STATE OF NEW YORK
OFFICE OF THE MEDICAID INSPECTOR GENERAL
800 North Pearl Street
Albany, New York 12204

ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
MEDICAID INSPECTOR GENERAL

September 5, 2014

[redacted]
Park Terrace Care Center
5920 Van Doren Street
Corona, New York 11368

Re: Medicaid Rate Audit #11-3760
NPI Number: [redacted]
Provider Number: [redacted]

Dear [redacted]

Enclosed is the final audit report of the Office of the Medicaid Inspector General's (the "OMIG") audit of Park Terrace Care Center's (the "Facility") Medicaid rates for the rate period January 1, 2006 through December 31, 2008. In accordance with 18 NYCRR Section 517.6, this audit report represents the OMIG's final determination on issues raised in the draft audit report.

In response to the draft audit report dated May 9, 2014, you identified specific audit findings with which you disagreed. Your comments have been considered (see Attachment A); however, consideration of your comments resulted in no reduction to the Medicaid overpayment shown in the draft audit report. As previously stated in the draft audit report, the Medicare Part B and D offsets were not within the scope of the review and may be examined as part of a future audit. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is $83,657. This overpayment is subject to Department of Health ("DOH") and Division of Budget ("DOB") final approval. While not anticipated, any difference between the calculated overpayment and the final DOH and DOB approved amount will be resolved with the Facility by the OMIG Bureau of Collections Management.

In accordance with 18 NYCRR Part 518 which regulates the collection of overpayments, your repayment options are described below.

OPTION #1: Make full payment by check or money order within 20 days of the date of the final audit report. The check should be made payable to the New York State Department of Health and be sent with the attached Remittance Advice to:

New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 2739
File #11-3760
Albany, New York 12237-0048

OPTION #2: Enter into a repayment agreement with the Office of the Medicaid Inspector General. If your repayment terms exceed 90 days from the date of the final audit report, recoveries of amounts due are subject to interest charges at the prime rate plus 2%. If the process of establishing the repayment agreement exceeds 20 days from the date of the final audit report, the OMIG will impose a 50% withhold after 20 days until an agreement is established. OMIG acceptance of the repayment agreement is based on your repaying the Medicaid overpayment as agreed. The OMIG will adjust the rate of recovery, or require payment in full, if your unpaid balance is not being repaid as agreed. In addition, if you receive an adjustment in your favor while you owe funds to the State, such adjustment will be applied against any amount owed. If you wish to enter into a repayment agreement, please contact the Bureau of Collections Management within 20 days at the following:

Bureau of Collections Management
New York State Office of the Medicaid Inspector General
800 North Pearl Street
Albany, New York 12204

You have the right to challenge this action and determination by requesting an administrative hearing within sixty (60) days of the date of this notice. You may not request a hearing to raise issues related to rate setting or rate setting methodology. In addition, you may not raise any issue that was raised or could have been raised at a rate appeal with your rate setting agency. You may only request a hearing to challenge specific audit adjustments which you challenged in a response to the draft audit report.

If you wish to request a hearing, the request must be submitted in writing to:

General Counsel
Office of Counsel
New York State Office of the Medicaid Inspector General
800 North Pearl Street
Albany, New York 12204

Questions regarding the request for a hearing should be directed to the Office of Counsel at

If a hearing is held, you may have a person represent you or you may represent yourself. If you choose to be represented by someone other than an attorney, you must supply a signed authorization permitting that person to represent you along with your hearing request. At the hearing, you may call witnesses and present documentary evidence on your behalf.

Should you have any questions, please contact or through email at Please refer to audit number 11-3760 in all correspondence.

