

**REPORT  
ON THE  
HOME OFFICE AUDIT**

**RESCARE INC., ADMIN  
LOUISVILLE, KENTUCKY**

**FISCAL PERIOD ENDED  
JUNE 30, 2011**

**Audits Section—Rancho Cucamonga  
Financial Audits Branch  
Audits and Investigations  
Department of Health Care Services**

**Section Chief: Julio M. Cueto  
Audit Supervisor: Virat Shah  
Auditor: Robert Neely**



TOBY DOUGLAS  
DIRECTOR

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



EDMUND G. BROWN JR.  
GOVERNOR

May 20, 2013

Board of Directors  
ResCare, Incorporated  
9901 Linn Station Road  
Louisville, KY 40223-3808

RESCARE INC., ADMIN  
FISCAL PERIOD ENDED JUNE 30, 2011

We have examined the Medi-Cal Home Office Cost Report for the fiscal period ended June 30, 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.

Board of Directors  
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If you have questions regarding this report, you may call the Audits Section—Rancho Cucamonga at (909) 481-3420.

Original Signed By

Julio M. Cueto, Chief  
Audits Section—Rancho Cucamonga  
Financial Audits Branch

Certified

cc: Steven B. Mowery  
Vice President of Reimbursement

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

HOME OFFICE:  
RESCARE INC., ADMIN

FISCAL PERIOD ENDED:  
JUNE 30, 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.	2018 Del Mar (Casa Del Mar #1)	1851428015	06/30/11	\$26,337	\$25,727	(\$610)
2.	2525 Del Mar (Casa Del Mar #2)	1083741250	06/30/11	28,858	28,190	(668)
3.	5996 Butler (Casa Del Mar #4)	1700913985	06/30/11	24,202	23,641	(561)
4.	Chapala House	1851428247	06/30/11	21,655	21,153	(502)
5.	La Almendra	1770610438	06/30/11	19,991	19,528	(463)
6.	RCCA - Phoenix	1487781159	06/30/11	22,142	21,629	(513)
7.	RCCA - Purple Hills	1205962107	06/30/11	35,025	34,214	(811)
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37.	All Others			107,978,182	105,477,242	(2,500,940)
<b>TOTALS</b>				<u>\$108,156,392</u>	<u>\$105,651,324</u>	<u>(\$2,505,068)</u>

SUMMARY OF DIRECT AND ALLOCATED POOL COST

HOME OFFICE:  
RESCARE INC., ADMIN

FISCAL PERIOD ENDED:  
JUNE 30, 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.	2018 Del Mar (Casa Del Mar #1)	1851428015	06/30/11	\$0	\$25,727	\$25,727
2.	2525 Del Mar (Casa Del Mar #2)	1083741250	06/30/11	0	28,190	28,190
3.	5996 Butler (Casa Del Mar #4)	1700913985	06/30/11	0	23,641	23,641
4.	Chapala House	1851428247	06/30/11	0	21,153	21,153
5.	La Almendra	1770610438	06/30/11	0	19,528	19,528
6.	RCCA - Phoenix	1487781159	06/30/11	0	21,629	21,629
7.	RCCA - Purple Hills	1205962107	06/30/11	0	34,214	34,214
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37.	All Others			0	105,477,242	105,477,242
<b>TOTALS</b>				<u>\$0</u>	<u>\$105,651,324</u>	<u>\$105,651,324</u>
(To Sch 1)						

ALLOCATION OF POOLED EXPENSES

HOME OFFICE:  
RESCARE INC., ADMIN

FISCAL PERIOD ENDED:  
JUNE 30, 2011

PART I - ALLOCATION BETWEEN PROVIDER AND NONPROVIDER COMPONENTS

FACILITY 1	Allocation Statistics Base: Accumulated Cost 2	Percent 3	Allocation Pool Expenses 4
Program Services (Adj)	\$1,422,861,007	100.0000%	\$105,651,324
Nonprogram Services (Adj)		0.0000%	0
TOTAL	\$1,422,861,007	100.0000%	\$105,651,324

(From Sch 5)

PART II - ALLOCATION TO INDIVIDUAL CHAIN COMPONENTS

CHAIN COMPONENTS	MEDI-CAL NUMBER	Audit Adjustment	Allocation Statistic: (Accum Cost)	Allocated Pool Expense (Col 3 X UCM)
1. 2018 Del Mar (Casa Del Mar #1)	1851428015		346,475	\$25,727
2. 2525 Del Mar (Casa Del Mar #2)	1083741250		379,647	28,190
3. 5996 Butler (Casa Del Mar #4)	1700913985		318,387	23,641
4. Chapala House	1851428247		284,878	21,153
5. La Almendra	1770610438		262,999	19,528
6. RCCA - Phoenix	1487781159		291,287	21,629
7. RCCA - Purple Hills	1205962107		460,773	34,214
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37. All Others			1,420,516,561	105,477,242
<b>TOTALS</b>			<u>1,422,861,007</u>	<u>\$105,651,324</u>

(To Sch 2)

<b>UNIT COST MULTIPLIER (UCM) (Pooled Expenses/Accumulated Cost)</b>	<b>0.074253</b>
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DIRECT ALLOCATION OF EXPENSES TO CHAIN COMPONENTS

