

ALAMEDA COUNTY

Audit Report

HANDICAPPED AND DISABLED STUDENTS PROGRAM

Chapter 1747, Statutes of 1984,
and Chapter 1274, Statutes of 1985

July 1, 2002, through June 30, 2005



JOHN CHIANG
California State Controller

August 2008



JOHN CHIANG
California State Controller

August 13, 2008

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

Dear Supervisor Haggerty:

The State Controller's Office audited the costs claimed by Alameda County for the legislatively mandated Handicapped and Disabled Students Program (Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985) for the period of July 1, 2002, through June 30, 2005.

The county claimed \$13,816,570 (\$13,818,570 less a \$2,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$12,081,799 is allowable and \$1,734,771 is unallowable. The unallowable costs resulted primarily because the county (1) used incorrect rates and units to calculate costs, (2) claimed ineligible services, and (3) incorrectly calculated offsetting revenues. The unallowable costs also include an adjustment for the amount of allowable costs that exceed claimed costs for fiscal year 2002-03. The State paid the county \$3,475,135. Allowable costs claimed exceed the amount paid by \$8,606,664.

If you disagree with the audit findings, 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 CSM's Web site, at 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.

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/sk:vb:wm

cc: The Honorable Patrick O'Connell
Auditor-Controller, Alameda County
Marye Thomas, M.D.
Behavioral Health Care Services
Alameda County
Leda Frediani, Financial Services Officer
Behavioral Health Care Services
Alameda County
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Alameda County for the legislatively mandated Handicapped and Disabled Students Program (Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985) for the period of July 1, 2002, through June 30, 2005.

The county claimed \$13,816,570 (\$13,818,570 less a \$2,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$12,081,799 is allowable and \$1,734,771 is unallowable. The unallowable costs resulted primarily because the county (1) used incorrect rates and units to calculate costs, (2) claimed ineligible services, and (3) incorrectly calculated offsetting revenues. The State paid the county \$3,475,135. The unallowable costs also include an adjustment for the amount of allowable costs that exceed claimed costs for fiscal year (FY) 2002-03. Allowable costs claimed exceed the amount paid by \$8,606,664.

Background

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 (CSM) determined that this legislation imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines for the Handicapped and Disabled Students Program on August 22, 1991, and last amended it on August 29, 1996. 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 parameters and guidelines for the Handicapped and Disabled Students 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 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 Handicapped and Disabled Students Program “are eligible for reimbursement from the state *for all allowable costs* [emphasis added] to fund assessments, psychotherapy, and other mental health services . . .” and that the finding by the Legislature is “declaratory of existing law.”

On May 26, 2005, the CSM adopted a Statement of Decision for the Handicapped and Disabled Students II Program that incorporates the above legislation and further identified medication support as a reimbursable cost effective July 1, 2001. The CSM adopted the parameters and guidelines for this new program on December 9, 2005, and made technical corrections to it on July 21, 2006.

The parameters and guidelines for the Handicapped and Disabled Students 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 having claimants re-file 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.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Handicapped and Disabled Students Program for the period of July 1, 2002, through June 30, 2005.

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 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 \$13,816,570 (\$13,818,570 less a \$2,000 penalty for filing a late claim) for costs of the Handicapped and Disabled Students Program. Our audit disclosed that \$12,081,799 is allowable and \$1,734,771 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State paid the county \$73. Our audit disclosed that \$5,339,891 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$5,339,818, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the county. Our audit disclosed that \$3,398,231 is allowable. The State will pay allowable costs claimed contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the county \$3,475,062. Our audit disclosed that \$3,343,677 is allowable. The State will offset \$131,385 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

**Views of
Responsible
Officials**

We issued a draft audit report on July 11, 2008. Marye E. Thomas, M.D., Director of Behavioral Services, responded by letter dated August 1, 2008 (Attachment), agreeing with the audit results except for Finding 1. This final audit report includes the county's response.

