

**SISKIYOU 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: REVENUE AND EXPENDITURE REPORT (RER) FILING REQUIREMENTS

According to MHSUDS Information Notice No.15-037, "DHCS requests counties to submit their Fiscal Year 2013-14 RER by October 30, 2015."

Siskiyou County did not submit the RER by the October 30, 2015 due date. The County's revised RER was dated June 15, 2017. DHCS followed up with the County on June 30, 2017 regarding the County's outstanding RER. DHCS informed the County on July 5, 2017, of the June 15, 2017 RER's deficiencies. Consequently, the relevant MHSAs and data used in the Short Doyle/Medical (SDMC) cost report were not in agreement with the revised information in the County's final RER.

CONCLUSION

The County was not in compliance with the RER filing requirement to submit complete and accurate Fiscal Year (FY) 13/14 RER by October 30, 2015.

AUDIT AUTHORITY

- Welfare Institution Code (WIC) Section 5899(a)
- California Code of Regulations (CCR), Title 9, Sections 3510(a) and 3510.005(b)
- MHSUDS Information Notice No.15-037

RECOMMENDATION

The County must develop and implement a process to ensure complete and accurate RERs are certified and filed no later than the applicable due date.

FINDING NO. 2: FEDERAL FINANCIAL PARTICIPATION (FFP) AND OTHER FUND SOURCES NOT REPORTED IN RER

WIC Section 5813.5 states: "Subject to the availability of funds from the Mental Health Services Fund, the state shall distribute funds for the provision of services under Sections 5801, 5802, and 5806 to county mental health programs... (b) The funding shall only cover the portions of those costs of services that cannot be paid for with other funds, including other mental health funds, public and private insurance, and other local, state, and federal funds."

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WIC Section 5878.3(a) states: "Subject to the availability of funds as determined pursuant to Part 4.5 (commencing with Section 5890) of this division, county mental health programs shall offer services to severely mentally ill children for whom services under any other public or private insurance or other mental health or entitlement program is inadequate or unavailable. Other entitlement programs include but are not limited to mental health services available pursuant to Medi-Cal, child welfare, and special education programs. The funding shall cover only those portions of care that cannot be paid for with public or private insurance, other mental health funds or other entitlement programs."

According to MHSUDS Information Notice No. 15-037, Enclosure 2 - Annual MHSA Revenue and Expenditure Report Fiscal Year 2013-14 Instructions, Expenditure and Funding Sources in FY 2013-14 Section, "This section identifies all the sources and amounts of funds used to pay for the total (gross) program expenditures. The County must report all fund sources used to pay for program expenditures including any MHSA funds, Interest, 1991 Realignment, Behavioral Health Subaccount and Other...Other Funding represents the total amount of any other funds used to pay for program expenditures, which may include, but is not limited to: County General Fund, grants, patient fees, insurance, and/or Medicare."

The FY13/14 RER reported that MHSA expenditures were solely funded by MHSA funds. However, Audits' review of the County's MHSA payment reports disclosed that there were other applicable funding sources for Community Services and Support (CSS) services provided:

Other Payment	
Sources	Payments
Medi-Cal (FFP)	\$290,488
Other Counties	2,405
Blue Shield	282
Total	\$293,175

CONCLUSION

The County did not report the FFP and other funding sources for the CSS services provided which could pose an increased risk of supplanting the funding historically provided for the mental health services. Adjustments are proposed to include other funding sources (Audit Adjustment Nos. 11 & 12):

- CSS-Other Funds \$293,175
- CSS-MHSA Funds (\$293,175)

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AUDIT AUTHORITY

- WIC Sections 5813.5(b) and 5878.3(a)
- MHSUDS Information Notice No.15-037

RECOMMENDATIONS

1. The County should report FFP and other funding sources in the RER for accurate reporting.
2. The County's policy and procedures should recognize the utilizing of MHSA funds as the last resort in MHSA-supported programming to ensure compliance with non-supplant and the above requirements.

FINDING NO. 3: DOCUMENTING NON-SUPPLANT COMPLIANCE

WIC, Section 5891(a) requires that "The funding established pursuant to 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 on November 2, 2004..."

The County provided a non-supplant policy with an effective date of September 9, 2021. The County's policy was therefore created after the period being audited (July 1, 2013, through June 30, 2014). Furthermore, the policy cited the MHSA regulations but did not document specific procedures to ensure compliance with the above cited regulations.

Further review disclosed that the County's information system and records did not provide evidence of meeting the non-supplantation requirements. As noted in Finding No. 2, the County's methodology for reporting MHSA expenditures and funding posed a risk that MHSA funds could supplant realignment and other funding previously made available before the MHSA program funding became available for use to expand and/or create new mental health programs for underserved communities.

CONCLUSION

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

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AUTHORITY

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

RECOMMENDATION

The County should update its written policy to include procedures and develop schedules to document compliance with non-supplant requirements.

FINDING NO. 4: JAIL COSTS NOT ELIMINATED IN RER

CCR Title 9, Section 3610 states: “(f) The County shall not provide MHSA funded services to individuals incarcerated in state/federal prisons or for parolees from state/federal prisons. (g) The County may use MHSA funds for programs/services provided in juvenile halls and/or county jails only for the purpose of facilitating discharge.”

WIC Section 5891 states: “(d) Counties shall base their expenditures on the county mental health program’s three-year program and expenditure plan or annual update, as required by Section 5847...”

WIC Section 5892 states “(g) All expenditures for county mental health programs shall be consistent with a currently approved plan or update pursuant to Section 5847.”

