

**MENDOCINO COUNTY HEALTH AND HUMAN SERVICES AGENCY
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW
MANAGEMENT FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2011**

FINDING NO. 1: COMPLETE AND ACCURATE MHSA COMMUNITY SERVICES AND SUPPORTS (CSS) EXPENDITURE REPORTING

California Code of Regulations (CCR), Title 9, Section 3420.45 requires the County 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 transfers and Mental Health Services Act expenditures.

- (d) A County shall maintain records of all transfers from the CSS Account, PEI Account, INN Account, WET Account, and CFTN Account.
- (i) A County shall maintain records of all expenditures of Mental Health Services Act funds by fiscal year and by component account.

The County shall submit a complete and accurate Annual MHSA Revenue and Expenditure Report to the Department. (CCR, Title 9, Section 3510(a))

All expenditures for county mental health programs shall be consistent with a currently approved plan or update pursuant to W&I Code, Section 5847. (W&I Code, Section 5892(g))

The County did not submit complete and accurate MHSA expenditure reporting, particularly for its System Transformation Program that was approved in the FY 10-11 MHSA plan update, dated February 17, 2011.

Review of the RER, the County's General Ledgers (GL) and County's supporting documents found several variances and a significant expenditure transaction of \$1,111,845 in the MHSA general ledger (MHSA GL). According to the County, all Full Service Partnership (FSP) Specialty Mental Health services were recorded in the regular Mental Health (MH) general ledger (MH GL). To include the FSP services costs in the MHSA GL, the County transferred the \$1,111,845 amount from the MH GL to the MHSA GL.

Further review of County's FSP services units and costs work paper, MHSA GL, and FY 10-11 MHSA plan update dated February 17, 2011 disclosed:

- The County did not report the newly approved System Transformation Program expenditures on the RER.
- The County did not accurately record MHSA expenditures on the GL. Detailed review of the \$1,111,845 transfer from MH GL to MHSA GL found 117,613 FSP service units and \$291,945 associated costs had already been reported with MHSA GL coding MI81, MI82, and MI83. Therefore, County's total amount transferred duplicated these FSP services units and costs.

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As part of the \$1,111,845 transfer, 15% administrative costs and 10% operating reserve costs were calculated based on FSP services total costs. The Department found these allocation percentages were reasonable and agree with the MHSA plan update. The administrative costs and operating reserve costs were recalculated based on audited FSP services total costs of \$595,911 (\$887,856 Per County's working paper (WP)-\$291,945 duplicated FSP service costs) as detailed below.

	Per County's WP	As Audited	Adjustment
FFP Match	\$537,496		
Non-Medi-Cal FSP Services	350,360		
FSP Services Total Costs	\$887,856	\$595,911	(\$291,945)
15% Admin (Service Total)	133,178	89,387	(43,791)
10% Operating Reserve (Service Total)	88,786	59,591	(29,195)
Difference	2,026	0	(2,026)
Total Transferred Amount	\$1,111,846	\$744,889	(\$366,957)

CONCLUSION

The County did not completely and accurately report MHSA expenditures. The following adjustment is proposed to adjust the CSS MHSA expenditure to agree with the County's records and MHSA plan update (Audit Adjustment No. 1).

CSS Programs	As Reported	County's MHSA GL	As Audited	Adjustments
CHILD	\$ 2,038	-	\$ -	\$ (2,038)
TAY	310,086	180,627	180,627	(129,459)
ASOC	453,258	312,023	312,023	(141,235)
OASOC	32,301	8,517	8,517	(23,784)
Other CSS Non-FSP Program	1,276,248	456,646	456,646	(819,602)
CSS Administration	137,447	141,718	141,718	4,271
System Transformation Program	0	1,111,848	744,888	744,888
Total CSS MHSA Expenditure	\$ 2,211,378	\$ 2,211,381	\$ 1,844,421	\$ (366,957)

AUDIT AUTHORITY

- 42 Code of Federal Regulations (CFR), Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304
- CCR, Title 9, Sections 640, 3400, 3420.45, and 3510(a)
- W&I Code, Sections 5847 and 5892(g)
- DMH Information Notice No. 11-16
- Mendocino County MHSA FY 2010-2011 Annual Plan Update dated February 17, 2011

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RECOMMENDATIONS

1. The County should correct the records and provide evidence of correction in the POC.
2. The County should exercise due care in the preparation of the RER and Short/Doyle Medi-Cal cost report and maintain accuracy among the reports submitted to the Department.

FINDING NO. 2: REPORTING CSS CONTRACT EXPENDITURES

The County reported a total of \$450,783 payments to contract providers for Community Services and Supports (CSS). The Department reviewed the MHSA general ledger, contract maximum work paper, and contracts. The examination disclosed that the County included reporting \$11,250 FY 09-10 contract providers' payments in FY 10-11, not the FY 09-10 RER.

CONCLUSION

The following FY 09-10 payments of \$11,250 should be reported in FY 09-10 Revenue and Expenditure Report (Audit Adjustments No. 2 and 3).

Provider Name	Project Code	Component	Program Name	FY 09-10 PMT
Consolidated Tribal Health Project	MI 84	CSS	Other CSS Non-FSP Program	\$10,000
Round Valley Indian Health Center	MI 84	CSS	Other CSS Non-FSP Program	1,250
Total	Total			\$11,250

AUDIT AUTHORITY

- CCR, Title 9, Section 3510(a)
- MHSA Agreement No. 07-77323-000, Modification No. NEW, Exhibit B, and Modification No. B1
- W&I Code, Section 5892(g)

RECOMMENDATIONS

1. The County should correct the record and include the above adjustments in the POC.
2. The County should exercise due care to ensure the contractor payments are recorded in correct fiscal year in the preparation of the RER and Short/Doyle Medi-Cal cost report and maintain accuracy among the reports submitted to the Department.

