

SAN MATEO COUNTY

Reissued Audit Report

HANDICAPPED AND DISABLED STUDENTS PROGRAM

Chapter 1747, Statutes of 1984;
and Chapter 1274, Statutes of 1985

July 1, 1996, through June 30, 1999



BETTY T. YEE
California State Controller

June 2016



BETTY T. YEE
California State Controller

June 22, 2016

The Honorable Warren Slocum, President
San Mateo County Board of Supervisors
Hall of Justice
400 County Center
Redwood City, CA 94063

Dear Mr. Slocum:

The State Controller's Office (SCO) audited the costs claimed by San Mateo County for the legislatively mandated Handicapped and Disabled Students Program (Chapter 1747, Statutes of 1984; and Chapter 1274, Statutes of 1985) for the period of July 1, 1996, through June 30, 1999.

This reissued final report updates our previous audit report dated December 26, 2002. Subsequent to the issuance of our final report, the county filed an Incorrect Reduction Claim with the Commission on State Mandates (Commission), disagreeing with the audit findings concerning ineligible treatment costs and unreported Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) revenues. On September 25, 2015, the Commission remanded the county's claims back to the SCO to reinstate miscoded costs and crisis intervention costs, and to determine the appropriate portion of State EPSDT funds attributable to program clients. We reinstated the previously unallowable costs and worked with the county to determine the appropriate EPSDT offset. As a result, we revised Findings 2 through 4 to reflect the reinstated costs and the portion of EPSDT revenues attributable to this program. These revisions increased net allowable costs by \$1,541,890, from \$3,826,914 to \$5,368,804.

The county claimed \$7,768,163 for the mandated program. Our audit found that \$5,368,804 is allowable (\$5,369,804 less a \$1,000 penalty for filing a late claim) and \$2,399,359 is unallowable. The costs are unallowable primarily because the county claimed ineligible and unsupported costs, and understated offsetting revenues. The State paid the county \$3,826,914. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,541,890, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by telephone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as

cc: The Honorable Juan Raigoza, Controller
San Mateo County
Mary Halterman, Principal Program Budget Analyst
Local Government Unit, California Department of Finance
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Reissued Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by San Mateo County for the legislatively mandated Handicapped and Disabled Students Program (Chapter 1747, Statutes of 1984; and Chapter 1274, Statutes of 1985) for the period of July 1, 1996, through June 30, 1999.

The county claimed \$7,768,163 for the mandated program. Our audit found that \$5,368,804 is allowable (\$5,369,804 less a \$1,000 penalty for filing a late claim) and \$2,399,359 is unallowable. The costs are unallowable primarily because the county claimed ineligible and unsupported costs, and understated revenues. The State paid the county \$3,826,914. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,541,890, contingent upon available appropriations.

Background

Chapter 26 of the Government Code, commencing with section 7570, and Welfare and Institutions Code section 5651 (added and amended by Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985) require counties to participate in the mental health assessment for "individuals with exceptional needs," participate in the expanded "Individualized Education Program" (IEP) team, and provide case management services for "individuals with exceptional needs" who are designated as "seriously emotionally disturbed." These requirements impose a new program or higher level of service on counties.

On April 26, 1990, the Commission on State Mandates (Commission) determined that this legislation impose a State mandate reimbursable under Government Code section 17561. The program's parameters and guidelines establish the State mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines for the Handicapped and Disabled Students Program on August 22, 1991, and last amended it on August 29, 1996. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

The parameters and guidelines for the Handicapped and Disabled Students Program state that only 10% of mental health treatment costs are reimbursable. However, on September 30, 2002, Assembly Bill 2781 (Chapter 1167, Statutes of 2002) changed the regulatory criteria by stating that the percentage of treatment costs claimed by counties for fiscal year (FY) 2000-01 and prior fiscal years is not subject to dispute by the SCO. Furthermore, this legislation states that, for claims filed in FY 2001-02 and thereafter, counties are not required to provide any share of these costs or to fund the cost of any part of these services with money received from the Local Revenue Fund established by Welfare and Institutions Code section 17600 et seq. (realignment funds).

