

CONTRA COSTA COUNTY

Audit Report

PERINATAL SERVICES PROGRAM

Chapter 1603, Statutes of 1990

July 1, 1999, through June 30, 2002



STEVE WESTLY
California State Controller

February 2004



STEVE WESTLY
California State Controller

February 27, 2004

The Honorable Kenneth J. Corcoran
Auditor-Controller
Contra Costa County
625 Court Street, Room 103
Martinez, CA 94553-1282

Dear Mr. Corcoran:

The State Controller's Office (SCO) has completed an audit of the claims filed by Contra Costa County for costs of the legislatively mandated Perinatal Services Program (Chapter 1603, Statutes of 1990) for the period of July 1, 1999, through June 30, 2002.

The county claimed and was paid \$1,458,468 for the mandated program. Our audit disclosed that none of the claimed costs is allowable. The unallowable costs occurred because the county claimed unsupported costs. The total amount paid should be returned to the State.

The SCO has established an informal audit review process to resolve a dispute of facts. The auditee should submit, in writing, a request for a review and all information pertinent to the disputed issues within 60 days after receiving the final report. The request and supporting documentation should be submitted to: Richard J. Chivaro, Chief Counsel, State Controller's Office, Post Office Box 942850, Sacramento, CA 94250-0001.

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:jj

cc: Patrick Godley
Chief Financial Officer
Contra Costa County
Health Services Department
Calvin Smith, Program Budget Manager
Corrections and General Government
Department of Finance

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	1
Conclusion	2
Views of Responsible Official	2
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Schedule 2—Detail of Errors in County Claims	6
Finding and Recommendation	8
Attachment—County’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by Contra Costa County for costs of the legislatively mandated Perinatal Services Program (Chapter 1603, Statutes of 1990) for the period of July 1, 1999, through June 30, 2002. The last day of fieldwork was May 2, 2003.

The county claimed and was paid \$1,458,468 for the mandated program. The audit disclosed that none of the claimed costs is allowable. The unallowable costs occurred because the county claimed unsupported costs. The total amount paid should be returned to the State.

Background

Chapter 1603, Statutes of 1990, added Section 10901 to the *Health and Safety Code*, requiring each county to establish protocols and apply assessment procedures for maternal substance abuse and for intervention activities on behalf of a substance-exposed infant. Requirements include:

- Identifying needed services for the mother, child, or family, including, where applicable, services to assist the mother in caring for her child and services to assist maintaining children in her home; and
- Determining the level of risk to the newborn upon release to the home and the corresponding level of services and intervention, if any, necessary to protect the newborn's health and safety, including a referral to the county welfare department for child welfare services.

On February 25, 1993, the Commission on State Mandates determined that Chapter 1603, Statutes of 1990, resulted in state-mandated costs that are reimbursable pursuant to Title 2, Division 4, Part 7, of the *Government Code*.

Parameters and Guidelines, adopted by the Commission on State Mandates, establishes state mandates and defines criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement, to assist local agencies in claiming reimbursable costs.

Objective, Scope, and Methodology

The audit objective was to determine whether costs claimed were increased costs incurred as a result of the legislatively mandated Perinatal Services Program (Chapter 1603, Statutes of 1990) for the period of July 1, 1999, through June 30, 2002.

The auditor performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;

- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that they were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The SCO did not audit the county's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the county's management controls was limited 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 Finding and Recommendation section of this report. In addition, Schedule 2 details the errors in the county's claims.

For the audit period, Contra Costa County claimed and was paid \$1,458,468 for costs of the legislatively mandated Perinatal Services Program. The audit disclosed that none of the claimed costs is allowable.

For fiscal year (FY) 1999-2000, the county was paid \$316,304 by the State. The audit disclosed that none of the costs is allowable. The amount paid should be returned to the State.

For FY 2000-01, the county was paid \$567,017 by the State. The audit disclosed that none of the costs is allowable. The amount paid should be returned to the State.

For FY 2001-02, the county was paid \$575,147 by the State. The audit disclosed that none of the costs is allowable. The amount paid should be returned to the State.