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

August 13, 2008

**Schedule 1—
Summary of Program Costs
July 1, 2002, through June 30, 2005**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
July 1, 2002, through June 30, 2003				
Assessment and case management costs	\$ 1,325,603	\$ 3,288,825	\$ 1,963,222	Finding 1
Administrative costs	96,082	173,561	77,479	Finding 2
Less offsetting revenues:				
State categorical funds (EPSDT)	(223,120)	(705,439)	(482,319)	Finding 3
Short-Doyle/Medi-Cal (FFP only)	(223,120)	(904,937)	(681,817)	Finding 3
Other (SEP or IDEA Fund)	(31,586)	—	31,586	Finding 3
Net assessment and case management costs	<u>943,859</u>	<u>1,852,010</u>	<u>908,151</u>	
Treatment costs	14,787,414	12,073,342	(2,714,072)	Finding 1
Administrative costs	1,071,817	652,919	(418,898)	Finding 2
Less offsetting revenues:				
State general/realignment funds	(1,478,631)	(1,478,631)	—	
State categorical funds (EPSDT)	(4,816,107)	(2,998,344)	1,817,763	Finding 3
Short-Doyle/Medi-Cal (FFP only)	(4,816,107)	(3,846,286)	969,821	Finding 3
Other (SEP or IDEA fund)	(352,354)	—	352,354	Finding 3
Net treatment costs	<u>4,396,032</u>	<u>4,403,000</u>	<u>6,968</u>	
Subtotal	5,339,891	6,255,010	915,119	
Less allowable costs that exceed claimed costs ²	—	(915,119)	(915,119)	
Total program costs	<u>\$ 5,339,891</u>	5,339,891	<u>\$ —</u>	
Less amount paid by the state		(73)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 5,339,818</u>		
July 1, 2003, through June 30, 2004				
Assessment and case management costs	\$ 1,190,593	\$ 3,056,678	\$ 1,866,085	Finding 1
Administrative costs	76,384	168,572	92,188	Finding 2
Less offsetting revenues:				
State categorical funds (EPSDT)	(171,572)	(716,038)	(544,466)	Finding 3
Short-Doyle/Medi-Cal (FFP only)	(244,215)	(984,900)	(740,685)	Finding 3
Other (SEP or IDEA Fund)	(427,133)	(427,133)	—	
Net assessment and case management costs	<u>424,057</u>	<u>1,097,179</u>	<u>673,122</u>	
Treatment costs	15,937,008	13,252,439	(2,684,569)	Finding 1
Administrative costs	1,022,459	718,649	(303,810)	Finding 2
Less offsetting revenues:				
State categorical funds (EPSDT)	(3,794,520)	(3,347,812)	446,708	Finding 3
Short-Doyle/Medi-Cal (FFP only)	(5,401,112)	(4,604,857)	796,255	Finding 3
Other (SEP or IDEA fund)	(3,716,367)	(3,716,367)	—	
Net treatment costs	<u>4,047,468</u>	<u>2,302,052</u>	<u>(1,745,416)</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004 (continued)</u>				
Subtotal	4,471,525	3,399,231	(1,072,294)	
Less late claim penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 4,470,525</u>	3,398,231	<u>\$ (1,072,294)</u>	
Less amount paid by the state		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,398,231</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Assessment and case management costs	\$ 2,240,163	\$ 2,192,451	\$ (47,712)	Finding 1
Administrative costs	146,344	120,144	(26,200)	Finding 2
Less offsetting revenues:				
State categorical funds (EPSDT)	(376,374)	(403,561)	(27,187)	Finding 3
Short-Doyle/Medi-Cal (FFP only)	(485,645)	(484,242)	1,403	Finding 3
Other (SEP or IDEA Fund)	(1,064,680)	(1,064,680)	—	
Net assessment and case management costs	<u>459,808</u>	<u>360,112</u>	<u>(99,696)</u>	
Treatment costs	11,468,413	11,713,153	244,740	Finding 1
Administrative costs	749,203	630,758	(118,445)	Finding 2
In-state room-and-board costs	887,883	887,883	—	
Less offsetting revenues:				
State categorical funds (EPSDT)	(2,854,817)	(3,285,383)	(430,566)	Finding 3
Short-Doyle/Medi-Cal (FFP only)	(3,683,635)	(3,942,145)	(258,510)	Finding 3
Other (SEP or IDEA fund)	(3,019,701)	(3,019,701)	—	
Net treatment costs	<u>3,547,346</u>	<u>2,984,565</u>	<u>(562,781)</u>	
Subtotal	4,007,154	3,344,677	(662,477)	
Less late claim penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 4,006,154</u>	3,343,677	<u>\$ (662,477)</u>	
Less amount paid by the state		(3,475,062)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (131,385)</u>		
<u>Summary: July 1, 2002, through June 30, 2005</u>				
Assessment and case management costs	\$ 4,756,359	\$ 8,537,954	\$ 3,781,595	
Administrative costs	318,810	462,277	143,467	
Less offsetting revenues:				
State categorical funds (EPSDT)	(771,066)	(1,825,038)	(1,053,972)	
Short-Doyle/Medi-Cal (FFP only)	(952,980)	(2,374,079)	(1,421,099)	
Other (SEP or IDEA Fund)	(1,523,399)	(1,491,813)	31,586	
Net assessment and case management costs	<u>1,827,724</u>	<u>3,309,301</u>	<u>1,481,577</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2002, through June 30, 2005 (continued)</u>				
Treatment costs	42,192,835	37,038,934	(5,153,901)	
Administrative costs	2,843,479	2,002,326	(841,153)	
In-state room-and-board costs	887,883	887,883	—	
Less offsetting revenues:				
State general/realignment funds	(1,478,631)	(1,478,631)	—	
State categorical funds (EPSDT)	(11,465,444)	(9,631,539)	1,833,905	
Short-Doyle/Medi-Cal (FFP only)	(13,900,854)	(12,393,288)	1,507,566	
Other (SEP or IDEA fund)	(7,088,422)	(6,736,068)	352,354	
Net treatment costs	<u>11,990,846</u>	<u>9,689,617</u>	<u>(2,301,229)</u>	
Subtotal	13,818,570	12,998,918	(819,652)	
Less late claim penalty	(2,000)	(2,000)	—	
Less allowable costs that exceed claimed costs ²	—	(915,119)	(915,119)	
Total program costs	<u>\$ 13,816,570</u>	12,081,799	<u>\$ (1,734,771)</u>	
Less amount paid by the state		<u>(3,475,135)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 8,606,664</u>		

