External Monitoring Reports

of County Departments, Performed by State, Federal, and Other Outside Agencies

July 1, 2014—June 30, 2015

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Department External Monitoring

The County as a whole, and specific County Departments, are subject to monitoring by various external agencies. The majority of monitoring is performed to ensure that State and Federal funds awarded to the County are spent in accordance with certain laws and regulations. Instances of non-compliance may result in 1) a requirement to give funds back to the funding agency, 2) reduced funding in future years, or 3) higher monitoring costs.

Monitoring can occur on different levels such as an audit, review, or specific procedures performed on certain processes. Additionally, monitoring periods may vary (i.e. annually, quarterly, or on a one-time basis).

The Auditor-Controller requests that all monitorings performed over County departments are reported to the Auditor-Controller's office. This report presents information on monitoring reports received by the departments during fiscal year 2014-15. Any reports that were presented to the County Board of Supervisors separately are not included in this report such as the Comprehensive Annual Financial Report and the Single Audit Report. We have not evaluated the Departments' responses regarding their corrective action.

Risks are assigned to each of the programs based upon monitoring results. The color coding indicates the following:

Red: Potential for large dollar amount of error or loss, significant lack of monitoring or breakdown in compliance, or wide-spread violation of law.

Yellow: Potential for moderate dollar amount of error or loss, some violation of policy, other compensating procedures may exist to correct issue. When an audit report indicates that a breakdown in compliance occurred, risk be assessed at yellow. Non adherence to policies and procedures, lack of self-monitoring, and a possible future loss of outside funding due to non-compliance will also be assessed at yellow.

Green: Low dollar amount of error or loss, other compensating procedures exist, or minimal program impact.

A listing of all external monitorings assessed as Green is included on the next page. The remaining pages present department specific monitorings assessed as Red and Yellow and list recommendations made by the external agency and the corrective action taken by the department.

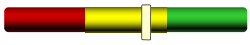
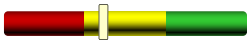
Department External Monitoring

List of Low-Risk (**Green**) Reports

The following County departments had the following program monitorings that either had no findings or findings with little or no dollar amounts of error or loss, strong existing compensating procedures, or findings with minimal program impact:

Department	Programs Monitored	Monitoring Agency
Agricultural Commissioner	Organic Program Audit	CA Dept. of Food & Agriculture
Auditor-Controller	Cost Allocation Plan 2015-16	California State Controller
CEO	Worker's Compensation Claims Audit	Angela Livingston Collaborations Inc.
Child Support Services	Administrative Expenditure Claim Audit	CA Dept. of Child Support Services
Community Services	Environmental Monitoring of CDBG & HOME Grants	CA Dept. of Housing and Urban Development
General Services/ Sheriff	AB 900 North Branch Jail Construction Project	Brown Armstrong CPAs
Human Resources	Personnel Management Program Review	Merit System Services
Probation	Juvenile Facilities Inspection	CA Board of State and Community Corrections
Probation	Standards and Training for Corrections Program	CA Board of State and Community Corrections
Probation / Sheriff	Detention Facilities Report	SB County Grand Jury
Public Health	Health Center Medi-Cal Reconciliation	CA Dept. of Health Services
Public Health	Women, Infants, and Children Program Review	CA Dept. of Health Services
Public Health	Medicare Cost Report Settlement 2011-12	National Government Services
Public Works	Transportation Development Act Fund Audit	Moss Levy CPAs
Public Works	Public Transit Fund Audit	Moss Levy CPAs
Social Services	SB 1041 Implementation Field Monitoring	CA Dept. of Social Services
Treasurer-Tax Collector	Social Security Administration Site Visit	Social Security Administration

ADMHS had five monitorings performed by the State. The monitorings included a Medi-Cal Cost Report review, two External Quality Review Organization (EQRO) reviews for fiscal years 2012-13 and 2013-14, a Substance Abuse Prevention and Treatment (SAPT) provider audit, and a Systems audit.

