

SANTA BARBARA COUNTY

Revised Audit Report

HANDICAPPED AND DISABLED STUDENTS PROGRAM

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

July 1, 2000, through June 30, 2003



STEVE WESTLY
California State Controller

December 2006



STEVE WESTLY
California State Controller

December 20, 2006

The Honorable Robert W. Geis
Auditor-Controller
Santa Barbara County
105 East Anapamu Street, Room 303
Santa Barbara, CA 93102

Dear Mr. Geis:

The State Controller's Office audited the claims filed by Santa Barbara 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, 2003. This final report supersedes the original final report issued September 23, 2005.

We are reissuing the report to increase allowable costs by \$204,692 as a result of the Commission on State Mandates (COSM) adopting *Parameters and Guidelines* for the Handicapped and Disabled Students II Program. This program was adopted subsequent to our issuing the original final report. Under the newly adopted program guidelines, medication support costs are reimbursable beginning in fiscal year 2001-02.

The county claimed \$5,242,338 for the mandated program. Our audit disclosed that \$3,940,552 is allowable and \$1,301,786 is unallowable. The unallowable costs occurred primarily because the county claimed ineligible costs and overstated units of service. The State paid the county \$1,279,455. The State will pay allowable costs claimed that exceed the amount paid, totaling \$2,661,097, contingent upon available appropriations.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the 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); you may 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:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/ams:vb

cc: James L. Broderick, Ph.D., Director
Department of Alcohol, Drug, and
Mental Health Services
Santa Barbara County
Carrie Topliffe, Chief
Fiscal Services Division
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Revised Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by Santa Barbara 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, 2003. The last day of fieldwork was December 9, 2005.

The county claimed \$5,242,338 for the mandated program. The audit disclosed that \$3,940,552 is allowable and \$1,301,786 is unallowable. The unallowable costs occurred primarily because the county claimed ineligible costs and overstated units of service. The State paid the county \$1,279,455. The State will pay allowable costs claimed that exceed the amount paid, totaling \$2,661,097, 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 on the expanded Individualized Education Program (IEP) 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 Chapter 1747, Statutes of 1984, resulted in state-mandated costs that are reimbursable pursuant to *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on August 22, 1991, and it was last amended on August 29, 1996. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, 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. Furthermore, this legislation states that, for claims filed in FY 2001-02 and thereafter, counties are not required to provide any share of those costs or to fund the cost of any part of these services with money received from the Local Revenue Fund established by *Welfare and Institutions Code* Section 17600 et seq. (realignment funds). Furthermore, Senate Bill 1895 (Chapter 493, Statutes of 2004) states that realignment funds used by counties for the Handicapped and Disabled Students Program "are eligible for

reimbursement from the state *for all allowable costs* to fund assessments, psychotherapy, and other mental health services . . .” and that the finding by the Legislature is “declaratory of existing law.” (Emphasis added.)

On May 26, 2005, the COSM adopted a *Statement of Decision* for the Handicapped and Disabled Students II Program that incorporates the above legislation and further identified medication support as a reimbursable costs effective July 1, 2001. The COSM adopted the *Parameters and Guidelines* for this new program on December 9, 2005, and made technical corrections to it on July 21, 2006. *Parameters and Guidelines* for the Handicapped and Disabled Students II Program states that “Some costs disallowed by the State Controller’s Office in prior years are now reimbursable beginning July 1, 2001 (e.g., medication monitoring). Rather than claimants re-filing claims for those costs incurred beginning July 1, 2001, the State Controller’s Office will reissue the audit reports.” Consequently, this report excludes any adjustments for medication support costs commencing July 1, 2001.

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, 2003.

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. We limited our audit scope 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

Our 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, Santa Barbara County claimed \$5,242,338 for costs of the Handicapped and Disabled Students Program. Our audit disclosed that \$3,940,552 is allowable and \$1,301,786 is unallowable.

For FY 2000-01, the State paid the county \$986,116. Our audit disclosed that \$1,074,550 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$88,434, contingent upon available appropriations.

For FY 2001-02, the State paid the county \$293,310. Our audit disclosed that \$1,473,320 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,180,010, contingent upon available appropriations.

For FY 2002-03, the State paid the county \$29. Our audit disclosed that \$1,392,682 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,392,653, contingent upon available appropriations.

