

STANISLAUS COUNTY

Audit Report

PERINATAL SERVICES PROGRAM

Chapter 1603, Statutes of 1990

July 1, 1999, through June 30, 2002



STEVE WESTLY
California State Controller

June 2004



STEVE WESTLY
California State Controller

June 30, 2004

The Honorable Larry D. Haugh
Auditor-Controller
Stanislaus County
1010 10th Street, Suite 5100
Modesto, CA 95354

Dear Mr. Haugh:

The State Controller's Office (SCO) has completed an audit of the claims filed by Stanislaus County for costs of the legislatively mandated Perinatal Services Program (Chapter 1603, Statutes of 1990) for the period of July 1, 1999, through June 30, 2002.

The county claimed \$1,380,440 for the mandated program. Our audit disclosed that none of the claimed costs is allowable because the county claimed costs that were unrelated to the mandate. The county was paid \$1,319,855. The total amount paid should be returned to the State.

The SCO has established an informal audit review process to resolve a dispute of facts. The auditee should submit, in writing, a request for a review and all information pertinent to any disputed issues within 60 days after receiving the final report. The request and supporting documentation should be submitted to Richard J. Chivaro, Chief Counsel, State Controller's Office, Post Office Box 942850, Sacramento, CA 94250-0001. In addition, please provide a copy of the request letter to Jim L. Spano, Chief, Compliance Audits Bureau, State Controller's Office, Division of Audits, Post Office Box 942850, Sacramento, California 94250-5874.

If you have any questions, please contact Mr. Spano at (916) 323-5849.

Sincerely,

Original Signed By:

VINCENT P. BROWN
Chief Operating Officer

VPB:ams

cc: James Tilton, Program Budget Manager
Corrections and General Government
Department of Finance
Richard J. Chivaro, Chief Counsel
State Controller's Office
Jim L. Spano, Bureau Chief
Division of Audits
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by Stanislaus County for costs of the legislatively mandated Perinatal Services Program (Chapter 1603, Statutes of 1990) for the period of July 1, 1999, through June 30, 2002. The last day of fieldwork was December 16, 2003.

The county claimed \$1,380,440 for the mandated program. The audit disclosed that none of the claimed costs is allowable because the county claimed costs that were unrelated to the mandate. The county was paid \$1,318,855. The total amount paid should be returned to the State.

Background

Chapter 1603, Statutes of 1990, added Section 10901 to the *Health and Safety Code*, requiring each county to establish protocols and apply assessment procedures for maternal substance abuse and for intervention activities on behalf of a substance-exposed infant. Requirements include:

- Identifying needed services for the mother, child, or family, including, where applicable, services to assist the mother in caring for her child and services to assist in maintaining children in her home; and
- Determining the level of risk to the newborn upon release to the home and the corresponding level of services and intervention, if any, necessary to protect the newborn's health and safety, including a referral to the county welfare department for child welfare services.

On February 25, 1993, the Commission on State Mandates (COSM) determined that Chapter 1603, Statutes of 1990, resulted in state-mandated costs that are reimbursable pursuant to *Government Code* Section 17561.

Parameters and Guidelines, adopted by the COSM on September 23, 1993, establishes state mandates and defines criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement, to assist local agencies in claiming reimbursable costs.

Objective, Scope, and Methodology

The audit objective was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Perinatal Services Program (Chapter 1603, Statutes of 1990) for the period of July 1, 1999, through June 30, 2002.

The auditor performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. The SCO did not audit the county's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the county's internal controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

The audit disclosed an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, Stanislaus County claimed \$1,380,440 for costs of the legislatively mandated Perinatal Services Program. The audit disclosed that none of the claimed costs is allowable.

For fiscal year (FY) 1999-2000, the county was paid \$395,939 by the State. The audit disclosed none of the costs claimed is allowable. The total amount paid should be returned to the State.

For FY 2000-01, the county was paid \$473,916 by the State. The audit disclosed none of the costs claimed is allowable. The total amount paid should be returned to the State.

For FY 2001-02, the county was paid \$450,000 by the State. The audit disclosed none of the costs claimed is allowable. The total amount paid should be returned to the State.

**Views of
Responsible
Official**

The SCO issued a draft audit report on April 21, 2004. Dean Wright, Deputy County Counsel, stated by telephone on June 17, 2004, that the county will not provide a written response prior to the issuance of the final audit report.

