

# **SACRAMENTO COUNTY**

Audit Report

## **SERIOUSLY EMOTIONALLY DISTURBED PUPILS PROGRAM**

Chapter 654, Statutes of 1996

*July 1, 2001, through June 30, 2004*



**JOHN CHIANG**  
California State Controller

May 2007



**JOHN CHIANG**  
California State Controller

May 23, 2007

Dave Irish, Director of Finance  
Sacramento County  
700 H Street, Room 4650  
Sacramento, CA 95814

Dear Mr. Irish:

The State Controller's Office audited the costs claimed by Sacramento County for the legislatively mandated Seriously Emotionally Disturbed Pupils Program (Chapter 654, Statutes of 1996) for the period of July 1, 2001, through June 30, 2004.

The county claimed \$531,671 for the mandated program. Our audit disclosed that \$305,210 is allowable and \$226,461 is unallowable. The unallowable costs occurred because the county claimed costs that it also claimed under the Handicapped and Disabled Students Program. The State paid the county \$8. Allowable costs claimed exceed the amount paid by \$305,202.

If you disagree with the audit finding, 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, Mandated Costs Audits Bureau, at (916) 323-5849.

Sincerely,

*"Original signed by"*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

JVB/jj

cc: Lynn Frank, Director  
Department of Health and Human Services  
Sacramento County  
Todd Jerue, Program Budget Manager  
Corrections and General Government  
Department of Finance  
Robin Ulesich-Foemmel  
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 Sacramento County for the legislatively mandated Seriously Emotionally Disturbed Pupils Program (Chapter 654, Statutes of 1996) for the period of July 1, 2001, through June 30, 2004. The last day of fieldwork was March 27, 2006.

The county claimed \$531,671 for the mandated program. Our audit disclosed that \$305,210 is allowable and \$226,461 is unallowable. The unallowable costs occurred because the county claimed costs that it also claimed under the Handicapped and Disabled Student Program. The State paid the county \$8. Allowable costs claimed exceed the amount paid by \$305,202.

## Background

Chapter 654, Statutes of 1996, added and amended *Government Code* Section 7576 by allowing new fiscal and programmatic responsibilities for counties to provide mental health services to Seriously Emotionally Disturbed Pupils (SEDP) placed in out-of-state residential programs. Counties' fiscal and programmatic responsibilities, including those set forth in *California Code of Regulations* Section 60100, provide that residential placements for a SEDP may be made out-of-state only when no in-state facility can meet the pupil's needs.

On May 25, 2000, the Commission on State Mandates (COSM) determined that Chapter 654, Statutes of 1996, imposed a state mandate reimbursable under *Government Code* Section 17561 for the following.

- Payment of out-of-state residential placement for SEDPs.
- Case management of out-of-state residential placement for SEDPs. Case management includes supervision of mental health treatment and monitoring of psychotropic medications.
- Travel to conduct quarterly face-to-face contacts at the residential facility to monitor level of care, supervision, and the provision of mental health services as required in the pupil's Individualized Education Plan.
- Program management, which includes parent notifications as required, payment facilitation, and all other activities necessary to ensure a county's out-of-state residential placement program meets the requirements of *Government Code* Section 7576.

*Parameters and Guidelines* establishes the state mandate and defines reimbursement criteria. The COSM adopted the *Parameters and Guidelines* on October 26, 2000. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

**Objective,  
Scope, and  
Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Seriously Emotionally Disturbed Pupils Program for the period of July 1, 2001, through June 30, 2004.

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* Sections 12410, 17558.5, and 17561. 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 an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, Sacramento County claimed \$531,671 for costs of the Seriously Emotionally Disturbed Pupils Program. Our audit disclosed that \$305,210 is allowable and \$226,461 is unallowable.

For fiscal year (FY) 2001-02, the State made no payment to the county. Our audit disclosed that none of the costs claimed is allowable.

For FY 2002-03, the State paid the county \$8. Our audit disclosed that none of the costs claimed is allowable. The county should return \$8 to the State. The State will offset \$8 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For FY 2003-04, the State made no payment to the county. Our audit disclosed that \$305,210 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$305,210, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on January 17, 2007. Lynn Frank, Director of Health and Human Services, responded by letter dated February 14, 2007, agreeing with the audit results. This final audit report includes the county's response.

