

PLACER COUNTY

Audit Report

HANDICAPPED AND DISABLED STUDENTS PROGRAM

Chapter 1747, Statutes of 1984,
and Chapter 1274, Statutes of 1985

July 1, 2000, through June 30, 2001



STEVE WESTLY
California State Controller

January 2005



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California State Controller

January 21, 2005

The Honorable Katherine Martinis
Auditor-Controller
Placer County
2970 Richardson Drive
Auburn, CA 95603

Dear Ms. Martinis:

The State Controller's Office audited the claim filed by Placer County for costs of the legislatively mandated Handicapped and Disabled Students Program (Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985) for the period of July 1, 2000, through June 30, 2001.

The county claimed \$1,513,142 (\$1,514,142 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$1,376,747 is allowable and \$136,395 is unallowable. The unallowable costs occurred primarily because the county claimed costs that were ineligible for reimbursement, and understated offsetting revenues. The State did not make any payments to the county. The State will pay allowable costs claimed, totaling \$1,376,747, contingent upon available appropriations.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site at www.csm.ca.gov (Guidebook link), and obtain IRC forms by telephone at (916) 323-3562 or by e-mail at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original Signed By:

VINCENT P. BROWN
Chief Operating Officer

VPB:JVB/jj

cc: (See page 2)

cc: Robert Dunstan

Department Director of Administration
Placer County Health and Human Services

Jim Nissen

Fiscal and Budget Operations Manager
Placer County Health and Human Services

James Tilton, Program Budget Manager

Corrections and General Government
California Department of Finance

Zoey Todd

Special Education Program
California Department of Mental Health

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Audit Report

Summary

The State Controller's Office (SCO) audited the claim filed by Placer County for costs of the legislatively mandated Handicapped and Disabled Students Program (Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985) for the period of July 1, 2000, through June 30, 2001. The last day of fieldwork was June 3, 2004.

The county claimed \$1,513,142 (\$1,514,142 less a \$1,000 penalty for filing a late claim) for the mandated program. The audit disclosed that \$1,376,747 is allowable and \$136,395 is unallowable. The unallowable costs occurred primarily because the county claimed costs that were ineligible for reimbursement, and understated offsetting revenues. The State did not make any payments to the county. The State will pay allowable costs claimed, totaling \$1,376,747, contingent upon available appropriations.

Background

Chapter 26 of the *Government Code*, commencing with Section 7570, and *Welfare and Institutions Code* Section 5651 (added and amended by Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985) require counties to participate in the mental health assessment for "individuals with exceptional needs," participate in the expanded Individualized Education Program team, and provide case management services for "individuals with exceptional needs" who are designated as "seriously emotionally disturbed." These requirements impose a new program or higher level of service on counties.

On April 26, 1990, the Commission on State Mandates (COSM) determined that this legislation resulted in state-mandated costs, which are reimbursable pursuant to *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines criteria for reimbursement. COSM adopted *Parameters and Guidelines* on August 22, 1991, and last amended it on August 29, 1996.

In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandated program to assist local agencies in claiming reimbursable costs.

Parameters and Guidelines states that only 10% of mental health treatment costs are reimbursable. However, on September 30, 2002, Assembly Bill 2781 (Chapter 1167, Statutes of 2002) changed the regulatory criteria by stating that the percentage of treatment costs claimed by counties for fiscal year (FY) 2000-01 and prior fiscal years is not subject to dispute by the SCO. As a result, allowable mental health treatment costs for Placer County increased by \$1,239,072 during the audit period.

**Objective,
Scope, and
Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Handicapped and Disabled Students Program for the period of July 1, 2000, through June 30, 2001.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the county's financial statements. Our scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the county's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

The audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Placer County claimed \$1,513,142 (\$1,514,142 less a \$1,000 penalty for filing a late claim) for Handicapped and Disabled Students Program costs. The State did not make any payments to the county. Our audit disclosed that \$1,376,747 is allowable. The State will pay allowable costs claimed, totaling \$1,376,747, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on October 29, 2004. Katherine J. Martinis, CPA, Auditor-Controller, responded by letter dated November 23, 2004 (Attachment), agreeing with the audit results except a portion of Finding 3. The final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of Placer County, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original Signed By:

