



JOHN CHIANG
California State Controller

February 26, 2013

Roy Given, Director of Finance
Marin County
3501 Civic Center Drive, Room 209
San Rafael, CA 94903

Dear Mr. Given:

The State Controller's Office reviewed the costs claimed by Marin County for the legislatively mandated Consolidated Handicapped and Disabled Students (HDS), HDS II, and Seriously Emotional Disturbed Pupils (SEDP) Program (Chapter 1747, Statutes of 1984; Chapter 1274, Statutes of 1985; Chapter 1128, Statutes of 1994; and Chapter 654, Statutes of 1996) for the period of July 1, 2006, through June 30, 2010. Our review was limited to validating (1) vendor costs for the residential placement of seriously emotionally disturbed pupils and (2) offsetting revenues allocated by the California Department of Mental Health (DMH) and the California Department of Education (CDE).

The county claimed \$7,554,157 (\$7,574,157 less a \$20,000 penalty for filing late claims) for the mandated program. Our review found that \$6,059,884 is allowable and \$1,494,273 is unallowable. The costs are unallowable because the county included ineligible vendor costs for residential placement of seriously emotionally disturbed pupils, as described in the attached Summary of Program Costs, and Finding and Recommendation.

For the fiscal year (FY) 2006-07 claim, the State paid the county \$1,057,094. Our review found that \$1,192,426 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$135,332, contingent upon available appropriations.

For the FY 2007-08 claim, the State made no payment to the county. Our review found that \$1,377,524 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2008-09 claim, the State made no payment to the county. Our review found that \$1,226,568 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2009-10 claim, the State made no payment to the county. Our review found that \$2,263,366 is allowable. The State will pay that amount, contingent upon available appropriations.

We discussed the review results with Maureen Lewis, Chief Fiscal Officer, on November 29, 2012. The county had no additional comments on the finding.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/bf

Attachments

RE: S11-MCC-905

cc: Maureen Lewis, Chief Fiscal Officer
Health & Human Services
Marin County
Celia Allen, Assistant Chief Fiscal Officer
Health & Human Services
Office of Finance
Marin County
Margaret Kisluck, Acting Mental Health Director
Health & Human Services
Marin County
Larry Meredith, Director
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Marin County
Randall Ward, Principal Program Budget Analyst
Mandates Unit, Department of Finance
Erika Cristo, Manager
California Department of Mental Health
Chris Essman, Manager
California Department of Education
Carol Bingham, Director
California Department of Education
Fiscal Policy Division
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 2006, through June 30, 2010**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Referral and mental health assessments	\$ 345,764	\$ 345,764	\$ —
Transfers and interim placements	1,049,420	1,049,420	—
Psychotherapy/other mental health services	2,835,177	2,835,177	—
Total direct costs	4,230,361	4,230,361	—
Indirect costs	782,451	782,451	—
Total direct and indirect costs	5,012,812	5,012,812	—
Offsetting reimbursements	(3,810,386)	(3,810,386)	—
Subtotal	1,202,426	1,202,426	—
Less late claim penalty	(10,000)	(10,000)	—
Total program costs	<u>\$ 1,192,426</u>	1,192,426	<u>\$ —</u>
Less amount paid by the state		(1,057,094)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 135,332</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Referral and mental health assessments	\$ 354,054	\$ 354,054	\$ —
Transfers and interim placements	1,207,521	1,207,521	—
Psychotherapy/other mental health services	2,949,698	2,949,698	—
Total direct costs	4,511,273	4,511,273	—
Indirect costs	703,507	703,507	—
Total direct and indirect costs	5,214,780	5,214,780	—
Offsetting reimbursements	(3,837,256)	(3,837,256)	—
Total program costs	<u>\$ 1,377,524</u>	1,377,524	<u>\$ —</u>
Less amount paid by the state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,377,524</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Referral and mental health assessments	\$ 426,096	\$ 426,096	\$ —
Transfers and interim placements	1,304,997	1,304,997	—
Authorize/issue payments to providers	735,735	—	(735,735)
Psychotherapy/other mental health services	3,065,073	3,065,073	—
Total direct costs	5,531,901	4,796,166	(735,735)
Indirect costs	1,114,203	1,114,203	—
Total direct and indirect costs	6,646,104	5,910,369	(735,735)
Offsetting reimbursements	(4,673,801)	(4,673,801)	—

