

**REPORT  
ON THE  
HOME OFFICE AUDIT**

**PAKSN, INC.  
VACAVILLE, CALIFORNIA**

**FISCAL PERIOD ENDED  
DECEMBER 31, 2009**

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

**Section Chief: Louise Wong  
Audit Supervisor: Sandra Garcia  
Auditors: Medy Lamorena**



TOBY DOUGLAS  
DIRECTOR

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



EDMUND G. BROWN JR.  
GOVERNOR

March 24, 2011

Rick Dum Dumaya  
Accounts Receivable Manager  
Paksn, Inc.  
540 W. Monte Vista  
Vacaville, CA 95688

PAKSN, INC.  
FISCAL PERIOD ENDED DECEMBER 31, 2009

We have examined the Medi-Cal Home Office cost report for the fiscal period ended December 31, 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:

1. Summary of Audited Home Office Costs to Health Care Facilities
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.

Rick Dum Dumaya  
Page 2

If you have further 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** - SUMMARY OF AUDITED HOME OFFICE CAPITAL AND NONCAPITAL RELATED COSTS TO CHAIN COMPONENTS
  
- 2** - COMPARISON OF REPORTED AND AUDITED HOME OFFICE COSTS
  
- 3** - SUMMARY ALLOCATION OF HOME OFFICE COSTS - CAPITAL RELATED
  
- 3-1** - SUMMARY ALLOCATION OF HOME OFFICE COSTS - NONCAPITAL RELATED
  
- 4** - POOLED ALLOCATION OF HOME OFFICE COSTS TO CHAIN COMPONENTS
  
- 5** - NOT USED
  
- 6** - NOT USED
  
- 7-1** - DIRECT ALLOCATION OF NONCAPITAL COSTS TO CHAIN COMPONENTS
  
- 8** - TRIAL BALANCE OF EXPENSES
  
- 9** - REPORTED HOME OFFICE COSTS

## SUMMARY OF AUDITED HOME OFFICE CAPITAL AND NONCAPITAL RELATED COSTS TO CHAIN COMPONENTS

HOME OFFICE NAME:  
PAKSN, INC.FISCAL PERIOD ENDED:  
DECEMBER 31, 2009

	MEDI-CAL NUMBER	FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR		CAPITAL RELATED (SCHEDULE 3) 1	NONCAPITAL RELATED (SCHEDULE 3-1) 2	TOTAL AUDITED H.O. COSTS (COLUMN 1 + 2) 3
		FROM	TO			
<b><u>HEALTH CARE FACILITIES</u></b>						
1. Baypoint Health Care Center	ZZR06471J	01/01/09	12/31/09	\$3,651	\$88,355	\$92,006
2. Creekside Convalescent Mental Health & Rehab. Center	ZZR06090J	01/01/09	12/31/09	7,034	155,846	162,881
3. Fircrest Convalescent Hospital	ZZR05476H	01/01/09	12/31/09	1,946	45,909	47,856
4. Gateway Care and Rehabilitation Center	ZZR06463J	01/01/09	12/31/09	4,012	98,065	102,077
5. La Mariposa Care and Rehabilitation Center	ZZR06086G	01/01/09	12/31/09	3,838	85,021	88,859
6. Manteca Care and Rehabilitation Center	ZZR06216G	01/01/09	12/31/09	6,978	155,329	162,307
7. Martinez Convalescent Hospital	ZZR18527G	01/01/09	12/31/09	1,371	33,688	35,059
8. Park Central Care and Rehabilitation Center	ZZR06298H	01/01/09	12/31/09	4,004	96,669	100,673
9. Winsor House Convalescent Hospital	ZZR05412I	01/01/09	12/31/09	2,823	69,641	72,464
10. Hilltop Care and Rehabilitation Center	ZZR06463F	01/01/09	12/31/09	3,045	79,101	82,145
<b>TOTAL</b>				<b>\$38,701</b>	<b>\$907,626</b>	<b>\$946,327</b>

