

CORRECTIVE ACTION PLAN

Department of Mental Health (Mental Health)				Report Date: January 3, 2012		
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES						
NO.	FINDINGS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE
1	Activities Allowed/Allowable Costs - Mental Health Does not Ensure That Counties' Expenditures Were only for Allowable Activities and Costs.	Mental Health should complete its efforts to establish a process to ensure that only allowable activities and costs are paid for with block grant funds.	<p>Mental Health established a workgroup in March 2010 to determine the feasibility of having its Program Compliance Division conduct audits of the counties in accordance with Mental Health's risk analysis procedures and federal requirements. Mental Health had anticipated that this finding would be fully addressed by September 2010. However, due to extensive discussions and issues raised, Mental Health will revise its implementation date to December 2010.</p> <p>During the meetings that were held, Mental Health focused on reviewing the following documents:</p> <ul style="list-style-type: none"> • Code of Federal Regulations, Title 42, Chapter 6A and Title 45, Part 96 • Mental Health's risk analysis procedures, which determines whether a county receives a field audit, desk audit, or no audit • Program Compliance Division's audit program, which includes procedures for auditing Short-Doyle/Medi-Cal program, Federal grant programs, and State Mental Health Services Act 	<p>Mental Health will reconvene the workgroup to research other alternatives to address this finding.</p> <p>June 2011 Update: In March 2011, the workgroup prepared and distributed a draft recommendation to Mental Health's management. The recommendation included three possible solutions to meet the allowability of costs requirement for fiscal year 2011-12. This new process will ensure that only allowable activities and costs are paid for with the block grant funds.</p> <p>December 2011 Update: Mental Health plans to finalize the proposal and adopt an option to verify that counties' actual expenditures of federal grant funds are for allowable activities and costs. Mental Health plans to implement the process during fiscal year 2011-12.</p>	Thomas Powers, Office of Community Services; Bertha MacDonald, Grants and Data Management	Fiscal Year 2011-12
2	Cash Management - Mental Health's procedures for monitoring the SAMHSA CMHS did not adequately ensure that the advances made to counties were appropriate.	Mental Health should continue to implement its procedures to accurately monitor county SAMHSA CMHS cash balances and to adjust its payments to them in accordance with its procedures.	Mental Health established procedures to accurately monitor county CMHS cash balances in June 2009, and implemented the procedures in September 2009. Mental Health's practice of providing advances to counties has been discontinued.	<p>Mental Health has accepted the recommendation and implemented corrective actions.</p> <p>Mental Health will continue to implement its procedures to accurately monitor county SAMHSA CMHS cash balances and to adjust its payments to them in accordance with its procedures.</p>	Mieko Epps, Administrative Services Division, Financial Services; Sara Murillo, Accounting and Fiscal Systems	September 2009 Action Completed and Ongoing

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2	(Continued) Cash Management - Mental Health's procedures for monitoring the SAMHSA CMHS did not adequately ensure that the advances made to counties were appropriate.	Mental Health should also continue requiring supervisory review and approval of payment authorizations.	In September 2009, Mental Health revised its procedures to include supervisory review of payment authorizations prior to submitting the authorizations to the accounting unit and will also document any exceptions.	Mental Health has accepted the recommendation and implemented corrective actions. Mental Health will also continue requiring supervisory review and approval of payment authorizations.	Mieko Epps, Administrative Services Division, Financial Services; Sara Murillo, Accounting and Fiscal Systems	September 2009 Action Completed and Ongoing
3	Earmarking - Mental Health Continues to Lack Policies and Procedures to Adhere to the Earmarking Requirements.	Mental Health should complete its efforts to establish a written policy, as well as processes and procedures, to ensure that only allowable costs are used to meet the earmarking requirement.	Mental Health established a workgroup in February 2010 to establish a written policy, as well as processes and procedures, to ensure that only allowable costs are used to meet the earmarking requirement. Mental Health had anticipated that this finding would be fully addressed by September 2010. However, due to extensive discussions and issues raised, Mental Health will revise its implementation date to December 2010. During the initial meetings, Mental Health focused on reviewing the following: <ul style="list-style-type: none"> • personnel services expenditures • operating expenses and equipment expenditures • roles and responsibilities for three entities within Mental Health that administer the federal grant. 	Mental Health will reconvene the workgroup to continue its work on developing and implementing corrective actions. <u>June 2011 Update:</u> In January 2011, the workgroup prepared and distributed a draft policy and procedures to Mental Health's management. The draft policy and procedures are in the process of being revised and will be redistributed to Mental Health's management for review and approval. Prior to full implementation of the policy and procedures, the revision of processes, forms, and reports may be required. In addition, a draft desk manual for the grants management program has been developed. <u>December 2011 Update:</u> Mental Health plans to finalize the Administrative Cost Policy and SAMHSA Desk Manual. Mental Health plans to implement the processes and procedures to ensure that it consistently and properly applies administrative costs to the block grant during fiscal year 2011-12.	Thomas Powers, Office of Community Services; Bertha MacDonald, Grants and Data Management Ellen Venturino, Administration Services Division; Accounting and Fiscal Systems	Fiscal Year 2011-12

