Exhibit B

JOHN CHIANG
California State Controller

October 6, 2009

Nancy Patton, Asst. Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

Bang Quan
Auditor-Controller, Orange County
P.O. Box 567
Santa Ana, CA 92702

Re: **Incorrect Reduction Claim**
Handicapped and Disabled Students, 05-4282-I-02
County of Orange, Claimant
Statutes 1984, Chapter 1747; Statutes 1985, Chapter 1274
Fiscal Years 1997-98 and 1998-99

Dear Ms. Patton and Ms. Quan:

This letter is in response to the above-entitled Incorrect Reduction Claim. The subject claims were reduced because the Claimant included costs for services that were not reimbursable under the Parameters & Guidelines in effect during the audited years. In addition, the Incorrect Reduction Claim should be denied because it was filed after the expiration of the deadline provided for in regulation. The reductions were appropriate and in accordance with law.

The Controller's Office is empowered to audit claims for mandated costs and to reduce those that are "excessive or unreasonable."[1] This power has been affirmed in recent cases, such as the Incorrect Reductions Claims (IRCs) for the *Graduation Requirements* mandate.[2] If the claimant disputes the adjustments made by the Controller pursuant to that power, the burden is upon it to demonstrate that it is entitled to the full amount of the claim. This principle likewise has been upheld in the *Graduation Requirements* line of IRCs.[3] See also Evidence Code section 500.[4] In this case, the audit determined that the Claimant was claiming costs for medication monitoring, which was not an identified reimbursable activity in the Parameters & Guidelines as amended in 1996, and effective for the two fiscal years that were the subject of this audit. Therefore, these claimed costs are unsupportable and thus, disallowed.

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[1] See Government Code section 17561, subdivisions (d)(1)(C) and (d)(2), and section 17564.
[2] See for example, the Statement of Decision in the Incorrect Reduction Claim of San Diego Unified School District [No. CSM 4435-I-01 and 4435-I-37], adopted September 28, 2000, at page 9.
[3] See for example, the Statement of Decision in the Incorrect Reduction Claim of San Diego Unified School District [No. CSM 4435-I-01 and 4435-I-37], adopted September 28, 2000, at page 16.
[4] "Except as otherwise provided by law, a party has the burden of proof as to each fact the existence or nonexistence of which is essential to the claim for relief or defense that he is asserting."

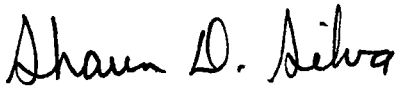
300 Capitol Mall, Suite 1850, Sacramento, CA 95814 ♦ P.O. Box 942850, Sacramento, CA 94250
Phone: (916) 445-2636 ♦ Fax: (916) 322-1220

The Claimant points to subsequent amendments of the Parameters & Guidelines adopted in 2005 and 2006, which refer to medication monitoring, to support its claim that it is a reimbursable cost. However, amendments to Parameters & Guidelines are not retroactive, and the amendments in question were only effective from July 1, 2001, forward, therefore, they did not apply to the fiscal years audited. In fact, the addition of medication monitoring as a reimbursable activity supports the Controller's position in this case; it does not contradict it, as the Claimant asserts. If medication monitoring had been covered in the prior Parameters & Guidelines, there would have been no need to add an explicit reference to the activity in the amendments. Therefore, medication monitoring was not a reimbursable activity prior to July 1, 2001.

In addition, the Claimant failed to file its Incorrect Reduction Claim in the time frame required by Title 2 of the California Code of Regulations, Section 1185. Section 1185, subdivision (b) states that "[a]ll incorrect reduction claims shall be filed with the commission no later than three (3) years following the date of the Office of State Controller's remittance advice or other notice of adjustment notifying the claimant of a reduction." In this case, the remittance advice and accompanying letter were dated April 28, 2003 (See pages 2-5 of Exhibit C of the Claimant's IRC). Therefore, the last date to file an IRC was April 28, 2003. However, the Claimant did not file its claim until May 1, 2003, outside the time frame provided, and thus, the IRC is precluded by the limitations provision of Section 1185.

Enclosed please find a complete detailed analysis from our Division of Audits, exhibits, and supporting documentation with declaration.

Sincerely,



SHAWN D. SILVA
Senior Staff Counsel

SDS/ac

Enclosure

cc: Denise Steckler, Manager, Financial Reporting & Mandated Costs, Orange County
Ginny Brummels, Division of Accounting & Reporting, State Controller's Office (w/o encl.)
Jim Spano, Division of Audits, State Controller's Office (w/o encl.)

PROOF OF SERVICE

I am employed in the County of Sacramento, State of California. At the time of service, I was at least 18 years of age, a United States citizen employed in the county where the mailing occurred, and not a party to the within action. My business address is 300 Capitol Mall, Suite 1850, Sacramento, CA 95814.

