

**LASSEN COUNTY BEHAVIORAL HEALTH  
MENTAL HEALTH SERVICES ACT  
REVENUE AND EXPENDITURE REPORT REVIEW  
MANAGEMENT FINDINGS AND RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2014**

**FINDING NO. 1: MHSA ANNUAL UPDATE REQUIREMENTS**

The county is required to submit a Three-Year Program and Expenditure Plan or annual update, comply with all other applicable expenditure plan requirements, and obtain necessary approvals in accordance with Welfare and Institutions (W&I) Code Sections 5830, 5846, and 5847. (CCR, Title 9, Section 3310)

W&I Code, Section 5847(b)(8) and (9) requires certification by the county behavioral health director to ensure the county has complied with all pertinent regulations, laws, statutes of the Mental Health Services Act, including stakeholder participation and non-supplantation requirements, fiscal accountability requirements as directed by the State Department of Health Care Services, and that all expenditures are consistent with the requirements of the Mental Health Services Act.

The county mental health program also shall prepare expenditure plans for adults and seniors, innovative programs, prevention and early intervention programs, services for children, and update to the plans developed which shall include utilization of unspent funds allocated in the previous year and the proposed expenditure for the same purpose. (W&I Code, Section 5847(e))

Review of County's FY 13-14 annual update found:

- (a) The County did not obtain the appropriate certification or approval for the FY 13-14 MHSA annual update. According to the current Director, the plan update was held up in the stakeholder process over disagreement on the appropriate use of these funds. After the Director in place at that time left, the plan update was re-written to the agreement of the stakeholders and County staff but was never taken to the board for approval or signature.
- (b) The FY 13-14 MHSA annual update did not include programs (CSS, PEI, and INN) expenditure plans or updates to the plan developed which should include utilization of unspent funds allocated in previous year.

**CONCLUSION**

The County's MHSA annual update was not in compliance with W&I Code, Section 5847 certification, expenditure plans, and plan update requirements.

**AUDIT AUTHORITY**

- W&I Code, Sections 5830, 5846, and 5847
- CCR, Title 9, Section 3310

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**RECOMMENDATIONS**

1. The county should revise this fiscal year, and any other fiscal years' expenditure plans to include all required elements, including full approval and signatures. The County should submit these with their Plan of Correction (POC).
2. The County should implement process and procedures that will ensure all future expenditure plans and updates meet these requirements.

**FINDING NO. 2: MAINTENANCE OF RECORDS**

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 MHSA expenditures.

- (a) The County did not maintain sufficient documentation to support the A-87 cost allocated to each MHSA component.
- (b) The County did not maintain sufficient documentation to support the \$156,738 Medi-Cal FFP reported on the RER.
- (c) The County did not provide a MHSA investment policy applicable to FY 13-14 for review during the audit.

**CONCLUSION:**

The County did not maintain sufficient documentation to support the reported expenditures, funding, and investments.

**AUDIT AUTHORITY**

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

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**RECOMMENDATIONS**

1. The County should develop and implement policies and procedures that will ensure adequate financial records and statistical data are maintained to support MHSA expenditures.
2. The County should provide an MHSA investment policy with its POC.

**FINDING NO. 3: TRACKING LOCAL MENTAL HEALTH SERVICES FUNDS AND EXPENDITURES BY COMPONENT**

According to CCR, Title 9, Section 3420.45, the County is required to maintain records of:

- (c) All allocations from its Local Mental Health Services Fund into the CSS Account, PEI Account, and INN Account.
- (d) All transfers from the CSS Account, PEI Account, INN Account, WET Account, and CFTN Account.
- (f) All transfers from the Local Mental Health Services Fund into a County investment.
- (g) Each Investment Gain and Investment Loss by Account.
- (h) All transfers of principal and Investment Gain from a County investment into the Local Mental Health Services Fund.
- (i) All expenditures of Mental Health Services Act funds by fiscal year and by component account.

Review of the County's general ledger disclosed:

- (a) The County did not maintain records of allocations from MHSA funds into component accounts.
- (b) The County did not maintain records of all transfers of principal and investment gain and loss into MHSA funds by component account.
- (c) The County did not maintain records of MHSA expenditures by component account. Although expenditures could be determined by the actual invoice or purchase order, they must be recorded, accumulated, and reported by component.

**CONCLUSION**

The county did not maintain records of allocations from MHSA funds, transfers of investment gain and loss, and expenditures by component.

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**AUDIT AUTHORITY**

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

**RECOMMENDATIONS**

1. The County should establish a financial tracking system to track MHSA funds and expenditures by component.
2. The County should transfer interest earned into MHSA funds by component.