

**SUTTER-YUBA COUNTY  
MENTAL HEALTH SERVICES ACT  
REVENUE AND EXPENDITURE REPORT REVIEW  
MANAGEMENT FINDINGS AND RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2015**

**FINDING NO.1: PRUDENT RESERVE FUND**

CMS Pub. 15-1, Sections 2300 and 2304 states “Providers receiving payment on the basis of reimbursable cost must provide adequate cost data based on financial and statistical records which can be verified by qualified auditors.”

- (a) The County reported \$521,836 local prudent reserve on the RER. When Audits requested supporting documents for this reported amount, the County indicated prudent reserve was not held in a separate fund balance from other MHSA Funds and its corresponding earned interest was also combined with other MHSA funds earning.
- (b) No other supporting document was provided to verify the reported prudent reserve amount on the RER.

**CONCLUSION**

Based on the above finding, the County did not provide sufficient documentation to support the reported prudent reserve amount. Audits was unable to verify if the County complied with the Prudent Reserve Funding Level required by CCR, Title 9, Section 3420.30. Audis was also unable to verify earned interest from prudent reserve as it was combined with all other MHSA 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, Sections 3420.30 and 3420.45

**RECOMMENDATIONS**

1. County should keep adequate financial records necessary to support the reported prudent reserve amount.
2. County should develop schedules or accounts to support interest or gains specific to the prudent reserve funds.

**FINDING NO. 2: NON-SUPLANT POLICY**

W&I Code 5891(a) and CCR, Title 9, Section 3410 require MHSA funds to only be used to expand mental health services or program capacity.

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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”.

At the time of the audit the County did not have a formal written policy and accounting records to document meeting the MHSA non-supplant requirement.

**CONCLUSION**

Sutte-Yuba County has not documented compliance with the non-supplant requirement.

**AUDIT AUTHORITY**

- W&I Code, Sections 5891(a)
- CCR, Title 9, Section 3410
- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304

**RECOMMENDATIONS**

1. County should develop and implement a written non-supplant policy.
2. County should develop schedules documenting how each fiscal year’s MHSA expenditures expanded mental health services or program capacity.

**FINDING NO.3: ADMINISTRATION COST**

CMS Pub. 15-1, Sections 2300 and 2304 states “Providers receiving payment on the basis of reimbursable cost must provide adequate cost data based on financial and statistical records...”

- (a) The County reported \$2,038,347 Administration Cost on the RER, while the total Administration Cost reported on FY 14/15 SD/MC Cost Report was \$928,186. MHSA was a component in the SD/MC Cost Report and its related administration cost was also included as part of the total administration cost reported on SD/MC. Hence, administration cost reported on RER should not exceed the administration cost reported on SD/MC Cost Report of the same period.
- (b) Based on the telephone and email communication with the County, it appeared the County had a different understanding and believed SD/MC Cost Report may not include all MHSA administration cost. No further documentation was provided.

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- (c) FY 13/14 RER and SD/MC Cost Report presented similar issue, with Administration Cost reported on the RER being significantly higher than what was reported on the SD/MC Cost Report.

**CONCLUSION**

Based on the above finding, the County appeared to have a misunderstanding of MHSA being reported as a component in the SD/MC report and it had been an ongoing reporting issue. The administration cost was not properly reported on the RER and/or on the SD/MC Cost Report.

**AUDIT AUTHORITY**

- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304

**RECOMMENDATION**

County should develop a clear understanding of the reporting mechanisms for the RER and the SD/MC Cost Report, as well as their relationship in order to properly report expenditures and funding.

**FINDING NO. 4: MHSA FUND LOANED TO OTHER COUNTY FUND**

W&I Code 5891(a) states MHSA funds “may not be loaned to the General Fund or any other fund of the state, or a county general fund or any other county fund for any purpose other than those authorized by Sections 5890 and 5892.”

Sutter-Yuba County's 2020 Comprehensive Annual Financial Report included the following disclosure:

“On March 26, 2010, the Mental Health Services Act Fund advanced \$2,000,000 to Bi-County Behavioral Health to meet cash flow needs. Interest is charged at a variable rate based on the pooled treasury rate. To date no payments have been made on the advance. The balance at June 30, 2020 was \$2,333,213.”

There was also no mention of this loan in County's Three-Year plan. The County did not respond to our inquires about the recipient, purpose, and usage of this loan.

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**CONCLUSION**

The County appears to be in violation of W&I Code Section 5891 by advancing an unexplained \$2,000,000 loan from the MHSA fund to Bi-county Behavioral Health.

**AUDIT AUTHORITY**

- W&I Code, Section 5891(a)
- CMS Pub. 15-1, Sections 2300 and 2304

**RECOMMENDATIONS**

1. The County should provide an explanation and supporting documentation with their Plan of Correction (POC) if they believe this advance does not violate W&I Code, Section 5891(a).
2. If not, or the Department determines the POC response does not support compliance with W&I Code, Section 5891(a), the County should close this loan and recover the entire principal and accrued interest from Bi-County Behavioral Health.