REPORT
ON THE
HOME OFFICE AUDIT

MOUNTAIN VIEW CHILD CARE, INC.
LOMA LINDA, 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: Lucia Martinez
Auditor: Daniela Bita Mocanu

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

TOBY DOUGLAS
DIRECTOR

EDMUND G. BROWN JR.
GOVERNOR

May 31, 2013

Cynthia Capetillo
Chief Financial Officer
Mountain View Child Care, Inc.
1720 Mountain View Avenue
Loma Linda, CA 92354

MOUNTAIN VIEW CHILD CARE, 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.

Financial Audits Branch/Audits Section – Rancho Cucamonga
9439 Archibald Avenue, Suite 107, MS 2105, Rancho Cucamonga, CA 91730
(909) 481-3420 / (909) 481-3442 fax
Internet Address: www.dhcs.ca.gov

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

TABLE OF CONTENTS

SCHEDULES

1 - COMPARISON OF REPORTED AND AUDITED HOME OFFICE COST

2 - SUMMARY OF DIRECT AND ALLOCATED POOL COST

3 - ALLOCATION OF POOLED EXPENSES

4 - DIRECT ALLOCATION OF EXPENSES TO CHAIN COMPONENTS

5 - STATEMENT OF REIMBURSABLE COSTS

STATE OF CALIFORNIA

SCHEDULE 1

COMPARISON OF REPORTED AND AUDITED
HOME OFFICE COST

HOME OFFICE:
MOUNTAIN VIEW CHILD CARE, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

CHAIN COMPONENTS 1	PROVIDER NPI 2	FISCAL YEAR END 3	REPORTED COST 4	AUDITED COST 5	VARIANCE 6
				(From Sch 2, Col 6)	(Col 5 - Col 4)
1. Totally Kids	1437149556	12/31/11	$1,579,356	$1,404,425	($174,931)
2. Circlebrook	1669509402	12/31/11	124,569	122,226	(2,343)
3. Kidship	1265569354	12/31/11	51,395	87,519	36,124
4. Sun Valley Totally Kids	1669462784	12/31/11	1,418,813	1,229,263	(189,550)
5.				0	0
6.				0	0
7.				0	0
8.				0	0
9.				0	0
10.				0	0
11.				0	0
12.				0	0
13.				0	0
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			$3,174,133	$2,843,432	($330,700)

STATE OF CALIFORNIA

SCHEDULE 2

SUMMARY OF DIRECT AND ALLOCATED POOL COST

HOME OFFICE:
MOUNTAIN VIEW CHILD CARE, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

CHAIN COMPONENTS 1	PROVIDER 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. Totally Kids	1437149556	12/31/11	$305,975	$1,098,450	$1,404,425
2. Circlebrook	1669509402	12/31/11	24,952	97,274	122,226
3. Kidship	1265569354	12/31/11	9,481	78,038	87,519
4. Sun Valley Totally Kids	1669462784	12/31/11	192,155	1,037,108	1,229,263
5.			0	0	0
6.			0	0	0
7.			0	0	0
8.			0	0	0
9.			0	0	0
10.			0	0	0
11.			0	0	0
12.			0	0	0
13.			0	0	0
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			$532,563	$2,310,869	$2,843,432
					(To Sch 1)

STATE OF CALIFORNIA SCHEDULE 3

ALLOCATION OF POOLED EXPENSES

HOME OFFICE:
MOUNTAIN VIEW CHILD CARE, 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 19)	$23,856,229	100.0000%	$2,310,869
Nonprogram Services (Adj)		0.0000%	0
TOTAL	$23,856,229	100.0000%	$2,310,869

(From Sch 5)

PART II - ALLOCATION TO INDIVIDUAL CHAIN COMPONENTS

CHAIN COMPONENTS	MEDI-CAL NUMBER	Audit Adjustment	Allocation Statistic: (Accum Cost)	Allocated Pool Expense (Col 3 X UCM)
1. Totally Kids	1437149556	20	11,339,888	$1,098,450
2. Circlebrook	1669509402	20	1,004,214	97,274
3. Kidship	1265569354	20	805,500	78,038
4. Sun Valley Totally Kids	1669462784	20	10,706,627	1,037,108
5.				0
6.				0
7.				0
8.				0
9.				0
10.				0
11.				0
12.				0
13.				0
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			23,856,229	$2,310,869

(To Sch 2)

UNIT COST MULTIPLIER (UCM) (Pooled Expenses/Accumulated Costs)	0.096866

STATE OF CALIFORNIA SCHEDULE 4

DIRECT ALLOCATION OF EXPENSES TO CHAIN COMPONENTS

HOME OFFICE:
MOUNTAIN VIEW CHILD CARE, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