HOME OFFICE:  
RESCARE INC., ADMIN

FISCAL PERIOD ENDED:  
JUNE 30, 2011

CHAIN COMPONENTS 1	MEDI-CAL NUMBER	REPORTED TOTAL (Col F) 2	Expense Directly Allocable to Chain Component				AUDITED TOTAL 7
			specify expense 3	specify expense 4	specify expense 5	specify expense 6	
1. 2018 Del Mar (Casa Del Mar #1)	1851428015	\$0	\$0	\$0	\$0	\$0	\$0
2. 2525 Del Mar (Casa Del Mar #2)	1083741250	0	0	0	0	0	0
3. 5996 Butler (Casa Del Mar #4)	1700913985	0	0	0	0	0	0
4. Chapala House	1851428247	0	0	0	0	0	0
5. La Almendra	1770610438	0	0	0	0	0	0
6. RCCA - Phoenix	1487781159	0	0	0	0	0	0
7. RCCA - Purple Hills	1205962107	0	0	0	0	0	0
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36.							
37. All Others		0	0	0	0	0	0
<b>TOTALS</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

(To Sch 2)

## STATEMENT OF REIMBURSABLE COSTS

HOME OFFICE:  
RESCARE INC., ADMINFISCAL PERIOD ENDED:  
JUNE 30, 2011

ACCOUNT DESCRIPTION 1	REPORTED POOLED COSTS 2	COST AUDIT ADJUSTMENTS 3	POOLED COST SUBTOTAL 4	DIRECT COST 5	AUDITED POOLED COSTS 6
		(Adjs 1-7)	(Col 2 + Col 3)		(Col 4 - Col 5)
1. Salaries-Officers	\$0		\$0		\$0
2. Salaries-Other	41,312,505		41,312,505		41,312,505
3. Payroll Taxes	2,820,093		2,820,093		2,820,093
4. Employee Benefits	5,965,370		5,965,370		5,965,370
5. Travel	3,536,329	(11,841)	3,524,488		3,524,488
6. Entertainment	0		0		0
7. Automobile	46,804		46,804		46,804
8. Depreciation-Building	377,975		377,975		377,975
9. Depreciation-Equipment	6,830,323	(99,181)	6,731,142		6,731,142
10. Other Depreciation and Amortization	(99,181)	99,181	0		0
11. Leases and Rentals	2,555,094		2,555,094		2,555,094
12. Interest-Mortgages	0		0		0
13. Interest-Other	13,745,345		13,745,345		13,745,345
14. Taxes and Licenses	161,342		161,342		161,342
15. Legal and Accounting	567,279	(43,842)	523,437		523,437
16. Insurance	2,974,693		2,974,693		2,974,693
17. Telephone	1,465,101	(91,360)	1,373,741		1,373,741
18. Utilities	336,708		336,708		336,708
19. Office Supplies	(91,360)	91,360	0		0
20. Nonprogram	0		0		0
21. Dietary	0		0		0
22. Other	0		0		0
23. Dontations / Public Relations	0		0		0
24. Outside Services	19,129,261	(2,449,385)	16,679,876		16,679,876
25. Employee Recruitments	346,632		346,632		346,632
26. Maintenance and Repair	2,259,334		2,259,334		2,259,334
27. Postage/Mail Service	528,959		528,959		528,959
28. Dues and Subscriptions	3,346,730		3,346,730		3,346,730
29. Bad Debt	0		0		0
30. Non-Allowable Medicaid	0		0		0
31. Education and Training	41,056		41,056		41,056
32.					
33.					
34.					
<b>TOTAL EXPENSES</b>	<b>\$108,156,392</b>	<b>(\$2,505,068)</b>	<b>\$105,651,324</b>	<b>\$0</b>	<b>\$105,651,324</b>
				(To Sch 4)	(To Sch 3)

Provider Name							Fiscal Period	Provider NPI	Adjustments	
RESCARE INC., ADMIN							JULY 1, 2010 THROUGH JUNE 30, 2011	HOME OFFICE	7	
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Cost Report			Audit Report							
Adj. No.	DHS 3099 Page or Exhibit	Line	Col.	Sch.	Line	Col				
<b><u>RECLASSIFICATIONS OF REPORTED COSTS</u></b>										
1	2	9	6	5	9	3	Depreciation - Equipment	\$6,830,323	(\$99,181)	\$6,731,142
	2	10	6	5	10	3	Other Depreciation and Amortization	(99,181)	99,181	0
							To reclassify the reported negative balance to Depreciation - Equipment. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			
2	2	17	6	5	17	3	Telephone	\$1,465,101	(\$91,360)	\$1,373,741
	2	19	6	5	19	3	Office Supplies	(91,360)	91,360	0
							To reclassify the reported negative balance to Telephone. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			

Provider Name							Fiscal Period	Provider NPI		Adjustments
RESCARE INC., ADMIN							JULY 1, 2010 THROUGH JUNE 30, 2011	HOME OFFICE		7
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Cost Report			Audit Report							
Adj. No.	DHS 3099 Page or Exhibit	Line	Col.	Sch.	Line	Col				
<b><u>ADJUSTMENTS TO REPORTED COSTS</u></b>										
3	2	5	6	5	5	3	Travel To eliminate Trafalgar Hilton and The Hampshire expenses due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$3,536,329	(\$11,841)	\$3,524,488
4	2	15	6	5	15	3	Legal and Accounting To eliminate Merrill Communications, LLC., and Corporate Communications, Inc., expenses not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105	\$567,279	(\$43,842)	\$523,437
	2	24	6	5	24	3	Outside Services	\$19,129,261		
5							To eliminate Merrill Communications and Blue Star Strategies costs incurred primarily for the benefit of investors, but not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2134.9		(\$137,859)	
6							To eliminate bank charges that are not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105		(506,521)	
7							To eliminate Onex Corporation costs associated with the acquisition of capital stock and not related to patient care. 42 CFR 413.5, 413.9(b)(2), and 413.9(c)(3) CMS Pub. 15-1, Sections 2102.3, 2134.2, 2134.9, 2134.10, and 2134.11		<u>(1,805,005)</u> (\$2,449,385)	\$16,679,876