CA 95207

PROVIDER: DUKE FACILITIES INC., #1
PROVIDER NO. LTC60845G
NATIONAL PROVIDER IDENTIFIER (NPI): 1700935509
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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:

COST AND COST PER DAY		COST		COST PER DAY
Reported Cost/Cost Per Day	$	311,103	$	139.32
Net Audit Adjustment		15,258		6.83
Audited Cost/Cost Per Day	$	326,361	$	146.15

This audit report includes the:

1. Audit Report Schedules 1 and 2

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.

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.

If you have questions regarding this report, you may call the Audits Section—Sacramento at (916) 650-6994.

Original Signed By

Steven Gary, Chief
Audits Section—Sacramento
Financial Audits Branch

Certified

SUMMARY OF AUDITED FACILITY CENSUS AND AUDITED CLIENT COST PER DAY

Provider: DUKE FACILITIES INC., #1

Fiscal Period: JANUARY 1, 2009 THROUGH DECEMBER 31, 2009

Provider Number: LTC60845G

Provider NPI: 1700935509

SUMMARY OF AUDITED FACILITY CENSUS AND AUDITED CLIENT COST PER DAY	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj)	2,233	2,233
2. Other Client Days (Adj)		0
3. Total Client Days	2,233	2,233
4. Total Client Care Expenses (From Sch. 2)	$ 311,103	$ 326,361
5. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	$ 139.32	$ 146.15
SHARE OF COST		
1. Share of Cost Audit Adjustment (Adj)	$ NA	$ 0
OVERPAYMENTS		
1. Duplicate Payments (Adj)	$	$ 0
2. Credit Balances (Adj)	$	$ 0
3. Total Overpayments	$ 0	$ 0

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
DUKE FACILITIES INC., #1

Fiscal Period:
JANUARY 1, 2009 THROUGH DECEMBER 31, 2009

Provider Number:
LTC60845G

NPI:
1700935509

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	3	$ 13,506	$ (12,987)	$ 519
050	Leases and Rentals		0		0
055	Real Property Taxes		0		0
060	Personal Property Taxes		1,503		1,503
065	Mortgage Interest	4	4,218	(4,218)	0
070	Property Insurance	5	6,074	(1,090)	4,984
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		$ 25,301	$ (18,295)	$ 7,006
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance	6,7,8	$ 12,708	$ (1,200)	$ 11,508
085	Utilities	9,10	9,288	(176)	9,112
090	Client Transportation	11,12,13	4,613	(1,887)	2,726
095	Dietary		14,585		14,585
100	Personal Care and Laundry		2,564		2,564
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		$ 43,758	$ (3,263)	$ 40,495
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		$ 69,059	$ (21,558)	$ 47,501
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		$ 28,000	$	$ 28,000
120	QMRP Fringe Benefits		6,128		6,128
125	Lead Salaries		6,000		6,000
130	Lead Fringe Benefits		3,109		3,109
135	Aides Salaries		97,646		97,646
140	Aides Fringe Benefits		31,351		31,351
145	Other Salaries				0
150	Other Fringe Benefits				0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		$ 172,234	$ 0	$ 172,234

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
DUKE FACILITIES INC., #1

Fiscal Period:
JANUARY 1, 2009 THROUGH DECEMBER 31, 2009

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Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant		$ 1,650	$	$ 1,650
165	Speech Pathology Consultant		70		70
170	Physical Therapy Consultant				0
175	Occupational Therapy Consultant				0
180	Pharmacist Consultant		300		300
185	Nurse Consultant		19,617		19,617
190	Psychologist Consultant		1,500		1,500
195	Physician Consultant		1,545		1,545
200	Recreational Consultant		1,595		1,595
205	Social Service Consultant				0
210	Other Consultant		4,800		4,800
215	TOTAL CONSULTANT COST (Lines 160 through 210)		$ 31,077	$ 0	$ 31,077
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries	1	$ 11,050	$ (1,500)	$ 9,550
225	Administrative Fringe Benefits		8,980		8,980
226	Quality Assurance Fees		17,661		17,661
230	Other Administrative and General	1,2,14,15	1,042	38,316	39,358
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		$ 38,733	$ 36,816	$ 75,549
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		$ 311,103	$ 15,258	$ 326,361
			(To Sch. 1)		(To Sch. 1)
	NON-CLIENT CARE EXPENSES				
240	Non-Program Services	2	$ 81,336	$ (81,336)	$ 0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235 and 240)		$ 392,439	$ (66,078)	$ 326,361

Provider Name	Fiscal Period	Provider Number	Adjustments
DUKE FACILITIES INC., #1	JANUARY 1, 2009 THROUGH DECEMBER 31, 2009	LTC60845G	15