On October 6, 2009, I served the foregoing document entitled:

SCO'S RESPONSE TO THE INCORRECT REDUCTION CLAIM FOR COUNTY OF ORANGE, CSM 05-4282-I-02

on all interested parties in this action by placing a true and correct copy thereof enclosed in a sealed envelope, addressed as follows:

Nancy Patton *(original)*
Assistant Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

Bang Quan
Auditor-Controller, Orange County
P.O. Box 567
Santa Ana, CA 92702

Denise Steckler, Manager
Financial Reporting & Mandated Costs
Orange County
515 Sycamore Street, 5th Floor
Santa Ana, CA 92702

[X] BY MAIL
I placed the envelope for collection and processing for mailing following this business's ordinary practice with which I am readily familiar. On the same day correspondence is placed for collection and mailing, it is deposited in the ordinary course of business with the United States Postal Service.

[ ] BY PERSONAL SERVICE
I caused to be delivered by hand to the above-listed addressees.

[ ] BY OVERNIGHT MAIL/COURIER
To expedite the delivery of the above-named document, said document was sent via overnight courier for next day delivery to the above-listed party.

[ ] BY FACSIMILE TRANSMISSION
In addition to the manner of service indicated above, a copy was sent by facsimile transmission to the above-listed party.

I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made. I declare under penalty of perjury under the laws of California that the foregoing is true and correct.

Executed on October 6, 2009, at Sacramento, California.

Amber A. Camarena

Amber A. Camarena

RESPONSE BY THE STATE CONTROLLER'S OFFICE TO THE INCORRECT REDUCTION CLAIM BY ORANGE COUNTY
Handicapped and Disabled Students Program

Table of Contents

TAB 1

OFFICE OF THE STATE CONTROLLER
300 Capitol Mall, Suite 1850
Sacramento, CA 94250
Telephone No.: (916) 445-6854

BEFORE THE

COMMISSION ON STATE MANDATES

STATE OF CALIFORNIA

INCORRECT REDUCTION CLAIM ON: *Handicapped and Disabled Students Program* Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985 ORANGE COUNTY, Claimant	No.: CSM 05-4282-I-02 AFFIDAVIT OF BUREAU CHIEF

I, Jim L. Spano, make the following declarations:

1) I am an employee of the State Controller's Office (SCO) and am over the age of 18 years.

2) I am currently employed as a bureau chief, and have been so since April 21, 2000.

3) I am a California Certified Public Accountant.

4) I reviewed the work performed by the SCO auditor.

5) Any attached copies of records are true copies of records, as provided by Orange County or retained at our place of business.

6) The records include claims for reimbursement, with attached supporting documentation, explanatory letters, or other documents relating to the above-entitled Incorrect Reduction Claim.

7) A field audit of the claims for fiscal year (FY) 1997-98 and FY 1998-99 commenced on May 25, 2000, and ended on June 19, 2002.

I do declare that the above declarations are made under penalty of perjury and are true and correct to the best of my knowledge, and that such knowledge is based on personal observation, information, or belief.

Date: October 9, 2007

OFFICE OF THE STATE CONTROLLER

By: _____
Jim L. Spano, Chief
Mandated Cost Audits Bureau
Division of Audits
State Controller's Office

TAB 2

STATE CONTROLLER'S OFFICE ANALYSIS AND RESPONSE TO THE INCORRECT REDUCTION CLAIM BY ORANGE COUNTY
For Fiscal Year (FY) 1997-98 and FY 1998-99

Handicapped and Disabled Students Program
Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985

SUMMARY

The following is the State Controller's Office's (SCO) response to the Incorrect Reduction Claim (IRC) that Orange County filed with the Commission on State Mandates (CSM) on May 1, 2006. The SCO audited the district's claims for costs of the legislatively mandated Handicapped and Disabled Students Program for the period of July 1, 1997, through June 30, 1999. The SCO issued its final report on December 26, 2002 **(Exhibit B)**.

The county submitted reimbursement claims totaling $22,506,432 for FY 1997-98 and FY 1998-99 as follows:

- FY 1997-98—$10,585,561 **(Exhibit D)**
- FY 1998-99—$11,920,871 **(Exhibit E)**

The SCO determined that $20,715,374 is allowable and $1,791,058 is unallowable. The unallowable costs occurred because the district claimed ineligible costs, which caused an overstatement in the county's Medi-Cal revenue offsets. The State paid the district $22,506,432. The amount paid that exceeded allowable costs claimed by $1,791,058. The following table summarizes the audit results.