¹ See the Findings and Recommendations section.

² Government Code section 17561 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2002-03.

Findings and Recommendations

FINDING 1— Overstate assessment and treatment costs

The county overstated assessment and treatment costs by \$1,372,306 for the audit period.

The county used incorrect units of service to calculate costs and applied rates that were not based on actual costs incurred for the reimbursable activities. Also, the county claimed ineligible costs related to therapeutic behavioral service, crisis intervention, non-AB 3632 residential placement, parental stress, and adult treatment. The Handicapped and Disabled Students Program allows only costs relating to children's activities. Additionally, the county claimed costs without adequate supporting documentation and costs already claimed in a bundled service. We recalculated the program costs using rates supported by the cost report and contractual agreements between the county and the service providers.

The parameters and guidelines for the Handicapped and Disabled Students Program 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.

Additionally, the parameters and guidelines state that the claimant is only allowed to claim and be reimbursed for eligible activities.

The following table summarizes the overstated costs:

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
Assessment costs:				
Incorrect rates or units	\$ 1,963,222	\$ 1,866,085	\$ (47,712)	\$ 3,781,595
Treatment costs:				
Incorrect rates or units	(1,732,597)	(2,479,054)	237,647	(3,974,004)
No supporting documentation	(163,502)	—	—	(163,502)
Duplicate claim	(923)	(4,610)	7,093	1,560
Ineligible costs:				
Therapeutic behavioral services	(453,544)	—	—	(453,544)
Crisis intervention	(101,563)	—	—	(101,563)
Residential placement	(53,204)	(24,022)	—	(77,226)
Parental stress costs	(81,395)	(176,883)	—	(258,278)
Adult treatment services	(127,344)	—	—	(127,344)
Audit adjustment	<u>\$ (750,850)</u>	<u>\$ (818,484)</u>	<u>\$ 197,028</u>	<u>\$(1,372,306)</u>

Recommendation

We recommend that the county ensure it uses appropriate rates to compute claimed assessment and treatment costs. Additionally, we recommend that the county claim only eligible services.

