

**REPORT
ON THE
HOME OFFICE AUDIT**

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

**FISCAL PERIOD ENDED
JUNE 30, 2012**

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

**Section Chief: Julio M. Cueto
Audit Supervisor: Bina Matani
Auditor: Robert Neely**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

June 12, 2013

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

RESCARE INC., ADMIN
FISCAL PERIOD ENDED JUNE 30, 2012

We have examined the Medi-Cal Home Office Cost Report for the fiscal period ended June 30, 2012. 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, 2012

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. Brentford	1598892648	06/30/12	\$16,333	\$16,215	(\$118)
2. Carrick House	1396872792	06/30/12	17,459	17,333	(126)
3. Chapala House	1851428247	06/30/12	18,545	18,412	(133)
4. Farnell	1083741136	06/30/12	16,020	15,905	(115)
5. Green Park	1477689396	06/30/12	17,235	17,111	(124)
6. Kevin House	1427185883	06/30/12	18,837	18,702	(135)
7. Olympia Home	1679600043	06/30/12	18,708	18,573	(135)
8. RCCA - 1948 Augusta	1215063136	06/30/12	20,563	20,415	(148)
9. RCCA - Chimango Court	1447386362	06/30/12	17,608	17,482	(126)
10. RCCA - Lequel Way	1649306986	06/30/12	17,009	16,887	(122)
11. RCCA - Love Way	1659407575	06/30/12	16,952	16,830	(122)
12. RCCA - Phoenix	1487781159	06/30/12	19,625	19,484	(142)
13. RCCA - River Oaks	1588790844	06/30/12	20,093	19,949	(145)
14. RCCA - White Oaks	1568598480	06/30/12	19,929	19,786	(143)
15. Van Buren Home	1831225762	06/30/12	19,989	19,845	(144)
16. Verbena Home	1346376886	06/30/12	18,551	18,418	(133)
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37. All Others			94,320,047	93,641,467	(678,580)
TOTALS			<u>\$94,613,503</u>	<u>\$93,932,812</u>	<u>(\$680,691)</u>

SUMMARY OF DIRECT AND ALLOCATED POOL COST

HOME OFFICE:
RESCARE INC., ADMINFISCAL PERIOD ENDED:
JUNE 30, 2012

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. Brentford	1598892648	06/30/12	\$0	\$16,215	\$16,215
2. Carrick House	1396872792	06/30/12	0	17,333	17,333
3. Chapala House	1851428247	06/30/12	0	18,412	18,412
4. Farnell	1083741136	06/30/12	0	15,905	15,905
5. Green Park	1477689396	06/30/12	0	17,111	17,111
6. Kevin House	1427185883	06/30/12	0	18,702	18,702
7. Olympia Home	1679600043	06/30/12	0	18,573	18,573
8. RCCA - 1948 Augusta	1215063136	06/30/12	0	20,415	20,415
9. RCCA - Chimango Court	1447386362	06/30/12	0	17,482	17,482
10. RCCA - Lequel Way	1649306986	06/30/12	0	16,887	16,887
11. RCCA - Love Way	1659407575	06/30/12	0	16,830	16,830
12. RCCA - Phoenix	1487781159	06/30/12	0	19,484	19,484
13. RCCA - River Oaks	1588790844	06/30/12	0	19,949	19,949
14. RCCA - White Oaks	1568598480	06/30/12	0	19,786	19,786
15. Van Buren Home	1831225762	06/30/12	0	19,845	19,845
16. Verbena Home	1346376886	06/30/12	0	18,418	18,418
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37. All Others			0	93,641,467	93,641,467
TOTALS			\$0	\$93,932,812	\$93,932,812

(To Sch 1)

ALLOCATION OF POOLED EXPENSES

HOME OFFICE:
RESCARE INC., ADMIN

FISCAL PERIOD ENDED:
JUNE 30, 2012

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)	\$1,411,211,185	100.0000%	\$93,932,812
Nonprogram Services (Adj)		0.0000%	0
TOTAL	\$1,411,211,185	100.0000%	\$93,932,812

(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. Brentford	1598892648		243,609	\$16,215
2. Carrick House	1396872792		260,410	17,333
3. Chapala House	1851428247		276,608	18,412
4. Farnell	1083741136		238,949	15,905
5. Green Park	1477689396		257,075	17,111
6. Kevin House	1427185883		280,965	18,702
7. Olympia Home	1679600043		279,040	18,573
8. RCCA - 1948 Augusta	1215063136		306,704	20,415
9. RCCA - Chimango Court	1447386362		262,638	17,482
10. RCCA - Lequel Way	1649306986		253,700	16,887
11. RCCA - Love Way	1659407575		252,841	16,830
12. RCCA - Phoenix	1487781159		292,712	19,484
13. RCCA - River Oaks	1588790844		299,698	19,949
14. RCCA - White Oaks	1568598480		297,255	19,786
15. Van Buren Home	1831225762		298,143	19,845
16. Verbena Home	1346376886		276,703	18,418
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37. All Others			1,406,834,135	93,641,467
TOTALS			<u>1,411,211,185</u>	<u>\$93,932,812</u>

(To Sch 2)

UNIT COST MULTIPLIER (UCM) (Pooled Expenses/Accumulated Cost)	0.066562
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DIRECT ALLOCATION OF EXPENSES TO CHAIN COMPONENTS