JEFFREY V. BROWNFIELD

Chief, Division of Audits

**Schedule 1—
Summary of Program Costs
July 1, 2000, through June 30, 2001**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
Assessment costs	\$ 301,940	\$ 300,606	\$ (1,334)	Finding 1
Administrative costs	13,524	13,697	173	Finding 2
Total assessment and placement costs	315,464	314,303	(1,161)	
Offsetting revenues:				
Short-Doyle/Medi-Cal (FFP only)	(53,408)	(49,513)	3,895	Finding 3
EPSDT	(12,613)	(23,165)	(10,552)	Finding 3
State categorical funding	(14,881)	(14,881)	—	
Amount received from others (School district contract)	(12,116)	(12,116)	—	
Net assessment costs	222,446	214,628	(7,818)	
Treatment costs	1,584,332	1,577,742	(6,590)	Finding 1
Administrative costs	96,805	97,498	693	Finding 2
Total treatment costs	1,681,137	1,675,240	(5,897)	
Offsetting revenues:				
Short-Doyle/Medi-Cal (FFP only)	(249,687)	(249,146)	541	Finding 3
EPSDT	(61,669)	(123,781)	(62,112)	Finding 3
State categorical funding	(78,085)	(78,085)	—	
Amount received from others (School district contract)	—	(61,109)	(61,109)	Finding 3
Net treatment costs	1,291,696	1,163,119	(128,577)	
Total costs	1,514,142	1,377,747	(136,395)	
Less late penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$1,513,142</u>	1,376,747	<u>\$ (136,395)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,376,747</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Ineligible treatment costs

The county claimed costs totaling \$7,924 (\$1,334 for assessment services and \$6,590 for treatment services) that are not reimbursable under program guidelines.

The county claimed 75 units of assessment services and 420 units of treatment services (function 70) for crisis intervention.

Parameters and Guidelines specifies that only the following treatment services are reimbursable: individual therapy; collateral therapy and contacts; group therapy; day treatment; and the mental health portion of residential treatment in excess of California Department of Social Services' payments for residential placement.

Recommendation

We recommend that the county ensure all claimed costs are eligible for reimbursement.

County's Response

The county accepts Finding 1.

We believe, however, that Crisis Intervention services are eligible for reimbursement under this claim and that the *Parameters and Guidelines* as written are incorrect. We understand that the Commission has received a test claim to amend the *Parameters and Guidelines* on this point and will await the Commission's action.

SCO's Comment

The finding and recommendation remain unchanged.

Reimbursement of costs for crisis intervention would be dependent on COSM's adoption of proposed amendments to *Parameters and Guidelines*. Based on the dates that the activities were incorporated into proposed amendments, we believe that crisis intervention would be reimbursable beginning with FY 2002-03, if adopted.

**FINDING 2—
Understated
administrative costs**

The county understated administrative costs by \$866 (\$173 for assessment services and \$693 for treatment services) because it incorrectly calculated productive hourly rates using misstated annual wage and benefit amounts.

Parameters and Guidelines specifies that only actual increased costs incurred in the performance of mandated activities are reimbursable.

Recommendation

We recommend that the county ensure actual costs incurred as a result of the mandate are properly claimed.

County's Response

The county accepts Finding 2.

SCO's Comment

The finding and recommendation remain unchanged.

**FINDING 3—
Understated offsetting
revenues**

The county understated offsets of its Federal Financing Participation (FFP) share of Short-Doyle/Medi-Cal revenue, Early Periodic Screening, Diagnosis, and Treatment (EPSDT) revenue, and other funding received from school district contracts totaling \$129,337.

The adjusted revenues are summarized as follows:

Assessment costs:	
Short-Doyle/Medi-Cal (FFP only)	\$ 3,895
EPSDT	<u>(10,552)</u>
Total assessment costs	<u>(6,657)</u>
Treatment services costs:	
Short-Doyle/Medi-Cal (FFP only)	541
EPSDT	(62,112)
Other (school district contract)	<u>(61,109)</u>
Total treatment services costs	<u>(122,680)</u>
Total audit adjustment	<u>\$ (129,337)</u>

The county used incorrect allocation factors of 51.36% rather than 51.355% to determine Short-Doyle/Medi-Cal revenues, and 28% rather than 32.44% for EPSDT revenues applicable to the mandated program. In addition, due to a claim preparation error, the county did not include \$61,109 received from a school district contract for reimbursable treatment services as offsetting revenues.