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
July 1, 1997, through June 30, 1998			
Assessment/case management costs	$ 4,043,451	$ 3,989,022	$ (54,429)
Administrative costs	1,112,862	1,112,862	—
Offsetting revenues:			
State categorical funds	—	(270,394)	(270,394)
Short-Doyle/Medi-Cal funds	(263,748)	(263,748)	—
Net assessment/case management costs	4,892,565	4,567,742	(324,823)
Treatment costs	6,763,081	5,847,999	(915,082)
Administrative costs	1,410,275	1,410,275	—
Offsetting revenues:			
State categorical funds	(791,550)	(521,156)	270,394
Short-Doyle/Medi-Cal funds	(768,403)	(671,642)	96,761
Net treatment costs	6,613,403	6,065,476	(547,927)
Realignment funding adjustment	(920,407)	(844,150)	76,257
Net treatment costs after funding adjustment	5,692,996	5,221,326	(471,670)
Total program costs	$ 10,585,561	9,789,068	$ (796,493)
Amount paid by the State		(10,585,561)[1]	
Allowable costs claimed in excess of (less than) amount paid		$ (796,493)	

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
July 1, 1998, through June 30, 1999			
Assessment/case management costs	$ 3,682,941	$ 3,620,072	$ (62,869)
Administrative costs	1,315,956	1,315,956	—
Offsetting revenues:			
State categorical funds	—	(255,773)	(255,773)
Short-Doyle/Medi-Cal funds	(317,663)	(317,663)	—
Net assessment/case management costs	4,681,234	4,362,592	(318,642)
Treatment costs	6,778,968	5,755,530	(1,023,438)
Administrative costs	1,883,623	1,883,623	—
Offsetting revenues:			
State categorical funds	(791,550)	(535,777)	255,773
Short-Doyle/Medi-Cal funds	(631,404)	(539,662)	91,742
Net treatment costs	7,239,637	6,563,714	(675,923)
Total program costs	$ 11,920,871	10,926,306	$ (994,565)
Amount paid by the State		(11,920,871)[1]	
Allowable costs claimed in excess of (less than) amount paid		$ (994,565)	
Summary: July 1, 1997, through June 30, 1999			
Assessment/case management costs	$ 7,726,392	$ 7,609,094	$ (117,298)
Administrative costs	2,428,818	2,428,818	—
Offsetting revenues:`			
State categorical funds	—	(526,167)	(526,167)
Short-Doyle/Medi-Cal funds	(581,411)	(581,411)	—
Net assessment/case management costs	9,573,799	8,930,334	(643,465)
Treatment costs	13,542,049	11,603,529	(1,938,520)
Administrative costs	3,293,898	3,293,898	—
Offsetting revenues:			
State categorical funds	(1,583,100)	(1,056,933)	526,167
Short-Doyle/Medi-Cal funds	(1,399,807)	(1,211,304)	188,503
Net treatment costs	13,853,040	12,629,190	(1,223,850)
Realignment funding adjustment	(920,407)	(844,150)	76,257
Net treatment costs after funding adjustment	12,932,633	11,785,050	(1,147,593)
Total program costs	$ 22,506,432	20,715,374	$ (1,791,058)
Amount paid by the State		(22,506,432)[1]	
Allowable costs claimed in excess of (less than) amount paid		$ (1,791,058)	

[1] Payment information is based on amount paid when the final report was issued.

The district's Incorrect Reduction Claim contests audit adjustments relating to Medication Monitoring treatment costs, totaling $1,629,815. The county believes that this activity was reimbursable during the audit period.

I. SCO REBUTTAL TO STATEMENT OF DISPUTE— CLARIFICATION OF REIMBURSABLE ACTIVITIES, CLAIM CRITERIA, AND DOCUMENTATION REQUIREMENTS

Parameters and Guidelines

On April 26, 1990, the Commission on State Mandates (CSM) determined that Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985 imposed a state mandate reimbursable under *Government Code* Section 17561. The CSM adopted the program's parameters and guidelines on August 22, 1991, and amended it on August 29, 1996 (**Tab 3**). On May 26, 2005, the CSM adopted a Statement of Decision on reconsideration of the program pursuant to Senate Bill 1895 (Statutes of 2004, Chapter 493). The CSM determined that the 1990 statement of decision does not fully identify all of the activities mandated by the statutes and regulations. Subsequently, the CSM amended the parameters and guidelines on January 26, 2006, and again on January 25, 2007.

Following are excerpts from the parameters and guidelines, amended on August 29, 1996, that are applicable for the audit period of FY 1996-97, FY 1997-98, and FY 1998-99.

