

SOLANO COUNTY

Audit Report

CONSOLIDATED HANDICAPPED AND DISABLED STUDENTS (HDS), HDS II, AND SERIOUSLY EMOTIONALLY DISTURBED PUPILS PROGRAM

Chapter 1747, Statutes of 1984; Chapter 1274, Statutes of
1985; Chapter 1128, Statutes of 1994; and Chapter 654,
Statutes of 1996

July 1, 2009, through June 30, 2010



BETTY T. YEE
California State Controller

March 2018



BETTY T. YEE
California State Controller

March 5, 2018

The Honorable John Vasquez, Chairman
Solano County Board of Supervisors
675 Texas Street, Suite 6500
Fairfield, CA 94533

Dear Mr. Vasquez:

The State Controller's Office (SCO) audited the costs claimed by Solano County for the legislatively mandated Consolidated Handicapped and Disabled Students (HDS), HDS II, and Seriously Emotionally Disturbed Pupils Program (Chapter 1747, Statutes of 1984; Chapter 1274, Statutes of 1985; Chapter 1128, Statutes of 1994; and Chapter 654, Statutes of 1996) for the period of July 1, 2009, through June 30, 2010.

The county claimed \$3,015,460 for the mandated program. Our audit found that \$2,671,221 is allowable and \$344,239 is unallowable. The costs are unallowable primarily because the county claimed ineligible and unsupported costs, overstated indirect costs, and overstated offsetting reimbursements. The State made no payments to the county. The State will pay \$2,671,221, contingent upon available appropriations. Following the issuance of this report, the SCO's Local Government Programs and Services Division will notify the county of the adjustments via a system-generated letter for each fiscal year in the audit period.

This final audit report contains an adjustment to costs claimed by the county. If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on the State Mandates (Commission). Pursuant to Section 1185, subdivision (c), of the Commission's regulations (*California Code of Regulations*, Title 3), an IRC challenging this adjustment must be filed with the Commission no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain IRC information on the Commission's website at www.csm.ca.gov/forms/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, CPA, Assistant Division Chief, by telephone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/lis

cc: The Honorable Simona Padilla-Scholtens, CPA, Auditor-Controller
Solano County
Gerald Huber, Director
Solano County Health and Social Services Department
Chris Hill, Principal Program Budget Analyst
Local Government Unit, California Department of Finance
Steven Pavlov, Finance Budget Analyst
Local Government Unit, California Department of Finance
Amy Tang-Paterno, Education Fiscal Services Consultant
Government Affairs Division
California Department of Education
Chris Essman, Manager
Special Education Division
California Department of Education
Anita Dagan, Manager
Local Government Programs and Services Division
California State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Solano County for the legislatively mandated Consolidated Handicapped and Disabled Students (HDS), HDS II, and Seriously Emotionally Disturbed Pupils (SEDP) Program (Chapter 1747, Statutes of 1984; Chapter 1274, Statutes of 1985; Chapter 1128, Statutes of 1994; and Chapter 654, Statutes of 1996) for the period of July 1, 2009, through June 30, 2010.

The county claimed \$3,015,460 for the mandated program. Our audit found that \$2,671,221 is allowable and \$344,239 is unallowable. The costs are unallowable primarily because the county claimed ineligible and unsupported costs, overstated indirect costs, and overstated offsetting reimbursements. The State made no payments to the county. The State will pay \$2,671,221, contingent upon available appropriations. Following the issuance of this report, the SCO's Local Government Programs and Services Division (LGPSD) will notify the county of the adjustments via a system-generated letter for each fiscal year in the audit period.

Background

Handicapped and Disabled Students Program

Chapter 26 of the Government Code (GC), commencing with section 7570, and Welfare and Institutions Code (WIC) section 5651 (added and amended by Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985) require counties to participate in the mental health assessment for "individuals with exceptional needs," participate in the expanded "Individualized Education Program" (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 (Commission) adopted the statement of decision for the HDS Program and determined that this legislation imposes a State mandate reimbursable under GC section 17561. The Commission adopted the parameters and guidelines for the HDS Program on August 22, 1991, and last amended them on January 25, 2007.

The parameters and guidelines for the HDS Program state 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 these costs or to fund the cost of any part of these services with money received from the Local Revenue Fund established by WIC section 17600 et seq. (realignment funds).

Furthermore, Senate Bill 1895 (Chapter 493, Statutes of 2004) states that realignment funds used by counties for the HDS 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).

