

**MARIPOSA COUNTY BEHAVIORAL HEALTH AND RECOVERY SERVICES
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW
MANAGEMENT FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2019**

**FINDING NO. 1: MHSA EXPENDITURES NOT CONSISTENT WITH ANNUAL
UPDATE**

According to Welfare and Institutions (W&I) Code Section 5892(g), all expenditures for county mental health programs shall be consistent with a currently approved plan or update pursuant to Section 5847. The three-year program and expenditure plan shall be based on available unspent funds, estimated revenue allocations provided by the state, and in accordance with established stakeholder engagement and planning requirements. (W&I Code Sections 5847(b) and 5848)

The County is required to include projected/budgeted expenditures (including Administration) and funding sources for each component in the Three-Year Program and Expenditure Plan and Annual Update. (CCR, Title 9, Sections 3755, 3820, 3930)

Expenditures substantially exceeded the currently approved plan update. Total expenditures exceeded the total approved plan update by \$1,114,673 or 48.66 percent, with substantial variances within components and line items as detailed in the following table.

**MARIPOSA COUNTY BEHAVIORAL HEALTH AND RECOVERY SERVICES
 MENTAL HEALTH SERVICES ACT
 REVENUE AND EXPENDITURE REPORT REVIEW
 MANAGEMENT FINDINGS AND RECOMMENDATIONS
 FISCAL YEAR ENDED JUNE 30, 2019**

Descriptions	Reported Expenditures	Approved Plan	Variances	Variance %
CSS				
Children's System of Care	\$588,024	\$635,193	(\$47,169)	
Adult's System of Care	949,964	843,814	106,150	
MHSA Administration	641,507	0	641,507	
Subtotal	2,179,495	1,479,007	700,488	47.36%
PEI				
Existing Operating Expenses	\$249,641	\$92,784	\$156,857	
MH First Aid	10,000	10,000	0	
School: 5.5 counselors	325,000	335,000	(10,000)	
Access and Linkages through TRAC	8,000	8,000	0	
Timely Access to Svcs (drop in center)	75,000	75,000	0	
Stigma Reduction Activities	5,000	5,000	0	
Central Valley Suicide Prevention Hotline	6,952	6,952	0	
YNP Early Intervention Program	35,000	35,000	0	
PEI Administration	22,760	0	22,760	
Subtotal	737,353	567,736	169,617	29.88%
INN				
Adult TDM (Administration)	\$98,119	\$0	\$98,119	
Adult TDM (Direct)	350,511	240,501	110,010	
Subtotal	448,630	240,501	208,129	86.54%
Workforce Staffing	\$31,367	\$0	\$31,367	
Mental Health Career Pathways	8,470	0	8,470	
Residency and Internship Programs	0	3,398	(3,398)	
Subtotal	39,837	3,398	36,439	1072.37%
Grand Total	3,405,315	2,290,642	1,114,673	48.66%

1. Significant variances were found for Administrative expenses between the RER and the annual update for FY18-19.
2. Programs of WET Component listed on the RER are not consistent with the FY18-19 Annual Update.
3. County's MHSA expenditures are not consistent with the FY18-19 Annual Update.
4. County's 2018/2019 MHSA annual plan update was dated July 24, 2018; however, its funding summary for each of the component was dated May 8, 2017. This demonstrated that the county did not update its budget in the annual update for FY18-19.

**MARIPOSA COUNTY BEHAVIORAL HEALTH AND RECOVERY SERVICES
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW
MANAGEMENT FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2019**

CONCLUSION

County expended substantially more MHSAs funds than currently approved and did not secure an approved plan update meeting the required stakeholder process for the additional expenditures.

AUDIT AUTHORITY

- CCR, Title 9, Sections 3755, 3820 and 3930
- W&I Code Sections 5847, 5848 and 5892(g)

RECOMMENDATIONS

1. The County should develop policies and procedures to monitor and ensure that MHSAs program expenditures are consistent with a currently approved plan or update.
2. If MHSAs program expenditures are anticipated to become materially inconsistent with the most recently approved plan or update, the County should update subsequent Three-Year Program and Expenditures and/or Annual Update to ensure MHSAs funds are expended consistent with an approved plan or update.

FINDING NO. 2: FUND ACCOUNTING PRACTICE

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. (CCR, Title 9, Section 3420.45). These standards require the use of Fund Accounting, such that MHSAs funds and their related expenditures are to be tracked separately from other funds. Also, according to the Department's MHSAs Reversion Enclosure, if expenditures exceed the amount of available MHSAs funds, then the county must use local resources to cover the unapplied expenditures.

County representatives stated that they overspent \$1,530,876 MHSAs funds in FY 18-19 which explains why no MHSAs interest revenue was reported. The Treasurer

**MARIPOSA COUNTY BEHAVIORAL HEALTH AND RECOVERY SERVICES
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW
MANAGEMENT FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2019**

of Mariposa County posted the interest calculation to the general ledger which was actually negative (\$1.37).