Program	Risk	Rationale
Medi-Cal Cost Report		Large dollar amount of questioned costs
EQRO Review 2012-13		Breakdown in policies and procedures
EQRO Review 2013-14		Breakdown in policies and procedures
SAPT Provider Audit		Breakdown in compliance
Systems Audit		Breakdown in compliance

Purpose of Monitoring

1. Medi-Cal Cost Report: Tested accounting records to determine that Medi-Cal costs and data collection were made in compliance with applicable laws and regulations from 7/1/2008- 6/30/2009.
2. EQRO Review (2012-13): Annual system and quality review of ADMHS' Mental Health Plan (MHP).
3. EQRO Review (2013-14): Annual system and quality review of ADMHS' MHP.
4. SAPT Provider Audit: Financial audit to ensure the County and three providers, Coast Valley Worship Center (CVWC), Phoenix House, and Sanctuary House of Santa Barbara Inc. (Sanctuary House) complied with applicable Federal and State laws, regulations, and guidelines for fiscal year 2011-12.
5. Systems Audit: Performance audit of specialty mental health services for fiscal year 2013-14.

Findings

1. Medi-Cal Cost Report: Total questioned costs of $3,016,768 resulting from the following: Billing discrepancies between State and County records; Counseling and Education Center/ Multi- Agency Integrated Mental Health System of Care (CEC/MISC) program was not allowable, jail service and interest expense costs were not allowable; and ADMHS did not qualify as a nominal fee provider.
2. EQRO Review (2012-13): The review showed continued improvements from past years. Information did not flow upwards in the organization effectively and there appears to be a lack of meaningful metrics to measure contract performance. There was no evidence that data was used to investigate the questionable Medi-Cal penetration rate changes.

Additional monitorings on next page.

Findings (Continued)

3. EQRO Review (2013-14): The review showed slight improvements from past years. It found that the MHP has not produced data on clinical service nor has it produced penetration rate or service use reports. The average time to access urgent care is three days for adults and seven days for children, which is longer than the State's one day standard. The MHP does not track consumer flow through the system or where consumer discharge/step-down to when they leave MHP service.
4. SAPT Provider Audit:
    - CVWC: The provider had internal control deficiencies related to the Executive Director's duties, a going concern issue, $48,464 in disallowed costs, and the County overstated units of service. The disallowed costs were due to $42,623 overstated costs from improper allocation and $5,841 from unallowable costs charged.
    - Phoenix House: The County did not provide adequate fiscal oversight of the settlement process resulting in a payment to the provider that exceeded the contract amount by $2,480.
    - Sanctuary House: The State denied payment of $2,478 for certain Drug Medi-Cal (DMC) services because the County did not adequately monitor the settlement process.
5. Systems Audit: ADMHS did not comply with regulations on hotline calls received after regular business hours and documentation in the written log. The documentation did not show that the MHP had offered the required interpretive services and that brochures with pertinent information were provided to beneficiaries at the time of admission into the Skilled Nursing Facility.

Corrective Action Taken

1. Medi-Cal Cost Report: ADMHS implemented additional cost report controls to ensure only allowable costs are reported and closed the CEC/MISC program. The County disagrees with the vast majority of State audit findings and a formal appeal is underway.
2. EQRO Review (2012-13): No corrective action plan was required resulting from the quality review. ADMHS hired independent contractors Tri-West and Zia Partners and launched its System Change project to 'revamp' the department.
3. EQRO Review (2013-14): No corrective action plan was required resulting from the quality review but the MHP re-established a Quality Improvement Committee which has completed an evaluation of its 2012-13 work plan and established new goals for the 2014-15 work plan. ADMHS has also mandated the use of the electronic prescription tools across the system of care and adopted principles to strengthen the monthly client and family member meetings.

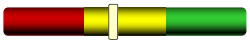
Additional monitorings on next page.

