

COUNTY OF EL DORADO

HEALTH & HUMAN SERVICES

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AGENCY DIVISIONS

Administration & Finance
Behavioral Health
Community Services
Protective Services
Public Health
Self-Sufficiency

Date: January 18, 2022

To: Honorable Board of Supervisors
Don Ashton, Chief Administrative Officer

From: Nita Wracker, Chief Fiscal Officer Health & Human Services Agency 

Subject: CalMHSA Fiscal Year June 30, 2021 Audit

In October 2021 we became aware that CalMHSA was in violation of Government Code 6505.5 and Article 8(d) of the JPA agreement which both state that quarterly Treasurer Reports are required to be produced and provided to the JPA members.

After becoming aware of this issue, we sent a letter to the executive team of CalMHSA asking them to remedy the violation. In mid-December we met with the Executive Director of CalMHSA, Amie Miller, to discuss these financial reports and other matters. At that time Ms. Miller had relayed to us that CalMHSA was undergoing a transition. After terminating the services of a third party administrative firm, CalMHSA's leadership changed and they have contracted with a new independent audit firm and legal counsel.

On January 12, 2022, CalMHSA's Audit Committee voted to accept the independent audit report conducted by Crowe LLP. CalMHSA received an 'unqualified' or clean audit opinion indicating that CalMHSA's financial statements for the fiscal year that ended June 30, 2021, were presented fairly in all material respects. That audit report does, however, contain seven (7) audit findings, with five (5) of those findings classified as material weaknesses.

The audit findings and CalMHSA's corrective action are as follows:

- Segregation of duties of cash receipts and disbursements – material weakness
 - Corrective Action – Cash disbursements, cash receipts and bank reconciliation functions have been segregated to create separation of duties. Internal controls have been implemented to support processes that include a level of review, approval and posting of transactions, while keeping these functions segregated. Policies and procedures will be updated to reflect these controls by the quarter ending March 2022.
- Internal controls over Journal Entries – material weakness
 - Corrective Action – Internal controls have been established which separate the preparation, review, approval and posting of journal entries. The implementation of a new financial system provides the tracking of processes

and approvals. Policies and procedures will be updated to reflect these controls by the quarter ending March 2022.

- Information system controls – material weakness
 - Corrective Action – A new financial system has been implemented and the use of an outside administrator provides user access monitoring. The outside system administrator has the responsibility of creating users and assigning access based on the needs of the position, removing CalMHSA staff from this function. Policies will be updated to reflect these controls by the quarter ending March 2022.
- Management review over Service Organization Controls (SOC) Reports – significant deficiency
 - Corrective Action – Procedures will be updated by the quarter ending March 2022 to ensure SOC reports are reviewed on an annual basis.
- Governmental Fund Period of Availability criterion – material weakness
 - Corrective Action – A period of availability of 90 days was implemented during this Fiscal Year 2020-2021 review. Policies will be updated by the quarter ending March 2022 to reflect this recent management decision.
- Review and approval of employee timecards – significant deficiency
 - Corrective Action – Controls have been implemented and all employee timecards are reviewed and approved in a timely manner through a third-party payroll administrator.
- Financial reporting deficiency in internal control – material weakness. It should be noted that this finding included the inability of CalMHSA staff to locate and provide sufficient documentation to support expenses totaling \$83,342.
 - Policies will be updated by the quarter ending March 2022 to assist in tracking and reviewing transactions to ensure accounting records are properly maintained.
 - During the January 12, 2022 CalMHSA Audit Committee meeting, executive staff shared that subsequent to the audit review, staff have been able to provide sufficient documentation to support these expenses.
 - As stated above, El Dorado County HHSa has also been made aware that CalMHSA staff will present all past due Treasurer Reports to their Board at the January 26, 2022 meeting.

CalMHSA has stated the issues that caused the audit findings occurred during the time the JPA's financial records were handled by a third party administrative firm and after their services were terminated while CalMHSA initially began operating and managing its entity, with its own staff and management. It is the expectation of El Dorado County HHSa that as a result of CalMHSA's corrective actions these findings will be resolved.

The HHSa Behavioral Health Director and Chief Fiscal Officer will continue to interact with the Executive Director and attend the CalMHSA meetings to ensure proper compliance with government code and proper financial reporting. With the changes CalMHSA staff have already taken, which include the corrective actions outlined in the audit report, the assurance of the completion of the Single Audit by the independent auditors and the update of CalMHSA policies and procedures, it appears that CalMHSA is working diligently to ensure appropriate financial stewardship.

CalMHSA's Memorandum of Understanding (MOU) with the California Department of State Hospitals (DSH) is an integral part of our Mental Health (MH) system of care. The MOU with

DSH allows CalMHSA member counties, such as El Dorado County, access to beds that provide the highest level of care for those individuals with severe mental illness that have felony charges, and have been deemed incompetent to stand trial or are under other penal code commitment orders. These are individuals that would pose a safety risk to the community if placed at a lower level of care.

Should the Board of Supervisors decide to not contract with CalMHSA for this program, El Dorado County would still be a member of CalMHSA. Theoretically, El Dorado County could reach out to the Department of State Hospitals (DSH) to seek a direct contract for patient beds. We believe this will significantly increase our costs per bed as we will not have the bargaining power afforded to the CalMHSA JPA. DSH does not have enough beds to meet the needs of individual counties. Currently, statewide there are hundreds more individuals that need this level of care than there are beds available, resulting in long waiting lists and providing DSH with no incentive to negotiate a feasible rate with a single small county.