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4	Level of Effort - Maintenance of Effort - Mental Health's Calculation of its Expenditures for Certain Activities Related to its Maintenance of Effort Requirements Remain Problematic.	Mental Health should finalize and implement its methods to determine the percentages used to support the realignment expenditure in its MOE calculation and retain the supporting documentation. Mental Health also should finalize a methodology for calculating the community services MOE requirement to ensure that it accurately captures and reports all state expenditures for adults with SEMI and children with SED.	<p>Mental Health established a workgroup in February 2010 to research the percentages used to support the managed care and realignment dollars used in its calculation of MOE for children with SEED, and examine for revision its methodology for the MOE calculation for community mental health services. Mental Health had anticipated that this finding would be fully addressed by September 2010. However, due to extensive discussions and issues raised, Mental Health will revise its implementation date to December 2010.</p> <p>Initially, Mental Health researched legislation on Managed Care and Realignment, as well as internal documents, which explained the MOE requirements.</p> <p>In addition, Mental Health attempted to locate the fiscal year 1994-95 financial statement used to establish the baseline for SED expenditure, but they could not be found.</p>	<p>Mental Health will reconvene the workgroup to continue its work on developing and implementing corrective actions.</p> <p><u>June 2011 Update:</u> In March 2011, the workgroup developed a methodology, which will enable Mental Health to determine the dollar amount expended on approved actual claims for managed care. After the dollar amount is determined, Mental Health will recalculate the managed care percentage for each fiscal year. Mental Health is researching alternatives to determine the percentage used to support the realignment dollars used in its MOE calculation. If Mental Health is not successful in its efforts to reevaluate the percentages used to support the managed care and realignment dollars, then Mental Health will seek guidance from its federal awarding agency to determine how it can adequately determine the threshold. Also, the workgroup has developed procedures to capture actual expenditure data based on the Governor's Budget for calculating the community mental health services MOE requirement.</p> <p><u>December 2011 Update:</u> Mental Health plans to continue its efforts to develop a methodology to determine the dollar amount expended on approved actual claims for realignment, and will retain the supporting documentation. After the methodology for realignment is finalized and implemented, Mental Health will update and implement its methodology for calculating the community mental health services MOE requirement to accurately capture and report all state expenditures for adults with SMI and children SED only.</p>	<p>Ellen Venturino, Administration Services Division; Budgets</p> <p>Thomas Powers, Office of Community Services; Bertha MacDonald, Grants and Data Management</p>	Fiscal Year 2011-12

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5	Period of Availability - Mental Health did not revise its accounting procedures to instruct staff on how to charge expenditures to each CMHS grant so that it could ensure the two-year period of availability requirement is met. Mental Health instructs its staff to draw down federal funds for the actual state fiscal year the expenditures are incurred.	Mental Health should continue using its revised accounting procedures to ensure that CMHS grant funds are used within the two-year period of availability.	Mental Health implemented its recently revised accounting procedures to ensure that CMHS grant funds are used within the two-year period of availability.	Mental Health has accepted the recommendation and implemented corrective actions. Mental Health will continue using its revised accounting procedures to ensure that CMHS grant funds are used within the two-year period of availability.	Mieko Epps, Administrative Services Division, Financial Services; Sara Murillo, Accounting and Fiscal Systems	March 2009 Action Completed and Ongoing
6	Procurement and Suspension and Debarment - Mental Health did not require counties, as part of their suspension and debarment certifications to the State, to ensure that lower-tier entities with which they entered into covered transactions were not suspended or debarred. Mental Health also did not require counties to pass the requirements down to each person with whom they entered into a covered transaction.	Mental Health should continue to require counties to certify that neither they, nor their contracted providers, are presently suspended or debarred in their applications.	Mental Health has included the federal requirements in the SFY 2009-10 Planning Estimate and Renewal Application Instructions.	Mental Health has accepted the recommendation and implemented corrective actions. Mental Health will continue to require counties to certify that neither they, nor their contracted providers, are presently suspended or debarred in their applications.	Mark Heilman, Community Services Division	November 2009 Action Completed and Ongoing

