REPORT
ON THE
HOME OFFICE AUDIT

DAYBREAK CARE CENTER, INC.
SUN VALLEY, CALIFORNIA

FISCAL PERIOD ENDED
DECEMBER 31, 2010

Audits Section—Rancho Cucamonga
Financial Audits Branch
Audits and Investigations
Department of Health Care Services

Section Chief: Julio M. Cueto
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Auditor: Jose Salazar

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

TOBY DOUGLAS
DIRECTOR

EDMUND G. BROWN JR.
GOVERNOR

December 30, 2011

Robert Nydam, President
Daybreak Care Center, Inc.
10716 La Tuna Canyon Road, 2nd Floor
Sun Valley, CA 91352-2049

DAYBREAK CARE CENTER, INC.
FISCAL PERIOD ENDED DECEMBER 31, 2010

We have examined the Medi-Cal Home Office Cost Report for the fiscal period ended December 31, 2010. 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

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STATE OF CALIFORNIA SCHEDULE 1

COMPARISON OF REPORTED AND AUDITED HOME OFFICE COST

HOME OFFICE:
DAYBREAK CARE CENTER, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2010

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. Casa Del Sol	1457489965	12/31/2010	$52,920	53,098	$178
2. Vista Del Valle	1447388756	12/31/2010	48,723	48,388	(335)
3. Elben	1376671362	12/31/2010	53,813	53,171	(642)
4. Canyon Crest	1467580456	12/31/2010	53,987	53,171	(816)
5. Terhune	1790813822	12/31/2010	54,061	53,171	(890)
6. Eagledale	1033247440	12/31/2010	52,671	53,171	500
7. Glencrest	1558499541	12/31/2010	53,118	53,050	(68)
8. Norris	1285762278	12/31/2010	51,455	51,494	39
9. Crockett	1093843088	12/31/2010	41,477	41,712	235
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			$462,225	$460,427	($1,799)

STATE OF CALIFORNIA

SCHEDULE 2

SUMMARY OF DIRECT AND ALLOCATED POOL COST

HOME OFFICE:
DAYBREAK CARE CENTER, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2010

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. Casa Del Sol	1457489965	12/31/2010	$0	$53,098	$53,098
2. Vista Del Valle	1447388756	12/31/2010	0	48,388	48,388
3. Elben	1376671362	12/31/2010	0	53,171	53,171
4. Canyon Crest	1467580456	12/31/2010	0	53,171	53,171
5. Terhune	1790813822	12/31/2010	0	53,171	53,171
6. Eagledale	1033247440	12/31/2010	0	53,171	53,171
7. Glencrest	1558499541	12/31/2010	0	53,050	53,050
8. Norris	1285762278	12/31/2010	265	51,229	51,494
9. Crockett	1093843088	12/31/2010	0	41,712	41,712
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			$265	$460,162	$460,427
					(To Sch 1)

STATE OF CALIFORNIA SCHEDULE 3

ALLOCATION OF POOLED EXPENSES

HOME OFFICE:
DAYBREAK CARE CENTER, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2010

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)		100.0000%	$460,162
Nonprogram Services (Adj)		0.0000%	0
TOTAL	$0	100.0000%	$460,162

(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. Casa Del Sol	1457489965	13	2,187	$53,098
2. Vista Del Valle	1447388756	13	1,993	48,388
3. Elben	1376671362	13	2,190	53,171
4. Canyon Crest	1467580456	13	2,190	53,171
5. Terhune	1790813822	13	2,190	53,171
6. Eagledale	1033247440	13	2,190	53,171
7. Glencrest	1558499541	13	2,185	53,050
8. Norris	1285762278	13	2,110	51,229
9. Crockett	1093843088	13	1,718	41,712
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			18,953	$460,162

(To Sch 2)

UNIT COST MULTIPLIER (UCM) (Pooled Expenses/Client Days)	24.279111

STATE OF CALIFORNIA SCHEDULE 4

DIRECT ALLOCATION OF EXPENSES TO CHAIN COMPONENTS

HOME OFFICE:
DAYBREAK CARE CENTER, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2010

			Expense Directly Allocable to Chain Component				
CHAIN COMPONENTS 1	NPI	REPORTED TOTAL (Col F) 2	Dues 3 (Adj 2)	Printing 4 (Adj 3)	5	6	AUDITED TOTAL 7
1. Casa Del Sol	1457489965	$0	$0	$0	$0	$0	$0
2. Vista Del Valle	1447388756	0	0	0	0	0	0
3. Elben	1376671362	0	0	0	0	0	0
4. Canyon Crest	1467580456	0	0	0	0	0	0
5. Terhune	1790813822	0	0	0	0	0	0
6. Eagledale	1033247440	0	0	0	0	0	0
7. Glencrest	1558499541	0	0	0	0	0	0
8. Norris	1285762278	0	150	115	0	0	265
9. Crockett	1093843088	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		$0	$150	$115	$0	$0	$265

