

**IMPERIAL COUNTY BEHAVIORAL HEALTH
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW
MANAGEMENT FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2012**

FINDING NO. 1: PRUDENT RESERVE FUND INVESTING

W&I Code, Section 5892(f) requires prudent reserve funds to be invested consistently as other County funds.

- (a) MHSA investment or other County investment policy applicable to FYE: June 30, 2012 not provided for review during audit.
- (b) Per County representative the MHSA funds are included in pooled investment fund and invested by the Treasurer-Tax Collectors Department.
- (c) County reported \$45,116 in interest income, which is 0.43 percent on total unspent funds (\$10,438,099) and prudent reserve (\$130,047).

CONCLUSION:

Although MHSA funds appear to have been invested and earned interest, the County did not have sufficient documentation to support meeting the requirement that the funds were invested consistently with other County funds

AUDIT AUTHORITY

- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304
- W&I Code Section 5892(f)
- CCR, Title 9, Section 3420.45

RECOMMENDATIONS

1. County should develop schedules to support MHSA and other County funds are invested consistently.
2. Imperial County Behavioral Health should develop an MHSA funds investment policy in order to be in compliance with the regulation that MHSA funds need to be invested.
3. Adjust investment income as needed to agree with schedules that document interest income earned at the pooled investment fund rate that is consistent with other County funds; for this year and all other affected fiscal years.

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FINDING NO. 2: LOCAL MENTAL HEALTH SERVICES FUND

W&I Code Section 5892(f) requires Local Mental Health Service Fund balance to be invested consistently with other County funds. Interest earned on the investments be transferred into the fund. Earnings on investment of these funds shall be available for distribution from the fund in future fiscal years.

- (a) Imperial County did not provide a copy of the investment plan to support funds were consistently invested for all County funds specifically applicable to FYE: June 30, 2012.
- (b) Imperial County stated “at this time [County] has not invested the funds”.
- (c) Allocation method of earned interest to components is not sufficiently documented.

CONCLUSION

Imperial County is not in compliance with W&I Code Section 5892(f) Local Mental Health Services Fund requirements.

AUDIT AUTHORITY

- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304
- W&I Code Sections 5892(f)
- CCR, Title 9, Section 3420.45

RECOMMENDATION

1. Imperial County Behavioral Health should develop the MHSAs funds investment policy in order to be in compliance with the regulation that MHSAs funds need to be invested consistently with other County funds.
2. Develop interest allocation schedules supporting method and source.

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FINDING NO. 3: NON-SUPLANT POLICY

Per, W&I Code 5892(a) and CCR, Title 9, Section 3410 MHPA funds can only be used to expand mental health services.

CCR, Title 9, Section 3410 (a) requires that "Funds distributed under this chapter should not be used to provide mental health programs and/or services that were in existence in November 2, 2004".

(a) At time of audit County did not have a formal written policy for meeting the MHPA non-supplant requirement.

(b) According to DMH Letter No. 05-08, Enclosure 1, the aggregate amount of the specified funding sources Imperial County was required to spend on mental health services in order to comply with the non-supplant policy was \$8,788,137 (FY 04/05 base year amount).

However, Imperial County's FY 11/12 expenditures on mental health services by the specified funding sources were \$3,626,895, or \$5,161,242 less than the required aggregate amount. Therefore, the County was not in compliance with the non-supplant requirement. MHPA funds may have supplanted \$5,161,242 worth of services historically funded by other funding sources as defined by DMH Letter 05-08.

(c) Usage of all funds could not be verified. Non-supplant schedules should support usage of DMH Letter 05-08 required aggregate by fiscal year.

CONCLUSION

Imperial County is not fully documented for compliance with the non-supplant requirement.

AUDIT AUTHORITY

- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304
- W&I Code Section 5892(a)
- CCR, Title 9, Section 3410
- DMH Letter No. 05-08

RECOMMENDATIONS

1. Development of non-supplant written policy.
2. Schedules showing each fiscal year expansion usage of MHPA funds.