

**REPORT  
ON THE  
HOME OFFICE AUDIT**

**POSITIVE DIRECTIONS, INC.  
DELANO, CALIFORNIA**

**FISCAL PERIOD ENDED  
JUNE, 30, 2012**

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

**Section Chief: Michael Harrold  
Audit Supervisor: Kathy Atkins  
Auditors: Lisa Merrill and Jeffrey Swan**



TOBY DOUGLAS  
DIRECTOR

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



EDMUND G. BROWN JR.  
GOVERNOR

July 09, 2013

Trisha LaGue, CFO  
Positive Directions, Inc  
921 13<sup>th</sup> Avenue  
Delano, CA 93215

POSTIVE DIRECTIONS, INC  
FISCAL PERIOD ENDED JUNE 30, 2012

We have examined the Medi-Cal Home Office Cost Report for the fiscal period ended June 30, 2012. 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.

Trisha LaGue  
Page 2

If you have questions regarding this report, you may call the Audits Section—Fresno at (559) 446-2458.

Original Signed by

Michael A. Harrold, Chief  
Audits Section—Fresno  
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**

COMPARISON OF REPORTED AND AUDITED  
HOME OFFICE COST

HOME OFFICE:  
POSITIVE DIRECTIONS, INC.

FISCAL PERIOD ENDED:  
JUNE 30, 2012

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. Positive Direcitons #1	1295858652	6/30/2012	\$73,449	\$33,488	(\$39,961)
2. Positive Direcitons #2	1821211475	6/30/2012	67,814	31,722	(36,092)
3. Positive Direcitons #3	1730302381	6/30/2012	75,731	35,454	(40,277)
4. Positive Direcitons #4	1255454633	6/30/2012	78,298	36,060	(42,238)
5. Positive Direcitons #5	1649493297	6/30/2012	78,298	36,560	(41,738)
6. Positive Direcitons #6	1558584102	6/30/2012	78,298	35,897	(42,401)
7. Positive Direcitons #8	1467675017	6/30/2012	75,695	35,774	(39,921)
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**

\$527,583      \$244,954      (\$282,629)

## SUMMARY OF DIRECT AND ALLOCATED POOL COST

HOME OFFICE:  
POSITIVE DIRECTIONS, INC.FISCAL PERIOD ENDED:  
JUNE 30, 2012

CHAIN COMPONENTS 1	MEDI-CAL NUMBER 2	FISCAL YEAR END 3	DIRECT EXPENSES 4 (From Sch 4)	POOLED EXPENSES 5 (From Sch 3)	TOTAL DIRECT & POOLED FACILITY EXPENSE 6 (Col 4 + Col 5)
1. Positive Direcitons #1	1295858652	6/30/2012	\$499	\$32,989	\$33,488
2. Positive Direcitons #2	1821211475	6/30/2012	1,263	30,459	31,722
3. Positive Direcitons #3	1730302381	6/30/2012	1,344	34,110	35,454
4. Positive Direcitons #4	1255454633	6/30/2012	893	35,167	36,060
5. Positive Direcitons #5	1649493297	6/30/2012	1,393	35,167	36,560
6. Positive Direcitons #6	1558584102	6/30/2012	730	35,167	35,897
7. Positive Direcitons #8	1467675017	6/30/2012	1,328	34,446	35,774
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
<b>TOTALS</b>			<b>\$7,450</b>	<b>\$237,504</b>	<b>\$244,954</b> (To Sch 1)

ALLOCATION OF POOLED EXPENSES

HOME OFFICE:  
POSITIVE DIRECTIONS, INC.

FISCAL PERIOD ENDED:  
JUNE 30, 2012

PART I - ALLOCATION BETWEEN PROVIDER AND NONPROVIDER COMPONENTS

FACILITY	Allocation Statistics Base: Accumulated Cost 1	Percent 2	Allocation Pool Expenses 3
Program Services (Adj 12)	\$2,479,060	82.4101%	\$237,504
Nonprogram Services (Adj 12)	529,139	17.5899%	50,694
TOTAL	\$3,008,199	100.0000%	\$288,198

(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 2 X UCM)
1. Positive Direcitons #1	1295858652		2,060	\$32,989
2. Positive Direcitons #2	1821211475		1,902	30,459
3. Positive Direcitons #3	1730302381	13	2,130	34,110
4. Positive Direcitons #4	1255454633		2,196	35,167
5. Positive Direcitons #5	1649493297		2,196	35,167
6. Positive Direcitons #6	1558584102		2,196	35,167
7. Positive Direcitons #8	1467675017	13	2,151	34,446
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
<b>TOTALS</b>			14,831	\$237,504

(To Sch 2)

<b>UNIT COST MULTIPLIER (UCM) (Pooled Expenses/Client Days)</b>	16.014042
---	-----------

DIRECT ALLOCATION OF EXPENSES TO CHAIN COMPONENTS

HOME OFFICE:  
POSITIVE DIRECTIONS, INC.

