

ALAMEDA COUNTY

Second Reissued 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, 2006, through June 30, 2009



BETTY T. YEE
California State Controller

June 2016



BETTY T. YEE
California State Controller

June 22, 2016

The Honorable Scott Haggarty, President
Board of Supervisors
Alameda County
1221 Oak Street, Room 536
Oakland, CA 94612

Dear Mr. Haggarty:

The State Controller's Office audited the costs claimed by Alameda 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, 2006, through June 30, 2009.

This second reissued report updates our previous report dated June 13, 2014. Subsequent to the issuance of our first reissued final report, the county provided the results of a statistical sample it used to identify the eligible portion of claimed rehabilitation service costs. In the previous audit report, these costs were determined to be ineligible because they contained non-reimbursable socialization services. Based on the results, we recalculated direct costs for each fiscal year of the audit period and revised Finding 1 to reflect the actual amount of allowable assessment and treatment costs. The revision increased allowable costs by \$491,516, from \$11,241,982 to \$11,733,498.

The county claimed \$24,467,549 for the mandated program. Our audit found that \$11,733,498 is allowable and \$12,734,051 is unallowable. The costs are unallowable primarily because the county used incorrect rates and units to calculate costs, claimed ineligible services, and miscalculated offsetting revenues. The State paid the county \$4,191,317. The State will pay allowable costs claimed that exceed the amount paid, totaling \$7,542,181 contingent upon available appropriations.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/rg

cc: Honorable Steve Manning, Auditor-Controller
Alameda County
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Second Reissued Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Alameda 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.

The county claimed \$24,467,549 for the mandated program. Our audit disclosed that \$11,733,498 is allowable and \$12,734,051 is unallowable. The costs are unallowable primarily because the county used incorrect rates and units to calculate costs, claimed ineligible services, and miscalculated offsetting revenues. The State paid the county \$4,191,317. The State will pay allowable costs claimed that exceed the amount paid, totaling \$7,542,181, contingent upon available appropriations.

Background

Handicapped and Disabled Students Program

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 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 imposed a state mandate reimbursable under Government Code 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 Welfare and Institutions Code 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 identified 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 that “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

Government Code 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 including those set forth in California Code of Regulations section 60100, which provide 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 Program and determined that Chapter 654, Statutes of 1996, imposed a state mandate reimbursable under Government Code 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 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.

The Commission consolidated the parameters and guidelines for the HDS, HDS II, and SEDP Programs for costs incurred commencing with the 2006-07 fiscal year on October 26, 2006, and last amended them on September 28, 2012. On September 28, 2012, the Commission stated that Chapter 43, Statutes of 2011 "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.

Objectives, Scope, and Methodology

We conducted this performance audit to determine whether costs claimed represent increased costs resulting from the Consolidated HDS, HDS II, and SEDP Program for the period of July 1, 2006, through June 30, 2009.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We conducted this 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

To achieve our audit objectives, we performed the following procedures:

- Reviewed claims to identify the material cost components of each claim, any errors, and any unusual or unexpected variances from year-to-year.

- Completed an internal control questionnaire and performed a walk-through of the claim preparation process to determine what information was used, who obtained it, and how it was obtained.
- Reviewed the county's contracts with providers who perform eligible mental health and residential placement services to verify contract rates claimed.
- Reviewed county documents to verify the county claimed costs from eligible non-profit residential placement providers.
- Verified unit of service reports by tracing a sample of transactions from the reports to client files.
- Verified unit rates claimed by reconciling the claimed rates to rates within the county's cost reports.
- Determined whether indirect costs claimed were properly computed and applied.
- Determined if all relevant offsetting revenues were identified and properly applied.
- Recalculated allowable costs claimed using audited data.

Conclusion

Our audit found 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, Alameda County claimed \$24,467,549 for costs of the Consolidated HDS, HDS II, and SEDP Program. Our audit found that \$11,733,498 is allowable and \$12,734,051 is unallowable.

For the FY 2006-07 claim, the State paid the county \$4,191,317. Our audit found that \$5,468,290 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,276,973, contingent upon available appropriations.

For the FY 2007-08 claim, the State made no payment to the county. Our audit found that \$5,832,946 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$5,832,946, contingent upon available appropriations.

For the FY 2008-09 claim, that State made no payment to the county. Our audit disclosed that \$432,262 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$432,262, contingent upon available appropriations.

Views of Responsible Officials

On May 4, 2016, we advised Paul Nichols, Financial Services Specialist II, of the report revisions. The county accepted Finding 1 and Second Revised Schedule revisions by email on May 13, 2016.

**Reason for
Reissuance**

On June 13, 2014, we reissued a final audit report for the Consolidated HDS, HDS II, and SEDP Program for the period of July 1, 2006, through June 30, 2009. Subsequent to the issuance of our first reissued report, the county presented documentation in support of Finding 1.

