

# **SANTA CRUZ COUNTY**

Audit Report

## **SERIOUSLY EMOTIONALLY DISTURBED PUPILS PROGRAM**

Chapter 654, Statutes of 1996

*July 1, 2001, through June 30, 2003*



**STEVE WESTLY**  
California State Controller

January 2007



**STEVE WESTLY**  
**California State Controller**

January 5, 2007

Mary Jo Walker  
Auditor-Controller  
Santa Cruz County  
701 Ocean Street, Room 100  
Santa Cruz, CA 95060

Dear Ms. Walker:

The State Controller's Office audited the costs claimed by Santa Cruz County for the legislatively mandated Seriously Emotionally Disturbed Pupils Program (Chapter 654, Statutes of 1996) for the period of July 1, 2001, through June 30, 2003.

The county claimed \$167,904 (\$168,904 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that the entire amount is allowable. The State paid the county \$5. The State will pay allowable costs claimed that exceed the amount paid, totaling \$167,899, contingent upon available appropriations.

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

Sincerely,

*Original signed by:*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb:ams

cc: Norm Wyman, Director  
Mental Health Division  
Santa Cruz County  
Carolyn Stewart  
Deputy Director  
Mental Health Division  
Santa Cruz County  
Rama Khalsa  
Director, Health Services Agency  
Mental Health Services  
Santa Cruz County  
Todd Jerue, Program Budget Manager  
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Department of Finance  
Robin Ulesich-Foemmel  
Special Education Program  
Department of Mental Health  
Cynthia Wong, Manager  
Special Education Division  
California Department of Education

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Santa Cruz County for the legislatively mandated Seriously Emotionally Disturbed Pupils Program (Chapter 654, Statutes of 1996) for the period of July 1, 2001, through June 30, 2003. The last day of fieldwork was February 14, 2006.

The county claimed \$167,904 (\$168,904 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that the entire amount is allowable. The State paid the county \$5.

## Background

Chapter 654, Statutes of 1996, added and amended *Government Code* Section 7576 by allowing new fiscal and programmatic responsibilities for counties to provide mental health services to Seriously Emotionally Disturbed Pupils (SEDP) placed in out-of-state residential programs. Counties' fiscal and programmatic responsibilities, including those set forth in *California Code of Regulations* Section 60100, provide that residential placements for a SEDP may be made out-of-state only when no in-state facility can meet the pupil's needs. On May 25, 2000, the Commission on State Mandates (COSM) determined that Chapter 654, Statutes of 1996, imposed a state mandate reimbursable under *Government Code* Section 17561 for the following:

- Payment of out-of-state residential placements for SEDPs;
- Case management of out-of-state residential placements for SEDPs. Case management includes supervision of mental health treatment and monitoring of psychotropic medications;
- Travel to conduct quarterly face-to-face contacts at the residential facility to monitor level of care, supervision, and the provision of mental health services as required in the pupil's Individualized Education Plan;
- Program management, which includes parent notifications as required, payment facilitation, and all other activities necessary to ensure a county's out-of-state residential placement program meets the requirements of *Government Code* Section 7576.

The *Parameter and Guidelines* adopted by the Commission on State Mandates establishes the state mandate and define criteria for reimbursement. In compliance with *Government Code* Section 17558, the State Controller's Office issues claiming instructions for each mandate requiring state reimbursement to assist counties in claiming reimbursable costs.

**Objective,  
Scope, and  
Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Seriously Emotionally Disturbed Pupils Program for the period of July 1, 2001, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

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.

**Conclusion**

For the audit period, Santa Cruz County claimed \$167,904 (\$168,904 less a \$1,000 penalty for filing a late claim) and was paid \$5 for costs of the Seriously Emotionally Disturbed Pupils Program. Our audit disclosed no material instances of noncompliance with the requirements outlined above. The State will pay allowable costs claimed that exceed the amount paid, totaling \$167,899, contingent upon available appropriations.

**Views of  
Responsible  
Officials**

We discussed our audit results with the following representatives from the county's Health Services Agency during an exit conference conducted on February 14, 2006. Carolyn Stewart, Deputy Director; David McCollum, Chief Fiscal Officer; and Alan Belanger, Fiscal Analyst Accountant, agreed with the audit results. Mary Jo Walker, County Auditor-Controller, declined a draft audit report and agreed that we could issue the audit report as final.

**Restricted Use**

This report is solely for the information and use of Santa Cruz 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  
Chief, Division of Audits

**Schedule 1—  
Summary of Program Costs  
July 1, 2001, through June 30, 2003**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>
<u>July 1, 2001, through June 30, 2002</u>		
Mental health services vendor reimbursements	\$ 71,110	\$ 71,110
Total direct costs	71,110	71,110
Indirect costs	921	921
Subtotal	72,031	72,031
Less late claim penalty	(1,000)	(1,000)
Total program costs	<u>\$ 71,031</u>	71,031
Less amount paid by the State		—
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 71,031</u>
<u>July 1, 2002, through June 30, 2003</u>		
Mental health services vendor reimbursements	\$ 95,948	\$ 95,948
Total direct costs	95,948	95,948
Indirect costs	925	925
Total program costs	<u>\$ 96,873</u>	96,873
Less amount paid by the State		(5)
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 96,868</u>
<u>Summary: July 1, 2001, through June 30, 2003</u>		
Mental health services vendor reimbursements	\$ 167,058	\$ 167,058
Total direct costs	167,058	167,058
Indirect costs	1,846	1,846
Subtotal	168,904	168,904
Less late claim penalty	(1,000)	(1,000)
Total program costs	<u>\$ 167,904</u>	167,904
Less amount paid by the State		(5)
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 167,899</u>

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