REPORT
ON THE
HOME OFFICE AUDIT

ABILITY PATHWAYS, INC.
UPLAND, CALIFORNIA

FISCAL PERIOD ENDED
DECEMBER 31, 2011

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: Teresa Zapata

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

TOBY DOUGLAS
DIRECTOR

EDMUND G. BROWN JR.
GOVERNOR

February 6, 2013

Nancy Segaar, Treasurer
Ability Pathways, Inc.
1042 North Mountain Avenue, Suite B, Box 447
Upland, CA 91786-3695

ABILITY PATHWAYS, INC.
FISCAL PERIOD ENDED DECEMBER 31, 2011

We have examined the Medi-Cal Home Office Cost Report for the fiscal period ended December 31, 2011. 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

cc: Samantha A. Parola, CPA
Wiebe & Associates
377 North Central Avenue
Upland, CA 91786

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STATE OF CALIFORNIA SCHEDULE 1

COMPARISON OF REPORTED AND AUDITED
HOME OFFICE COST

HOME OFFICE:
ABILITY PATHWAYS, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

CHAIN COMPONENTS 1	NPI 2	FISCAL YEAR END 3	REPORTED COST 4	AUDITED COST 5	VARIANCE 6
				(From Sch 2, Col 6)	(Col 5 - Col 4)
1. Gibbs	1164606380	12/31/11	$74,494	$73,762	($732)
2. Harvard	1164606380	12/31/11	72,435	71,733	(702)
3. Elm	1164606380	12/31/11	75,935	75,197	(738)
4. Lilac	1164606380	12/31/11	74,509	73,768	(741)
5. Coloma	1164606380	12/31/11	75,867	75,123	(744)
6. Genoa	1164606380	12/31/11	76,195	75,451	(744)
7. Moreno	1164606380	12/31/11	74,814	74,077	(737)
8. Loma Sola	1164606380	12/31/11	73,252	72,539	(713)
9. Forbes	1386772796	12/31/11	76,226	75,483	(743)
10. Mesa Terrace	1164606380	12/31/11	77,974	77,235	(739)
11. 23rd St/Shepherd	1164606380	12/31/11	78,664	77,920	(744)
12. Yorktown	1164606380	12/31/11	74,332	73,612	(720)
13. Connie Mae	1871741082	12/31/11	52,388	51,895	(493)
14.				0	0
15.				0	0
16.				0	0
17.				0	0
18.				0	0
19.				0	0
20.				0	0
21.				0	0
22.				0	0
23.				0	0
24.				0	0
25.				0	0
TOTALS			$957,085	$947,795	($9,290)

STATE OF CALIFORNIA

SCHEDULE 2

SUMMARY OF DIRECT AND ALLOCATED POOL COST

HOME OFFICE:
ABILITY PATHWAYS, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

CHAIN COMPONENTS 1	NPI 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. Gibbs	1164606380	12/31/11	$4,789	$68,973	$73,762
2. Harvard	1164606380	12/31/11	5,642	66,091	71,733
3. Elm	1164606380	12/31/11	5,583	69,614	75,197
4. Lilac	1164606380	12/31/11	3,930	69,838	73,768
5. Coloma	1164606380	12/31/11	5,029	70,094	75,123
6. Genoa	1164606380	12/31/11	5,357	70,094	75,451
7. Moreno	1164606380	12/31/11	4,527	69,550	74,077
8. Loma Sola	1164606380	12/31/11	5,327	67,212	72,539
9. Forbes	1386772796	12/31/11	5,485	69,998	75,483
10. Mesa Terrace	1164606380	12/31/11	7,525	69,710	77,235
11. 23rd St/Shepherd	1164606380	12/31/11	7,794	70,126	77,920
12. Yorktown	1164606380	12/31/11	5,695	67,917	73,612
13. Connie Mae	1871741082	12/31/11	5,368	46,527	51,895
14.			0	0	0
15.			0	0	0
16.			0	0	0
17.			0	0	0
18.			0	0	0
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			$72,051	$875,744	$947,795
					(To Sch 1)

STATE OF CALIFORNIA SCHEDULE 3

ALLOCATION OF POOLED EXPENSES

HOME OFFICE:
ABILITY PATHWAYS, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

