REPORT
ON THE
HOME OFFICE AUDIT

HORRIGAN ENTERPRISES, INC.
RANCHO CUCAMONGA, CALIFORNIA

FISCAL PERIOD ENDED
MARCH 31, 2008

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

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Auditor: Daniela Bita Mocanu

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

DAVID MAXWELL-JOLLY
Director

ARNOLD SCHWARZENEGGER
Governor

December 28, 2009

Carol Tipton
Director of Administrative Services
Horrigan Enterprises, Inc.
7945 Cartilla Avenue, Suite A
Rancho Cucamonga, CA 91730

HORRIGAN ENTERPRISES, INC.
FISCAL PERIOD ENDED MARCH 31, 2008

We have examined the Medi-Cal Home Office Cost Report for the fiscal period ended March 31, 2008. 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.

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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

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STATE OF CALIFORNIA SCHEDULE 1

COMPARISON OF REPORTED AND AUDITED
HOME OFFICE COST

HOME OFFICE:
HORRIGAN ENTERPRISES, INC.

FISCAL PERIOD ENDED:
MARCH 31, 2008

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. Newbury House	LTC60007G	3/31/08	$43,750	$42,922	($828)
2. Walker House	LTC80341F	3/31/08	45,173	44,318	(856)
3. Robinson House	LTC60004G	3/31/08	45,276	44,419	(857)
4. La Paix House	LTC60005G	3/31/08	45,276	44,419	(857)
5. Highland House	LTC60060G	3/31/08	45,256	44,399	(857)
6. Buchanan House	LTC60061G	3/31/08	45,276	44,419	(857)
7. Jane House	LTC60122G	3/31/08	45,276	44,419	(857)
8. Elm House	LTC60129G	3/31/08	45,152	44,298	(854)
9. Olive House	LTC60042G	3/31/08	44,988	44,136	(852)
10. Sycamore House	LTC60119G	3/31/08	45,194	44,338	(856)
11. Kenyon House	LTC60275F	3/31/08	45,276	44,419	(857)
12. Logan House	LTC60274F	3/31/08	42,864	41,688	(1,176)
13. Monterey House	LTC60291F	3/31/08	45,276	44,419	(857)
14. Norwood House	LTC60305F	3/31/08	45,276	44,419	(857)
15. Oasis House	LTC60419F	3/31/08	44,122	43,286	(836)
16. Palm House	LTC60435F	3/31/08	45,276	44,419	(857)
17. Quartz House	LTC60427F	3/31/08	45,276	44,419	(857)
18. Kingston House	LTC80165F	3/31/08	44,225	43,387	(838)
19.				0	0
20.				0	0
21.				0	0
22.				0	0
23.				0	0
24.				0	0
25.				0	0
TOTALS			$808,209	$792,544	($15,666)

STATE OF CALIFORNIA SCHEDULE 2

SUMMARY OF DIRECT AND ALLOCATED POOL COST

HOME OFFICE:
HORRIGAN ENTERPRISES, INC.

FISCAL PERIOD ENDED:
MARCH 31, 2008

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. Newbury House	LTC60007G	3/31/08	$0	$42,922	$42,922
2. Walker House	LTC80341F	3/31/08	0	44,318	44,318
3. Robinson House	LTC60004G	3/31/08	0	44,419	44,419
4. La Paix House	LTC60005G	3/31/08	0	44,419	44,419
5. Highland House	LTC60060G	3/31/08	0	44,399	44,399
6. Buchanan House	LTC60061G	3/31/08	0	44,419	44,419
7. Jane House	LTC60122G	3/31/08	0	44,419	44,419
8. Elm House	LTC60129G	3/31/08	0	44,298	44,298
9. Olive House	LTC60042G	3/31/08	0	44,136	44,136
10. Sycamore House	LTC60119G	3/31/08	0	44,338	44,338
11. Kenyon House	LTC60275F	3/31/08	0	44,419	44,419
12. Logan House	LTC60274F	3/31/08	0	41,688	41,688
13. Monterey House	LTC60291F	3/31/08	0	44,419	44,419
14. Norwood House	LTC60305F	3/31/08	0	44,419	44,419
15. Oasis House	LTC60419F	3/31/08	0	43,286	43,286
16. Palm House	LTC60435F	3/31/08	0	44,419	44,419
17. Quartz House	LTC60427F	3/31/08	0	44,419	44,419
18. Kingston House	LTC80165F	3/31/08	0	43,387	43,387
19.			0	0	0
20.			0	0	0
21.			0	0	0
22.			0	0	0
23.			0	0	0
24.			0	0	0
25.			0	0	0
TOTALS			$0	$792,544	$792,544
					(To Sch 1)

