

**REPORT  
ON THE  
HOME OFFICE AUDIT**

**THE EFFORT, INC  
SACRAMENTO, CALIFORNIA**

**FISCAL PERIOD ENDED  
JUNE 30, 2009**

**Audit Review and Analysis  
Financial Audits Branch  
Audits and Investigations  
Department of Health Care Services**

**Section Chief: Evie Correa  
Audit Supervisor: Alan J. Eng  
Auditor: Etta Gross**



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



EDMUND G. BROWN JR.  
Governor

December 2, 2011

Ms. Donna Friesen, CFO  
The Effort, Inc.  
1820 J Street  
Sacramento, CA 95811

THE EFFORT, INC. HOME OFFICE  
FISCAL PERIOD ENDED JUNE 30, 2009

We have examined the Medi-Cal Home Office cost report for the fiscal period ended June 30, 2009. 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 Summary of Audited Home Office Costs to Health Facilities 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 summary of audited home office costs to health care facilities.

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.

If you have further questions regarding this report, you may call the Audit Review and Analysis Section at (916) 650-6995.

**Original Signed By**

Evie Correa, Chief  
Audit Review and Analysis Section  
Financial Audits Branch  
Certified

HOME OFFICE

Schedule 1

Home office name THE EFFORT, INC.	Fiscal period From: JULY 1, 2008 To: JUNE 30, 2009
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**LISTING OF CHAIN HEALTH CARE FACILITY COMPONENTS AND OTHER CHAIN COMPONENTS**

**Part I. Listing of Chain Health Care Facility Components**

(1)	(2)	(3)	(4)
	Clinic Name	National Provider Number	Fiscal Period Ended
A	The Effort, Inc.	1124112933	6/30/2009
B	South Valley Community Health Center	1447332036	6/30/2009
C	The Effort Norht Highlands Center	1639492390	6/30/2009
D	The Effort - Residential Treatment Center	Pending	6/30/2009
E	Non Medi-Cal Service Centers	N/A	6/30/2009
F			
G			
H			
I			
J			
K			
L			
M			
N			

**Part I. Listing of Chain Health Care Facility Components**

P		NA	
Q		NA	

Home Office Name THE EFFORT, INC	Fiscal Period From: JULY 1, 2008 To: JUNE 30, 2009
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STATEMENT OF TOTAL AUDITED HOME OFFICE COSTS					Schedule 2A
(1)	(2)	(3)	(4)	(5)	(6)
Account Description	Reported Home Office Expenses	Audit Adjustment Nos. ( 1-8 )	Audited Expenses (columns 2 +/- 3)	Audited Direct Allocations (Schedules 4A and 4B)	Audited Pool Costs (Columns 4-5)
<b>Health Care Costs</b>					
1 Malpractice Insurance	1,005		1,005	-	1,005
2 Medical Director - Salary	6,876		6,876	-	6,876
3 Medical Director - Fringe Benefits	1,444		1,444	-	1,444
4 Other (Specify)-			-	-	-
5			-	-	-
6			-	-	-
7 Subtotal	9,325	-	9,325	-	9,325
<b>Facility Cost</b>					(to Schedule 5A, column 2, line 1)
8 Depreciation - Building	23,267	-	23,267	-	
9 Depreciation - Equipment	4,854	-	4,854	-	4,854
10 Other Depreciation and Amortization		-	-	-	-
11 Leases and Rentals - Building	16,796	(16,796)	-	-	-
12 Leases and Rentals - Equipment	10,184		10,184	-	10,184
13 Interest - Mortgages		-	-	-	-
14 Interest - Other	1,186	-	1,186	-	1,186
15 Taxes and Licenses	853		853	-	853
16 Utilities	5,618		5,618	-	5,618
17 General Insurance (Capital Related)			-	-	-
18 Plant Operations			-	-	-
19 Maintenance	10,223		10,223	-	10,223
20 Other (Specify)-Rent Storage Units		-	-	-	-
21			-	-	-
22 Subtotal	72,981	(16,796)	56,185	-	32,918

Home Office Name THE EFFORT, INC	Fiscal Period From: 7/31/06 To: 6/30/07
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**STATEMENT OF TOTAL AUDITED HOME OFFICE COSTS**

