

**REPORT  
ON THE  
RATE SETTING AUDIT**

**OLIVE HOUSE 1 – ORANGE COUNTY  
SANTA ANA, CALIFORNIA  
PROVIDER NUMBER: LTC60853F  
NPI: 1922134022**

**FISCAL PERIOD ENDED  
DECEMBER 31, 2008**

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

**Section Chief: Julio M. Cueto  
Audit Supervisor: Virat Shah  
Auditor: Mandy Ho**



DAVID MAXWELL-JOLLY  
Director

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



ARNOLD SCHWARZENEGGER  
Governor

February 26, 2010

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

PROVIDER: OLIVE HOUSE 1 – ORANGE COUNTY  
PROVIDER NO. LTC60853F  
NPI: 1922134022  
FISCAL PERIOD ENDED DECEMBER 31, 2008

We have examined the facility's financial records/Medi-Cal Cost Report for the above-referenced fiscal period. 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 accompanying audit report schedules represent a proper determination of the allowable costs, patient days and use of share of cost for the above fiscal period in accordance with Medi-Cal reimbursement principles. The results of our examination are as follows:

<u>COST AND COST PER DAY</u>		<u>COST</u>	<u>COST PER DAY</u>
Reported Cost/Cost Per Day	\$	404,392	\$ 190.84
Net Audit Adjustment		(9,313)	(4.39)
Audited Cost/Cost Per Day	\$	<u>395,079</u>	\$ <u>186.45</u>

This audit report includes the:

1. Audit Report Schedules 1 through 2
2. Audit Adjustments Schedule
3. Audited Allocation of Home Office Cost

Future Medi-Cal long-term care prospective rates may be affected by this examination. The extent to which the rates change will be determined by the Department's Rate Development Branch.

Notwithstanding this audit report, overpayments to the provider are subject to recovery pursuant to Section 51458.1, Article 6 of Division 3, Title 22, California Code of Regulations.

If you disagree with the decision of the Department, you may appeal by writing to:

Chief  
Office of Administrative Appeals and Hearings  
1029 J Street, Suite 200  
Sacramento, CA 95814-2825  
(916) 322-5603

The written notice of disagreement must be received by the Department within 60 calendar days from the day you receive this letter. A copy of this notice should be sent to:

**United States Postal Service (USPS)**

Assistant Chief Counsel  
Department of Health Care Services  
Office of Legal Services  
MS 0010  
PO Box 997413  
Sacramento, CA 95899-7413

**Courier (UPS, FedEx, etc.)**

Assistant Chief Counsel  
Department of Health Care Services  
Office of Legal Services  
MS 0010  
1501 Capitol Avenue, Suite 71.5001  
Sacramento, CA 95814-5005  
(916) 440-7700

The procedures that govern an appeal are contained in Welfare and Institutions Code, Section 14171, and California Code of Regulations, Title 22, Section 51016, et seq.

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

**SUMMARY OF AUDITED FACILITY CENSUS  
AND AUDITED CLIENT COST PER DAY**

**Provider:**  
OLIVE HOUSE 1 - ORANGE COUNTY

**Fiscal Period:**  
JANUARY 1, 2008 THROUGH DECEMBER 31, 2008

**Provider Number:**  
LTC60853F

**Provider NPI:**  
1922134022

**SUMMARY OF AUDITED FACILITY CENSUS  
AND AUDITED CLIENT COST PER DAY**

	<b>AS REPORTED</b>	<b>AS AUDITED</b>
1. Medi-Cal Client Days (Adj )	2,119	2,119
2. Other Client Days (Adj )		0
3. Total Client Days	<u>2,119</u>	<u>2,119</u>
4. Total Client Care Expenses (From Sch. 2)	\$ <u>404,392</u>	\$ <u>395,079</u>
5. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>190.84</u>	\$ <u>186.45</u>

**SHARE OF COST**

1. Share of Cost Audit Adjustment (Adj )	\$ <u>NA</u>	\$ <u>0</u>
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**OVERPAYMENTS**

1. Duplicate Payments (Adj )	\$ _____	\$ _____
2. Credit Balances (Adj )	\$ _____	\$ _____
3. Total Overpayments	\$ <u>0</u>	\$ <u>0</u>

## SUMMARY OF AUDITED FACILITY EXPENSES

Provider:  
OLIVE HOUSE 1 - ORANGE COUNTY

Fiscal Period:  
JANUARY 1, 2008 THROUGH DECEMBER 31, 2008

Provider Number:  
LTC60853F

Provider NPI:  
1922134022

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED	AUDIT ADJUSTMENT	AS AUDITED
	<b>EXPENSES: CLIENT SERVICES</b>				
	<b>Basic Facility Cost - Property Expenses</b>				
045	Depreciation and Amortization	2	\$ 12,888	\$ 1,191	\$ 14,079
050	Leases and Rentals		2,633		2,633
055	Real Property Taxes	3	3,860	(37)	3,823
060	Personal Property Taxes		346		346
065	Mortgage Interest				0
070	Property Insurance		1,485		1,485
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 21,212	\$ 1,154	\$ 22,366
	<b>Basic Facility Cost - General Home Expenses</b>				
080	Home Operations and Maintenance	4	\$ 13,399	\$ (8,930)	\$ 4,469
085	Utilities		7,283		7,283
090	Client Transportation		7,015		7,015
095	Dietary		16,427		16,427
100	Personal Care and Laundry	1,5	6,683	407	7,090
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 50,807	\$ (8,523)	\$ 42,284
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 72,019	\$ (7,369)	\$ 64,650
	<b>EXPENSES: DIRECT CARE STAFF COSTS</b>				
115	QMRP Salaries		\$ 13,903	\$	\$ 13,903
120	QMRP Fringe Benefits		5,305		5,305
125	Lead Salaries		18,404		18,404
130	Lead Fringe Benefits		9,643		9,643
135	Aides Salaries		137,095		137,095
140	Aides Fringe Benefits		49,136		49,136
145	Other Salaries		9,173		9,173
150	Other Fringe Benefits		4,007		4,007
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 246,666	\$ 0	\$ 246,666