## COMPARISON OF REPORTED AND AUDITED HOME OFFICE COSTS

HOME OFFICE NAME:  
PAKSN, INC.FISCAL PERIOD ENDED:  
DECEMBER 31, 2009

	MEDI-CAL NUMBER	FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR		REPORTED HOME OFFICE COSTS (SCH. 9)	AUDITED H.O. COSTS (SCH. 3 & 3-1)	VARIANCE (COLUMN 2-1)
		FROM	TO	1	2	3
<b><u>HEALTH CARE FACILITIES</u></b>						
1. Baypoint Health Care Center	ZZR06471J	01/01/09	12/31/09	\$95,944	\$92,006	(\$3,938)
2. Creekside Convalescent Mental Health & Rehab. Center	ZZR06090J	01/01/09	12/31/09	184,923	162,881	(22,042)
3. Fircrest Convalescent Hospital	ZZR05476H	01/01/09	12/31/09	51,142	47,855	(3,287)
4. Gateway Care and Rehabilitation Center	ZZR06463J	01/01/09	12/31/09	105,434	102,077	(3,357)
5. La Mariposa Care and Rehabilitation Center	ZZR06086G	01/01/09	12/31/09	100,845	88,859	(11,986)
6. Manteca Care and Rehabilitation Center	ZZR06216G	01/01/09	12/31/09	183,360	162,307	(21,053)
7. Martinez Convalescent Hospital	ZZR18527G	01/01/09	12/31/09	36,027	35,059	(968)
8. Park Central Care and Rehabilitation Center	ZZR06298H	01/01/09	12/31/09	105,212	100,673	(4,539)
9. Winsor House Convalescent Hospital	ZZR05412I	01/01/09	12/31/09	74,180	72,464	(1,716)
10. Hilltop Care and Rehabilitation Center	ZZR06463F	01/01/09	12/31/09	79,937	82,145	2,208
<b>TOTAL</b>				<b>\$1,017,004</b>	<b>\$946,327</b>	<b>(\$70,677)</b>

SUMMARY ALLOCATION OF HOME OFFICE COSTS - CAPITAL RELATED

HOME OFFICE NAME:  
PAKSN, INC.

FISCAL PERIOD ENDED:  
DECEMBER 31, 2009

	MEDI-CAL NUMBER	FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR		DIRECT CAPITAL COSTS 1	FUNCTIONAL CAPITAL COSTS 2	POOLED CAPITAL COSTS (SCHEDULE 4) 3	TOTAL CAPITAL COSTS (COL. 1 TO 3)	
		FROM	TO					
<b>HEALTH CARE FACILITIES</b>								
1.	Baypoint Health Care Center	ZZR06471J	01/01/09	12/31/09	\$0	\$0	\$3,651	\$3,651
2.	Creekside Convalescent Mental Health & Rehab. Center	ZZR06090J	01/01/09	12/31/09	0	0	7,034	7,034
3.	Fircrest Convalescent Hospital	ZZR05476H	01/01/09	12/31/09	0	0	1,946	1,946
4.	Gateway Care and Rehabilitation Center	ZZR06463J	01/01/09	12/31/09	0	0	4,012	4,012
5.	La Mariposa Care and Rehabilitation Center	ZZR06086G	01/01/09	12/31/09	0	0	3,838	3,838
6.	Manteca Care and Rehabilitation Center	ZZR06216G	01/01/09	12/31/09	0	0	6,978	6,978
7.	Martinez Convalescent Hospital	ZZR18527G	01/01/09	12/31/09	0	0	1,371	1,371
8.	Park Central Care and Rehabilitation Center	ZZR06298H	01/01/09	12/31/09	0	0	4,004	4,004
9.	Winsor House Convalescent Hospital	ZZR05412I	01/01/09	12/31/09	0	0	2,823	2,823
10.	Hilltop Care and Rehabilitation Center	ZZR06463F	01/01/09	12/31/09	0	0	3,045	3,045
<b>TOTAL</b>					<b>\$0</b>	<b>\$0</b>	<b>\$38,701</b>	<b>\$38,701</b>

(To Schedule 1 & 2)

SUMMARY ALLOCATION OF HOME OFFICE COSTS - NONCAPITAL RELATED

HOME OFFICE NAME:  
PAKSN, INC.