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2008, through June 30, 2009 (continued)</u>			
Subtotal	1,972,303	1,236,568	(735,735)
Less late claim penalty	(10,000)	(10,000)	—
Total program costs	<u>\$ 1,962,303</u>	1,226,568	<u>\$ (735,735)</u>
Less amount paid by the state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,226,568</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Referral and mental health assessments	\$ 391,033	\$ 391,033	\$ —
Transfers and interim placements	1,281,392	1,281,392	—
Authorize/issue payments to providers	758,538	—	(758,538)
Psychotherapy/other mental health services	<u>2,849,612</u>	<u>2,849,612</u>	<u>—</u>
Total direct costs	5,280,575	4,522,037	(758,538)
Indirect costs	<u>1,315,567</u>	<u>1,315,567</u>	<u>—</u>
Total direct and indirect costs	6,596,142	5,837,604	(758,538)
Offsetting reimbursements	<u>(3,574,238)</u>	<u>(3,574,238)</u>	<u>—</u>
Total program costs	<u>\$ 3,021,904</u>	2,263,366	<u>\$ (758,538)</u>
Less amount paid by the state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$2,263,366</u>	
<u>Summary: July 1, 2006, through June 30, 2010</u>			
Direct costs:			
Referral and mental health assessments	\$ 1,516,947	\$ 1,516,947	\$ —
Transfers and interim placements	4,843,330	4,843,330	—
Authorize/issue payments to providers	1,494,273	—	(1,494,273)
Psychotherapy/other mental health services	<u>11,699,560</u>	<u>11,699,560</u>	<u>—</u>
Total direct costs	19,554,110	18,059,837	(1,494,273)
Indirect costs	<u>3,915,728</u>	<u>3,915,728</u>	<u>—</u>
Total direct and indirect costs	23,469,838	21,975,565	(1,494,273)
Offsetting reimbursements	<u>(15,895,681)</u>	<u>(15,895,681)</u>	<u>—</u>
Subtotal	7,574,157	6,079,884	(1,494,273)
Less late claim penalty	<u>(20,000)</u>	<u>(20,000)</u>	<u>—</u>
Total program costs	<u>\$ 7,554,157</u>	6,059,884	<u>\$ (1,494,273)</u>
Less amount paid by the state		<u>(1,057,094)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 5,002,790</u>	

¹ See Attachment 2, Finding and Recommendation.

Attachment 2— Finding and Recommendation July 1, 2006, through June 30, 2010

**FINDING—
Ineligible vendor costs**

The county claimed ineligible vendor costs of \$1,494,273 for fiscal year (FY) 2008-09 and FY 2009-10 because it used Local Revenue Funds (realignment) to fund its share of out-of-home residential board and care costs of seriously emotionally disturbed pupils. As the county used realignment funds for its share of board and care costs, they are ineligible for reimbursement in accordance the programs parameters and guidelines, and Welfare and Institutions Code section 18355.5.

The following table summarizes the ineligible vendor costs:

<u>Ineligible vendor costs:</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment</u>
FY 2008-09	\$ 735,735	\$ —	\$ (735,735)
FY 2009-10	758,538	—	(758,538)
Total	<u>\$ 1,494,273</u>	<u>\$ —</u>	<u>\$ (1,494,273)</u>

The Commission on State Mandates (CSM) consolidated the parameters and guidelines for the Handicapped and Disabled Students (HDS), HDS II, and Seriously Emotionally Disturbed Pupils (SEDP) Programs for costs incurred commencing with fiscal year 2006-07 on October 26, 2006, and last amended them on September 28, 2012. On September 28, 2012, the CSM stated that Statutes of 2011, Chapter 43, “eliminated the mandated programs for counties and transferred responsibility to school districts, effective July 1, 2011. Thus, beginning July 1, 2011, these programs no longer constitute reimbursable state-mandated programs for counties.” The consolidated program replaced the prior HDS, HDS II, and SEDP mandated programs. The parameters and guidelines establish the state mandate and define reimbursable criteria. 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 program’s parameters and guidelines specify that the mandate is to reimburse counties for payments to service vendors providing placement of seriously emotionally disturbed pupils in out-of-home residential facilities as specified in Government Code section 7581 and Title 2, *California Code of Regulations* (CCR), section 60200.

The program’s parameters and guidelines also provide that Welfare and Institutions Code section 18355.5 applies to this program and prohibits a county from claiming reimbursement for its 60-percent share of the total residential and non-educational costs of a seriously emotionally disturbed child placed in an out-of-home residential facility, if the county claims reimbursement for these costs from the Local Revenue Fund identified in Welfare and Institutions Code section 17600 and receives the funds.

Recommendation

No recommendation is applicable for this review, as the consolidated program is no longer mandated.