**Restricted Use**

This report is solely for the information and use of Sacramento 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, 2001, through June 30, 2004**

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>per Audit | Audit<br>Adjustment <sup>1</sup> |
|--|-------------------------|------------------------|----------------------------------|
| <u>July 1, 2001, through June 30, 2002</u>                   |                         |                        |                                  |
| Vendor reimbursements:                                       |                         |                        |                                  |
| Mental health services                                       | \$ 116,824              | \$ —                   | \$ (116,824)                     |
| Case management costs  | 11,652                  | —                      | (11,652)                         |
| Travel cost  | 9,728                   | —                      | (9,728)                          |
| Indirect cost  | 6,490                   | —                      | (6,490)                          |
| Total program costs  | <u>\$ 144,694</u>       | —                      | <u>\$ (144,694)</u>              |
| Less amount paid by the State                                |                         | —                      |                                  |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ —</u>            |                                  |
| <u>July 1, 2002, through June 30, 2003</u>                   |                         |                        |                                  |
| Vendor reimbursements:                                       |                         |                        |                                  |
| Mental health services                                       | \$ 51,764               | \$ —                   | \$ (51,764)                      |
| Travel cost  | 11,948                  | —                      | (11,948)                         |
| Total program costs  | <u>\$ 63,712</u>        | —                      | <u>\$ (63,712)</u>               |
| Less amount paid by the State                                |                         | (8)                    |                                  |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ (8)</u>          |                                  |
| <u>July 1, 2003, through June 30, 2004</u>                   |                         |                        |                                  |
| Vendor reimbursements:                                       |                         |                        |                                  |
| Mental health services                                       | \$ 10,943               | \$ —                   | \$ (10,943)                      |
| Room and board costs (60%)                                   | 305,210                 | 305,210                | —                                |
| Travel costs   | 6,283                   | —                      | (6,283)                          |
| Program management costs                                     | 772                     | —                      | (772)                            |
| Indirect costs   | 57                      | —                      | (57)                             |
| Total program costs  | <u>\$ 323,265</u>       | 305,210                | <u>\$ (18,055)</u>               |
| Less amount paid by the State                                |                         | —                      |                                  |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 305,210</u>      |                                  |
| <u>Summary: July 1, 2001, through June 30, 2004</u>          |                         |                        |                                  |
| Vendor reimbursements:                                       |                         |                        |                                  |
| Mental health services                                       | \$ 179,531              | \$ —                   | \$ (179,531)                     |
| Room and board costs (60%)                                   | 305,210                 | 305,210                | —                                |
| Case management costs  | 11,652                  | —                      | (11,652)                         |
| Travel costs   | 27,959                  | —                      | (27,959)                         |
| Program management costs                                     | 772                     | —                      | (772)                            |
| Indirect costs   | 6,547                   | —                      | (6,547)                          |
| Total program costs  | <u>\$ 531,671</u>       | 305,210                | <u>\$ (226,461)</u>              |
| Less amount paid by the State                                |                         | (8)                    |                                  |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 305,202</u>      |                                  |

<sup>1</sup> See the Finding and Recommendation section.

# Finding and Recommendation

**FINDING—  
Costs claimed twice**

The county inadvertently claimed \$226,461 in reimbursable costs for mental health services, case management, travel, program management, and related indirect costs that it also claimed under the mandated Handicapped and Disabled Students Program.

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

As a result, we have reduced claimed costs for all costs claimed twice, as follows.

|                        | Fiscal Year         |                    |                    | Total               |
|------------------------|---------------------|--------------------|--------------------|---------------------|
|                        | 2001-02             | 2002-03            | 2003-04            |                     |
| Mental health services | \$ (116,824)        | \$ (51,764)        | \$ (10,943)        | \$ (179,531)        |
| Case management        | (11,652)            | —                  | —                  | (11,652)            |
| Travel                 | (9,728)             | (11,948)           | (6,283)            | (27,959)            |
| Program management     | —                   | —                  | (772)              | (772)               |
| Indirect costs         | (6,490)             | —                  | (57)               | (6,547)             |
| Audit adjustment       | <u>\$ (144,694)</u> | <u>\$ (63,712)</u> | <u>\$ (18,055)</u> | <u>\$ (226,461)</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 agrees with the finding.

SCO’s Comment

The finding and recommendation remain unchanged.



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

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Countywide Services Agency

**Department of Health and  
Human Services**

Lynn Frank, Director



Terry Schutten, County Executive  
Penelope Clarke, Agency Administrator

**County of Sacramento**

February 14, 2007

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:

The County of Sacramento submits the following response to the California State Controller Seriously Emotionally Disturbed Pupils Program Audit Report. We appreciate the opportunity to review and comment on the draft report. It is our understanding that our comments will be incorporated into the appropriate sections of the final audit report.

**Findings & Recommendations**

**Finding – Costs claimed twice**

Due to a rotation in resources, personnel without prior experience prepared this complex report and claimed these costs within the Handicapped and Disabled Students Program. Employees have since been adequately educated regarding this reporting process.

**General Comments**

We concur with the accuracy of the audit findings.

Sincerely,

A handwritten signature in black ink, appearing to read "Lynn Frank".

Lynn Frank, Director  
Department of Health and Human Services

C: Dave Irish  
Maryann Luke

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

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