FISCAL PERIOD ENDED:  
DECEMBER 31, 2009

	MEDI-CAL NUMBER	FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR		DIRECT COSTS (SCH. 7-1) 1	FUNCTIONAL COSTS (SCH. 5-1) 2	POOLED COSTS (SCH. 4) 3	TOTAL NONCAPITAL COSTS (COL. 1 TO 3)	
		FROM	TO					
<b>HEALTH CARE FACILITIES</b>								
1.	Baypoint Health Care Center	ZZR06471J	01/01/09	12/31/09	\$7,466	\$0	\$80,889	\$88,355
2.	Creekside Convalescent Mental Health & Rehab. Center	ZZR06090J	01/01/09	12/31/09	0	0	155,846	155,846
3.	Fircrest Convalescent Hospital	ZZR05476H	01/01/09	12/31/09	2,792	0	43,117	45,909
4.	Gateway Care and Rehabilitation Center	ZZR06463J	01/01/09	12/31/09	9,175	0	88,890	98,065
5.	La Mariposa Care and Rehabilitation Center	ZZR06086G	01/01/09	12/31/09	0	0	85,021	85,021
6.	Manteca Care and Rehabilitation Center	ZZR06216G	01/01/09	12/31/09	741	0	154,588	155,329
7.	Martinez Convalescent Hospital	ZZR18527G	01/01/09	12/31/09	3,314	0	30,374	33,688
8.	Park Central Care and Rehabilitation Center	ZZR06298H	01/01/09	12/31/09	7,966	0	88,703	96,669
9.	Winsor House Convalescent Hospital	ZZR05412I	01/01/09	12/31/09	7,101	0	62,540	69,641
10.	Hilltop Care and Rehabilitation Center	ZZR06463F	01/01/09	12/31/09	11,647	0	67,454	79,101
<b>TOTAL</b>					<b>\$50,202</b>	<b>\$0</b>	<b>\$857,424</b>	<b>\$907,626</b>

(To Schedule 1 & 2)

## POOLED ALLOCATION OF HOME OFFICE COSTS TO CHAIN COMPONENTS

HOME OFFICE NAME:  
PAKSN, INC.FISCAL PERIOD ENDED:  
DECEMBER 31, 2009

		MEDI-CAL NUMBER	AUDITED TOTAL DAYS 1	CAPITAL (SCH. 8) 2	NONCAPITAL (SCH. 8) 3	TOTAL POOLED (COL. 2 + 3) 4
<b><u>HEALTH CARE FACILITIES</u></b>						
1.	Baypoint Health Care Center	ZZR06471J	30,735	\$3,651	\$80,889	\$84,540
2.	Creekside Convalescent Mental Health & Rehab. Center	ZZR06090J	59,216	7,034	155,846	162,881
3.	Fircrest Convalescent Hospital	ZZR05476H	16,383	1,946	43,117	45,063
4.	Gateway Care and Rehabilitation Center	ZZR06463J	33,775	4,012	88,890	92,902
5.	La Mariposa Care and Rehabilitation Center	ZZR06086G	32,305	3,838	85,021	88,859
6.	Manteca Care and Rehabilitation Center	ZZR06216G	58,738	6,978	154,588	161,566
7.	Martinez Convalescent Hospital	ZZR18527G	11,541	1,371	30,374	31,745
8.	Park Central Care and Rehabilitation Center	ZZR06298H	33,704	4,004	88,703	92,707
9.	Winsor House Convalescent Hospital	ZZR05412I	23,763	2,823	62,540	65,363
10.	Hilltop Care and Rehabilitation Center	ZZR06463F	25,630	3,045	67,454	70,498
<b>TOTAL</b>			\$325,790	\$38,701	\$857,424	\$896,125
			(To Schedule 3) (To Schedule 3-1)			
MULTIPLIER				0.118791	2.631830	2.631830

DIRECT ALLOCATION OF NONCAPITAL COSTS TO CHAIN COMPONENTS

HOME OFFICE NAME:  
PAKSN, INC.

FISCAL PERIOD ENDED:  
DECEMBER 31, 2009

HEALTH CARE FACILITIES

	MEDI-CAL NUMBER	REPORTED TOTAL	Telephone and Telegraph Ln. 23 (Adj. 5)	Telephone and Telegraph Ln. 23 (Adj. 6)	Outside Services Ln. 29 (Adj. 7)			AUDITED TOTAL
1.	Baypoint Health Care Center	ZZR06471J	\$0	\$7,101	\$365	\$0	\$0	\$7,466
2.	Creekside Convalescent Mental Health & Rehab. C	ZZR06090J	0	0	0	0	0	\$0
3.	Fircrest Convalescent Hospital	ZZR05476H	0	0	0	2,792	0	\$2,792
4.	Gateway Care and Rehabilitation Center	ZZR06463J	0	7,101	2,074	0	0	\$9,175
5.	La Mariposa Care and Rehabilitation Center	ZZR06086G	0	0	0	0	0	\$0
6.	Manteca Care and Rehabilitation Center	ZZR06216G	0	0	741	0	0	\$741
7.	Martinez Convalescent Hospital	ZZR18527G	0	0	522	2,792	0	\$3,314
8.	Park Central Care and Rehabilitation Center	ZZR06298H	0	7,101	865	0	0	\$7,966
9.	Winsor House Convalescent Hospital	ZZR05412I	0	7,101	0	0	0	\$7,101
10.	Hilltop Care and Rehabilitation Center	ZZR06463F	0	7,101	4,546	0	0	\$11,647
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
<b>TOTAL</b>			\$0	\$35,505	\$9,113	\$5,584	\$0	\$50,202

