

CONTRA COSTA COUNTY

Audit Report

SERIOUSLY EMOTIONALLY DISTURBED PUPILS: OUT-OF-STATE MENTAL HEALTH SERVICES PROGRAM

Chapter 654, Statutes of 1996

July 1, 2001, through June 30, 2004



STEVE WESTLY
California State Controller

December 2006



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California State Controller

December 29, 2006

The Honorable Stephen Ybarra
Auditor-Controller
Contra Costa County
625 Court Street, Room 103
Martinez, CA 94553-1282

Dear Mr. Ybarra:

The State Controller's Office audited the costs claimed by Contra Costa County for the legislatively mandated Seriously Emotionally Disturbed Pupils: Out-of-State Mental Health Services Program (Chapter 654, Statutes of 1996) for the period of July 1, 2001, through June 30, 2004.

The county claimed \$277,094 for the mandated program. Our audit disclosed that \$96,140 is allowable and \$180,954 is unallowable. The unallowable costs occurred because the county claimed some costs twice and did not reflect offsetting revenues in its claims. The State made no payments to the county. The State will pay allowable costs claimed, totaling \$96,140, contingent upon available appropriations.

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

Sincerely,

Original signed by:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb:ams

cc: George Washnak, Controller
Health Services Department
Contra Costa County
Jana Drazich, Accountant
Health Services Department
Contra Costa County
Haj Najal, Accountant
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Contra Costa County for the legislatively mandated Seriously Emotionally Disturbed Pupils: Out-of-State Mental Health Services Program (Chapter 654, Statutes of 1996) for the period of July 1, 2001, through June 30, 2004. The last day of fieldwork was January 4, 2006.

The county claimed \$277,094 for the mandated program. Our audit disclosed that \$96,140 is allowable and \$180,954 is unallowable. The unallowable costs occurred because the county claimed some costs twice and did not reflect offsetting revenues in its claims. The State made no payments to the county. The State will pay allowable costs claimed, totaling \$96,140, contingent upon available appropriations.

Background

Chapter 654, Statutes of 1996, added and amended *Government Code* Section 7576 by allowing new fiscal and programmatic responsibilities for counties to provide mental health services to seriously emotionally disturbed pupils (SEDPs) placed in out-of-state residential programs. Counties' fiscal and programmatic responsibilities, including those set forth in *California Code of Regulations* Section 60100, provide that residential placements for a SEDP may be made out-of-state only when no in-state facility can meet the pupil's needs.

On May 25, 2000, the Commission on State Mandates (COSM) determined that Chapter 654, Statutes of 1996, imposed a state mandate reimbursable under *Government Code* Section 17561 for the following:

- Payment of out-of-state residential placements for SEDPs;
- Case management of out-of-state residential placements for SEDPs. 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 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 that a county's out-of-state residential placement program meets the requirements of *Government Code* Section 7576.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. The COSM adopted *Parameters and Guidelines* on October 26, 2000. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs to assist local agencies in claiming reimbursable costs.

**Objective,
Scope, and
Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Seriously Emotionally Disturbed Pupils: Out-of-State Mental Health Services Program for the period of July 1, 2001, through June 30, 2004.

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, Contra Costa County claimed \$277,094 for costs of the Seriously Emotionally Disturbed Pupils: Out-of-State Mental Health Services Program. Our audit disclosed that \$96,140 is allowable and \$180,954 is unallowable.

For fiscal year (FY) 2001-02, the State made no payments to the county. Our audit disclosed that \$35,301 is allowable. The State will pay that amount, contingent upon available appropriations.

For FY 2002-03, the State made no payments to the county. Our audit disclosed that \$23,808 is allowable. The State will pay that amount, contingent upon available appropriations.

For FY 2003-04, the State made no payments to the county. Our audit disclosed that \$37,031 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of
Responsible
Officials**

We issued a draft audit report on September 22, 2006. Haj Nahal, Accountant, Auditor-Controller's Office, responded by telephone on November 14, 2006. He stated that the Contra Costa Health Services Department agrees with the audit findings. The department did not respond in writing to the draft report.