Furthermore, Senate Bill 1895 (Chapter 493, Statutes of 2004) states that realignment funds used by counties for the Handicapped and Disabled Students Program “are eligible for reimbursement from the state for all allowable costs to fund assessments, psychotherapy, and other mental health services . . .” and that the finding by the Legislature is “declaratory of existing law.” (Emphasis added.)

On May 26, 2005, the Commission adopted a Statement of Decision for the Handicapped and Disabled Students II Program that incorporates the above legislation and further identified medication support as a reimbursable cost effective July 1, 2001. The Commission adopted the parameters and guidelines for this new program on December 9, 2005, and made technical corrections to it on July 21, 2006.

The parameters and guidelines for the Handicapped and Disabled Students II Program state that “Some costs disallowed by the State Controller’s Office in prior years are now reimbursable beginning July 1, 2001 (e.g., medication monitoring). Rather than claimants re-filing claims for those costs incurred beginning July 1, 2001, the State Controller’s Office will reissue the audit reports.” Consequently, we are allowing medication support costs commencing on July 1, 2001.

On January 26, 2006, Commission amended the parameters and guidelines for the Handicapped and Disabled Students Program and corrected them on July 21, 2006, allowing reimbursement for out-of-home residential placements beginning July 1, 2004, and subsequently on October 26, 2006, to end the reimbursement period.

Objectives, Scope, and Methodology

We conducted this performance audit to determine whether costs claimed represent increased costs resulting from the Handicapped and Disabled Students Program for the period of July 1, 1996, through June 30, 1999.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the county’s financial statements. We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the county’s internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures. Our audit scope did not assess the efficiency or effectiveness of program operations. We did not audit the county’s financial statements.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

To achieve our audit objectives, we performed the following procedures:

- Reviewed claims to identify the material cost components of each claim, any errors, and any unusual or unexpected variances from year-to-year.
- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.
- Confirmed that the costs claimed were not funded by another source.
- Determined whether indirect costs claimed were properly computed and applied.
- Recalculated allowable costs claimed using audited data.

Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Schedule (Summary of Program Costs) and in the Findings and Recommendations section of this report.

For the audit period, San Mateo County claimed \$7,768,163 for costs of the Handicapped and Disabled Students Program. Our audit found that \$5,368,804 is allowable (\$5,369,804 less a \$1,000 penalty for filing a late claim) and \$2,399,359 is unallowable.

The State paid the county \$3,826,914. Our audit found that \$5,368,804 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,541,890, contingent upon available appropriations.

Views of Responsible Officials

On May 4, 2016, we advised Harshil Kanakia, Administrative Services Manager, San Mateo County Controller's Office, of the report revisions by email. Shirley Tourel, Assistant Controller, responded by letter dated June 8, 2016 (Attachment), agreeing with the revised audit results. This reissued final report includes the county's response.

Reason for Reissuance

On December 26, 2002, we issued a final audit report for the Handicapped and Disabled Students Program for the period of July 1, 1996, through June 30, 1999. Subsequent to the issuance of our final report, the county filed an Incorrect Reduction Claim with the Commission, disagreeing with the audit findings concerning ineligible treatment costs and unreported Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) revenues.

On September 25, 2015, the Commission remanded the county's claims to the SCO to reinstate miscoded costs and crisis intervention costs, and to determine the appropriate portion of EPSDT funds attributable to program clients. We reinstated the previously unallowable costs and worked with the county to determine the appropriate EPSDT offset. As a result, we revised Findings 2 through 4 to reflect the reinstated costs and the portion of EPSDT revenues attributable to this program. These revisions increased net allowable costs by \$1,541,890, from \$3,826,914 to \$5,368,804. In addition, we updated the Methodology section to clarify procedures performed.

