



JOHN CHIANG
California State Controller

March 12, 2013

Joe Harn, Auditor-Controller
El Dorado County
360 Fair Lane
Placerville, CA 95667

Dear Mr. Harn:

The State Controller's Office reviewed the costs claimed by El Dorado County for the legislatively mandated Consolidated Handicapped and Disabled Students (HDS), HDS II, and Seriously Emotionally 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, 2009. Our review was limited to ensuring that offsetting reimbursements received by the county from the California Department of Mental Health (DMH) and the California Department of Education (CDE) were properly offset against claim costs.

The county claimed \$1,584,322 (\$1,604,322 less a \$20,000 penalty for filing late claims) for the mandated program. Our review found that \$1,451,317 is allowable and \$133,005 is unallowable. The costs are unallowable because the county understated offsetting reimbursements received from DMH and CDE, 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 \$289,341. Our review found that \$304,325 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$14,984, contingent upon available appropriations.

For the FY 2007-08 claim, the State made no payment to the county. Our review found that \$728,344 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 \$418,648 is allowable. The State will pay that amount, contingent upon available appropriations.

We discussed the review results with Kathy Sergeant, Principal Financial Analyst, on January 7, 2013. Ms. Sergeant believes the county should be reimbursed for FY 2007-08 allowable costs that exceed claimed costs. However, as noted in Attachment 1, the statutory period to amend the FY 2007-08 claim, pursuant to Government Code section 17568 has expired.

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/sk

Attachments

RE: S11-MCC-908

cc: Kathleen Sergeant, CPA
Principal Financial Analyst
El Dorado County Auditor-Controller's Office
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
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 2006, through June 30, 2009**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment ¹</u>
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Transfers & interim placements	\$ 11,718	\$ 11,718	\$ —
Psychotherapy/other mental health services	998,963	998,963	—
Total direct costs	1,010,681	1,010,681	—
Indirect costs	165,256	165,256	—
Total direct and indirect costs	1,175,937	1,175,937	—
Less offsetting reimbursements	(812,903)	(861,612)	(48,709)
Subtotal	363,034	314,325	(48,709)
Less late claim penalty	(10,000)	(10,000)	—
Total program costs	<u>\$ 353,034</u>	304,325	<u>\$ (48,709)</u>
Less amount paid by the State		(289,341)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 14,984</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Transfers & interim placements	\$ 2,166	\$ 2,166	\$ —
Authorize/issue payments to providers	176	176	—
Psychotherapy/other mental health services	1,225,186	1,225,186	—
Total direct costs	1,227,528	1,227,528	—
Indirect costs	197,623	197,623	—
Total direct and indirect costs	1,425,151	1,425,151	—
Less offsetting reimbursements	(686,807)	(659,935)	26,872
Subtotal	738,344	765,216	26,872
Less late claim penalty	(10,000)	(10,000)	—
Less allowable costs that exceed costs claimed ²	—	(26,872)	(26,872)
Total program costs	<u>\$ 728,344</u>	728,344	<u>\$ —</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 728,344</u>	
<u>July 1, 2008, through June 30, 2008</u>			
Direct costs:			
Psychotherapy/other mental health services	\$ 1,329,942	\$ 1,329,942	\$ —
Total direct costs	1,329,942	1,329,942	—
Indirect costs	255,705	255,705	—
Total direct and indirect costs	1,585,647	1,585,647	—
Less offsetting reimbursements	(1,082,703)	(1,166,999)	(84,296)

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
Subtotal	502,944	418,648	(84,296)
Less late claim penalty	—	—	—
Total program costs	<u>\$ 502,944</u>	418,648	<u>\$ (84,296)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 418,648</u>	
<u>Summary: July 1, 2006, through June 30, 2009</u>			
Direct costs:			
Transfers & interim placements	\$ 13,884	\$ 13,884	\$ —
Authorize/issue payments to providers	176	176	—
Psychotherapy/other mental health services	<u>3,554,091</u>	<u>3,554,091</u>	—
Total direct costs	3,568,151	3,568,151	—
Indirect costs	<u>618,584</u>	<u>618,584</u>	—
Total direct and indirect costs	4,186,735	4,186,735	—
Less offsetting reimbursements	<u>(2,582,413)</u>	<u>(2,688,546)</u>	<u>(106,133)</u>
Subtotal	1,604,322	1,498,189	(106,133)
Less late claim penalty	(20,000)	(20,000)	—
Less allowable costs that exceed costs claimed ²	—	<u>(26,872)</u>	<u>(26,872)</u>
Total program costs	<u>\$ 1,584,322</u>	1,451,317	<u>\$ (133,005)</u>
Less amount paid by the State		<u>(289,341)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,161,976</u>	

¹ See Attachment 2, Finding and Recommendation.

² Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2007-08.

Attachment 2— Finding and Recommendation July 1, 2006, through June 30, 2009

FINDING— Understated offsetting reimbursements

The county understated offsetting reimbursements by \$106,133 for the period. The county identified the appropriate revenue sources, but did not offset its claims to the extent of the funding provided. We found that the county understated Individuals with Disabilities Education Act (IDEA) funds received from the California Department of Education (CDE) by \$70,095, and AB 3632 funds received from California Department of Mental Health (DMH) by \$36,038. We adjusted the reported offsetting reimbursements based on funds confirmed by the CDE and the DMH as being allocated and paid to the county for each of the three fiscal years in the review period.

The following table summarizes the understated offsetting reimbursements:

Offsetting Reimbursements	Actual Costs Claimed	Allowable per Review	Review Adjustments
<u>FY 2006-07</u>			
IDEA	\$ (78,338)	\$ (79,905)	\$ (1,567)
DMH Categorical	(317,834)	(364,976)	(47,142)
Short Doyle/Medi-Cal Federal Financial Participation (SD/MC FFP)	(229,704)	(229,704)	—
Early and Periodic Screening, Diagnosis, and Treatment (EPSDT)	(187,027)	(187,027)	—
Subtotal	<u>(812,903)</u>	<u>(861,612)</u>	<u>(48,709)</u>
<u>FY 2007-08</u>			
IDEA	\$(78,388)	\$(80,155)	\$(1,767)
DMH Categorical	(33,710)	(5,071)	28,639
SD/MC FFP	(330,709)	(330,709)	—
EPSDT	(244,000)	(244,000)	—
Subtotal	<u>(686,807)</u>	<u>(659,935)</u>	<u>26,872</u>
<u>FY 2008-09</u>			
IDEA	\$(21,114)	\$(87,875)	\$(66,761)
DMH Categorical	(333,231)	(350,766)	(17,535)
SD/MC FFP	(468,686)	(468,686)	—
EPSDT	(259,672)	(259,672)	—
Subtotal	<u>(1,082,703)</u>	<u>(1,166,999)</u>	<u>(84,296)</u>
Total	<u>\$ (2,582,413)</u>	<u>\$ (2,688,546)</u>	<u>\$ (106,133)</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 FY 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 any direct payments or categorical funding received from the State that is specifically allocated to any service provided under this program, shall be identified and deducted from the claim.

Recommendation:

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