**Schedule 2B**

(1) Account Description	(2) Reported Home Office Expenses	(3) Audit Adjustment Nos. ( 1-8 )	(4) Audited Expenses (columns 2 +/- 3)	(5) Audited Direct Allocations (Schedules 4A and 4B)	(6) Audited Pool Costs (Columns 4-5) <small>(to Schedule 5A, column 2, line 3)</small>
<b>Administrative Cost</b>					
23 Salaries - Officers and CEO	309,426		309,426	-	
24 Salaries - Others	22,636		22,636	-	22,636
25 Payroll Taxes	30,840		30,840	-	30,840
26 Fringe Benefits	1,684		1,684	-	1,684
27 Travel	7,117		7,117	-	7,117
28 Legal and Accounting	3,972		3,972	-	3,972
29 Telephone	13,049		13,049	-	13,049
30 Office Supplies			-	-	-
31 Contracts Administration	771		771	-	771
32 Data Processing	3,068		3,068	-	3,068
33 Outside Services			-	-	-
34 Reproduction			-	-	-
Insurance					
35 (General Liability and Umbrella)	6,157		6,157	-	6,157
36 Other Administrative Expenses	84,898	(73,996)	10,902		10,902
37			-	-	-
38 Subtotal	483,618	(73,996)	409,622	-	100,196
<b>Nonreimbursable Cost</b>					
39 Rent			-	-	-
40 Fundraising	57,145	(50,565)	6,580	-	6,580
41 Other (specify) Outreach			-	-	-
Other Chain components (specify)					
42 From Schedule 1B, Part II	-		-	-	-
43 Subtotal	57,145	(50,565)	6,580	-	6,580
<b>44 GRAND TOTAL</b>	<b>623,067</b>	<b>(141,357)</b>	<b>481,710</b>	<b>-</b>	<b>149,019</b>

Home Office Name THE EFFORT, INC	Fiscal Period From: JULY 1, 2008 To: JUNE 30, 2009
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**AUDITED DIRECT ALLOCATION OF HEALTH CARE COSTS TO CLINIC COMPONENTS**

**SCHEDULE 4A**

(1) Account Description	CLINICS						(2) Total**
	The Effort J St. Clinic	B	C	D	E	F	
	Expenses Directly Allocable to clinics						
1 Malpractice Insurance	0	0	0	0	0	0	0
2 Medical Director - Salary	0	0	0	0	0	0	0
3 Medical Director - fringe Benefits	0	0	0	0	0	0	0
4 Other (specify):	0	0	0	0	0	0	0
<b>15 Total*</b>	0	0	0	0	0	0	0

\* Transfer line 15 amount(s) to Schedule 6, line 1, for each clinic listed.  
 \*\* Transfer column 2 amount(s) to Schedule 2A, column 5, lines 1-7.

Home Office Name	Fiscal Period
THE EFFORT, INC	From: JULY 1, 2008 To: JUNE 30, 2009

**AUDITED DIRECT ALLOCATION OF HEALTH CARE COSTS TO CLINIC COMPONENTS**

**SCHEDULE 4B**

(1) Account Description	CLINICS						(2) Total**
	The Effort J St. Clinic	B	C	D	E	F	
	Expenses Directly Allocable to clinics						
1 Depreciation - Building							0
2 Depreciation - Equipment							0
3 Other Depreciation and Amortization							0
4 Leases and Rentals - Building							0
5 Leases and Rentals - Equipment							0
6 Interest - Mortgages							0
7 Interest - Other							0
8 Taxes and Licenses							0
9 Utilities							0
10 General Insurance (Capital Related)							0
11 Plant Operations							0
12 Maintenance							0
13 Other (specify):							0
14							0
15 <b>Total*</b>	-	-	-	-	-	-	0.00

\* Transfer line 15 amount(s) to Schedule 6, line 2, for each clinic listed.

\*\* Transfer column 2 amount(s) to Schedule 2A, column 5, lines 8-22.

<b>Home Office Name</b> THE EFFORT, INC	<b>Fiscal Period</b> From: JULY 1, 2008 To: JUNE 30, 2009
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**AUDITED DIRECT ALLOCATION OF HEALTH CARE COSTS TO CLINIC COMPONENTS**

**SCHEDULE 4C**

(1) Account Description	CLINICS						(2) Total**
	The Effort J St. Clinic	B	C	D	E	F	
	Expenses Directly Allocable to clinics						
1 Salaries - Officers and CEO	-	-	-	-			-
2 Salaries - Others	-	-	-	-			-
3 Payroll Taxes							-
4 Fringe Benefits							-
5 Travel							-
6 Legal and Accounting	-	-	-	-			-
7 Telephone	-	-	-	-			-
8 Office Supplies	-	-	-	-			-
9 Contracts Administration							-
10 Data Processing							-
11 Outside Services							-
12 Reproduction							-
13 Insurance (General liability and Umbrella)							-
14 Other (specify):							-
<b>15 Total*</b>	-	-	-	-	-	-	-

\* Transfer line 15 amount(s) to Schedule 6, line 3, for each clinic listed.

\*\* Transfer column 2 amount(s) to Schedule 2A, column 5, lines 23-38.