Restricted Use

This report is solely for the information and use of San Mateo County, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

June 22, 2016

**Revised Schedule—
Summary of Program Costs
July 1, 1996, through June 30, 1999**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1996, through June 30, 1997</u>				
Assessment/case management costs	\$ 253,922	\$ 253,699	\$ (223)	Finding 1
Offsetting revenues:				
State categorical funds	-	(28,511)	(28,511)	Finding 3
Short-Doyle/Medi-Cal funds	(65,344)	(65,344)	-	
Net assessment/case management costs	<u>188,578</u>	<u>159,844</u>	<u>(28,734)</u>	
Treatment costs	3,906,295	3,393,846	(512,449)	Finding 1,2
Offsetting revenues:				
State categorical funds	(568,934)	(999,362)	(430,428)	Finding 3
Short-Doyle/Medi-Cal funds	(1,228,776)	(1,107,334)	121,442	Finding 4
Net treatment costs	<u>2,108,585</u>	<u>1,287,150</u>	<u>(821,435)</u>	
Total costs	<u>\$ 2,297,163</u>	1,446,994	<u>\$ (850,169)</u>	
Less amount paid by the State		<u>(1,258,200)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 188,794</u>		
<u>July 1, 1997, through June 30, 1998</u>				
Assessment/case management costs	\$ 302,231	\$ 301,702	\$ (529)	Finding 1
Offsetting revenues:				
State categorical funds	-	(68,417)	(68,417)	Finding 3
Short-Doyle/Medi-Cal funds	(79,662)	(79,662)	-	
Net assessment/case management costs	<u>222,569</u>	<u>153,623</u>	<u>(68,946)</u>	
Treatment costs	3,914,536	3,398,001	(516,535)	Finding 1,2
Offsetting revenues:				
State categorical funds	(568,934)	(1,048,846)	(479,912)	Finding 3
Short-Doyle/Medi-Cal funds	(1,138,384)	(1,057,284)	81,100	Finding 4
Net treatment costs	<u>2,207,218</u>	<u>1,291,871</u>	<u>(915,347)</u>	
Total costs	<u>\$ 2,429,787</u>	1,445,494	<u>\$ (984,293)</u>	
Less amount paid by the State		<u>(1,078,383)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 367,111</u>		

Revised Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1998, through June 30, 1999</u>				
Assessment/case management costs	\$ 332,334	\$ 331,301	\$ (1,033)	Finding 1
Offsetting revenues:				
State categorical funds	-	-	-	Finding 3
Short-Doyle/Medi-Cal funds	(85,532)	(85,532)	-	
Net assessment/case management costs	246,802	245,769	(1,033)	
Treatment costs	4,248,335	3,650,131	(598,204)	Finding 1,2
Offsetting revenues:				
State categorical funds	(568,934)	(669,841)	(100,907)	Finding 3
Short-Doyle/Medi-Cal funds	(884,990)	(748,743)	136,247	Finding 4
Net treatment costs	2,794,411	2,231,547	(562,864)	
Total costs	3,041,213	2,477,316	(563,897)	
Less late penalty ²	-	(1,000)	(1,000)	
Net costs	<u>\$ 3,041,213</u>	2,476,316	<u>\$ (564,897)</u>	
Less amount paid by the State		(1,490,331)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 985,985</u>		
<u>Summary: July 1, 1996, through June 30, 1999</u>				
Assessment/case management costs	\$ 888,487	\$ 886,702	\$ (1,785)	Finding 1
Offsetting revenues:				
State categorical funds	-	(96,928)	(96,928)	Finding 3
Short-Doyle/Medi-Cal funds	(230,538)	(230,538)	-	
Net assessment/case management costs	657,949	559,236	(98,713)	
Treatment costs	12,069,166	10,441,978	(1,627,188)	Finding 1,2
Offsetting revenues:				
State categorical funds	(1,706,802)	(2,718,049)	(1,011,247)	Finding 3
Short-Doyle/Medi-Cal funds	(3,252,150)	(2,913,361)	338,789	Finding 4
Net treatment costs	7,110,214	4,810,568	(2,299,646)	
Total costs	7,768,163	5,369,804	(2,398,359)	
Less late penalty ²	-	(1,000)	(1,000)	
Net costs	<u>\$ 7,768,163</u>	5,368,804	<u>\$ (2,399,359)</u>	
Less amount paid by the State		(3,826,914)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,541,890</u>		

¹ See the Findings and Recommendations section.