Restricted Use

This report is solely for the information and use of Stanislaus 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

**Schedule 1—
Summary of Program Costs
July 1, 1999, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 1999, through June 30, 2000</u>			
Salaries	\$ 242,521	\$ —	\$(242,521)
Benefits	74,504	—	(74,504)
Services and supplies	<u>34,213</u>	<u>—</u>	<u>(34,213)</u>
Total direct costs	351,238	—	(351,238)
Indirect costs	<u>44,701</u>	<u>—</u>	<u>(44,701)</u>
Total costs	395,939	—	(395,939)
Less offsetting savings/reimbursements	<u>—</u>	<u>—</u>	<u>—</u>
Amount claimed	<u>\$ 395,939</u>	—	<u>\$(395,939)</u>
Less amount paid by the State		<u>(395,939)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (395,939)</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Salaries	\$ 264,028	\$ —	\$(264,028)
Benefits	87,830	—	(87,830)
Services and supplies	<u>34,401</u>	<u>—</u>	<u>(34,401)</u>
Total direct costs	386,259	—	(386,259)
Indirect costs	<u>87,657</u>	<u>—</u>	<u>(87,657)</u>
Total costs	473,916	—	(473,916)
Less offsetting savings/reimbursements	<u>—</u>	<u>—</u>	<u>—</u>
Amount claimed	<u>\$ 473,916</u>	—	<u>\$(473,916)</u>
Less amount paid by the State		<u>(473,916)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (473,916)</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Salaries	\$ 359,325	\$ —	\$(359,325)
Benefits	119,401	—	(119,401)
Services and supplies	<u>31,859</u>	<u>—</u>	<u>(31,859)</u>
Total direct costs	510,585	—	(510,585)
Indirect costs	<u>—</u>	<u>—</u>	<u>—</u>
Total costs	510,585	—	(510,585)
Less offsetting savings/reimbursements	<u>—</u>	<u>—</u>	<u>—</u>
Amount claimed	<u>\$ 510,585</u>	—	<u>\$(510,585)</u>
Less amount paid by the State		<u>(450,000)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (450,000)</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>Summary: July 1, 1999, through June 30, 2002</u>			
Salaries	\$ 865,874	\$ —	\$ (865,874)
Benefits	281,735	—	(281,735)
Services and supplies	<u>100,473</u>	<u>—</u>	<u>(100,473)</u>
Total direct costs	1,248,082	—	(1,248,082)
Indirect costs	<u>132,358</u>	<u>—</u>	<u>(132,358)</u>
Total costs	1,380,440	—	(1,380,440)
Less offsetting savings/reimbursements	<u>—</u>	<u>—</u>	<u>—</u>
Amount claimed	<u>\$ 1,380,440</u>	—	<u>\$(1,380,440)</u>
Less amount paid by the State		<u>(1,319,855)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$(1,319,855)</u>	

¹ See the Finding and Recommendation section.

Finding and Recommendation

FINDING— Nonreimbursable perinatal services costs claimed

The county claimed \$1,380,440 during the audit period for activities that were unrelated to the mandate. The audit adjustment is summarized as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Salaries	\$ 242,521	\$ 264,028	\$ 359,325	\$ 865,874
Benefits	74,504	87,830	119,401	281,735
Services and supplies	<u>34,213</u>	<u>34,401</u>	<u>31,859</u>	<u>100,473</u>
Total direct costs	351,238	386,259	510,585	1,248,082
Indirect costs	<u>44,701</u>	<u>87,657</u>	<u>—</u>	<u>132,358</u>
Total costs claimed	<u>\$ 395,939</u>	<u>\$ 473,916</u>	<u>\$ 510,585</u>	<u>\$ 1,380,440</u>

Parameters and Guidelines specifies that only the following activities are reimbursable:

1. One-time only costs incurred in establishing protocols between county health departments, county welfare departments, and all hospitals in the county.
2. Costs incurred for first-line direct program supervision and quality assurance.
3. Costs incurred in identification of substance-exposed newborns by an employee in the health care setting, in accordance with hospital protocol.
4. Costs incurred for an initial screening and a more detailed needs assessment, as indicated, by health practitioner, as defined in Penal Code section 11165.8, or medical social worker prior to release from the hospital and identifying needed services for the mother, child, or family, including, where applicable, suggested services to maintain children in their homes.
5. Costs incurred for referral of a child and family to county health and welfare departments, when substance abuse affects the ability of the mother to be an effective parent. Referrals solely regarding suspected child abuse are not reimbursable activities.
6. Costs incurred for determining through the needs assessment the level of intervention and future services, if any, necessary to protect the newborn's health and safety. This decision-making activity is restricted to the time period in which the needs assessment is being completed before the infant is released from the hospital.
7. Costs incurred for data collection, analysis and planning, as required by a state agency and as necessary for completion of the needs assessment before release of a substance exposed infant from the hospital.

However, claimed costs consisted of activities performed after the mother and infant had been referred to the county's Community Health Services for follow-up care. Services provided to the mother, infant, and their family include in-home evaluations, education, emotional support, and referrals to other departments, if necessary. Consequently, costs claimed for these activities are unallowable.

Parameters and Guidelines for the Perinatal Services Program states that counties shall be reimbursed for increased costs that they are required to incur to ensure needs assessments and referrals are performed for substance-exposed infants prior to release from a hospital. Furthermore, it states that all costs claimed must be traceable and supported by source documents that show the validity of such costs.

Recommendation

The county should establish and implement an adequate recording and reporting system to ensure that all claimed costs are eligible for reimbursement.

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

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