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FINDING NO. 3: MHPA FUNDS USED FOR UNAPPROVED PURPOSES

MHPA funds may only be used for approved MHPA program purposes. All claimed expenditures must be consistent with an approved plan or update. (W&I Code, Sections 5891, 5892 and 5847; CCR, Title 9, Sections 3420(e))

The County claimed \$72,500 worth of grocery store and pizza restaurant gift cards as PEI expenditures that were not part of an approved MHPA plan or update.

The County reported Prevention and Early Intervention (PEI) Early Onset, Early Intervention TAY (work plan #2) expenditures of \$95,705 on the RER. The Department reviewed the County's work paper, general ledger, contract agreements with contract providers, and the MHPA Annual Plan Update FY 2010-2011 dated October 18, 2010 and found:

- \$72,500 worth of grocery store and pizza restaurant gift cards were claimed but were not part of the approved Plan
- Of the \$95,705 claimed, \$21,219 was supported as approved expenditures for the MH Clinician I for TAY

The County explained the gift cards were used as incentives for middle and high school youth participation in group screening sessions. No supporting documents, such as a logging sheet, were provided.

CONCLUSION

Based on the findings above, the Department proposes an adjustment to eliminate unapproved expenditures, claimed as PEI, of \$72,500 (Audit Adjustment No. 4).

AUDIT AUTHORITY

- W&I Code, Sections 5891, 5892, and 5847
- CCR, Title 9, Sections 3420, 3420.45, and 3510
- Mendocino County MHPA FY 2010-2011 Annual Plan Update dated October 18, 2010
- MHPA Agreement No. 07-77323-000, Modification No. NEW, Exhibit B, and Modification No. B1

RECOMMENDATIONS

1. The County should review its internal controls to ensure that MHPA funds are used solely for MHPA purposes.
2. The County should review its records for unallowable expenditures and adjust all other fiscal years RER's to include only approved MHPA program expenditures.

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FINDING NO. 4: REPORTING PEI STATEWIDE PROJECT FUND AND EXPENDITURE

As part of the MHSA Annual Revenue and Expenditure Report, the County shall report the amount of Prevention and Early Intervention funds voluntarily assigned by the County to California Mental Health Services Authority (CalMHSA) or any other organization in which counties are acting jointly (CCR, Title 9, section 3510.010(a)(4)).

Review of the RER and County's supporting documents disclosed:

- The County did not report the PEI Statewide fund distribution of \$246,000 voluntarily assigned by the County to CalMHSA.
- The County did not adjust the PEI Statewide expenditure of \$4,403 to agree with the CalMHSA JPA's revenue and expenditure report for FY 10-11.
- The County did not adjust the PEI Statewide fund interest of \$251 to agree with the CalMHSA JPA's revenue and expenditure report for FY 10-11.

CONCLUSION

The following adjustments to PEI Statewide fund are proposed (Audit Adjustments No. 5-7):

	(1) As Reported RER	(2) JPA's Revenue & Expenditure Report	(3)=(1)+(2) As Adjusted	(4)=(3)-(1) Adjustments
PEI Fund Distribution	\$1,451,891	\$246,000	\$1,697,891	\$246,000
Expenditure	\$151,801	\$4,403	\$156,204	\$4,403
Interest	\$391	\$251	\$642	\$251

AUDIT AUTHORITY

- CCR, Title 9, Division 1, Sections 3510 and 3510.010(a)(4)
- MHSA Agreement No. 07-77323-000, Modification No. NEW, Exhibit B, and Modification No. B1
- CalMHSA Contract 09-79119-00 (DHCS #12-89125) Reporting for the Fiscal Year Ended June 30, 2011

RECOMMENDATIONS

1. The County should correct the records and provide evidence of correction in the POC.
2. The County should exercise due care in the preparation of the Revenue and Expense report to ensure complete and accurate financial reporting by obtaining the JPA's revenue and expenditure report from CalMHSA.

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3. The County should adjust the other fiscal years PEI Statewide fund and expenditure reported on the RER's to agree with the JPA's revenue and expenditure report.

**FINDING NO. 5: PRUDENT RESERVE FUND NOT INVESTED
CONSISTENTLY WITH OTHER COUNTY FUNDS AND
REPORTED INACCURATELY**

County should place all funds received from the State Mental Health Services Fund in a local Mental Health Services Fund. The Local Mental Health Services Fund balance shall be invested consistent with other county funds and the interest earned on the investments shall be transferred into the fund (W&I Code, Section 5892(f)).

The Department reviewed the County's general ledger of Prudent Reserve account for FY 10-11 and found no Investment Gain or Loss. A further confirmation with County's representative also disclosed that the County did not have any investment gain or loss on Prudent Reserve account.

CONCLUSION

Based on the above findings, the Prudent Reserve fund was not invested consistently with other County funds in accordance with W&I Code, Section 5892(f).

AUDIT AUTHORITY

- Mendocino County MHSA Annual Plan Update FY 2010- 2011 dated October 18, 2010
- MHSA Agreement No. 07-77323-000, Modification No. NEW, Exhibit B
- W&I Code, Section 5892(f)

RECOMMENDATIONS

1. The County should correct the records and provide evidence of correction in the POC for this fiscal year and the fiscal years impacted.
2. County should invest all local MHSA funds consistently with other County funds. County should calculate and adjust any interest earned on MHSA funds to the extent these have not been reported.