

# STANISLAUS 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, 2002*



STEVE WESTLY  
California State Controller

March 2006



**STEVE WESTLY**  
California State Controller

March 30, 2006

The Honorable Larry D. Haugh  
Auditor-Controller  
Stanislaus County  
P.O. Box 770  
Modesto, CA 95353-0770

Dear Mr. Haugh:

The State Controller's Office audited the costs claimed by Stanislaus County for 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, 2002.

The county claimed \$5,032,859 (\$5,033,859 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$3,117,727 is allowable and \$1,915,132 is unallowable. The unallowable costs occurred because the county overstated treatment and administrative costs and understated revenue offsets. The State paid the county \$2,970,983. The amount paid exceeds allowable costs claimed by \$146,744.

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](http://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](mailto: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/jj:vb

cc: Dan Souza, Director  
Department of Behavioral Health and Recovery Services  
Stanislaus County  
Linda Downs, Assistant Director  
Department of Behavioral Health and Recovery Services  
Stanislaus County  
James Tilton, Program Budget Manager  
Corrections and General Government  
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Special Education Program  
Department of Mental Health  
Cynthia Wong, Manager  
Special Education Division  
California Department of Education

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Stanislaus County for 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, 2002. The last day of fieldwork was April 13, 2005.

The county claimed \$5,032,859 (\$5,033,859 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$3,117,727 is allowable and \$1,915,132 is unallowable. The unallowable costs occurred because the county overstated treatment and administrative costs and understated revenue offsets. The State paid the county \$2,970,983. The amount paid exceeds allowable costs claimed by \$146,744.

## 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 that counties 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). As a result, allowable mental health treatment costs for Stanislaus County increased by \$2,374,464 during the audit period (\$1,214,804 for FY 2000-01 and \$1,159,660 for FY 2001-02).

**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, 2002.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were 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, Stanislaus County claimed \$5,032,859 (\$5,033,859 less a \$1,000 penalty for filing a late claim) for costs of the Handicapped and Disabled Students Program. Our audit disclosed that \$3,117,727 is allowable and \$1,915,132 is unallowable.

For FY 2000-01, the State paid the county \$1,463,237. Our audit disclosed that \$1,677,057 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$213,820, contingent upon available appropriations.

For FY 2001-02, the State paid the county \$1,507,746. Our audit disclosed that \$1,440,670 is allowable. The county should return \$67,076 to the State.

**Views of  
Responsible  
Official**

We issued a draft audit report on September 30, 2005. Larry Haugh, county Auditor-Controller, responded by letter dated October 19, 2005. The county's response is included as an attachment to this final audit report.

