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

FINDING NO. 1: MAINTENANCE AND AVAILABILITY OF RECORDS

Madera County shall maintain books, records, and other evidence. These documents shall be subject at all reasonable times to inspection and audit. (Performance Contract Exhibit A (5)(E)(1) – Audit and Records Retention)

Madera County did not comply with the Audit and Records Retention requirements of the contract. Despite multiple written requests, phone calls, and a pre-exit conference over an eight-month period, Madera County provided only a few documents requested for the fiscal audit. The Department relied on the County's general ledgers (GLs) and Income Statement (I/S) which were the only sources of documentation provided by the County to reconcile and support reported Mental Health Services Act (MHSA) expenditures.

CONCLUSION

The County did not provide sufficient documentation in response to the Department's requests to substantiate their reported MHSA expenditures. The Department was unable to do further testing to validate that reported expenditures were supported and were for MHSA purposes.

AUDIT AUTHORITY

- Welfare & Institutions Code (WIC) Sections 5655 and 5860(c)
- Government Code 8546.7 and 11181
- California Code of Regulations (CCR), Title 9, Section 3420.45
- Performance Agreement between State and County, Exhibit A (5)(E)(1)(a),(b), and(c); (5)(B)(8) and (9)
- MHSUDS Information Notice No. 15-037

RECOMMENDATION

The County must implement policies and procedures that will ensure reported expenditures are supported by properly maintained and readily available books, records, and other evidence that meet the audit and records retention requirements of the contract.

FINDING NO. 2: MHSA EXPENDITURES RECONCILIATION

MHSUDS Information Notice No. 15-037 states in relevant part:

> "The reporting for the RER should reflect all activity that occurs between July 1, 2013 and June 30, 2014… Expenditures should be recognized in the period that the fund liability is incurred..."

WIC Section 5892 (g) states:

> "All expenditures for county mental health programs shall be consistent with a currently approved plan or update pursuant to Section 5847."

Our examination of the County's MHSA GLs, I/S, and Revenue and Expenditure Report (RER) revealed that the total MHSA expenditures for Fiscal Year (FY) 2013-14 were overstated by $54,993 compared to the County's I/S. The reported expenditures for each component did not agree with the County GLs and I/S. See audit adjustments 1 through 4.

The County did not report Workforce Education and Training (WET) and Capital Fund/Technologies Need (CFTN) expenditures in the RER. However, according to the County's I/S, these expenditures totaled $14,353.87 and $61,760 respectively.

Further review of County's Annual Update (AU) disclosed that the County did not request additional WET funds. The WET budget for FY 2013-14 was $0. According to the Plan Update, the CFTN project was completed during FY 2012-13 so no funds were budgeted in FY 2013-14. Due to County's lack of response, Department was not able to validate the WET and CFTN expenditures listed in the GLs.

CONCLUSION

Based on the above findings, no adjustments to the reported WET and CFTN expenditures are proposed. Total adjustments (Audit Adjustment Nos. 1-4) of $(54,993) for the following components are proposed:

- Community Services and Supports (CSS): $(33,102)
- Prevention Early Intervention (PEI): $(5,884)
- Innovation Plan (INN): $(1,845)
- PEI Statewide Training, Technical Assistance, and Capacity Building (TTACB): $(14,162)

AUDIT AUTHORITY

- MHSUDS Information Notice No. 15-037
- WIC Section 5892 (g)

RECOMMENDATIONS

1. County must keep adequate financial records that fully support the reported RER. Such records must be provided to State auditors within a reasonable time of the request.
2. County should review supporting documents for WET and CFTN expenditures to determine whether these expenditures were valid FY 2013-14 MHSA expenditures and, if applicable, provide evidence of correction in the Plan of Correction (POC).

FINDING NO. 3: REPORTING LOCAL PRUDENT RESERVE

The County is required to establish, maintain, and report its local prudent reserve funds balance and transfers. (Welfare and Institutions Code, Section 5847(b)(7) and 5892; CCR, Title 9, Section 3510(a) and 3420.45; DMH Information Notice No. 11-05)

WIC Section 5847(b) states in relevant part:

> "The three-year program and expenditure plan and annual updates shall include all of the following:
> (7) Establishment and maintenance of a prudent reserve to ensure the county program will continue to be able to serve children, adults, and seniors…"

CCR, Title 9, Section 3510(a) states in relevant part:

> "Each County receiving a direct distribution of Mental Health Services Fund monies from the State Controller shall submit a complete and accurate Annual MHSA Revenue and Expenditure Report…"

DMH Information Notice No. 11-05 states in relevant part:

> "Welfare & Institutions Code section 5892, subdivision (b) permits a County to use up to 20 percent of the average amount of funds allocated to that county for the previous five years to fund for technological needs and capital

> facilities, human resource needs, and a prudent reserve. This change in policy permits a County to use the total of this amount to fund its Local Prudent Reserve needs, if it elects to do so, even if this amount exceeds the previously required 50 percent level. Counties may transfer funds to their Local Prudent Reserve by completing the attached Enclosure (revised Exhibit G)…"

The County reported zero ($0) Local Prudent Reserve (LPR) on RER Summary Sections 1a (LPR unspent from prior years) and 6a (unspent LPR balance), and zero ($0) fund transfer to prudent reserve on Section 4c.

