

VENTURA COUNTY

Audit Report

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

Chapter 654, Statutes of 1996

July 1, 2003, through June 30, 2006



JOHN CHIANG
California State Controller

December 2008



JOHN CHIANG
California State Controller

December 31, 2008

The Honorable Peter C. Foy, Chair
Ventura County Board of Supervisors
980 Enchanted Way, #203
Simi Valley, CA 93063

Dear Mr. Foy:

The State Controller's Office audited the costs claimed by Ventura 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, 2003, through June 30, 2006.

The county claimed \$1,504,437 for the mandated program. Our audit disclosed that \$1,012,703 is allowable and \$491,734 is unallowable. The costs are unallowable primarily because the county claimed payments to vendors for residential placements in facilities that are owned and operated as for-profit entities. The State paid the county \$971,250. Allowable costs claimed exceed the amount paid by \$41,453.

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

cc: The Honorable Christine L. Cohen
Ventura County
Raja Perera, Fiscal Manager II
Behavioral Health
Ventura County
Todd Jerue, Program Budget Manager
Corrections and General Government
Department of Finance
Stacey Wofford
Special Education Program
Department of Mental Health
Cynthia Wong, Manager
Special Education Division
California Department of Education

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Ventura 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, 2003, through June 30, 2006.

The county claimed \$1,504,437 for the mandated program. Our audit disclosed that \$1,012,703 is allowable and \$491,734 is unallowable. The costs are unallowable primarily because the county claimed payments to vendors for residential placements in facilities that are owned and operated as for-profit entities. The State paid the county \$971,250. Allowable costs claimed exceed the amount paid by \$41,453.

Background

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 (SED) pupils placed in out-of-state residential programs. Counties' fiscal and programmatic responsibilities including those set forth in California Code of Regulations section 60100 require that residential placements for a SED pupil 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 (CSM) determined that Chapter 654, Statutes of 1996, imposed a state mandate reimbursable under Government Code section 17561 for the following:

- Payment for out-of-state residential placements for SED pupils;
- Case management of out-of-state residential placements for SED pupils. 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 program's parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on October 26, 2000. 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.

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, 2003, through June 30, 2006.

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 this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We conducted the 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 gain 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, Ventura County claimed \$1,504,437 for costs of the Seriously Emotionally Disturbed Pupils: Out-of-State Mental Health Services Program. Our audit disclosed that \$1,012,703 is allowable and \$491,734 is unallowable.

For the fiscal year (FY) 2003-04 claim, the State made no payment to the county. Our audit disclosed that \$415,901 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$415,901, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the county \$333,313. Our audit disclosed that \$235,038 is allowable. The State will offset \$98,275 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 2005-06 claim, the State paid the county \$637,937. Our audit disclosed that \$361,764 is allowable. The State will offset \$276,173 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

**Views of
Responsible
Official**

We issued a draft audit report on October 22, 2008. Christine L. Cohen, Auditor-Controller, responded by letter dated November 14, 2008 (Attachment), agreeing with the audit results. This final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of Ventura 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

December 31, 2008

**Schedule 1—
Summary of Program Costs
July 1, 2003, through June 30, 2006**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference¹</u>
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Mental health service:				
Vendor reimbursements	\$ 516,247	\$ 415,901	\$ (100,346)	Finding 1
Travel	<u>16,940</u>	<u>—</u>	<u>(16,940)</u>	Finding 2
Total program costs	<u>\$ 533,187</u>	415,901	<u>\$ (117,286)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 415,901</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Mental health service:				
Vendor reimbursements	\$ 326,138	\$ 227,863	\$ (98,275)	Finding 1
Travel	<u>7,175</u>	<u>7,175</u>	<u>—</u>	
Total program costs	<u>\$ 333,313</u>	235,038	<u>\$ (98,275)</u>	
Less amount paid by the State		<u>(333,313)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (98,275)</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Mental health service:				
Vendor reimbursements	\$ 622,538	\$ 346,365	\$ (276,173)	Finding 1
Travel	<u>15,399</u>	<u>15,399</u>	<u>—</u>	
Total program costs	<u>\$ 637,937</u>	361,764	<u>\$ (276,173)</u>	
Less amount paid by the State		<u>(637,937)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (276,173)</u>		
<u>Summary: July 1, 2003, through June 30, 2006</u>				
Direct costs:				
Mental health service:				
Vendor reimbursements	\$ 1,464,923	\$ 990,129	\$ (474,794)	
Travel	<u>39,514</u>	<u>22,574</u>	<u>(16,940)</u>	
Total program costs	<u>\$ 1,504,437</u>	1,012,703	<u>\$ (491,734)</u>	
Less amount paid by the State		<u>(971,250)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 41,453</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Ineligible vendor
reimbursement costs**