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)	$885,033	100.0000%	$875,744
Nonprogram Services	0	0.0000%	0
TOTAL	$885,033	100.0000%	$875,744

(From Sch 5)

PART II - ALLOCATION TO INDIVIDUAL CHAIN COMPONENTS

CHAIN COMPONENTS	NPI	Audit Adjustment	Allocation Statistic: (Client Days)	Allocated Pool Expense (Col 3 X UCM)
1. Gibbs	1164606380		2,154	$68,973
2. Harvard	1164606380		2,064	66,091
3. Elm	1164606380		2,174	69,614
4. Lilac	1164606380		2,181	69,838
5. Coloma	1164606380		2,189	70,094
6. Genoa	1164606380		2,189	70,094
7. Moreno	1164606380		2,172	69,550
8. Loma Sola	1164606380		2,099	67,212
9. Forbes	1386772796		2,186	69,998
10. Mesa Terrace	1164606380		2,177	69,710
11. 23rd St/Shepherd	1164606380		2,190	70,126
12. Yorktown	1164606380		2,121	67,917
13. Connie Mae	1871741082		1,453	46,527
14.				0
15.				0
16.				0
17.				0
18.				0
19.				0
20.				0
21.				0
22.				0
23.				0
24.				0
25.				0
TOTALS			27,349	$875,744

(To Sch 2)

UNIT COST MULTIPLIER (UCM) (Pooled Expenses/Patient Days)	32.021061

STATE OF CALIFORNIA SCHEDULE 4

DIRECT ALLOCATION OF EXPENSES TO CHAIN COMPONENTS

HOME OFFICE:
ABILITY PATHWAYS, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

			Expense Directly Allocable to Chain Component				
CHAIN COMPONENTS 1	NPI	REPORTED TOTAL (Col F) 2	specify expense 3	specify expense 4	specify expense 5	specify expense 6	AUDITED TOTAL 7
1. Gibbs	1164606380	$4,789	$0	$0	$0	$0	$4,789
2. Harvard	1164606380	5,642	0	0	0	0	5,642
3. Elm	1164606380	5,583	0	0	0	0	5,583
4. Lilac	1164606380	3,930	0	0	0	0	3,930
5. Coloma	1164606380	5,029	0	0	0	0	5,029
6. Genoa	1164606380	5,357	0	0	0	0	5,357
7. Moreno	1164606380	4,527	0	0	0	0	4,527
8. Loma Sola	1164606380	5,327	0	0	0	0	5,327
9. Forbes	1386772796	5,485	0	0	0	0	5,485
10. Mesa Terrace	1164606380	7,525	0	0	0	0	7,525
11. 23rd St/Shepherd	1164606380	7,794	0	0	0	0	7,794
12. Yorktown	1164606380	5,695	0	0	0	0	5,695
13. Connie Mae	1871741082	5,368	0	0	0	0	5,368
14.		0	0	0	0	0	0
15.		0	0	0	0	0	0
16.		0	0	0	0	0	0
17.		0	0	0	0	0	0
18.		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		$72,051	$0	$0	$0	$0	$72,051

(To Sch 2)

STATE OF CALIFORNIA SCHEDULE 5

STATEMENT OF REIMBURSABLE COSTS

HOME OFFICE:
ABILITY PATHWAYS, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