Sincerely

Bureau of Rate Audit
Division of Medicaid Audit
Office of the Medicaid Inspector General

Enclosures:

Attachment A - Facility Draft Audit Report Comments and OMIG Response
EXHIBIT I - Summary of Per Diem Impact and Medicaid Overpayment
EXHIBIT II - Summary of Medicaid Rates Audited
EXHIBIT III - Property Expense Disallowances/(Allowances) - Nursing Facility
EXHIBIT IV - Property Expense Disallowances/(Allowances) - TBI
EXHIBIT V - Return on Average Equity Disallowances/(Allowances)

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE

NAME AND ADDRESS OF AUDITEE	NPI #: [redacted] PROVIDER #: [redacted]
PARK TERRACE CARE CENTER 5920 VAN DOREN STREET CORONA, NEW YORK 11368	AUDIT #11-3760
AMOUNT DUE: $83,657	AUDIT TYPE [ ] PROVIDER [X] RATE [ ] PART B [ ] OTHER:

CHECKLIST

1. To ensure proper credit, please enclose this form with your check.
2. Make checks payable to: *New York State Department of Health*
3. Record the Audit Number on your check.
4. Mail check to:

[redacted]
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 2739
File #11-3760
Albany, New York 12237-0048

5. If the provider number shown above is incorrect, please enter the correct number below.

CORRECT PROVIDER NUMBER

PARK TERRACE CARE CENTER - AUDIT #11-3760
FACILITY DRAFT AUDIT REPORT COMMENTS AND OMIG RESPONSE

All OMIG adjustments were accepted by the Facility except for those shown below. The following details the disposition of final report adjustments after consideration of the Facility's draft audit report response comments.

EXHIBIT III COMMENTS

Adjustment #1 – Building Depreciation Disallowances

Facility Comment

Depreciation in the amount of $9,369 was disallowed in 2005 and 2006 cost years. As we explained at the exit conference with Mr. Timothy Brown on January 23, 2014, this amount relates to depreciation on two small buildings **not** included in the nursing home building lease. One of the buildings houses the business offices that are used to operate the nursing home and is located around the corner from the Nursing Facility. The other is a property across the street from the facility and is used for storage and additional parking for the use of the nursing facility. Both these locations are **not** covered by the nursing facility lease that is being reimbursed as rent. We ask that it be added back to reimbursement for rate year 2007 and 2008.

OMIG Response

In discussing this adjustment with the Bureau of Long Term Care Reimbursement (BLTCR), they indicated this is not an expense that should have been allowed without a Certificate of Need (CON) and therefore is not allowable on audit.

Disposition: The draft audit report disallowance remains the same.

Adjustment #2 – Land/Leasehold Improvement & Building Depreciation Disallowances

Facility Comment

Numerous additions to fixes assets were disallowed as being repairs to existing assets. Under both accounting and tax guidelines repairs are to be treated as additional depreciable assets when the following criteria are met.

> "Expenditures that increase the capacity or operating efficiency or extend the useful life of an asset, **if they are substantial**, are capitalized." (GAAP GUIDE)
>
> A number of the disallowed repairs we believe are substantial and extend the useful life of the item they repaired. We request you reconsider the inclusion of the following assets (invoices attached):
>
> a. 05/05/04 [redacted] Invoice # 5052004 **$4,888.13**. Furnish and install 3 [redacted] Boiler Tubes.
>
> b. 10/06/04 [redacted] Invoice # 10062004 **$3,095.81**. Supply and install a new door, doorframe, heater and thermostat to the walk in freezer.

c. 04/28/05 [redacted] Invoice # 61338 **$2,786.23.** Installation of a Booster boiler.

d. 03/29/05 [redacted] **$4,400**. Install a new high velocity pump.

OMIG Response

According to PRM-1 Section 108.2, betterments and improvements extend the useful life, increase the productivity, or significantly improve the safety (e.g., asbestos removal) of an asset as opposed to repairs and maintenance which either restore the asset to, or maintain it at, its normal or expected service life. Repair and maintenance costs are always allowed in the current accounting period.

For the costs of betterments and improvements, the guidelines established in §108.1 must be followed, i.e., if the cost of a betterment or improvement to an asset is $5,000 or more and the estimated useful life of the asset is extended beyond its original estimated useful life by at least 2 years, or if the productivity of the asset is increased significantly over its original productivity, or the safety of the asset is increased significantly, then this cost must be capitalized and written off ratably over the remaining estimated useful life of the asset as modified by the betterment or improvement. As in the previous section, lower minimum criteria may be used if desired.

Since none of the above conditions have been met, there is no justification to change the disallowance.

Disposition: The draft audit report disallowance remains the same.