## SUMMARY OF AUDITED FACILITY EXPENSES

Provider:  
OLIVE HOUSE 1 - ORANGE COUNTY

Fiscal Period:  
JANUARY 1, 2008 THROUGH DECEMBER 31, 2008

Provider Number:  
LTC60853F

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Line No.	DESCRIPTION	ADJ NO.	AS REPORTED	AUDIT ADJUSTMENT	AS AUDITED
	<b>EXPENSES: CONSULTANT COSTS</b>				
160	Dietician Consultant		\$ 397	\$	\$ 397
165	Speech Pathology Consultant		254		254
170	Physical Therapy Consultant		2,340		2,340
175	Occupational Therapy Consultant		2,016		2,016
180	Pharmacist Consultant		340		340
185	Nurse Consultant		92		92
190	Psychologist Consultant		1,413		1,413
195	Physician Consultant		330		330
200	Recreational Consultant				0
205	Social Service Consultant				0
210	Other Consultant				0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 7,182	\$ 0	\$ 7,182
	<b>EXPENSES: ADMINISTRATIVE COSTS</b>				
220	Administrative Salaries		\$ 16,888	\$	\$ 16,888
225	Administrative Fringe Benefits		5,382		5,382
226	Quality Assurance Fees		20,867		20,867
230	Other Administrative and General	1,6,7	35,388	(1,944)	33,444
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 78,525	\$ (1,944)	\$ 76,581
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 404,392	\$ (9,313)	\$ 395,079
	<b>NON-CLIENT CARE EXPENSES</b>		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$	\$	\$ 0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235 and 240)		\$ 404,392	\$ (9,313)	\$ 395,079

Provider Name		Fiscal Period		Provider Number		Adjustments	
OLIVE HOUSE 1 - ORANGE COUNTY		JANUARY 1, 2008 THROUGH DECEMBER 31, 2008		LTC60853F		7	
Adj. No.	Report References		Audit Report		As Reported	Increase (Decrease)	As Adjusted
	Cost Report	Line	Col.	Sch			
1	DHS 3076 Page or Exhibit	100 230	4 4	2 2	100.00 230.00	\$6,683 35,388	\$7,133 * 34,938 *
<p style="text-align: center;"><u>RECLASSIFICATION OF REPORTED COSTS</u></p> <p>Personal Care and Laundry</p> <p>Other General and Administrative</p> <p>To reclassify client haircut expenses to the appropriate cost center.</p> <p>42 CFR 413.20 and 413.24</p> <p>CMS Pub. 15-1, Sections 2300, 2302.4, 2302.8, and 2304</p>							

\*Balance carried forward from prior/to subsequent adjustments

Provider Name		Fiscal Period		Provider Number		Adjustments				
OLIVE HOUSE 1 - ORANGE COUNTY		JANUARY 1, 2008 THROUGH DECEMBER 31, 2008		LTC60853F		7				
Adj. No.	Report References		Line	Sch	Col.	Line	As Reported	Increase (Decrease)	As Adjusted	
	Cost Report	Audit Report								
2	4	45	4	2	45.00	45.00	\$12,888	\$1,191	\$14,079	
<p>Depreciation and Amortization                      To include depreciation expense on the assets to be capitalized in conjunction with adjustment number 4.                      42 CFR 413.20, 413.50, and 413.134                      CMS Pub. 15-1, Sections 108.1, 2300, and 2302.4</p>										
3	4	55	4	2	55.00	55.00	\$3,860	(\$37)	\$3,823	
<p>Real Property Taxes                      To reflect the proper accrual of real property taxes applicable to the audit period.                      42 CFR 413.5 and 413.24                      CMS Pub. 15-1, Sections 2300 and 2302.1</p>										
4	4	80	4	2	80.00	80.00	\$13,399	(\$8,930)	\$4,469	
<p>Home Operations and Maintenance                      To eliminate expenses on assets that should have been capitalized.                      42 CFR 413.130                      CMS Pub. 15-1, Sections 104.1, 108.1, and 2300</p>										
5	4	100	4	2	100.00	100.00	\$7,133	(\$43)	\$7,090	
<p>Personal Care and Laundry                      To eliminate personal care and laundry expenses from Target due to lack of documentation.                      42 CFR 413.20, 413.24, and 431.107                      CMS Pub. 15-1, Sections 2300 and 2304, W&amp;I Code 14124.2(b)</p>										
6	4.1	230	4	2	230.00	230.00	\$34,938	(\$107)	\$34,831	
<p>Other General and Administrative                      To eliminate political contributions not related to patient care.                      42 CFR 413.9(c)(3)                      CMS Pub. 15-1, Sections 2102.2, 2104, and 2139</p>										
7								(1,387)	\$33,444	
<p>To adjust reported home office costs to agree with the ResCare, Inc., audited Home Office Cost Report for fiscal period ended December 31, 2008.                      42 CFR 413.17 and 413.24                      CMS Pub. 15-1, Sections 2150.2 and 2304</p>										

\*Balance carried forward from prior/to subsequent adjustments