SHASTA COUNTY BEHAVIORAL HEALTH AND SOCIAL SERVICES
MENTAL HEALTH SERVICES ACT
REVENUE AND EXPENDITURE REPORT REVIEW
MANAGEMENT FINDINGS AND RECOMMENDATIONS
FISCAL PERIOD ENDED JUNE 30, 2015

FINDING NO.1: REVENUE AND EXPENDITURE REPORT (RER) LATE FILING

According to MHSUDS Information Notice No.15-038, "The RER must be submitted electronically… As specified in Title 9, California Code of Regulations Section 3510, the report is to be submitted no later than December 31, 2015."

The FY 2014-15 RER certification was dated October 13, 2016, by the Mental Health Director and dated November 7, 2016, by the County Auditor Controller.

CONCLUSION

The County was not in compliance with the RER filing requirement to submit the FY 2014-15 RER by December 31, 2015.

AUDIT AUTHORITY

- MHSUDS Information Notice No. 15-038
- Welfare and Institutions Code (WIC) Section 5899
- California Code of Regulations (CCR), Title 9, Section 3510

RECOMMENDATION

The County should develop and implement procedures that will ensure complete and accurate RER certification and submission by the required deadline.

FINDING NO. 2: INCONSISTENT SUPPORT FOR REPORTED MHSA EXPENDITURES

CCR, Title 9, Section 3510(a) requires that “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…”

CCR, Title 9, Section 3420.45 requires counties 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.

The County's work papers revealed inconsistent adjustments to the County's MHSA expenditures.

	Per The County's SDMC cost report support Worksheet		
	Adjusted Expenditure Amount per MHSA GL (Col.T)	Amount Allocated to MHSA Components (Col.V)	Variance
MHSA Salaries and Benefits	$ 3,915,023	$ 4,036,304	$ 121,281
MHSA Service & Supplies and Other:			
Acct. 033102 Insurance liability	$ 2,823	$ 2,567	$ (256)
Acct. 034800 Professional Services	$ 2,075,367	$ 1,805,466	$ (269,901)
Acct. 088410 MH Cost Applied	$ (470,537)	$ (340,780)	$ 129,757
Total RER Net Expenditure variance compared to the County's MHSA working paper support for their SDMC cost report	$ 5,522,675	$ 5,503,557	$ (19,119)

The County work papers showed that the total MHSA expenditure General Ledger (GL) adjustments for the Short Doyle Medi-Cal (SDMC) cost report were $(3,567,247), whereas the adjustments for the RER were only $(114,925). The County did not provide justification for the RER expenditures exceeding those in the SDMC cost report by $3,452,322 ($3,567,247 – $114,925).

CONCLUSION

The County's MHSA supporting work papers for expenditures reported in the SDMC cost report showed inconsistent adjustments to the GL between the SDMC cost report and the RER.

AUDIT AUTHORITY

- CCR, Title 9, Sections 3400, 3420, 3420.45, and 3510(a)
- WIC Section 5899
- 42 CFR, Sections 413.20 and 413.24
- CMS Pub. 15-1, Sections 2300 and 2304

RECOMMENDATION

The County should take due care to prepare clear and consistent supporting work papers between the relevant statutory reports, maintain records sufficient for substantiation of all reported expenditures and funding source data, including but not limited to MHSA Trust Fund ledgers, accruals, fixed asset purchases, depreciation schedules with summaries that tie to the reported SDMC cost report and RER as applicable.

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FINDING NO. 3: REVENUE RECORDED AS EXPENDITURE

According to MHSUDS Information Notice No.15-038, "The reporting for the RER should reflect all activity that occurred between July 1, 2014 and June 30, 2015...Expenditures should be recognized in the period that the fund liability is incurred. (Accounting Standards and Procedures for counties, SCO, May 2013)"

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.”

The County recorded an expenditure account in the MHSA GL #034309 with the description of “Misc XP Prior Period Rev Adj” in the amount of $1,524,774 that was Federal Financial Participation (FFP) revenue transferred from the County’s Mental Health GL to their MHSA GL, as shown below:

	Per County Record				
Description	FY 09/10	FY 10/11	FY 11/12	FY 12/13	Total
MHSA treatment cost per County's calculation	$852,966	$898,683	$880,503	$402,444	$3,034,596
FFP Revenue Posted (received)	1,199,325	1,426,465	1,212,430	721,150	4,559,370
FFP Revenue to be transferred	($346,359)	($527,782)	($331,927)	($318,706)	($1,524,774)

							Audit	Funding Sources Adjustments	
Components	FY 14/15 MHSA Expenditures				Total	Audited	Adjustments	Other (FFP)	MHSA
CSS	$346,359	$519,753	$312,543	$291,297	$1,469,952	$0	($1,469,952)	$1,469,952	($1,469,952)
PEI		$8,029	$18,756	$27,409	$54,194	$0	($54,194)	$54,194	($54,194)
INN			$628		$628	$0	($628)	$628	($628)
Total	$346,359	$527,782	$331,927	$318,706	$1,524,774	$0	($1,524,774)	$1,524,774	($1,524,774)

When asked if the reported expenditures could be supported with invoices and/or receipts, the County affirmed that the spreadsheets provided were the only support for the reported expenditures.

In addition, the FFP received for MHSA activities from four previous fiscal periods is a funding source for the current MHSA expenditures, therefore should have been reported in the FY14/15 RER to cover actual expenditures. Consequently, MHSA funds were over-utilized to cover expenditures.

CONCLUSION

Adjustments are proposed to remove the unsupported expenditures (Audit Adjustments No. 1-3) and to apply the FFP revenue to cover expenditures (Audit Adjustments No. 4-9)

AUDIT AUTHORITY

- MHSUDS Information Notice No.15-038
- WIC Section 5813.5

RECOMMENDATIONS

1. The County should review and adjust its records and RER as part of its Plan of Correction.
2. The County should develop and implement procedures to ensure accurate statistical data and program expenditure records are maintained to support actual MHSA expenditures and funding sources accordingly.

FINDING NO. 4: DOCUMENTING NON-SUPPLANTATION COMPLIANCE

WIC Section 5813.5 requires that: “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.”

WIC Section 5891(a) requires that "The funding established pursuant to this act shall be utilized to expend 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 shall not be used to provide mental health programs and/or services that were in existence on November 2, 2004…”

In response to the request for a Non-Supplantation Policy, the County provided a copy of the Code of California Regulation Section 3410(b).

The County’s responses to the MHSA Questionnaire included the County's assertion that all of the MHSA programs were new, therefore not supplanting MHSA funding that would have otherwise been covered using other program

funding. However, assertion is not supporting document demonstrating compliance.

CONCLUSION

The County did not have a formal written policy and supporting schedules to demonstrate compliance with the non-supplantation requirement for FY 2014-15.

AUDIT AUTHORITY

- WIC Sections 5813.5 and 5891(a)
- CCR, Title 9, Section 3410(a)

RECOMMENDATIONS

The County should develop and implement a written policy and procedures that include schedules to document compliance with non-supplantation requirements.