² The county filed its FY 1998-99 annual reimbursement claim after the due date specified in Government Code section 17560. Pursuant to Government Code section 17568, the State assessed a late filing penalty equal to 10% of allowable costs filed before August 24, 2007, not to exceed \$1,000.

Revised Findings and Recommendations

**FINDING 1—
Claimed costs
exceeded amounts
paid**

The county claimed costs for assessment and treatment services to handicapped and disabled students that exceeded the amounts it paid to the contract providers of those mandated services, totaling \$518,337 for the audit period.

The county’s claims were based on its annual cost reports to the California Department of Mental Health. The county’s annual cost reports reflected the actual amounts paid to the county’s mental health service providers or the maximum provider contract amounts, whichever were greater. The county prorated these amounts on its program claims based on program service units to total service units provided.

In addition, the county included in its program claims a 10% administrative charge on labor costs included in contract provider invoices. The county did not provide the SCO auditor any documentation to substantiate that these administrative charges represented additional costs incurred.

The program’s parameters and guidelines specifies that only actual increased costs incurred in the performance of the mandated activities and adequately documented are reimbursable.

The following table summarizes the costs claimed in excess of actual costs incurred as follows:

	Fiscal Year			Total
	1996-97	1997-98	1998-99	
Assessment costs	\$ (223)	\$ (529)	\$ (1,033)	\$ (1,785)
Treatment costs	(171,208)	(218,886)	(126,458)	(516,552)
Audit adjustment	<u>\$(171,431)</u>	<u>\$(219,415)</u>	<u>\$(127,491)</u>	<u>\$(518,337)</u>

Recommendation

No recommendation is applicable for this audit, as the Handicapped and Disabled Students Program is no longer mandated.

County’s Response

The county concurs with this finding.

**FINDING 2—
Ineligible treatment
costs claimed**

The county claimed costs for medication support and crisis intervention services that are not reimbursable under program guidelines, totaling \$1,110,636 for the audit period.

The parameters and guidelines specifies that only the following treatment services are reimbursable: individual therapy; collateral therapy and contacts; group therapy; day treatment; and the mental health portion of residential treatment in excess of California Department of Social Services payments for residential placement.

The following table summarizes the ineligible treatment costs as follows:

	Fiscal Years			Total
	1996-97	1997-98	1998-99	
Treatment costs	\$ (341,241)	\$ (297,649)	\$ (471,746)	\$ (1,110,636)

Recommendation

No recommendation is applicable for this audit, as the Handicapped and Disabled Students Program is no longer mandated.

County’s Response

The county concurs with this finding.

**FINDING 3—
State categorical
revenues not properly
deducted from
claimed costs**

The county did not properly offset its claimed costs by certain categorical revenues received from the State, totaling \$1,108,175 for the audit period.

The county did not report state matching funds received from the California Department of Mental Health under the Early Periodic Screening, Diagnosis, and Treatment (EPSDT) program to reimburse the county for the cost of services provided to Medi-Cal clients. The SCO auditor deducted such revenues received from the State applicable to this program using the county’s calculation methodology.

The county also did not report state funding received from the State Board of Education under AB 599 intended to reimburse the county for program-related school expenses such as learning equipment, books, etc.

In addition, the county deducted Special Education Pupil (SEP) funds, also known as AB 3632 funds, from treatment costs rather than equitably from assessment, case management, and treatment costs.

