

**REPORT ON THE
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW**

**SAN DIEGO COUNTY
BEHAVIORAL HEALTH SERVICES
SAN DIEGO, CALIFORNIA**

**FISCAL PERIOD ENDED
JUNE 30, 2009**

**Specialty Mental Health Section
Financial Review Outpatient and
Behavioral Health Division
Audits and Investigations
Department of Health Care Services**

**Chief: Jeff Vogel
Audit Manager: Fay Chu
Auditor: Virginia Tam**

February 10, 2025

Dr. Luke Bergmann, Director
Behavioral Health Services
San Diego County Health and Human Services Agency
3255 Camino Del Rio South
San Diego, CA 92108
Luke.Bergmann@sdcounty.ca.gov

Via Electronic Mail

**SAN DIEGO COUNTY BEHAVIORAL HEALTH SERVICES
FISCAL PERIOD ENDED JUNE 30, 2009**

We have examined the Revenue and Expenditure Report and other financial records pursuant to the Mental Health Services Act (MHSA) for the above-referenced fiscal period. We made our examination under the authority of Welfare and Institutions (W&I) Code Sections 14124.2 and 5897(d); and, accordingly, included such tests of the accounting records and such other auditing procedures, as we considered necessary under the circumstances.

We held an Exit Conference with San Diego County (County) on April 17, 2024. Prior to the Exit Conference, the County received a report of the preliminary findings. During the Exit Conference, the Audit team discussed the findings in the preliminary report and gave the County the opportunity to submit additional documentation. The findings in the report reflect the evaluation of all relevant information received prior and subsequent to the Exit Conference.

Please review the enclosed report. This report includes Findings and Recommendations and Audit Adjustment Schedule. Pursuant to W&I Code Section 5897(e), the Department of Health Care Services (DHCS) hereby requests that the County submit a Plan of Correction (POC) for all items identified in the report within 60 calendar days of receipt of this report. DHCS will review the POC. If DHCS determines the POC is not sufficient, DHCS will notify the County and request that the County propose an alternative corrective action plan to DHCS. DHCS Form 5290, which is the MHSA POC template and instructions will be sent separately via email, and may also be found here: https://www.dhcs.ca.gov/Documents/CSD_BL/MHSA/DHCS-5290.pdf. The completed POC and supporting evidence of correction must be submitted electronically to DHCS at MHSA@dhcs.ca.gov. In the subject line place the county name and Fiscal POC (i.e., San Diego County Fiscal POC). DHCS is required under W&I Code Section 5897(e) to post on its Internet website the Finding Report and any related POC(s).



Dr. Luke Bergmann
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If the County would like to dispute the findings in the report, please informally discuss any concerns and/or issues with the DHCS Program Contract Manager. For purposes of this process, you may contact MHSA@dhcs.ca.gov to arrange this discussion. If your concerns and/or issues are not resolved, and you still would like to dispute the findings in the report, the County may submit a written grievance together with any evidence within 60 calendar days from the day you receive this letter. Please send the grievance to MHSA@dhcs.ca.gov. The grievance shall state the issues in dispute, the legal authority or other basis for County's position and the remedy sought.

If you have questions regarding this report, you may email or call the Specialty Mental Health Section at SMHAudits@dhcs.ca.gov or (415) 557-0189.

Digitally signed by
Jeff Vogel
Date: 2025.02.10
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Jeff Vogel

Jeff Vogel, Chief
Specialty Mental Health Section
Financial Review Outpatient and Behavioral Health Division

Served Electronically per Consent Form signed on January 3, 2025

cc: MHS
MHSA@dhcs.ca.gov

Via Electronic Mail

Amy Thompson, Executive Finance Director
Amy.Thompson@sdcountry.ca.gov

Nadia Privara, Assistant Director of Departmental Operations
Nadia.Privara@sdcountry.ca.gov

Debbie Ordonez, Revenue Budget Manager
Debbie.Ordonez@sdcountry.ca.gov

Lalaine Banaag, Principal Accountant
Lalaine.Banaag@sdcountry.ca.gov

**SAN DIEGO COUNTY BEHAVIORAL HEALTH SERVICES
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW
MANAGEMENT FINDINGS AND RECOMMENDATIONS
FISCAL PERIOD ENDED JUNE 30, 2009**

**FINDING NO. 1: COMMUNITY SERVICES AND SUPPORTS (CSS)
PROGRAM EXPENDITURES RECONCILIATION**

The County is required to prepare and maintain adequate accounting records to support program costs and to be available for audit (42 CFR 413.24; CMS Pub. 15-1, Sections 2300 and 2304; Mental Health Services Act (MHSA) Agreement No. 07-77337-000, Modification No. NEW, Exhibit B (13) and (14); WIC 5891 and 5892; CCR, Title 9, Sections 940, 3510, and 3420.45).