The Commission amended the parameters and guidelines for the HDS Program on January 26, 2006, and corrected them on July 21, 2006, allowing reimbursement for out-of-home residential placements beginning July 1, 2004.

Handicapped and Disabled Students II Program

On May 26, 2005, the Commission adopted a statement of decision for the HDS II Program that incorporates the above legislation and further identifies medication support as a reimbursable cost effective July 1, 2001. The Commission adopted the parameters and guidelines for this new program on December 9, 2005, and last amended them on October 26, 2006.

The parameters and guidelines for the HDS II Program state:

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, we are allowing medication support costs commencing on July 1, 2001.

Seriously Emotionally Disturbed Pupils Program

GC section 7576 (added and amended by Chapter 654, Statutes of 1996) allows new fiscal and programmatic responsibilities for counties to provide mental health services to seriously emotionally disturbed pupils placed in out-of-state residential programs. Counties' fiscal and programmatic responsibilities include those set forth in Title 2, California Code of Regulations, section 60100 (2 CCR 60100), which provides that residential placements may be made out-of-state only when no in-state facility can meet the pupil's needs.

On May 25, 2000, the Commission adopted the statement of decision for the SEDP: Out-of-State Mental Health Services Program and determined that Chapter 654, Statutes of 1996, imposes a State mandate reimbursable under GC section 17561. The Commission adopted the parameters and guidelines for the SEDP Program on October 26, 2000. The Commission determined that the following activities are reimbursable:

- Payment for out-of-state residential placements;
- Case management of out-of-state residential placements. 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 IEP; and
- Program management, which includes parent notifications as required; payment facilitation; and all other activities necessary to ensure that a county's out-of-state residential placement program meets the requirements of GC section 7576.

The Commission consolidated the parameters and guidelines for the HDS, HDS II, and SEDP Programs for costs incurred commencing with FY 2006-07 on October 26, 2006, and last amended them on September 28, 2012. On September 28, 2012, the Commission stated that Statutes of 2011, Chapter 43, “eliminated the mandated programs for counties and transferred responsibility to school districts, effective July 1, 2011. Thus, beginning July 1, 2011, these programs no longer constitute reimbursable state-mandated programs for counties.” The consolidated program replaced the prior HDS, HDS II, and SEDP mandated programs. The parameters and guidelines establish the state mandate and define reimbursable criteria. In compliance with GC section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

Objective, Scope, and Methodology

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the Consolidated HDS, HDS II and SEDP Program. Specifically, we conducted this audit to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The audit period was from July 1, 2009, through June 30, 2010.

To achieve our audit objective, we:

- Reviewed annual mandated cost claims filed by the county for the audit period to identify the material cost components of each claim and determine whether there were any errors or unusual or unexpected variances from year to year. We also reviewed activities claimed to determine whether they adhered to SCO’s claiming instructions and the program’s parameters and guidelines;
- Completed an internal control questionnaire by interviewing key county staff; and performed a walk-through of the claim preparation process to determine what information was obtained, who obtained it, and how it was used;
- Reviewed source documents to verify that all out-of-state residential placement providers claimed were organized and operated on a non-profit basis;
- Verified board-and-care payments claimed by tracing a non-statistical sample of \$249,255 out of \$1,052,250 in board-and-care costs to payment reports and warrants. We did not project sample errors to the intended population;
- Validated unit-of-service reports by tracing a non-statistical sample of 80 out of 24,170 client visits from unit-of-service reports to client files. We did not project sample errors to the intended population;
- Validated all unit rates claimed by reconciling the claimed rates to rates reported in the county’s cost reports submitted to the California Department of Mental Health (CDMH) and verifying that contractor rates used are consistent with the county’s contract settlement policy;

- Reviewed indirect costs to determine whether they were properly computed and applied;
- Reviewed offsetting revenues to determine if all relevant sources were identified, and properly computed and applied; and
- Recalculated allowable costs using our audited data, including unit of service reports and the appropriate unit rates.

The legal authority to conduct this audit is provided by GC sections 12410, 17558.5, and 17561. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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. Our audit scope did not assess the efficiency or effectiveness of program operations. We did not audit the county's financial statements.

Conclusion

Our audit found instances of noncompliance with the requirements outlined in the Objective section. These instances are described in the accompanying Schedule (Summary of Program Costs) and in the Findings and Recommendations section of this report.

