REPORT
ON THE
HOME OFFICE AUDIT

HARBOR HEALTH CARE INC.
BELLFLOWER, CALIFORNIA

FISCAL PERIOD ENDED
DECEMBER 31, 2010

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

Section Chief: Margaret A. Varho
Audit Supervisor: Felipe Avila
Auditor: Lang Doan

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

TOBY DOUGLAS
DIRECTOR

EDMUND G. BROWN JR.
GOVERNOR

Date: November 21, 2011

Cheryl Loflin-Wertz, President
Harbor Health Care, Inc.
16917 Clark Avenue
Bellflower, CA 90706

HARBOR HEALTH CARE INC.
FISCAL PERIOD ENDED DECEMBER 31, 2010

We have examined the Medi-Cal Home Office Cost Report for the fiscal period ended December 31, 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 Care 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 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.

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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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STATE OF CALIFORNIA SCHEDULE 1

COMPARISON OF REPORTED AND AUDITED
HOME OFFICE COST

HOME OFFICE:
HARBOR HEALTH CARE INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 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. Antonio	LTC 60108I	12/31/10	$64,549	$48,820	($15,729)
2. Arkansas	LTC 60188I	12/31/10	59,698	48,273	(11,425)
3. Baylor	LTC 60152I	12/31/10	58,829	44,130	(14,699)
4. Biola				0	0
5. Blackstar	LTC 80093G	12/31/10	93,028	70,684	(22,344)
6. Briar	LTC 60107I	12/31/10	64,371	47,998	(16,373)
7. Camelot	LTC 80017I	12/31/10	78,809	59,652	(19,157)
8. Capistrano	LTC 80012I	12/31/10	80,886	61,219	(19,667)
9. Clark	LTC 60444I	12/31/10	74,096	55,637	(18,459)
10. Destino	LTC 60143I	12/31/10	69,637	49,678	(19,959)
11. Gable	LTC 60488H	12/31/10	77,070	58,346	(18,724)
12. Granada	LTC 80011I	12/31/10	77,198	58,446	(18,752)
13. Hoback	LTC 60855G	12/31/10	63,749	49,212	(14,537)
14. La Fonda	LTC 60793G	12/31/10	70,358	51,821	(18,537)
15. Minuet	LTC 80005I	12/31/10	83,236	62,953	(20,283)
16. Neargrove	LTC 60701G	12/31/10	65,647	50,028	(15,619)
17. Park				0	0
18. Rose	LTC 60328I	12/31/10	80,734	67,958	(12,776)
19. Phoenix	LTC 80003I	12/31/10	89,854	70,337	(19,517)
20. Redwood	LTC 80105G	12/31/10	92,536	61,544	(30,992)
21.				0	0
22.				0	0
23.				0	0
24.				0	0
25.				0	0
TOTALS			$1,344,285	$1,016,735	($327,549)

STATE OF CALIFORNIA

SCHEDULE 2

SUMMARY OF DIRECT AND ALLOCATED POOL COST

HOME OFFICE:
HARBOR HEALTH CARE INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 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. Antonio	LTC 60108I	12/31/10	$0	$48,820	$48,820
2. Arkansas	LTC 60188I	12/31/10	0	48,273	48,273
3. Baylor	LTC 60152I	12/31/10	0	44,130	44,130
4. Biola			0	0	0
5. Blackstar	LTC 80093G	12/31/10	0	70,684	70,684
6. Briar	LTC 60107I	12/31/10	0	47,998	47,998
7. Camelot	LTC 80017I	12/31/10	0	59,652	59,652
8. Capistrano	LTC 80012I	12/31/10	0	61,219	61,219
9. Clark	LTC 60444I	12/31/10	0	55,637	55,637
10. Destino	LTC 60143I	12/31/10	0	49,678	49,678
11. Gable	LTC 60488H	12/31/10	0	58,346	58,346
12. Granada	LTC 80011I	12/31/10	0	58,446	58,446
13. Hoback	LTC 60855G	12/31/10	0	49,212	49,212
14. La Fonda	LTC 60793G	12/31/10	0	51,821	51,821
15. Minuet	LTC 80005I	12/31/10	0	62,953	62,953
16. Neargrove	LTC 60701G	12/31/10	0	50,028	50,028
17. Park			0	0	0
18. Rose	LTC 60328I	12/31/10	0	67,958	67,958
19. Phoenix	LTC 80003I	12/31/10	0	70,337	70,337
20. Redwood	LTC 80105G	12/31/10	0	61,544	61,544
21.			0	0	0
22.			0	0	0
23.			0	0	0
24.			0	0	0
25.			0	0	0
TOTALS			$0	$1,016,735	$1,016,735
					(To Sch 1)

STATE OF CALIFORNIA SCHEDULE 3

ALLOCATION OF POOLED EXPENSES

HOME OFFICE:
HARBOR HEALTH CARE INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 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 9)	$5,299,746	100.0000%	$1,016,736
Nonprogram Services (Adj)		0.0000%	0
TOTAL	$5,299,746	100.0000%	$1,016,736