			Expense Directly Allocable to Chain Component				
CHAIN COMPONENTS 1	PROVIDER NPI	REPORTED TOTAL (Col F) 2	Building Depreciation 3 (Adj 18)	4	5	6	AUDITED TOTAL 7
1. Totally Kids	1437149556	$306,162	($187)	$0	$0	$0	$305,975
2. Circlebrook	1669509402	30,730	(5,778)	0	0	0	24,952
3. Kidship	1265569354	9,177	304	0	0	0	9,481
4. Sun Valley Totally Kids	1669462784	186,494	5,661	0	0	0	192,155
5.		0	0	0	0	0	0
6.		0	0	0	0	0	0
7.		0	0	0	0	0	0
8.		0	0	0	0	0	0
9.		0	0	0	0	0	0
10.		0	0	0	0	0	0
11.		0	0	0	0	0	0
12.		0	0	0	0	0	0
13.		0	0	0	0	0	0
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		$532,563	$0	$0	$0	$0	$532,563

(To Sch 2)

STATE OF CALIFORNIA SCHEDULE 5

STATEMENT OF REIMBURSABLE COSTS

HOME OFFICE:
MOUNTAIN VIEW CHILD CARE, 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 1-17)	(Col 2 + Col 3)		(Col 4 - Col 5)
1. Salary Regional	$457,703	($269)	$457,434		$457,434
2. Salary-Others	420,076	(43,214)	376,862		376,862
3. Payroll Taxes	95,922	(9,868)	86,054		86,054
4. Employee Benefits	545,950	(5,684)	540,266		540,266
5. Travel	5,869		5,869		5,869
6. Entertainment			0		0
7. Automobile	1,309		1,309		1,309
8. Depreciation-Building			0		0
9. Depreciation-Equipment			0		0
10. Other Depreciation and Amortization			0		0
11. Leases and Rentals	198,883	(182,279)	16,604		16,604
12. Interest-Mortgage			0		0
13. Interest-Other	257,229		257,229		257,229
14. Taxes and Licenses	16,243	(2,778)	13,465		13,465
15. Legal and Accounting	181,705	(30,416)	151,289		151,289
16. Insurance	2,279		2,279		2,279
17. Telephone	36,532	(1,358)	35,174		35,174
18. Utilities			0		0
19. Office Supplies	35,003		35,003		35,003
20. Nonprogram			0		0
21. Printing and Forms	433		433		433
22. Plant Operations			0		0
23. Housekeeping			0		0
24. Dietary			0		0
26 Professional Services	196,721	(49,759)	146,962		146,962
27 Minor Equipment/Repairs	2,190		2,190		2,190
28 Employee Recruitment	20,876	(1,734)	19,142		19,142
29 Fines and Penalties			0		0
30 Conferences	3,619		3,619		3,619
31 Prior Year Inc/Exp	13,514	(13,514)	0		0
35 Dues and Subscriptions	26,801	(4,593)	22,208		22,208
36 Donations			0		0
37 Bank Charges	148,723	(11,243)	137,480		137,480
38 Other Income	(26,008)	26,008	0		0
TOTAL EXPENSES	$2,641,570	($330,701)	$2,310,869	$0	$2,310,869
				(To Sch 4)	(To Sch 3)

Provider Name	Fiscal Period	Provider NPI	Adjustments
MOUNTAIN VIEW CHILD CARE, INC.	JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	HOME OFFICE	20

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			
1	2	1	6	5	1	3	Salary Regional	$457,703	($269)	$457,434
							To adjust the regional salaries to agree with the officer's W2's.			
							42 CFR 413.20 and 413.24			
							CMS Pub. 15-1, Sections 2300 and 2304			
2	2	2	6	5	2	3	Salary-Others	$420,076	($43,214)	$376,862
	2	3	6	5	3	3	Payroll Taxes	95,922	(9,868)	86,054
	2	4	6	5	4	3	Employee Benefits	545,950	(5,684)	540,266
							To eliminate marketing/advertising costs not related to patient care.			
							42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3, 2136, and 2136.2			
3	2	11	6	5	11	3	Leases and Rentals	$198,883	($180,000)	$18,883 *
							To eliminate rental/lease expenses paid to a related party.			
							42 CFR 413.17, 413.134(h), 413.20, and 413.24			
							CMS Pub. 15-1, Sections 1005, 1011.4, 1011.5, 2300, and 2304			
4	2	11	6	5	11	3	Leases and Rentals *	$18,883	($2,279)	$16,604
	2	15	6	5	15	3	Legal and Accounting	181,705	(154)	181,551 *
							To abate other miscellaneous revenue against related costs.			
							42 CFR 413.153(b)(2)(iii), 413.5, and 413.9			
							CMS Pub. 15-1, Sections 202.2 and 2328			
							CMS Pub. 15-2, Section 3613			

*Balance carried forward from prior/to subsequent adjustments

Provider Name	Fiscal Period	Provider NPI	Adjustments
MOUNTAIN VIEW CHILD CARE, INC.	JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	HOME OFFICE	20