(To Schedule 3-1)

## TRIAL BALANCE OF EXPENSES

HOME OFFICE NAME:  
PAKSN, INC.FISCAL PERIOD ENDED:  
DECEMBER 31, 2009

LINE NO.	COST CENTER DESCRIPTION	ADJ. NO.	REPORTED POOLED ALLOC. (SCH. 2)	ADJ. NO.	ADJUSTMENT AMOUNT(S)	AUDITED POOLED COSTS
<b>CAPITAL-RELATED COSTS - OLD</b>						
1.00	Old Cap. Related-Buildings & Fixtures		\$0		\$0	\$0
2.00	Old Cap. Related-Movable Equipment		0		0	0
3.00	SUBTOTAL (sum of lines 1.00 through 2.00)		\$0		\$0	\$0
<b>CAPITAL-RELATED COSTS - NEW</b>						
4.00	New Cap. Related-Buildings & Fixtures		\$0	1	\$7,502	\$7,502
5.00	New Cap. Related-Movable Equipment		0	1	19,071	19,071
6.00	SUBTOTAL (sum of lines 4.00 through 5.00)		\$0		\$26,573	\$26,573
<b>OTHER CAPITAL-RELATED COSTS</b>						
7.00	Insurance		\$0	2	\$6,551	\$6,551
8.00	Taxes and Licenses		0	3,14	5,577	5,577
9.00	Other		0		0	0
10.00	SUBTOTAL (sum of lines 7.00 through 9.00)		\$0		\$12,128	\$12,128
<b>NON CAPITAL-RELATED COSTS</b>						
11.00	Salaries of Officers		\$190,000		\$0	\$190,000
12.00	Salaries and Wages - Others		312,861	4	34,199	347,060
13.00	Payroll Taxes		92,656	4	(34,199)	58,457
14.00	Employee Benefits		69,529	12,13	(9,845)	59,684
15.00	Profit Sharing/Pension Plans		0		0	0
16.00	Travel and Entertainment		10,531	15,16,17	(8,838)	1,693
17.00	Automobile		37,934	18,19,20	(18,206)	19,728
18.00	Depreciation and Amortization		26,573	1	(26,573)	0
19.00	Building Rental		0		0	0
20.00	Equipment Rental		3,608		0	3,608
21.00	Utilities		15,163		0	15,163
22.00	Legal and Accounting		16,780		0	16,780
23.00	Telephone and Telegraph		93,554	5, 21 to 24	(58,452)	35,102
24.00	Insurance		6,551	2	(6,551)	0
25.00	Taxes and Licenses		6,145	3	(6,145)	0
26.00	Corporate Maintenance Costs		0		0	0
27.00	Contributions		0		0	0
28.00	Interest Expense		46		0	46
29.00	Outside Services		66,878	7,25	(7,284)	59,594
30.00	Bank Charges		763	26	(215)	548
31.00	Cleaning, Office, and Supplies		28,198	27,28,29	(4,511)	23,687
32.00	Repairs and Maintenance		4,239	30	(2,387)	1,852
33.00	Postage and Delivery		7,154	31	(2,343)	4,811
34.00	Workers Compensation		18,290	9,10,11	(6,398)	11,892
35.00	Continuing Education		199		0	199
35.01	Storage		7,000		0	7,000
35.02	Dues and Subscriptions		922	32	(440)	482
35.03	Miscellaneous		2,720	33	(2,682)	38
36.00	SUBTOTAL (sum of lines 11.00 through 35.03)		\$1,017,004		(\$160,870)	\$857,424
37.00	TOTAL ALLOWABLE EXPENSES		\$1,017,004		(\$122,169)	\$896,125 (To Sch. 4)
38.00	NONREIMBURSABLE EXPENSES		\$0		\$0	\$0
	<b>TOTAL EXPENSES</b>	8	\$1,018,294		(\$122,169)	\$896,125