This second reissued audit report is based on the results of the county's statistical sample of rehabilitation services. The county performed the sample to identify the eligible portion of disallowed rehabilitation services. These services may include non-reimbursable socialization and vocational services. Based on our analysis of the sample results, we recalculated allowable assessment and treatment costs, and revised Finding 1 and the Schedule. As a result, allowable costs increased by \$491,516, from \$11,241,982 to \$11,733,498 for the audit period. In addition, we updated the Methodology section to clarify procedures performed.

Restricted Use

This report is solely for the information and use of Alameda 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

June 22, 2016

Second Revised Schedule — Summary of Program Costs July 1, 2006, through June 30, 2009

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustments | Reference ¹ |
|--|-------------------------|------------------------|-----------------------|------------------------|
| <u>July 1, 2006, through June 30, 2007</u> | | | | |
| Direct costs: | | | | |
| Referral and mental health assessment ² | \$ 19,756,135 | \$ 17,892,586 | \$ (1,863,549) | Finding 1 |
| Authorize/issue payments to providers | 2,855,419 | 2,464,061 | (391,358) | Finding 2, 3 |
| Indirect costs | <u>3,468</u> | <u>-</u> | <u>(3,468)</u> | Finding 3 |
| Total direct and indirect costs | 22,615,022 | 20,356,647 | (2,258,375) | |
| Offsetting revenues | <u>(15,181,595)</u> | <u>(14,888,357)</u> | <u>293,238</u> | Finding 4 |
| Total program cost | <u>\$ 7,433,427</u> | 5,468,290 | <u>\$ (1,965,137)</u> | |
| Less amount paid by the State ³ | | <u>(4,191,317)</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 1,276,973</u> | | |
| <u>July 1, 2007, through June 30, 2008</u> | | | | |
| Direct costs: | | | | |
| Referral and mental health assessment ² | \$ 22,929,318 | \$ 20,479,496 | \$ (2,449,822) | Finding 1 |
| Authorize/issue payments to providers | 3,374,131 | 3,116,352 | (257,779) | Finding 2, 3 |
| Indirect costs | <u>4,233</u> | <u>-</u> | <u>(4,233)</u> | Finding 3 |
| Total direct and indirect costs | 26,307,682 | 23,595,848 | (2,711,834) | |
| Offsetting revenues | <u>(18,116,179)</u> | <u>(17,762,902)</u> | <u>353,277</u> | Finding 4 |
| Total program cost | <u>\$ 8,191,503</u> | 5,832,946 | <u>\$ (2,358,557)</u> | |
| Less amount paid by the State | | <u>-</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 5,832,946</u> | | |
| <u>July 1, 2008, through June 30, 2009</u> | | | | |
| Direct costs: | | | | |
| Referral and mental health assessment ² | \$ 26,696,164 | \$ 21,706,853 | \$ (4,989,311) | Finding 1 |
| Authorize/issue payments to providers | 3,987,297 | 3,619,841 | (367,456) | Finding 2, 3 |
| Indirect costs | <u>5,832</u> | <u>-</u> | <u>(5,832)</u> | Finding 3 |
| Total direct and indirect costs | 30,689,293 | 25,326,694 | (5,362,599) | |
| Offsetting revenues | <u>(21,846,674)</u> | <u>(24,894,432)</u> | <u>(3,047,758)</u> | Finding 4 |
| Total program cost | <u>\$ 8,842,619</u> | 432,262 | <u>\$ (8,410,357)</u> | |
| Less amount paid by the State | | <u>-</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 432,262</u> | | |

Second Revised Schedule (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustments | Reference ¹ |
|--|-------------------------|------------------------|------------------------|------------------------|
| <u>Summary - July 1, 2006, through June 30, 2009</u> | | | | |
| Direct costs: | | | | |
| Referral and mental health assessment ² | \$ 69,381,617 | \$ 60,078,935 | \$ (9,302,682) | Finding 1 |
| Authorize/issue payments to providers | 10,216,847 | 9,200,254 | (1,016,593) | Finding 2, 3 |
| Indirect costs | <u>13,533</u> | <u>-</u> | <u>(13,533)</u> | Finding 3 |
| Total direct and indirect costs | 79,611,997 | 69,279,189 | (10,332,808) | |
| Offsetting revenues | <u>(55,144,448)</u> | <u>(57,545,691)</u> | <u>(2,401,243)</u> | Finding 4 |
| Total program cost | <u>\$ 24,467,549</u> | 11,733,498 | <u>\$ (12,734,051)</u> | |
| Less amount paid by the State ³ | | <u>(4,191,317)</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 7,542,181</u> | | |

¹ See the Second Revised Findings and Recommendations section.

² The county did not separately identify the related indirect costs when filing its mandate claims. Therefore, we left the related indirect costs in the direct costs line.