(From Sch 5)

PART II - ALLOCATION TO INDIVIDUAL CHAIN COMPONENTS

CHAIN COMPONENTS	MEDI-CAL NUMBER	Audit Adjustment	Allocation Statistic: (Facility Costs)	Allocated Pool Expense (Col 3 X UCM)
1. Antonio	LTC 60108I		254,480	$48,820
2. Arkansas	LTC 60188I	8	251,631	48,273
3. Baylor	LTC 60152I	8	230,034	44,130
4. Biola				0
5. Blackstar	LTC 80093G	8	368,450	70,684
6. Briar	LTC 60107I	8	250,197	47,998
7. Camelot	LTC 80017I	8	310,945	59,652
8. Capistrano	LTC 80012I	8	319,112	61,219
9. Clark	LTC 60444I	8	290,017	55,637
10. Destino	LTC 60143I	8	258,954	49,678
11. Gable	LTC 60488H	8	304,137	58,346
12. Granada	LTC 80011I	8	304,661	58,446
13. Hoback	LTC 60855G	8	256,526	49,212
14. La Fonda	LTC 60793G	8	270,123	51,821
15. Minuet	LTC 80005I		328,153	62,953
16. Neargrove	LTC 60701G	8	260,776	50,028
17. Park				0
18. Rose	LTC 60328I	8	354,242	67,958
19. Phoenix	LTC 80003I	8	366,640	70,337
20. Redwood	LTC 80105G	8	320,806	61,544
21.				0
22.				0
23.				0
24.				0
25.				0
TOTALS			5,299,884	$1,016,735

(To Sch 2)

UNIT COST MULTIPLIER (UCM) (Pooled Expenses/Patient Days)	0.191841

STATE OF CALIFORNIA SCHEDULE 4

DIRECT ALLOCATION OF EXPENSES TO CHAIN COMPONENTS

HOME OFFICE:
HARBOR HEALTH CARE INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2010

			Expense Directly Allocable to Chain Component				
CHAIN COMPONENTS 1	MEDI-CAL NUMBER	REPORTED TOTAL (Col F) 2	specify expense 3	specify expense 4	specify expense 5	specify expense 6	AUDITED TOTAL 7
1. Antonio	LTC 60108I	$0	$0	$0	$0	$0	$0
2. Arkansas	LTC 60188I	0	0	0	0	0	0
3. Baylor	LTC 60152I	0	0	0	0	0	0
4. Biola		0	0	0	0	0	0
5. Blackstar	LTC 80093G	0	0	0	0	0	0
6. Briar	LTC 60107I	0	0	0	0	0	0
7. Camelot	LTC 80017I	0	0	0	0	0	0
8. Capistrano	LTC 80012I	0	0	0	0	0	0
9. Clark	LTC 60444I	0	0	0	0	0	0
10. Destino	LTC 60143I	0	0	0	0	0	0
11. Gable	LTC 60488H	0	0	0	0	0	0
12. Granada	LTC 80011I	0	0	0	0	0	0
13. Hoback	LTC 60855G	0	0	0	0	0	0
14. La Fonda	LTC 60793G	0	0	0	0	0	0
15. Minuet	LTC 80005I	0	0	0	0	0	0
16. Neargrove	LTC 60701G	0	0	0	0	0	0
17. Park		0	0	0	0	0	0
18. Rose	LTC 60328I	0	0	0	0	0	0
19. Phoenix	LTC 80003I	0	0	0	0	0	0
20. Redwood	LTC 80105G	0	0	0	0	0	0
21.		0	0	0	0	0	0
22.		0	0	0	0	0	0
23.		0	0	0	0	0	0
24.		0	0	0	0	0	0
25.		0	0	0	0	0	0
TOTALS		$0	$0	$0	$0	$0	$0

(To Sch 2)

STATE OF CALIFORNIA SCHEDULE 5

STATEMENT OF REIMBURSABLE COSTS

HOME OFFICE:
HARBOR HEALTH CARE INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2010