HOME OFFICE:
RESCARE INC., ADMIN

FISCAL PERIOD ENDED:
JUNE 30, 2012

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. Brentford	1598892648	\$0	\$0	\$0	\$0	\$0	\$0
2. Carrick House	1396872792	0	0	0	0	0	0
3. Chapala House	1851428247	0	0	0	0	0	0
4. Farnell	1083741136	0	0	0	0	0	0
5. Green Park	1477689396	0	0	0	0	0	0
6. Kevin House	1427185883	0	0	0	0	0	0
7. Olympia Home	1679600043	0	0	0	0	0	0
8. RCCA - 1948 Augusta	1215063136	0	0	0	0	0	0
9. RCCA - Chimango Court	1447386362	0	0	0	0	0	0
10. RCCA - Lequel Way	1649306986	0	0	0	0	0	0
11. RCCA - Love Way	1659407575	0	0	0	0	0	0
12. RCCA - Phoenix	1487781159	0	0	0	0	0	0
13. RCCA - River Oaks	1588790844	0	0	0	0	0	0
14. RCCA - White Oaks	1568598480	0	0	0	0	0	0
15. Van Buren Home	1831225762	0	0	0	0	0	0
16. Verbena Home	1346376886	0	0	0	0	0	0
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33.							
34.							
35.							
36.							
37. All Others		0	0	0	0	0	0
TOTALS		\$0	\$0	\$0	\$0	\$0	\$0

(To Sch 2)

STATEMENT OF REIMBURSABLE COSTS

HOME OFFICE:
RESCARE INC., ADMINFISCAL PERIOD ENDED:
JUNE 30, 2012

ACCOUNT DESCRIPTION 1	REPORTED POOLED COSTS 2	COST AUDIT ADJUSTMENTS 3	POOLED COST SUBTOTAL 4	DIRECT COST 5	AUDITED POOLED COSTS 6
		(Adjs 1-5)	(Col 2 + Col 3)		(Col 4 - Col 5)
1. Salaries-Officers			\$0		\$0
2. Salaries-Other	31,635,568		31,635,568		31,635,568
3. Payroll Taxes	3,105,089		3,105,089		3,105,089
4. Employee Benefits	13,022,105		13,022,105		13,022,105
5. Travel	3,550,857	(10,257)	3,540,600		3,540,600
6. Entertainment	0		0		0
7. Automobile	77,751		77,751		77,751
8. Depreciation-Building	524,079		524,079		524,079
9. Depreciation-Equipment	5,933,011		5,933,011		5,933,011
10. Other Depreciation and Amortization	309,492		309,492		309,492
11. Leases and Rentals	2,489,983		2,489,983		2,489,983
12. Interest-Mortgages	0		0		0
13. Interest-Other	10,541,813		10,541,813		10,541,813
14. Taxes and Licenses	579,604		579,604		579,604
15. Legal and Accounting	2,018,772	(21,634)	1,997,138		1,997,138
16. Insurance	2,115,077		2,115,077		2,115,077
17. Telephone	1,383,497	(564,196)	819,301		819,301
18. Utilities	302,960		302,960		302,960
19. Office Supplies	(564,196)	564,196	0		0
20. Nonprogram	0		0		0
21. Dietary	0		0		0
22. Other (Specify)	0		0		0
23. Donations/Public Service	0		0		0
24. Outside Services	10,691,547	(648,800)	10,042,747		10,042,747
25. Employee Recruitment	503,114		503,114		503,114
26. Maintenance and Repair	1,928,971		1,928,971		1,928,971
27. Postage/Mail	311,786		311,786		311,786
28. Dues and Subscriptions	4,042,599		4,042,599		4,042,599
29. Bad Debt	0		0		0
30. Non-Allowable Medicaid	0		0		0
31. Education and Training	110,024		110,024		110,024
32.					
33.			0		0
34.					
TOTAL EXPENSES	\$94,613,503	(\$680,691)	\$93,932,812	\$0	\$93,932,812
				(To Sch 4)	(To Sch 3)

Provider Name							Fiscal Period			Provider NPI		Adjustments
RESCARE INC., ADMIN							JULY 1, 2011 THROUGH JUNE 30, 2012			HOME OFFICE		5
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						
<u>RECLASSIFICATION OF REPORTED COSTS</u>												
1	2	17	6	5	17	3	Telephone	\$1,383,497			\$819,301	
	2	19	6	5	19	3	Office Supplies	(564,196)	(\$564,196)	564,196	0	
							To reclassify the reported negative balance to the appropriate cost center for proper cost determination.					
							42 CFR 413.20 and 413.24					
							CMS Pub. 15-1, Sections 2300, 2302.4, 2302.8, and 2304					

Provider Name							Fiscal Period		Provider NPI		Adjustments
RESCARE INC., ADMIN							JULY 1, 2011 THROUGH JUNE 30, 2012		HOME OFFICE		5
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					
<u>ADJUSTMENTS TO REPORTED COSTS</u>											
2	2	5	6	5	5	3	Travel To eliminate travel lodging expenses due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$3,550,857	(\$10,257)	\$3,540,600	
3	2	15	6	5	15	3	Legal and Accounting To eliminate legal and accounting expenses not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Section 2102.3	\$2,018,772	(\$21,634)	\$1,997,138	
	2	24	6	5	24	3	Outside Services	\$10,691,547			
4							To eliminate outside services expense incurred primarily for the benefit of investors, and not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2134.9		(\$140,618)		
5							To eliminate bank charges not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Section 2102.3		(508,182) (\$648,800)	\$10,042,747	