FISCAL PERIOD ENDED:  
JUNE 30, 2012

CHAIN COMPONENTS 1	MEDI-CAL NUMBER	REPORTED TOTAL (Col F) 2	Expense Directly Allocable to Chain Component				AUDITED TOTAL 7	
			Health Benefit expense 3 (Adj 8)	Miscellaneous expense 4 (Adj 9)	specify expense 5 (Adj )	specify expense 6 (Adj )		
1. Positive Direcitons #1	1295858652	\$0	\$0	\$499	\$0	\$0	\$499	
2. Positive Direcitons #2	1821211475	0	600	663	0	0	1,263	
3. Positive Direcitons #3	1730302381	0	750	594	0	0	1,344	
4. Positive Direcitons #4	1255454633	0	150	743	0	0	893	
5. Positive Direcitons #5	1649493297	0	450	943	0	0	1,393	
6. Positive Direcitons #6	1558584102	0	0	730	0	0	730	
7. Positive Direcitons #8	1467675017	0	750	578	0	0	1,328	
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	
<b>TOTALS</b>			\$0	\$2,700	\$4,750	\$0	\$0	\$7,450

(To Sch 2)

## STATEMENT OF REIMBURSABLE COSTS

HOME OFFICE:  
POSITIVE DIRECTIONS, INC.FISCAL PERIOD ENDED:  
JUNE 30, 2012

ACCOUNT DESCRIPTION 1	REPORTED POOLED COSTS 2	COST AUDIT ADJUSTMENTS 3	AUDITED POOLED COSTS 4	DIRECT COST 5	AUDITED COSTS 6
		(Adj 1-11)	(Col 2 + Col 3)	(Adj 8,9)	(Col 4 + Col 5)
1. Salaries-Officers	\$474,000	(\$344,634)	\$129,366		\$129,366
2. Salaries-Other	9,110		9,110		9,110
3. Payroll Taxes			0		0
4. Employee Benefits	42,343	(534)	41,809		41,809
5. Travel			0		0
6. Entertainment			0		0
7. Automobile	866	(618)	248		248
8. Depreciation-Building			0		0
9. Depreciation-Equipment			0		0
10. Other Depreciation and Amortization			0		0
11. Leases and Rentals	2,794		2,794		2,794
12. Interest-Mortgages			0		0
13. Interest-Other			0		0
14. Taxes and Licenses			0		0
15. Legal and Accounting			0		0
16. Insurance	1,512		1,512		1,512
17. Telephone			0		0
18. Utilities			0		0
19. Office Supplies			0		0
20. Nonprogram			0		0
21. Other-			0		0
22. Repairs/Maintenance	5,821	(624)	5,197		5,197
23. Consultants	2,075		2,075		2,075
24. General Administrative	139,800	(43,713)	96,087	7,450	103,537
25.			0		0
26.			0		0
27.			0		0
28.			0		0
29.			0		0
30.			0		0
31.			0		0
32.			0		0
33.			0		0
34.			0		0
<b>TOTAL EXPENSES</b>	<b>\$678,321</b>	<b>(\$390,123)</b>	<b>\$288,198</b>	<b>\$7,450</b>	<b>\$295,648</b>
			(To Sch 3)	(To Sch 4)	

Provider Name						Fiscal Period	Provider NPI		Adjustments
POSITIVE DIRECTIONS, INC						JULY 1, 2011 THROUGH JUNE 30, 2012	N/A		13
Report References						Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Cost Report			Audit Report						
Adj. No.	DHS 3099 Page or Exhibit	Line	Col.	Sch	Line				
<b>ADJUSTMENTS TO REPORTED COSTS</b>									
1	2	22	6	5	22.00	Pooled Costs - Repairs and Maintenance To eliminate maintenance expense due to lack of documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$5,821	(\$624)	\$5,197
	2	24	6	5	24.00	Pooled Costs - General Administrative	\$139,800		
2						To eliminate administrative expense for the personal benefit of the owner's and not related to patient care. 42 CFR 413.9, 413.20 and 413.24 CMS Pub. 15-1, Sections 906, 2102.3, 2122.2, 2300 and 2304		(\$24,937)	
3						To eliminate auto and mileage expense due to duplicated expense, personal use of vehicle and insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2102, 2102.3, 2105.9, 2300 and 2304 W&I Code 14124.2(b)		(3,537)	
4						To adjust owner's compensation fringe benefit which is included in the total owner's compensation analysis in conjunction with adjustment number 11. 42 CFR 413.20, 413.24 and 413.102 CMS Pub. 15-1, Sections 900-907, 2102.1, 2144, 2300 and 2304		(4,000)	
5						To eliminate employee health benefits expense to agree with the vendor's contract for the proper allocation of cost. 42 CFR 413.20 and 413.24 / CMS Pub 15-1, Sections 2300 and 2304		(184)	
6						To eliminate donation, lobbying and income tax expenses not related to patient care and direct expense. 42 CFR 413.5(c)(7), 413.9, 413.9(c)(3), 413.20 and 413.24 CMS Pub. 15-1, Sections 608, 610, 2102.3, 2105, 2139, 2122.2A, 2122.2B, 2300 and 2304		<u>(3,369)</u> (\$36,027)	\$103,773 *