## TRIAL BALANCE OF EXPENSES

HOME OFFICE NAME:  
PAKSN, INC.FISCAL PERIOD ENDED:  
DECEMBER 31, 2009

LINE NO.	COST CENTER DESCRIPTION	REPORTED DIRECT ALLOC.	ADJ. NO.	ADJUSTMENT AMOUNT(S)	AUDITED DIRECT COSTS
<b>CAPITAL-RELATED COSTS - OLD</b>					
1.00	Old Cap. Related-Buildings & Fixtures	\$0		\$0	\$0
2.00	Old Cap. Related-Movable Equipment	0		0	0
3.00	SUBTOTAL (sum of lines 1.00 through 2.00)	\$0		\$0	\$0
<b>CAPITAL-RELATED COSTS - NEW</b>					
4.00	New Cap. Related-Buildings & Fixtures	\$0		\$0	\$0
5.00	New Cap. Related-Movable Equipment	0		0	0
6.00	SUBTOTAL (sum of lines 4.00 through 5.00)	\$0		\$0	\$0
<b>OTHER CAPITAL-RELATED COSTS</b>					
7.00	Insurance	\$0		\$0	\$0
8.00	Taxes and Licenses	0		0	0
9.00	Other	0		0	0
10.00	SUBTOTAL (sum of lines 7.00 through 9.00)	\$0		\$0	\$0
<b>NON CAPITAL-RELATED COSTS</b>					
11.00	Salaries of Officers	\$0		\$0	\$0
12.00	Salaries and Wages - Others	0		0	0
13.00	Payroll Taxes	0		0	0
14.00	Employee Benefits	0		0	0
15.00	Profit Sharing/Pension Plans	0		0	0
16.00	Travel and Entertainment	0		0	0
17.00	Automobile	0		0	0
18.00	Depreciation and Amortization	0		0	0
19.00	Building Rental	0		0	0
20.00	Equipment Rental	0		0	0
21.00	Utilities	0		0	0
22.00	Legal and Accounting	0		0	0
23.00	Telephone and Telegraph	0	5,6	44,618	44,618
24.00	Insurance	0		0	0
25.00	Taxes and Licenses	0		0	0
26.00	Corporate Maintenance Costs	0		0	0
27.00	Contributions	0		0	0
28.00	Interest Expense	0		0	0
29.00	Outside Services	0	7	5,584	5,584
30.00	Bank Charges	0		0	0
31.00	Cleaning, Office, and Supplies	0		0	0
32.00	Repairs and Maintenance	0		0	0
33.00	Postage and Delivery	0		0	0
34.00	Workers Compensation	0		0	0
35.00	Continuing Education	0		0	0
35.01	Storage	0		0	0
35.02	Dues and Subscriptions	0		0	0
35.03	Miscellaneous	0		0	0
36.00	SUBTOTAL (sum of lines 11.00 through 35.03)	\$0		\$50,202	\$50,202
37.00	TOTAL ALLOWABLE EXPENSES	\$0		\$50,202	\$50,202
(To Sch. 7, 7-1)					
38.00	NONREIMBURSABLE EXPENSES	\$0		\$0	\$0
<b>TOTAL EXPENSES</b>		<b>\$0</b>		<b>\$50,202</b>	<b>\$50,202</b>

## TRIAL BALANCE OF EXPENSES

HOME OFFICE NAME:  
PAKSN, INC.FISCAL PERIOD ENDED:  
DECEMBER 31, 2009

LINE NO.	COST CENTER DESCRIPTION	REPORTED FUNCTIONAL COSTS	ADJ. NO.	ADJUSTMENT AMOUNT(S)	AUDITED FUNCTIONAL COSTS
<b>CAPITAL-RELATED COSTS - OLD</b>					
1.00	Old Cap. Related-Buildings & Fixtures	\$0		\$0	\$0
2.00	Old Cap. Related-Movable Equipment	0		0	0
3.00	SUBTOTAL (sum of lines 1.00 through 2.00)	\$0		\$0	\$0
<b>CAPITAL-RELATED COSTS - NEW</b>					
4.00	New Cap. Related-Buildings & Fixtures	\$0		\$0	\$0
5.00	New Cap. Related-Movable Equipment	0		0	0
6.00	SUBTOTAL (sum of lines 4.00 through 5.00)	\$0		\$0	\$0
<b>OTHER CAPITAL-RELATED COSTS</b>					
7.00	Insurance	\$0		\$0	\$0
8.00	Taxes and Licenses	0		0	0
9.00	Other	0		0	0
10.00	SUBTOTAL (sum of lines 7.00 through 9.00)	\$0		\$0	\$0
<b>NON CAPITAL-RELATED COSTS</b>					
11.00	Salaries of Officers	\$0		\$0	\$0
12.00	Salaries and Wages - Others	0		0	0
13.00	Payroll Taxes	0		0	0
14.00	Employee Benefits	0		0	0
15.00	Profit Sharing/Pension Plans	0		0	0
16.00	Travel and Entertainment	0		0	0
17.00	Automobile	0		0	0
18.00	Depreciation and Amortization	0		0	0
19.00	Building Rental	0		0	0
20.00	Equipment Rental	0		0	0
21.00	Utilities	0		0	0
22.00	Legal and Accounting	0		0	0
23.00	Telephone and Telegraph	0		0	0
24.00	Insurance	0		0	0
25.00	Taxes and Licenses	0		0	0
26.00	Corporate Maintenance Costs	0		0	0
27.00	Contributions	0		0	0
28.00	Interest Expense	0		0	0
29.00	Outside Services	0		0	0
30.00	Bank Charges	0		0	0
31.00	Cleaning, Office, and Supplies	0		0	0
32.00	Repairs and Maintenance	0		0	0
33.00	Postage and Delivery	0		0	0
34.00	Workers Compensation	0		0	0
35.00	Continuing Education	0		0	0
35.01	Storage	0		0	0
35.02	Dues and Subscriptions	0		0	0
35.03	Miscellaneous	0		0	0
36.00	SUBTOTAL (sum of lines 11.00 through 35.03)	\$0		\$0	\$0
37.00	TOTAL ALLOWABLE EXPENSES	\$0		\$0	\$0
(To Sch. 6, 6-1)					
38.00	NONREIMBURSABLE EXPENSES	\$0		\$0	\$0
<b>TOTAL EXPENSES</b>		<b>\$0</b>		<b>\$0</b>	<b>\$0</b>