Section 1, Summary of the Mandate, states:

> Chapter 1747 of the Statutes of 1984 added Chapter 26, commencing with section 7570, to Division 7 of Title 1 of the Government Code (Gov. Code).
>
> Chapter 1274 of the Statutes of 1985 amended sections 7572, 7572.5, 7575, 7576, 7579, 7582, and 7587 of, amended and repealed 7583 of, added section 7586.5 and 7586.7 to, and repealed 7574 of, the Gov. Code, and amended section 5651 of the Welfare and Institutions Code.
>
> To the extent that Gov. Code section 7572 and section 60040, Title 2, Code of California Regulations, require county participation in the mental health assessment for "individuals with exceptional needs, " such legislation and regulations impose a new program or higher level of service upon a county. Furthermore, any related county participation on the expanded "Individualized Education Program" (IEP) team and case management services for "individuals with exceptional needs" who are designated as "seriously emotionally disturbed, " pursuant to subdivisions (a), (b), and (c) of Gov. Code section 7572.5 and their implementing regulations, impose a new program or higher level of service upon a county.
>
> The aforementioned mandatory county participation in the IEP process is not subject to the Short-Doyle Act, and accordingly, such costs related thereto are costs mandated by the state and are fully reimbursable within the meaning of section 6, article XIIIB of the California Constitution.
>
> The provisions of Welfare and Institutions Code section 5651, subdivision (g), result in a higher level of service within the county Short-Doyle program because the mental health services, pursuant to Gov. Code sections 7571 and 7576 and their implementing regulations,

must be included in the county Short-Doyle annual plan. Such services include psychotherapy and other mental health services provided to "individuals with exceptional needs, " including those designated as "seriously emotionally disturbed, "and required in such individual's IEP.

Such mental health services are subject to the current cost sharing formula of the Short-Doyle Act, through which the state provides ninety (90) percent of the total costs of the Short-Doyle program, and the county is required to provide the remaining ten (10) percent of the funds. Accordingly, only ten (10) percent of such program costs are reimbursable within the meaning of section 6, article XIIIB of the California Constitution as costs mandated by the state, because the Short-Doyle Act currently provides counties ninety (90) percent of the costs of furnishing those mental health services set forth in Gov. Code section 757 1 and 7576 and their implementing regulations, and described in the county's Short-Doyle annual plan pursuant to Welfare and Institutions Code section 5651, subdivision (g).

Section III identifies eligible claimants as follows.

All counties.

Section V identifies reimbursable activities as follows.

A. One Hundred (100) percent of any costs related to IEP Participation, Assessment, and Case Management:

1. The scope of the mandate is one hundred (100) percent reimbursement, except that for individuals billed to Medi-Cal only, the Federal Financing Participation portion (FFP) for these activities should be deducted from reimbursable activities not subject to the Short-Doyle Act.

2. For each eligible claimant, the following cost items are one hundred (100) percent reimbursable (Gov. Code section 7572, subd. (d)(1)):

   a. Whenever an LEA refers an individual suspected of being an 'individual with exceptional needs' to the local mental health department, mental health assessment and recommendation by qualified mental health professionals in conformance with assessment procedures set forth in Article 2 (commencing with section 56320) of Chapter 4 of part 30 of Division 4 of the Education Code, and regulations developed by the State Department of Mental Health, in consultation with the State Department of Education, including but not limited to the following mandated services:

      i. interview with the child and family,
      ii. collateral interviews, as necessary,
      iii. review of the records,
      iv. observation of the child at school, and
      v. psychological testing and/or psychiatric assessment, as necessary.

   b. Review and discussion of mental health assessment and recommendation with parent and appropriate IEP team members. (Government Code section 7572, subd. (d)(1)).

c. Attendance by the mental health professional who conducted the assessment at IEP meetings, when requested. (Government Code section 7572, subd. (d)(l)) *

d. Review by claimant's mental health professional of any independent assessment(s) submitted by the IEP team. (Government Code section 7572, subd. (d)(2)).

e. When the written mental health assessment report provided by the local mental health program determines that an "individual with special needs' is 'seriously emotionally disturbed', and any member of the IEP team recommends residential placement based upon relevant assessment information, inclusion of the claimant's mental health professional on that individual's expanded IEP team.

f. When the IEP prescribes residential placement for an 'individual with exceptional needs ' who is 'seriously emotionally disturbed, ' claimant's mental health personnel's identification of out-of-home placement, case management, six month review of IEP, and expanded IEP responsibilities. (Government Code section 7572.5).

g. Required participation in due process procedures, including but not limited to due process hearings.

3. One hundred (100) percent of any administrative costs related to IEP Participation, Assessment, and Case Management, whether direct or indirect.

B. Ten (10) percent of any costs related to mental health treatment services rendered under the Short-Doyle Act:

1. The scope of the mandate is ten (10) percent reimbursement.

2. For each eligible claimant, the following cost items, for the provision of mental health services when required by a child's individualized education program, are ten (10) percent reimbursable (Government Code 7576):

a. Individual therapy,

b. Collateral therapy and contacts,

c. Group therapy,

d. Day treatment, and

e. Mental health portion of residential treatment in excess of the State Department of Social Services payment for the residential placement.

