

**REPORT  
ON THE  
HOME OFFICE AUDIT**

**TEACHING LIVING CONCEPTS, INC.  
SANTA ROSA, CALIFORNIA**

**FISCAL PERIOD ENDED  
DECEMBER 31, 2010**

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

**Section Chief: Louise Wong  
Audit Supervisor: Jesse Duran  
Auditor: Bob Dailey**



TOBY DOUGLAS  
DIRECTOR

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



EDMUND G. BROWN JR.  
GOVERNOR

January 23, 2012

Peter Ricciardone  
Chief Financial Officer  
Teaching Living Concepts, Inc.  
840 Mark West Springs Road  
Santa Rosa, CA 95404-1140

TEACHING LIVING CONCEPTS, 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 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.

Peter Ricciardone  
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If you have 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

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

HOME OFFICE:  
TEACHING LIVING CONCEPTS, INC

FISCAL PERIOD ENDED:  
DECEMBER 31, 2010

CHAIN COMPONENTS 1	NPI 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. TLC on Garmont	1821124983	12/31/10	\$146,112	\$139,123	(\$6,989)
2. TLC on Larch	1215063375	12/31/10	154,096	146,725	(7,371)
3. TLC on Lombard	1043347388	12/31/10	160,394	152,722	(7,672)

**TOTALS**

\$460,602	\$438,570	(\$22,032)
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## SUMMARY OF DIRECT AND ALLOCATED POOL COST

HOME OFFICE:  
TEACHING LIVING CONCEPTS, INC.FISCAL PERIOD ENDED:  
DECEMBER 31, 2010

CHAIN COMPONENTS 1	NPI 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. TLC on Garmont	1821124983	12/31/10	\$36,684	\$102,439	\$139,123
2. TLC on Larch	1215063375	12/31/10	38,689	108,036	146,725
3. TLC on Lombard	1043347388	12/31/10	40,270	112,452	152,722
<b>TOTALS</b>			<u>\$115,643</u>	<u>\$322,927</u>	<u>\$438,570</u>
					(To Sch 1)

## ALLOCATION OF POOLED EXPENSES

HOME OFFICE:  
TEACHING LIVING CONCEPTS, INC.

FISCAL PERIOD ENDED:  
DECEMBER 31, 2010

## PART I - ALLOCATION BETWEEN PROVIDER AND NONPROVIDER COMPONENTS

FACILITY	Allocation Statistics Base:		Allocation Pool Expenses 3
	Accumulated Cost 1	Percent 2	
Program Services (Adj 8)	\$460,602	100.0000%	\$322,927
Nonprogram Services (Adj)	0	0.0000%	0
TOTAL	\$460,602	100.0000%	\$322,927

(From Sch 5)

## PART II - ALLOCATION TO INDIVIDUAL CHAIN COMPONENTS

CHAIN COMPONENTS	NPI NUMBER	Audit Adjustment	Allocation Statistic: (Client Days)	Allocated Pool Expense (Col 2 X UCM)
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1. TLC on Garmont	1821124983		1,995	\$102,439
2. TLC on Larch	1215063375		2,104	108,036
3. TLC on Lombard	1043347388		2,190	112,452

## TOTALS

6,289	\$322,927
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(To Sch 2)

UNIT COST MULTIPLIER (UCM) (Pooled Expenses/Patient Days)	51.347909
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## DIRECT ALLOCATION OF EXPENSES TO CHAIN COMPONENTS

HOME OFFICE:  
TEACHING LIVING CONCEPTS, INC.FISCAL PERIOD ENDED:  
DECEMBER 31, 2010

CHAIN COMPONENTS 1	NPI NUMBER	REPORTED TOTAL (Col F) 2	Expense Directly Allocable to Chain Component				AUDITED TOTAL 7
			Home Operations 3 (Adj 5)	Home Operations 4 (Adj 7)	5	6	
1. TLC on Garmont	1821124983	\$40,441	(\$972)	(\$2,785)	\$0	\$0	\$36,684
2. TLC on Larch	1215063375	42,651	(1,025)	(2,937)	0	0	38,689
3. TLC on Lombard	1043347388	44,394	(1,067)	(3,057)	0	0	40,270
<b>TOTALS</b>		<b>\$127,486</b>	<b>(\$3,064)</b>	<b>(\$8,779)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$115,643</b>

(To Sch 2)