The parameters and guidelines specifies that any direct payments (categorical funds) received from the State that are specifically allocated to the program, and any other reimbursement received as a result of the mandate, must be deducted from the claims.

The following table summarizes the adjustments to revenues as follows:

	Fiscal Year			Total
	1996-97	1997-98	1998-99	
Assessment costs	\$ (28,511)	\$ (68,417)	\$ -	\$ (96,928)
Treatment costs	(430,428)	(479,912)	(100,907)	(1,011,247)
Audit adjustment	<u>\$ (458,939)</u>	<u>\$ (548,329)</u>	<u>\$ (100,907)</u>	<u>\$ (1,108,175)</u>

Recommendation

No recommendation is applicable for this audit, as the Handicapped and Disabled Students Program is no longer mandated.

County's Response

The County and SCO agreed to utilize the methodology prescribed by the California Department of Mental Health (DMH). The DMH method incorporates the use of FY 1994-95 baseline costs and calculates the actual cost (calculated using units of services multiplied by the actual unit rate per provider) growth over the baseline year to proportionately offset State matching funds received from the DMH under the Early Periodic Screening, Diagnosis, and Treatment (EPSDT) program against the growth in actual costs. The calculation/methodology agreed upon by the County and SCO is provided in Attachment A.

**FINDING 4—
Medi-Cal revenue
offsets overstated**

The county properly offset its claimed costs by the amount of Medi-Cal funding received that was applicable to the mental health treatment services provided. However, since the SCO auditor reduced the amount of allowable treatment costs in Finding 2, the county's Medi-Cal revenue offsets are overstated, totaling \$338,789 for the audit period.

The following table summarizes the adjustments to revenues as follows:

	Fiscal Year			Total
	1996-97	1997-98	1998-99	
Treatment costs				
Medi-Cal offsets claimed	\$ 1,228,776	\$ 1,138,384	\$ 884,990	\$ 3,252,150
Medi-Cal offsets allowed	(1,107,334)	(1,057,284)	(748,743)	(2,913,361)
Audit adjustment	<u>\$ 121,442</u>	<u>\$ 81,100</u>	<u>\$ 136,247</u>	<u>\$ 338,789</u>

Recommendation

No recommendation is applicable for this audit, as the Handicapped and Disabled Students Program is no longer mandated.

County's Response

The county concurs with this finding.

**Attachment—
County’s Response to
Reissued Audit Report**



COUNTY OF SAN MATEO
OFFICE OF THE CONTROLLER

Juan Raigoza
Controller

Shirley Tourel
Assistant Controller

555 County Center, 4th Floor
Redwood City, CA 94063
650-363-4777
<http://controller.smcgov.org>

June 8, 2016

Christopher B. Ryan, CIA
Division of Audits/Mandated Cost Audit Bureau
California State Controller's Office

Subject: Response to Audit Revisions in accordance with the Decision Adopted by the Commission on State Mandates (CSM) on Incorrect Reduction Claim (IRC) Case No. 05-4282-I-03.

Dear Mr. Ryan,

The County of San Mateo is in receipt of the State Controller's (SCO) revised finding amounts and narrative regarding the Handicapped and Disabled Students Program Audit Report issued on December 26, 2002. These revisions are pursuant to the decision adopted by the CSM on IRC Case No. 05-4282-I-03 on September 25, 2015.

The County's responses to SCO's revised findings are included below.

Per SCO, FINDING 1 – Claimed cost exceeded amounts paid

The county claimed costs for assessment and treatment services to handicapped and disabled students that exceeded the amounts it paid to the contract providers of those mandated services.

The county's claims were based on its annual cost reports to the California Department of Mental Health. The county's annual cost reports reflected the actual amounts paid to the county's mental health service providers or the maximum provider contract amounts, whichever were greater. The county prorated these amounts on its program claims based on program service units to total service units provided.