Reconciliation of the CSS costs was performed with the County's Revenue and Expenditure Report (RER), work papers, internal accounting system records, and approved MHSA Plan Update for FY 2008/2009. The following variances were noted:

- a) County's general ledger/work papers did not agree with the reported CSS expenditure, resulting in \$583,864 overstatement of CSS costs. The associated expenditure funded by MHSA fund was \$11,937.
- b) TAY-1 Program contract provider, Providence Community Services' reported Medi-Cal Federal Financial Participation (FFP) of \$745,765 per RER was compared to the audited Medi-Cal FFP of \$788,711, a \$42,946 understatement of the Medi-Cal FFP fund and overstatement of the MHSA fund on the RER.

CONCLUSION

Based on the above findings, Audit Adjustment Nos. 1 to 4 are proposed, reducing CSS program expenditures by \$583,864 by funding source accordingly; Audit Adjustment Nos. 5 and 6 are proposed to adjust Medi-Cal FFP and MHSA fund in the amount of \$42,946 accordingly.

AUDIT AUTHORITY

- 42 CFR 413.20 and 413.24
- CCR, Title 9, Sections 3510 and 3420.45
- CMS Pub. 15-1, Sections 2300 and 2304
- DMH Information Notice No.: 11-16
- MHSA Agreement No. 07-77337-000 , Modification No. NEW, Exhibit B

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MENTAL HEALTH SERVICES ACT
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RECOMMENDATIONS

- 1) County should correct the records and provide evidence of correction in the Plan of Correction (POC).
- 2) County should ensure that the RER agrees with supporting records, includes only costs incurred within the reporting period, and is in accordance with the MHSA, applicable regulations, directives, policies, the approved MHSA expenditure plan, and agreement.

FINDING NO. 2: ADMINISTRATIVE COST REVIEW

The County is required to prepare and maintain adequate accounting records to support program costs and to be available for audit (42 CFR 413.24; CMS Pub. 15-1, Sections 2300 and 2304; MHSA Agreement No. 07-77337-000, Modification No. NEW, Exhibit B (13) and (14); WIC 5891 and 5892; CCR, Title 9, Sections 940, 3510, and 3420.45).

The County submitted an informal appeal to an FY 08/09 Short Doyle Medi-Cal (SDMC) audit finding on the Short Doyle audit administrative methodology which directly impacted the allocation of MHSA administrative costs. Increased administrative costs allocated to Short Doyle would generally reduce those allocated to MHSA. The appeal was granted in part; the County and the Department worked together on an updated methodology based on a distribution using a gross cost methodology.

The audited MHSA administrative costs were calculated based on the County's supporting records and SDMC cost report gross cost methodology noted above.

Audited MHSA administrative costs are as follows:

- \$8,756,739 for CSS with adjustment of (\$8,031,118) which included (\$3,636,985) pertaining to MHSA funding
- \$156,896 for Prevention and Early Intervention (PEI) with adjustment of (\$288,976) which included (\$141,310) pertaining to MHSA funding

The County reviewed, provided input, and agreed with the final audited MHSA administrative cost calculation. As such, the County made updates to the FY 08/09 administrative costs for MHSA on subsequent RERs to reflect the agreed upon methodology.

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CONCLUSION

Based on the above findings, Audit Adjustment Nos. 7 through 10 are proposed to present the details of adjustments needed to the FY 08/09 RER, by funding source, to implement the above methodology.

AUDIT AUTHORITY

- WIC, Sections 5890, 5891, and 5892
- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304
- CCR, Title 9, Sections 640, 3510 and 3420.45
- MHSA Agreement No. 07-77337-000 , Modification No. NEW, Exhibit B

RECOMMENDATIONS

- 1) The County should ensure that the records have been corrected and provide evidence of correction in the POC, including details of adjustments that have been or will be made on subsequent RERs, for this fiscal year’s RER and all other fiscal years impacted by this finding.
- 2) The County should: a) ensure the allocation methodology developed through the informal appeal is applied consistently among supported programs, including but not limited to MHSA and Medi-Cal; b) report administrative costs in accordance with all applicable regulations, guidelines and policies.

FINDING NO. 3: REPORTING MHSA REVENUE

The County is required to report MHSA funds received in the fiscal year when the funds are received (DMH Information Notice No.: 11-16).

Although revenue amounts reported on the RER and MH 1995 agreed, the reported revenue did not agree with the County records as follows:

	RER	MH 1995	Variance	County’s Record
Distributions	\$75,970,384			\$94,578,506
Prudent Reserve	\$13,189,000			\$13,189,000
Net:	\$62,781,384	\$62,781,384	\$18,608,122	\$81,389,506

The County received \$94,578,506 in MHSA distributions during FY 08-09. According to County, due to its use of a different accounting method than the method required by the Department, the County reported the \$18,608,122 June

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2008 distribution that was received in July 2008 in the FY07-08 RER and therefore, excluded it from the FY08-09 RER.