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				
5	2	14	6	5	14	3	Taxes and Licenses		$16,243	($2,778)	$13,465
							To adjust secured and unsecured property tax expense to agree with the tax bills and provider's supporting documentation.				
							42 CFR 413.20 and 413.24				
							CMS Pub. 15-1, Sections 2300 and 2304				
	2	15	6	5	15	3	Legal and Accounting	*	$181,551		
6							To eliminate prior year legal expenses.			($29,830)	
							42 CFR 413.5, 413.20, 413.24, and 460.204				
							CMS Pub. 15-1, Sections 2300, 2302.1, 2304, and 2306				
7							To eliminate legal expenses that are not related to patient care.			(432)	
							42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105			($30,262)	$151,289
8	2	17	6	5	17	3	Telephone		$36,532	($1,358)	$35,174
							To eliminate prior year telephone expenses.				
							42 CFR 413.5, 413.20, 413.24, and 460.204				
							CMS Pub. 15-1, Sections 2300, 2302.1, 2304, and 2306				

*Balance carried forward from prior/to subsequent adjustments

Provider Name	Fiscal Period	Provider NPI	Adjustments
MOUNTAIN VIEW CHILD CARE, INC.	JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	HOME OFFICE	20

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			
	2	26	6	5	26	3	Professional Services	$196,721		
9							To eliminate prior year HASC fees. 42 CFR 413.5, 413.20, 413.24, and 460.204 CMS Pub. 15-1, Sections 2300, 2302.1, 2304, and 2306		($1,342)	
10							To eliminate fees paid to N. Sabo in connection with a property sale transaction due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		(10,429)	
11							To eliminate subsequent period success fees paid to London and Pacific in connection with a property sale transaction. 42 CFR 413.5, 413.20, 413.24, and 460.204 CMS Pub. 15-1, Sections 2300, 2302.1, 2304, and 2306		(36,128)	
12							To eliminate accounting expenses not related to patient care, and to agree with the provider's documentation. 42 CFR 413.9(c)(3), 413.20, and 413.24 CMS Pub. 15-1, Sections 2102.3, 2105, 2300, and 2304		(1,860) ($49,759)	$146,962
13	2	28	6	5	28	3	Employee Recruitment To eliminate advertising costs not related to patient care. 42 CFR 413.9(c)(3) CMS Pub. 15-1, Sections 2102.3, 2136, and 2136.2	$20,876	($1,734)	$19,142
14	2	31	6	5	31	3	Prior Year Income/Expenses To reverse the provider's adjustment to correct a reporting error and due to lack of documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 W&I Code 14124.2(b)	$13,514	($13,514)	$0

Provider Name	Fiscal Period	Provider NPI	Adjustments
MOUNTAIN VIEW CHILD CARE, INC.	JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	HOME OFFICE	20

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			
15	2	35	6	5	35	3	Dues and Subscriptions To eliminate political legislative advocacy fees not related to patient care. 42 CFR 413.9(c)(3) CMS Pub. 15-1, Sections 2102.3, 2104, and 2139	$26,801	($4,593)	$22,208
16	2	37	6	5	37	3	Bank Charges To eliminate late fees not related to patient care, and to agree with the provider's general ledger. 42 CFR 413.9(c)(3), 413.20, and 413.24 CMS Pub. 15-1, Sections 2102.3, 2300, and 2304	$148,723	($11,243)	$137,480
17	2	38	6	5	38	3	Other Income To zero out the negative balance in the Other Income cost center. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	($26,008)	$26,008	$0
18	4	1	8	4	1	7	Totally Kids	$306,162	($187)	$305,975
	4	2	8	4	2	7	Circlebrook	30,730	(5,778)	24,952
	4	3	8	4	3	7	Kidship	9,177	304	9,481
	4	4	8	4	4	7	Sun Valley - Totally Kids To adjust the direct allocation of depreciation expense to chain facilities to agree with the provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	186,494	5,661	192,155

Provider Name	Fiscal Period	Provider NPI	Adjustments
MOUNTAIN VIEW CHILD CARE, INC.	JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	HOME OFFICE	20

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 STATISTICS			
19	5	1	1	3	1	2	Program Services (Accumulated Costs)	20,686,091	3,170,138	23,856,229
	5	3	1	3	N/A	2	Total - Accumulated Costs	20,686,091	3,170,138	23,856,229
							To adjust accumulated costs statistics to agree with the provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2150.3(b), 2300, and 2304			
20	5	1	2	3	1	1	Totally Kids (Accumulated Costs)	9,970,365	1,369,523	11,339,888
	5	2	2	3	2	1	Circlebrook	734,848	269,366	1,004,214
	5	3	2	3	3	1	Kidship	330,607	474,893	805,500
	5	4	2	3	4	1	Sun Valley Totally Kids	9,650,271	1,056,356	10,706,627
	5	11	2	3	N/A	1	Total - Accumulated Costs	20,686,091	3,170,138	23,856,229
							To adjust accumulated costs statistics to agree with the provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2150.3(b), 2300, and 2304			