For the audit period, Solano County claimed \$3,015,460 for costs of the Consolidated HDS, HDS II, and SEDP Program. Our audit found that \$2,671,221 is allowable and \$344,239 is unallowable. The State made no payments to the county. The State will pay allowable costs claimed totaling \$2,671,221, contingent upon available appropriations. Following the issuance of this report, the SCO's LGPSD will notify the county of the adjustments via a system-generated letter for each fiscal year in the audit period.

Follow-up on Prior Audit Findings

The county has satisfactorily resolved the findings noted in our prior review report, issued March 12, 2013.

Views of Responsible Officials

We issued the draft audit report on January 11, 2018. Gerald Huber, Director of the Solano County Health and Social Services Department, responded by letter dated January 31, 2018 (Attachment), disagreeing with Finding 1, agreeing with Finding 2, and acknowledging Findings 3 and 4.

Restricted Use

This report is solely for the information and use of Solano 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, CPA
Chief, Division of Audits

March 5, 2018

Schedule— Summary of Program Costs July 1, 2009, through June 30, 2010

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Referral and mental health assessments	\$ 1,527,421	\$ 1,466,916	\$ (60,505)	Finding 1
Authorize/issue payments to providers	1,064,614	1,052,250	(12,364)	Finding 2
Psychotherapy/other mental health services	3,803,808	3,511,104	(292,704)	Finding 1
Total direct costs	6,395,843	6,030,270	(365,573)	
Indirect costs	415,854	387,995	(27,859)	Finding 3
Total direct and indirect costs	6,811,697	6,418,265	(393,432)	
Less other reimbursements	(3,796,237)	(3,747,044)	49,193	Finding 4
Total program cost	<u>\$ 3,015,460</u>	2,671,221	<u>\$ (344,239)</u>	
Less amount paid by State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,671,221</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Overstated assessment and treatment costs

The county overstated assessment and treatment costs by \$353,209 for the audit period. The county claimed assessment and treatment costs in two cost components: Referral and Mental Health Assessments, and Psychotherapy/Other Mental Health Services. Costs were overstated because the county claimed ineligible and duplicative units-of-service.

The county claimed assessment and treatment costs that were not fully based on actual costs to implement the mandated program. For the audit period, the county provided unit-of-service reports that represented finalized units-of-service rendered to eligible clients. We reviewed the reports and noted that reported units did not reconcile to claimed units. Units did not reconcile because the county used preliminary unit-of-service reports to determine claimed costs.

We verified, on a sample basis, support for reporting services. In our analytical review, we found that the county claimed rehabilitation services that may contain ineligible socialization or social skills training. During our testing, we selected a haphazard sample and found that a high number of rehabilitation services tested included ineligible socialization or social skills training. We prepared a statistical sample of all rehabilitation services to determine the allowable amount of rehabilitation services. However, the county chose not to pull the additional case files for testing and accepted the disallowance of all rehabilitation services. Furthermore, during testing we found that the county claimed a number of duplicate units-of-service. As a result of our testing, we disallowed all rehabilitation and duplicate units-of-service from the county's claim.

We verified unit rates used to compute costs of county-operated facilities and contract providers. In our review, we found that the county correctly claimed costs based on rates from the annual cost reports.

We recalculated allowable costs based on actual, supported units-of-service provided to eligible clients using the appropriate unit rates that represented the actual cost to the county. We excluded costs of ineligible and duplicate units-of-service as determined by our sample testing.

The following table summarizes the overstated assessment and treatment costs claimed:

	Amount Claimed	Amount Allowable	Audit Adjustment
<u>FY 2009-10</u>			
Referral and mental health assessments	\$ 1,527,421	\$ 1,466,916	\$ (60,505)
Psychotherapy/other mental health services	3,803,808	3,511,104	(292,704)
Total	<u>\$ 5,331,229</u>	<u>\$ 4,978,020</u>	<u>\$ (353,209)</u>

The following table summarizes the calculation of allowable costs:

	FY 2009-10
Total claimed costs	\$ 5,331,229
Ineligible rehabilitation	(369,659)
Duplicate units-of-service	(7,931)
Use of preliminary units	24,381
Allowable costs	<u>\$ 4,978,020</u>

Criteria

Section IV (H) of the program's parameters and guidelines provides that reimbursement is allowable for mental health services when required by the pupil's IEP. These services include assessment, collateral, case management, individual and group psychological therapy, medication monitoring, intensive day treatment, and day rehabilitation services. The parameters and guidelines further specify that when providing mental health treatment services, the activities of socialization and vocation services are not reimbursable.