Views of Responsible Official

We issued a draft audit report on April 22, 2005. James Broderick, Director, Department of Alcohol, Drug, and Mental Health Services, responded by letter dated June 6, 2005, disagreeing with Finding 1 and agreeing with the remaining findings. The county's response is included as an attachment to this final audit report.

Subsequent to issuance of our final report dated September 23, 2005, the COSM adopted *Parameters and Guidelines* for the Handicapped and Disabled Students II Program. Under the newly adopted program guidelines, medication support costs are reimbursable beginning in FY 2001-02. This change impacts Findings 1, 3, and 4, increasing allowable costs by \$204,692.

On October 20, 2006, we informed Lupe Reyna-Coffin, Chief Fiscal Officer, Santa Barbara County Alcohol, Drug, and Mental Health Services, of the audit adjustments and reissuance of the final audit report. She concurred with the revised findings.

Restricted Use

This report is solely for the information and use of Santa Barbara 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

**Revised Schedule 1—
Summary of Program Costs
July 1, 2000, through June 30, 2003**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Assessment and case management costs	\$ 894,075	\$ 1,838,507	\$ 944,432	Findings 1, 3
Administrative costs	70,827	104,427	33,600	Finding 4
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	—	(503,883)	(503,883)	Finding 3
EPSDT funds	—	(401,753)	(401,753)	Finding 3
State categorical funds	—	(69,529)	(69,529)	Finding 5
Realignment funds	—	—	—	
Net assessment and case management costs	<u>964,902</u>	<u>967,769</u>	<u>2,867</u>	
Treatment costs	1,471,666	2,258,075	786,409	Findings 1, 3
Administrative costs	5,938	58,608	52,670	Finding 4
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	—	(647,323)	(647,323)	Finding 3
EPSDT funds	—	(516,119)	(516,119)	Finding 3
State categorical funds	—	(85,432)	(85,432)	Finding 5
Realignment funds	<u>(1,329,844)</u>	<u>(961,028)</u>	<u>368,816</u>	Finding 6
Net treatment costs	<u>147,760</u>	<u>106,781</u>	<u>(40,979)</u>	
Total program costs	<u>\$ 1,112,662</u>	1,074,550	<u>\$ (38,112)</u>	
Less amount paid by the State		<u>(986,116)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 88,434</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Assessment and case management costs	\$ 716,218	\$ 1,594,903	\$ 878,685	Findings 1, 2, 3
Administrative costs	65,007	107,018	42,011	Finding 4
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	—	(510,692)	(510,692)	Finding 3
EPSDT funds	—	(427,167)	(427,167)	Finding 3
State categorical funds	—	(72,099)	(72,099)	Finding 5
Realignment funds	—	—	—	
Net assessment and case management costs	<u>781,225</u>	<u>691,963</u>	<u>(89,262)</u>	
Treatment costs	1,806,659	2,141,469	334,810	Findings 1, 2, 3
Administrative costs	99,809	46,709	(53,100)	Finding 4
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	—	(720,935)	(720,935)	Finding 3
EPSDT funds	—	(603,024)	(603,024)	Finding 3
State categorical funds	—	(82,862)	(82,862)	Finding 5
Realignment funds	—	—	—	
Net treatment costs	<u>1,906,468</u>	<u>781,357</u>	<u>(1,125,111)</u>	
Total program costs	<u>\$ 2,687,693</u>	1,473,320	<u>\$ (1,214,373)</u>	
Less amount paid by the State		<u>(293,310)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,180,010</u>		