3. Ten (10) percent of any administrative costs related to mental health treatment services rendered under the Short-Doyle Act, whether direct or indirect.

Section VI describes the claim preparation process as follows.

There are two satisfactory methods of submitting claims for reimbursement of increased costs incurred to comply with the mandate:

A. Actual Increased Costs Method. To claim under the Actual Increased Costs Method, report actual increased costs incurred for each of the following expense categories in the format specified by the State Controller's claiming instructions. Attach supporting schedules as necessary:

1 Employee Salaries and Benefits: Show the classification of the employees involved, mandated functions performed, number of hours devoted to the function, and hourly rates and benefits.

2 Services and supplies: Include only expenditures which can be identified as a direct cost resulting from the mandate. List cost of materials acquired which have been consumed or expended specifically for the purpose of this mandate.

3 Direct Administrative Costs:

a. One hundred (100) percent of any direct administrative costs related to IEP Participation, Assessment, and Case Management.

b. Ten (10) percent of any direct administrative costs related to mental health treatment rendered under the Short-Doyle Act.

4 Indirect Administrative and Overhead Costs: To the extent that reimbursable indirect costs have not already been reimbursed by DMH from categorical funding sources, they may be claimed under this method in either of the two following ways prescribed in the State Controller's claiming instructions:

a. Ten (10) percent of related direct labor, excluding fringe benefits. This method may not result in a total combined reimbursement from DMH and SC0 for program indirect costs which exceeds ten (10) percent of total program direct labor costs, excluding fringe benefits.

OR if an indirect cost rate greater than ten (10) percent is being claimed,

b. By preparation of an "Indirect Cost Rate Proposal" (ICRP) in full compliance with Office of Management and Budget Circular No. A-87 (OMB A-87). Note that OMB A-87 was revised as of May 17, 1995, and that while OMB A-87 is based on the concept of full allocation of indirect costs, it recognizes that in addition to its restrictions, there may be state laws or state regulations which further restrict allowability of costs. Additionally, if more than one department is involved in the mandated program; each department must have its own ICRP. Under this method, total reimbursement for program indirect costs from combined DMH and SC0 sources must not exceed the total for those items as computed in the ICRP(s).

B. Cost Report Method. Under this claiming method the mandate reimbursement claim is still submitted on the State Controller's claiming forms in accordance with the claiming instructions. A complete copy of the annual cost report including all supporting schedules attached to the cost report as filed with DMH must also be filed with the claim forms submitted to the State Controller.

1 To the extent that reimbursable indirect costs have not already been reimbursed by DMH from categorical funding sources, they may be claimed under this method in either of the two following ways prescribed in the State Controller's claiming instructions :

a. Ten (10) percent of related direct labor, excluding fringe benefits. This method may not result in a total combined reimbursement from DMH and SCO for program indirect costs which exceeds ten (10) percent of total program direct labor costs, excluding fringe benefits.

OR if an indirect cost rate greater than ten (10) percent is being claimed,

b. By preparation of an "Indirect Cost Rate Proposal" (ICRP) in full compliance with Office of Management and Budget Circular No. A-87 (OMB A-87). Note that OMB A-87 was revised as of May 17, 1995, and that while OMB A-87 is based on the concept of full allocation of indirect costs, it recognizes that in addition to its restrictions, there may be state laws or state regulations which further restrict allowability of costs. Additionally, if more than one department is involved in the mandated program; each department must have its own ICRP. Under this method, total reimbursement for program indirect costs from combined DMH and SCO sources must not exceed the total for those items as computed in the ICRP(s).

Section VII describes the supporting data that must be maintained as follows.

For auditing purposes, all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs. Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district is subject to audit by the State Controller no later than two years after the end of the calendar year in which the reimbursement claim is filed or last amended. However, if no funds are appropriated for the program for the fiscal year for which the claim is made, the time for the State Controller to initiate an audit shall commence to run from the date of initial payment of the claim.

SCO Claiming Instructions

In compliance with Government Code section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs. The SCO issued revised claiming instructions for Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985 in March 1997 **(Exhibit B)**. The county used this version to file its FY 1997-98 and FY 1998-99 reimbursement claims **(Exhibits D** and **E)**.

II. THE COUNTY CLAIMED INELIGBLE COSTS UNDER THE MANDATE PROGRAM

Issue

For the audit period of July 1, 1997, through June 30, 1999, the county claimed various ineligible case management and treatment costs, totaling $2,055,818. Of that amount, $1,629,815 relates to Medication Monitoring treatment costs. The county believes that Medication Monitoring treatment costs are reimbursable during the audit period.

