



JOHN CHIANG
California State Controller

March 12, 2013

Simona Padilla-Scholten, CPA
Auditor-Controller
Solano County
675 Texas Street, Suite 2800
Fairfield, CA 94533

Dear Ms. Padilla-Scholten:

The State Controller's Office reviewed 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, 2006, through June 30, 2009. Our review was limited to validating offsetting reimbursements of funding received by the county from the California Department of Mental Health (DMH) and from the California Department of Education (CDE).

The county claimed \$4,011,339 (\$4,021,339 less a \$10,000 penalty for filing a late claim) for the mandated program. Our review found that \$3,676,187 is allowable and \$335,152 is unallowable. The costs are unallowable because the county understated offsetting reimbursements appropriated by DMH and CDE, as described in the attached Summary of Program Costs, and Finding and Recommendation.

For the fiscal year (FY) 2006-07 claim, the State paid the county \$1,159,132. Our review found that \$128,840 of the claimed costs is unallowable. The State will offset \$128,840 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 2007-08 claim, the State paid the county \$4,166. Our review found that \$1,647,868 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,643,702, contingent upon available appropriations.

For the FY 2008-09 claim, the State made no payment to the county. Our review found that \$998,027 is allowable. The State will pay that amount, contingent upon available appropriations.

We discussed the review results with Kristin Neal, Policy and Financial Analyst, on January 2, 2013. Ms. Neal had no additional comments.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). 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 the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/vb

Attachments

RE: S11-MCC-907

cc: Kristin Neal, Policy and Financial Analyst
Solano County Health and Social Services
Tess Lapira, Financial Manager
Solano County Health and Social Services
Randall Ward, Principal Program Budget Analyst
Mandates Unit, California Department of Finance
Erika Cristo, Manager
California Department of Mental Health
Chris Essman, Manager
California Department of Education
Carol Bingham, Director
California Department of Education
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 2006, through June 30, 2009**

| Cost Elements | Actual Costs Claimed | Allowable per Review | Review Adjustment ¹ |
|--|-------------------------|-------------------------|-----------------------------------|
| <u>July 1, 2006, through June 30, 2007</u> | | | |
| Direct costs: | | | |
| Referral and mental health assessments | \$ 1,543,920 | \$ 1,543,920 | \$ — |
| Psychotherapy/other mental health services | 5,242,441 | 5,242,441 | — |
| Total direct costs | 6,786,361 | 6,786,361 | — |
| Indirect costs | 497,449 | 497,449 | — |
| Total direct and indirect costs | 7,283,810 | 7,283,810 | — |
| Offsetting reimbursements | (6,124,678) | (6,253,518) | (128,840) |
| Subtotal | 1,159,132 | 1,030,292 | (128,840) |
| Less late filing penalty | — | — | — |
| Total program costs | <u>\$ 1,159,132</u> | 1,030,292 | <u>\$ (128,840)</u> |
| Less amount paid by the State | | (1,159,132) | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (128,840)</u> | |
| <u>July 1, 2007, through June 30, 2008</u> | | | |
| Direct costs: | | | |
| Referral and mental health assessments | \$ 1,995,927 | \$ 1,995,927 | \$ — |
| Psychotherapy/other mental health services | 4,472,714 | 4,472,714 | — |
| Total direct costs | 6,468,641 | 6,468,641 | — |
| Indirect costs | 496,809 | 496,809 | — |
| Total direct and indirect costs | 6,965,450 | 6,965,450 | — |
| Offsetting reimbursements | (5,213,551) | (5,307,582) | (94,031) |
| Subtotal | 1,751,899 | 1,657,868 | (94,031) |
| Less late filing penalty | (10,000) | (10,000) | — |
| Total program costs | <u>\$ 1,741,899</u> | 1,647,868 | <u>\$ (94,031)</u> |
| Less amount paid by the State | | (4,166) | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 1,643,702</u> | |