**Restricted Use**

This report is solely for the information and use of Stanislaus 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, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2000, through June 30, 2001</u>				
Assessment and case management costs	\$ 994,295	\$ 994,295	\$ —	
Administrative costs	103,164	100,730	(2,434)	Finding 2
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(278,954)	(278,954)	—	
EPSDT funds	—	(177,957)	(177,957)	Finding 3
State categorical funds (SEP)	(208,244)	(208,244)	—	
Other funds	<u>(102,595)</u>	<u>(102,595)</u>	<u>—</u>	
Net assessment and case management costs	<u>507,666</u>	<u>327,275</u>	<u>(180,391)</u>	
Treatment costs	2,494,930	2,319,792	(175,138)	Finding 1
Administrative costs	144,923	127,245	(17,678)	Finding 2
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(619,224)	(580,453)	38,771	Finding 1
EPSDT funds	—	(376,223)	(376,223)	Finding 3
Other funds	<u>(157,382)</u>	<u>(140,579)</u>	<u>16,803</u>	Finding 1
Net treatment costs	<u>1,863,247</u>	<u>1,349,782</u>	<u>(513,465)</u>	
Total costs	2,370,913	1,677,057	(693,856)	
Less late penalty	—	—	—	
Total reimbursable costs	<u>\$ 2,370,913</u>	1,677,057	<u>\$ (693,856)</u>	
Less amount paid by the State		<u>(1,463,237)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 213,820</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Assessment and case management costs	\$ 1,092,083	\$ 1,092,083	\$ —	
Administrative costs	121,019	106,765	(14,254)	Finding 2
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(428,719)	(428,719)	—	
EPSDT funds	—	(318,979)	(318,979)	Finding 3
State categorical funds (SEP)	(208,244)	(208,244)	—	
Other funds	<u>(89,747)</u>	<u>(89,747)</u>	<u>—</u>	
Net assessment and case management costs	<u>486,392</u>	<u>153,159</u>	<u>(333,233)</u>	
Treatment costs	3,329,422	3,282,321	(47,101)	Finding 1
Administrative costs	183,094	158,683	(24,411)	Finding 2
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(1,188,031)	(1,166,248)	21,783	Finding 1
EPSDT funds	—	(841,884)	(841,884)	Finding 3
Other funds	<u>(147,931)</u>	<u>(144,361)</u>	<u>3,570</u>	Finding 1
Net treatment costs	<u>2,176,554</u>	<u>1,288,511</u>	<u>(888,043)</u>	
Total costs	2,662,946	1,441,670	(1,221,276)	
Less late penalty	<u>(1,000)</u>	<u>(1,000)</u>	<u>—</u>	
Total reimbursable costs	<u>\$ 2,661,946</u>	1,440,670	<u>\$ (1,221,276)</u>	
Less amount paid by the State		<u>(1,507,746)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (67,076)</u>		



## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>Summary: July 1, 2000, through June 30, 2002</u>				
Assessment and case management costs	\$ 2,086,378	\$ 2,086,378	\$ —	
Administrative costs	224,183	207,495	(16,688)	Finding 2
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(707,673)	(707,673)	—	
EPSDT funds	—	(496,936)	(496,936)	Finding 3
State categorical funds (SEP)	(416,488)	(416,488)	—	
Other funds	(192,342)	(192,342)	—	
Net assessment and case management costs	<u>994,058</u>	<u>480,434</u>	<u>(513,624)</u>	
Treatment costs	5,824,352	5,602,113	(222,239)	Finding 1
Administrative costs	328,017	285,928	(42,089)	Finding 2
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(1,807,255)	(1,746,701)	60,554	Finding 1
EPSDT funds	—	(1,218,107)	(1,218,107)	Finding 3
Other funds	(305,313)	(284,940)	20,373	Finding 1
Net treatment costs	<u>4,039,801</u>	<u>2,638,293</u>	<u>(1,401,508)</u>	
Total costs	5,033,859	3,118,727	(1,915,132)	
Less late penalty	(1,000)	(1,000)	—	
Total reimbursable costs	<u>\$ 5,032,859</u>	3,117,727	<u>\$ (1,915,132)</u>	
Less amount paid by the State		(2,970,983)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 146,744</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

## **FINDING 1— Ineligible treatment costs claimed**

The county claimed treatment costs for medication support and crisis intervention that are ineligible.

*Parameters and Guidelines* for the mandated program 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.

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

	Fiscal Year		Total
	2000-01	2001-02	
Treatment costs:	—		
Medication support	\$ (130,024)	\$ —	\$ (130,024)
Crisis intervention	(45,114)	(47,101)	(92,215)
Subtotal, treatment costs	<u>(175,138)</u>	<u>(47,101)</u>	<u>(222,239)</u>
Offsetting revenues:			
Short-Doyle/Medi-Cal funds	38,771	21,783	60,554
Other funds	16,803	3,570	20,373
Subtotal, offsetting revenues	<u>55,574</u>	<u>25,353</u>	<u>80,927</u>
Audit adjustment	<u>\$ (119,564)</u>	<u>\$ (21,748)</u>	<u>\$ (141,312)</u>

### Recommendation

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

### County's Response

The county believes that medication support services are reimbursable costs, and that the Commission on State Mandates (COSM) will confirm this belief. The county requests that the SCO reduce the Finding 1 audit adjustment to \$29,910 for fiscal year (FY) 2000-01 and \$21,748 for FY 2001-02.