SCO Analysis:

The county claimed case management costs for clients placed in out-of-state residential facilities that are not reimbursable under the Handicapped and Disabled Students (HDS) program, but rather under the Seriously Emotionally Disturbed Pupils: Out-of-State Mental Health Services (SED) program. In a response to the audit report, the county concurred with the SCO and subsequently filed claims under the SED program.

The county also claimed treatment costs for medication support and crisis intervention. These costs are not reimbursable under the HDS program.

The parameters and guidelines allow reimbursement of increased costs incurred for the mandated program. The parameters and guidelines in effect during the audit period specify that the following treatment services are reimbursable:

- Individual therapy,
- Collateral therapy and contacts,
- Group therapy,
- Day treatment, and
- Mental health portion of residential treatment in excess of the California Department of Social Services' payments for residential placement.

County's Response

On May 2, 2003, the County of Orange received remittance advices totaling $1,791,058 resulting from findings from the State Controller's Office (SCO) audit of the County's SB90 *Handicapped and Disabled Students* (HDS) claims for Fiscal Years (FY) 1997/98 and 1998/99. Of this amount, $1,629,815 pertained to medication monitoring services that were at that time disallowed.

In our appeal to the findings of this audit, we cited several sections from the California Code of Regulations, Welfare and Institutions Code, and the Government Code that all mandate medication monitoring as a necessary part of treatment services provided for under Chapter 26.5 of the Government Code, and therefore were implied as claimable under the Parameters and Guidelines for this mandate at that time. The SCO's denial of this appeal was based on

the argument that the Parameters and Guidelines specify all activities covered by the mandate, and by not specifically including medication monitoring, this implied that these services were not covered.

However, as a result of a successful HDS test claim by another entity, the Commission on State Mandates issued new parameters and guidelines for this claim on February 17, 2006 that allowed for the reimbursement of medication monitoring service. Based on this action, which validates that medication monitoring is and always has been a mandated activity, the County is thereby submitting this Incorrect Reduction Claim for the previously disallowed medication monitoring expenditures from FY 1997/98 and 1998/99 in the amount of $1,629,815 per Title 2, Division 2, Chapter 2.5, Article 1 of the California Code of Regulations.

SCO's Comment

The county does not dispute the costs of out-of-state residential facilities and crisis intervention that are not reimbursable under this mandate.

The county does dispute the unallowable medication monitoring costs. The SCO concurs that medication monitoring were defined in regulation at the time the parameters and guidelines on the Handicapped and Disabled Students (HDS) program were adopted. However, this activity was not included in the adoption of the parameters and guidelines as a reimbursable cost.

In 2001, the Counties of Los Angeles and Stanislaus filed a test claim to amend the parameters and guidelines on the original test claim decision on the Handicapped and Disabled Students (HDS) program. According to the test claim, the counties were seeking reimbursement for the activities required by statutory and regulatory amendments to the original HDS program. The amendments included treatment services such as psychotherapy, collateral services, medication monitoring, intensive day treatment, day rehabilitation, and case management. Upon reconsideration of the parameters and guidelines, the CSM addressed the amendments and adopted a statement of decision in HDS II on May 26, 2005. The amended parameters and guidelines were adopted December 9, 2005, and corrected on July 21, 2006 (**Tab 4**). They defined the period of reimbursement for the amended portions, beginning July 1, 2001. Consequently, medication monitoring costs claimed prior to July 1, 2001, are not reimbursable.

III. STATUTE OF LIMITATIONS

Issue

The statute of limitations for the county's IRC has expired.

SCO Analysis:

This issue is not an audit finding. The SCO reviewed the filing dates of the county's IRC for FY 1997-98 and FY 1998-99 and found the claim to be invalid, due to the expiration of the statute of limitations. Title 2, California Code of Regulations, Div 2, section 1185 (b) states

that all incorrect reduction claims shall be filed with the commission no later than three (3) years following the date of the State Controller's Office remittance advice or other notice of adjustment notifying the claimant of a reduction (**Tab 5**). The SCO issued a remittance advice to the county on April 28, 2003. Therefore, the deadline for the county to file an IRC was on April 28, 2006. However, the county filed its IRC with the CSM on May 1, 2006. Therefore, the IRC is invalid.

IV. CONCLUSION

The SCO audited the claims filed by Orange County for costs of the legislatively mandated Handicapped and Disabled Students Program (Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985) for the period of July 1, 1997, through June 30, 1999. The county claimed ineligible costs, which caused an overstatement in the county's Medi-Cal revenue offsets.

Additionally, the county filed an invalid IRC, due to the expiration of the statute of limitations.

In conclusion, the CSM should find that (1) the SCO correctly reduced the county's FY 1997-98 claim by $759,114 (2) the SCO correctly reduced the county's FY 1998-99 claim by $870,701; and (3) the county did not file an IRC within the statute of limitations.