Corrective Action Taken (Continued)

4. SAPT Provider Audit:
    - CVWC: CVWC was strongly encouraged, and subsequently decided to employ a Certified Public Accountant to establish internal controls, ensure that cash flow issues would be mitigated to the extent possible, and ensure that generally accepted accounting principles and OMB rules are employed in all cost allocations and classification.
    - Phoenix House: The County has subsequently implemented a more robust year-end reconciliation process to ensure that payments are capped at contact maximum, and any overpayment identified is now collected immediately subsequent to findings of overpayment.
    - Sanctuary House: The County disagrees with the premise of the State's findings, as it is at the County's discretion to pay for services denied by DMC within total contract maximum and suitable funding sources. Denied DMC services are an expected, though unpredictable (typically 1-5%), element of the DMC claiming process, and to issue settlement to collect funds for services faithfully rendered with expectation of payment, is not prudent. Non-collection of denied services is appropriate in this instance given the fact the provider's underspent available non-DMC funding, which by regulation can be used to cover denied DMC services, exceeds the $2,478 of denied DMC services identified in the audit report.
5. Systems Audit: ADMHS has executed a contract with ProtoCall Services Inc. that specializes in behavioral health access call services and will provide 24/7 information to beneficiaries on how to access mental health services. ADMHS has also created a tracking sheet that beneficiaries sign to demonstrate that the appropriate brochures are received.

Auditor-Controller

The Auditor-Controller received two monitorings. The State performed a review of the County's Cost Allocation Plan to determine if it was prepared in accordance with federal regulations which is presented on page 2. The second was performed by the State Controller's Office on the Peace Officers Procedural Bill of Rights mandated cost claim.

Program	Risk	Rationale
Mandated Cost Claims		Moderate dollar amount of questioned costs

Purpose of Monitoring

Tested accounting records to determine whether costs reimbursed for the legislatively mandated Peace Officers Procedural Bill of Rights Program were made in accordance with the program's guidelines for the period of July 1, 2007, through June 30, 2013.

Findings

The number of full-time sworn peace officers reported to the Department of Justice was overstated because Probation Officers were included, resulting in unallowable costs of $71,440.

Corrective Action Taken

The department believes that the parameters and guidelines are not clear on allowable costs. The department's consultant is working with San Mateo County (who is also impacted by this mandate) and will be challenging the Commission on State Mandates to allow Probation Officers to be covered by this law, as opined by the State Controller. While this issue is being contested, the consultant has determined that the department should continue to keep claiming Probation costs in future claims.

Public Health

Public Health had six State monitorings which included a Federally Qualified Health Center Medi-Cal reconciliation review, a Woman, Infants, and Children program review, and a Medicare Cost Report Settlement audit which are presented on page 2. Public Health also had a Targeted Case Management Cost Report Settlement audit, a Health Center Program Site Visit, and was involved in a Certified Unified Program Agency (CUPA) audit on hazardous material standards along with the Fire Department; all of which are presented below.

Program	Risk	Rationale
Targeted Case Management		Moderate dollar amount of questioned costs
Health Center Site Visit		Breakdown in compliance
CUPA Audit		Breakdown in compliance

Purpose of Monitoring

1. Targeted Case Management: Determined whether amounts paid for services provided to Medi-Cal beneficiaries complied with applicable laws and regulations from 7/1/2010—6/30/2011.
2. Health Center Site Visit: Evaluated compliance with statutory and regulatory requirements of the Health Center Program.
3. CUPA Audit: The State performed an audit to determine whether the County, designated as a "CUPA", complied with hazardous material standards set by five state agencies.

Findings

1. Targeted Case Management: $191,211 due to the State due to alleged unallowable program costs.
2. Health Center Site Visit:
   - The policy and procedures over the Health Center's credentialing and sliding fee policy do not meet the intent of the State's requirements.
   - The Public Health Department does not have any affiliation agreements or written assurances that subrecipients will comply with all Health Center program requirements.
   - A Co-Applicant Agreement approved by the Health Center's Co-Applicant Board has not been presented to the County Board of Supervisors.

Additional monitorings on next page.