### SCO's Comment

We agree with the county that medication support costs should be allowable in FY 2001-02. In December 2005, the COSM ruled that medication support services are reimbursable as of July 1, 2001. Therefore, we have reduced ineligible costs to \$21,748 for FY 2001-02 as noted in the schedule above. However, the ineligible amount for FY 2000-01 remains as stated in the draft audit report.

**FINDING 2—  
Claimed  
administrative costs  
overstated**

The county claimed administrative costs that did not include offsets for all related sources of revenue.

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

We recomputed the administrative cost rates based on administrative cost data contained in the county's annual cost reports submitted to the California Department of Mental Health, and adjusted claimed administrative costs as follows.

	Fiscal Year		Total
	2000-01	2001-02	
Administrative costs:			
Assessment and case management costs	\$ (2,434)	\$ (14,254)	\$ (16,688)
Treatment costs	(17,678)	(24,411)	(42,089)
Audit adjustment	<u>\$ (20,112)</u>	<u>\$ (38,665)</u>	<u>\$ (58,777)</u>

Recommendation

We recommend that the county ensure that applicable revenue sources are offset against claimed administrative costs.

County's Response

The county agrees that claimed administrative costs were not offset by administrative revenues and were therefore overstated. Also, the county proposes increasing allowable administrative costs to reflect the adjustment of medication support costs in FY 2000-01 and FY 2001-02.

SCO's Comment

We agree with the county's contention that administrative costs should be increased for FY 2001-02 based on the increase in medication support costs. However, we do not agree that FY 2000-01 administration costs should be increased by \$11,131, because medication support costs are allowable only from July 1, 2001, forward.

For FY 2001-02, the county calculated its administrative costs based on the audited FY 2000-01 rate of 8.5675% rather than the audited FY 2001-02 rate of 8.0107%. Therefore, the county's proposed additional administrative costs for FY 2001-02 should be \$17,353 rather than \$18,560. This correction changes the total FY 2001-02 administrative adjustment, related to medication support, from the \$37,458 proposed by the county to \$38,665.

Also, we agree with the county's computation of allowable administrative Federal Financial Participation costs in the amounts of \$74,211 for FY 2000-01 and \$87,810 for FY 2001-02.

The total amount of changes to Finding 2 related to both medication support and Federal Financial Participation is reflected in the attached schedule and results in audit adjustments of \$20,112 for FY 2000-01 and \$38,665 for FY 2001-02.

**FINDING 3—  
Revenue offsets  
understated**

The county did not report state-matching funds received from the California Department of Mental Health under the Early Periodic Screening, Diagnosis, and Treatment (EPSDT) Program, which partially reimburses the county for the cost of services provided to Medi-Cal clients.

*Parameters and Guidelines* specifies that any direct payments received from the State that are specifically allocated to the program, and any other reimbursement received as a result of the mandate, must be deducted from the claims.

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

	Fiscal Year		Total
	2000-01	2001-02	
Offsetting revenues:			
EPSDT funds:			
Assessment and case management costs	\$ (177,957)	\$ (318,979)	\$ (496,936)
Treatment costs	<u>(376,223)</u>	<u>(841,884)</u>	<u>(1,218,107)</u>
Audit adjustment	<u>\$ (554,180)</u>	<u>\$ (1,160,863)</u>	<u>\$ (1,715,043)</u>

Recommendation

We recommend that the county ensure that all applicable reimbursements received are offset against costs claimed.

County's Response

The County's position is to recognize the Early Periodic Screening, Diagnosis and Treatment (EPSDT) as State matching funds only to the extent it exceeds the baseline amount established for each fiscal year.