(To Sch 2)

STATE OF CALIFORNIA SCHEDULE 5

STATEMENT OF REIMBURSABLE COSTS

HOME OFFICE:
DAYBREAK CARE CENTER, INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2010

ACCOUNT DESCRIPTION 1	REPORTED POOLED COSTS 2	COST AUDIT ADJUSTMENTS 3	POOLED COST SUBTOTAL 4	DIRECT COST 5	AUDITED POOLED COSTS 6
		(Adjs 4-12)	(Col 2 + Col 3)	(Adjs 2,3)	(Col 4 - Col 5)
1. Salaries-Officers	$103,758	($15,381)	$88,377		$88,377
2. Salaries-Other	160,223		160,223		160,223
3. Payroll Taxes	22,452	(792)	21,660		21,660
4. Employee Benefits	4,046	(27)	4,019		4,019
5. Travel	2,995	(1,786)	1,209		1,209
6. Entertainment	0		0		0
7. Automobile	1,755	16,301	18,056		18,056
8. Depreciation-Building	0		0		0
9. Depreciation-Equipment	7,826	0	7,826		7,826
10. Other Depreciation and Amortization	0		0		0
11. Leases and Rentals	1,840	412	2,252		2,252
12. Interest-Mortgages	0		0		0
13. Interest-Other	0		0		0
14. Taxes and Licenses	295		295		295
15. Legal and Accounting	93,233	(7,723)	85,510		85,510
16. Insurance	6,466	193	6,659		6,659
17. Telephone	19,774	26	19,800		19,800
18. Utilities	0	4,490	4,490		4,490
19. Office Supplies	6,990	(1,087)	5,903		5,903
20. Nonprogram	0		0		0
21. Other-Payroll Fees	594		594		594
22. Charitable Contributions	0		0		0
23. Recruiting	2,507	(585)	1,922		1,922
24. Postage and Shipping	2,188		2,188		2,188
25. Advertising and Public Relations	0		0		0
26. Dues and Subscriptions	4,083		4,083	150	3,933
27. Computer and Software	2,397		2,397		2,397
28. Printing and Other Office	310		310	115	195
29. Interest Income	0		0		0
30. Bank Fees	1,776		1,776		1,776
31. Equipment Rental	153		153		153
32. Pest Control	491		491		491
33. Miscellaneous	170	20,064	20,234		20,234
34.			0		0
TOTAL EXPENSES	$446,322	$14,105	$460,427	$265	$460,162
				(To Sch 4)	(To Sch 3)

Provider Name	Fiscal Period	Provider NPI	Adjustments
DAYBREAK CARE CENTER, INC.	JANUARY 1, 2010 THROUGH DECEMBER 31, 2010	HOME OFFICE	13

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 correct flow through errors in the cost report.			

Provider Name	Fiscal Period	Provider NPI	Adjustments
DAYBREAK CARE CENTER, INC.	JANUARY 1, 2010 THROUGH DECEMBER 31, 2010	HOME OFFICE	13

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
							RECLASSIFICATIONS OF REPORTED COSTS			
2	2	26	6	5	26	6	Dues and Subscriptions	$4,083	($150)	$3,933
	4	8	7	4	8	7	Norris	0	150	150 *
							To directly assign laboratory certificate fee to the applicable facility.			
							42 CFR 413.17 and 413.24			
							CMS Pub. 15-1, Sections 2150.3B and 2304			
3	2	28	6	5	28	6	Printing and Other Office	$310	($115)	$195
	4	8	7	4	8	7	Norris *	150	115	265
							To directly assign printing costs to the applicable facility.			
							42 CFR 413.17 and 413.24			
							CMS Pub. 15-1, Sections 2150.3B and 2304			

*Balance carried forward from prior/to subsequent adjustments

Provider Name	Fiscal Period	Provider NPI	Adjustments
DAYBREAK CARE CENTER, INC.	JANUARY 1, 2010 THROUGH DECEMBER 31, 2010	HOME OFFICE	13