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7	Reporting - Mental Health's accounting procedures do not specifically identify the segregation of duties related to the preparation and approval of the report (i.e., ensuring that the person who approves the report is not the same person who prepared it).	Mental Health should continue to follow its procedures to ensure that the individual who approves the SF-269A is not the same individual who prepares it.	Mental Health implemented procedures to ensure segregation of duties for approval and preparation of the SF269A.	<p>Mental Health has accepted the recommendation and implemented corrective actions.</p> <p>Mental Health will continue to follow its procedures to ensure that the individual who approves the SF-269A is not the same individual who prepares it.</p>	Mieko Epps, Administrative Services Division, Financial Services; Sara Murillo, Accounting and Fiscal Systems	March 2009 Action Completed and Ongoing
8	<p>Subrecipient Monitoring - Mental Health used the incorrect Catalog of Federal Domestic Assistance (CFDA) title in its correspondence to the counties by referring to the grant as "Federal Substance Abuse and Mental Health Services Administration (SAMHSA) Block Grant."</p> <p>Mental Health did not have procedures in place to follow up when counties had not submitted their annual OMB Circular A-133 audits to the State.</p>	<p>Mental Health should continue to ensure that it is using the correct CFDA title on its correspondence to counties.</p> <p>Mental Health should exercise its procedures to follow up with counties with a delinquent OMB Circular A-133 audit in a timely manner. Furthermore, Mental Health should sanction those counties that fail to comply with the OMB Circular A-133 audit requirements.</p>	<p>Mental Health has revised the title in the SFY 2009-10 Planning Estimate and Renewal Application Instructions to reference the Federal CFDA title Block Grants for Community Mental Health Services (known as the Community Mental Health Services Block Grant).</p> <p>Mental Health has developed procedures to follow-up with counties that have not submitted their OMB Circular A-133 audits, and will take appropriate actions.</p> <p>On June 7, 2010, Mental Health received notification from the SCO that six counties were delinquent in submitting their OMB Circular A-133 audits. Mental Health implemented its procedures and issued letters to the six counties requesting their compliance with the Single Audit Act requirements. This task was completed by June 10, 2010.</p>	<p>Mental Health has accepted the recommendation and implemented corrective actions.</p> <p>Mental Health will continue to ensure that it is using the correct CFDA title on its correspondence to counties.</p> <p>Mental Health will revise its procedures to include a review of the SCO's website by April 15 of each fiscal year. This new procedure will allow Mental Health to determine if counties are in compliance with OMB Circular A-133 audit requirements in a timely manner. If it is determined that a county is delinquent in submitting their audit report, then Mental Health will exercise its procedures to follow-up with the county, and advise the county of possible sanctions for noncompliance.</p>	<p>Mieko Epps, Administrative Services Division, Financial Services; Sara Murillo, Accounting and Fiscal Systems; Jane Christopherson, Fiscal Policy</p> <p>Rollin Ives, Program Compliance Division; Walter Hill, Mark Heilman, Community Services Division</p>	<p>November 2009 Action Completed and Ongoing</p> <p>December 2010 Action Completed and Ongoing</p> <p>Note: Upon further review, BSA has determined that Mental Health has fully corrected this finding in the December 2010 report.</p>

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9	Special Tests and Provisions - Mental Health is Beginning to Conduct Peer Reviews as Required.	Mental Health should continue to implement the planned independent peer reviews, as required by federal law.	<p>The CA Mental Health Planning Council (Council) has finalized the process for conducting the independent peer reviews, and a Memorandum of Understanding between the Council and Mental Health.</p> <p>In July 2010, the Council completed its first peer review. The Council plans to issue three reports in fiscal year 2010-11, including the report issued July 2010.</p>	<p>Mental Health will continue to work with the Council to implement the planned independent peer reviews.</p> <p><u>June 2011 Update:</u> The Council completed its second peer review in December 2010. The third peer review was conducted in April 2011, and the report is dated June 30, 2011.</p>	<p>Ann Arneill-Py, CA Mental Health Planning Council</p> <p>Mark Heilman, Community Services Division</p>	<p>June 2011 Action Completed and Ongoing</p>