

**REPORT
ON THE
HOME OFFICE AUDIT**

**LIFEHOUSE INC.
SAN RAFAEL, CALIFORNIA**

**FISCAL PERIOD ENDED
JUNE 30, 2010**

**Audits Section - Richmond
Financial Audits Branch
Audits and Investigations
Department of Health Care Services**

**Section Chief: Louise Wong
Audit Supervisor: David Mui
Auditor: Tyler Zeng**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

January 30, 2012

Brent Kush
Director of Finance & Administration
Lifehouse Inc.
100 Smith Ranch Road
Suite 309
San Rafael, CA 94903

LIFEHOUSE INC.
FISCAL PERIOD ENDED JUNE 30, 2010

We have examined the Medi-Cal Home Office cost report for the fiscal period ended June 30, 2010. 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 Summary of Audited Home Office Costs to Health Facilities 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. Summary of Audited Home Office Costs to Health Care Facilities
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.

Brent Kush
Page 2

If you have further questions regarding this report, you may call the Audits Section-Richmond at (510) 620-3100.

Original Signed by

Louise Wong, Chief
Audits Section-Richmond
Financial Audits Branch

Certified

TABLE OF CONTENTS

SCHEDULES

- 1 - COMPARISON OF REPORTED AND AUDITED HOME OFFICE COST**
- 2 - SUMMARY OF DIRECT AND ALLOCATED POOL COST**
- 3 - ALLOCATION OF POOLED EXPENSES**
- 4 - DIRECT ALLOCATION OF EXPENSES TO CHAIN COMPONENTS**
- 5 - STATEMENT OF REIMBURSABLE COSTS**

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

HOME OFFICE:
LIFEHOUSE INC.

FISCAL PERIOD ENDED:
JUNE 30, 2010

| CHAIN COMPONENTS 1 | MEDI-CAL NUMBER 2 | FISCAL YEAR END 3 | REPORTED COST 4 | AUDITED COST 5 | VARIANCE 6 |
|-----------------------|-------------------------|-------------------------|-----------------------|----------------------|---------------|
|-----------------------|-------------------------|-------------------------|-----------------------|----------------------|---------------|

(From Sch 2, Col 6) (Col 5 - Col 4)

| | | | | | |
|---------------|-----------|---------|----------|----------|--------|
| 1. Sunrise I | LTC60071F | 6/30/11 | \$58,949 | \$58,900 | (\$49) |
| 2. Stonehaven | LTC60467F | 6/30/11 | 62,908 | 62,856 | (52) |
| 3. Nova House | LTC60509F | 6/30/11 | 59,556 | 59,680 | 124 |
| 4. Sunrise II | LTC60072F | 6/30/11 | 62,359 | 62,307 | (52) |

TOTALS

| | | | |
|--|-----------|-----------|--------|
| | \$243,772 | \$243,742 | (\$29) |
|--|-----------|-----------|--------|

SUMMARY OF DIRECT AND ALLOCATED POOL COST

HOME OFFICE:
LIFEHOUSE INC.FISCAL PERIOD ENDED:
JUNE 30, 2010

| 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. Sunrise I | LTC60071F | 6/30/11 | \$0 | \$58,900 | \$58,900 |
| 2. Stonehaven | LTC60467F | 6/30/11 | 0 | 62,856 | 62,856 |
| 3. Nova House | LTC60509F | 6/30/11 | 0 | 59,680 | 59,680 |
| 4. Sunrise II | LTC60072F | 6/30/11 | 0 | 62,307 | 62,307 |
| TOTALS | | | <u>\$0</u> | <u>\$243,742</u> | <u>\$243,742</u> |
| | | | | | (To Sch 1) |

ALLOCATION OF POOLED EXPENSES

HOME OFFICE:
LIFEHOUSE INC.FISCAL PERIOD ENDED:
JUNE 30, 2010

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) | \$1,757,298 | 32.9948% | \$243,742 |
| Nonprogram Services (Adj) | 3,568,694 | 67.0052% | 494,987 |
| TOTAL | \$5,325,992 | 100.0000% | \$738,729 |

(From Sch 5)