PARK TERRACE CARE CENTER - AUDIT #11-3760
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

RATE PERIOD NURSING FACILITY	ISSUED PART B & D NON-ELIGIBLE RATES*	FINAL PART B & D NON-ELIGIBLE RATES	RATE DECREASE (INCREASE)	MEDICAID DAYS	MEDICAID OVERPAYMENT
01/01/06 - 03/31/06	$262.50	$262.18	$0.32	13,768	$ 4,406
04/01/06 - 06/30/06	263.21	262.89	0.32	13,671	4,375
07/01/06 - 09/30/06	262.74	262.42	0.32	13,408	4,291
10/01/06 - 12/31/06	267.30	266.98	0.32	13,420	4,294
01/01/07 - 03/31/07	272.74	272.41	0.33	13,098	4,322
04/01/07 - 06/30/07	271.21	270.88	0.33	13,241	4,370
07/01/07 - 12/31/07	270.13	269.80	0.33	27,908	9,210
01/01/08 - 03/31/08	275.00	274.45	0.55	13,960	7,678
04/01/08 - 06/30/08	269.59	269.04	0.55	13,807	7,594
07/01/08 - 12/31/08	275.65	275.10	0.55	27,987	15,393
SUB-TOTAL MEDICAID OVERPAYMENT - NURSING FACILITY					**$ 65,933**
TBI					
01/01/06 - 03/31/06	$514.24	$513.53	$0.71	1,642	$ 1,166
04/01/06 - 06/30/06	513.09	512.38	0.71	1,766	1,254
07/01/06 - 09/30/06	513.09	512.38	0.71	1,640	1,164
10/01/06 - 12/31/06	511.85	511.14	0.71	1,806	1,282
01/01/07 - 03/31/07	523.22	522.57	0.65	1,787	1,162
04/01/07 - 06/30/07	520.29	519.64	0.65	1,812	1,178
07/01/07 - 10/31/07	515.82	515.17	0.65	2,276	1,479
11/01/07 - 12/31/07	515.82	515.17	0.65	1,182	768
01/01/08 - 03/31/08	523.73	522.57	1.16	1,753	2,033
04/01/08 - 12/31/08	519.86	518.70	1.16	5,378	6,238
SUB-TOTAL MEDICAID OVERPAYMENT - TBI					**$ 17,724**
TOTAL MEDICAID OVERPAYMENT					**$ 83,657**

* Any differences between these rates and the rates listed in Exhibit II of this report represent rate changes made subsequent to OMIG's audit. These changes remain open to future audit by the OMIG. For the purpose of this Exhibit, the Medicare Part B and D rates are not shown. The rate decrease/(increase) for those rates is the same as shown for the Medicare Part B and D non-eligible rates above.

PARK TERRACE CARE CENTER - AUDIT #11-3760
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 86 percent for the period under audit and the Medicaid per diem rates audited are shown below. Any differences between these rates and the "Issued Rates" listed in Exhibit I of this report represent rate changes made subsequent to our audit. These changes remain open to future audit by the OMIG.

RATE PERIOD NURSING FACILITY	Issued Medicare Part B & D Non-Eligible Rates *
01/01/06 - 03/31/06	$ 264.79
04/01/06 - 06/30/06	265.52
07/01/06 - 09/30/06	265.09
10/01/06 - 12/31/06	269.69
01/01/07 - 03/31/07	275.15
04/01/07 - 06/30/07	273.61
07/01/07 - 12/31/07	272.53
01/01/08 - 03/31/08	277.44
04/01/08 - 06/30/08	272.01
07/01/08 - 12/31/08	278.07

TBI	Issued Medicare Part B & D Non-Eligible Rates *
01/01/06 - 03/31/06	$ 514.24
04/01/06 - 06/30/06	513.09
07/01/06 - 09/30/06	513.09
10/01/06 - 12/31/06	511.85
01/01/07 - 03/31/07	523.22
04/01/07 - 06/30/07	520.29
07/01/07 - 10/31/07	515.82
11/01/07 - 12/31/07	515.82
01/01/08 - 03/31/08	523.73
04/01/08 - 12/31/08	519.86

* The Medicare Part B and D rates are not shown for the purpose of this Exhibit. The Medicare Part B and D offsets were not within the scope of this audit and may be examined as part of a future audit.