According to the letter dated February 13, 2013, from the County's Behavioral Health Services Director which was attached to the draft Annual Update (AU) Plan FY 2013-14, the County did not request fund transfers from/to prudent reserve:

> "Madera County will not be funding the FY 2013/2014 prudent reserve at this time because Madera County has met the 50% threshold for the prudent reserve level. At this time, Madera County does not anticipate the need to request access to the prudent reserve for FY 2013/14."

However, the Department reviewed the County's MHSA GL and identified an account for prudent reserve with a balance of $2,730,191.91 at the beginning of the audit period and a transferred amount of $34,000 from the CSS fund on June 1, 2014.

The Department compared the prudent reserve per County GL and County AU as shown below:

	AU Plan	County GL	Variances
LPR Balance on June 30, 2013	$2,687,108	$2,730,192	$ 43,084
Contributions to the LPR in FY 2013-14	13,731	34,000	20,269
Distributions from LPR in FY 2013-14	-	-	-
LPR Balance on June 30, 2014	$2,700,839	$2,764,192	$ 63,353

The contribution to the LPR was found in the AU and County GL. However, the County did not submit to State a Prudent Reserve Funding Request to dedicate to the prudent reserve.

Due to lack of documentation, Department was unable to determine how the County accumulated and maintained its LPR in order to comply with the MHSA requirement.

CONCLUSION

The County did not report their LPR balances on the RER, made a transfer that was not consistent with the plan update language and amount, and did not document how it maintained compliance with the LPR funding requirements.

AUDIT AUTHORITY

- WIC Section 5847(b)(7)
- WIC Section 5892 (b)
- CCR, Title 9, Sections 3510 (a) and 3420.45
- DMH Information Notice No. 11-05

RECOMMENDATIONS

1. The County should maintain accurate records and report prudent reserve balances and transfers on the RER.
2. The County should ensure plan updates language and amounts are consistent and accurately followed.
3. The County should verify the correct LPR balance and contribution/transfer, and provide evidence of correction in the POC.
4. The County should submit to State a request to dedicate funds to the prudent reserve.
5. See audit adjustments 5 and 6.

FINDING NO. 4: THREE-YEAR EXPENDITURE PLAN OR ANNUAL UPDATE

The County is required to prepare and submit a three-year program and expenditure plan, and AU, adopted by the county board of supervisors, to the Mental Health Services Oversight and Accountability Commission and the State Department of Health Care Services within 30 days of after adoption. All expenditures shall be consistent with a currently approved three-year program and expenditure plan or AU (WIC, Section 5847; CCR, Title 9, Section 3310; Performance Contract Exhibit A, (B)(4)(e) and (B)(5)(a))

W&I Code, Section 5847(b)(8) and (9) requires the 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 did not have an approved AU for FY 2013-14 on file. The County submitted a draft that was a draft for public review. Department requested the approved AU Plan with the local mental health director's signature. County responded that County staff could not find the signed copy and that the provided copy was approved by the Board of Supervisors. However, after Department requested documentation of approval such as County Board of Supervisors meeting minutes, no such document was submitted.

CONCLUSION:

The County did not document compliance with having an approved plan update. Reported expenditures are not documented as being consistent with an approved plan update.

AUDIT AUTHORITY

- WIC Sections 5847, 5655, 5860(c), and 5892(g)
- Government Code 8546.7 and 11181
- CCR, Title 9, Section 3310
- Performance Agreement between State and County, Exhibit A Sections (B)(4)(e) and (B)(5)(a)

RECOMMENDATIONS

1. The County must establish and implement records retention policies and procedures that will ensure documents required to expend MHSA funds are maintained.
2. The County should obtain three-year expenditure plan and/or annual update(s) approval and signature of this FY, and any other FYs not approved and signed, and submit that with its POC.
3. See audit adjustments 1 through 6.

FINDING NO. 5: ACCOUNTING FOR AND REPORTING MHSA DISTRIBUTIONS

Each County shall establish a Local Mental Health Services Fund, allocate and spend funds distributed by the State Controller’s Office (SCO) to program components according to the percentages listed in CCR, Title 9, Section 3420.

MHSD Information Notice No. 13-15 states, “The SCO Remittance Advice will not include the amount of funding associated with each component, since MHSA funds are no longer distributed through Component Allocations; rather, it is the county's responsibility to ensure that funds are expended in accordance with the requirements of the Act.”