Audits compared the State Distribution to MHPA Program Expenditures for FY18-19. See table below:

	(1)	(2)	(3)	(4)	(5)=(3)-(4)
	MHPA Fund Balance	MHPA Fund	MHPA Fund	MHPA Program	Unapplied
Programs	From Prior Years	State Distribution	Available	Expenditures	Expenditures
CSS	\$35,514	\$1,405,829	\$1,441,343	\$1,957,185	(\$515,842)
INN	216,904	93,722	310,626	448,630	(138,004)
Total	252,418	1,499,551	1,751,969	2,405,814	(653,845)

Based on the comparison above, County's MHPA Program Expenditures (Col.4) for CSS and INN exceeded total available MHPA funds (MHPA fund balance from prior years and the State distribution for FY18-19) by \$653,845.

W&I Code Section 5892(f) requires each county to place all funds received from the State Mental Health Services Fund into 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. The earnings on investment of these funds shall be available for distribution from the fund in future fiscal years.

	(1)	(2)	(3)	(4)	(5)=(3)-(4)
	MHPA Fund Balance	MHPA Fund	MHPA Fund	MHPA Program	MHPA
Programs	From Prior Years	State Distribution	Available	Expenditures	Fund Balance
PEI	\$520,256	\$374,888	\$895,144	\$737,353	\$157,791
WET	46,747	0	46,747	39,837	6,910
Total	567,003	374,888	941,891	777,190	164,701

Based on the comparison above, County's MHPA expenditures (Col.4) for PEI and WET were less the total available MHPA funds (MHPA fund balance from prior years and the State distribution for FY18-19). County should accrue interest earned for the PEI and WET MHPA fund balances.

CONCLUSION

The County did not follow governmental fund accounting standards resulting in 1) overstated MHPA expenditures by misclassifying non-MHPA funded

**MARIPOSA COUNTY BEHAVIORAL HEALTH AND RECOVERY SERVICES
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW
MANAGEMENT FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2019**

expenditures, and 2) understated MHSA PEI and WET components' interest earnings.

AUDIT AUTHORITY

- W&I Code Section 5892(f)
- CCR, Title 9, Sections 3420.40 and 3420.45
- MHSA Reversion Enclosure

RECOMMENDATIONS

1. County should develop and maintain fund accounting practices to separately account for MHSA fund balances, expenditures, and investment gain by component.
2. County should use other local resources to cover any additional, non-MHSA funded expenditures and record those expenditures in unrestricted funds (typically the County general fund), not the MHSA component fund accounts.
3. The County should calculate and report interest owed on the PEI and WET MHSA fund balances.

FINDING NO. 3: PRUDENT RESERVE FUND

The County is required to invest Local Mental Health Services Funds consistently with other County funds. (W&I Section 5892(f)) In addition, 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 MHSA expenditures. (CCR, Title 9, Section 3420.45) These standards require the use of Fund Accounting, such that MHSA funds and their related expenditures are to be tracked separately from other funds.

The County's accounting records do not support and provide a full accounting of the Prudent Reserve Fund balance and accumulated interest. According to County representatives, the Auditor's office would normally transfer any unused

**MARIPOSA COUNTY BEHAVIORAL HEALTH AND RECOVERY SERVICES
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW
MANAGEMENT FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2019**

revenue to the unearned revenue fund account in December. That's why we are not seeing the prudent reserve balance on the general ledger. In FY19-20, the Auditor's office directly transferred the prudent reserve balance from the unearned revenue fund to the CSS component because they had a negative average daily balance. Therefore, the Auditor's office did not transfer the prudent reserve balance back to the prudent reserve fund in FY18-19.

- (a) County reported prudent reserve balance in the amount of \$246,991.
- (b) County's MHSa fund balance was negative and accrued negative interest in FY18-19.
- (c) Audits requested county to run a Prudent Reserve report for FY16-17 or FY17-18. Audits did not receive the requested document.

CONCLUSION

County did not follow governmental fund accounting standards resulting in unsupported Prudent Reserve Fund balance and understated Prudent Reserve Fund interest earnings.

AUDIT AUTHORITY

- W&I Code Section 5892(f)
- CCR, Title 9, Section 3420.45

RECOMMENDATIONS

1. County should correct the prudent reserve balance and interest earned for this and any other fiscal years.
2. County should report interest earned for prudent reserve in the CSS component since prudent reserve is funded with CSS funds.

FINDING NO. 4: INN WORK PLAN NOT APPROVED

According to W&I Code, Section 5830(e), county mental health programs shall expend funds for their innovation programs upon approval by the Mental Health

**MARIPOSA COUNTY BEHAVIORAL HEALTH AND RECOVERY SERVICES
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW
MANAGEMENT FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2019**

Services Oversight and Accountability Commission. Further, CCR, Title 9, Section 3910.010 states that an Innovative Project shall not last longer than five years

Reported INN Adult Team Decision Making expenditures were not approved. The Innovation Plan Approval Summary shows the MHSA Team Decision Making work plan expired on July 29, 2013 because it was approved on July 29, 2010 for three years. The approved amount was \$110,100.