Views of Responsible Official

The SCO issued a draft audit report on December 5, 2003. Paul Abelson, Chief Accountant in the County Auditor-Controller's Office, responded by the attached letter dated December 31, 2003, disagreeing with the audit results. The county's response is included in this final audit report.

Restricted Use

This report is solely for the information and use of Contra Costa 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, 1999, through June 30, 2002**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u> ¹
<u>July 1, 1999, through June 30, 2000</u>			
Labor:			
Initial in-hospital screening	\$ 25,565	\$ —	\$ 25,565
Toxicology screening	64,817	—	64,817
Perinatal assessment	<u>32,405</u>	<u>—</u>	<u>32,405</u>
Total labor	122,787	—	122,787
Services and supplies	25,337	—	25,337
Indirect costs	<u>168,180</u>	<u>—</u>	<u>168,180</u>
Total costs	<u>\$ 316,304</u>	—	<u>\$ 316,304</u>
Less amount paid by the State		<u>(316,304)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (316,304)</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Labor:			
Initial in-hospital screening	\$ 102,630	\$ —	\$ 102,630
Toxicology screening	61,336	—	61,336
Perinatal assessment	<u>30,672</u>	<u>—</u>	<u>30,672</u>
Total labor	194,638	—	194,638
Services and supplies	106,582	—	106,582
Indirect costs	<u>265,797</u>	<u>—</u>	<u>265,797</u>
Total costs	<u>\$ 567,017</u>	—	<u>\$ 567,017</u>
Less amount paid by the State		<u>(567,017)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (567,017)</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Labor:			
Initial in-hospital screening	\$ 107,792	\$ —	\$ 107,792
Toxicology screening	56,218	—	56,218
Perinatal assessment	<u>28,112</u>	<u>—</u>	<u>28,112</u>
Total labor	192,122	—	192,122
Services and supplies	105,219	—	105,219
Indirect costs	<u>277,806</u>	<u>—</u>	<u>277,806</u>
Total costs	<u>\$ 575,147</u>	—	<u>\$ 575,147</u>
Less amount paid by the State		<u>(575,147)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (575,147)</u>	

Schedule 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u> ¹
<u>Summary: July 1, 1999, through June 30, 2002</u>			
Labor:			
Initial in-hospital screening	\$ 235,987	\$ —	\$ 235,987
Toxicology screening	182,371	—	182,371
Perinatal assessment	<u>91,189</u>	<u>—</u>	<u>91,189</u>
Total labor	509,547	—	509,547
Services and supplies	237,138	—	237,138
Indirect costs	<u>711,783</u>	<u>—</u>	<u>711,783</u>
Total costs	<u>\$1,458,468</u>	—	<u>\$1,458,468</u>
Less amount paid by the State		<u>(1,458,468)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$(1,458,468)</u>	

¹ See the Finding and Recommendation section.

Schedule 2— Detail of Errors in County Claims July 1, 1999, through June 30, 2002

Cost Element	Error Amount ¹								Total
	Error 1	Error 2	Error 3	Error 4	Error 5	Error 6	Error 7	Error 8	
<u>July 1, 1999, through June 30, 2000</u>									
Labor:									
Initial in-hospital screening	\$ —	\$ (8,518)	\$ —	\$ —	\$ —	\$ —	\$ (2,311)	\$ —	\$ (10,829)
Toxicology screening	—	—	(35,925)	—	—	—	(5,857)	—	(41,782)
Perinatal assessment	—	—	—	(27,920)	(1,557)	—	(2,928)	—	(32,405)
Total labor	—	(8,518)	(35,925)	(27,920)	(1,557)	—	(11,096)	—	(85,016)
Services and supplies	—	(1,757)	(7,411)	(5,760)	(321)	—	(2,289)	—	(17,538)
Indirect costs	—	(11,667)	(49,204)	(38,240)	(2,133)	—	(15,197)	(14,809)	(131,250)
Total costs	<u>\$ —</u>	<u>\$ (21,942)</u>	<u>\$ (92,540)</u>	<u>\$ (71,920)</u>	<u>\$ (4,011)</u>	<u>\$ —</u>	<u>\$ (28,582)</u>	<u>\$ (14,809)</u>	<u>\$ (233,804)</u>
<u>July 1, 2000, through June 30, 2001</u>									
Labor:									
Initial in-hospital screening	\$ (64,084)	\$ (17,680)	\$ —	\$ —	\$ —	\$ —	\$ (6,494)	\$ —	\$ (88,258)
Toxicology screening	—	—	(26,460)	—	—	—	(3,881)	—	(30,341)
Perinatal assessment	—	—	—	(26,937)	(1,795)	—	(1,940)	—	(30,672)
Total labor	(64,084)	(17,680)	(26,460)	(26,937)	(1,795)	—	(12,315)	—	(149,271)
Services and supplies	(35,092)	(9,682)	(14,489)	(14,751)	(983)	—	(6,744)	—	(81,741)
Indirect costs	(87,513)	(24,144)	(36,134)	(36,785)	(2,451)	—	(16,817)	(19,412)	(223,256)
Total costs	<u>\$(186,689)</u>	<u>\$ (51,506)</u>	<u>\$ (77,083)</u>	<u>\$ (78,473)</u>	<u>\$ (5,229)</u>	<u>\$ —</u>	<u>\$ (35,876)</u>	<u>\$ (19,412)</u>	<u>\$ (454,268)</u>

