

## COUNTY BEHAVIORAL HEALTH FISCAL LEADERSHIP INSTITUTE

### Drug Medi-Cal

**1. I would a clear list of everything they will need for the audit at the beginning of the audit, is that possible?**

The auditors will provide a list of records to be requested prior to the start of the audit. The list is also attached to the entrance conference letter. We attached the list at the end of this document for your reference.

**2. What are the Auditors main identified concern?**

To conduct financial audits of DMC programs to accomplish any of, but not limited to the following objectives:

- To review reported costs for validity, appropriate allocation methodology, and compliance with Medicaid laws and regulations;
- To ensure that only the cost of allowable DMC activities are included in reported costs;
- To determine the provider's usual and customary charge to the general public in accordance with CMS (The Medicare Provider reimbursement Manual) (CMS-Pub.15-1), which can be obtained from the Centers for Medicare & Medicaid Services.
- To review documentation of units of service and determine the final number of approved units of service;
- To determine the amount of clients' third-party revenue and Medi-Cal share of cost to offset allowable DMC reimbursement
- To compute final settlement based on the lower of actual allowable cost, the usual and customary charge, or the maximum allowance, in accordance with Title 22, Section 51516.1
- To review the units of services approved by the state are being performed and are in accordance with Title 22, Section 51341.1

**3. Please give us the data reports that you are auditing from.**

We audit the following reports:

- The Interim Settlement (V1 Cost Report)
- The Preliminary Settlement (V0 Cost Report)
- The Year Provider Cost report submitted to the county
- The approved units of service claimed to the state.

**4. What years and what time frame will we have to provide you with requested documents?**

Our production is based on when the State settles the Interim Settlement with the County. For example we started production on the 2014-2015 fiscal year. The County and Provider are subject to be audited three years from the date the year-end cost report was approved by the State's interim settlement. If an audit has not been completed within that three year period interim settlement becomes final settlement. Counties and Providers are responsible for keeping their records for three years after date of the interim settlement. In the case of a Provider discontinuing their contractual agreement with the County, the County is responsible for obtaining all program records from the provider. The counties are required to retain records from the provider in accordance with Welfare and Institution Code section 14124.1, 42 CFR 433.32, and California Code of Regulations, Title 22, Section 51341.1 for the providers that no longer have a relationship with the county. At initial contact with both the county and the

provider we explain the fiscal year that will be audited. The time frame for the county or provider to furnish documentation to the auditor is discussed between the auditor and provider and/or county.

**5. Clear direction on acceptable and not acceptable methodologies for allocating operating and administrative costs in MH, DMC and SABG Cost Reports.**

Per federal law, providers are required to have a cost allocation plan that accurately identifies, accumulates, and distributes allowable direct and indirect costs, unless you have an approved indirect cost through HHS.

Refer to sources:

- Cost Principles for State Local, and Indian Tribal Governments OMB Circular A-87 (2 CFR Part 225)
- Cost allocation “Cost Principles and Procedures” OMB Circular A-122 (2 CFR Part 230)

Examples of statistical bases that may be acceptable are:

- Total direct program costs
- Total program salaries
- Total units of service/sessions converted to staff hours
- Staff hours of direct client service

**6. Please explain your understanding of Share of Costs and what process should the counties be doing to follow regulations regarding Share of Costs?**

The Share of Cost (SOC) is determined by the county welfare department and is based on the beneficiary’s or family’s income and living arrangement. Members of the family may have the same or different share of cost amounts. The monthly SOC may change at any time if the individual’s or family’s income increases or decreases, or the family’s living arrangement changes.

It is important that providers verify Medi-Cal eligibility every calendar month prior to rendering services.

Providers receiving a message from the eligibility inquiry that the beneficiary has an unmet SOC must clear that “deductible” on-line before any eligibility information will be provided. The patient may meet the monthly SOC by either paying or obligating it to the provider for medical services.