MHSUDS Information Notice No. 15-037 states “For FY 2013-14, funds reported as revenue received from the Mental Health Services Fund must equal the allocation amounts provided by the State Controller’s Office (SCO) for FY 2013-14.”

The County did not document accounting for all MHSA funds distributed and for the allocation to program components.

MHSA payments recorded in the County’s GL (Fund 6174, Behavioral Health Services – Prop 63) did not include all 12 payments documented by the SCO’s Remittance Advices. The June 2014 payment was not found on County’s FY 2013-14 GL. Department requested the FY 2014-15 GL but did not receive it.

County deposited 11 monthly payments to account 221100, Deferred Credits, then transferred to account 221104, Deferred Restricted. Funds in account 221104 were shown by components. The total amount for all components for each month did not agree with the monthly payments received and deposited to account 221100, and the total amount for all components in account 221104 did not agree with the total payments received in account 221100. Department questioned the County on how the funds received were allocated by components but did not receive a response. In addition, Department requested a flowchart or narrative that tracks MHSA funds from initial receipt to disbursement of expenditure, but County also did not respond.

Funds recorded in the County GLs did not agree with the SCO Remittance Advices and RER as follows:

	CSS 06914	PEI 06915	WET 06916	INN 06917	CF 06918	Other MHSA TTAC	TOTAL MHSA
Total FY 2013-14 payments from SCO							5,407,666
Per GL (651326 · ST - BHS - Prop 63 MHSA)	$ 2,860,635	$ 863,532	$ 10,653	$ (17,849)	$ -	$ -	$ 3,716,971
Per RER Section 2a	3,847,951	1,099,415	-	549,707	-	-	5,497,073
Variances between SCO records and the GL							1,690,695
Variances between the GL and RER	$ (987,316)	$ (235,883)	$ 10,653	$ (567,556)	$ -	$ -	$ (1,780,102)

The County has not substantiated the above differences and what happened to the 12th (June 2014) payment in the amount of $713,985.41.

CONCLUSION:

The County has not accounted for $1,690,695 of MHSA fund distributions, and has not documented compliance with the MHSA funds program component allocation and expenditure requirements.

AUDIT AUTHORITY

- WIC Sections 5655, 5860(c), 5892(a)(3), 5892(a)(5), 5892(a)(6), 5892(f)
- Government Code 8546.7 and 11181
- CCR, Title 9, Sections, 3420 and 3420.45
- Performance Agreement between State and County, Exhibit A Section 5E 1(a),(b), and(c) and Section 5B 8 and 9
- MHSD Information Notice No. 13-15
- MHSUD Information Notice No. 15-037

RECOMMENDATIONS

1. The County must reconcile SCO payments with their records and RER, make all necessary corrections, and provide evidence of correction in their POC.
2. The County must identify, document, and provide evidence of how MHSA funds are allocated to program components with their POC. If the County's records are not consistent with the SCO's payment record and the required allocation percentages, they should correct their records and provide evidence of correction.

FINDING NO. 6: INACCURATE REPORTING OF PRIOR FISCAL YEAR UNSPENT FUNDS

CCR, Title 9, Section 3510(a) states in relevant part:

> "Each County receiving a direct distribution of Mental Health Services Fund monies from the State Controller shall submit a complete and accurate Annual MHSA Revenue and Expenditure Report…"

The amounts shown on the FY 2013-14 RER line item "Unspent Funds Available from Prior Fiscal Years" (Section 1.j) did not agree with the total "Unspent Funds in the Local MHSA Fund" (Section 6.j) on the FY 2012-13 RER (ending balance) as shown below:

	CSS	PEI	INN	TTACB	Total
Unspent Funds Ending Bal per FY 12-13	$ 5,239,308	$ 582,133	$ 5,669	$ 14,162	$ 5,841,272
Unspent Funds Beginning Bal per FY 13-14	5,008,915	903,064	183,303	14,162	6,109,444
Variances	$ 230,393	$ (320,931)	$ (177,634)	$ -	$ (268,172)

The County's FY 2013-14 Specialty Mental Health (Short-Doyle/Medi-Cal) cost report form MH 1995, Report of MHSA Distributions and Expenditures, was filed with no reported data (completely blank).

CONCLUSION:

The County did not accurately report the status of MHSA funds on both the RER and Medi-Cal cost report.

AUDIT AUTHORITY

- MHSUDS Information Notice No. 15-037

RECOMMENDATIONS

1. The County must review the prior year ending MHSA balance and ensure accurate and complete reporting on both the RER and Medi-Cal cost report form MH 1995. If the prior year ending balance was incorrect, the County should report that as an adjustment.

2. The County should identify the source of these variances, correct their records, and provide evidence of correction in the POC.