PARK TERRACE CARE CENTER - AUDIT #11-3760
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2006	2007	2008
Property Expense Allowed per HE-12B					$ 750,947	$ 1,009,683	$ 982,847
Less Disallowances/(Allowances):							
1. BUILDING DEPRECIATION DISALLOWANCES							
a) Providers receiving payments on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. Cost data must be current, accurate, and in sufficient detail. Building depreciation determined per audit varied from the expense allowed in the rate, resulting in disallowances. **Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.19(a), PRM-1 Sections 2300 & 2304**	Bldg./Fixed Depr.	001	$ 9,754	83.32%		8,127	
	Bldg./Fixed Depr.	001	10,369	83.35%			8,643
b) The provider incorrectly capitalized costs that should have been expensed as operating costs because they were for repairs, inventory, or supplies. These expenditures should have been expensed in accordance with generally accepted accounting principles and the guidelines and definitions included in the RHCF Accounting and Reporting Manual. Accordingly, the depreciation expense applicable to these costs was disallowed. **Regulations: 10 NYCRR Sections 86-2.4, 451.168, 451.181, & 451.230**	Bldg./Fixed Depr.	001	2,505	83.32%		2,087	
	Bldg./Fixed Depr.	001	5,249	83.35%			4,375
2. LAND/LEASEHOLD IMPROVEMENT AMORT. DISALLOWANCES							
The Facility incorrectly capitalized costs that should have been expensed as operating costs because they were for repairs, inventory, or supplies. These expenditures should have been expensed in accordance with generally accepted accounting principles and the guidelines and definitions included in the RHCF Accounting and Reporting Manual. Accordingly, the land/leasehold improvement amortization expense applicable to these costs was disallowed. **Regulations: 10 NYCRR Sections 86-2.4, 451.168, 451.181, & 451.230**	Land/Lsehld Impr.	001	826	83.18%	687		

PARK TERRACE CARE CENTER - AUDIT #11-3760
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2006	2007	2008
3. MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCES							
a) Costs not related to patient care are costs that are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. Depreciation on vehicles that were used exclusively by administrators was disallowed, since this expense is not directly related to patient care. There was also an invoice for assets purchased and shipped to Beach Terrace Care Center which was disallowed, since it was not associated with patient care at Park Terrace Care Center. **Regulations: 10 NYCRR Section 86-2.17(a) & PRM-1 Sections 2102.3 & 2105.9**	ME Depr.	002	6,251	76.00%	4,751		
	ME Depr.	002	7,500	79.42%		5,957	
	ME Depr.	002	8,607	83.49%			7,186
b) The Facility incorrectly capitalized costs that should have been expensed as operating costs. These expenditures should have been expensed in accordance with generally accepted accounting principles and the guidelines and definitions included in the RHCF Accounting and Reporting Manual. Accordingly, the depreciation expense applicable to these costs was disallowed. **Regulations: 10 NYCRR Sections 86-2.4 & 415.230**	ME Depr.	002	561	79.42%		446	
	ME Depr.	002	1,090	83.49%			910
4. EQUIPMENT RENTAL EXPENSE DISALLOWANCES							
a) Costs not related to patient care are costs that are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. Costs pertaining to a luxury automobile are not related to patient care and were disallowed. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 & 2105.9**	Rent A	001	4,579	83.18%	3,809		
	Rent B	001	3,912	83.18%	3,254		
	Rent C	001	4,639	83.18%	3,859		
	Rent C	005	15,633	74.53%		11,651	
	Rent C	005	16,789	74.92%			12,578