Home Office Name	Fiscal Period
THE EFFORT, INC	From: JULY 1, 2008 To: JUNE 30, 2009

**AUDITED DIRECT ALLOCATION OF HEALTH CARE COSTS TO CLINIC COMPONENTS**

**SCHEDULE 4D**

(1)	CLINICS						(2) Total**
	The Effort J St. Clinic	B	C	D	E	F	
	Expenses Directly Allocable to clinics						
1 Rent							-
2 Day Program							-
3 Apartments/Medical office Building							-
4 Fund Raising							-
5 Outreach programs							-
6 Head Start							-
7 WIC							-
8 Other (specify):							-
9 Other Chain Components (specify) From Schedule 1B, Part II							-
10							
11							
12							
13							
14							
<b>15 Total*</b>	0	0	0	0	0	0	0

\* Transfer line 15 amount(s) to Schedule 6, line 4, for each clinic listed.

\*\* Transfer column 2 amount(s) to Schedule 2A, column 5, lines 39-43.

Home Office Name  
THE EFFORT, INC

Fiscal Period  
From: JULY 1, 2008 To: JUNE 30, 2009

**AUDITED ALLOCATION OF POOL COSTS TO CLINIC COMPONENTS**

**SCHEDULE 5A**

(1) Category of Cost	(2) Total Pool Costs <small>(Schedule 2A and 2B, column 6)</small>	CLINICS					
		The Effort - J Street Clinic		B		C	
		(3) Allocation Statistic Basis and Statistics	(4) Allocation Pool Expenses <small>(Column 16 x column 3)</small>	(5) Allocation Statistic Basis and Statistics	(6) Allocation Pool Expenses <small>(Column 16 x column 5)</small>	(7) Allocation Statistic Basis and Statistics	(8) Allocation Pool Expenses <small>(Column 16 x column 7)</small>
1 Health Care	Basis:	Medical Staff Salary		Medical Staff Salary		Medical Staff Salary	
	9,325	2,370,614	5,223	697,854	1,538	375,519	827
2 Facility	Basis:	Square Footage		Square Footage		Square Footage	
	72,980	(Audit Adj No. 9) 9,833	22,147	7,657	17,246	5,160	11,622
3 Administrative	Basis:	Accumulated Cost		Accumulated Cost		Accumulated Cost	
	483,617	(Audit Adj No. 10) 3,622,754	242,568	1,087,888	72,841	752,344	50,375
4 Nonreimbursable	Basis:	Accumulated Cost		Accumulated Cost		Accumulated Cost	
	57,145	(Audit Adj No. 11) 3,622,754	-	1,087,888	8,607	752,344	5,952
5 Total*	1,304,249		269,938		100,232		68,776

Home Office Name  
THE EFFORT, INC

Fiscal Period

From: JULY 1, 2008

To: JUNE 30, 2009

**AUDITED ALLOCATION OF POOL COSTS TO CLINIC COMPONENTS**

**SCHEDULE 5B**

(1) Category of Cost	CLINICS						Totals	
	D		E		F		(15)	(16)
	(9) Allocation Statistic Basis and Statistics	(10) Allocation Pool Expenses <small>(Column 16 x column 3)</small>	(11) Allocation Statistic Basis and Statistics	(12) Allocation Pool Expenses <small>(Column 16 x column 5)</small>	(13) Allocation Statistic Basis and Statistics	(14) Allocation Pool Expenses <small>(Column 16 x column 7)</small>	Allocation Statistic <small>(Sum of Columns 3,5,7,9,11 and 13)</small>	Unit Cost Multiplier <small>(Column 2/Column 15)</small>
1 Health Care	Medical Staff Salary		Medical Staff Salary		Medical Staff Salary		Medical Staff Salary	
	788,467	1,737	0	0	0	0	4,232,454	0.002203
2 Facility	Square Footage		Square Footage (Audit Adj # 9)		Square Footage		Square Footage	
	8,245	18,570	1,507	3,394	0	0	32,402	2.252330
3 Administrative	Accumulated Cost		Accumulated Cost (Audit Adj # 10)		Accumulated Cost		Accumulated Cost	
	1,469,294	98,379	290,546	19,454	0	0	7,222,826	0.066957
4 Nonreimbursable	Accumulated Cost		Accumulated Cost (Audit Adj #11)		Accumulated Cost		Accumulated Cost	
	1,469,294	11,625	290,546	2,299	0	0	7,222,826	0.007912
5 Total*		130,311		25,147		0		

<b>Home Office Name</b> THE EFFORT, INC	<b>Fiscal Period</b> From: JULY 1, 2008 To: JUNE 30, 2009
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**AUDITED SUMMARY OF DIRECT AND ALLOCATED POOL COST TO CLINICS SCHEDULE 6**