Schedule 2 (continued)

Cost Element	Error Amount ¹								Total
	Error 1	Error 2	Error 3	Error 4	Error 5	Error 6	Error 7	Error 8	
July 1, 2001, through June 30, 2002									
Labor:									
Initial in-hospital screening	\$ (62,135)	\$ (18,914)	\$ —	\$ —	\$ —	\$ (8,384)	\$ (6,217)	\$ —	\$ (95,650)
Toxicology screening	—	—	(21,497)	—	—	(4,373)	(3,238)	—	(29,108)
Perinatal assessment	—	—	—	(21,801)	(2,514)	(2,187)	(1,610)	—	(28,112)
Total labor	(62,135)	(18,914)	(21,497)	(21,801)	(2,514)	(14,944)	(11,065)	—	(152,870)
Services and supplies	(34,031)	(10,359)	(11,774)	(11,940)	(1,377)	(8,185)	(6,060)	—	(83,726)
Indirect costs	(89,847)	(27,350)	(31,085)	(31,525)	(3,635)	(21,609)	(16,000)	(16,783)	(237,834)
Total costs	<u>\$(186,013)</u>	<u>\$(56,623)</u>	<u>\$(64,356)</u>	<u>\$(65,266)</u>	<u>\$(7,526)</u>	<u>\$(44,738)</u>	<u>\$(33,125)</u>	<u>\$(16,783)</u>	<u>\$(474,430)</u>
Summary: July 1, 1999, through June 30, 2002									
Labor:									
Initial in-hospital screening	\$(126,219)	\$ (45,112)	\$ —	\$ —	\$ —	\$ (8,384)	\$(15,022)	\$ —	\$ (194,737)
Toxicology screening	—	—	(83,882)	—	—	(4,373)	(12,976)	—	(101,231)
Perinatal assessment	—	—	—	(76,658)	(5,866)	(2,187)	(6,478)	—	(91,189)
Total labor	(126,219)	(45,112)	(83,882)	(76,658)	(5,866)	(14,944)	(34,476)	—	(387,157)
Services and supplies	(69,123)	(21,798)	(33,674)	(32,451)	(2,681)	(8,185)	(15,093)	—	(183,005)
Indirect costs	(177,360)	(63,161)	(116,423)	(106,550)	(8,219)	(21,609)	(48,014)	(51,004)	(592,340)
Total costs	<u>\$(372,702)</u>	<u>\$(130,071)</u>	<u>\$(233,979)</u>	<u>\$(215,659)</u>	<u>\$(16,766)</u>	<u>\$(44,738)</u>	<u>\$(97,583)</u>	<u>\$(51,004)</u>	<u>\$(1,162,502)</u>

¹ All claimed costs, totaling \$1,458,468, were unsupported. However, even if the costs on this schedule had been supported, they would have been unallowable because of the errors noted. See the Finding and Recommendation section of this report for an explanation of the different errors.