Provider Name				Fiscal Period				Provider Number		Adjustments
PAKSN, INC.				JANUARY 1, 2009 THROUGH DECEMBER 31, 2009				N/A		33
Report References						Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
Cost Report			Audit Report							
Adj. No.	DHS 3095 Schedule	Line	Col.	Schedule	Line					
<b>RECLASSIFICATIONS OF REPORTED POOLED COSTS</b>										
1	Not Reported			8	4.00	New Capital Related - Buildings and Fixtures	\$0	\$7,502	\$7,502	
	Not Reported			8	5.00	New Capital Related - Movable Equipment	0	19,071	19,071	
	2	8	6	8	18.00	Depreciation and Amortization	26,573	(26,573)	0	
2	Not Reported			8	7.00	Other Capital Related Costs - Insurance	\$0	\$6,551	\$6,551	
	2	14	6	8	24.00	Insurance	6,551	(6,551)	0	
3	Not Reported			8	8.00	Other Capital Related Costs - Taxes and Licenses	\$0	\$6,145	\$6,145 *	
	2	15	6	8	25.00	Taxes and Licenses	6,145	(6,145)	0	
To reclassify capital related costs for proper cost determination. CMS Pub. 15-1, Sections 2300, 2304, 2306, 2307, and 2806 CMS Pub. 15-2, Section 2408										
4	2	2	6	8	12.00	Salaries and Wages - Others	\$312,861	\$34,199	\$347,060	
	2	3	6	8	13.00	Payroll Taxes	92,656	(34,199)	58,457	
To reclassify an erroneous posting of gross wages as payroll taxes and to agree with the provider's records. CMS Pub. 15-1, Sections 2300 and 2304										
5	2	13	6	8	23.00	Telephone and Telegraph - Pooled	\$93,554	(\$35,505)	\$58,049 *	
	2	13	4	8	23.00	Telephone and Telegraph - Direct	0	35,505	35,505 *	
	Not Reported			7-1	1.00	Bay Point Healthcare Center	0	7,101	7,101 *	
	Not Reported			7-1	4.00	Gateway Care and Rehabilitation Center	0	7,101	7,101 *	
	Not Reported			7-1	8.00	Park Central Care and Rehabilitation Center	0	7,101	7,101 *	
	Not Reported			7-1	9.00	Winsor House Convalescent Hospital	0	7,101	7,101	
	Not Reported			7-1	10.00	Hilltop Care and Rehabilitation Center	0	7,101	7,101 *	
To adjust reported telephone expense pertaining to Telepacific Communication to directly assign to the facilities that incurred the costs. CMS Pub. 15-1, Sections 2300, 2304, and 2307										

