

**REPORT
ON THE
HOME OFFICE AUDIT**

**MARGARET VILLA, INC.
LAGUNA HILLS, CALIFORNIA**

**FISCAL PERIOD ENDED
DECEMBER 31, 2011**

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

**Section Chief: Margaret A. Varho
Audit Supervisor: Margaret A. Varho
Auditor: Paula Greene**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

Date: July 10, 2013

Geraldo Ortiz, President
Margaret Villa, Inc.
25392 Derbyhill Drive
Laguna Hills, CA 92653

MARGARET VILLA, INC.
FISCAL PERIOD ENDED DECEMBER 31, 2011

We have examined the Medi-Cal Home Office Cost Report for the fiscal period ended December 31, 2011. 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 Comparison of Reported and Audited Home Office Cost 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. Comparison of Reported and Audited Home Office Cost and supporting schedules
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.

Geraldo Ortiz
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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

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**COMPARISON OF REPORTED AND AUDITED
HOME OFFICE COST**

HOME OFFICE:
MARGARET VILLA, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

CHAIN COMPONENTS 1	MEDI-CAL NUMBER 2	FISCAL YEAR END 3	REPORTED COST 4	AUDITED COST 5	VARIANCE 6
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(From Sch 2, Col 6) (Col 5 - Col 4)

1.	Margaret's Home	1790875441	12/31/11	\$165,992	\$58,321	(\$107,671)
2.	Robin Dale Home	1790875441	12/31/11	151,010	57,560	(93,450)
3.	Quintana Home	1407002033	12/31/11	152,860	58,321	(94,539)
4.					0	0
5.					0	0
6.					0	0
7.					0	0
8.					0	0
9.					0	0
10.					0	0
11.					0	0
12.					0	0
13.					0	0
14.					0	0
15.					0	0
16.					0	0
17.					0	0
18.					0	0
19.					0	0
20.					0	0
21.					0	0
22.					0	0
23.					0	0
24.					0	0
25.					0	0

TOTALS

	\$469,862	\$174,203	(\$295,659)
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SUMMARY OF DIRECT AND ALLOCATED POOL COST

HOME OFFICE:
MARGARET VILLA, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

CHAIN COMPONENTS 1	MEDI-CAL NUMBER 2	FISCAL YEAR END 3	DIRECT EXPENSES 4	POOLED EXPENSES 5	TOTAL DIRECT & POOLED FACILITY EXPENSE 6
			(From Sch 4)	(From Sch 3)	(Col 4 + Col 5)
1. Margaret's Home	1790875441	12/31/11	\$36,671	\$21,650	\$58,321
2. Robin Dale Home	1790875441	12/31/11	36,671	20,889	57,560
3. Quintana Home	1407002033	12/31/11	36,671	21,650	58,321
4.			0	0	0
5.			0	0	0
6.			0	0	0
7.			0	0	0
8.			0	0	0
9.			0	0	0
10.			0	0	0
11.			0	0	0
12.			0	0	0
13.			0	0	0
14.			0	0	0
15.			0	0	0
16.			0	0	0
17.			0	0	0
18.			0	0	0
19.			0	0	0
20.			0	0	0
21.			0	0	0
22.			0	0	0
23.			0	0	0
24.			0	0	0
25.			0	0	0
TOTALS			\$110,013	\$64,190	\$174,203
			(To Sch 1)		

ALLOCATION OF POOLED EXPENSES

HOME OFFICE:
MARGARET VILLA, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

PART I - ALLOCATION BETWEEN PROVIDER AND NONPROVIDER COMPONENTS

FACILITY	Allocation Statistics Base: Accumulated Cost 1	Percent 2	Allocation Pool Expenses 3
Program Services (Adj)	\$ 209,011	100.0000%	\$64,190
Nonprogram Services (Adj)		0.0000%	0
TOTAL	\$209,011	100.0000%	\$64,190

(From Sch 5)

PART II - ALLOCATION TO INDIVIDUAL CHAIN COMPONENTS

CHAIN COMPONENTS	MEDI-CAL NUMBER	Audit Adjustment	Allocation Statistic: (specify)	Allocated Pool Expense (Col 2 X UCM)
1. Margaret's Home	1790875441	16	2,190	\$21,650
2. Robin Dale Home	1790875441	16	2,113	20,889
3. Quintana Home	1407002033	16	2,190	21,650
4.				0
5.				0
6.				0
7.				0
8.				0
9.				0
10.				0
11.				0
12.				0
13.				0
14.				0
15.				0
16.				0
17.				0
18.				0
19.				0
20.				0
21.				0
22.				0
23.				0
24.				0
25.				0

TOTALS

6,493	\$64,190
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(To Sch 2)

UNIT COST MULTIPLIER (UCM) (Pooled Expenses/Patient Days)	9.886031
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DIRECT ALLOCATION OF EXPENSES TO CHAIN COMPONENTS

HOME OFFICE:
MARGARET VILLA, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