County's Response

We disagree that Alameda County used incorrect units of service. Alameda County claimed all units that were considered eligible based on the report generated from our database. Unfortunately, since it had been found that certain services are not eligible under the statutes, it caused the discrepancy between the units claimed and the units allowable, which caused the overstatement of assessment and treatment costs.

We agree with the recommendation that the County will claim only eligible services. We will ensure that the report generated from our database will be analyzed and assure that all services claimed are eligible.

We partially agree with the recommendation for the County to ensure using appropriate rates. It is in our intention to calculate treatment and assessment costs using the appropriate rates. The acceptable methodology to calculate the appropriate rate is by using the Providers' contractual agreements and their cost reimbursement settlements.

These rates are not available at the time of the claim submission. The Providers' contractual agreement does not set the claimable rates under the Negotiated Rate Contracts. The appropriate rates would only be found on the cost reimbursement settlements calculation. If the cost reimbursement settlements are available by the deadline of the amended claim, we will calculate costs using this methodology. We will use the cost per unit (CPU) from our annual cost report as an alternative rate in order to calculate the assessment and treatment costs and submit the claim in a timely manner.

SCO's Comment

The finding and recommendation remain unchanged. The county claimed certain services which are not reimbursable per the program's parameters and guidelines and relevant statutes. Allowable costs excluded these ineligible services, thereby causing an overstatement of assessment and treatment costs.

The SCO recognizes that the cost settlement process with contract providers may not be completed when the claim is due. However, the county is still responsible for using accurate rates to prepare its claim.

**FINDING 2—
Overstated
administrative costs**

The county overstated administrative costs by \$697,686 for the audit period.

The county claimed administrative costs that it allocated to county and non-county providers whose costs included ineligible therapeutic behavioral services, crisis intervention, residential placements, and adult treatment as discussed in Finding 1.

The parameters and guidelines for the Handicapped and Disabled Students program 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 following table summarizes the overstated indirect costs:

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
Administrative costs:				
Assessment costs	\$ 77,479	\$ 92,188	\$ (26,200)	\$ 143,467
Treatment costs	(418,898)	(303,810)	(118,445)	(841,153)
Audit adjustment	\$ (341,419)	\$ (211,622)	\$ (144,645)	\$ (697,686)

Recommendation

We recommend that the county ensure that indirect costs are allocated to eligible providers and services.

County's Response

We agree with this recommendation. We look forward to resolving this recommendation on our future claims.

FINDING 3— Overstated revenue offsets

The county overstated revenue offsets by \$1,250,340 for the audit period.

The county used an incorrect rate to calculate the State funds received under the Early Periodic Screening, Diagnosis, and Treatment (EPSDT) program. Also, the county included \$383,940 received for the Special Education Program (SEP) as offsetting revenue in fiscal year (FY) 2002-03, which already was applied in FY 2001-02. We excluded revenue offsets that relate to the unallowable therapeutic behavioral services, crisis intervention, and non-AB 3632 residential placement, parental stress, and adult treatment costs discussed in Finding 1.

The parameters and guidelines for the Handicapped and Disabled Students program 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 following table summarizes the overstated indirect costs:

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
Assessment revenues:				
State categorical funds	\$ (482,319)	\$ (544,466)	\$ (27,187)	\$ (1,053,972)
Short-Doyle/Medi-Cal funds	(681,817)	(740,685)	1,403	(1,421,099)
Other: SEP fund	31,586	—	—	31,586
Total assessment revenues	(1,132,550)	(1,285,151)	(25,784)	(2,443,485)
Treatment costs:				
State categorical funds	1,817,763	446,708	(430,566)	1,833,905
Short-Doyle/Medi-Cal funds	969,821	796,255	(258,510)	1,507,566
Other: SEP fund	352,354	—	—	352,354
Total treatment revenues	3,139,938	1,242,963	(689,076)	3,693,825
Audit adjustment	\$ 2,007,388	\$ (42,188)	\$ (714,860)	\$ 1,250,340

Recommendation

We recommend that the county ensure that it offsets all applicable reimbursements against reimbursable costs incurred for this program.