(1) Home Office Expenses	CLINICS						(2) Total
	The Effort J Street Clinic	B	C	D	E	F	
1 Health Care	0	0	0	0	0	0	0
2 Facility	0	0	0	0	0	0	0
3 Administrative	0	0	0	0	0	0	0
4 Subtotal (sum of lines 1-3) (d)	0	0	0	0	0	0	0
5 Nonreimbursable	0	0	0	0	0	0	0
<b>Home Office Allocated Pool Costs (b)</b>							
6 Health Care	5,223	1,538	827	1,737	0	0	9,325
7 Facility	22,147	17,246	11,622	18,570	3,394	0	72,980
8 Administrative	242,568	72,841	50,375	98,379	19,454	0	483,617
9 Subtotal (sum of lines 6-8) (e)	269,938	91,625	62,824	118,687	22,848	0	565,922
10 Nonreimbursable	0	8,607	5,952	11,625	2,299	0	28,483
11 Total Reimbursable Expenses (sum of lines 4 and 9)	269,938	91,625	62,824	118,687	22,848	0	565,922
12 Total Nonreimbursable expenses (sum of lines 5 and 10)	0	8,607	5,952	11,625	2,299	0	28,483
13 Grand Total (sum of lines 11 and 12)	269,938	100,232	68,776	130,311	25,147	0	594,405

Provider Name						Fiscal Period		Provider Number, NPI		Adjustments
THE EFFORT, INC						JULY 1, 2008 THROUGH JUNE 30, 2009		HOME OFFICE		11
Report References						Explanation of Audit Adjustments		As Reported	Increase (Decrease)	As Adjusted
Cost Report			Audit Report							
Adj. No.	DHCS 3089 Schedule	Line	Col.	Sch	Line					
<b><u>ADJUSTMENTS TO REPORTED COSTS</u></b>										
1	2	11	1	2	11.00	Leases and Rentals - Building To eliminate rent expenses due to related party. 42 CFR 413.17 and 413.134(h) CMS Pub. 15-1, Section 1011.5	\$16,796	(\$16,796)	\$0	
2	2	36	1	2	36.00	Other To eliminate fundraising costs. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2136.2	\$84,898	(\$2,845)	\$10,902	
3						To eliminate fees for services relating to stock maintenance items. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2134.9		(3,195)		
4						To eliminate gain/loss on investments 42 CFR 413.5 and 413.9(b)(2) CMS Pub. 15-1, Sections 2102.3 and 2134.9		(64,220)		
5						To eliminate donated services 42 CFR 413.9(c)(3) CMS Pub. 15-1, Sections 2102.3 and 2136.2		<u>(3,736)</u> (\$73,996)		
6	2	40	1	2	40.00	Fundraising To eliminate contributions/donation costs. 42 CFR 413.5(c)(7) CMS Pub. 15-1, Sections 2102.3 and 2136.2	\$57,145	(\$1,691)	\$6,580	
7						To eliminate fundraising costs. 42CFR 419.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2136.2		(1,578)		
8						To eliminate gifts that are not related to patient care. 42 CRF 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2136.2		<u>(47,296)</u> (\$50,565)		

Provider Name						Fiscal Period	Provider Number, NPI		Adjustments
THE EFFORT, INC						JULY 1, 2008 THROUGH JUNE 30, 2009	HOME OFFICE		11
Report References						Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Cost Report			Audit Report						
Adj. No.	DHCS 3089 Schedule	Line	Col.	Sch	Line				
<b>ADJUSTMENTS TO STATISTICS</b>									
9	5	2	A	5	2.00	The Effort J Street Clinic - Square Footage Statistic	11,340	(1,507)	9,833
	5	2	E	5	2.00	Non-Medi-Cal Services Centers - Square Footage Statistic To reclassify Non-Medi-Cal Services Centers square footage for proper cost allocation. 42 CFR 413.9, 413.20 and 413.24 CMS Pub. 15-1, Section 2328	0	1,507	1,507
10	5	3	A	5	3.00	The Effort J Street Clinic - Facility Statistic	3,913,300	(290,546)	3,622,754
	5	3	E	5	3.00	Non-Medi-Cal Services Centers To reclassify Non Medi-Cal Service Centers accumulated cost statistic for proper cost allocation. 42 CFR 413.9, 413.20 and 413.24 CMS Pub. 15-1, Section 2328	0	290,546	290,546
11	5	4	A	5	4.00	The Effort J Street Clinic - Facility Statistic	3,913,300	(290,545)	3,622,755
	5	4	E	5	4.00	Non-Medi-Cal Services Centers To reclassify Non Medi-Cal Service Centers accumulated cost statistic for proper cost allocation. 42 CFR 413.9, 413.20 and 413.24 CMS Pub. 15-1, Section 2328	0	290,546	290,546