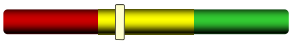
3. CUPA Audit:
    - The CUPA under the Fire department did not adequately implement a single fee system nor take a graduated series of enforcement on hazardous waste generator facilities based on the severity of hazardous waste violations.
    - The Public Health Department did not perform an annual fee assessment to determine their resource needs and the amount of fees to assess.
    - The CUPA did not follow-up and/or document returns to compliance for businesses cited for violations in required reports.
    - Underground storage tank facilities were not inspected annually.
    - The annual underground storage tank compliance inspection was not always conducted in accordance with the requirements set forth in state law.
    - The CUPA issued underground storage tank operating permits without verifying compliance.

Corrective Action Taken

1. Targeted Case Management: The department disagreed with the State's findings and filed for a review of the findings through the State Department of Health Care Services informal appeal process. All of the appealed findings were granted which resolved the findings.
2. Health Center Site Visit:
    - Developed a more robust Health Center credentialing program.
    - Made changes to the Health Center's sliding fee scale to comply with policy.
    - Updated contracts and affiliation agreements with subrecipients.
    - Updated the Co-Applicant Agreement between the Health Center's Co-Applicant Board and the County Board of Supervisors.
3. CUPA Audit:
    - Submitted an updated fee accountability program plan to California Environmental Protection Agency (CalEPA).
    - Submitted an updated single fee system plan to CalEPA.
    - Planned to identify all facilities that require formal enforcement.
    - Provided an updated on-going list to CalEPA showing corrective actions taken for each facility.
    - Conducted and submitted a thorough analysis of the underground storage tank element of the hazardous materials standards to CalEPA as required by law.

Public Works

Public Works had three State monitorings which included two audits performed on the Public Transit and Transportation Development Act funds which are presented on page 2. The third was a review of the Indirect Cost Rate Proposal of a Caltrans contract.

Program	Risk	Rationale
Indirect Cost Rate Proposal		Moderate dollar amount of questioned costs

Purpose of Monitoring

To determine whether the Indirect Cost Rate Proposal (ICRP) was presented in accordance with Federal regulations.

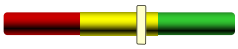
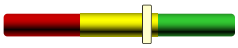
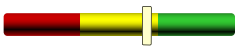
Findings

The department overstated indirect costs by $711,614 causing the indirect cost rate to be overstated by 7.28%. These indirect costs did not equitably benefit the entire department's direct cost objectives. The department was required to repay $80,000. The remaining portion had not yet been charged to the State, therefore it was not required to be repaid.

Corrective Action Taken

The overhead rate was adjusted based on payroll and was retroactively posted at the project level back to 2012-13. Each program was then reviewed individually to make sure amounts were adjusted correctly. The department also adjusted their indirect cost rate calculation to exclude these types of indirect costs.

The Department of Social Services (DSS) had 28 State monitorings performed. The SB 1041 Implementation Field Monitoring is presented on page 2. The State also performed monitorings on the following programs: Medicaid, Adoption Assistance Program, Supplemental Nutrition Assistance Program (SNAP), In Home Supportive Services (IHSS), Workers Investment Act (WIA), and Foster Care Licensing. *To improve readability, the purpose of monitoring, findings, and corrective action sections are combined by program.*

Program	Risk	Rationale
Adoption		Breakdown in compliance; failure to follow policies & procedures
IHSS		Breakdown in compliance; failure to follow policies & procedures
SNAP		Breakdown in compliance; failure to follow policies & procedures
WIA		Breakdown in compliance; failure to follow policies & procedures

Adoption Assistance Program (AAP):
Adoption Assistance Program Review: A review to determine the County's compliance with Federal Title IV-E and State AAP requirements. Nineteen out of 20 case files that were monitored did not contain required forms. Most errors occurred before State training was made available to staff and were corrected upon receiving guidance from the State.

Corrective Action Taken: DSS has updated their policies and procedures for the program and developed an updated checklist for proper usage of the required forms.

In-Home Supportive Services (IHSS):
Quality Assurance Review: Reviewed the IHSS Quality Assurance program and needs assessment process. The review found that 29% of applicants received a face-to-face contact within 45 days from the date of application, 11 of the cases reviewed did not contain a Recipient Designation of Provider form, and three cases did not contain documentation evidencing that the social worker discussed resources to address a client's unmet need.

