

**REPORT  
ON THE  
RATE SETTING AUDIT**

**ARGUS HOME  
MISSION VIEJO, CALIFORNIA  
NATIONAL PROVIDER IDENTIFIER: 1588730881**

**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: Lan Nguyen  
Auditor: Cynthia Richardson**



TOBY DOUGLAS  
DIRECTOR

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



EDMUND G. BROWN JR.  
GOVERNOR

Date: July 2, 2013

Eleanor Del Rosario, President  
LRC Homes, Inc. and Lonika Homes, Inc.  
24821 Argus Drive  
Mission Viejo, CA 92691

ARGUS HOME  
NATIONAL PROVIDER IDENTIFIER (NPI) 1588730881  
FISCAL PERIOD ENDED DECEMBER 31, 2011

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	\$	329,048	\$ 150.25
Net Audit Adjustment		<u>(49,393)</u>	<u>( 22.55)</u>
Audited Cost/Cost Per Day	\$	<u>279,655</u>	\$ <u>127.70</u>

This audit report includes the:

1. Audit Report Schedules 1 and 2
2. Audit Adjustments Schedule
3. Audited Allocation of Home Office Cost

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 Medi-Cal Benefits, Waiver Analysis and Rates Division.

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.

Eleanor Del Rosario  
Page 3

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:**  
ARGUS HOME

**Fiscal Period:**  
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

**Provider NPI:**  
1588730881

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

	<b>AS REPORTED</b>	<b>AS AUDITED</b>
1. Medi-Cal Client Days (Adj 6)	2,190	0
2. Medi-Cal Managed Care Days (Adj 6)	0	2,190
3. Other Client Days (Adj )	0	0
4. Total Client Days	<u>2,190</u>	<u>2,190</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>329,048</u>	\$ <u>279,655</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>150.25</u>	\$ <u>127.70</u>

**SHARE OF COST**

1. Share of Cost Audit Adjustment (Adj )	\$ <u>NA</u>	\$ <u>0</u>
--	--------------	-------------

**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:  
ARGUS HOME

Fiscal Period:  
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

Provider NPI:  
1588730881

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	<b>EXPENSES: CLIENT SERVICES</b>				
	<b>Basic Facility Cost - Property Expenses</b>				
045	Depreciation and Amortization	4	\$ 3,843	\$ 1,826	\$ 5,669
050	Leases and Rentals		0		0
055	Real Property Taxes		5,229		5,229
060	Personal Property Taxes		0		0
065	Mortgage Interest	3	24,158	(20,261)	3,897
070	Property Insurance	1	5,888	(200)	5,688
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 39,118	\$ (18,635)	\$ 20,483
	<b>Basic Facility Cost - General Home Expenses</b>				
080	Home Operations and Maintenance	2	\$ 6,697	\$ (870)	\$ 5,827
085	Utilities	2	8,352	(225)	8,127
090	Client Transportation (excluding Adult Day Services)	2	5,589	(3,933)	1,656
095	Dietary		21,110		21,110
100	Personal Care and Laundry		3,054		3,054
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 44,802	\$ (5,028)	\$ 39,774
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 83,920	\$ (23,663)	\$ 60,257
	<b>EXPENSES: DIRECT CARE STAFF COSTS</b>				
115	QMRP Salaries	1, 5	\$ 11,475	\$ 9,675	\$ 21,150
120	QMRP Fringe Benefits		0		0
125	Lead Salaries	2	22,485	5,932	28,417
130	Lead Fringe Benefits		0		0
135	Aides Salaries	2	66,141	29,647	95,788
140	Aides Fringe Benefits	2	129	(129)	0
145	Other Salaries	2	10,435	(10,435)	0
150	Other Fringe Benefits		0		0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 110,665	\$ 34,690	\$ 145,355

## SUMMARY OF AUDITED FACILITY EXPENSES

Provider:  
ARGUS HOME

Fiscal Period:  
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

Provider NPI:  
1588730881

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	<b>EXPENSES: CONSULTANT COSTS</b>				
160	Dietician Consultant		\$ 1,500	\$	\$ 1,500
165	Speech Pathology Consultant		0		0
170	Physical Therapy Consultant		33		33
175	Occupational Therapy Consultant		776		776
180	Pharmacist Consultant		380		380
185	Nurse Consultant		11,350		11,350
190	Psychologist Consultant		0		0
195	Physician Consultant		0		0
200	Recreational Consultant		0		0
205	Social Service Consultant		0		0
210	Other Consultant		1,335		1,335
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 15,374	\$ 0	\$ 15,374
	<b>EXPENSES: ADMINISTRATIVE COSTS</b>				
220	Administrative Salaries **	1, 2	\$ 51,370	\$ (31,226)	\$ 20,144
225	Administrative Fringe Benefits		0		0
226	Quality Assurance Fees (excluding Adult Day Services)		14,154		14,154
230	Other General and Administrative*** Adult Day Services) (Excluding	2	53,565	(29,194)	24,371
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 119,089	\$ (60,420)	\$ 58,669
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 329,048	\$ (49,393)	\$ 279,655
	<b>NON-CLIENT CARE EXPENSES</b>		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$ 0	\$	\$ 0
241	Adult Day Services and Related Transportation		0		0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235, 240 and 241)		\$ 329,048	\$ (49,393)	\$ 279,655