The County reported INN Adult Team Decision Making cost totaling \$448,630 (\$350,511 direct cost and \$98,119 administration) in FY 18-19. Further review of County's INN expenditures disclosed that the County started reporting INN expenditures beginning in FY11-12 and continued reporting INN expenditures when the work plan expired on July 29, 2013. As of FY18-19, County has claimed \$979,412 in excess of the INN approved amount.

**MARIPOSA COUNTY BEHAVIORAL HEALTH AND RECOVERY SERVICES
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW
MANAGEMENT FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2019**

Descriptions	Mental Health Expenditures	MHSA Fund	Other Funds	Approved Amt Balance
INN Approved Amount				\$110,100
FY10-11				
Adult TDM (Direct)	\$0	\$0	\$0	\$110,100
FY11-12				
Adult TDM (Direct)	9,897	9,897	0	100,203
FY 12-13				
Adult TDM (Direct)	65,781	65,781	0	34,422
FY 13-14				
Adult TDM (Direct)	26,263	26,263	0	8,159
FY 14-15				
Adult TDM (Direct)	6,151	6,151	0	2,008
FY 15-16				
Adult TDM (Direct)	94,524	94,524	0	(92,516)
FY 16-17				
Adult TDM (Evaluation)	1,085	1,085	0	(93,601)
Adult TDM (Direct)	153,377	153,377	0	(246,978)
FY 17-18				
Adult TDM (Administration)	35,163	35,163	0	(282,141)
Adult TDM (Direct)	248,642	248,642	0	(530,783)
FY 18-19				
Adult TDM (Administration)	98,118	98,118	0	(628,901)
Adult TDM (Direct)	350,511	350,511	0	(979,412)
Total	1,089,512	1,089,512	0	

CONCLUSION

County reported unapproved MHSA expenditures after the expiration date and in excess of the \$110,100 approved amount.

AUDIT AUTHORITY

- W&I Code, Section 5830
- CCR, Title 9, Section 3910.010
- Innovation Plan Approval Summary

**MARIPOSA COUNTY BEHAVIORAL HEALTH AND RECOVERY SERVICES
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW
MANAGEMENT FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2019**

RECOMMENDATION

The County must request and receive approval before expending MHSA funds in accordance with W&I Code, Section 5830.

FINDING NO. 5: INCONSISTENCY OF REPORTING ADMINISTRATIVE COST

According to Cost Report Instructions Manual FY18-19, County legal entities should report total administrative costs on line 24.

County did not report any direct Administrative Costs on Short-Doyle/Medi-Cal (SD/MC), MH 1960. Rather, County reported indirect costs in the amount of \$1,550,604 on MH 1960, then allocated the indirect costs into Administrative Costs, Utilization Review Costs and Non-Hospital Mode Costs cost center.

	As Reported-Indirect Costs, Col. H
Administrative Costs	\$386,114
Utilization Review Costs	353,178
Subtotal	739,292
Non-Hospital Mode Costs	811,312
Total	1,550,604

County reported administrative cost in the amount of \$762,384 on RER. The reported administrative cost on the RER was \$376,272 more than the total of the reported administrative and utilization review costs on the SD/MC cost report.

	As Reported
Per RER (Admin.)	\$762,386
Per SD/MC (Admin.)	386,114
Variance	376,272

CONCLUSION

This indicates it is possible that the County under-reported the administrative cost on the SD/MC cost report.

**MARIPOSA COUNTY BEHAVIORAL HEALTH AND RECOVERY SERVICES
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW
MANAGEMENT FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2019**

AUDIT AUTHORITY

- Cost and Financial Reporting System Manual FY18-19
- 42 CFR Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304

RECOMMENDATIONS

1. County should review and follow the RER and SD/MC cost report instructions when reporting mental health expenditures.
2. County should submit a correction if needed.

FINDING NO. 6: NON-SUPLANT COMPLIANCE

According to W&I Code Section 5981(a) and CCR, Title 9, Section 3410, MHSA funds may only be used to expand 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".

At the time of the audit, the County did not submit a formal written policy and accounting records to document meeting the MHSA non-supplant requirement.

CONCLUSION

The County did not document compliance with the non-supplant requirement.

AUDIT AUTHORITY

- W&I Code Section 5891(a)
- CCR, Title 9, Section 3410

RECOMMENDATIONS

1. The County should develop and implement a written non-supplant policy.

**MARIPOSA COUNTY BEHAVIORAL HEALTH AND RECOVERY SERVICES
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW
MANAGEMENT FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2019**

2. The County should develop and follow annual budgets that will document and ensure each fiscal year's MHPA expenditures comply with non-supplant requirements and their non-supplant policy.