CONCLUSION

The Department proposes adjusting MHSA distributions to agree with the County's records and Department guidelines (Adjustment No. 11).

AUDIT AUTHORITY

- WIC, Sections 5891 and 5892
- 42 CFR Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304
- CCR, Title 9, Sections 3510 and 3420.45
- DMH Information Notice No.: 11-16
- MHSA Agreement No. 07-77311-000 , Modification No. NEW, Exhibit

RECOMMENDATION

The County should follow Department guidelines and report MHSA funds consistently from one year to another to reflect a full year's distribution.

FINDING NO. 4: REPORTING INTERESTS EARNED ON MHSA FUNDS

WIC Section 5892(f) states, in pertinent part, the following regarding interest earned on MHSA funds:

“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.”

The County is required to report MHSA interest income on the FY 08/09 RER in the Section “Deposits to Local MHS Fund during FY 2008-09” (DMH Information Notice No.: 11-16, Enclosure 2).

The reported interest income of \$1,113,804 did not agree with the County's records. The County's documentation, including the general ledger, supported interest income for the MHSA fund as follows:

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Date	Ref.	Balance
8/15/2008	Cash Allocation (Interest)	\$285,231
11/4/2008	Cash Allocation (Interest)	355,860
1/30/2009	Cash Allocation (Interest)	433,489
4/20/2009	Cash Allocation (Interest)	324,455
Total Payment County Received:		\$1,399,035

According to County, due to its use of a different accounting method than the method required by the Department, the County reported the \$285,231 interest income for the quarter ended June 30, 2008, in the FY07-08 RER and therefore, excluded it from the FY08-09 RER.

CONCLUSION

The first interest transaction noted above was not included in the total reported interest earned on MHSA funds, resulting in only three quarterly interest transactions being reported in this fiscal year. The Department proposes to adjust interest earned by \$285,231 (Adjustment No. 12).

AUDIT AUTHORITY

- WIC, Section 5892
- DMH Information Notice No.: 11-16

RECOMMENDATION

The County should follow Department guidelines and report MHSA interest income consistently from one year to another to reflect a full year's interest.

**SAN DIEGO COUNTY BEHAVIORAL HEALTH SERVICES
 MENTAL HEALTH SERVICES ACT
 AUDIT ADJUSTMENTS TO REVENUE OR EXPENDITURE SUMMARY WORKSHEET
 FISCAL PERIOD ENDED: JUNE 30, 2009**

#	A Type of Adjustment	B Adj. to FY	C Account	D As Audited (County Amount)	E As Reported (State Amount)	F Adjustment Amount	G Reason/Management Comment
1	Expenditure	08/09	CSS - SGF *	\$ 59,896,185	\$ 60,522,611	\$ (626,426)	CSS program expenditures adjustments (Finding 1)
2	Expenditure	08/09	CSS - FFP *	\$ 58,746,418	\$ 59,896,185	\$ (1,149,767)	
3	Expenditure	08/09	CSS - OTHER *	\$ 59,950,684	\$ 58,746,418	\$ 1,204,266	
4	Expenditure	08/09	CSS - MHSA *	\$ 59,938,747	\$ 59,950,684	\$ (11,937)	
5	Expenditure	08/09	CSS - FFP *	\$ 59,981,693	\$ 59,938,747	\$ 42,946	CSS TAY-1 program expenditure funding source adjustments (Finding 1)
6	Expenditure	08/09	CSS - MHSA *	\$ 59,938,747	\$ 59,981,693	\$ (42,946)	
7	Expenditure	08/09	CSS - MHSA *	\$ 56,301,762	\$ 59,938,747	\$ (3,636,985)	CSS administration costs adjustments (Finding 2)
8	Expenditure	08/09	CSS - FFP *	\$ 51,907,629	\$ 56,301,762	\$ (4,394,133)	
9	Expenditure	08/09	PEI - MHSA *	\$ 1,432,292	\$ 1,573,602	\$ (141,310)	PEI administration costs adjustments (Finding 2)
10	Expenditure	08/09	PEI - FFP *	\$ 1,284,626	\$ 1,432,292	\$ (147,666)	
11	Revenue	08/09	Revenue	\$ 94,578,506	\$ 75,970,384	\$ 18,608,122	MHSA fund distribution adjustment (Finding 3)
12	Interest Revenue	08/09	Revenue	\$ 1,399,035	\$ 1,113,804	\$ 285,231	Interest income adjustment (Finding 4)
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*Balance carried forward from prior/to subsequent adjustments

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