Report References									
	Cost Report			Audit Report					
Adj. No.	MC530 Page or Exhibit	Line	Col.	Sch	Line	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
						RECLASSIFICATIONS OF REPORTED COSTS			
1	4.1	220	4	2	220.00	Administrative Salaries	$11,050	($1,500)	$9,550
	4.1	230	4	2	230.00	Other General and Administrative	1,042	1,500	2,542 *
						To reclassify billing expenses to the appropriate cost center.			
						42 CFR 413.20 and 413.24			
						CMS Pub. 15-1, Sections 2300, 2302.4 and 2302.8			
2	4.1	230	4	2	230.00	Other General and Administrative *	$2,542	$81,336	$83,878 *
	4.1	240	4	2	240.00	Nonprogram Services	81,336	(81,336)	0
						To reclassify home office cost to the appropriate cost center.			
						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 Number	Adjustments
DUKE FACILITIES INC., #1	JANUARY 1, 2009 THROUGH DECEMBER 31, 2009	LTC60845G	15

Report References									
	Cost Report			Audit Report					
Adj. No.	MC530 Page or Exhibit	Line	Col.	Sch	Line	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
						ADJUSTMENTS TO REPORTED COSTS			
3	4	45	4	2	45.00	Depreciation and Amortization To eliminate depreciation expense due to insufficient documentation. 42 CFR 413.20, 413.24 and 413.134 CMS Pub. 15-1, Sections 102, 2300 and 2304	$13,506	($12,987)	$519
4	4	65	4	2	65.00	Mortgage Interest To eliminate mortgage interest expense due to insufficient documentation in conjunction with adjustment number 3. 42 CFR 413.20, 413.24 and 413.134 CMS Pub. 15-1, Sections 102, 2300 and 2304	$4,218	($4,218)	$0
5	4	70	4	2	70.00	Property Insurance To adjust property insurance expense to agree with the provider's records. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	$6,074	($1,090)	$4,984
6	4	80	4	2	80.00	Home Operations and Maintenance	$12,708		
						To eliminate plumbing repair expense not related to the audited facility. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304		($250)	
7						To eliminate plumbing repair expense due to lack of documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304		(65)	
8						To eliminate household expense not related to the audited facility. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304		(885) ($1,200)	$11,508

Provider Name	Fiscal Period	Provider Number	Adjustments
DUKE FACILITIES INC., #1	JANUARY 1, 2009 THROUGH DECEMBER 31, 2009	LTC60845G	15

Report References									
	Cost Report			Audit Report					
Adj. No.	MC530 Page or Exhibit	Line	Col.	Sch	Line	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
						ADJUSTMENTS TO REPORTED COSTS			
9	4	85	4	2	85.00	Utilities	$9,288		
						To adjust utilities expenses to agree with the related invoices. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304		($98)	
10						To eliminate utilities penalties not related to patient care. 42 CFR 413.9 / CMS Pub. 15-1, Section 2102.3		(78) ($176)	$9,112
11	4	90	4	2	90.00	Client Transportation	$4,613		
						To eliminate tires repair expense due to lack of documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304		($631)	
12						To eliminate repair cost of 1995 Dodge Van not related to the audited facility. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304		(761)	
13						To eliminate repair of a Passat due to insufficient documenation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304		(495) ($1,887)	$2,726
14	4	230	4	2	230.00	Other Administrative and General *	$83,878	($33,696)	$50,182 *
						To eliminate the adminstrator's compensation to a reasonable amount as defined by CMS compensation guidelines. Social Security Act Section 1861 (v)(1)(A) 42 CFR, Section 413.9(c)(2), 413.20 and 413.24 CMS Pub.15-1, Sections 904, 905.1, 2102.1, 2102.3, 2103, 2300 and 2304			

*Balance carried forward from prior/to subsequent adjustments

Provider Name	Fiscal Period	Provider Number	Adjustments
DUKE FACILITIES INC., #1	JANUARY 1, 2009 THROUGH DECEMBER 31, 2009	LTC60845G	15

Report References									
	Cost Report			Audit Report					
Adj. No.	MC530 Page or Exhibit	Line	Col.	Sch	Line	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
						ADJUSTMENTS TO REPORTED COSTS			
15	4	230	4	2	230.00	Other Administrative and General *	$50,182	($10,824)	$39,358
						To eliminate home office fringe benefits for the administrator and QMRP which is already reported at the facility.			
						Social Security Act Section 1861 (v)(1)(A)			
						42 CFR, Section 413.9(c)(2), 413.20 and 413.24			
						CMS Pub.15-1, Sections 904, 905.1, 2102.1, 2102.3, 2103, 2300 and 2304			

*Balance carried forward from prior/to subsequent adjustments