Section IV of the parameters and guidelines specifies that the State will reimburse only actual increased costs incurred to implement mandated activities that are supported by source documents showing the validity of such costs.

Recommendation

No recommendation is applicable, as the consolidated program is no longer mandated.

County's Response

The County exercised diligence and good faith in preparing the FY2009/10 SB90 claim within the parameters and time constraints of program guidance. The SB90 claim was done timely after the FY2009/10 Short Doyle Medi-Cal initial cost report was submitted. Due to the established deadlines for submission for both the cost report and SB 90 claim, Medi-Cal billable units are preliminary and represent a point in time. Units aren't finalized until the State performs a final audit of the Medi-Cal cost report. The State finalized its FY2009/10 Short Doyle Medi-Cal cost report audit in November 2016.

Due to the length of time from service provision to this audit, program leadership has turned over and history regarding specifics on claiming rehabilitation services is not available. Title 9, California Code of Regulations (CCR) Section 1810.243 defines rehabilitation as "a service activity which includes assistance in improving, maintaining, or restoring a beneficiary's or group of beneficiaries' functional skills, daily living skills, social and leisure skills, grooming and personal hygiene skills, meal preparation skills, and support resources: and/or medical education. Of the auditor's original testing of 23 rehabilitation services, 43% included ineligible socialization. Socialization is not claimable to SB90 even though Title 9's definition of rehabilitation includes "a service activity which includes..., social and leisure skills,..." Due to the high percentage of ineligible services in the initial sample and an awareness that counties had a more liberal interpretation of providing rehabilitation services, the County selected to not pull the additional sample. The County felt the original sample represented the common practice in FY 2009/10.

SCO's Comment

The finding remains unchanged. As discussed in the finding, we performed a non-statistical sample of unit-of-service transactions. During testing, we found that a significant percentage of rehabilitation services contained ineligible socialization services. As the sample performed was not statistical in nature, it would not be statistically valid to project the error rate to the population of rehabilitation services. We proposed conducting a statistical sample of rehabilitation services and projecting the error rate to the population; however, the county declined our proposal and accepted the audit results.

**FINDING 2—
Overstated residential
placement costs**

The county overstated residential placement costs by \$12,364 for the audit period. The county claimed all residential placement costs within the Authorize/Issue Payments to Providers cost component. Costs were overstated because the county claimed costs incurred before the start of the audit period.

The county claimed residential placement costs for board-and-care services provided by residential placement facilities. Board-and-care costs were supported by reports from the county's California Work Opportunity and Responsibility to Kids Information Network (CalWIN) system.

We verified, on a sample basis, support for residential placement services. In our review, we found that the county had claimed costs based on the month that services were paid rather than incurred, resulting in the county claiming costs from outside the audit period and leaving potential eligible costs unclaimed. We requested updated CalWIN reports prepared based on the effective month of residential placements. Upon review of the updated reports, we found that the county had overstated board-and-care costs by \$12,364 for the audit period.

We verified the eligibility of each vendor claimed using supporting documents provided by the county. After completing our review, we found that all vendors claimed by the county were eligible non-profit facilities. Based on our adjustments, we recalculated allowable costs based on the month that costs were incurred. We excluded all costs that were incurred outside of the audit period.

The following table summarizes the overstated residential placement costs claimed:

	Amount Claimed	Amount Allowable	Audit Adjustment
<u>FY 2009-10</u>			
Authorize/issue payments to providers	\$ 1,064,614	\$ 1,052,250	\$ (12,364)

Criteria

Section IV of the parameters and guidelines provides that counties can claim eligible costs incurred by fiscal year to implement mandated activities.

Section IV (C) of the parameters and guidelines specifies that the state mandate is to reimburse counties for payments to service vendors providing placement of seriously emotionally disturbed pupils in out-of-home residential facilities as specified in GC section 7581 and 2 CCR 60200.

2 CCR 60100, subdivision (h), specifies that out-of-state residential placement shall be made in residential programs that meet the requirement of WIC section 11460, subdivision (c)(2) through (3). Subdivision (c)(3) states that reimbursement shall be paid only to a group home organized and operated on a non-profit basis.

Section IV (G) of the parameters and guidelines also provides that WIC section 18355.5 applies to this program and prohibits a county from claiming reimbursement for its 60% share of the total residential and non-educational costs for a seriously emotionally disturbed child placed in an out-of-home residential facility, if the county claims reimbursement for these costs from the Local Revenue Fund identified in WIC section 17600 and receives these funds.