PARK TERRACE CARE CENTER - AUDIT #11-3760
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2006	2007	2008
4. EQUIPMENT RENTAL EXPENSE DISALLOWANCES (CONTINUED)							
b) The Facility reported rental expenses associated with cable television. Cable services are allowable as operating expenses only. Consequently, these rental expenses were disallowed from the capital component of the rated. **Regulations: 10 NYCRR Sections 86-2.10(g), 86-2.17(a) & (d)**	Rent D	001	2,727	83.18%	2,268		
	Rent E	014	3,067	88.93%		2,727	
	Rent E	014	3,380	88.72%			2,999
c) The Facility reported various expenses in rent expense that were operating in nature. These types of expenses are not includable in property costs. Consequently, these expenses were disallowed from the capital component of the rate. **Regulations: 10 NYCRR Sections 86-2.17(a), 455.6 & 455.37, PRM-1 Section 2806.2**	Rent B	004	3,406	74.53%		2,538	
	Rent B	004	1,308	74.92%			980
5. AUTO INSURANCE EXPENSE DISALLOWANCES							
Costs not related to patient care are costs that are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. Auto insurance expense on vehicles that were used exclusively by Administrators was disallowed since this expense was not directly related to patient care. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 & 2105.9**	Auto Ins.	005	2,869	74.68%	2,143		
	Auto Ins.	005	2,428	74.53%		1,810	
	Auto Ins.	005	2,672	74.92%			2,002
6. RETURN ON AVERAGE EQUITY ADJUSTMENTS							
The Facility's equity capital was incorrectly calculated due to improper inclusions and exclusions of organization costs, loans from owners, tax deferred assets, and security deposits. As a result the return on average equity was adjusted accordingly. (See Exhibit IV) **Regulations: 10 NYCRR Sections 86-2.17(a), 86-2.28, PRM-1 Sections 1208, 1210A, 1217 & 1218.4**	Ret. on Avg. Eq.	003	(19,013)	74.53%		(14,170)	
	Ret. on Avg. Eq.	003	(5,961)	74.92%			(4,466)
Total Property Expense Disallowances/(Allowances)					$ 20,771	$ 21,173	$ 35,207
TOTAL AUDITED PROPERTY EXPENSE - NURSING FACILITY					**$ 730,176**	**$ 988,510**	**$ 947,640**

PARK TERRACE CARE CENTER - AUDIT #11-3760
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - TBI

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2006	2007	2008
Property Expense Allowed per HE-12B					$ 180,016	$ 230,495	$ 211,828
Less Disallowances/(Allowances):							
1. BUILDING DEPRECIATION DISALLOWANCES							
a) Providers receiving payments on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. Cost data must be current, accurate, and in sufficient detail. Building depreciation determined per audit varied from the expense allowed in the rate, resulting in disallowances. **Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.19(a), PRM-1 Sections 2300 & 2304**	Bldg./Fixed Depr.	001	$ 9,754	16.68%		1,627	
	Bldg./Fixed Depr.	001	10,369	16.65%			1,726
b) The provider incorrectly capitalized costs that should have been expensed as operating costs because they were for repairs, inventory, or supplies. These expenditures should have been expensed in accordance with generally accepted accounting principles and the guidelines and definitions included in the RHCF Accounting and Reporting Manual. Accordingly, the depreciation expense applicable to these costs was disallowed. **Regulations: 10 NYCRR Sections 86-2.4, 451.168, 451.181, & 451.230**	Bldg./Fixed Depr.	001	2,505	16.68%		418	
	Bldg./Fixed Depr.	001	5,249	16.65%			874
2. LAND/LEASEHOLD IMPROVEMENT AMORT. DISALLOWANCES							
The Facility incorrectly capitalized costs that should have been expensed as operating costs because they were for repairs, inventory, or supplies. These expenditures should have been expensed in accordance with generally accepted accounting principles and the guidelines and definitions included in the RHCF Accounting and Reporting Manual. Accordingly, the land/leasehold improvement amortization expense applicable to these costs was disallowed. **Regulations: 10 NYCRR Sections 86-2.4, 451.168, 451.181, & 451.230**	Land/Lsehld Impr.	001	826	16.82%	139		

PARK TERRACE CARE CENTER - AUDIT #11-3760
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - TBI

