REPORT
ON THE
HOME OFFICE AUDIT

NEW WAY SERVICES INC.
CONCORD, CALIFORNIA

FISCAL PERIOD ENDED
DECEMBER 31, 2011

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

Section Chief: Louise Wong
Audit Supervisor: Marisa Ho
Auditor: Jonathan Pacheco

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

TOBY DOUGLAS
DIRECTOR

EDMUND G. BROWN JR.
GOVERNOR

January 24, 2013

Lupe Henry
Program Director
New Way Services Inc.
1130 Burnett Avenue, Suite M
Concord, CA 94520

NEW WAY SERVICES 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.

850 Marina Bay Parkway, Building P, 2nd Floor, MS 2104, Richmond, CA 94804-6403
Telephone: (510) 620-3100 FAX: (510) 620-3111
Internet Address: www.dhcs.ca.gov

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

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 (NOT USED)

5 - STATEMENT OF REIMBURSABLE COSTS

STATE OF CALIFORNIA SCHEDULE 1

COMPARISON OF REPORTED AND AUDITED
HOME OFFICE COST

HOME OFFICE:
NEW WAY SERVICES INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

CHAIN COMPONENTS 1	NPI NUMBER 2	FISCAL YEAR END 3	REPORTED COST 4	AUDITED COST 5	VARIANCE 6
				(From Sch 2, Col 6)	(Col 5 - Col 4)
1. NEW WAY ICF/DDH #1	1851463111	12/31/11	$55,441	$47,525	($7,916)
2. NEW WAY ICF/DDH #2	1952465718	12/31/11	50,138	42,979	(7,159)
3. NEW WAY ICF/DDH #3	1528121118	12/31/11	60,166	51,575	(8,591)
4. NEW WAY ICF/DDH #5	1750444345	12/31/11	56,842	48,726	(8,116)
5. NEW WAY ICF/DDH #6	1316092729	12/31/11	54,507	46,724	(7,783)
6. NEW WAY ICF/DDH #7	1013070036	12/31/11	53,050	45,476	(7,574)
7. NEW WAY ICF/DDN #1	1821151846	12/31/11	59,776	51,293	(8,483)
8. NEW WAY ICF/DDN #2	1467515064	12/31/11	60,105	51,575	(8,530)
9. NEW WAY ICF/DDN #3	1447380357	12/31/11	58,019	49,785	(8,234)
10. NEW WAY ICF/DDN #4	1184779779	12/31/11	60,105	51,575	(8,530)
11. NEW WAY ICF/DDN #5	1104098953	12/31/11	59,529	51,081	(8,448)
TOTALS			$627,676	$538,313	($89,363)

STATE OF CALIFORNIA SCHEDULE 2

SUMMARY OF DIRECT AND ALLOCATED POOL COST

HOME OFFICE:
NEW WAY SERVICES INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

CHAIN COMPONENTS 1	NPI NUMBER 2	FISCAL YEAR END 3	DIRECT EXPENSES 4	POOLED EXPENSES 5	TOTAL DIRECT & POOLED FACILITY EXPENSE 6
				(From Sch 3)	(Col 4 + Col 5)
1. NEW WAY ICF/DDH #1	1851463111	12/31/11	$0	$47,525	$47,525
2. NEW WAY ICF/DDH #2	1952465718	12/31/11	0	42,979	42,979
3. NEW WAY ICF/DDH #3	1528121118	12/31/11	0	51,575	51,575
4. NEW WAY ICF/DDH #5	1750444345	12/31/11	0	48,726	48,726
5. NEW WAY ICF/DDH #6	1316092729	12/31/11	0	46,724	46,724
6. NEW WAY ICF/DDH #7	1013070036	12/31/11	0	45,476	45,476
7. NEW WAY ICF/DDN #1	1821151846	12/31/11	0	51,293	51,293
8. NEW WAY ICF/DDN #2	1467515064	12/31/11	0	51,575	51,575
9. NEW WAY ICF/DDN #3	1447380357	12/31/11	0	49,785	49,785
10. NEW WAY ICF/DDN #4	1184779779	12/31/11	0	51,575	51,575
11. NEW WAY ICF/DDN #5	1104098953	12/31/11	0	51,081	51,081
TOTALS			$0	$538,313	$538,313
					(To Sch 1)

STATE OF CALIFORNIA SCHEDULE 3

ALLOCATION OF POOLED EXPENSES

HOME OFFICE:
NEW WAY SERVICES INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2011