STATE OF CALIFORNIA SCHEDULE 3

ALLOCATION OF POOLED EXPENSES

HOME OFFICE:
HORRIGAN ENTERPRISES, INC.

FISCAL PERIOD ENDED:
MARCH 31, 2008

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)	$6,172,587	91.2804%	$792,544
Nonprogram Services (Adj)	589,643	8.7197%	$75,709
TOTAL	$6,762,229	100.0001%	$868,252

(From Sch 5)

PART II - ALLOCATION TO INDIVIDUAL CHAIN COMPONENTS

CHAIN COMPONENTS	MEDI-CAL NUMBER	Audit Adjustment	Allocation Statistic: (Client Days)	Allocated Pool Expense (Col 3 X UCM)
1. Newbury House	LTC60007G		2,122	$42,922
2. Walker House	LTC80341F		2,191	$44,318
3. Robinson House	LTC60004G		2,196	$44,419
4. La Paix House	LTC60005G		2,196	$44,419
5. Highland House	LTC60060G		2,195	$44,399
6. Buchanan House	LTC60061G		2,196	$44,419
7. Jane House	LTC60122G		2,196	$44,419
8. Elm House	LTC60129G		2,190	$44,298
9. Olive House	LTC60042G		2,182	$44,136
10. Sycamore House	LTC60119G		2,192	$44,338
11. Kenyon House	LTC60275F		2,196	$44,419
12. Logan House	LTC60274F	20	2,061	$41,688
13. Monterey House	LTC60291F		2,196	$44,419
14. Norwood House	LTC60305F		2,196	$44,419
15. Oasis House	LTC60419F		2,140	$43,286
16. Palm House	LTC60435F		2,196	$44,419
17. Quartz House	LTC60427F		2,196	$44,419
18. Kingston House	LTC80165F		2,145	$43,387
19.				0
20.				0
21.				0
22.				0
23.				0
24.				0
25.				0
TOTALS			39,182	$792,544

(To Sch 2)

UNIT COST MULTIPLIER (UCM) (Pooled Expenses/Patient Days)	20.227245

STATE OF CALIFORNIA SCHEDULE 4

DIRECT ALLOCATION OF EXPENSES TO CHAIN COMPONENTS

HOME OFFICE:
HORRIGAN ENTERPRISES, INC.

FISCAL PERIOD ENDED:
MARCH 31, 2008

			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. Newbury House	LTC60007G	$0	$0	$0	$0	$0	$0
2. Walker House	LTC80341F	0	0	0	0	0	0
3. Robinson House	LTC60004G	0	0	0	0	0	0
4. La Paix House	LTC60005G	0	0	0	0	0	0
5. Highland House	LTC60060G	0	0	0	0	0	0
6. Buchanan House	LTC60061G	0	0	0	0	0	0
7. Jane House	LTC60122G	0	0	0	0	0	0
8. Elm House	LTC60129G	0	0	0	0	0	0
9. Olive House	LTC60042G	0	0	0	0	0	0
10. Sycamore House	LTC60119G	0	0	0	0	0	0
11. Kenyon House	LTC60275F	0	0	0	0	0	0
12. Logan House	LTC60274F	0	0	0	0	0	0
13. Monterey House	LTC60291F	0	0	0	0	0	0
14. Norwood House	LTC60305F	0	0	0	0	0	0
15. Oasis House	LTC60419F	0	0	0	0	0	0
16. Palm House	LTC60435F	0	0	0	0	0	0
17. Quartz House	LTC60427F	0	0	0	0	0	0
18. Kingston House	LTC80165F	0	0	0	0	0	0
19.		0	0	0	0	0	0
20.		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:
HORRIGAN ENTERPRISES, INC.