In addition, the county included in its program claims a 10% administrative charge on labor costs included in contract provider invoices. The county did not provide the SCO auditor any documentation to substantiate that these administrative charges represented additional costs incurred.

Parameters and Guidelines for the program specifies that only actual increased costs incurred in the performance of the mandated activities and adequately documented are reimbursable.

As a result, costs claimed in excess of actual costs incurred are unallowable as follows:

	Audit Adjustment			Total
	FY 1996-97	FY 1997-98	FY 1998-99	
Assessment costs	\$ (223)	\$ (529)	\$ (1,033)	\$ (1,785)
Treatment costs	(171,208)	(218,886)	(126,458)	(516,552)
Total costs	<u>\$(171,431)</u>	<u>\$(219,415)</u>	<u>\$(127,491)</u>	<u>\$(518,337)</u>

County's Response – The County concurs with this finding.

Per SCO, FINDING 2 – Ineligible treatment costs claimed

The county claimed costs for medication support and crisis intervention services that are not reimbursable under program guidelines.

Parameters and Guidelines specifies that only the following treatment services are reimbursable: individual therapy; collateral therapy and contacts; group therapy; day treatment; and the mental health portion of residential treatment in excess of California Department of Social Services payments for residential placement.

As a result, ineligible treatment costs claimed are unallowable as follows:

	Audit Adjustment			Total
	FY 1996-97	FY 1997-98	FY 1998-99	
Treatment costs	<u>\$(341,241)</u>	<u>\$(297,649)</u>	<u>\$(471,746)</u>	<u>\$(1,110,636)</u>

County's Response – The County concurs with this finding.

Per SCO, FINDING 3 – State categorical revenues not properly deducted from claimed costs

The county did not properly offset its claimed costs by certain categorical revenues received from the State.

The county did not report state matching funds received from the California Department of Mental Health under the Early Periodic Screening, Diagnosis, and Treatment (EPSDT) program to reimburse the county for the cost of services provided to Medi-Cal clients. The SCO auditor deducted such revenues received from the State applicable to this program using the county's calculation methodology.

The county also did not report state funding received from the State Board of Education under AB 599 intended to reimburse the county for program-related school expenses such as learning equipment, books, etc.

In addition, the county deducted Special Education Pupil (SEP) funds, also known as AB 3632 funds, from treatment costs rather than equitably from assessment, case management, and treatment costs.

Christopher B. Ryan, CIA
 Division of Audits/Mandated Cost Audit Bureau
 California State Controller's Office
 Page 3
 June 8, 2016

Parameters and Guidelines specifies that any direct payments (categorical funds) received from the State that are specifically allocated to the program, and any other reimbursement received as a result of the mandate, must be deducted from the claims.

As a result, claimed costs have been adjusted as follows:

	Audit Adjustment			Total
	FY 1996-97	FY 1997-98	FY 1998-99	
Assessment costs	\$ (28,511)	\$ (68,417)	\$ -	\$ (96,928)
Treatment costs	(430,428)	(479,912)	(100,907)	(1,011,247)
Total costs	<u>\$(458,939)</u>	<u>\$(548,329)</u>	<u>\$(100,907)</u>	<u>\$ (1,108,175)</u>

County's Response – The County and SCO agreed to utilize the methodology prescribed by the California Department of Mental Health (DMH). The DMH method incorporates the use of FY 1994-95 baseline costs and calculates the actual cost (calculated using units of services multiplied by the actual unit rate per provider) growth over the baseline year to proportionately offset State matching funds received from the DMH under the Early Periodic Screening, Diagnosis, and Treatment (EPSDT) program against the growth in actual costs. The calculation/methodology agreed upon by the County and SCO is provided in Attachment A.