Recommendation

No recommendation is applicable, as the consolidated program is no longer mandated.

County's Response

The County agrees with the finding.

FINDING 3— Overstated indirect costs

The county overstated indirect costs by \$27,859 for the audit period.

The county elected to use the 10% indirect cost rate provided within the program's parameters and guidelines. This rate was then correctly applied to the claimed direct costs of services provided at county-operated facilities. However, the county applied the indirect cost rate to ineligible direct costs claimed. As discussed in Finding 1, the county claimed costs of rehabilitation services containing ineligible socialization, as well as duplicate units-of-service. The overstatement of direct costs led to corresponding adjustments to indirect costs claimed.

We recalculated indirect costs by applying the claimed 10% indirect cost rate to allowable direct costs of services provided at county-operated facilities in the Referral and Mental Health Assessments, and Psychotherapy/Other Mental Health Services cost components.

The following table summarizes the overstated indirect costs claimed:

	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
<u>FY 2009-10</u>			
Direct costs	\$ 4,158,540	\$ 3,879,952	
Indirect cost rate	<u>10%</u>	<u>10%</u>	
Indirect costs	<u>\$ 415,854</u>	<u>\$ 387,995</u>	<u>\$ (27,859)</u>

Criteria

Section V of the parameters and guidelines states that indirect costs incurred in the performance of the mandated activities and adequately documented are reimbursable. The parameters and guidelines further state that, to the extent the CDMH has not already compensated reimbursable administration costs from categorical funding sources, the costs may be claimed.

Section V of the parameters and guidelines further states that claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal if the indirect cost rate claimed exceeds 10%.

Recommendation

No recommendation is applicable, as the consolidated program is no longer mandated.

County's Response

Due to established claiming deadlines, Solano County prepared the SB90 based on preliminary costs and elected to use the 10% indirect cost rate allowed within the program's parameters and guidelines. The County acknowledges that indirect costs would be adjusted when program costs are adjusted.

FINDING 4— Overstated offsetting reimbursements

The county overstated offsetting reimbursements by \$49,193 for the audit period. The overstatement results primarily from the county's use of preliminary unit-of-service reports to calculate Short Doyle/Medi-Cal (SD/MC) and Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) reimbursements, and the county applying SD/MC and EPSDT funding percentages to ineligible direct costs. Furthermore, the county used a preliminary EPSDT funding percentage and overstated the California Department of Social Services (CDSS) 40% share of board-and-care costs because it claimed costs outside the audit period.

We recalculated allowable offsetting reimbursements for all relevant funding sources and applied the appropriate rates for SD/MC and EPSDT to eligible direct costs. For EPSDT, we recomputed the funding percentage using final cost settlement information from CDMH. We excluded offsetting reimbursements related to ineligible direct costs including rehabilitation services with socialization. We applied all relevant revenues to the full extent of funding provided, including Individuals with Disabilities Education Act (IDEA) funds.

The following table summarizes the adjustment to offsetting reimbursements:

	Amount Claimed	Amount Allowable	Audit Adjustment
<u>FY 2009-10</u>			
SD/MC	\$ (1,637,892)	\$ (1,566,680)	\$ 71,212
IDEA	(930,973)	(930,973)	-
EPSDT	(801,527)	(828,491)	(26,964)
CDSS 40%	(425,845)	(420,900)	4,945
Total	<u>\$ (3,796,237)</u>	<u>\$ (3,747,044)</u>	<u>\$ 49,193</u>

Criteria

Section VII of the parameters and guidelines specifies that any direct payments (categorical funds, SD/MC, EPSDT, IDEA, and other reimbursements) received from the State that are specifically allocated to the program, and/or any other reimbursements received as a result of the mandate, must be deducted from the claim.

Recommendation

No recommendation is applicable, as the consolidated program is no longer mandated.

County's Response

The County exercised diligence and good faith in preparing the FY2009/10 SB90 claim within the parameters and time constraints of program guidance. The SB90 claim was done timely after the FY2009/10 Short Doyle Medi-Cal initial cost report was submitted. Due to the established deadlines for submission for both the cost report and SB 90 claim, Medi-Cal billable units are preliminary and represent a point in time. Units aren't finalized until the State performs a final audit on the Medi-Cal cost report. The State finalized its FY2009/10 Short Doyle Medi-Cal cost report audit in November 2016. The County acknowledges that offsetting reimbursements will be adjusted after costs and units are finalized through the Short Doyle Medi-Cal cost report.