³ The county received categorical payment from the California Department of Mental Health from the FY 2009-10 budget.

Second Revised Findings and Recommendations

FINDING 1— Overstated assessment and treatment costs

The county claimed overstated the assessment and treatment costs, ineligible rehabilitation costs of \$7,866,987, and related indirect (administrative) costs of \$1,435,695 for the audit period.

The county used preliminary unit-of-service reports (before the final reconciliation process was complete) to calculate costs, and applied unit rates that were not based on actual costs incurred to implement the program.

The county claimed rehabilitation costs for individual and group rehabilitation services. The services are provided in accordance with a definition that includes a broad range of services including certain adjunct services such as social skills, daily living skills, meal preparation skills, personal hygiene, and grooming. Based on the Commission on State Mandates' (Commission) statement of decision dated May 26, 2011, the portions of the rehabilitation service related to socialization are not reimbursable under the parameters and guidelines. The statement of decision relates to an incorrect reduction claim filed by Santa Clara County for the HDS Program. In light of the Commission's statement of decision, the county must separate and exclude the ineligible portion of the rehabilitation services. On February 29, 2016, the county provided the results of a statistical sample performed to identify the eligible portion of claimed rehabilitation services. We reviewed the sample results and proposed additional adjustments. As a result, we recalculated allowable assessment and treatment costs.

In all three fiscal years audited, the county miscalculated its indirect rates by allocating a portion of administrative costs to the total administrative costs. Further, the county failed to reduce the indirect costs by any relevant revenues, and applied the rates to ineligible services.

We recalculated program costs using actual units of eligible services and rates supported by the cost reports and contractual agreements between the county and the service providers. Also, we recalculated the indirect costs and applied the correct administrative percentage to the costs claimed by the county and its providers. The county did not separately identify the related indirect costs when filing its mandate claim. Therefore, we left the related indirect costs and the direct costs line of the Second Revised Schedule of this report.

The following table summarizes the overstated costs:

| | Fiscal Year | | | Total |
|---|----------------|----------------|----------------|----------------|
| | 2006-07 | 2007-08 | 2008-09 | |
| Referral and mental health assessments: | | | | |
| Direct costs: | | | | |
| Overstated assessment and treatment costs | \$ (1,070,805) | \$ (1,329,325) | \$ (3,363,282) | \$ (5,763,412) |
| Ineligible rehabilitation costs | (436,934) | (736,160) | (930,481) | (2,103,575) |
| Total direct costs | (1,507,739) | (2,065,485) | (4,293,763) | (7,866,987) |
| Indirect costs | (355,810) | (384,337) | (695,548) | (1,435,695) |
| Audit adjustment | \$ (1,863,549) | \$ (2,449,822) | \$ (4,989,311) | \$ (9,302,682) |

The program's parameters and guidelines specify that the State will reimburse only actual increased costs incurred to implement the mandated activities and supported by source documents that show the validity of such costs.

The parameters and guidelines (section IV.H.) reference Title 2, *California Code of Regulations* (CCR), section 60020, subdivision (i), for reimbursable psychotherapy or other mental health treatment services. This regulation does not include socialization services. The Commission's May 26, 2011 statement of decision also states that the portion of the services provided that relate to socialization are not reimbursable.

The parameters and guidelines further specify that to the extent the California Department of Mental Health (DMH) has not already compensated reimbursable administrative costs from categorical funding sources, the costs may be claimed.

Recommendation

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

FINDING 2— Ineligible vendor costs

The county claimed ineligible vendor costs of \$691,946 under Authorize/Issue Payments to Providers.

The county included ineligible vendor payments for out-of-state residential placement of clients in facilities that are owned and operated on a for-profit basis. The costs include only board-and-care payments made to vendors.

The following table summarizes the ineligible vendor costs:

| | Fiscal Year | | | Total |
|------------------------|--------------|--------------|--------------|--------------|
| | 2006-07 | 2007-08 | 2008-09 | |
| Ineligible placements: | | | | |
| Direct costs: | | | | |
| Board-and-care costs | \$ (304,136) | \$ (153,804) | \$ (234,006) | \$ (691,946) |
| Audit adjustment | \$ (304,136) | \$ (153,804) | \$ (234,006) | \$ (691,946) |

The parameters and guidelines (section IV.C.1) specify that the mandate is to reimburse counties for payments to vendors providing mental health services to SED pupils in out-of-state residential placements as specified in Government Code section 7576 and Title 2, CCR, sections 60100 and 60110.

Title 2, CCR, section 60100, subdivision (h), specified that out-of-state residential placements shall be made only in residential programs that meet the requirements of Welfare and Institutions Code section 11460, subdivision (c)(2) through (3). Welfare and Institutions Code section 11460, subdivision (c)(3), states that reimbursement shall be paid only to a group home organized and operated on a nonprofit basis.