FISCAL PERIOD ENDED:
MARCH 31, 2008

ACCOUNT DESCRIPTION 1	REPORTED POOLED COSTS 2	COST AUDIT ADJUSTMENTS 3	POOLED COST SUBTOTAL 4	DIRECT COST 5	AUDITED POOLED COSTS 6
		(Adjs 1-19)	(Col 2 + Col 3)		(Col 4 - Col 5)
1. Salaries-Officers	$209,700		$209,700		$209,700
2. Salaries-Other	218,906		218,906		218,906
3. Payroll Taxes	35,024		35,024		35,024
4. Employee Benefits	29,697	(2,019)	27,678		27,678
5. Travel	6,725		6,725		6,725
6. Entertainment			0		0
7. Automobile			0		0
8. Depreciation-Building			0		0
9. Depreciation-Equipment			0		0
10. Other Depreciation and Amortization	5,449		5,449		5,449
11. Leases and Rentals	19,348	2,436	21,784		21,784
12. Interest-Mortgages			0		0
13. Interest-Other			0		0
14. Taxes and Licenses	6,394	(1,362)	5,032		5,032
15. Legal and Accounting	89,981	(260)	89,721		89,721
16. Insurance	13,642		13,642		13,642
17. Telephone	28,453	(569)	27,884		27,884
18. Utilities	12,243		12,243		12,243
19. Office Supplies	22,371		22,371		22,371
20. Nonprogram			0		0
21. Other-Advertising/Public Relations			0		0
22. Other General and Administrative	7,766	(2,023)	5,743		5,743
23. Repairs and Maintenance	7,865	334	8,199		8,199
24. Dues and Subscriptions	2,496	(126)	2,370		2,370
25. Equipment Rental	25,063	(6,177)	18,886		18,886
26. Minor Equipment	1,696		1,696		1,696
27. Continuing Education	3,613		3,613		3,613
28. Transportation	138,979	(7,393)	131,586		131,586
29. Corporate Income Taxes	0		0		0
30.			0		0
31.			0		0
32.			0		0
33.			0		0
34.			0		0
TOTAL EXPENSES	$885,411	($17,159)	$868,252	$0	$868,252
				(To Sch 4)	(To Sch 3)

Provider Name	Fiscal Period	Provider Number	Adjustments
HORRIGAN ENTERPRISES, INC.	APRIL 1, 2007 THROUGH MARCH 31, 2008	HOME OFFICE	20

Report References									
	Cost Report			Audit Report					
Adj. No.	DHS 3099 Page or Exhibit	Line	Col.	Sch	Line	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
						ADJUSTMENTS TO REPORTED COSTS			
	2	4	6	5	4.00	Employee Benefits	$29,697		
1						To eliminate employee benefits due to lack of documentation. 42 CFR 413.20, 413.24, and 431.107 CMS Pub. 15-1, Sections 2300 and 2304, W&I Code 14124.2(b)		($214)	
2						To eliminate employee luncheon expenses not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Section 2102.3		(878)	
3						To eliminate gifts, incentives, and Christmas party expenses not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Section 2102.3		(741)	
4						To adjust employee benefits to agree with the invoices. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		(186) ($2,019)	$27,678
5	2	11	6	5	11.00	Leases and Rentals	$19,348	$2,661	$22,009 *
	2	15	6	5	15.00	Legal and Accounting	89,981	780	90,761 *
	2	23	6	5	23.00	Repairs and Maintenance	7,865	1,107	8,972 *
						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			
6	2	11	6	5	11.00	Leases and Rentals *	$22,009	($225)	$21,784
						To eliminate the lease termination fee that is not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Section 2102.3			

*Balance carried forward from prior/to subsequent adjustments

Provider Name	Fiscal Period	Provider Number	Adjustments
HORRIGAN ENTERPRISES, INC.	APRIL 1, 2007 THROUGH MARCH 31, 2008	HOME OFFICE	20