For FY 2000-01, total Medi-Cal generated for SB 90 services was \$1,656,752, which is less than the FY 2000-01 baseline amount of \$2,231,011. No EPSDT funds are being used to offset the SB 90 claim for FY 2000-01.

For FY 2001-02, total Medi-Cal generated for SB 90 services was \$3,057,880. Since the FY 2001-02 Medi-Cal exceeds the baseline amount of \$2,318,049, EPSDT funds should have been used to offset the SB 90 claim for FY 2001-02. The county is proposing an offset in the amount of \$111,952 for FY 2001-02.

SCO's Comment

For FY 2000-01 and FY 2001-02, the EPSDT settlement data provided by the State Department of Mental Health (SDMH) show that the county's EPSDT settled baseline costs exceeded the county's EPSDT costs. SDMH's baseline amounts include all programs and the SCO included all programs in computing the revenue offsets.

Since the county's EPSDT baseline costs exceeded the EPSDT costs, the State-matching EPSDT funds received from the SDMH should be offset against mandated program costs.

We did not change the finding to reflect the county's proposed adjustments. However, we changed the schedule above to reflect additional EPSDT revenue offsets that relate to the additional medication support costs that we allowed in Finding 1 for FY 2001-02.

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

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**Auditor - Controller**

**AUDITOR-CONTROLLER**

**Larry D. Haugh**  
Auditor-Controller

1010 10<sup>th</sup> Street, Suite 5100, Modesto, CA 95354  
P O Box 770, Modesto, CA 95353-0770  
Phone: 209.525.6398 Fax: 209.525.6487

October 19, 2005

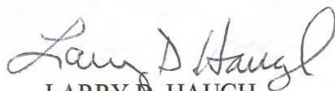
Mr. Jim L. Spano  
Chief, Compliance Audits Bureau  
State Controller's Office, Division of Audits  
P.O. Box 942850  
Sacramento, CA 94250-5874

Dear Mr. Spano:

Stanislaus County has reviewed the audit findings for the mandated Handicapped and Disabled Students Program for the period of July 1, 2000 through June 30, 2002. The attached contains the county's response to each of your findings as well as our justification for appeal. In summary, our review of the findings indicate:

- The County claimed \$2,370,913 in FY00/01 and \$2,662,946 in FY01/02, for a total of \$5,033,859. A \$1,000 penalty (for late filing) deduction resulted in a net claim of \$5,032,859.
- Allowable costs of \$4,823,810 and unallowable costs of \$210,049. The amount paid by the State is \$2,970,983 (\$1,463,237 for FY00/01 & \$1,507,746 for FY01/02). Therefore, Stanislaus County believes the amount due from the State is \$1,852,827.
- Disallowed costs associated with medication support services have been added back, pending the outcome of the December 8, 2005 State Mandates Commission hearing on the "Handicapped and Disabled Pupils II" test claim.
- The allowable administrative costs have been adjusted to account for the increased program costs as a result of the medication support services adjustment. The allowable administrative costs have also been recalculated to include the offset of the administrative revenue, which was overlooked in the audit findings.
- The Early Periodic Screening, Diagnosis and Treatment (EPSDT) offsetting revenues have been reduced in accordance with the revised FY 2001/02 Cost Report for Stanislaus County.

Attached is a detailed analysis of our review. If you have any questions regarding this analysis, please contact Kashmir Gill, Accounting Manager, at (209) 525-6171.

  
LARRY D. HAUGH  
AUDITOR-CONTROLLER

C: Denise Hunt, Behavioral Health Director  
Linda Downs, Assistant Director, Behavioral Health and Recovery Services  
Kashmir Gill, Accounting Manager, Behavioral Health and Recovery Services

### Finding 1-Ineligible Treatment Costs Claimed

The County disagrees with the State Controller's Office (SCO) findings and disallowances related to the medication support services. Medication support services include prescribing, administering, dispensing and monitoring of psychiatric medications to alleviate symptoms of mental illness. This definition is supported by Title 2, Division 9, Chapter 1 of the California Code of Regulations, Section 60020. Medication support services is included in the "Handicapped and Disabled Students II" test claim that is scheduled to be heard by the State Mandates Commission on December 18, 2005. It is the County's belief that the test claim will be accepted by the Commission.