Finding and Recommendation

**FINDING—
Unsupported costs
claimed**

The county claimed all labor costs based on after-the-fact estimates of time spent by the county hospital staff performing the mandated activities. The county did not maintain contemporaneous time distribution records that showed the actual time spent by each staff member involved in the applicable activities. Consequently, all costs claimed, totaling \$1,458,468, are unallowable.

Parameters and Guidelines for the Perinatal Services Program specifies that only actual increased costs incurred in the performance of the mandated activities are reimbursable. Further, it specifies that actual staff labor hours are reimbursable if documented by timesheets or a proper time study.

Since no time records were maintained by the county, all labor costs are unsupported. Also, since services and supplies and indirect costs were claimed as a percentage of labor, those costs are also unsupported.

	Fiscal Year			Totals
	1999-2000	2000-01	2001-02	
Salaries and benefits	\$ (122,787)	\$ (194,638)	\$ (192,122)	\$ (509,547)
Services and supplies	(25,337)	(106,582)	(105,219)	(237,138)
Indirect costs	<u>(168,180)</u>	<u>(265,797)</u>	<u>(277,806)</u>	<u>(711,783)</u>
Totals	<u>\$ (316,304)</u>	<u>\$ (567,017)</u>	<u>\$ (575,147)</u>	<u>\$ (1,458,468)</u>

Schedule 2

Even if all of the costs had been supported, the following costs, detailed in Schedule 2, would have been unallowable because of errors in the county’s claims.

Error 1—The county claimed the costs of a medical social worker as a direct cost and again as part of indirect costs in FY 2000-01 and FY 2001-02, resulting in overstated costs totaling \$372,702.

Error 2—The county claimed the cost of initial in-hospital screenings of all mothers admitted into the hospital rather than just those mothers whose pre-natal medical records indicated that they were “at risk” for drug use, resulting in overstated costs totaling \$130,071.

Error 3—The county claimed toxicology screening costs based on testing quantities that were not supported by its lab statistics, resulting in overstated costs totaling \$233,979.

Error 4—The county claimed perinatal assessment costs based on a number of referrals not supported in its medical social worker’s records, resulting in overstated costs totaling \$215,659.

Error 5—The county claimed costs for perinatal assessments performed by unidentified nursing personnel (although most were performed by the county’s medical social worker), resulting in overstated costs totaling \$16,766.

Error 6—The county claimed labor costs in FY 2001-02 for all employees by using a productive hourly rate, although some hourly workers were not entitled to paid time off. This resulted in overstated costs totaling \$44,738.

Error 7—The county claimed fringe benefits using an average percentage factor, despite the fact that most employees received fringe benefits at a lower rate. This resulted in overstated costs totaling \$97,583.

Error 8—The county did not compute its indirect cost rates in accordance with the requirements of Office of Management and Budget (OMB) Circular A-87, resulting in overstated costs totaling \$51,004.

- The cost of patient meals was included in indirect costs although they are paid for under the hospital’s Medi-Cal contract.
- In FY 2000-01 and FY 2001-02, the county applied the indirect cost rate to total costs rather than to salaries and benefits only.
- The county did not include hospital contract staff members in the salary base when computing indirect cost rates.
- Indirect costs were applied to budget unit salaries based on permanent assignments, even though some employees worked on a temporary basis in other budget units.

Recommendation

The county should ensure that all costs claimed are eligible costs incurred as a result of the mandate and are supported by proper accounting records.

County’s Response

Contra Costa County is disappointed with the draft letter we received regarding the SB-90 Perinatal Services Audit. The findings and conclusions depart significantly from what was communicated to Health Services personnel during the audit and at the exit conference.

As we understand it, the main issue of contention concerns the level of documentation supporting the time spent providing the mandated services. In preparing the Perinatal Services claims the nursing staff, along with management, did not think that an extensive time study was necessary; therefore a time element was determined based on interviews with staff members performing each of the three required activities: Initial In-Hospital Screenings, Toxicology Screenings, and Perinatal Assessments.

From discussion with Health Services personnel, we understand the State Auditor disagreed and offered a solution agreed to by both

parties. The State Audit manager, Mike Querin, would provide an example of a Perinatal Services time study from which we would perform a Contra Costa study, based on current activities. We would then retroactively apply the findings to our 1999/00, 2000/01 and 2001/02 fiscal year claims. We were surprised that there was no mention of this agreement in the draft letter.