PART II - ALLOCATION TO INDIVIDUAL CHAIN COMPONENTS

| CHAIN COMPONENTS | MEDI-CAL NUMBER | Audit Adjustment | Allocation Statistics: Client Days | Allocated Pool Expense (Col 3 X UCM) |
|------------------|--------------------|---------------------|--|--|
|------------------|--------------------|---------------------|--|--|

| | | | | |
|---------------|-----------|---|-------|----------|
| 1. Sunrise I | LTC60071F | 6 | 2,040 | \$58,900 |
| 2. Stonehaven | LTC60467F | 6 | 2,177 | 62,856 |
| 3. Nova House | LTC60509F | 6 | 2,067 | 59,680 |
| 4. Sunrise II | LTC60072F | 6 | 2,158 | 62,307 |

TOTALS

8,442 \$243,742

(To Sch 2)

| | |
|---|-----------|
| UNIT COST MULTIPLIER (UCM) (Pooled Expenses/Patient Days) | 28.872561 |
|---|-----------|

DIRECT ALLOCATION OF EXPENSES TO CHAIN COMPONENTS

HOME OFFICE:
LIFEHOUSE INC.

FISCAL PERIOD ENDED:
JUNE 30, 2010

| CHAIN COMPONENTS 1 | MEDI-CAL NUMBER | REPORTED TOTAL (Col F) 2 | Expense Directly Allocable to Chain Component | | | | AUDITED TOTAL 7 |
|-----------------------|--------------------|--------------------------------|---|-----|-----|-----|-----------------------|
| | | | 3 | 4 | 5 | 6 | |
| 1. Sunrise I | LTC60071F | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2. Stonehaven | LTC60467F | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Nova House | LTC60509F | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Sunrise II | LTC60072F | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTALS | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

(To Sch 2)

STATEMENT OF REIMBURSABLE COSTS

HOME OFFICE:
LIFEHOUSE INC.FISCAL PERIOD ENDED:
JUNE 30, 2010

| 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 | | \$0 |
| 2. Salaries-Other | \$422,591 | | \$422,591 | | \$422,591 |
| 3. Payroll Taxes | 44,454 | | 44,454 | | 44,454 |
| 4. Employee Benefits | 53,180 | | 53,180 | | 53,180 |
| 5. Travel | 1,340 | | 1,340 | | 1,340 |
| 6. Entertainment | 0 | | 0 | | 0 |
| 7. Automobile | 0 | | 0 | | 0 |
| 8. Depreciation-Building | 0 | | 0 | | 0 |
| 9. Depreciation-Equipment | 10,484 | (140) | 10,344 | | 10,344 |
| 10. Other Depreciation and Amortization | 0 | | 0 | | 0 |
| 11. Leases and Rentals | 104,279 | (623) | 103,656 | | 103,656 |
| 12. Interest-Mortgages | 0 | | 0 | | 0 |
| 13. Interest-Other | (8,367) | 8,367 | 0 | | 0 |
| 14. Taxes and Licenses | 160 | (150) | 10 | | 10 |
| 15. Legal and Accounting | 21,206 | | 21,206 | | 21,206 |
| 16. Insurance | 8,862 | | 8,862 | | 8,862 |
| 17. Telephone | 5,498 | | 5,498 | | 5,498 |
| 18. Utilities | (623) | 623 | 0 | | 0 |
| 19. Office Supplies | 22,395 | | 22,395 | | 22,395 |
| 20. Nonprogram | 0 | | 0 | | 0 |
| 21. Other- Computer Consulting | 13,670 | (1,120) | 12,550 | | 12,550 |
| 22. Equipment Repair/Maintenance | 3,952 | | 3,952 | | 3,952 |
| 23. Due and Membership | 1,272 | | 1,272 | | 1,272 |
| 24. Printing and Copying | 2,647 | | 2,647 | | 2,647 |
| 25. Payroll and Bank Fees | 17,391 | (5,472) | 11,919 | | 11,919 |
| 26. Employee Licensing/Training | 853 | (674) | 179 | | 179 |
| 27. Conference/Meeting/Workshops | 1,763 | | 1,763 | | 1,763 |
| 28. Employee Recruiting | 5,130 | | 5,130 | | 5,130 |
| 29. Contractual Labor/Repair | 5,781 | | 5,781 | | 5,781 |
| 30. Misc. | 826 | (826) | 0 | | 0 |
| TOTAL EXPENSES | \$738,744 | (\$15) | \$738,729 | \$0 | \$738,729 |
| | | | | (To Sch 4) | (To Sch 3) |