\*Balance carried forward from prior/to subsequent adjustments

Provider Name				Fiscal Period				Provider Number		Adjustments
PAKSN, INC.				JANUARY 1, 2009 THROUGH DECEMBER 31, 2009				N/A		33
Report References						Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
Cost Report			Audit Report							
Adj. No.	DHS 3095 Schedule	Line	Col.	Schedule	Line					
<b>RECLASSIFICATIONS OF REPORTED POOLED COSTS</b>										
6	2	13	6	8	23.00	Telephone and Telegraph - Pooled	*	\$58,049	(\$9,113)	\$48,936 *
	2	13	4	8	23.00	Telephone and Telegraph - Direct	*	35,505	9,113	44,618
	Not Reported			7-1	1.00	Bay Point Healthcare Center	*	7,101	365	7,466
	Not Reported			7-1	4.00	Gateway Care and Rehabilitation Center	*	7,101	2,074	9,175
	Not Reported			7-1	6.00	Manteca Care and Rehabilitation Center		0	741	741
	Not Reported			7-1	7.00	Martinez Convalescent Hospital		0	522	522 *
	Not Reported			7-1	8.00	Park Central Care and Rehabilitation Center	*	7,101	865	7,966
	Not Reported			7-1	10.00	Hilltop Care and Rehabilitation Center	*	7,101	4,546	11,647
To adjust reported telephone expense pertaining to Verizon Wireless to directly assign to the facilities that incurred the costs. CMS Pub. 15-1, Sections 2300, 2304, and 2307										
7	2	19	6	8	29.00	Outside Services - Pooled		\$66,878	(\$5,584)	\$61,294 *
	2	19	4	8	29.00	Outside Services - Direct		0	5,584	5,584
	Not Reported			7-1	3.00	Fircrest Convalescent Hospital		0	2,792	2,792
	Not Reported			7-1	7.00	Martinez Convalescent Hospital	*	522	2,792	3,314
To adjust reported outside services expense pertaining to hand recognition time clocks to directly assign to the facilities that incurred the costs. CMS Pub. 15-1, Sections 2300, 2304, and 2307										

\*Balance carried forward from prior/to subsequent adjustments

Provider Name						Fiscal Period		Provider Number		Adjustments
PAKSN, INC.						JANUARY 1, 2009 THROUGH DECEMBER 31, 2009		N/A		33
Report References						Explanation of Audit Adjustments		As Reported	Increase (Decrease)	As Adjusted
Cost Report			Audit Report							
Adj. No.	DHS 3095 Schedule	Line	Col.	Schedule	Line					
<b><u>ADJUSTMENTS TO REPORTED POOLED COSTS</u></b>										
8	2	30	6	8	N/A	Total Expenses To correct the reported total expenses due to the Provider's footing error. CMS Pub. 15-1, Sections 2300 and 2304	\$1,017,004	\$1,290	\$1,018,294	
	2	24	6	8	34.00	Workers Compensation	\$18,290			
9						To adjust workers compensation to the accrual basis. CMS Pub. 15-1, Sections 2300, 2302.1, and 2304		(\$1,073)		
10						To adjust workers compensation due to erroneous basis in the calculation of the premium applicable to the home office employees. CMS Pub. 15-1, Sections 2300 and 2304		(4,394)		
11						To adjust workers compensation due to duplication of the premium payment for the 8/1/09-9/1/09 payroll period. CMS Pub. 15-1, Sections 2300 and 2304		(931)	\$11,892	
	2	4	6	8	14.00	Employee Benefits	\$69,529			
12						To eliminate office lunch/dinner/other expenses not related to patient care and due to lack of documentation. CMS Pub. 15-1, Sections 2300, 2102.3, and 2304		(\$7,491)		
13						To eliminate charges made to employee benefits due to insufficient documentation. CMS Pub. 15-1, Sections 2300 and 2304		(2,354)	\$59,684	
								(\$9,845)		
14	2	15	6	8	8.00	Other Capital Related Costs - Taxes and Licenses To adjust the unsecured taxes to reflect the portion applicable to the home office. CMS Pub. 15-1, Sections 2300 and 2304	*	\$6,145	(\$568)	\$5,577

\*Balance carried forward from prior/to subsequent adjustments

Provider Name				Fiscal Period				Provider Number		Adjustments
PAKSN, INC.				JANUARY 1, 2009 THROUGH DECEMBER 31, 2009				N/A		33
Report References						Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
Cost Report			Audit Report							
Adj. No.	DHS 3095 Schedule	Line	Col.	Schedule	Line					
<b><u>ADJUSTMENTS TO REPORTED POOLED COSTS</u></b>										
	2	6	6	8	16.00	Travel and Entertainment	\$10,531			
15						To eliminate charges made to meals and entertainment due to insufficient documentation. CMS Pub. 15-1, Sections 2300 and 2304		(\$1,304)		
16						To eliminate charges made to travel due to insufficient documentation. CMS Pub. 15-1, Sections 2300 and 2304		(2,361)		
17						To eliminate employee auto allowance in lieu of actual travel expense reimbursements and due to insufficient documentation. CMS Pub. 15-1, Sections 2300 and 2304		<u>(5,173)</u> (\$8,838)	\$1,693	
	2	7	6	8	17.00	Automobile	\$37,934			
18						To eliminate charges made to parking and toll due to insufficient documentation. CMS Pub. 15-1, Sections 2300 and 2304		(\$673)		
19						To eliminate employee auto allowance in lieu of actual travel expense reimbursements and due to insufficient documentation. CMS Pub. 15-1, Sections 2300 and 2304		(12,212)		
20						To eliminate charges made to vehicle expense due to insufficient documentation. CMS Pub. 15-1, Sections 2300 and 2304		<u>(5,321)</u> (\$18,206)	\$19,728	