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
July 1, 2002, through June 30, 2003				
Assessment and case management costs	\$ 543,530	\$ 1,614,140	\$ 1,070,610	Findings 1, 2, 3
Administrative costs	41,874	138,332	96,458	Finding 4
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	—	(613,947)	(613,947)	Finding 3
EPSDT funds	—	(513,135)	(513,135)	Finding 3
State categorical funds	—	—	—	
Realignment funds	—	—	—	
Net assessment and case management costs	585,404	625,390	39,986	
Treatment costs	821,906	2,297,061	1,475,155	Findings 1, 2, 3
Administrative costs	34,673	76,831	42,158	Finding 4
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	—	(876,514)	(876,514)	Finding 3
EPSDT funds	—	(730,086)	(730,086)	Finding 3
State categorical funds	—	—	—	
Realignment funds	—	—	—	
Net treatment costs	856,579	767,292	(89,287)	
Total program costs	\$ 1,441,983	1,392,682	\$ (49,301)	
Less amount paid by the State		(29)		
Allowable costs claimed in excess of (less than) amount paid		\$ 1,392,653		
Summary: July 1, 2000, through June 30, 2003				
Assessment and case management costs	\$ 2,153,823	\$ 5,047,550	\$ 2,893,727	Findings 1, 2, 3
Administrative costs	177,708	349,777	172,069	Finding 4
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	—	(1,628,522)	(1,628,522)	Finding 3
EPSDT funds	—	(1,342,055)	(1,342,055)	Finding 3
State categorical funds	—	(141,628)	(141,628)	Finding 5
Realignment funds	—	—	—	
Net assessment and case management costs	2,331,531	2,285,122	(46,409)	
Treatment costs	4,100,231	6,696,605	2,596,374	Findings 1, 2, 3
Administrative costs	140,420	182,148	41,728	Finding 4
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	—	(2,244,772)	(2,244,772)	Finding 3
EPSDT funds	—	(1,849,229)	(1,849,229)	Finding 3
State categorical funds	—	(168,294)	(168,294)	Finding 5
Realignment funds	(1,329,844)	(961,028)	368,816	Finding 6
Net treatment costs	2,910,807	1,655,430	(1,255,377)	
Total program costs	\$ 5,242,338	3,940,552	\$(1,301,786)	
Less amount paid by the State		(1,279,455)		
Allowable costs claimed in excess of (less than) amount paid		\$ 2,661,097		

¹ See the Revised Findings and Recommendations section.

Revised Findings and Recommendations

**FINDING 1—
Ineligible costs
claimed**

The county claimed costs totaling \$968,858 for various services that are ineligible for reimbursement.

- The county claimed costs for services that were reimbursed through other federal or state funding to other county departments, such as Probation and Social Services. Many of these services were provided to clients in Juvenile Hall or detention camps.
- The county claimed costs for crisis intervention, emergent concern, and therapeutic behavioral services, all of which are ineligible. The county also claimed costs for medication monitoring, which are ineligible for FY 2000-01.
- The county inadvertently claimed employee time coded in its accounting records as non-billable (ineligible).

Parameters and Guidelines for the Handicapped and Disabled Students Program specifies that only actual increased costs incurred in the performance of the mandated activities and adequately documented are reimbursable.

Parameters and Guidelines also 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. *Parameters and Guidelines* for the Handicapped and Disabled Students II Program allows costs for medication monitoring commencing in FY 2001-02.

Further, in its April 26, 1990, Statement of Decision on the claim of Santa Clara County, the Commission on State Mandates (COSM) determined that involuntarily detained juvenile offenders are specifically targeted as priority populations and do not qualify for Individualized Education Program (IEP)-related mental health services.

As a result, we have adjusted claimed costs for ineligible services as follows.

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Assessment/case management costs:				
Juvenile Hall/detention camps	\$ (32,999)	\$ (34,355)	\$ (29,879)	\$ (97,233)
Non-billable employee time	(3,650)	(148)	—	(3,798)
Total assessment/case management costs	(36,649)	(34,503)	(29,879)	(101,031)
Treatment:				
Juvenile Hall/detention camps	(152,720)	(124,645)	(178,001)	(455,366)
Medication monitoring	(145,547)	—	—	(145,547)
Crisis intervention	(50,411)	(20,028)	(18,660)	(89,099)
Emergent concern	(82,223)	(17,295)	(4,559)	(104,077)
Therapeutic behavioral services	(43,054)	(19,256)	(11,428)	(73,738)
Total treatment	(473,955)	(181,224)	(212,648)	(867,827)
Audit adjustment	\$ (510,604)	\$ (215,727)	\$ (242,527)	\$ (968,858)

Recommendation

We recommend that the county ensure that costs claimed are eligible increased costs incurred as a result of the mandate and are supported by appropriate documentation.

County's Response

A summary of the county's response follows.

- The county stated that services rendered to Probation Department clients are separately tracked and reimbursed under a Memorandum of Understanding (MOU). Thus, the auditor's exclusion of the costs of the services is in error and violates the terms of the MOU.
- The county stated that it limited claimed costs for medication monitoring, crisis intervention, emergent concern, and therapeutic behavioral services to the cost of physician and nursing activities related to medication management, and did not claim the cost of the actual medications. Medication management activities are eligible under provisions of the *California Code of Regulations* and the *Government Code*.