The County is requesting an adjustment of \$210,481 to the disallowance amount related to medication support services. Net audit adjustment proposed is \$51,658. See table below for details.

	Fiscal Year		Total
	<u>2000-01</u>	<u>2001-02</u>	
Treatment costs:			
Medication support	\$<130,024>	\$<231,330>	\$<361,354>
Crisis intervention	<45,114>	<47,101>	<92,215>
Subtotal, treatment costs	<u>\$&lt;175,138&gt;</u>	<u>\$&lt;278,431&gt;</u>	<u>\$&lt;453,569&gt;</u>
Offsetting revenues:			
Short-Doyle/Medi-Cal funds			
Medication support	27,895	92,973	120,868
Crisis intervention	<u>10,876</u>	<u>21,783</u>	<u>32,659</u>
Subtotal	<u>\$38,771</u>	<u>\$114,756</u>	<u>\$153,527</u>
Other funds			
Medication support	12,475	17,530	30,005
Crisis intervention	<u>4,328</u>	<u>3,570</u>	<u>7,898</u>
Subtotal	<u>16,803</u>	<u>21,100</u>	<u>37,903</u>
Subtotal, offsetting revenues	<u>\$55,574</u>	<u>\$135,856</u>	<u>\$191,430</u>
Audit Adjustment per SCO findings	\$<119,564>	\$<142,575>	\$<262,139>
<u>Adjustments Proposed by County</u>			
Add back Medication Support Costs	\$130,024	\$231,330	\$361,354
Subtract Medication Support Rev-Mcal	<27,895>	<92,973>	<120,868>
Subtract Medication Support Rev-Other	<u>&lt;12,475&gt;</u>	<u>&lt;17,530&gt;</u>	<u>&lt;30,005&gt;</u>
Subtotal Adjustments	<u>89,654</u>	<u>120,827</u>	<u>210,481</u>
<b>Audit Adjustment Proposed by County</b>	<b>\$&lt;29,910&gt;</b>	<b>\$&lt;21,748&gt;</b>	<b>\$&lt;51,658&gt;</b>



**Finding 2 – Claimed Administrative Costs Overstated**

The allowable administrative costs were calculated by multiplying the administrative cost percent (%) by the program costs: assessment & treatment. An increase in the allowable administrative cost is being proposed to reflect the adjustment of the medication support.

Additionally, the claimed administrative costs noted in the finding were not offset by the administrative revenue and therefore, have been overstated. Documentation to support that administrative costs was off-set by the appropriate revenue is attached.

	<u>Fiscal Year</u>		<u>Total</u>
	<u>2000-01</u>	<u>2001-02</u>	
Administrative costs:			
Assessment and case management costs	\$<33,294>	\$<49,197>	\$<82,491>
Treatment costs	<61,029>	<94,631>	<155,660>
Audit adjustment	\$<94,323>	\$<143,828>	\$<238,151>

Adjustments Proposed by County

The allowable admin costs are understated in the Finding. Disallowance by the amount of increase in program costs - medication support services:

FY00/01			
129,923 Mode 60 Program Costs			
8.5675% Allowable Admin Cost %			
<hr/>			
11,131 Add'l Allowable Adm Cost	11,131		11,131
FY01/02			
216,634 Mode 60 Program Costs			
8.5675% Allowable Admin Cost %			
<hr/>			
18,560 Add'l Allowable Adm Cost		18,560	18,560

The claimed admin costs in the Finding was not offset by the claimed admin revenue amount, which has resulted in an overstatement of the claimed admin costs.

