



JOHN CHIANG
California State Controller

August 20, 2013

Robert W. Geis, CPA, Auditor-Controller
Santa Barbara County
105 E. Anapamu Street, Room 303
Santa Barbara, CA 93101

Dear Mr. Geis:

The State Controller's Office reviewed the costs claimed by Santa Barbara 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, 2007; and July 1, 2008, through June 30, 2009. Our review was limited to validating the offsetting reimbursements allocated by the California Department of Mental Health (DMH) and the California Department of Education (CDE).

The county claimed \$1,446,058 for the mandated program; the entire amount is unallowable. The costs are unallowable because the county understated offsetting reimbursements, 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 \$569,404. Our review found that the claimed costs are unallowable. The State will offset \$569,404 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 2008-09 claim, the State made no payment to the county. Our review found that the claimed costs are unallowable.

We discussed the review results with Christie Boyer, Associate Director of Finance, on July 16, 2013. Ms. Boyer agreed that the county did not apply all of the appropriate revenues. However, Ms. Boyer disagreed as to the amount of Individuals with Disabilities Education Act funds allocated in FY 2006-07, stating that the county did not receive \$30,209 of the allocation. We referred the county to its local education oversight agency to resolve the discrepancy. The amount in question has no impact on review results because program revenues exceed costs by an amount that is greater than the discrepancy.

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/kw

Attachments

RE: S13-MCC-931

cc: Takashi Wada, M.D., Director
Santa Barbara Public Health Department
Christie Boyer, Associate Director of Finance
Santa Barbara County
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Erika Cristo
Special Education Program
Department of Mental Health
Chris Essman, Manager
Special Education Division
California Department of Education
Michael Byrne, Principle Program Budget Analyst
Mandates Unit
California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 2006, through June 30, 2007;
and July 1, 2008, through June 30, 2009**

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	\$ 404,953	\$ 404,953	\$ —
Transfers and interim placements	43,775	43,775	—
Psychotherapy/other mental health services	766,409	766,409	—
Total direct costs	1,215,137	1,215,137	—
Indirect costs	227,296	227,296	—
Total direct and indirect costs	1,442,433	1,442,433	—
Less offsetting reimbursements	(117,036)	(2,408,747)	(2,291,711)
Subtotal	1,325,397	(966,314)	(2,291,711)
Adjustment to eliminate negative balance	—	966,314	—
Total program costs	<u>\$ 1,325,397</u>	—	<u>\$ (1,325,397)</u>
Less amount paid by State ²		(569,404)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (569,404)</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Referral and mental health assessments	\$ 282,736	\$ 282,736	\$ —
Participation as member of IEP team	10,241	10,241	—
Authorize/issue payments	121,856	121,856	—
Psychotherapy/other mental health services	1,147,331	1,147,331	—
Total direct costs	1,562,164	1,562,164	—
Indirect costs	128,387	128,387	—
Total direct and indirect costs	1,690,551	1,690,551	—
Less offsetting reimbursements	(1,569,890)	(2,107,463)	(537,573)
Subtotal	120,661	(416,912)	(537,573)
Adjustment to eliminate negative balance	—	416,912	—
Total program costs	<u>\$ 120,661</u>	—	<u>\$ (120,661)</u>
Less amount paid by State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>Summary: July 1, 2006, through June 30, 2007; and July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Referral and mental health assessments	\$ 687,689	\$ 687,689	\$ —
Transfers and interim placements	43,775	43,775	—
Participation as member of IEP team	10,241	10,241	—
Authorize/issue payments	888,265	888,265	—
Psychotherapy/other mental health services	1,147,331	1,147,331	—
Total direct costs	2,777,301	2,777,301	—
Indirect costs	355,683	355,683	—
Total direct and indirect costs	3,132,984	3,132,984	—
Less offsetting reimbursements	(1,686,926)	(4,506,210)	(2,829,284)
Subtotal	1,446,058	(1,383,226)	(2,829,284)
Adjustment to eliminate negative balance	—	1,383,226	—
Total program costs	<u>\$ 1,446,058</u>	—	<u>\$ (1,446,058)</u>
Less amount paid by State ²		(569,404)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (569,404)</u>	

¹ See the Finding and Recommendation section.

² County received categorical payment from the California Department of Mental Health from the FY 2009-10 budget.

**Attachment 2—
Finding and Recommendation
July 1, 2006, through June 30, 2007;
and July 1, 2008, through June 30, 2009**

**FINDING—
Understated offsetting
reimbursements**

The county understated offsetting reimbursements by \$2,829,284 for the period because the county did not appropriately identify and apply all reimbursements received.

The county did not report the Individuals with Disabilities in Education Act (IDEA) grant received from the California Department of Education (CDE) in fiscal year (FY) 2006-07, and overstated the IDEA grant in FY 2008-09 for a total net understatement of \$1,450,914. Also, the county did not report California Department of Mental Health (DMH) categorical funding as an offsetting reimbursement in FY 2006-07 and FY 2008-09, totaling \$1,378,370.

The following table summarizes the understated offsetting reimbursements:

Offsetting Reimbursements	Actual Costs Claimed	Allowable Per Review	Review Adjustment
<u>FY 2006-07</u>			
IDEA	\$ -	\$ (1,590,870)	\$ (1,590,870)
DMH Categorical	-	(700,841)	(700,841)
Short Doyle/Medi-Cal Federal Financial Participation (SD/MC FFP)	(117,036)	(117,036)	-
Subtotal	(117,036)	(2,408,747)	(2,291,711)
<u>FY 2008-09</u>			
IDEA	(1,099,033)	(959,077)	139,956
DMH Categorical	-	(677,529)	(677,529)
SD/MC FFP	(470,857)	(470,857)	-
Subtotal	(1,569,890)	(2,107,463)	(537,573)
Total	\$ (1,686,926)	\$ (4,516,210)	\$ (2,829,284)

The Commission on State Mandates (CSM) consolidated the parameters and guidelines for the Handicapped and Disabled Student (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.