

**EL DORADO COUNTY  
MENTAL HEALTH SERVICES ACT  
REVENUE AND EXPENDITURES REPORT REVIEW  
MANAGEMENT FINDINGS AND RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2012**

**FINDING NO. 1: NON-ALLOWABLE MENTAL HEALTH SERVICES ACT (MHSA) EXPENDITURES**

MHSUDS Information Notice No. 14-013 requires that the reporting for the Revenue and Expenditure Report (RER) should reflect all activity that occurs between July 1, 2011 and June 30, 2012.

Our examination of County's MHSA General Ledger (GL) reveals that the RER for Fiscal Year (FY) 2011-12 included non-allowable costs. Total reported expenditures for all components except Prevention and Early Intervention (PEI) Statewide Project Funds in amount of \$6,320,056 (\$6,386,034 - \$65,978) traced to total MHSA expenditures per GL. This amount included prior year and non-allowed costs which were adjusted during the field Short-Doyle/Medi-Cal (SD/MC) audit. Below is the adjustment made on MH 1961 and MH 1962 of SD/MC audit report:

	As Reported		As Audited		Variances	
	Non MHSA	MHSA	Non MHSA	MHSA	Non MHSA	MHSA
MH 1961	\$ (22,285)		\$ (25,455)	\$ (2,607)	\$ (3,170)	\$ (2,607)
MH 1962	\$ (278,793)		\$ (278,793)	\$ (5,561)	\$ -	\$ (5,561)
Total	\$ (301,078)	\$ -	\$ (304,248)	\$ (8,168)	\$ (3,170)	\$ (8,168)

Total adjustment costs per audited MH 1961 and MH1962 was \$312,416 which included \$8,168 MHSA expenditures.

Our examination also disclosed that the County did remove prior year (FY 2010-11) contract payment made to South Lake Tahoe Family Resource Center for amount \$10,496 on Cost Report MH 1963. However, County improperly included this prior year expenditures under PEI.

**CONCLUSION:**

Department proposed adjustments to decrease total \$18,664 (\$8,168 + \$10,496) for the following programs: Community Services and Supports (CSS), \$413, PEI, \$15,644, and Workforce Education and Training (WET), \$2,607. (Audit Adjustment Nos. 1-3)

**AUDIT AUTHORITY**

- MHSUDS Information Notice No. 14-013

**RECOMMENDATION**

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County should not include non-allowable and prior fiscal year expenditures in the RER.

**AUDITEE'S RESPONSE**

El Dorado County will exclude non-allowable and prior fiscal year expenditures in current and future years' MHSA RER.

**FINDING NO. 2: REPORTING MHSA DISTRIBUTIONS**

Our examination disclosed that the MHSA payments received and posted per County's GL 2011-12 reconciled to RER. However, County did not report the payments received in August 2012 for the month of June 2012. Department reconciled the distribution amount to the cost report MH 1995, Line 4, and identified the variance, \$905,656, which equals the amount posted on GL 2012-13 for the month of June 2012. Per County, they were not allowed to submit a revised RER. Thus, this caused the variance.

Per MHSUDS Information Notice No. 14-013, the reporting methodology for the Annual RER is based on a modified accrual system of accounting. According to the modified accrual system of accounting, revenues should be recognized in the accounting period in which they become available and measureable.

Per County GL 2012-13, County booked \$1,811,312.58 on August 15, 2012. This amount was traced to amounts posted on State Controller Office website. Per County, out of this amount, \$905,657 was for the June allocation. There were no records showing that the two months payments should be split 50/50 for each month. The County also stated that it understood from verbal information received from the State that the payment was 50% for July and 50% for August. Department accepted 50% of the payment, \$905,657, for the month of June, and will allocated 20 percent to PEI, five percent to INN, and the remaining 75 percent to CSS per Welfare and Institution Code below:

Welfare and Institutions Code - WIC § 5892 state in part as follow:

- (a) In order to promote efficient implementation of this act, the county shall use funds distributed from the Mental Services Fund as follows:
  - (3) Twenty percent of funds distributed to the counties pursuant to subdivision (c) of Section 5891 shall be used for prevention and early intervention programs in accordance with Part 3.6 (commencing with Section 5840).
  - (6) Five percent of the total funding for each county mental health program for Part 3 (commencing with Section 5800), Part 3.6 (commencing with Section

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5840), and Part 4 (commencing with Section 5850), shall be utilized for innovative programs in accordance with Sections 5830, 5847, and 5848.