Attachment 1 (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Review | Review Adjustment ¹ |
|--|-------------------------|-------------------------|-----------------------------------|
| <u>July 1, 2008, through June 30, 2009</u> | | | |
| Direct costs: | | | |
| Referral and mental health assessments | \$ 1,592,108 | \$ 1,592,108 | \$ — |
| Authorize/issue payments to providers | 1,252,002 | 1,252,002 | — |
| Psychotherapy/other mental health services | 4,089,556 | 4,089,556 | — |
| Total direct costs | 6,933,666 | 6,933,666 | — |
| Indirect costs | 449,795 | 449,795 | — |
| Total direct and indirect costs | 7,383,461 | 7,383,461 | — |
| Offsetting reimbursements | (6,273,153) | (6,385,434) | (112,281) |
| Subtotal | 1,110,308 | 998,027 | (112,281) |
| Less late filing penalty | — | — | — |
| Total program costs | <u>\$ 1,110,308</u> | 998,027 | <u>\$ (112,281)</u> |
| Less amount paid by the State | | — | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 998,027</u> | |
| <u>Summary: July 1, 2006, through June 30, 2009</u> | | | |
| Direct costs: | | | |
| Referral and mental health assessments | \$ 5,131,955 | \$ 5,131,955 | \$ — |
| Authorize/issue payments to providers | 1,252,002 | 1,252,002 | — |
| Psychotherapy/other mental health services | 13,804,711 | 13,804,711 | — |
| Total direct costs | 20,188,668 | 20,188,668 | — |
| Indirect costs | 1,444,053 | 1,444,053 | — |
| Total direct and indirect costs | 21,632,721 | 21,632,721 | — |
| Offsetting reimbursements | (17,611,382) | (17,946,534) | (335,152) |
| Subtotal | 4,021,339 | 3,686,187 | (335,152) |
| Less late filing penalty | (10,000) | (10,000) | — |
| Total program costs | <u>\$ 4,011,339</u> | 3,676,187 | <u>\$ (335,152)</u> |
| Less amount paid by the State | | (1,163,298) | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 2,512,889</u> | |

¹ See Attachment 2, Finding and Recommendation.

Attachment 2— Finding and Recommendation July 1, 2006, through June 30, 2009

**FINDING—
Understated offsetting
reimbursements**

The county understated offsetting reimbursements by \$335,152 for the review period. The county identified and applied the appropriate revenue sources, but did not offset its claims to the extent of the funding provided. We found that the county understated Individuals with Disabilities Education Act (IDEA) funds received from the California Department of Education (CDE) by \$36,538, and AB 3632 funds received from the California Department of Mental Health (DMH) by \$298,614. We adjusted the reported offsetting reimbursements based on funds confirmed by the CDE and the DMH as being allocated and paid to the county.

The following table summarizes the understated offsetting reimbursements:

| <u>Offsetting Reimbursements</u> | <u>Actual Costs Claimed</u> | <u>Allowable per Review</u> | <u>Review Adjustment</u> |
|--|---------------------------------|---------------------------------|------------------------------|
| <u>FY 2006-07</u> | | | |
| IDEA | \$ (872,106) | \$ (888,987) | \$ (16,881) |
| DMH categorical | (2,127,223) | (2,239,182) | (111,959) |
| Short Doyle/Medi-Cal Federal Financial Participation (SD/MC FFP) | (1,751,681) | (1,751,681) | — |
| Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) | (1,373,668) | (1,373,668) | — |
| Subtotal | <u>(6,124,678)</u> | <u>(6,253,518)</u> | <u>(128,840)</u> |
| <u>FY 2007-08</u> | | | |
| IDEA | (872,106) | (891,763) | (19,657) |
| DMH categorical | (1,413,088) | (1,487,462) | (74,374) |
| SD/MC FFP | (1,644,960) | (1,644,960) | — |
| EPSDT | (1,283,397) | (1,283,397) | — |
| Subtotal | <u>(5,213,551)</u> | <u>(5,307,582)</u> | <u>(94,031)</u> |
| <u>FY 2008-09</u> | | | |
| IDEA | (872,106) | (872,106) | — |
| DMH categorical | (2,133,336) | (2,245,617) | (112,281) |
| SD/MC FFP | (1,784,598) | (1,784,598) | — |
| EPSDT | (259,672) | (259,672) | — |
| Out-of-home residential care | (500,801) | (500,801) | — |
| Subtotal | <u>(5,550,513)</u> | <u>(5,662,794)</u> | <u>(112,281)</u> |
| Total | <u>\$ (16,888,742)</u> | <u>\$ (17,223,894)</u> | <u>\$ (335,152)</u> |

The Commission on State Mandates (CSM) consolidated the parameters and guidelines for the Handicapped and Disabled Students (HDS), HDS II, and Seriously Emotionally Disturbed Pupils (SEDP) Programs for costs incurred commencing with fiscal year (FY) 2006-07 on October 26, 2006, and last amended them on September 28, 2012. On September 28, 2012, the CSM 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 Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

The program’s parameters and guidelines specify that any direct payments or categorical funding received from the State that is specifically allocated to any service provided under this program, shall be identified and deducted from the claim.

Recommendation

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