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2006	2007	2008
3. MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCES							
a) Costs not related to patient care are costs that are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. Depreciation on vehicles that were used exclusively by Administrators was disallowed since this expense is not directly related to patient care. There was also an invoice for assets purchased and shipped to Beach Terrace Care Center which was disallowed since it was not associated with patient care at Park Terrace Care Center. **Regulations: 10 NYCRR Section 86-2.17(a) & PRM-1 Sections 2102.3 & 2105.9**	ME Depr.	002	6,251	24.00%	1,500		
	ME Depr.	002	7,500	20.58%		1,544	
	ME Depr.	002	8,607	16.51%			1,421
b) The Facility incorrectly capitalized costs that should have been expensed as operating costs. These expenditures should have been expensed in accordance with generally accepted accounting principles and the guidelines and definitions included in the RHCF Accounting and Reporting Manual. Accordingly, the depreciation expense applicable to these costs was disallowed. **Regulations: 10 NYCRR Sections 86-2.4 & 415.230**	ME Depr.	002	561	20.58%		115	
	ME Depr.	002	1,090	16.51%			180
4. EQUIPMENT RENTAL EXPENSE DISALLOWANCES							
a) Costs not related to patient care are costs that are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. Costs pertaining to a luxury automobile are not related to patient care and were disallowed. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 & 2105.9**	Rent A	001	4,579	16.82%	770		
	Rent B	001	3,912	16.82%	658		
	Rent C	001	4,639	16.82%	780		
	Rent C	005	15,633	25.47%		3,982	
	Rent C	005	16,789	25.08%			4,211

PARK TERRACE CARE CENTER - AUDIT #11-3760
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - TBI

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2006	2007	2008
4. EQUIPMENT RENTAL EXPENSE DISALLOWANCES (CONTINUED)							
b) The Facility reported rental expenses associated with cable television. Cable services are allowable as operating expenses only. Consequently, these rental expenses were disallowed from the capital component of the rate. **Regulations: 10 NYCRR Sections 86-2.10(g), 86-2.17(a) & (d)**	Rent D	001	2,727	16.82%	459		
	Rent E	014	3,067	11.07%		340	
	Rent E	014	3,380	11.28%			381
c) The Facility reported various expenses in rent expense that were operating in nature. These types of expenses are not includable in property costs. Consequently, these expenses were disallowed from the capital component of the rate. **Regulations: 10 NYCRR Sections 86-2.17(a), 455.6 & 455.37, PRM-1 Section 2806.2**	Rent B	004	3,406	25.47%		868	
	Rent B	004	1,308	25.08%			328
5. AUTO INSURANCE EXPENSE DISALLOWANCES							
Costs not related to patient care are costs that are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. Auto insurance expense on vehicles that were used exclusively by Administrators was disallowed since this expense was not directly related to patient care. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 & 2105.9**	Auto Ins.	005	2,869	25.32%	726		
	Auto Ins.	005	2,428	25.47%		618	
	Auto Ins.	005	2,672	25.08%			670
6. RETURN ON AVERAGE EQUITY ADJUSTMENTS							
The Facility's equity capital was incorrectly calculated due to improper inclusions and exclusions of organization costs, loans from owners, tax deferred assets, and security deposits. As a result the return on average equity was adjusted accordingly. (See Exhibit IV) **Regulations: 10 NYCRR Sections 86-2.17(a), 86-2.28, PRM-1 Sections 1208, 1210A, 1217 & 1218.4**	Ret. on Avg. Eq.	003	(19,013)	25.47%		(4,843)	
	Ret. on Avg. Eq.	003	(5,961)	25.08%			(1,495)
Total Property Expense Disallowances/(Allowances)					$ 5,032	$ 4,669	$ 8,296
TOTAL AUDITED PROPERTY EXPENSE - TBI					**$ 174,984**	**$ 225,826**	**$ 203,532**

PARK TERRACE CARE CENTER - AUDIT #11-3760
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
RETURN ON AVERAGE EQUITY DISALLOWANCES/(ALLOWANCES)

	RATE PERIODS	
Return on Average Equity	**2007**	**2008**
Average Equity per HE-12B	$ 814,210	$ 377,614
Audit Disallowances:		
Due To Parent/Affiliate	-	-
Due From Parent/Affiliate	375,000	-
Other	-	142,265
Audited Average Equity	$ 1,189,210	$ 519,879
Less: Audited Net Investment	-	-
Audited Remaining Equity	$ 1,189,210	$ 519,879
Rate of Return	5.07%	4.19%
Equity Returned Per Audit	$ 60,293	$ 21,783
Equity Returned HE-12B	41,280	15,822
Disallowance/(Allowance)	$ (19,013)	$ (5,961)