## STATEMENT OF REIMBURSABLE COSTS

HOME OFFICE:  
TEACHING LIVING CONCEPTS, INC.FISCAL PERIOD ENDED:  
DECEMBER 31, 2010

ACCOUNT DESCRIPTION 1	REPORTED COSTS 2	COST AUDIT ADJUSTMENTS 3	ADJUSTED COST SUBTOTAL 4	AUDITED DIRECT COST 5	AUDITED POOLED COSTS 6
		(Adjs 1-3) (Adjs 4,6)	(Col 2 + Col 3)	(Adjs 4, 6)	(Col 4 - Col 5)
1. Salaries Officers	\$164,728		\$164,728	\$39,250	\$125,478
2. Salaries Other	(258)		(258)		(258)
3. Payroll Taxes	57,306		57,306		57,306
4. Employee Benefits	39,213		39,213		39,213
5. Travel	485		485		485
6. Entertainment	3,371		3,371		3,371
7. Automobile	10,473		10,473	10,473	0
8. Depreciation Building	0		0		0
9. Depreciation Equipment	0		0		0
10. Other Depreciation and Amortization	16,965	(10,189)	6,776		6,776
11. Leases and Rentals	26,437		26,437		26,437
12. Interest Mortgages	0		0		0
13. Interest Other	523		523		523
14. Taxes and Licenses	621		621		621
15. Legal and Accounting	20,152		20,152		20,152
16. Insurance	15,575		15,575		15,575
17. Telephone	7,343		7,343		7,343
18. Utilities	250		250		250
19. Office Supplies	11,775		11,775		11,775
20. Nonprogram	0		0		0
21. Other	0		0		0
22. Home Operation and Maintenance	38,494	(11,843)	26,651	26,651	0
23. Dietary	5,658		5,658	5,658	0
24. General and Administrative	6,422		6,422		6,422
25. Dietician Consultant	50		50		50
26. Nurse Consultant	1,154		1,154		1,154
27. Personal Care and Laundry	258		258		258
28. QMRP Salary	33,611		33,611	33,611	0
29. Rounding	(4)		(4)		(4)
<b>TOTAL EXPENSES</b>	<b>\$460,602</b>	<b>(\$22,032)</b>	<b>\$438,570</b>	<b>\$115,643</b>	<b>\$322,927</b>
				(To Sch 4)	(To Sch 3)

Provider Name				Fiscal Period				Provider NPI		Adjustments
TEACHING LIVING CONCEPTS, INC.				JANUARY 1, 2010 THROUGH DECEMBER 31, 2010				HOME OFFICE		8
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>										
1	2	10	4	5	10	3	Other Depreciation and Amortization To adjust depreciation expense to the straight line basis. 42 CFR 413.20, 413.24 and 413.134 CMS Pub. 15-1, Sections 102, 116, 120, 2300, and 2304	\$16,965	(\$3,717)	\$13,248 *
2	2	10	4	5	10	3	Other Depreciation and Amortization To eliminate goodwill expense for nonpatient care related items. 42 CFR 413.9(c)(3) CMS Pub. 15-1, Sections 104.10, 104.14, 2102.3, and 2134.10	* \$13,248	(\$2,443)	\$10,805 *
3	2	10	4	5	10	3	Other Depreciation and Amortization To eliminate provider's expense adjustment for proper cost determination. 42 CFR 413.20 and 413.134 CMS Pub. 15-1, Sections 2300 and 2304	* \$10,805	(\$4,029)	\$6,776

\*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments	
TEACHING LIVING CONCEPTS, INC.							JANUARY 1, 2010 THROUGH DECEMBER 31, 2010	HOME OFFICE		8	
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 - DIRECT</u></b>											
4	2	22	4	5	22	3	Home Operations and Maintenance	\$38,494	(\$3,064)	\$35,430 *	
	2	22	4	5	22	5	Home Operations and Maintenance (Direct Cost)	38,494	(3,064)	35,430 *	
5	4	1	7	4	1	3	TLC on Garmont (Direct Allocation to Chain Components)	\$40,441	(\$972)	\$39,469 *	
	4	2	7	4	2	3	TLC on Larch	42,651	(1,025)	41,626 *	
	4	3	7	4	3	3	TLC on Lombard	44,394	(1,067)	43,327 *	
	4	11	7	4	N/A	3	Total Expense - Chain Components	127,486	(3,064)	124,422 *	
							To eliminate duplicated entries of employee checks reported as home operations expense. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304				
6	2	22	4	5	22	3	Home Operations and Maintenance	* \$35,430	(\$8,779)	\$26,651	
	2	22	4	5	22	5	Home Operations and Maintenance (Direct Cost)	* 35,430	(8,779)	26,651	
7	4	1	7	4	1	4	TLC on Garmont (Direct Allocation to Chain Components)	* \$39,469	(\$2,785)	\$36,684	
	4	2	7	4	2	4	TLC on Larch	* 41,626	(2,937)	38,689	
	4	3	7	4	3	4	TLC on Lombard	* 43,327	(3,057)	40,270	
	4	11	7	4	N/A	4	Total Expense - Chain Components	* 124,422	(8,779)	115,643	
							To eliminate unallowable expenses not related to patient care. 42 CFR 413.9(c)(3) CMS Pub. 15-1, Sections 2102.3, 2150, 2150.1, 2300, and 2304 CCR, Title 22, 51510.2				

\*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period		Provider NPI		Adjustments
TEACHING LIVING CONCEPTS, INC.							JANUARY 1, 2010 THROUGH DECEMBER 31, 2010		HOME OFFICE		8
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>ADJUSTMENT TO REPORTED STATISTICS</u></b>											
8	5	1	1	3	N/A	1	Program Services (Accumulated Cost)	0	460,602	460,602	
	5	3	1	3	N/A	1	Total	0	460,602	460,602	
							To include allocation statistics for the apportionment of pooled costs to program services. 42 CFR 413.24 and 413.50 CMS Pub. 15-1, Sections 2150.3, 2300, 2304, and 2306				