

**HUMBOLDT COUNTY BEHAVIORAL HEALTH SERVICES  
MENTAL HEALTH SERVICES ACT  
REVENUE AND EXPENDITURE REPORT REVIEW  
MANAGEMENT FINDINGS AND RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2016**

**FINDING NO. 1: MAINTAINING COMPLETE AND ACCURATE PROGRAM EXPENDITURE RECORDS**

The County is required to maintain adequate accounting records of all MHSA fund expenditures by fiscal year and component account, and submit complete and accurate Annual MHSA Revenue and Expenditure Reports (CCR, Title 9, Sections 3420.45 and 3510).

Audits review of the County's general ledger (GL) and supporting workpapers disclosed variances for the following amounts and components: (\$257,618) for CSS, \$211,004 for PEI, \$40,248 for INN, \$5,898 for WET, and \$10,125 for CFTN.

**CONCLUSION**

Audit adjustments Nos. 1-5 are proposed to adjust total reported program expenditures to agree with the County's records and audited SD/MC cost report.

**AUDIT AUTHORITY**

- CCR, Title 9, Sections 3420.40, 3420.45, and 3510
- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304

**RECOMMENDATION**

1. The County should establish an appropriate financial tracking system to track MHSA fund expenditures by component.
2. The County should reassess these amounts when preparing their SD/MC cost report and adjust as needed.

**FINDING NO. 2: PRUDENT RESERVE FUND RECORD KEEPING**

W&I Code Section 5892(f) requires the Prudent Reserve Fund to be invested consistent with other County funds and the interest earned on the investments to be transferred into the fund.

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- (a) The County did not have a policy to ensure Prudent Reserve Funds were invested consistent with other County funds and properly accounted for.
- (b) The County's GL and Prudent Reserve Fund supporting document did not include records of interest earned and transfers during FYs 12-15 and had a \$24,337 variance compared to the reported Prudent Reserve Fund balance.

**CONCLUSION**

The County did not maintain sufficient records to ensure the Prudent Reserve Fund was invested consistently with other County funds as required by W&I Code Section 5892(f), and to support the reported amount.

**AUDIT AUTHORITY**

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

**RECOMMENDATION**

1. The County should develop and implement an investment policy to ensure Prudent Reserve funds are invested consistently with other County funds.
2. The County should transfer and maintain records of all transfers of interest earned into Prudent Reserve Fund.
3. The County should review its investment records and adjust the Prudent Reserve Fund balance in its records and/or RER accordingly.

**FINDING NO. 3: REPORTING FEDERAL FINANCIAL PARTICIPATION (FFP)**

The County is required to submit complete and accurate Annual MHSA Revenue and Expenditure Reports including subsequent FFP Revenue Adjustments (CCR, Title 9, Section 3510). The County is also 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, Sections 3400 and 3420.45).

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The County overstated the FFP reported in RER. The audited FFP was calculated based on the County's supporting workpaper and the audited Short-Doyle/Medi-Cal (SD/MC) cost report.

**CONCLUSION**

Audit adjustments Nos. 6 and 7 are proposed to adjust MHSA other funding source Medi-Cal FFP to agree with the County's supporting workpaper and audited SD/MC cost report.

**AUDIT AUTHORITY**

- CCR, Title 9, Sections 3400, 3420.45, and 3510
- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304

**RECOMMENDATION**

1. The County should exercise due care to ensure MHSA expenditures and FFP are properly reported, including reporting adjustments to FFP revenue as needed and as part of its Plan of Correction for these audit findings.
2. The County should develop policies and procedures to budget and utilize other available funding sources in accordance with MHSA requirements.