\*Balance carried forward from prior/to subsequent adjustments

Provider Name						Fiscal Period	Provider NPI		Adjustments
POSITIVE DIRECTIONS, INC						JULY 1, 2011 THROUGH JUNE 30, 2012	N/A		13
Report References						Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Cost Report			Audit Report						
Adj. No.	DHS 3099 Page or Exhibit	Line	Col.	Sch	Line				
<b>ADJUSTMENTS TO REPORTED COSTS</b>									
7	2	7	6	5	7.00	Pooled Costs - Automobile To eliminate auto maintenance expense associated with the personal use of vehicle. 42 CFR 413.20 and 413.24 CMS Pub. Sections 2102, 2102.3 and 2105.9	\$866	(\$618)	\$248
8	4	2	7	4	2.00	Direct Costs - General Administration - Positive Directions #2	\$0	\$600	\$600 *
	4	3	7	4	3.00	Direct Costs - General Administration - Positive Directions #3	0	750	750 *
	4	4	7	4	4.00	Direct Costs - General Administration - Positive Directions #4	0	150	150 *
	4	5	7	4	5.00	Direct Costs - General Administration - Positive Directions #5	0	450	450 *
	4	7	7	4	7.00	Direct Costs - General Administration - Positive Directions #8	0	750	750 *
	2	24	5	5	24.00	Direct Costs - General Administration	0	2,700	2,700 *
	2	24	6	5	24.00	Pooled Costs - General Administration To adjust employee health benefit expense to the specific facilities for proper allocations of costs. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	* 103,773	(2,850)	100,923 *
9	4	1	7	4	1.00	Direct Costs - General Administration - Positive Directions #1	\$0	\$499	\$499
	4	2	7	4	2.00	Direct Costs - General Administration - Positive Directions #2	* 600	663	1,263
	4	3	7	4	3.00	Direct Costs - General Administration - Positive Directions #3	* 750	594	1,344
	4	4	7	4	4.00	Direct Costs - General Administration - Positive Directions #4	* 150	743	893
	4	5	7	4	5.00	Direct Costs - General Administration - Positive Directions #5	* 450	943	1,393
	4	6	7	4	6.00	Direct Costs - General Administration - Positive Directions #6	0	730	730
	4	7	7	4	7.00	Direct Costs - General Administration - Positive Directions #8	* 750	578	1,328
	2	24	5	5	24.00	Direct Costs - General Administration	* 2,700	4,750	7,450
	2	24	6	5	24.00	Pooled Costs - General Administration To adjust miscellaneous expenses to specific facilities for proper allocation of costs 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	* 100,923	(4,836)	96,087

Provider Name						Fiscal Period	Provider NPI		Adjustments
POSITIVE DIRECTIONS, INC						JULY 1, 2011 THROUGH JUNE 30, 2012	N/A		13
Report References						Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Cost Report			Audit Report						
Adj. No.	DHS 3099 Page or Exhibit	Line	Col.	Sch	Line				
<b>ADJUSTMENTS TO REPORTED COSTS</b>									
10	2	1	6	5	1.00	Pooled Costs - Salaries--Officers To adjust owner's compensation for long term care executive services based on reasonableness of wages in the industry in the Central Valley, CA and due to insufficient documentation. 42 CFR 413.20, 413.24 and 413.102 CMS Pub. 15-1, Sections 332, 900-907, 1002, 2102.1 2142, 2144-2146, 2300 and 2304	\$474,000	(\$344,634)	\$129,366
11	2	4	6	5	4.00	Pooled Costs - Employee Benefits To eliminate employee benefits applicable to a prior year. 42 CFR 413.5 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1, 2304 and 2306	\$42,343	(\$534)	\$41,809

Provider Name						Fiscal Period	Provider NPI		Adjustments
POSITIVE DIRECTIONS, INC						JULY 1, 2011 THROUGH JUNE 30, 2012	N/A		13
Report References						Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Cost Report			Audit Report						
Adj. No.	DHS 3099 Page or Exhibit	Line	Col.	Sch	Line				
<b>ADJUSTMENTS TO REPORTED STATISTICS</b>									
12	5	1	1	3	1.00	Program Services (Accumulated Costs)	527,583	1,951,477	2,479,060
	5	2	1	3	2.00	Nonprogram Services	150,738	378,401	529,139
	5	3	1	3	3.00	Total - Accumulated Costs	678,321	2,329,878	3,008,199
To adjust accumulated cost statistics to properly allocate the home office costs to activities not related to patient care. 42 CFR 413.9(c)(3), 413.17, 413.24 and 413.50 CMS Pub. 15-1, Sections 2102.3, 2105, 2150, 2304, 2306 and 2328									
13	5	3	2	3	3.00	Allocation Statistics - Positive Directions #3 (Client Days)	2,124	6	2,130
	5	7	2	3	7.00	Allocation Statistics - Positive Directions #8	2,123	28	2,151
	5	11	2	3	11.00	Total - Client Days	14,797	34	14,831
To adjust client days to properly allocate the home office costs to program services. 42 CFR 413.9(c)(3), 413.17, 413.24 and 413.50 CMS Pub. 15-1, Sections 2102.3, 2105, 2150, 2304 and 2306									