PART I - ALLOCATION BETWEEN PROVIDER AND NONPROVIDER COMPONENTS

FACILITY 1	Allocation Statistics Base: Client Days 2	Percent 3	Allocation Pool Expenses 4
Program Services	22,858	100.0000%	$538,313
Nonprogram Services		0.0000%	0
TOTAL	22,858	100.0000%	$538,313

(From Sch 5)

PART II - ALLOCATION TO INDIVIDUAL CHAIN COMPONENTS

CHAIN COMPONENTS	NPI NUMBER	Audit Adjustment	Allocation Statistic: Client Days	Allocated Pool Expense (Col 3 X UCM)
1. NEW WAY ICF/DDH #1	1851463111		2,018	$47,525
2. NEW WAY ICF/DDH #2	1952465718		1,825	42,979
3. NEW WAY ICF/DDH #3	1528121118		2,190	51,575
4. NEW WAY ICF/DDH #5	1750444345		2,069	48,726
5. NEW WAY ICF/DDH #6	1316092729		1,984	46,724
6. NEW WAY ICF/DDH #7	1013070036		1,931	45,476
7. NEW WAY ICF/DDN #1	1821151846		2,178	51,293
8. NEW WAY ICF/DDN #2	1467515064		2,190	51,575
9. NEW WAY ICF/DDN #3	1447380357		2,114	49,785
10. NEW WAY ICF/DDN #4	1184779779		2,190	51,575
11. NEW WAY ICF/DDN #5	1104098953		2,169	51,081
TOTALS			22,858	$538,313

(To Sch 2)

UNIT COST MULTIPLIER (UCM) (Pooled Expenses/Patient Days)	23.550311

STATE OF CALIFORNIA SCHEDULE 5

STATEMENT OF REIMBURSABLE COSTS

HOME OFFICE:
NEW WAY SERVICES 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 1-9)	(Col 2 + Col 3)		(Col 4 - Col 5)
1. Depreciation	$19,444	($12,777)	$6,667		$6,667
2. Property Taxes	17		17		17
3. Leases and Rentals	21,405	302	21,707		21,707
4. Home Operations and Maintenance	1,430		1,430		1,430
5. Utilities	1,651		1,651		1,651
6. Administrative Salaries	351,798		351,798		351,798
7. Administrative Benefits	60,996	2,368	63,364		63,364
8. Other General and Administrative	170,935	(79,256)	91,679		91,679
TOTAL EXPENSES	$627,676	($89,363)	$538,313	$0	$538,313
					(To Sch 3)

Provider Name	Fiscal Period	Provider NPI	Adjustments
NEW WAY SERVICES, INC.	JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	N/A	9

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	7	4	4	7	3	Administrative Fringe Benefits To adjust the reported Administrative benefits expense to agree with th provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	$60,996	$2,368	$63,364
2	2	1	4	4	1	3	Depreciation and Amortization To adjust depreciation expense to reflect straight line. 42 CFR 413.20, 413.24, and 413.134 CMS Pub. 15-1, Sections 102, 108.1, 116, 120, 2300, 2302, and 2304	$19,444	($5,971)	$13,473 *
3	2	1	4	4	1	3	Depreciation and Amortization * To adjust the reported loan amortization expense for proper cost determination and to agree with the provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	$13,473	($6,806)	$6,667
4	2	3	4	4	3	3	Leases and Rentals To adjust the reported Leases expense to agree with the provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	$21,405	$302	$21,707
5	2	8	4	4	8	3	Other General and Administrative To eliminate the reported retainer fee to agree with the provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	$170,935	($2,500)	$168,435 *

*Balance carried forward from prior/to subsequent adjustments

Provider Name	Fiscal Period	Provider NPI	Adjustments
NEW WAY SERVICES, INC.	JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	N/A	9

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			
6	2	8	4	4	8	3	Other General and Administrative *	$168,435	($1,500)	$166,935 *
							To eliminate nonallowable reorganization costs. CMS Pub. 15-1, Section 2314.10			
7	2	8	4	4	8	3	Other General and Administrative *	$166,935	($8,286)	$158,649 *
							To adjust worker's compensation expense to exclude the deposit which should be classified as a Prepaid Asset. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			
8	2	8	4	4	8	3	Other General and Administrative *	$158,649	($60,000)	$98,649 *
							To eliminate Other General and Administrative expense due to lack of documentation and 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 W&I Code 14124.2(b)			
9	2	8	4	4	8	3	Other General and Administrative *	$98,649	($6,970)	$91,679
							To eliminate penalties and fines not related to patient care. 42 CFR 413.9(c)(3) CMS Pub. 15-1, Sections 2102.3 and 2122.1			

*Balance carried forward from prior/to subsequent adjustments