The County eliminated \$81,644 of Salaries and Benefits (S&B) for services provided in a jail setting from the FY 13/14 SDMC cost report. However, the MHSA portion was not eliminated from the FY 13/14 RER. S&B in the amount of \$37,008 were identified in the County’s working papers used to report the MHSA CSS expenditures for crisis intervention services provided in jail. Additionally, there was no project described in the County’s annual update that included such services.

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CONCLUSION

The County did not remove the jail costs from the RER. Adjustment No. 1 is proposed to remove jail costs from the CSS component:

- CSS Expenditures (\$37,008)

AUDIT AUTHORITY

- CCR, Title 9, Section 3610 (f) and (g)
- WIC Sections 5891(d) and 5892(g)
- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304

RECOMMENDATION

The County should ensure only allowable expenditures, that are included in the approved three-year program and expenditure plan or annual update, are included in the RER.

**FINDING NO. 5: INTEREST INCOME NOT RECORDED IN PRUDENT
RESERVE GENERAL LEDGER (GL) ACCOUNT**

WIC Section 5892(f) states: "...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 to the fund. The earnings on investment of these funds shall be available for distribution from the fund in future fiscal years."

WIC Section 5847(b) states: "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..."

DMH Information Notice No. 07-25 states: "For audit purposes, each county should be able to clearly identify funds in their local MHS fund dedicated to the local prudent reserve. Interest earned on funds dedicated to the local prudent reserve is to be used for services consistent with a county's approved Plan and/or the local prudent reserve."

The County provided working papers to demonstrate the amount of interest allocated to the Prudent Reserve (PR) and MHSA components. However, a

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comparison of the FY 13/14 PR balance between County's PR GL (Account #461011) and the RER did not agree, with a (\$5,355) discrepancy. The County did not provided an explanation for the discrepancy. Further review disclosed that the discrepancy was caused by County not recording FY12/13 and FY13/14 interest income in the County's PR account:

County Records FY2014			
Description	(GL account#46101)	FY13/14 RER	Variance
Prudent Reserve (PR) Ending Balance	\$478,577	\$483,932	(\$5,355)
			PR Interest
			FY12/13 RER \$2,876
			FY13/14 RER \$2,479
			Total \$5,355

CONCLUSION

Based on the County's records and allocation of the interest earned for MHSA funds held in the County's local mental health fund, the FY12/13 and FY13/14 interest allocations for the PR had not been included in the County's PR account.

AUDIT AUTHORITY

- WIC Sections 5892(f) and 5847(b)
- DMH Information Notice No. 07-25

RECOMMENDATIONS

1. The County should maintain accurate records.
2. The County should verify the Prudent Reserve account balance and provide evidence of correction in the Plan of Correction to include the interest accumulated as required per statute.

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FINDING NO. 6: INCORRECT COST ALLOCATION

CCR, Title 9, Section 3510 states: “(a) 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 to the Department...”

DMH Information Notice No. 10-21 states: “... Administrative costs are divided into two categories:

- Direct service administrative costs
- Indirect administrative costs

1. Direct service administrative costs are costs associated with the delivery of services to clients that can be tied to a specific program/project.
2. Indirect administrative costs are support costs that are incurred for a common or joint purpose and cannot be readily identified as benefiting only one MHSA program or project. Indirect costs of this type may originate in a specific department (i.e., the county mental health department), or may originate in other departments that supply goods, services and facilities for the county as a whole (i.e., the county administrative office).
These costs are appropriately charged to an MHSA program/project through an acceptable allocation method that allocates the costs of support and administrative services to the benefiting programs/projects. The share of costs attributed to the MHSA funding stream should be in proportion to the extent the MHSA program/project benefits from the support activity.”

The working papers provided to support the County’s allocation of indirect Administration Costs disclosed that the allocation of indirect administration S&B was calculated incorrectly by including the amount to be distributed (\$1,253,567) in the Mental Health (MH) base total S&B.

The County also incorrectly included in the MH and MHSA cost distribution base the \$81,644 of disallowed crisis intervention jail service costs (see Finding No. 4).

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The corrections were made as follows:

The County's Calculation					Calculation Per Audit		
Program	Indirect Admin S&B	Salaries Per County Record	Allocation %	Indirect Admin Allocation	Salaries Corrected per Audit	Audited Allocation %	Audited Indirect Admin Allocation
	a	b	c	d=a*c	e	f	g=a*f
MH		\$2,951,160	63%	\$795,123	\$1,652,957	49%	\$609,593
MHSA		\$1,265,043	27%	\$340,837	\$1,228,035	36%	\$452,886
PERINATAL		\$205,959	4%	\$55,491	\$205,959	6%	\$75,956
AOD		\$230,547	5%	\$62,116	\$230,547	7%	\$85,023
JAIL					\$81,644	2%	\$30,109

In addition, the indirect administrative cost of \$39,398 associated with software support facilitating all MHSA operations was incorrectly assigned to the component for Capital Facilities and Technological Needs (CFTN).

CONCLUSION

The County allocated MHSA Administration and Net Operation Costs to components based on percent of total program costs. Based on the above finding, the Department proposed the following adjustments:

- Reclassify \$39,398 software support from CFTN to MHSA Administration (Audit Adjustment No. 2).
- Adjustments to reallocate Administration Costs to components (Audit Adjustment Nos. 3-6).
- Adjustments to reallocate Net Operation Costs to components (Audit Adjustment Nos. 7-10).

AUDIT AUTHORITY

- CCR, Title 9, Section 3510(a)

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- DMH Information Notice No. 10-21
- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304

RECOMMENDATION

The County should develop accurate records/schedules to support expenditures.