**CONCLUSION:**

Based on the above findings, Department proposed adjustments to increase the CSS, PEI, and INN in amounts \$679,242, \$181,131, and \$45,283 respectively. (Audit Adjustment Nos. 5-7)

**AUDIT AUTHORITY**

- MHSUDS Information Notice No. 14-013
- Welfare and Institutions Code - WIC § 5892

**RECOMMENDATION**

1. County should use modified accrual method when reporting revenues.  
We also recommend the County to adjust \$905,657 which was reported in FY 2012-13 to FY 2011-12 and thereafter.
2. County should correct the records and provide evidence of correction in the Plan of Correction (POC).

**AUDITEE'S RESPONSE**

El Dorado County will prepare the current and future years' MHSA RER using the modified accrual method when reporting revenues. The \$905,657 was not reported within the initial submission of the FY11/12 MHSA RER. The \$905,657 was captured as an adjustment to the FY12/13 MHSA RER as the state does not accept revised RER's within a fiscal. Subsequent MHSA RER will ensure revenue are properly accounted for.

**FINDING NO. 3: PEI FUND MISCLASSIFIED AS CSS FUND**

Per MHSAs Payment Authorization, MHSAs Agreement Number 07-77309-000, Modification Number B.19, the total \$198,245 is distributed as follow: CSS \$154,160, PEI \$34,180, and INN \$9,905. However, the State payment warrant number 07-963180 shows CSS \$154,160, CSS \$34,180, and INN \$9,905. The State warrant shows the PCA 27613, 27630, and 27616 which is traced to the MHSAs Authorization. County deposited these funds in accordance to the components, not by the PCA codes, and is recorded in the GL as CSS, \$154,160, CSS, \$34,180, and INN, \$9,905.

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Department further reviewed the MHSA Agreement No. 07-77309-000, Modification No. B.19 executed on May 9, 2012 revealed that \$34,180 should have been recorded to PEI component.

**CONCLUSION**

Based on the above finding, the Department proposed adjustment to reclassify \$34,180 from CSS to PEI to agree with the MHSA agreement. (Audit Adjustment Nos. 8-9)

**AUDIT AUTHORITY**

- MHSA Agreement No. 07-77309-000 Modification No. B.19

**RECOMMENDATION**

We recommend that the County review the MHSA agreement to ensure that MHSA funds are properly deposited.

**AUDITEE'S RESPONSE**

El Dorado County will deposit funds according to the MHSA agreement.

**FINDING NO. 4: COMMUNITY PROGRAM PLANNING (CPP) COSTS NOT SEPERATELY TRACKED**

CPP costs were not identified during the RER review. Welfare and Institution (W&I) Code 5892 (c) specifies the funding for annual planning costs. Per County, County did not track CPP costs separately until FY 2019-20. The planning costs were charged to MHSA Administration and allocated to all components. County also stated that County does not know how much CPP funds was spent in FY 2011-12 and planned expenditure detail report was not generated or available in FY 2011-12. Thus, Department was not able to determine the allowable CPP activities and its associated expenditures.

**CONCLUSION:**

County was not in compliance with Section 5892 (c) of the W&I Code.

**AUDIT AUTHORITY**

- W & I Code Section 5892 (c)

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**RECOMMENDATION**

County should separately track CPP costs.

**AUDITEE'S RESPONSE**

El Dorado County will track CPP costs separately within the current fiscal year and moving forward.

**FINDING NO. 5: NON-SUPLANT POLICY COMPLIANCE**

W&I Code 5891 (a) requires that the funding established under this act shall be utilized to expand mental health services; these funds shall not be used to supplant existing state or county funds utilized to provide mental health services. Review of the County's compliance with this non-supplant requirement found:

- a) According to DMH Letter No. 05-08, Enclosure 1, the aggregate amount of the specified funding sources El Dorado County was required to spend on mental health services in order to comply with the non-supplant policy was \$5,870,051, (FY 04/05 base year amount). However, El Dorado County's FY 2011-12 expenditures on mental health services by the specified funding sources were \$5,351,965, or \$518,086 less than the required aggregate amount. Therefore, the County was not in compliance with the non-supplant requirement. MHSA funds may have supplanted \$518,086 worth of services historically funded by other funding sources as defined by DMH Letter 05-08.
- b) County provided Budget Policies with effective date November 14, 2017. This policy was revised on November 14, 2017 and originally issued on May 19, 2015. Department requested a non-supplant policy applicable for FY 2011-12. To date the Department has not received the policy for FY 2011-12. The County stated that DMH Letter 05-04, County annual update, and County certification form for WET, PEI, CSS, and INN are County budget policy and process for non-supplanting. These documents cannot replace the County's policy. Policy provides guidance, consistency, accountability, efficiency, and clarity on how County operates. County's staff should follow these guidelines and principle.