Restricted Use

This report is solely for the information and use of Contra Costa 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, 2001, through June 30, 2004**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Mental health vendor reimbursements	\$ 60,390	\$ 60,390	\$ —	
Case management	31,003	—	(31,003)	Finding 1
Travel	10,645	10,645	—	
Indirect costs	693	693	—	
Subtotal	102,731	71,728	(31,003)	
Less offsetting revenues	—	(36,427)	(36,427)	Finding 2
Total program costs	<u>\$ 102,731</u>	35,301	<u>\$ (67,430)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 35,301</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Mental health vendor reimbursements	\$ 41,859	\$ 41,859	\$ —	
Case management	17,579	—	(17,579)	Finding 1
Travel	10,216	10,216	—	
Indirect costs	636	636	—	
Subtotal	70,290	52,711	(17,579)	
Less offsetting revenues	—	(28,903)	(28,903)	Finding 2
Total program costs	<u>\$ 70,290</u>	23,808	<u>\$ (46,482)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 23,808</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Mental health vendor reimbursements	\$ 73,135	\$ 73,135	\$ —	
Case management	16,241	—	(16,241)	Finding 1
Travel	13,823	13,823	—	
Indirect costs	874	874	—	
Subtotal	104,073	87,832	(16,241)	
Less offsetting revenues	—	(50,801)	(50,801)	Finding 2
Total program costs	<u>\$ 104,073</u>	37,031	<u>\$ (67,042)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 37,031</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2001, through June 30, 2004</u>				
Mental health vendor reimbursements	\$ 175,384	\$ 175,384	\$ —	
Case management	64,823	—	(64,823)	Finding 1
Travel	34,684	34,684	—	
Indirect costs	<u>2,203</u>	<u>2,203</u>	<u>—</u>	
Subtotal	277,094	212,271	(64,823)	
Less offsetting revenues	<u>—</u>	<u>(116,131)</u>	<u>(116,131)</u>	Finding 2
Total program costs	<u>\$ 277,094</u>	96,140	<u>\$ (180,954)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 96,140</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Costs claimed twice**

The county claimed \$64,823 of costs for case management services that had also been claimed under the mandated Handicapped and Disabled Students Program.

Parameters and Guidelines specifies that only actual increased costs incurred in the performance of the mandated activities and adequately documented are reimbursable.

As a result, we have reduced claimed costs for all case management costs claimed twice, as follows.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Case management	\$ (31,003)	\$ (17,579)	\$ (16,241)	\$ (64,823)

Recommendation

We recommend that the county ensure that costs claimed are eligible increased costs incurred as a result of the mandate, and that they are supported by appropriate documentation.

**FINDING 2—
Revenue offsets
omitted from claims**

The county claimed \$116,131 of direct costs for vendor payments, due process payments, and travel. However, the county also included these costs in its computations of cost per unit of service, which was the basis for partial reimbursement from the State.

Parameters and Guidelines specifies that only actual increased costs incurred in the performance of the mandated activities and adequately documented are reimbursable. Further, any direct payments received from the State that are specifically allocated to the program, and any other reimbursement received as a result of the mandate, must be deducted from the claims.

We were unable to quantify the exact amount of offsetting revenues allocable to the program as a result of the duplication. We based our calculation of the appropriate offsetting revenues on the overall percentage of revenues (excluding realignment and county funds) to total costs, as follows.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Total revenues	\$ 26,294,467	\$ 29,708,790	\$ 32,253,909	
Total direct costs	÷51,275,624	÷53,525,952	÷55,210,360	
Percentage of revenues to direct costs	51.28%	55.50%	58.42%	
Duplicated costs	× \$(71,035)	× \$(52,075)	× \$(86,958)	
Audit adjustment	\$ (36,427)	\$ (28,903)	\$ (50,801)	\$ (116,131)

Recommendation

We recommend that the county ensure that all applicable reimbursements received are correctly offset against costs claimed.

**State Controller's Office
Division of Audits
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