



JOHN CHIANG
California State Controller

December 20, 2012

Vicki Crow, CPA
Auditor-Controller-Treasurer-Tax Collector
Fresno County
P.O. Box 1247
Fresno, CA 93715

Dear Ms. Crow:

The State Controller's Office reviewed the costs claimed by Fresno 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 received by the county from the California Department of Mental Health (DMH).

The county claimed \$4,608,593 (\$4,618,593 less a \$10,000 penalty for filing a late claim) for the mandated program. Our review disclosed that \$1,588,735 is allowable and \$3,019,858 is unallowable. The costs are unallowable because the county did not report offsetting revenues appropriated by DMH, 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 \$1,084,860. Our review disclosed that \$239,845 is allowable. The State will offset \$845,015 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 made no payment to the county. Our review disclosed that \$1,348,890 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2008-09 claim, the State made no payment to the county. Our review disclosed that the entire amount claimed, \$1,271,030, is unallowable.

We discussed the review results with Jeannie Hurtado, Business Manager, Department of Behavioral Health, on November 28, 2012.

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
Chief, Division of Audits

JVB/vb

Attachments

RE: S11-MCC-909

cc: Jeannie Hurtado, Business Manager
Fresno County Department of Behavioral Health
Donna Taylor, RN, Medical Director
Department of Behavioral Health
Erika Cristo, Manager
Department of Mental Health
Chris Essman, Manager
California Department of Education
Carol Bingham, Director
California Department of Education
Randall Ward, Principal Program Budget Analyst
Mandates Unit, Department of Finance
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	\$ 123,314	\$ 123,314	\$ —
Psychotherapy/other mental health services	3,076,138	3,076,138	—
Total direct costs	3,199,452	3,199,452	—
Indirect costs	319,945	319,945	—
Total direct and indirect costs	3,519,397	3,519,397	—
Offsetting revenues	(2,232,126)	(3,279,552)	(1,047,426)
Subtotal	1,287,271	239,845	(1,047,426)
Less late filing penalty	—	—	—
Total program costs	<u>\$ 1,287,271</u>	239,845	<u>\$(1,047,426)</u>
Less amount paid by the State		(1,084,860)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (845,015)</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Referral and mental health assessments	\$ 904,466	\$ 904,466	\$ —
Psychotherapy/other mental health services	5,233,981	5,233,981	—
Total direct costs	6,138,447	6,138,447	—
Indirect costs	613,845	613,845	—
Total direct and indirect costs	6,752,292	6,752,292	—
Offsetting revenues	(4,702,000)	(5,403,402)	(701,402)
Subtotal	2,050,292	1,348,890	(701,402)
Less late filing penalty	—	—	—
Total program costs	<u>\$ 2,050,292</u>	1,348,890	<u>\$(701,402)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,348,890</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	\$ 114,002	\$ 114,002	\$ —
Transfers and interim placements	1,122,160	1,122,160	—
Psychotherapy/other mental health services	2,517,016	2,517,016	—
Total direct costs	3,753,178	3,753,178	—
Indirect costs	263,102	263,102	—
Total direct and indirect costs	4,016,280	4,016,280	—
Offsetting revenues	(2,735,250)	(4,321,267)	(1,586,017)
Subtotal	1,281,030	(304,987)	(1,586,017)
Less late filing penalty	(10,000)	(10,000)	—
Adjustment to eliminate negative balance	—	314,987	314,987
Total program costs	<u>\$ 1,271,030</u>	—	<u>\$(1,271,030)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>Summary: July 1, 2006, through June 30, 2009</u>			
Direct costs:			
Referral and mental health assessments	\$ 1,141,782	\$ 1,141,782	\$ —
Transfers and interim placements	1,122,160	1,122,160	—
Psychotherapy/other mental health services	10,827,135	10,827,135	—
Total direct costs	13,091,077	13,091,077	—
Indirect costs	1,196,892	1,196,892	—
Total direct and indirect costs	14,287,969	14,287,969	—
Offsetting revenues	(9,669,376)	(13,004,221)	(3,334,845)
Subtotal	4,618,593	1,283,748	(3,334,845)
Less late filing penalty	(10,000)	(10,000)	—
Adjustment to eliminate negative balance	—	314,987	314,987
Total program costs	<u>\$ 4,608,593</u>	1,588,735	<u>\$(3,019,858)</u>
Less amount paid by the State		(1,084,860)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 503,875</u>	

¹ See Attachment 2, Finding and Recommendation.

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

**FINDING—
Understated offsetting
revenues**

The county understated offsetting reimbursements by \$3,334,845 for the review period.

The county identified and applied the appropriate revenue sources with the exception of California Department of Mental Health (DMH) categorical funding. We determined that the county did not offset any of its AB 3632 funding received from the DMH totaling \$3,334,845.

The following table summarizes the unreported offsetting reimbursements:

	Fiscal Year			Total
	2006-07	2007-08	2008-09	
DMH categorical	\$ (1,047,426)	\$ (701,402)	\$ (1,586,017)	\$ (3,334,845)
Review adjustment	\$ (1,047,426)	\$ (701,402)	\$ (1,586,017)	\$ (3,334,845)

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 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 issued 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.