County's Response

We agree with this recommendation. We look forward to resolving this recommendation on our future claims.

Except for the application of the SEP revenue during FY 02-03, the incorrect calculation of offsetting revenues was due to the adjusted calculation from the ineligible services. The cost report settlement for EPSDT for the fiscal year being claimed is not available during the time of the claim submission; therefore, alternate methodology is used to calculate the EPSDT revenue to be offset. As suggested, we will take into consideration in using the prior year's EPSDT rate to calculate estimated EPSDT revenue in the future.

SCO's Comment

The finding and recommendation remain unchanged. The SCO recognizes the interdependent relationship between costs and offsetting revenues. When costs are overstated due to an audit adjustment, there will be a corresponding overstatement of offsetting revenues. Additionally, we recognize the timing issue with the publication of the EPSDT settlement report. We suggest that the county calculate current year offsetting revenue using the percentages from the latest known fiscal year.

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



ALCOHOL, DRUG & MENTAL HEALTH SERVICES
MARYE L. THOMAS, M.D., DIRECTOR

2000 Embarcadero Cove, Suite 101
Oakland, California 94606
(510) 383-1532

August 1, 2008

Jim L. Spano, Chief
Mandated Cost audits Bureau
State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Subject: Alameda County's Response to Handicapped and Disabled Students Program (July 1, 2002 through June 30, 2005) Audit Report

Dear Mr. Spano:

Following is our response to the findings of your letter dated July 11, 2008, regarding the audit for the period 07/01/02-06/30/05. Our response is organized by sections of the report as indicated under each heading.

We would like to clarify that the exit conference on April 2, 2008 took place via the telephone with the following staff present: Leda Frediani, Financial Services Officer; Edelweiss "Ivy" Alon, Financial Services Specialist; Roberta McKean, Supervising Financial Services Specialist; Deanna Skolfield, Audit Manager; Godwin Onjeme, Audit Specialist.

Finding and Recommendation 1 – Views of Responsible Officials

We disagree that Alameda County used incorrect units of service. Alameda County claimed all units that were considered eligible based on the report generated from our database. Unfortunately, since it had been found that certain services are not eligible under the statutes, it caused the discrepancy between the units claimed and the units allowable, which caused the overstatement of assessment and treatment costs.

We agree with the recommendation that the County will claim only eligible services. We will ensure that the report generated from our database will be analyzed and assure that all services claimed are eligible.

We partially agree with the recommendation for the County to ensure using appropriate rates. It is in our intention to calculate treatment and assessment costs using the appropriate rates. The acceptable methodology to calculate the appropriate rate is by using the Providers' contractual agreements and their cost reimbursement settlements.

These rates are not available at the time of the claim submission. The Providers' contractual agreement does not set the claimable rates under the Negotiated Rate Contracts. The appropriate rates would only be found on the cost reimbursement settlements calculation. If the cost reimbursement settlements are available by the deadline of the amended claim, we will calculate costs using this methodology. We will use the cost per unit (CPU) from our annual cost report as an alternative rate in order to calculate the assessment and treatment costs and submit the claim in a timely manner.

Finding and Recommendation 2 – Views of Responsible Officials

We agree with this recommendation. We look forward to resolving this recommendation on our future claims.

Finding and Recommendation 3 – Views of Responsible Officials

We agree with this recommendation. We look forward to resolving this recommendation on our future claims.

Except for the application of the SEP revenue during the FY 02-03, the incorrect calculation of offsetting revenues was due to the adjusted calculation from the ineligible services. The cost report settlement for EPSDT for the fiscal year being claimed is not available during the time of the claim submission; therefore, alternative methodology is used to calculate the EPSDT revenue to be offset. As suggested, we will take into consideration in using the prior year's EPSDT rate to calculate estimated EPSDT revenue in the future.

This concludes our response letter. If you have any questions or concerns, please do not hesitate to call me at (510) 567-8120.

Sincerely,



Marye L. Thomas, MD
Director of Behavioral Health Services
Alameda County

Cc: Marlene Gold
Leda Frediani
Fiona Mar
Roberta McKean
Patrick O'Connell
Ricky Lau
Sherie Peterson

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