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				
4	2	1	6	5	1	6	Salaries-Officers		$103,758	($13,627)	$90,131 *
	2	3	6	5	3	6	Payroll Taxes		22,452	(792)	21,660
	2	4	6	5	4	6	Employee Benefits		4,046	(27)	4,019
	2	5	6	5	5	6	Travel		2,995	2,648	5,643 *
	2	7	6	5	7	6	Automobile		1,755	51	1,806 *
	2	9	6	5	9	6	Depreciation-Equipment		7,826	925	8,751 *
	2	11	6	5	11	6	Leases and Rentals		1,840	1,091	2,931 *
	2	15	6	5	15	6	Legal and Accounting		93,233	77	93,310 *
	2	16	6	5	16	6	Insurance		6,466	193	6,659
	2	17	6	5	17	6	Telephone		19,774	(9,536)	10,238 *
							To reconcile the reported expenses to agree with the provider's general ledger. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304				
5	2	1	6	5	1	6	Salaries-Officers	*	$90,131	($1,754)	$88,377
							To eliminate loan expense not related to patient care. 42 CFR 413.9(c)(3) CMS Pub. 15-1, Section 2102.3				
6	2	5	6	5	5	6	Travel	*	$5,643	($4,434)	$1,209
							To eliminate travel expenses not related to patient care. 42 CFR 413.9(c)(3) CMS Pub. 15-1, Section 2102.3				

*Balance carried forward from prior/to subsequent adjustments

Provider Name	Fiscal Period	Provider NPI	Adjustments
DAYBREAK CARE CENTER, INC.	JANUARY 1, 2010 THROUGH DECEMBER 31, 2010	HOME OFFICE	13

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				
7	2	7	6	5	7	6	Automobile	*	$1,806	$16,250	$18,056
	2	17	6	5	17	6	Telephone	*	10,238	9,562	19,800
	2	18	6	5	18	6	Utilities		0	4,490	4,490
	2	33	6	5	33	6	Miscellaneous		170	20,064	20,234
							To reverse provider's allocation of expenses identified through the working trial balance and allocate those costs as pooled costs for proper cost determination. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2150.3C, 2150.3D, 2300, and 2304				
8	2	9	6	5	9	6	Depreciation-Equipment	*	$8,751	($925)	$7,826
							To adjust the reported depreciation expense to agree with the audit findings. 42 CFR 413.20, 413.24, 413.50, and 413.134 CMS Pub. 15-1, Sections 102, 1214, 2300, 2302.4, and 2304				
9	2	11	6	5	11	6	Leases and Rentals	*	$2,931	($679)	$2,252
							To eliminate rental car expense not related to patient care. 42 CFR 413.9(c)(3) CMS Pub. 15-1, Section 2102.3				
10	2	15	6	5	15	6	Legal and Accounting	*	$93,310	($7,800)	$85,510
							To adjust accounting expenses to agree with the paid invoices. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304				

*Balance carried forward from prior/to subsequent adjustments

Provider Name	Fiscal Period	Provider NPI	Adjustments
DAYBREAK CARE CENTER, INC.	JANUARY 1, 2010 THROUGH DECEMBER 31, 2010	HOME OFFICE	13

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			
11	2	19	6	5	19	6	Office Supplies To eliminate office supplies expenses due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	$6,990	($1,087)	$5,903
12	2	23	6	5	23	6	Recruiting To eliminate recruiting expense due to lack of documentation. 42 CFR 413.20, 413.24, and 431.107 CMS Pub. 15-1, Sections 2300 and 2304, W&I Code 14124.2(b)	$2,507	($585)	$1,922

Provider Name	Fiscal Period	Provider NPI	Adjustments
DAYBREAK CARE CENTER, INC.	JANUARY 1, 2010 THROUGH DECEMBER 31, 2010	HOME OFFICE	13

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
							ADJUSTMENT TO REPORTED STATISTICS			
13	5	1	2	3	1	3	Casa Del Sol (Client Days)	2,132	55	2,187
	5	2	2	3	2	3	Vista Del Valle	1,963	30	1,993
	5	3	2	3	3	3	Elben	2,168	22	2,190
	5	4	2	3	4	3	Canyon Crest	2,175	15	2,190
	5	5	2	3	5	3	Terhune	2,178	12	2,190
	5	6	2	3	6	3	Eagledale	2,122	68	2,190
	5	7	2	3	7	3	Glencrest	2,140	45	2,185
	5	8	2	3	8	3	Norris	2,073	37	2,110
	5	9	2	3	9	3	Crockett	1,671	47	1,718
	5	11	2	3	11	3	Total - Client Days	18,622	331	18,953

To adjust patient days statistics to agree with the provider's patient census reports.
42 CFR 413.20, 413.24, and 413.50
CMS Pub. 15-1, Sections 2205, 2300, and 2304