V. CERTIFICATION

I hereby certify by my signature below that the statements made in this document are true and correct of my own knowledge, or, as to all other matters, I believe them to be true and correct based upon information and belief.

Executed on October 9, 2007, at Sacramento, California, by:

Jim L. Spano, Chief
Mandated Cost Audits Bureau
Division of Audits
State Controller's Office

TAB 3

BEFORE THE
COMMISSION ON STATE MANDATES
STATE OF CALIFORNIA

Claim Of: County of San Bernardino Claimant	No. CSM-4282 Title 2, Cal. Code Regs., Div. 9, Sections 60000-60200 Chapter 1747, Statutes of 1984 Chapter 1274, Statutes of 1985 *Handicapped and Disabled Students*

PARAMETERS AND GUIDELINES

The attached *amended* Parameters and Guidelines of the Commission on State Mandates are hereby adopted by the Commission on State Mandates in the above entitled matter.

IT IS SO ORDERED August 29, 1996.

K.G. Stewart

Kirk G. Stewart, Executive Director
Commission on State Mandates

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Hearing Date: August 29, 1996
File Number: CSM-4282
Commission Staff: Lucila Ledesma
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PARAMETERSANDGUIDELINES

Sections 60000-60200
Title 2, California Code of Regulations, Division 9
Chapter 1747, Statutes of 1984
Chapter 1274, Statutes of 1985
Handicapped and Disabled Students

I. SUMMARY OF MANDATE

Chapter 1747 of the Statutes of 1984 added Chapter 26, commencing with section 7570, to Division 7 of Title 1 of the Government code (Gov. Code).

Chapter 1274 of the Statutes of 1985 amended sections 7572, 7572.5, 7575, 7576, 7579, 7582, and 7587 of, amended and repealed 7583 of, added section 7586.5 and 7586.7 to, and repealed 7574 of, the Gov. Code, and amended section 5651 of the Welfare and Institutions Code.

To the extent that Gov. Code section 7572 and section 60040, Title 2, Code of California Regulations, require county participation in the mental health assessment for "'individuals with exceptional needs, " such legislation and regulations impose a new program or higher level of service upon a county. Furthermore, any related county participation on the expanded "Individualized Education Program" (IEP) team and case management services for "individuals with exceptional needs" who are designated as "seriously emotionally disturbed, " pursuant to subdivisions (a), (b), and (c) of Gov. Code section 7572.5 and their implementing regulations, impose a new program or higher level of service upon a county.

The aforementioned mandatory county participation in the IEP process is not subject to the Short-Doyle Act, and accordingly, such costs related thereto are costs mandated by the state and are fully reimbursable within the meaning of section 6, article XIIIB of the California Constitution.

The provisions of Welfare and Institutions Code section 565 1, subdivision (g), result in a higher level of service within the county Short-Doyle program because the mental health services, pursuant to Gov. Code sections 757 1 and 7576 and their implementing regulations, must be included in the county Short-Doyle annual plan. Such services include psychotherapy and other mental health services provided to "individuals with exceptional needs, " including those designated as "seriously emotionally disturbed, " and required in such individual's IEP.

Such mental health services are subject to the current cost sharing formula of the Short-Doyle Act, through which the state provides ninety (90) percent of the total costs of the Short-Doyle program, and the county is required to provide the remaining ten (10) percent of the funds. Accordingly, only ten (10) percent of such program costs are reimbursable within the meaning of section 6, article XIIIB of the California Constitution as costs mandated by the state, because the Short-Doyle Act currently provides counties ninety (90) percent of the costs of furnishing those mental health services set forth in Gov. Code section 757 1 and 7576 and their implementing regulations, and described in the county's Short-Doyle annual plan pursuant to Welfare and Institutions Code section 565 1, subdivision (g).

II. COMMISSION ON STATE MANDATES' DECISION

The Commission on State Mandates, at its April 26, 1990 hearing, adopted a Statement of Decision that determined that County participation in the IEP process is a state mandated program and any costs related thereto are fully reimbursable. Furthermore, any mental health treatment required by an IEP is subject to the Short-Doyle cost sharing formula. Consequently, only the county's Short-Doyle share (i.e., ten percent) of the mental health treatment costs will be reimbursed as costs mandated by the state.

III. ELIGIBLE CLAIMANTS

All counties

IV. PERIOD OF REIMBURSEMENT

Section 17557 of the Gov. Code states that a test claim must be submitted on or before December 3 1 following a given fiscal year to establish eligibility for that year. The test claim for this mandate was filed on August 17, 1987, all costs incurred on or after July 1, 1986, are reimbursable.

Actual costs for one fiscal year should be included in each claim, and estimated costs for the subsequent year may be included on the same claim, if applicable, pursuant to Government Code section 17561.