ACCOUNT DESCRIPTION 1	REPORTED POOLED COSTS 2	COST AUDIT ADJUSTMENTS 3	POOLED COST SUBTOTAL 4	DIRECT COST 5	AUDITED POOLED COSTS 6
		(Adjs 3 - 7)	(Col 2 + Col 3)	(Adj 2)	
1. Salaries-Officers	$206,797		$206,797		$206,797
2. Salaries-Other	27,174		27,174	48,576	27,174
3. Payroll Taxes	52,262		52,262	4,694	52,262
4. Employee Benefits	175,121		175,121	16,752	175,121
5. Travel	13,499		13,499		13,499
6. Entertainment	0		0		0
7. Automobile	123,589		123,589		123,589
8. Depreciation-Building	0		0		0
9. Depreciation-Equipment	31,558	(907)	30,651		30,651
10. Other Depreciation and Amortization	1,758		1,758		1,758
11. Leases and Rentals	5,810		5,810		5,810
12. Interest-Mortgages	2,542		2,542		2,542
13. Interest-Other	56,636	(531)	56,105		56,105
14. Taxes and Licenses	884	(166)	718		718
15. Legal and Accounting	52,745		52,745		52,745
16. Insurance	23,775		23,775	2,029	23,775
17. Telephone	33,735		33,735		33,735
18. Utilities	681		681		681
19. Office Supplies	24,128		24,128		24,128
20. Nonprogram	0		0		0
21. Other	0		0		0
22. Advertising and Public Relations	0		0		0
23. Dues and Subscriptions	3,924	(996)	2,928		2,928
24. Printing and Other Office	6,126		6,126		6,126
25. Other Professional Services	11,419		11,419		11,419
26. Bad Debt Expense	0		0		0
27. Transportation Income	0		0		0
28. Miscellaneous Income	0		0		0
29. Other Insurance (liability)	29,005	(6,689)	22,316		22,316
30. Miscellaneous Exp-Non-Patient Care	0		0		0
31. Seminars	1,865		1,865		1,865
32. Interest Income	0		0		0
33.			0		0
34.			0		0
TOTAL EXPENSES	$885,033	($9,289)	$875,744	$72,051	$875,744
				(To Sch 4)	(To Sch 3)

Provider Name	Fiscal Period	Provider NPI	Adjustments
ABILITY PATHWAYS, INC.	JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	HOME OFFICE	7

Report References										
	Cost Report			Audit Report						
Adj. No.	DHS 3099 Page or Exhibit	Line	Col.	Sch.	Line	Col	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
							MEMORANDUM ADJUSTMENT			
1							To reflect the accumulated cost statistic for Pooled Costs not previously reported in the filed home office cost report. 42 CFR 413.24 and 413.50 CMS Pub. 15-1, Sections 2304 and 2306			

Provider Name	Fiscal Period	Provider NPI	Adjustments
ABILITY PATHWAYS, INC.	JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	HOME OFFICE	7

Report References										
	Cost Report			Audit Report						
Adj. No.	DHS 3099 Page or Exhibit	Line	Col.	Sch.	Line	Col	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
							RECLASSIFICATION OF REPORTED COSTS			
2	2	2	5	5	2	5	Salaries-Other	$48,192	$384	$48,576
	2	16	5	5	16	5	Insurance	0	2,029	2,029
	2	3	5	5	3	5	Payroll Taxes	4,965	(271)	4,694
	2	4	5	5	4	5	Employee Benefits	18,894	(2,142)	16,752
							To adjust the provider's direct costs to agree with the provider's general ledger and grouping of expenses. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			

Provider Name	Fiscal Period	Provider NPI	Adjustments
ABILITY PATHWAYS, INC.	JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	HOME OFFICE	7

Report References										
	Cost Report			Audit Report						
Adj. No.	DHS 3099 Page or Exhibit	Line	Col.	Sch.	Line	Col	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
							ADJUSTMENTS TO REPORTED COSTS			
3	2	9	6	5	9	6	Depreciation-Equipment To adjust depreciation to agree with the provider's detailed depreciation schedules. 42 CFR 413.20, 413.24, 413.50, and 413.134 CMS Pub. 15-1, Sections 102, 2300, 2302.4, and 2304	$31,558	($907)	$30,651
4	2	13	6	5	13	6	Interest-Other To adjust reported interest expense to agree with the provider's amortization schedules. 42 CFR 413.20, 413.24, and 413.153 CMS Pub. 15-1, Sections 202.2, 2300, and 2304	$56,636	($531)	$56,105
5	2	14	6	5	14	6	Taxes and Licenses 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	$884	($166)	$718
6	2	23	6	5	23	6	Dues and Subscriptions To eliminate CAHF membership fees for political contributions not related to patient care. 42 CFR 413.9(c)(3) CMS Pub. 15-1, Sections 2102.3, 2139, 2300, and 2304	$3,924	($996)	$2,928
7	2	29	6	5	29	6	Other Insurance (Liability) To eliminate the cost of life insurance premiums for officers where the home office is the recorded beneficiary. 42 CFR 413.9 / CMS Pub. 15-1, Section 2130	$29,005	($6,689)	$22,316