CHAIN COMPONENTS 1	MEDI-CAL NUMBER	Expense Directly Allocable to Chain Component				AUDITED TOTAL 7
		Salaries- Officers 3 (Adj 15)	Administrator Benefits 4 (Adj 14)	Salaries- Other 5 (Adj 15)	6	
1. Margaret's Home	1790875441	\$33,334	\$3,337	\$0	\$0	\$36,671
2. Robin Dale Home	1790875441	33,333	3,338	0	0	36,671
3. Quintana Home	1407002033	33,333	3,338	0	0	36,671
4.		0	0	0	0	0
5.		0	0	0	0	0
6.		0	0	0	0	0
7.		0	0	0	0	0
8.		0	0	0	0	0
9.		0	0	0	0	0
10.		0	0	0	0	0
11.		0	0	0	0	0
12.		0	0	0	0	0
13.		0	0	0	0	0
14.		0	0	0	0	0
15.		0	0	0	0	0
16.		0	0	0	0	0
17.		0	0	0	0	0
18.		0	0	0	0	0
19.		0	0	0	0	0
20.		0	0	0	0	0
21.		0	0	0	0	0
22.		0	0	0	0	0
23.		0	0	0	0	0
24.		0	0	0	0	0
25.		0	0	0	0	0
TOTALS		\$100,000	\$10,013	\$0	\$0	\$110,013

(To Sch 2)

STATEMENT OF REIMBURSABLE COSTS

HOME OFFICE:
MARGARET VILLA, INC.FISCAL PERIOD ENDED:
DECEMBER 31, 2011

ACCOUNT DESCRIPTION 1	REPORTED COSTS 2	COST AUDIT ADJUSTMENTS 3	AUDITED COSTS 4	DIRECT COST 5	AUDITED POOLED COSTS 6
		(Adjs 1-15)	(Col 2 + Col 3)	(Adjs 14 -15)	(Col 4 - Col 5)
1. Salaries-Officers	\$235,000	(\$135,000)	\$100,000	\$100,000	\$0
2. Salaries-Other	13,000	(13,000)	0	0	0
3. Payroll Taxes			0		0
4. Employee Benefits			0		0
5. Travel			0		0
6. Entertainment			0		0
7. Automobile			0		0
8. Depreciation-Building			0		0
9. Depreciation-Equipment			0		0
10. Other Depreciation and Amortization			0		0
11. Leases and Rentals			0		0
12. Interest-Mortgages			0		0
13. Interest-Other			0		0
14. Taxes and Licenses	2,239	(2,239)	0		0
15. Legal and Accounting	3,850		3,850		3,850
16. Insurance	16,751	(8,638)	8,113		8,113
17. Telephone			0		0
18. Utilities	1,626	(333)	1,293		1,293
19. Office Supplies	362	(362)	0		0
20. Nonprogram			0		0
21. Other-			0		0
22. Home Operations	9,890	(4,695)	5,195		5,195
23. Client Transportation	42,172	(25,554)	16,618		16,618
24. Dietary	29,121		29,121		29,121
25. Lead Salary	30,000	(30,000)	0		0
26. Administrator-Benefits	12,850	(2,837)	10,013	10,013	0
27. Nurse Consultant	45,000	(45,000)	0		0
28. Home Office Rent	23,500	(23,500)	0		0
29. Miscellaneous	4,500	(4,500)	0		0
30.			0		0
31.			0		0
32.			0		0
33.			0		0
34.			0		0
TOTAL EXPENSES	\$469,861	(\$295,658)	\$174,203	\$110,013	\$64,190
				(To Sch 4)	(To Sch 3)

Provider Name							Fiscal Period	Provider NPI	Adjustments		
MARGARET VILLA, INC.							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	HOME OFFICE	16		
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
Cost Report			Audit Report								
Adj. No.	Page or Exhibit	Line	Col.	Sch.	Line	Col					
ADJUSTMENTS TO REPORTED COSTS - POOLED ALLOCATIONS											
1	2	25	6	5	25	3	Lead Salary	\$30,000	(\$30,000)	\$0	
	2	27	6	5	27	3	Nurse Consultant To adjust salary expense to agree with the provider's W-2's 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	45,000	(45,000)	0	
2	2	14	6	5	14	3	Taxes and Licenses To eliminate nonallowable state and/or federal income taxes. 42 CFR 413.9, 413.20 and 413.24 CMS Pub. 15-1, Sections 2122.2A, 2122.2B, 2300 and 2304	\$2,239	(\$2,239)	\$0	
3	2	16	6	5	16	3	Insurance To adjust workers' compensation expense to agree with the invoices submitted by the provider. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$16,751	(\$8,638)	\$8,113	
4	2	28	6	5	28	3	Home Office Rent	\$23,500	(\$23,500)	\$0	
	2	29	6	5	29	3	Miscellaneous To eliminate rent expense paid to a related party. 42 CFR 413.17, 413.134(h), 413.20 and 413.24 CMS Pub. 15-1, Sections 1005, 1011.4, 1011.5, 2300 and 2304	4,500	(4,500)	0	
5	2	18	6	5	18	3	Utilities To eliminate cell phone expense not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105	\$1,626	(\$333)	\$1,293	
6	2	19	6	5	19	3	Office Supplies To eliminate office supply expense due to lack of documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 W&I Code 14124.2(b)	\$362	(\$362)	\$0	