Once the beneficiary pays or obligates the SOC, the provider must submit a SOC clearance transaction immediately upon receiving payment at the time the service is rendered, or, in the case of a SOC obligation, at the time the beneficiary and provider agree to the obligation, so that the beneficiary can contain any needed services from the substance abuse provider and other providers in that month. (ADP Bulletin 99-39)

**7. Can we report on an accrual basis as opposed to actual basis? Is our county auditor-controller required to sign off on the attestation or can the department's fiscal officer sign off?**

42 C.F.R Section 413.24 states in part,

“The cost data must be based on an approved method of cost finding and on the accrual basis of accounting....”

CMS Pub 15-1, Section 2300 states in part,

“The cost data must be based on an approved method of cost finding and on the accrual basis of accounting.”

County-contracted providers are responsible for providing accurate cost data to the county, and the county is responsible for collecting, reviewing, and verifying the integrity of the cost data submitted to them by their contracted providers.

**8. Why are audits so infrequently performed?**

This is purely a staff resource issue. There are 57 counties, Los Angeles county alone has 162 providers that receives funding from DMC, Non-DMC (SAPT Block Grant, PC1000, etc.), and/or offers DUI. We would love to be able to audit every county and every subcontractor every year. So we go the next best route.

There is selection process to determine the providers to be audited based on the amount of funding received, if they have ever been audited in the past, and the amount of units of service claimed.

**9. Analyst contact information for each county.**

Here is a link to the County Program Administrators directory:

<https://www.dhcs.ca.gov/services/MH/MHSUD/Pages/CountyProgAdmins.aspx#>

**LIST OF COUNTY/CONTRACTOR RECORDS  
FISCAL PERIOD [MONTH DATE, YEAR] THROUGH [MONTH DATE, YEAR]**

- Accounting procedures manual
- Personnel policies manual
- Program procedures manual
- Accounts payable and accounts receivable ledgers
- Adjusting journal entries with supporting detail for major items
- Bank reconciliations, bank statements, and canceled checks
- Cash receipt and cash disbursement journals (registers)
- Chart of accounts
- Cost allocation plan for the audit period
- Copies of all contracts between the County and Contractor for the audit period\*\*
- CPA management letter for the audit period
- CPA working papers
- Current organization chart
- A/D Staff lists with corresponding hours worked, gross pay, rate, and employee contribution for the audit period (separate by program and indicate their position)
- State Quarterly withholding Information with backup payroll
- Employer's quarterly federal tax return
- Duty statements and job descriptions
- Copy of CPA audited Financial Statements (Balance Sheet and Income Statement)
- General ledger and working trial balance used to complete the cost report
- Lease agreements (i.e., buildings, cars, etc.)
- Payroll records (i.e., attendance reports and list of A/D staff and counselor's name on each program, payroll expenditure ledger, etc.)
- Property records (i.e., depreciation schedules, property ledger, etc.)
- Reconciliation of the trial balance and the cost report
- Remittance advices
- Transaction register
- Worksheet used in the preparation of the cost report
- Financial Statements and Independent Auditor's Reports

**LIST OF COUNTY/CONTRACTOR RECORDS  
FISCAL PERIOD [MONTH DATE, YEAR] THROUGH [MONTH DATE, YEAR]**

- Group sign in sheet (A/D)
- Monthly billing statement record
- Schedule of payments from County to Contractor—need copies of cancelled check, journal vouchers and receipts (A/D)\*\*
- Copies of Contractor monthly claims submitted to the County (A/D)\*\*
- Copies of all cost reports from the Contractor to the County (A/D)\*\*
- Welfare identification cards or proof of eligibility (POE) labels (A/D)
- Copies of Medical Eligibility worksheet (A/D)\*
- Other audit reports of the facility

Footnotes

A/D means Alcohol and Drug

No asterisk means contractor record

Single asterisk means county record

Double asterisk means both county and contractor records