The parameters and guidelines also state that all costs claimed must be traceable to source documents that show evidence of the validity of such costs and their relationship to the state-mandated program.

Recommendation

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

FINDING 3— Overstated salaries and benefits, travel costs, and related indirect (administrative) costs

The county overstated salary and benefit costs by \$203,702, travel costs by \$120,945, and related indirect (administrative) costs by \$13,533 for the audit period.

The county claimed salary and benefit costs for county staff that was already included in the pool of direct costs used to compute the unit rates in the county's cost reports. In addition, the county claimed the related travel and indirect costs of the same county staff. Allowing the claimed costs would result in duplicate reimbursement.

The following table summarizes the overstated salary and benefit, travel and related administrative costs:

| | Fiscal Year | | | Total |
|--------------------------|--------------------|---------------------|---------------------|---------------------|
| | 2006-07 | 2007-08 | 2008-09 | |
| Direct costs: | | | | |
| Salary and benefit costs | \$ (52,972) | \$ (63,793) | \$ (86,937) | \$ (203,702) |
| Travel costs | <u>(34,250)</u> | <u>(40,182)</u> | <u>(46,513)</u> | <u>(120,945)</u> |
| Total direct costs | (87,222) | (103,975) | (133,450) | (324,647) |
| Indirect costs | <u>(3,468)</u> | <u>(4,233)</u> | <u>(5,832)</u> | <u>(13,533)</u> |
| Audit adjustment | <u>\$ (90,690)</u> | <u>\$ (108,208)</u> | <u>\$ (139,282)</u> | <u>\$ (338,180)</u> |

The parameters and guidelines specify that the State will reimburse only actual increased costs incurred to implement the mandated activities and supported by source documents that show the validity of such costs.

The parameters and guidelines (section IV.C.3) specify that the mandate reimburses counties for travel costs necessary to conduct face-to-face contacts at the residential facility to monitor level of care, provide supervision, and provide mental health services as specified in Title 2, CCR, section 60110.

The parameters and guidelines also state that all costs claimed must be traceable to source documents that show evidence of the validity of such costs and their relationship to the state mandated program.

Recommendation

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

FINDING 4— Understated offsetting revenues

The county understated offsetting revenues by \$2,401,243 for the audit period.

The county miscalculated revenues by using preliminary unit-of-service reports and estimated Early Periodic Screening, Diagnosis and Treatment (EPSDT) rates that were not finalized during the claiming process.

Also, the county claimed rehabilitation services that may include ineligible socialization services that are not reimbursable under the parameters and guidelines. Based on the Commission's statement of decision dated May 26, 2011, portions of rehabilitation services related to socialization are not reimbursable under the parameters and guidelines. The county must separate the ineligible portions of the rehabilitation services. To date, the county has not provided our office any documentation that identifies the eligible portion of claimed rehabilitation services that are Medi-Cal/EPSDT related. Therefore, we are excluding the portion of revenues that relate to claimed rehabilitation services.

Further, a significant portion of the understated revenues is attributed to not reporting the DMH categorical funding for FY 2008-09; this is in addition to other adjustments in Medi-Cal and EPSDT revenues. We recalculated the offsetting revenues to include all applicable funding sources and applied the appropriate rates for Medi-Cal and EPSDT.

The following table summarizes the understated offsetting revenues:

| | Fiscal Year | | | Total |
|--|-------------------|-------------------|-----------------------|-----------------------|
| | 2006-07 | 2007-08 | 2008-09 | |
| Offsetting revenues: | | | | |
| Short-Doyle/Medi-Cal FFP | \$ (15,873) | \$ (55,663) | \$ 271,392 | \$ 199,856 |
| Short Doyle/Medi-Cal FFP - Rehabilitation | 193,232 | 337,200 | 506,339 | 1,036,771 |
| EPSDT | (45,331) | (215,959) | (5,332) | (266,622) |
| EPSDT - Rehabilitation | 161,210 | 287,699 | 298,953 | 747,862 |
| DMH categorical funds | - | - | (4,119,110) | (4,119,110) |
| Audit adjustment | <u>\$ 293,238</u> | <u>\$ 353,277</u> | <u>\$ (3,047,758)</u> | <u>\$ (2,401,243)</u> |

The parameters and guidelines (section VII.1-4, page 13) specify that any direct payments (categorical funds, Short-Doyle/Medi-Cal Federal Financial Participation, EPSDT, Individuals with Disabilities Education Act, and other offsets such as private insurance) received from the State that are specifically allocated to the program, and/or any other reimbursement received as a result of the mandate, must be deducted from the claim.

The parameters and guidelines specify that the State will reimburse only actual increased costs incurred to implement the mandated activities and supported by source documents that show the validity of such costs.

Recommendation

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

**State Controller's Office
Division of Audits
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