Corrective Action Taken: DSS made all necessary corrections required by the State within 60 days. DSS believes that the State is applying certain regulations related to the face-to-face meetings incorrectly and is working with them to obtain clarification. An audit conducted by the State in October 2015 indicated that DSS had 100% accuracy for applicants receiving face-to-face contacts within 45 days. DSS has also notified staff that the Recipient Designation of Provider form is required for all cases.

CalFresh (SNAP):
Case Approval and Denial Reviews: Reviews evaluate if benefits were approved or denied correctly. Out of 19 reviews, one was inappropriately denied benefits and in two reviews benefits were discontinued due to a client's failure to appear for a scheduled interview and cooperate with the quality assurance process. These failure-to-cooperate reviews had no impact on DSS.

Additional monitorings on next page.

Management Evaluation Review: Bi-annual review of program access and customer service. The review found the following issues:

- Out of 25 cases, six were incorrectly denied benefits, and one had benefits incorrectly terminated.
- Intake and recertification procedures need improvement.
- The department needs to improve their procedures on informing the public of ways to apply for CalFresh benefits.
- Supervisory review procedures need improvement.
- The County is below the performance goal of 90% for 30 day application processing.

Corrective Action Taken: Of the ten areas monitored in the Management Evaluation Review, the State asked for corrective action in only two areas (Negative Case Actions and Customer Service). DSS has addressed all areas, including:

- Reviewed findings and the corrective action plan at team meetings attended by supervisors, lead workers, managers, and program staff.
- Formed a workgroup aimed at identifying ways to increase the CalFresh participation rate, including informing the public of ways to apply for CalFresh benefits.
- Ensured negative actions were reviewed by Quality Assurance staff.
- Reviewed the existing, revised and/or created administrative directives.
- Reviewed department policies, mandated trainings, and reminded staff of existing tools.

The State was invited by the department to conduct a training on supervisory reviews of the new case and procedural error process. However, the State has not been available to conduct a training due to staffing shortages. The department continues to work to schedule a training date with the State. The department also has worked to improve the timeliness of application processing (see additional details in the corrective action section below).

Expedited Services (ES) and 30 Day Processing: The State requires 90% compliance in application processing timeliness for 3-day ES as well as 30 day processing. Of approved cases for CalFresh the County did not meet these thresholds for two consecutive quarters.

Corrective Action Taken: As of the date of this report, the department has implemented all necessary corrective action and has met the State requirements. The State issued a letter on March 2, 2015 informing the Department that they are no longer in a Corrective Action Plan as the 90% requirement for 30 day processing has been met for two consecutive quarters. Additionally, the State issued a letter on November 20, 2015 indicting the requirement for timely processing of ES has also been met. These timeliness issues occurred at the time DSS implemented the Affordable Care Act (ACA) and the department was overwhelmed with nearly 200% more Medi-Cal enrollments than the State projected. Eligibility staff performs determinations in both Medi-Cal and CalFresh program areas and staffing resources were not sufficient to keep up with the demand for both program areas. Staff has worked diligently to eradicate the backlogs created by ACA and has maintained application timeliness in both program areas for an extended period of time.

Additional monitorings on next page.

WIA:

WIA Youth Program Fiscal and Procurement Review: Determines the level of compliance with applicable Federal and State laws, regulations, policies, and directives related to the WIA Youth grant regarding financial management and procurement. There were two reviews conducted, which covered 2012-13 and 2013-14 program years. The area of non-compliance identified during the two review periods was that the County does not have a signed Resource Sharing Agreement (RSA) in place between the Workforce Service Center in Santa Maria and the Employment Development Department (EDD) for the current period. Furthermore, some services provided by the County should instead go through a procurement process with outside vendors. In both reviews the State found that overall, the County is meeting applicable WIA requirements.

Corrective Action Taken: The DSS Workforce Resource Center has continued to negotiate the RSA with EDD. DSS expects to have a signed executed RSA in the near future. DSS received a Department of Labor letter dated October 6, 2014 waiving the requirement for competitive procurement of youth services to EDD. This letter was submitted to the EDD auditors resolving the procurement finding.

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