ACCOUNT DESCRIPTION 1	REPORTED POOLED COSTS 2	COST AUDIT ADJUSTMENTS 3	POOLED COST SUBTOTAL 4	DIRECT COST 5	AUDITED POOLED COSTS 6
		(Adjs 1-7)	(Col 2 + Col 3)		(Col 4 - Col 5)
1. Salaries-Officers	$130,200		$130,200		$130,200
2. Salaries-Other	347,780		347,780		347,780
3. Payroll Taxes	43,489		43,489		43,489
4. Employee Benefits	41,944		41,944		41,944
5. Travel	16,058		16,058		16,058
6. Entertainment			0		0
7. Automobile	29,311		29,311		29,311
8. Depreciation-Building	11,156	(11,156)	0		0
9. Depreciation-Equipment	13,587	(4,820)	8,767		8,767
10. Other Depreciation and Amortization	235,282	(232,746)	2,536		2,536
11. Leases and Rentals	20,245	(1,509)	18,736		18,736
12. Interest-Mortgages	4,404	(4,404)	0		0
13. Interest-Other	74,804	(71,428)	3,376		3,376
14. Taxes and Licenses	9,218		9,218		9,218
15. Legal and Accounting	1,151		1,151		1,151
16. Insurance	240,144		240,144		240,144
17. Telephone	35,617		35,617		35,617
18. Utilities	15,293		15,293		15,293
19. Office Supplies	23,253		23,253		23,253
20. Transportation Income			0		0
21. Other- Nursing Supplies	1,777		1,777		1,777
22. Plant Operations	4,209		4,209		4,209
23. Housekeeping	(567)		(567)		(567)
24. Dietary	2,644		2,644		2,644
25. Social Services	525		525		525
26. Professional Services	649		649		649
27. Minor Equipment	5,966		5,966		5,966
28. Employee Recruitment	1,928		1,928		1,928
29. Fines and Penalties			0		0
30. Employee Education	5,126	(1,485)	3,641		3,641
31. Prior Year Expense			0		0
32. Donations			0		0
33. Maintenance Contracts	2,705		2,705		2,705
34. Contract Labor	4,342		4,342		4,342
35. Dues & Subscriptions	7,049		7,049		7,049
36. Public Relations & Advertising	4,247		4,247		4,247
37. Bank Charges	4,589		4,589		4,589
38. Computer Costs	6,159		6,159		6,159
39. Contractual Adjustments			0		0
TOTAL EXPENSES	$1,344,284	($327,548)	$1,016,736	$0	$1,016,736
				(To Sch 4)	(To Sch 3)

Provider Name	Fiscal Period	Provider Number	Adjustments
HARBOR HEALTH CARE, INC.	JANUARY 1, 2010 THROUGH DECEMBER 31, 2010	HOME OFFICE	9

Report References										
	Cost Report			Audit Report						
Adj. No.	Page or Exhibit	Line	Col.	Sch.	Line	Col.	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
							ADJUSTMENTS TO REPORTED COSTS			
1	2	30	6	5	30	3	Employee Education To eliminate cost of entertainment tickets not related to patier care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Section 2102.3	$5,126	($1,485)	$3,641
2	2	12	6	5	12	3	Interest - Mortgages To eliminate interest expense due to lack of documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	$4,404	($4,404)	$0
3	2	13	6	5	13	3	Interest - Other To eliminate interest expense related to goodwill. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Section 2134.1	$74,804	($71,428)	$3,376
4	2	8	6	5	8	3	Depreciation - Building To eliminate depreciation expense subject to DEFRA due to insufficient documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	$11,156	($11,156)	$0
5	2	9	6	5	9	3	Depreciation - Equipment To adjust depreciation expense to the straight line basis. 42 CFR 413.20 and 413.134 / CMS Pub. 15-1, Sections 116 and 120	$13,587	($4,820)	$8,767
6	2	10	6	5	10	3	Other Depreciation and Amortization To eliminate depreciation expense related to goodwill. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Section 2134.1	$235,282	($232,746)	$2,536
7	2	11	6	5	11	3	Leases and Rentals To adjust copier rental expense for proper accrual. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	$20,245	($1,509)	$18,736

Provider Name	Fiscal Period	Provider Number	Adjustments
HARBOR HEALTH CARE, INC.	JANUARY 1, 2010 THROUGH DECEMBER 31, 2010	HOME OFFICE	9

Report References										
	Cost Report			Audit Report						
Adj. No.	Page or Exhibit	Line	Col.	Sch.	Line	Col.	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
							ADJUSTMENTS TO REPORTED STATISTICS			
8	5	2	2	3	2	3	Arkansas (Facility Costs)	$235,357	$16,274	$251,631
	5	3	2	3	3	3	Baylor	231,929	(1,895)	230,034
	5	5	2	3	5	3	Blackstar	366,755	1,695	368,450
	5	6	2	3	6	3	Briar	253,778	(3,581)	250,197
	5	7	2	3	7	3	Camelot	310,700	245	310,945
	5	8	2	3	8	3	Capistrano	318,889	223	319,112
	5	9	2	3	9	3	Clark	292,117	(2,100)	290,017
	5	10	2	3	10	3	Destino	274,537	(15,583)	258,954
	5	1	2	3	11	3	Gable	303,844	293	304,137
	5	2	2	3	12	3	Granada	304,346	315	304,661
	5	3	2	3	13	3	Hoback	251,326	5,200	256,526
	5	4	2	3	14	3	La Fonda	277,381	(7,258)	270,123
	5	6	2	3	16	3	Neargrove	258,807	1,969	260,776
	5	8	2	3	18	3	Rose	318,288	35,954	354,242
	5	9	2	3	19	3	Phoenix	354,242	12,398	366,640
	5	10	2	3	20	3	Redwood	364,817	(44,011)	320,806
	5		2	3		3	Total - Facility Cost	5,299,746	138	5,299,884
							To adjust facility cost statistic to agree with the individual home filed cost reports.			
							42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304			
9	5	1	1	3	1	2	Program Services	$0	$5,299,884	$5,299,884
							To include accumulated costs for proper audit report cost flow.			
							42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304			