Furthermore, since the State auditors acknowledged during the exit conference that there were allowable costs, it was totally unexpected that the report proposes to disallow the claim entirely. While we concur that there were some findings in our claims that could be deemed non-reimbursable, we have difficulty accepting that all of the costs incurred to administer this State mandate can be completely disallowed.

Notwithstanding the above, we feel it is our duty to respond directly to your findings listed in the draft report:

Error 1 – . . . The County concurs that we did claim both direct and indirect costs in this situation. The County intended to claim the social worker as a direct service cost and not as an indirect cost. Elimination of the indirect Medical Social Worker's costs is appropriate.

Error 2 – . . . The County disagrees. The fact that a screening is done on all mothers admitted to the hospital to determine risk, does not have an effect on the Mandate. The Mandate requires that an initial screening and a more detailed need assessment be performed, by a health practitioner or a medical social worker prior to the releasing of newborns from the hospital and identifying needed services for the mother, child, or family including, where applicable, suggested services to maintain children in their home. Because not all children were determined to be at risk does not negate the costs incurred.

Error 3 – . . . The County concurs with this finding

Error 4 – . . . The County was not given the detail to support this error listing. In order to respond we would need to know what records were examined and how the disallowed cost was determined.

Error 5 – . . . The County concurs with this finding.

Error 6 – . . . The County concurs with this finding.

Error 7 – . . . The County concurs with this finding.

Error 8 – . . . The County disagrees with this finding. Not only does the County compute the indirect cost rate on OMB Circular A-87, but we also used the cost methodology of CMS 25-52 which is approved by the Federal regulations as the proper indirect cost rate.

SCO's Comment

The finding and recommendation remain unchanged.

The SCO discussed with the county's Health Services Department staff the possibility of accepting a current time study as a reasonable substitute for time records not maintained during the audit period. However, it is

the county's responsibility to develop and implement such a time study. SCO staff would be available to consult with county staff on the information that should be included in the time study. But Health Services Department staff members have not contacted the SCO since the exit conference held on May 2, 2003. Should the county choose to perform a time study after issuance of this final audit report, the SCO will amend the audit report as needed based on the results of the time study.

The following comments address the county's disagreements with specific claim errors detailed above.

Error 1—The county concurred.

Error 2—The county disagreed, stating that costs of screening all mothers is allowable.

The county did not furnish any evidence that all pregnant women admitted into the county hospital for delivery were "at risk" for substance abuse and, therefore, needed a higher level of screening. Also, county hospital employees told the SCO auditor that most screenings were performed by a medical social worker, whose costs were accounted for as indirect costs. Therefore, the county hospital should not have incurred significant additional direct costs as a result of these screenings.

Error 3—The county concurred.

Error 4—The county stated that the SCO auditor did not provide sufficient detail of the error to allow the county to address the issue.

The SCO auditor counted the number of substance abuse assessment forms submitted by the county hospital to the county child protective services agency, and the count was verified by one of the county hospital's medical social workers. The SCO can provide additional information at the county's request.

Error 5—The county concurred.

Error 6—The county concurred.

Error 7—The county concurred.

Error 8—The county disagreed, stating that its indirect cost rates were computed in accordance with OMB Circular A-87.

Several specific errors were noted in the finding above regarding the computation and application of the indirect cost rates that do not conform to the requirements of OMB Circular A-87.

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

Contra Costa County

Office of
COUNTY AUDITOR-CONTROLLER



Kenneth J. Corcoran
Auditor-Controller

Stephen J. Ybarra
Assistant Auditor-Controller

625 Court Street
Martinez, California 94553-1282
Telephone (925) 646-2181
Fax (925) 646-2649

December 31, 2003

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

Re: Response to Draft SB 90 Audit Report: Perinatal Services

Dear Mr. ^{Jim}Spano,

Contra Costa County is disappointed with the draft letter we received regarding the SB - 90 Perinatal Services Audit. The findings and conclusions depart significantly from what was communicated to Health Services personnel during the audit and at the exit conference.