The county stated that crisis intervention costs claimed represent mental health outpatient services provided to temporarily acute clients in the normal course of mental health treatment, and that these costs do not include psychiatric emergency visits. The county believes that the SCO auditor disallowed these costs due to a misinterpretation of the types of costs in this classification.

- The county agreed that some non-billable employee time was inadvertently claimed.

SCO's Comment

The finding has been updated to allow medication monitoring costs beginning in FY 2001-02.

Subsequent to issuance of our final report dated September 23, 2005, the COSM adopted *Parameters and Guidelines* for the Handicapped and Disabled Students II Program. Under the newly adopted program guidelines, medication support costs are reimbursable beginning (FY) 2001-02. Consequently, in the ineligible costs decreased by \$136,152, from \$1,105,010 to \$968,858.

The finding remains unchanged with regards to the county's first two bulleted items, with the exception of medication monitoring.

We disagree with the county's arguments noted in the first two bulleted items above, as follows.

- The COSM has ruled that involuntarily detained juvenile offenders do not qualify for IEP-related mental health services. In addition, *Parameters and Guidelines* for the Handicapped and Disabled

Students Program specifies that any reimbursements received as a result of mandated activities must be deducted from the claims.

- As currently amended, *Parameters and Guidelines* for the Handicapped and Disabled Students Program does not list crisis intervention, emergent concern, or therapeutic behavioral services costs as reimbursable activities, and therefore they remain unallowable.

**FINDING 2—
Unsupported units of
service claimed**

For FY 2001-02 and FY 2002-03, the county inadvertently claimed \$1,080,241 in costs for units of service that exceeded the units supported by the county’s management information system database.

Parameters and Guidelines for the Handicapped and Disabled Students Program specifies that only actual increased costs incurred in the performance of the mandated activities that are adequately documented are reimbursable.

As a result, we have adjusted claimed costs to reflect actual services provided, as follows.

	Fiscal Year		Total
	2001-02	2002-03	
Assessment/case management costs	\$ (81,150)	\$ (93,960)	\$ (175,110)
Treatment costs	(887,655)	(17,476)	(905,131)
Audit adjustment	<u>\$ (968,805)</u>	<u>\$ (111,436)</u>	<u>\$ (1,080,241)</u>

Recommendation

We recommend that the county ensure that costs claimed are eligible increased costs incurred as a result of the mandate and are supported by appropriate documentation.

County’s Response

The county agreed with the finding.

SCO’s Comment

The finding and recommendation remain unchanged.

**FINDING 3—
Costs for Medi-Cal
services not claimed**

The county did not claim costs of services, totaling \$474,622, provided to Medi-Cal clients. The county could not explain why Medi-Cal services were omitted from its claimed costs. These costs are largely reimbursed from Short-Doyle/Medi-Cal funds (federal financial participation share) and from state matching funds received from the California Department of Mental Health under the Early Periodic Screening, Diagnosis, and Treatment (EPSDT) Program, but the unfunded portion is allowable to the extent the services are allowable.

Parameters and Guidelines for the Handicapped and Disabled Students Program specifies that actual increased costs incurred in the performance of the mandated activities and adequately documented are reimbursable.

Parameters and Guidelines for the Handicapped and Disabled Students Program also specifies that any direct payments received from the State that are specifically allocated to the program, and any other reimbursements received as a result of the mandate, must be deducted from the claims.

As a result, we have adjusted claimed costs and related revenue offsets as follows.

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Assessment/case management costs	\$ 981,081	\$ 994,338	\$1,194,449	\$ 3,169,868
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(503,883)	(510,692)	(613,947)	(1,628,522)
EPSDT funds	(401,753)	(427,167)	(513,135)	(1,342,055)
Net assessment/case management costs	75,445	56,479	67,367	199,291
Treatment costs	1,260,364	1,403,689	1,705,279	4,369,332
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(647,323)	(720,935)	(876,514)	(2,244,772)
EPSDT funds	(516,119)	(603,024)	(730,086)	(1,849,229)
Net treatment costs	96,922	79,730	98,679	275,331
Audit adjustment	\$ 172,367	\$ 136,209	\$ 166,046	\$ 474,622

Recommendation

We recommend that the county ensure that costs claimed are eligible increased costs incurred as a result of the mandate and are supported by appropriate documentation.

County's Response

The county agreed with the finding.

SCO's Comment

The finding has been updated to allow medication support costs for FY 2001-02 and FY 2002-03.