The county claimed ineligible vendor costs of \$474,794 for the audit period.

The county claimed ineligible vendor payments for out-of-state residential placement of Seriously Emotionally Disturbed (SED) pupils in facilities that are owned and operated as for-profit entities.

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

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

The following table summarizes the ineligible vendor costs claimed:

	Fiscal Year			Total
	2003-04	2004-05	2005-06	
Vendor reimbursement	\$ (100,346)	\$ (98,275)	\$ (276,173)	\$ (474,794)
Audit adjustment	\$ (100,346)	\$ (98,275)	\$ (276,173)	\$ (474,794)

Recommendation

We recommend that the county implement policies and procedures to ensure that out-of-state residential placements are made in accordance with laws and regulations.

County’s Response

The county agreed with the finding and recommendation.

**FINDING 2—
Duplicate travel costs**

The county overstated its travel costs by \$16,940 for fiscal year (FY) 2003-04.

The county claimed travel costs on the SED pupils mandate claim that were also included in the pool of direct costs used to compute the unit rates in the county’s cost report submitted to the California Department of Mental Health. Consequently, travel costs claimed on the SED pupils mandate claim were also allocated through the unit rates to various mental health programs, including the Handicapped and Disabled Students mandate claim. The county corrected the situation in subsequent claims.

The parameters and guidelines (section IV.C.3.) specify that the mandate reimburses counties for travel costs necessary 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 specified in the California Code of Regulations, Title 2, sections 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.

The following table summarizes the duplicate travel costs claimed:

	Fis+cal Year <u>2003-04</u>
Travel	<u>\$ (16,940)</u>
Audit adjustment	<u>\$ (16,940)</u>

Recommendation

We recommend that the county continue to use a consistent cost allocation methodology to minimize any potential duplication with other mental health programs.

County's Response

The county agreed with the finding and recommendation.

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

CHRISTINE L. COHEN
AUDITOR-CONTROLLER
County of Ventura
800 South Victoria Avenue
Ventura, CA 93009-1540



CHIEF DEPUTIES
LOUISE WEBSTER
SANDRA BICKFORD
BARBARA BEATTY
JOANNE McDONALD

November 14, 2008

Jim L. Spano, Chief
Mandated Cost Audits Bureau
State Controllers Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

SUBJECT: SERIOUSLY EMOTIONALLY DISTURBED PUPILS: OUT-OF-STATE MENTAL HEALTH SERVICES PROGRAM DRAFT AUDIT FINDINGS

Dear Mr. Spano:

The purpose of this letter is to respond as requested to the draft of the State Controller's Office report regarding the claims of Ventura 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, 2003, through June 30, 2006.

We have reviewed the enclosed draft report and concur with the summary findings and recommendations indicated in the report.

If you have any questions, please contact Joanne McDonald, Chief Deputy Auditor-Controller, at (805) 654-3191.

Sincerely,

A handwritten signature in black ink, appearing to read "Christine L. Cohen".

CHRISTINE L. COHEN
Auditor-Controller

Enclosure

Cc: Catherine Rodriguez, CFO, Health Care Agency
Meloney Roy, Director, Behavioral Health

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

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