

**LOS ANGELES COUNTY MENTAL HEALTH  
MENTAL HEALTH SERVICES ACT  
REVENUE AND EXPENDITURE REPORT REVIEW  
MANAGEMENT FINDINGS AND RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2013**

**FINDING NO. 1: INTER-DEPARTMENTAL CONTROLS OVER  
INTEGRATED SERVICES WITH MULTIPLE FUNDING  
SOURCES**

Pursuant to Los Angeles County's three year program and expenditure plan, and annual updates, the County's Department of Mental Health (DMH) entered into a Memorandum of Understanding (MOU) with the County's Department of Public Health (DPH) on December 29, 2010 to allocate funding to DPH to administer and deliver Mental Health Services Act (MHSA) Prevention and Early Intervention (PEI) DMH Nurse Family Partnership Program (NFP) services to low-income pregnant teens and woman in their first pregnancy. DMH transferred approximately \$5 million MHSA funds to DPH for the services of the NFP program based on the MOU.

County documents indicate that DPH provides NFP - DMH and NFP - TCM (Targeted Case Management) services. DPH representatives stated when staff performed NFP - TCM services, these services were not billed to DMH or use MHSA funds. DPH representatives also stated that "DPH NFP TCM staff were not the same staff as DPH NFP DMH staff". The MHSA funds were used to pay for 100 percent full-time equivalent (FTE) NFP-DMH program staff .

In review of the County's documents, the following was disclosed:

- Thirty-two staffs' salaries were billed 100 percent to DMH for the NFP program and paid with the MHSA funds.
- Twenty-eight out of those thirty-two staffs' salaries were reported 14 percent as TCM program expenditures on the TCM cost report.

DMH representatives were not aware that DPH's underlying accounting and cost reporting included another program and funding source.

As a result, reimbursement of the twenty-eight staffs' salaries exceeded 100 percent under the NFP and TCM program including federal financial participation matching funds.

**CONCLUSION**

MHSA funds were used to pay for a Non-MHSA program.

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**AUDIT AUTHORITY**

- W&I Code, Section 5891
- CCR, Title 9, Sections 3400, 3420, and 3420.45
- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2102.1, 2200.1, 2300 and 2304

**RECOMMENDATIONS**

1. The County as a whole should develop and implement internal controls, including reconciliation of various services and multiple funding sources, to ensure funding does not exceed 100 percent.
2. The County should review and correct any other fiscal years impacted by this missing internal control.

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**FINDING NO. 2: INSUFFICIENT SUPPORTING DOCUMENTATION**

The County is required to maintain records in accordance with Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB) standards and the State Controller's Manual of Accounting Standards and Procedures for Counties. A County shall maintain records of all allocations from its Local Mental Health Services Fund into the CSS Account, PEI Account, and INN Account and maintain records of all expenditures of MHSA funds by fiscal year and by component account. (CCR, Title 9, Section 3420.45)

The County did not maintain records to support program expense allocation and reporting under the Prevention and Early intervention (PEI) component. The NFP program was tested to verify the allocation methodology across thirteen PEI work plans. The County could not provide documentation to support amounts reported in the RER. According to County representatives, the reason documentation of the amount and NFP program expense allocation methodology was not available is due to retirement of previous employees.

**CONCLUSION**

The County did not maintain all necessary documents as required by the regulation to support the amount of the NFP program expenditure reported in the RER.

**AUDIT AUTHORITY**

- CCR, Title 9, Sections 3400, 3420, and 3420.45
- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304

**RECOMMENDATION**

The County should develop and implement procedures to ensure adequate accounting records and statistical data are maintained to support MHSA expenditures.

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**FINDING NO. 3: NON-SUPLANT POLICY COMPLIANCE**

Welfare and Institutions Code, Section 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.

According to DMH Letter No. 05-08, Enclosure 1, the aggregate amount of the specified funding sources Los Angeles County is required to spend on mental health services in order to comply with the non-supplant policy is \$574,544,711 (FY 04/05 base year amount). However, Los Angeles County's expenditures on mental health services by the specified funding sources were \$564,632,951, or \$9,911,760 less than the required aggregate amount. MHSAs funds may have supplanted \$9,911,760 worth of mental health services that have been historically funded by other funding sources as defined by the DMH Letter 05-08.

**CONCLUSION**

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

**AUDIT AUTHORITY**

- W&I Code Section 5891(a)
- CCR, Title 9, Section 3410
- DMH Letter No. 05-08
- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304

**RECOMMENDATION**

The County needs to account for and spend an aggregate of at least \$574,544,711 on mental health services by the following funding sources in order to comply with the non-supplant policy:

- (1) Realignment
- (2) SGF Community Services
- (3) SGF Managed Care
- (4) PATH
- (5) SAMHSA
- (6) EPSDT SGF

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**FINDING NO. 4: TRACKING MHSA EXPENDITURES**

Welfare and Institutions Code, Section 5891(a) requires MHSA funds to only be used for the MHSA program and may not be used to pay any other program. Audits found that the County determined certain MHSA costs using Units of Services (UOS) in Mode 45 (Outreach Services). Per 9 CCR Section 545, "Outreach Services, which means a program of services delivered to the community-at-large, special population groups, human services agencies, and to individuals and families for whom there is no case record".

UOS for outreach is not an appropriate method to determine the MHSA costs. Unlike treatment services, there is no regulated measurement of UOS pertaining to the outreach services and the Short-Doyle Medi-Cal (SD/MC) cost report does not establish charges to the public for outreach services.

Using an inappropriate method of cost determination is a risk for cost shifting between programs and may result in an inaccurate assignment of costs to programs.

**CONCLUSION**

The County used an inappropriate method to track MHSA expenses in the outreach services.

**AUDIT AUTHORITY**

- CCR, Title 9, Section 3420.45
- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304

**RECOMMENDATION**

The County should improve its cost tracking system to be based on actual costs attributed to programs to report accurate MHSA program expenditures.

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**FINDING NO. 5: REVENUE AND EXPENDITURE REPORT (RER) FILING REQUIREMENTS**

CCR, Title 9, Section 3510(a) requires “Each County receiving a direct distribution of Mental Health Services Fund monies from the State Controller shall submit a complete and accurate Annual MHSA Revenue and Expenditure Report to the Department by email at [MHSA@dhcs.ca.gov](mailto:MHSA@dhcs.ca.gov) and to the Mental Health Services Oversight and Accountability Commission at [MHSOAC@mhsoc.ca.gov](mailto:MHSOAC@mhsoc.ca.gov), by December 31...”

According to MHSUDS Information Notice NO. 15-005, "The December 31 deadline for submission of the RER specified in Title 9, California Code of Regulations (CCR) Section 3510 is extended to March 31, 2015, for Fiscal Year 2012-13."

However, the submitted RER was dated July 27, 2015.

**CONCLUSION**

The County did not comply with the RER filing requirement of submission by March 31, 2015.

**AUDIT AUTHORITY**

- W&I Code Section 5899
- CCR, Title 9, Section 3510(a)
- MHSUDS Information Notice NO. 15-005

**RECOMMENDATION**

The County should exercise due care to ensure the RER is submitted in a timely manner in accordance with the applicable regulations.