

**MODOC COUNTY HEALTH SERVICES
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW
MANAGEMENT FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2015**

FINDING NO. 1: TRACKING MHSA EXPENDITURES

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 separately track MHSA expenditures, except for the contracted PEI and WET programs. Instead, the reported expenditures were calculated based on funding sources. The County reported total mental health expenditures for all programs on both the Revenue and Expenditure Report (RER) and County Short-Doyle Medi-Cal (SDMC) cost report, then used other funding sources (e.g., realignment and Federal Financial Participation (FFP)) to determine the remaining funding needed to balance, categorizing that amount as MHSA CSS component expenditures. This fiscal year, the County reported total MHSA costs of \$2,180,731 or \$2,160,877 excluding PEI Statewide Projects, which is the exact amount of total expenditures for all programs on the County's SDMC cost report.

The County explained that they are a very small county with limited resources and an integrated accounting system for all mental health programs.

This assumes those total expenditures are for both SDMC and MHSA programs and MHSA funds only expand existing (and does not add new) services in the amount of the funding needed to balance expenditures and funding, without regard to actual program expenditures. This is not an accurate reporting of MHSA expenditures and funds in accordance with the regulation. As total actual cost and funding for these programs change from year to year, this methodology could result in one program funding another and may result in supplantation.

CONCLUSION

The County did not track and maintain all necessary data to accurately report actual MHSA expenditures as required by the regulation. The County's methodology for reporting MHSA expenditures based on funding sources could result in one program funding another and supplantation.

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AUDIT AUTHORITY

- W&I Code, Section 5899
- 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 accurate statistical data and program expenditure records are maintained to support actual MHSA expenditures.

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FINDING NO. 2: CALCULATION OF MHSA EXPENDITURES

W&I 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) and Mode 60 (Supporting 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. 3: NON-SUPLANT POLICY COMPLIANCE

W&I 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.

CCR, Title 9, Section 3410(a) requires that "Funds distributed under this chapter should not be used to provide mental health programs and/or services that were in existence in November 2, 2004".

Audits requested a copy of the County's non-supplant policy at the time of the audit. The County provided a policy about all of County's Funding Sources. It said that "In order to avoid supplantation, MCBH determined that all other program funds earned during the budget fiscal year must be expended before MHSA CSS funds are utilized". However, the County's information system did not record new program or expansion of existing programs. The usage of fund for expanding service could not be verified. As noted in Finding No. 1, the County's methodology for reporting MHSA expenditures and funding poses a risk that MHSA funds could supplant existing funding by not expanding existing services with MHSA funds.

CONCLUSION

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

AUDIT AUTHORITY

- W&I Code, Section 5891(a)
- CCR, Title 9, Section 3410
- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304

RECOMMENDATION

The County should have a written policy including schedules supporting yearly expansion of mental health services for the usage of MHSA funds.

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FINDING NO. 4: REVENUE AND EXPENDITURE REPORT (RER) FILING REQUIREMENTS

Audits reviewed the RER submission correspondence, report versions, and certifications. CCR, Title 9, Section 3510(a) requires the annual RER to be submitted by December 31st following the end of fiscal year.

The Modoc County RER is dated April 11, 2017.

CONCLUSION:

The County is not in compliance with the RER filing requirement of submission by December 31, 2015.

AUDIT AUTHORITY

- W&I Code Section 5899(a)
- CCR, Title 9, Section 3510(a)

RECOMMENDATION

County should ensure future fiscal year RERs are submitted within the filing requirements.