Per SCO, FINDING 4 – Medi-Cal revenue offsets overstated

The county properly offset its claimed costs by the amount of Medi-Cal funding received that was applicable to the mental health treatment services provided. However, since the SCO auditor reduced the amount of allowable treatment costs in Finding 2 above, the county's Medi-Cal revenue offsets are overstated as follows:

	Audit Adjustment			Total
	FY 1996-97	FY 1997-98	FY 1998-99	
Treatment costs				
Medi-Cal offsets claimed	\$ 1,228,776	\$ 1,138,384	\$ 884,990	\$ 3,252,150
Medi-Cal offsets allowed	<u>(1,107,334)</u>	<u>(1,057,284)</u>	<u>(748,743)</u>	<u>(2,913,361)</u>
Difference	<u>\$ 121,442</u>	<u>\$ 81,100</u>	<u>\$ 136,247</u>	<u>\$ 338,789</u>

County's Response – The County concurs with this finding.

Sincerely,



Shirley Tourel
 Assistant Controller
 County of San Mateo

Attachment A
San Mateo County
Handicapped and Disabled Students
July 1, 1996 through June 30, 1999
Audit ID#: S01-MCC-005(R)
Revised EPSDT Calculation

	FY 1994-95 (Base Year)	FY 1996-97	SEP & EPSDT Growth
SEP Costs (Excludes Non Medi-Cal SEP)	\$ 1,249,760	\$ 2,050,961	\$ 801,201
EPSDT Actual Cost	2,525,528	3,628,568	1,103,040
TBS Program Cost (If applicable)			-
Net EPSDT Total Growth			1,103,040
Ratio SEP Growth to Net EPSDT Growth			72.64%
EPSDT Revenue (MH 1992, Line 19) Received			548,983
TBS portion of EPSDT Revenue (If applicable) est. of EPSDT received (prorated)			-
Net EPSDT SD/MC Revenue (Estimate)			548,983
SEP State Share of EPSDT SD/MC Estimate			398,758
Est. County Match for SEP State EPSDT Growth			-
SEP State Share of EPSDT Net of County Match			\$ 398,758

	FY 1994-95 (Base Year)	FY 1997-98	SEP & EPSDT Growth
SEP Costs (Excludes Non Medi-Cal SEP)	\$ 1,249,760	\$ 1,970,156	\$ 720,396
EPSDT Actual Cost	2,525,528	4,282,566	1,757,038
TBS Program Cost (If applicable)			-
Net EPSDT Total Growth			1,757,038
Ratio SEP Growth to Net EPSDT Growth			41.00%
EPSDT Revenue (MH 1992, Line 19) Received			812,015
TBS portion of EPSDT Revenue (If applicable) est. of EPSDT received (prorated)			-
Net EPSDT SD/MC Revenue (Estimate)			812,015
SEP State Share of EPSDT SD/MC Estimate			332,931
Est. County Match for SEP State EPSDT Growth			-
SEP State Share of EPSDT Net of County Match			\$ 332,931

	FY 1994-95 (Base Year)	FY 1998-99	SEP & EPSDT Growth
SEP Costs (Excludes Non Medi-Cal SEP)	\$ 1,249,760	\$ 1,141,344	\$ (108,416)
EPSDT Actual Cost	2,525,528	5,121,182	2,595,654
TBS Program Cost (If applicable)			-
Net EPSDT Total Growth			2,595,654
Ratio SEP Growth to Net EPSDT Growth			-4.18%
EPSDT Revenue (MH 1992, Line 19) Received			1,210,879
TBS portion of EPSDT Revenue (If applicable) est. of EPSDT received (prorated)			-
Net EPSDT SD/MC Revenue (Estimate)			1,210,879
SEP State Share of EPSDT SD/MC Estimate			(50,576)
Est. County Match for SEP State EPSDT Growth			-
SEP State Share of EPSDT Net of County Match*			\$ -

* Reduced from \$(50,576) to \$0. (Revenue can not be negative)

Total EPSDT Offset: FY 1996-97 through FY 1998-99	\$ 731,689
Original EPSDT Audit Finding Amount	2,069,194
Reduction of EPSDT Revenues in Revised Report	\$ 1,337,505

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