**CONCLUSION**

County was not in compliance with the non-supplant requirement.

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**AUDIT AUTHORITY**

- W & I Code 5891 (a)
- CCR, Title 9, Section 3410 (a)
- DMH Letter No. 05-08

**RECOMMENDATION**

The County needs to spend an aggregate of at least \$5,870,051 on mental health services by the following funding sources in order to comply with the non-supplant policy:

- Realignment
- SGF Community Services
- SGF Managed Care
- PATH
- SAMHSA
- EPSDT SGF

We also recommend the County to develop and implement policies and procedures providing detail activities to ensure complying with non-supplant requirement.

**AUDITEE'S RESPONSE**

The economic downturn during the recession impacted spending and as a result made it infeasible to meet the threshold identified on DHCS Letter 05-04. The County did not supplant or replace original funding, and El Dorado County did spend funds in accordance to the plan. El Dorado County will continue to comply with the non-supplant requirement.

**FINDING NO. 6: LOCAL PRUDENT RESERVE (LPR) REQUIREMENTS NOT MET**

County reported LPR in the amount of \$1,898,284. This amount was traced to County GL and working paper. However, per County MHPA CSS Plan Update, County must achieve and maintain a Local Prudent Reserve by June 30, 2011 in the amount of \$2,323,624.

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DMH Information Notice No. 07-25 state the following, in pertinent about how to dedicate funding to prudent reserve.

“Each county should maintain the 50 percent prudent reserve at the local level and fully fund the prudent reserve by July 1, 2010 ... After July 1, 2010, a county proposing either new or expanded CSS services through a Plan update should incorporate and request the required 50 percent prudent reserve when estimating the funding necessary for new or expanded services. This will ensure that the 50 percent required reserve is maintained.”

**CONCLUSION**

County did not request to dedicate fund to the prudent reserve.

**AUDIT AUTHORITY**

- Welfare & Institutions Code Section 5847(b)(7)
- DMH Information Notice No. 07-25

**RECOMMENDATION**

1. The County should request to dedicate funds to the local prudent reserve to the level approved per annual update plan.
2. County should correct the records and provide evidence of correction in the Plan of Correction (POC)

**AUDITEE'S RESPONSE**

El Dorado County acknowledges the requirements of the percentage of funds to be held within prudent reserve and outlined in DMH Information Notice No. 07-25 for Fiscal Year 2011-12. As the percentage of funds to be held in the prudent reserve continue to change, El Dorado County agrees to maintain the prudent reserve account in accordance to the most current directives provided from Department of Health Care Services. The prudent reserve cannot change within the general ledgers for FY11/12 as the fiscal year has closed and prudent reserve requirements have changed over the years.

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**FINDING NO. 7: MHSA CONTRACT MAXIMUM**

County reported \$5,027 MHSA cost under CSS component for wraparound services rendered by Summitview. Our examination disclosed that contract agreement between the County and Summitview showed funding sources for the services were Medi-Cal, EPSDT, and MH Realignment.

**CONCLUSION**

An adjustment was made to reduce CSS expenditures in amount \$5,027 since wraparound services were not funded by MHSA per the contract agreement. (Audit Adjustment No. 4)

**AUDIT AUTHORITY**

- California Code of Regulations (CCR), Title 9, Section 640
- Cost and Financial Reporting System (CFRS) Fiscal Year 2011-12
- California Code of Regulations (CCR), Title 9, Section 523
- Centers for Medicare and Medicaid Services (CMS) Pub. 15-1, Section 2304
- Welfare and Institutions Code, Sections 5890, 5891, and 5892
- Contract Agreement No. 032-S1211 Summitview Child Treatment Center

**RECOMMENDATION**

We recommend that the County review the maximum amount payable as specified in its provider contract and make necessary amendments so that the amount of MHSA funding covers the allowable MHSA expenditures based on the Mental Health Service Act criteria for new and/or expanded and approved MHSA programs.

We also recommend the County review the above-cited audit authorities and cost reimbursement rules governing contract provider MHSA reimbursement.

**AUDITEE'S RESPONSE**

El Dorado County remains in compliance with the contract terms of the provider. Additionally, the County remains in compliance with the use of MHSA funds for approved services. The services provided by Summitview were MHSA approved and funds were utilized as such, even though the contract did not specifically list MHSA funds.