

**KERN COUNTY BEHAVIORAL HEALTH AND RECOVERY SERVICES
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW
MANAGEMENT FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2012**

FINDING NO. 1: MISSING ADMINISTRATION FUNDING SOURCE

The County reported administration costs for CSS, PEI, and CFTN in the amount of \$2,284,350, \$519,067, and \$19,788, respectively, but did not report Medi-Cal Federal Financial Participation (FFP) as funding for the associated administration costs. The audited Medi-Cal FFP was \$664,559, \$151,006, and \$5,755 for CSS, PEI, and CFTN, respectively, for a total variance of \$821,320.

Administration	Reported In RE	Audited	Variance
Medi-Cal FFP			
CSS	\$ -	\$ 664,559	\$ 664,559
PEI	-	151,006	151,006
CFTN	-	5,755	5,755
Total	\$ -	\$ 821,320	\$ 821,320

The MHSA fund for each component was recalculated by subtracting the additional audited Medi-Cal FFP from audited each component costs.

MHSA Fund for Components	Adjustments
CSS	\$ (664,559)
PEI	(151,006)
CFTN	(5,755)

CONCLUSION:

Based on the above finding, the Department proposed adjustments to the CSS, PEI, and CFTN funding sources.

AUDIT AUTHORITY

- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304
- MHSD Information Notice No.: 13-17, Revenue and Expenditure Report (RER) FY11-12 Instructions

RECOMMENDATIONS

1. The County should submit a Plan of Correction (POC) and include these FFP revenue adjustments.
2. The County should adjust FFP revenue for all other fiscal years with unreported FFP or reported FFP that needs updating. The most recent

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RER includes instructions for adjusting FFP revenue to agree with the most recently available cost report (initial, settled, or audited).

FINDING NO. 2: INACCURATE PRUDENT RESERVE BALANCE

According to MHSD Information Notice No.: 13-17, Revenue and Expenditure Report Instructions

“The reporting for the RER should reflect all activity that occurs between July 1, 2011 and June 30, 2012 .”

“For purposes of reporting on the RER, revenues should be recognized in the accounting period in which they become available and measurable. (Accounting Standards and Procedures for Counties, State Controller’s Office, May 2003)”

The County reported prudent reserve balance included funds transferred to the prudent reserve account in December 18, 2012. This resulted in an inaccurate prudent reserve balance for this reporting period.

Also, The County did not report prudent reserve interest revenue of \$74,713.

CONCLUSION:

Based on the above, the Department proposed adjustments to the prudent reserve balance.

AUDIT AUTHORITY

- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304
- Information Notice 13-17, Revenue and Expenditure Report FY11-12 Instruction

RECOMMENDATION

The County should develop and implement procedures to reconcile and ensure accurate prudent reserve interest and balance reporting.

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FINDING NO. 3: INSUFFICIENT SUPPORTING DOCUMENTATION

The County is required to maintain records in accordance with Generally Accepted Accounting Principals (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)

The County reported department overhead allocated to MHSA administrative costs in the Revenue and Expenditures Report. However, the County did not maintain documentation to support the amount of costs reported and the statistical basis used to determine how overhead were allocated to MHSA administrative costs, and further allocated to CSS, PEI, and CFTN components. According to County representatives, they were not able to find this information due to staff turnover. The regulations required consistent maintenance of adequate and accurate accounting records to support amounts reported in the Revenue and Expenditure Report.

The Department calculated MHSA administration costs based on this program's share of total administrative costs based on, and consistent with the Short-Doyle Medi-Cal (SD/MC) cost report and related audit. Below is summary of the MHSA administrative costs.

MHSA Admin. Costs	Reported	Adjustments	Audited
CSS	2,284,350	(54,883)	2,229,467
PEI	519,067	(12,471)	506,596
CFTN	19,788	(483)	19,305

CONCLUSION:

Based on the above finding, the Department proposed adjustments to the MHSA administration cost for the CSS, PEI, and CFTN components.

AUDIT AUTHORITY

- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304
- CCR, Title 9, Sections 3400, 3420, and 3420.45

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RECOMMENDATION

The County should develop and implement procedures to ensure adequate financial records and statistical data are maintained to support reported MHSA expenditures.