FY00/01			
30,860 Assessment Admin FFP			
43,351 Treatment Admin FFP			
<hr/>			
74,211 Subtotal Adm FFP Reported (See Attachment 1)	74,211		74,211
FY01/02			
34,943 Assessment Admin FFP			
52,867 Treatment Admin FFP			
<hr/>			
87,810 Subtotal Adm FFP Reported (See Attachment 2)		87,810	87,810
Decrease Disallowance Adjustment	<u>85,342</u>	<u>106,370</u>	<u>191,712</u>
<b>Proposed Audit Adjustment</b>	<b><u>\$&lt;8,981&gt;</u></b>	<b><u>\$&lt;37,458&gt;</u></b>	<b><u>\$&lt;46,439&gt;</u></b>

### Finding 3- Revenue Offsets Understated

The County does not agree with the finding related to the State-matching funds. The County's position is to recognize the Early Periodic Screening, Diagnosis and Treatment (EPSDT) as State matching funds only to the extent it exceeds the baseline established for each fiscal year.

For FY2000/01, total Medi-cal generated for SB90 services was \$1,656,752, which is less than the FY2000/01 baseline of \$2,231,011. No EPSDT funds are being used to offset the SB90 claim for FY00/01.

For FY2001/02, total Medi-cal generated for SB90 services was \$3,057,880. Since the FY2001/02 Medi-cal exceeds the baseline of \$2,318,049, EPSDT funds should have been used to offset the SB90 claim for FY01/02. The revised Stanislaus County Cost Report for FY 2001/02 reflects EPSDT monies in the amount of \$111,952 used as State Matching funds. A copy of the MHS 1909\_SEP is attached as documentation (see Attachment 3). The County is proposing an offset in the amount of \$111,952 for FY20001/02. See details below.

	<u>Fiscal Year</u>		<u>Total</u>
	<u>2000-01</u>	<u>2001-02</u>	
Offsetting revenues:			
EPSDT funds:			
Assessment and case management costs	\$<177,957>	\$<318,979>	\$<496,936>
Treatment costs	<376,223>	<775,924>	<1,152,147>
Audit Adjustment	\$<554,180>	\$<1,094,903>	\$<1,649,083>
Addback Adjustment	\$554,180	\$982,951	\$1,537,131
<b>Adjustment Proposed by County</b>	<b>0</b>	<b>\$&lt;111,952&gt;</b>	<b>\$&lt;111,952&gt;</b>

In summary, the County is proposing a disallowance amount of \$210,049 compared to the \$2,149,373 amount proposed by the SCO. See details below.

	<u>Fiscal Year</u>		<u>Total</u>
	<u>2000-01</u>	<u>2001-02</u>	
Finding 1 – Ineligible Treatment Costs	\$<119,564>	\$<142,575>	\$<262,139>
Finding 2 – Claimed Admin Costs	\$<94,323>	\$<143,828>	\$<238,151>
Finding 1 – Revenue Offsets	<554,180>	<1,094,903>	<1,649,083>
<b>Total Unallowable Costs Proposed by SCO</b>	<b>\$&lt;768,067&gt;</b>	<b>\$&lt;1,381,306&gt;</b>	<b>\$&lt;2,149,373&gt;</b>
<b>Total Unallowable Costs Proposed by Cty</b>			
Finding 1 – Ineligible Treatment Costs	\$<29,910>	\$<21,748>	\$<51,658>
Finding 2 – Claimed Admin Costs	\$<8,981>	\$<37,458>	\$<46,439>
Finding 1 – Revenue Offsets	0	\$<111,952>	\$<111,952>
<b>Total Unallowable Costs Proposed by Cty</b>	<b>\$&lt;38,891&gt;</b>	<b>\$&lt;171,158&gt;</b>	<b>\$&lt;210,049&gt;</b>
Variance	\$<729,176>	\$<1,210,148>	\$<1,939,324>

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