Page 2 of 2

\*\* List only direct administrative salaries incurred at the facility level

\*\*\* List allocated administrative costs on Line 230

Provider Name		Fiscal Period				Provider NPI		Adjustments						
ARGUS HOME		JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				1588730881		6						
Adj. No.	DHS 3076 Page or Exhibit	Report References				Line	Col.	Sch.	Line	Col.	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
		Cost Report	Audit Report											
<b>ADJUSTMENTS TO REPORTED COSTS</b>														
1	4	070	4	2	070	3					Property Insurance	\$5,888	(\$200)	\$5,688
	4.1	115	4	2	115	3					QMRP Salaries	11,475	11,475	22,950 *
	4.1	220	4	2	220	3					Administrative Salaries:	51,370	(11,475)	39,895 *
To reconcile the reported expenses to agree with the provider's general ledger.														
42 CFR 413.20 and 413.24														
CMS Pub. 15-1, Sections 2300 and 2304														
2	4	080	4	2	080	3					Home Operations and Maintenance	\$6,697	(\$870)	\$5,827
	4	085	4	2	085	3					Utilities	8,352	(225)	8,127
	4	090	4	2	090	3					Client Transportation	5,589	(3,933)	1,656
	4.1	125	4	2	125	3					Lead Salaries	22,485	5,932	28,417
	4.1	135	4	2	135	3					Aides Salaries	66,141	29,647	95,788
	4.1	140	4	2	140	3					Aides Fringe Benefits	129	(129)	0
	4.1	145	4	2	145	3					Other Salaries	10,435	(10,435)	0
	4.1	220	4	2	220	3					Administrative Salaries	39,895	(19,751)	20,144
	4.1	230	4	2	230	3					Other General and Administrative	53,565	(29,194)	24,371
To adjust reported home office costs to agree with the LRC Homes, Inc. and Lonika Homes, Inc. Home Office Audit Report for fiscal period ended December 31, 2011.														
42 CFR 413.17 and 413.24														
CMS Pub. 15-1, Sections 2150.2 and 2304														
3	4	065	4	2	065	3					Mortgage Interest	\$24,158	(\$20,261)	\$3,897
To eliminate mortgage interest expense due to insufficient documentation.														
42 CFR 413.20 and 413.24														
CMS Pub. 15-1, Sections 2300 and 2304														
4	4	045	4	2	045	3					Depreciation and Amortization	\$3,843	\$1,826	\$5,669
To include cost of ownership in lieu of related party lease expenses.														
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														

\*Balance carried forward from prior/to subsequent adjustments

Provider Name		Fiscal Period		Provider NPI		Adjustments			
ARGUS HOME		JANUARY 1, 2011 THROUGH DECEMBER 31, 2011		1588730881		6			
Adj. No.	DHS 3076 Page or Exhibit	Report References		Audit Report		As Reported	Increase (Decrease)	As Adjusted	
		Line	Col.	Line	Col				
5	4.1	115	4	2	115	3	\$22,950	(\$1,800)	\$21,150
<p style="text-align: center;">* QMRP Salaries                      To eliminate QMRP salaries not related to the facility.                      42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105</p>									
<b>ADJUSTMENTS TO REPORTED COSTS</b>									

\*Balance carried forward from prior/to subsequent adjustments

Provider Name		Fiscal Period		Provider NPI		Adjustments		
ARGUS HOME		JANUARY 1, 2011 THROUGH DECEMBER 31, 2011		1588730881		6		
Adj. No.	DHS 3076 Page or Exhibit	Report References				As Reported	Increase (Decrease)	As Adjusted
		Line	Col.	Sch.	Line			
6	2	3	1	1	1	2,190	(2,190)	0
	2	3	2	1	2	0	2,190	2,190
<b>ADJUSTMENT TO REPORTED PATIENT DAYS</b>								
N/A Medi-Cal Client Days N/A Medi-Cal Managed Care Days To adjust Medi-Cal and Medi-Cal Managed Care Days to agree with the provider's patient census reports. 42 CFR 413.20, 413.24 and 413.50 CMS Pub. 15-1, Sections 2205, 2205.4 and 2304 CCR, Title 22, Sections 51535(a) and 51535(b)								