Parameters and Guidelines states that any direct payments (categorical funding) received from the State which are specifically allocated to this program, and any other reimbursements received as a result of the mandate, shall be deducted from the claim.

Recommendation

We recommend that the county ensure all applicable reimbursements are offset against reimbursable costs incurred.

County's Response

We concur with finding 3 with respect to the following:

- a. The recalculation of Short-Doyle/Mcal FFP offsetting revenue and;
- b. The increase in offsetting revenue of \$61,109 that was incorrectly omitted in the calculation of lines 14 and 15.

We do not concur with finding 3 with respect to the recalculation of offsetting revenue EPSDT in the amounts of \$10,552 and 62,112, respectively.

This adjustment does not take into account the level program services funded by "Short-Doyle" realignment dollars when the EPSDT baseline was established for 1994-95. Program services constituted 84.65% of the 1994-95 EPSDT Cost Settled baseline (see attachment A – determination of "Program share of EPSDT Baseline FY94-95"). The balance of 15.35% (100% - 84.65%) will generate offsetting revenues – EPSDT.

The table below displays the Controller's calculation of EPSDT revenues and the proposed amount taking into account the level of realignment funding of Program services when EPSDT was implemented.

Per Controller file: Final Placer County Offsetting revenues.xls			Proposed
Component	Total MediCal Value for EPSDT	EPSDT eff rate 32.44%	EPSDT rate adj for baseline 15.35%
Assessment	\$ 71,404	23,165.00	10,960.51
Treatment	\$ 381,574	123,781.00	58,571.61

SCO's Comment

The finding and recommendation remain unchanged.

The FY 1994-95 Cost Settled baseline amount does not represent the FY 2000-01 EPSDT settlement amount as published by the California Department of Mental Health (DMH). The EPSDT reimbursement percentage was determined by dividing the EPSDT net settlement amount (cost less baseline) by the actual Cost Settled EPSDT Short-Doyle/Medi-Cal costs for FY 2000-01. These amounts are calculated by DMH and reported for all counties each fiscal year.

For FY 2000-01, the county received EPSDT reimbursements totaling \$715,189 from DMH. This amount represents 32.44% of the county's EPSDT Short-Doyle/Medi-Cal costs of \$2,206,468 for FY 2000-01. This reimbursement percentage is then applied to all applicable costs associated with Medi-Cal.

**Attachment—
County’s Response to
Draft Audit Report**



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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Auditor-Controller
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Assistant Auditor-Controller
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November 23, 2004

Jim L. Spano, Chief
Compliance Audits Bureau
Division of Audits
California State Controller's Office
P.O. Box 942850
Sacramento, CA 94258-5874

Response to the Audit of Handicapped and Disabled Students Program (Program) for the period of July 1, 2000 through June 30, 2001

Dear Mr. Spano:

We accept audit findings 1 and 2. We believe, however, that Crisis Intervention services are eligible for reimbursement under this claim and that the Parameters and Guidelines as written are incorrect. We understand that the Commission has received a test claim to amend the Parameters and Guidelines on this point and will await the Commission's action.

We concur with finding 3 with respect to the following:

- a. the recalculation of Short-Doyle/Mcal FFP offsetting revenue and;
- b. the increase in offsetting revenue of \$61,109 that was incorrectly omitted in the calculation of lines 14 and 15.

We do not concur with finding 3 with respect to the recalculation of offsetting revenue EPSDT in the amounts of \$10,552 and 62,112, respectively.

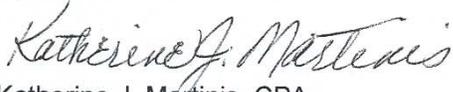
This adjustment does not take into account the level program services funded by "Short-Doyle" realignment dollars when the EPSDT baseline was established for 1994-95. Program services constituted 84.65% of the 1994-95 EPSDT Cost Settled baseline (see attachment A – determination of "Program share of EPSDT Baseline FY94-95"). The balance of 15.35% (100% - 84.65%) will generate offsetting revenues – EPSDT.

The table below displays the Controller's calculation of EPSDT revenues and the proposed amount taking into account the level of realignment funding of Program services when EPSDT was implemented.