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

DEPARTMENT OF HEALTH & SOCIAL SERVICES

GERALD HUBER
Director
grhuber@solanocounty.com
(707) 784-8400
TONYA NOWAKOWSKI
Assistant Director
tnowakowski@solanocounty.com
(707) 784-8401



SOLANO
COUNTY

275 Beck Avenue, MS 5-200
Fairfield, CA 94533
(707) 784-8400
Fax (707) 421-3207
www.solanocounty.com

January 31, 2018

Jeffrey V. Brownfield, CPA
Chief, Division of Audits
California State Controller's Office
3301 C Street, Suite 700, Sacramento, CA 95816

Subject: Audit Report – Consolidated Handicapped and Disabled Students (HDS), HDS II, and
Seriously Emotionally Disturbed Pupils Program (Fiscal Year 2009/110)
Dear Mr. Brownfield:

Below are our responses to the findings cited in your draft audit report dated January 2018:

Finding No. 1: Overstated Assessment and Treatment Costs

The County exercised diligence and good faith in preparing the FY2009/10 SB90 claim within the parameters and time constraints of program guidance. The SB90 claim was done timely after the FY2009/10 Short Doyle Medi-Cal initial cost report was submitted. Due to the established deadlines for submission for both the cost report and SB 90 claim, Medi-Cal billable units are preliminary and represent a point in time. Units aren't finalized until the State performs a final audit on the Medi-Cal cost report. The State finalized its FY2009/10 Short Doyle Medi-Cal cost report audit in November 2016.

Due to the length of time from service provision to this audit, program leadership has turned over and history regarding specifics on claiming rehabilitation services is not available. Title 9, California Code of Regulations (CCR) Section 1810.243 defines rehabilitation as "a service activity which includes assistance in improving, maintaining, or restoring a beneficiary's or group of beneficiaries' functional skills, daily living skills, social and leisure skills, grooming and personal hygiene skills, meal preparation skills, and support resources; and/or medical education. Of the auditor's original testing of 23 rehabilitation services, 43% included ineligible socialization. Socialization is not claimable to SB90 even though Title 9's definition of rehabilitation includes "a service activity which includes...., social and leisure skills,..." Due to the high percentage of ineligible services in the initial sample and an awareness that counties had a more liberal interpretation of providing rehabilitation services, the County selected to not pull the additional sample. The County felt the original sample represented the common practice in FY2009/10.

Finding No. 2: Overstated Residential Placement Costs

The County agrees with the finding.

Finding No. 3: Overstated Indirect Costs

Administrative Services	Behavioral Health Services	Child Welfare Services	Employment & Eligibility Services	Medical Services	Older & Disabled Adult Services	Public Health Services	Substance Abuse Serv
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Due to established claiming deadlines, Solano County prepared the SB90 based on preliminary costs and elected to use the 10% indirect cost rate allowed within the program's parameters and guidelines. The County acknowledges that indirect costs would be adjusted when program costs are adjusted.

Finding No. 4: Overstated Offsetting Reimbursements

The County exercised diligence and good faith in preparing the FY2009/10 SB90 claim within the parameters and time constraints of program guidance. The SB90 claim was done timely after the FY2009/10 Short Doyle Medi-Cal initial cost report was submitted. Due to the established deadlines for submission for both the cost report and SB 90 claim, Medi-Cal billable units are preliminary and represent a point in time. Units aren't finalized until the State performs a final audit on the Medi-Cal cost report. The State finalized its FY2009/10 Short Doyle Medi-Cal cost report audit in November 2016. The County acknowledges that offsetting reimbursements will be adjusted after costs and units are finalized through the Short Doyle Medi-Cal cost report.

If you have any questions or need additional information, please contact Sandra Sinz, Deputy Director for Behavioral Health at 707-784-8332, slsinz@solanocounty.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gerald Huber", with a stylized flourish at the end.

Gerald Huber, Director
Health & Social Services (HSS) Department
Solano County

Cc: Simona Padilla Scholtens, Solano County Auditor Controller
Tonya Nowakowski, HSS Assistant Director
Sandra Sinz, Deputy Director HSS Behavioral Health
Kristin Neal, HSS Behavioral Health Policy and Financial Manager
Tess Lapira, HSS Director of Administrative Services

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

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