Provider Name				Fiscal Period				Provider NPI		Adjustments
MARGARET VILLA, INC.				JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				HOME OFFICE		16
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Cost Report			Audit Report							
Adj. No.	Page or Exhibit	Line	Col.	Sch.	Line	Col				
ADJUSTMENTS TO REPORTED COSTS - POOLED ALLOCATIONS										
7	2	22	6	5	22	3	Home Operations To eliminate home operations expense due to lack of documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 W&I Code 14124.2(b)	\$9,890	(\$4,695)	\$5,195
8	2	23	6	5	23	3	Client Transportation To eliminate client transportation expense not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105	\$42,172	(\$6,716)	\$35,456 *
9	2	23	6	5	23	3	Client Transportation To eliminate client transportation expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	* \$35,456	(\$1,255)	\$34,201 *
10	2	23	6	5	23	3	Client Transportation To eliminate client transportation expense due to lack of documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 W&I Code 14124.2(b)	* \$34,201	(\$2,367)	\$31,834 *
11	2	23	6	5	23	3	Client Transportation To eliminate client transportation gas expense not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105	* \$31,834	(\$7,291)	\$24,543 *
12	2	23	6	5	23	3	Client Transportation To eliminate client transportation car repair expense due to lack of documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 W&I Code 14124.2(b)	* \$24,543	(\$5,055)	\$19,488 *

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period			Provider NPI		Adjustments
MARGARET VILLA, INC.							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011			HOME OFFICE		16
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted		
Cost Report			Audit Report									
Adj. No.	Page or Exhibit	Line	Col.	Sch.	Line	Col						
ADJUSTMENTS TO REPORTED COSTS - POOLED ALLOCATIONS												
13	2	23	6	5	23	3	Client Transportation To eliminate client transportation car repair expense not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105	*	\$19,488	(\$2,870)	\$16,618	

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments
MARGARET VILLA, INC.							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	HOME OFFICE		16
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Cost Report			Audit Report							
Adj. No.	Page or Exhibit	Line	Col.	Sch.	Line	Col				
ADJUSTMENTS TO REPORTED COSTS - DIRECT ALLOCATIONS										
14	2	26	4	5	26	3	Administrator Benefits - Total Costs	\$12,850	(\$2,837)	\$10,013
	2	26	5	5	26	5	Administrator Benefits - Direct Cost	12,850	(2,837)	10,013
	4	1	3	4	1	4	Margaret's Home - Administrator Benefits	4,283	(946)	3,337
	4	2	3	4	2	4	Robin Dale Home - Administrator Benefits	4,283	(945)	3,338
	4	3	3	4	3	4	Quintana Home - Administrator Benefits	4,283	(945)	3,338
							To eliminate the cost of life insurance premiums for employees where the provider is the recorded beneficiary. 42 CFR 413.9 / CMS Pub. 15-1, Section 2130			
15	2	1	4	5	1	3	Salaries - Officers - Total Costs	\$235,000	(\$135,000)	\$100,000
	2	1	5	5	1	5	Salaries - Officers - Direct Cost	235,000	(135,000)	100,000
	2	2	4	5	2	3	Salaries - Other - Total Costs	13,000	(13,000)	0
	2	2	5	5	2	5	Salaries - Other - Direct Cost	13,000	(13,000)	0
	4	1	2	4	1	3	Margaret's Home - Salaries - Officers	78,334	(45,000)	33,334
	4	2	2	4	2	3	Robin Dale Home - Salaries - Officers	78,333	(45,000)	33,333
	4	3	2	4	3	3	Quintana Home - Salaries - Officers	78,333	(45,000)	33,333
	4	1	4	4	3	5	Margaret's Home - Salaries - Other	13,000	(13,000)	0
							To adjust salary expense to agree with the provider's W-2's 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			

Provider Name							Fiscal Period	Provider NPI		Adjustments
MARGARET VILLA, INC.							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	HOME OFFICE		16
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Cost Report			Audit Report							
Adj. No.	Page or Exhibit	Line	Col.	Sch.	Line	Col				
<u>ADJUSTMENT TO REPORTED STATISTICS</u>										
16	5, Part II	1	2	3	1	2	Margaret's Home (Client Days)	2,168	22	2,190
	5, Part II	2	2	3	2	2	Robin Dale Home	2,107	6	2,113
	5, Part II	3	2	3	3	2	Quintana Home	2,164	26	2,190
	5, Part II	11	2	3	11	2	Total - Client Days	6,439	54	6,493
							To adjust client day statistics to include bed hold or leave days. 42 CFR 413.24 / CMS Pub. 15-1, Sections 2205.4 and 2304 CCR, Title 22, Sections 51535(a) and 51535(b)			