As we understand it, the main issue of contention concerns the level of documentation supporting the time spent providing the mandated services. In preparing the Perinatal Services claims the nursing staff, along with management, did not think that an extensive time study was necessary; therefore a time element was determined based on interviews with staff members performing each of the three required activities: Initial In-Hospital Screenings, Toxicology Screenings, and Perinatal Assessments.

From discussion with Health Services personnel, we understand the State Auditor disagreed and offered a solution agreed to by both parties. The State Audit manager, Mike Querin, would provide an example of a Perinatal Services time study from which we would perform a Contra Costa study, based on current activities. We would then retroactively apply the findings to our 1999/00, 2000/01 and 2001/02 fiscal year claims. We were surprised that there was no mention of this agreement in the draft letter.

Furthermore, since the State auditors acknowledged during the exit conference that there were allowable costs, it was totally unexpected that the report proposes to disallow the claim entirely. While we concur that there were some findings in our claims that could be deemed non-reimbursable, we have difficulty

accepting that all of the costs incurred to administer this State mandate can be completely disallowed.

Notwithstanding the above, we feel it is our duty to respond directly to your findings listed in the draft report:

Error 1 – The county claimed the costs of a medical social worker as a direct cost and again as part of indirect costs in FY 2000-01 and FY 2001-02, resulting in overstated costs totaling \$372,702.

County Response: The County concurs that we did claim both direct and indirect costs in this situation. The County intended to claim the social worker as a direct service cost and not as an indirect cost. Elimination of the indirect Medical Social Worker's costs is appropriate.

Error 2 – The county claimed the cost of initial in-hospital screenings of all mothers admitted into the hospital rather than just those mothers whose pre-natal medical records indicated that they were "at risk" for drug use, resulting in overstated costs totaling \$130,071.

County Response: The County disagrees. The fact that a screening is done on all mothers admitted to the hospital to determine risk, does not have an effect on the Mandate. The Mandate requires that an initial screening and a more detailed need assessment be performed, by a health practitioner or a medical social worker prior to the releasing of newborns from the hospital and identifying needed services for the mother, child, or family including, where applicable, suggested services to maintain children in their home. Because not all children were determined to be at risk does not negate the costs incurred.

Error 3 – The county claimed toxicology screening costs based on testing quantities that were not supported by its lab statistics, resulting in overstated costs totaling \$233,979.

County Response: The County concurs with this finding

Error 4 – The county claimed perinatal assessment costs based on a number of referrals not supported in its medical social worker's records, resulting in overstated costs totaling \$215,659.

County Response: The County was not given the detail to support this error listing. In order to respond we would need to know what records were examined and how the disallowed cost was determined.

Error 5 – The county claimed costs for perinatal assessments performed by unidentified nursing personnel (although most were performed by the county's medical social worker), resulting in overstated costs totaling \$16,766.

County Response: The County concurs with this finding.

Error 6 - The county claimed labor costs in FY 2001-02 for all employees by using a productive hourly rate, although some hourly workers were not entitled to paid time off. This resulted in overstated costs totaling \$44,738.

County Response: The County concurs with this finding.

Error 7 – The county claimed fringe benefits using an average percentage factor, despite the fact that most employees received fringe benefits at a lower rate. This resulted in overstated costs totaling \$97,583.

County Response: The County concurs with this finding.

Error 8 – The county did not compute its indirect cost rates in accordance with the requirements of Office of Management and Budget (OMB) Circular A-87, resulting in overstated costs totaling \$51,004.

County Response: The County disagrees with this finding. Not only does the County compute the indirect cost rate on OMB Circular A-87, but we also used the cost methodology of CMS 25-52 which is approved by the Federal regulations as the proper indirect cost rate.

If you have any further questions, please do not hesitate to contact Haj Nahal, SB 90 Coordinator, at (925) 646-2225, or email him at hnaha@ac.cccounty.us.

Sincerely,

Kenneth J. Corcoran
Auditor-Controller



By Paul Abelson
Chief Accountant

cc: Patrick Godley
Health Services – Chief Financial Officer

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874**

<http://www.sco.ca.gov>