

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

FINDING NO. 1: 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 should be transferred into the fund. Earnings on investment of these funds shall be available for distribution from the fund in future fiscal years.

- (a) San Bernardino County did not have a copy of an investment plan or policy to support funds were consistently invested for all County funds.
- (b) Detailed documentation on investment accounts, transfers of gain or losses, or interest income allocation method could not be verified due to lack of documentation.

CONCLUSION:

San Bernardino County is not verified as in compliance with W&I Code Section 5892(f) Local Mental Health Services Fund requirements. County is also not in compliance with CCR, Title 9, Section 3420.45 requirement to maintain records of all investments, transfers of investment funds, and investment gains or losses.

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

RECOMMENDATIONS

1. San Bernardino County Department of Behavioral Health should develop and implement a Local Mental Health Funds investment policy in order to be in compliance with the regulation that funds are invested consistently.
2. Maintain documentation related to gains, losses, transfers of funds, and other investment activity specific to Local Mental Health Funds.

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FINDING NO. 2: PRUDENT RESERVE FUND

W&I Code Section 5892(f) requires Prudent Reserve Fund balance to be invested consistently with other County funds.

- (a) San Bernardino County did not have a copy of an investment plan or policy to support funds were consistently invested for all County funds.
- (b) Detailed documentation on investment accounts, transfers of gain or losses, or interest income allocation method could not be verified due to lack of documentation.

CONCLUSION:

San Bernardino County is not in compliance with requirement to maintain documentation supporting prudent reserve funds are invested consistently as other County funds.

AUDIT AUTHORITY

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

RECOMMENDATION

1. San Bernardino County Behavioral Health should develop and implement an MHSA funds investment policy in order to be in compliance with the regulation that MHSA funds need to be invested.
2. Maintain documentation related to gains, losses, transfers of funds, and other investment activity specific to Prudent Reserves.

FINDING NO. 3: NON-SUPPLANT POLICY

W&I Section 5891(a) and CCR, Title 9, Section 3410 requires funding established under the Mental Health Services 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. Auditor's review determined County is not in compliance with non-supplant requirement.

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- (a) At time of audit, County did not have a formal written non-supplant policy.
- (b) According to DMH Letter No. 05-08, Enclosure 1, the aggregate amount of the specified funding sources San Bernardino County was required to spend on mental health services in order to comply with the non-supplant policy was \$75,991,278 (FY 04/05 base year amount). However, San Bernardino's FY 11/12 expenditures on mental health services by the specified funding sources were \$65,339,814, per MH 1992, or \$10,651,464 less than the required aggregate amount. Therefore, the County was not in compliance with the non-supplant requirement. MHSA funds may have supplant \$10,651,464 worth of services historically funded by other funding sources as defined by DMH Letter 05-08. County submitted a summary list of services and expenditures for variance. These services were not included in MH 1992 due to non-allowable expenditures or amounts already included in MHSA component costs. The non-allowable expenditures included Indigent Hospital contractor costs, jail services costs, and accrual account entries reconciled to actual costs. Detailed documentation was requested to support how summary totals were used for MHSA services and identification of specific funding source. Detailed, requested information not provided during post-exit process. Summary list not accepted as correct usage of funds to expanded MHSA related services.
- (c) Verification not made of fund usage for allowable services. Non-supplant schedules should support usage of DMH Letter 05-08 required aggregate by fiscal year.

CONCLUSION

San Bernardino County is not 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 Sections 5891(a)
- CCR, Title 9, Sections 3410 and 3420.25
- DMH Letter No. 05-08

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RECOMMENDATION

The County needs to spend an aggregate of at least \$75,991,278 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