Subsequent to issuance of our final report dated September 23, 2005, the COSM adopted *Parameters and Guidelines* for the Handicapped and Disabled Students II Program. Under the newly adopted program guidelines, medication support costs are reimbursable beginning FY 2001-02. The allowance of medication support costs increased costs by \$29,563, from \$445,059 to \$474,622. The finding and recommendation remain unchanged with regard to the county claiming Medi-Cal services.

**FINDING 4—
Claimed
administrative costs
misstated**

The county understated administrative costs by \$213,797 because it made various computation errors of reimbursable administrative costs.

- The county used estimated rather than actual amounts of federal and state reimbursements as offsets to claimed administrative costs.
- The county did not offset administrative costs with reimbursements from other sources.
- The county did not include the cost of services provided to Medi-Cal clients when computing its administrative overhead rate.
- For FY 2000-01, the county reduced its administrative costs allocable to treatment services by 90%, and then reduced its total treatment costs by 90%, resulting in administrative costs claimed for treatment services at only 1% of actual costs.

Parameters and Guidelines for the Handicapped and Disabled Students Program specifies that only actual increased costs incurred in the performance of the mandated activities and adequately documented are reimbursable.

We have recomputed allowable administrative costs and made the following adjustments, which also reflect the adjustments made in Findings 1 through 3 above.

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Administrative costs:				
Assessment/case management costs	\$ 33,600	\$ 42,011	\$ 96,458	\$ 172,069
Treatment costs	52,670	(53,100)	42,158	41,728
Audit adjustment	\$ 86,270	\$ (11,089)	\$ 138,616	\$ 213,797

Recommendation

We recommend that the county ensure that administrative costs are properly computed and claimed.

County’s Response

The county agreed with the finding.

SCO’s Comment

The finding has been updated to allow medication support costs for FY 2001-02 and FY 2002-03.

Subsequent to issuance of our final report dated September 23, 2005, the COSM adopted *Parameters and Guidelines* for the Handicapped and Disabled Students II Program. Under the newly adopted program guidelines, medication support costs are reimbursable beginning FY 2001-02. Allowance of medication support costs increased administrative costs by \$38,977. The finding remains unchanged with regards to the errors in the administration computations.

**FINDING 5—
Offsetting revenues
not deducted from
claimed costs**

For FY 2000-01 and FY 2001-02, the county did not report \$309,922 of Special Education Pupil (SEP) categorical funds, also known as AB 3632 funds, received from the State as an offset to claimed costs.

Parameters and Guidelines for the Handicapped and Disabled Students Program specifies that any direct payments (categorical funds) received from the State that are specifically allocated to the program, and any other reimbursements received as a result of the mandate, must be deducted from the claims.

As a result, we have adjusted claimed revenue offsets as indicated below. We distributed the revenues between assessment/case management costs and treatment costs in direct proportion to costs allowable under each category.

	Fiscal Year		Total
	2000-01	2001-02	
Offsetting revenues:			
State categorical funds (SEP)			
Assessment/case management costs	\$ (69,529)	\$ (72,099)	\$ (141,628)
Treatment costs	(85,432)	(82,862)	(168,294)
Audit adjustment	<u>\$ (154,961)</u>	<u>\$ (154,961)</u>	<u>\$ (309,922)</u>

Recommendation

We recommend that the county ensure that SEP funds are reported as offsets to program costs and allocated equitably to all mental health services for which the funds were intended.

County’s Response

The county agreed with the finding.

SCO’s Comment

The finding and recommendation remain unchanged.

**FINDING 6—
Non-reimbursable
treatment costs
overstated**

The county offset 90% of treatment costs by realignment funds. However, since we adjusted the amount of allowable treatment costs in Findings 1 through 5 above, the county’s required offset is overstated by \$368,816.

Parameters and Guidelines for the Handicapped and Disabled Students Program specifies that 10% of mental health treatment costs covered by the State’s Short-Doyle Act are reimbursable.

We have computed the required adjustment to allowable net treatment costs claimed, as follows.

	Fiscal Year
	2000-01
Audit adjustments to treatment costs in Findings 1 through 5	\$ (409,795)
Required offset to treatment costs	× 90%
Audit adjustment	<u>\$ 368,816</u>

Recommendation

No recommendation is necessary, because the adjustment resulted from Findings 1 through 5 presented in this report.

County's Response

The county agreed with the finding, but stated that it should be modified to reflect any changes to Findings 1 through 5.