Report References									
	Cost Report			Audit Report					
Adj. No.	DHS 3099 Page or Exhibit	Line	Col.	Sch	Line	Explanation of Audit Adjustments		As Reported	Increase (Decrease)	As Adjusted
						ADJUSTMENTS TO REPORTED COSTS				
	2	14	6	5	14.00	Taxes and Licenses		$6,394		
7						To eliminate prior year environmental fee. 42 CFR 413.5, 413.20, 413.24, and 460.204 CMS Pub. 15-1, Sections 2300, 2302.1, and 2304			($986)	
8						To eliminate personal property taxes not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Section 2102.3			(376) ($1,362)	$5,032
9	2	15	6	5	15.00	Legal and Accounting To eliminate brokerage fee pertaining to Crossroads adult day care. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	*	$90,761	($1,040)	$89,721
10	2	17	6	5	17.00	Telephone To eliminate late fee phone charges not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Section 2102.3		$28,453	($569)	$27,884
11	2	22	6	5	22.00	Other General and Administrative To eliminate other general and administrative expenses due to lack of documentation. 42 CFR 413.20, 413.24, and 431.107 CMS Pub. 15-1, Sections 2300 and 2304, W&I Code 14124.2(b)		$7,766	($2,023)	$5,743

*Balance carried forward from prior/to subsequent adjustments

Provider Name	Fiscal Period	Provider Number	Adjustments
HORRIGAN ENTERPRISES, INC.	APRIL 1, 2007 THROUGH MARCH 31, 2008	HOME OFFICE	20

Report References									
	Cost Report			Audit Report					
Adj. No.	DHS 3099 Page or Exhibit	Line	Col.	Sch	Line	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
						ADJUSTMENTS TO REPORTED COSTS			
	2	23	6	5	23.00	Repairs and Maintenance *	$8,972		
12						To eliminate repair and maintenance expenses due to lack of documentation. 42 CFR 413.20, 413.24, and 431.107 CMS Pub. 15-1, Sections 2300 and 2304, W&I Code 14124.2(b)		($219)	
13						To adjust repair and maintenance expenses to agree with the provider's invoices. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		(197)	
14						To reflect the proper accrual of phone maintenance service policy expense applicable to the audit period. 42 CFR 413.5 and 413.24 CMS Pub. 15-1, Sections 2300 and 2302.1		(357) ($773)	$8,199
15	2	24	6	5	24.00	Dues and Subscriptions To adjust dues and subcription expenses due to lack of documentation. 42 CFR 413.20, 413.24, and 431.107 CMS Pub. 15-1, Sections 2300 and 2304, W&I Code 14124.2(b)	$2,496	($126)	$2,370
	2	25	6	5	25.00	Equipment Rental	$25,063		
16						To adjust copier rental expenses to agree with the invoices, and to eliminate fees for late payments not related to patient care. 42 CFR 413.9(c)(3), 413.20 and 413.24 CMS Pub. 15-1, Sections 2102.3, 2300, and 2304		($6,045)	
17						To eliminate late charges included in the mailing system lease payments that are not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Section 2102.3		(132) ($6,177)	$18,886

*Balance carried forward from prior/to subsequent adjustments

Provider Name	Fiscal Period	Provider Number	Adjustments
HORRIGAN ENTERPRISES, INC.	APRIL 1, 2007 THROUGH MARCH 31, 2008	HOME OFFICE	20

Report References									
	Cost Report			Audit Report					
Adj. No.	DHS 3099 Page or Exhibit	Line	Col.	Sch	Line	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
						ADJUSTMENTS TO REPORTED COSTS			
	2	28	6	5	28.00	Transportation	$138,979		
18						To adjust gasoline expenses to agree with the invoices. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		($323)	
19						To exclude interest expense related to the auto refinance loan due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		(7,070) ($7,393)	$131,586

Provider Name	Fiscal Period	Provider Number	Adjustments
HORRIGAN ENTERPRISES, INC.	APRIL 1, 2007 THROUGH MARCH 31, 2008	HOME OFFICE	20

Report References									
	Cost Report			Audit Report					
Adj. No.	DHS 3099 Page or Exhibit	Line	Col.	Sch	Line	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
						ADJUSTMENT TO REPORTED STATISTICS			
20	5	12	2	3	12.00	Logan House (Client Days)	2,079	(18)	2,061
	5	22	2	3	N/A	Total - Client Days	39,200	(18)	39,182
						To adjust reported client days statistics to agree with the provider's client census reports.			
						42 CFR 413.20 and 413.50			
						CMS Pub. 15-1, Sections 2205 and 2304			