| Provider Name | | | | | | | Fiscal Period | Provider NPI | | Adjustments | |
|---|--------------------------|------|--------------|------|------|------|--|--------------|---------------------|-------------|--|
| LIFEHOUSE INC. | | | | | | | JULY 1, 2009 THROUGH JUNE 30, 2010 | HOME OFFICE | | 6 | |
| Report References | | | | | | | Explanation of Audit Adjustments | As Reported | Increase (Decrease) | As Adjusted | |
| Cost Report | | | Audit Report | | | | | | | | |
| Adj. No. | DHS 3076 Page or Exhibit | Line | Col. | Sch. | Line | Col. | | | | | |
| <u>ADJUSTMENTS TO REPORTED COSTS</u> | | | | | | | | | | | |
| 1 | 2 | 13 | 6 | 5 | 13 | 3 | Interest - Other | (\$8,367) | \$8,367 | \$0 | |
| | 2 | 25 | 6 | 5 | 25 | 3 | Payroll and Bank Fees | 17,391 | (1,981) | 15,410 * | |
| | | | | | | | To properly abate interest income against interest expense. 42 CFR 413.153(b)(2)(iii) CMS Pub. 15-1, Section 202.2 | | | | |
| 2 | 2 | 9 | 6 | 5 | 9 | 3 | Depreciation - Equipment | \$10,484 | (\$140) | \$10,344 | |
| | | | | | | | To adjust depreciation expense to agree with the provider's depreciation schedule. 42 CFR 413.20, 413.24, and 413.134 CMS Pub. 15-1, Sections 102 and 2304 | | | | |
| 3 | 2 | 11 | 6 | 5 | 11 | 3 | Leases and Rentals | \$104,279 | (\$623) | \$103,656 | |
| | 2 | 18 | 6 | 5 | 18 | 3 | Utilities | (623) | 623 | 0 | |
| | | | | | | | To reclassify rental rebates to the Leases and Rentals cost center. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.4, and 2302.8 | | | | |
| 4 | 2 | 14 | 6 | 5 | 14 | 3 | Taxes | \$160 | (\$150) | \$10 | |
| | 2 | 21 | 6 | 5 | 21 | 3 | Computer Consulting | 13,670 | (1,120) | 12,550 | |
| | 2 | 25 | 6 | 5 | 25 | 3 | Payroll and Bank Fees | * 15,410 | (2,677) | 12,733 * | |
| | 2 | 26 | 6 | 5 | 26 | 3 | Employee - Licensing/Training | 853 | (674) | 179 | |
| | 2 | 30 | 6 | 5 | 30 | 3 | Miscellaneous | 826 | (826) | 0 | |
| | | | | | | | To eliminate various expenses not related to patient care. 42 CFR 413.5(c)(7) and 413.9 CMS Pub. 15-1, Sections 608, 610, 2102.3, and 2136.2 | | | | |
| 5 | 2 | 25 | 6 | 5 | 25 | 3 | Payroll and Bank Fees | * \$12,733 | (\$814) | \$11,919 | |
| | | | | | | | To eliminate overdraft and late fees not related to patient care. 42 CFR 413.9(c)(3) CMS Pub. 15-1, Section 2102.3 | | | | |

| Provider Name | | | | Fiscal Period | | | | Provider NPI | | Adjustments |
|--|--------------------------|------|--------------|------------------------------------|------|------|---|--------------|---------------------|-------------|
| LIFEHOUSE INC. | | | | JULY 1, 2009 THROUGH JUNE 30, 2010 | | | | HOME OFFICE | | 6 |
| Report References | | | | | | | Explanation of Audit Adjustments | As Reported | Increase (Decrease) | As Adjusted |
| Cost Report | | | Audit Report | | | | | | | |
| Adj. No. | DHS 3076 Page or Exhibit | Line | Col. | Sch. | Line | Col. | | | | |
| <u>ADJUSTMENT TO REPORTED STATISTICS</u> | | | | | | | | | | |
| 6 | 5 | 1 | 2 | 3 | 1 | 3 | Sunrise I | 2,040 | 5 | 2,045 |
| | 5 | 2 | 2 | 3 | 2 | 3 | Stonehaven | 2,177 | 13 | 2,190 |
| | 5 | 3 | 2 | 3 | 3 | 3 | Nova House | 2,061 | 89 | 2,150 |
| | 5 | 4 | 2 | 3 | 4 | 3 | Sunrise II | 2,158 | 32 | 2,190 |
| | | | | | | | To adjust client days to agree with provider's records and for proper allocation of chain component costs. 42 CFR 413.20, 413.24, and 413.50 CMS Pub 15-1 Sections 2205, 2304, and 2306 | | | |