SCO's Comment

As no changes have been made to Findings 1 through 5, this finding and recommendation also remain unchanged.

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



COUNTY OF SANTA BARBARA

Making a Difference Since 1962

Alcohol, Drug & Mental Health Services
Administration

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James L. Broderick, Ph.D.
Director

June 6, 2005

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Sacramento, CA 94250-5874

Dear Mr. Spano:

The State Controller's Office conducted a field audit of the claims filed by Santa Barbara County – Alcohol Drug and Mental Health Services for costs of the legislatively mandated Handicapped and Disabled Students Program (Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985). The audit period covered three fiscal years; 2000-01, 2001-02, and 2002-03. The total net disallowance stated in the draft audit report totaled \$1,506,478.

We have carefully examined the issues raised in the State Controller's draft findings, dated April 22, 2005, and are submitting our response to each issue. We request that our response be considered when the State Controller issues a final audit report.

FINDING 1: Ineligible costs claimed (Disallowance Amount \$1,105,010).

(a) The county claimed costs for services that were reimbursed through other federal or state funding to other county departments, such as Probation or Social Services. Many of those services were provided to clients in Juvenile Hall or detention camps.

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(b) The county claimed costs for medication monitoring, crisis intervention, emergent concern, and therapeutic behavior services, which are ineligible.

(c) The county inadvertently claimed employee time coded in its accounting records as non-billable (ineligible).

RESPONSE:

(a) Revenue from County Departments – The County strongly disagrees with the conclusion of the State Controller and their adjustment to eliminate costs characterized as services/costs being reimbursed by other County departments. Services rendered to Probation department clients are separately tracked and reimbursed under the terms and agreements of a Memorandum of Understanding (MOU). The MOU in its statement of work specifically identifies Probation clients as the unique target population for these services. Thus the field auditor’s proposed adjustment to exclude units of services related to SB90 eligible clients is in error and violates the agreements made under the MOU. State mandate reimbursement is a constitutionally guaranteed right that locals are granted by Article XIIIb, Section 6 of the State Constitution.

(b) Claimed costs for medication monitoring, crisis intervention, emergent concern, and therapeutic behavior services – The County limited its claim to include only the cost of physician and nursing activities related to the assessment and prescription of psychiatric medications, also referred to as *medication management*.

The costs of the actual medications specifically identified as “unallowable AB3632 costs”, were appropriately excluded from the claim. State mandated costs claiming for medication support activities is supported by the applicable regulations; Title 2, Division 9, Chapter 1 of California Code of Regulations, Section 60020; Government code 7576; and Interagency Responsibilities Code of Regulations.

Reduction amount: plus flow-through impact

15/70 Crisis Intervention – The County objects to the disallowance of these costs. These are mental health outpatient services provided to temporarily acute clients in the normal course of mental health treatment and are included as a sub-function of the “mental health services” function code. It is our position that this portion of the disallowance was the result of misinterpretation by the State Controller of the types of costs categorized under this service function code. These costs do not include psychiatric emergency visits.

Reduction amount: plus flow-through impact

(c) Non-billable time inadvertently claimed: The County concurs with this finding, based on our review of the documentation.

FINDING 2: Unsupported units of service claimed (Disallowance Amount \$1,080,241)

RESPONSE: The County concurs with this finding. The computation of actual costs in the preparation of the claim for fiscal year 2001-02 inadvertently duplicated units of service.

FINDING 3: Costs for Medi-Cal services not claimed (Adjustment: Increased revenue of \$445,059)

RESPONSE: The County concurs with this finding, based on our review of the documentation.

FINDING 4: Claimed administrative costs misstated (Adjustment: Increase in our claimable costs of \$174,820)

RESPONSE: The County concurs with this finding, based on our review of the documentation.

FINDING 5: Offsetting revenues (SEP AB 3632 Funds for 00-01 and 01-02) not properly deducted from claimed costs (Disallowance \$309,922)

RESPONSE: The County concurs with this finding. The offsetting revenues were inadvertently omitted from deductions from claimed costs.

FINDING 6: Non-reimbursable treatment costs overstated

RESPONSE: This flow-through adjustment reflects the impact to the 90% offset of treatment expenses resulting from Findings 1 – 5.

We appreciate the opportunity to provide this input and look forward to a fair and equitable resolution of these findings prior to the issuance of the final audit report.

Sincerely,

James L. Broderick PhD / by J. Pando
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Director *Adm.H.S.*
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