Per Controller file: Final Placer County Offsetting revenues.xls			Proposed
Component	Total MediCal Value for EPSDT	EPSDT eff rate 32.44%	EPSDT rate adj for baseline 15.35%
Assessment	\$ 71,404	23,165.00	10,960.51
Treatment	\$ 381,574	123,781.00	58,571.61

If you have additional questions, please contact my office or Jim Nissen at (530) 886-2813.

Sincerely,



Katherine J. Martinis, CPA
Auditor-Controller
County of Placer

cc: Bob Dunstan
Jim Nissen

Placer County
Mandate Costs - Handicapped and Disabled Students
Program share of EPSDT Baseline FY94-95

Component Assessment

Provider	Prov No.	S.F. Codes	Units	Cost per Unit	Total Cost	MediCal units	EPSDT: lower of Cost or SMA/Unit	EPSDT Settlement Actual Cost
Auburn	3104	10/85	120	\$ 73.9000	\$ 8,868	92	\$ 73.9000	\$ 6,822
Auburn	3104	15/30	4,800	\$ 2.7200	\$ 13,056	2,803	\$ 1.7100	\$ 4,794
Roseville	3111	10/95	240	\$ 47.7100	\$ 11,450	159	\$ 47.7100	\$ 7,604

Residential Placement

Provider	Prov No.	S.F. Codes	Units	Cost per Unit	Total Value @ Cost	MediCal units	EPSDT: lower of Cost or SMA/Unit	EPSDT Settlement Actual Cost
Auburn	3104	15/30	25,920	\$ 2.7200	\$ 70,502	15,138	\$ 1.7100	\$ 25,886

Other

Provider	Prov No.	S.F. Codes	Units	Cost per Unit	Total	MediCal units	EPSDT: lower of Cost or SMA/Unit	EPSDT Settlement Actual Cost
Auburn	3104	10/85	180	\$ 73.9000	\$ 13,302	138	\$ 73.9000	\$ 10,233
Auburn	3104	15/30	7,200	\$ 2.7200	\$ 19,584	4,205	\$ 1.7100	\$ 7,190
Auburn	3104	15/10	28,560	\$ 2.1700	\$ 61,975	18,413	\$ 1.7100	\$ 31,485
Roseville	3111	15/10	8,733	\$ 2.1700	\$ 18,950	4,780	\$ 1.7100	\$ 8,174
Roseville	3111	10/95	360	\$ 47.7100	\$ 17,176	239	\$ 47.7100	\$ 11,406

Treatment

Provider	Prov No.	S.F. Codes	Units	Cost per Unit	Total	MediCal units	EPSDT: lower of Cost or SMA/Unit	EPSDT Settlement Actual Cost
Auburn	3104	10/85	3,146	\$ 73.9000	\$ 232,489	2,420	\$ 73.9000	\$ 178,854
Auburn	3104	15/30	37,060	\$ 2.7200	\$ 100,803	21,644	\$ 1.7100	\$ 37,011
Auburn	3104	15/10	28,560	\$ 2.1700	\$ 61,975	18,413	\$ 1.7100	\$ 31,485
Auburn	3104	15/60	5,096	\$ 3.3800	\$ 17,224	2,985	\$ 3.1800	
Roseville	3111	15/10	8,733	\$ 2.1700	\$ 18,950	4,780	\$ 1.7100	\$ 8,174
Roseville	3111	15/30	42,900	\$ 2.7200	\$ 116,688	24,264	\$ 1.7100	\$ 41,491
Roseville	3111	15/60	2,884	\$ 3.3800	\$ 9,748	1,544	\$ 3.1800	
Roseville	3111	10/95	3,508	\$ 47.7100	\$ 167,367	2,330	\$ 47.7100	\$ 111,143
Auburn	3104	15/01	3,405	\$ 1.8600	\$ 6,333	2,760	\$ 1.3300	\$ 3,671
Roseville	3111	15/01	90	\$ 1.8600	\$ 167	90	\$ 1.3300	\$ 120

Total EPSDT Settlement value \$ 525,543

94/95 ESPDT Cost Settled baseline \$ 620,819

SB90 services % of baseline 84.65%

(May 21, 1999 DMH final settlement ltr)

**State Controller's Office
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