

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

FINDING NO. 1: TO DIRECTLY ASSIGN ADMINISTRATIVE COSTS TO THE ADMINISTRATIVE COSTS COST CENTER

DMH Information Notice No.: 10-21 requires administrative costs to be identified on the applicable MHSAs component budget summary.

The review of the RER for FY 2011-2012, disclosed that the County reported indirect costs that are administrative in nature as program costs for Community Services and Supports (CSS), Prevention and Early Intervention (PEI) and Innovation (INN) components. During the SD/MC audit, Audits reclassified indirect costs that are administrative in nature to the administrative cost center. These costs are Business Office, Medical Records, Maintenance, Information System, Accounting, A-87, and Personnel Cost.

CONCLUSION:

In accordance with DMH Information Notice No.: 10-21, and to be consistent with ARER Instructions (DHCS 1822A 2/19) and the SD/MC audit for proper cost finding, Audits proposed the following adjustments (Audit Adjustment Nos. 1-6):

CSS	(\$1,211,766)
CSS Administration	\$1,211,766
PEI	(\$7,765)
PEI Administration	\$7,765
INN	(\$7,917)
INN Administration	\$7,917

AUDIT AUTHORITY

- Approved CMS 1915(b) Medi-Cal Specialty Mental Health Services Waiver
- 2 CFR 225 Appendix A Including but not limited to: (B)(11), (C), (C)(1)(d), C(1)(f), (C)(3)(c), (D)(2), (E)(1), (F), (F)(3), (F)(3)(a), and (F)(3)(b)MHSUDS Information Notice No. 14-013
- 42 CFR 413.9, 413.20, 413.24, 413.30, 433.10, 433.15, 457.618, and 457.622
- CMS Pub. 15-1, Sections 2100, 2102.1, 2300, 2302.4, 2302.7, 2302.8, 2304, and 2400
- Welfare and Instructions Code, Section 5724
- DMH Information Notice No.: 10-21
- DMH Letter No.: 11-01
- ARER Instructions (DHCS 1822A 2/19)

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RECOMMENDATION

County should report indirect administrative costs on administrative cost lines.

AUDITEE'S RESPONSE

San Joaquin County disputes this finding and does not believe variances of this nature should be identified as a finding. The process established by the Department of Health Care Services as it relates to the timing of submission, finalization, auditing and reconciliation of the SD/MC cost report to the MHSA RER does not sufficiently or equitably provide counties the opportunity to re-state corrected information. SD/MC cost reports are appropriately adjusted to reflect adjudicated claims, which can be up to 6 months beyond the submission of the cost report. The MHSA RER does not provide the same opportunity, therefore guaranteeing a variance between the SD/MC cost report and MHSA RER amounts. The deficiency is a result of DHCS' processes and is no fault of the county.

FINDING NO. 2: 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:

According to DMH Letter No. 05-08, Enclosure 1, the aggregate amount of the specified funding sources San Joaquin County was required to spend on mental health services in order to comply with the non-supplant policy was \$33,827,842 (FY 04/05 base year amount). However, San Joaquin County's FY 11/12 expenditures on mental health services were \$26,376,866 which is \$7,450,976 less than the required aggregate amount. Therefore, the County was not in compliance with the non-supplant requirement. MHSA funds may have supplanted \$7,450,976 worth of services historically funded by other funding sources as defined by DMH Letter 05-08.

CONCLUSION

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

AUDIT AUTHORITY

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

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RECOMMENDATION

The County needs to spend an aggregate of at least \$33,827,842 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

AUDITEE'S RESPONSE

San Joaquin County has provided information to verify compliance with the non-supplantation requirement. It is recommended that the table reflected on the Non-Supplant Policy review document is revised to reflect new base and county amounts.

Community Services as outlined in the Department of Mental Health (DMH) Letter No: 05-08 is identified as Integrated Services for Homeless in DMH Letter No: 04-09. This same program is named in California's State Budget 2007-08 as a reduction from the General Fund allocations and is explicitly referred to be covered by other funding sources, including Proposition 63 funds. A revised maintenance of effort for San Joaquin County would be \$32,911,042.

County amounts reflected in column 2 of the table should be updated as follows:

- Realignment/MOE = \$19,405,878.21
- SGF-Managed Care = \$6,475,937
- PATH = \$285,254
- SAMHSA = \$1,098,978
- EPSDT SGF = \$4,069,752.35
- Other SMHS = \$1,422,838.37
- Rollover = \$1,000,000

A revised county total would be \$33,758,637.93

While the SDMC cost report was used as a mechanism to evaluate various funding sources, it does not comprehensively capture the county's level of funding to support SMHS. The only mention in DMH Letter No: 05-08 for the SDMC cost report's usage is in relation to rolling over costs from year to year. A more accurate representation of the county's maintenance of effort would be a review financial reports. Total expenditures reduced by the MHS contribution would reveal the true spending commitment. For reference, the revised county amounts above do not reflect San Joaquin County's total spending on SMHS; it maintains the same methodology established in the audit working papers.