Provider Name				Fiscal Period				Provider Number		Adjustments
PAKSN, INC.				JANUARY 1, 2009 THROUGH DECEMBER 31, 2009				N/A		33
Report References						Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
Cost Report			Audit Report							
Adj. No.	DHS 3095 Schedule	Line	Col.	Schedule	Line					
<b>RECLASSIFICATIONS OF REPORTED POOLED COSTS</b>										
	2	13	6	8	23.00	Telephone and Telegraph	*	\$48,936		
21						To eliminate charges made to telephone due to insufficient documentation. CMS Pub. 15-1, Sections 2300 and 2304			(\$863)	
22						To eliminate telephone expenses relating to Sprint PCS used by family members as non-allowable costs. CMS Pub. 15-1, Sections 2300, 2102.3, and 2304			(2,322)	
23						To adjust telephone expense to agree with the provider's telephone summary schedule. CMS Pub. 15-1, Sections 2300 and 2304			(480)	
24						To adjust telephone expense to the accrual basis. CMS Pub. 15-1, Sections 2300, 2302.1, and 2304			(10,169)	
									(\$13,834)	
25	2	19	6	8	29.00	Outside Services	*	\$61,294	(\$1,700)	
						To adjust computer consultant expense due to lack of documentation and accrual basis. CMS Pub. 15-1, Sections 2300, 2302.1, and 2304				
26	2	20	6	8	30.00	Bank Charges		\$763	(\$215)	
						To eliminate late fees/finance and overdraft fees charges not related to patient care and interest income reported as interest expense. CMS Pub. 15-1, Sections 2300, 2102.3, and 2304				
									\$548	

\*Balance carried forward from prior/to subsequent adjustments

Provider Name						Fiscal Period		Provider Number		Adjustments
PAKSN, INC.						JANUARY 1, 2009 THROUGH DECEMBER 31, 2009		N/A		33
Report References						Explanation of Audit Adjustments		As Reported	Increase (Decrease)	As Adjusted
Cost Report			Audit Report							
Adj. No.	DHS 3095 Schedule	Line	Col.	Schedule	Line					
<b><u>ADJUSTMENTS TO REPORTED POOLED COSTS</u></b>										
	2	21	6	8	31.00	Cleaning, Office, and Supplies	\$28,198			
27						To eliminate charges made to computer supplies due to insufficient documentation. CMS Pub. 15-1, Sections 2300 and 2304			(\$2,012)	
28						To eliminate charges made to office expense due to insufficient documentation. CMS Pub. 15-1, Sections 2300 and 2304			(1,095)	
29						To eliminate charges made to supplies due to insufficient documentation. CMS Pub. 15-1, Sections 2300 and 2304			<u>(1,404)</u> (\$4,511)	\$23,687
30	2	22	6	8	32.00	Repairs and Maintenance To eliminate repairs and maintenance relating to a tenant not related to patient care and due to lack of documentation. CMS Pub. 15-1, Sections 2300, 2102.3, and 2304	\$4,239		(\$2,387)	\$1,852
31	2	23	6	8	33.00	Postage and Delivery To eliminate charges made to postage and delivery due to insufficient documentation. CMS Pub. 15-1, Sections 2300 and 2304	\$7,154		(\$2,343)	\$4,811
32	2	27	6	8	35.02	Dues and Subscriptions To eliminate charges made to dues and subscriptions due to insufficient documentation. CMS Pub. 15-1, Sections 2300 and 2304	\$922		(\$440)	\$482

Provider Name						Fiscal Period		Provider Number		Adjustments
PAKSN, INC.						JANUARY 1, 2009 THROUGH DECEMBER 31, 2009		N/A		33
Report References						Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
Cost Report			Audit Report							
Adj. No.	DHS 3095 Schedule	Line	Col.	Schedule	Line					
<b><u>ADJUSTMENTS TO REPORTED POOLED COSTS</u></b>										
33	2	28	6	8	35.03	Miscellaneous To eliminate late fees/finance and overdraft fees charges not related to patient care and due to insufficient documentation. CMS Pub. 15-1, Sections 2300, 2102.3, and 2304	\$2,720	(\$2,682)	\$38	