If the total costs for a given fiscal year do not exceed $200, no reimbursement shall be allowed, except as otherwise allowed by Gov. Code section 17564.

V. REIMBURSABLE COSTS

A. One Hundred (100) percent of any costs related to IEP Participation, Assessment, and Case Management:

1. The scope of the mandate is one hundred (100) percent reimbursement, except that for individuals billed to Medi-Cal only, the Federal Financing Participation portion (FFP) for these activities should be deducted from reimbursable activities not subject to the Short-Doyle Act.

2. For each eligible claimant, the following cost items are one hundred (100) percent reimbursable (Gov. Code, section 7572, subd. (d)(1)):

   a. Whenever an LEA refers an individual suspected of being an 'individual with exceptional needs' to the local mental health department, mental health assessment and recommendation by qualified mental health professionals in conformance with assessment procedures set forth in Article 2 (commencing with section 56320) of Chapter 4 of part 30 of Division 4 of the Education Code, and regulations developed by the State Department of Mental Health, in consultation with the State Department of Education, including but not limited to the following mandated services:
      i. interview with the child and family,
      ii. collateral interviews, as necessary,
      iii. review of the records,
      iv. observation of the child at school, and
      v. psychological testing and/or psychiatric assessment, as necessary.

   b. Review and discussion of mental health assessment and recommendation with parent and appropriate IEP team members. (Government Code section 7572, subd. (d)(1)).

   c. Attendance by the mental health professional who conducted the assessment at IEP meetings, when requested. (Government Code section 7572, subd. (d)(1)).

   d. Review by claimant's mental health professional of any independent assessment(s) submitted by the IEP team. (Government Code section 7572, subd. (d)(2)).

   e. When the written mental health assessment report provided by the local mental health program determines that an "individual with special needs' is 'seriously emotionally disturbed', and any member of the IEP team recommends residential placement based upon relevant assessment information, inclusion of

the claimant's mental health professional on that individual's expanded IEP team.

f. When the IEP prescribes residential placement for an 'individual with exceptional needs ' who is 'seriously emotionally disturbed, ' claimant' s mental health personnel's identification of out-of-home placement, case management, six month review of IEP, and expanded IEP responsibilities. (Government Code section 7572.5).

g. Required participation in due process procedures, including but not limited to due process hearings.

3. One hundred (100) percent of any administrative costs related to IEP Participation, Assessment, and Case Management, whether direct or indirect.

B. Ten (10) percent of any costs related to mental health treatment services rendered under the Short-Doyle Act :

1. The scope of the mandate is ten (10) percent reimbursement.

2. For each eligible claimant, the following cost items, for the provision of mental health services when required by a child's individualized education program, are ten (10) percent reimbursable (Government Code 7576):

a. Individual therapy,

b. Collateral therapy and contacts,

c. Group therapy,

d. Day treatment, and

e. Mental health portion of residential treatment in excess of the State Department of Social Services payment for the residential placement.

3. Ten (10) percent of any administrative costs related to mental health treatment services rendered under the Short-Doyle Act, whether direct or indirect.

Vi. CLAIM PREPARATION

There are two satisfactory methods of submitting claims for reimbursement of increased costs incurred to comply with the mandate:

A. Actual Increased Costs Method. To claim under the Actual Increased Costs Method, report actual increased costs incurred for each of the following expense categories in the format specified by the State Controller's claiming instructions. Attach supporting schedules as necessary:

1. Employee Salaries and Benefits: Show the classification of the employees involved, mandated functions performed, number of hours devoted to the function, and hourly rates and benefits.

2. Services and supplies: Include only expenditures which can be identified as a direct cost resulting from the mandate. List cost of materials acquired which have been consumed or expended specifically for the purpose of this mandate.

3. Direct Administrative Costs:

   a. One hundred (100) percent of any direct administrative costs related to IEP Participation, Assessment, and Case Management.

   b. Ten (10) percent of any direct administrative costs related to mental health treatment rendered under the Short-Doyle Act.

4. Indirect Administrative and Overhead Costs: To the extent that reimbursable indirect costs have not already been reimbursed by DMH from categorical funding sources, they may be claimed under this method in either of the two following ways prescribed in the State Controller's claiming instructions:

   a. Ten (10) percent of related direct labor, excluding fringe benefits. This method may not result in a total combined reimbursement from DMH and SCO for program indirect costs which exceeds ten (10) percent of total program direct labor costs, excluding fringe benefits.

   OR if an indirect cost rate greater than ten (10) percent is being claimed,

   b. By preparation of an "Indirect Cost Rate Proposal" (ICRP) in full compliance with Office of Management and Budget Circular No. A-87 (OMB A-87). Note that OMB A-87 was revised as of May 17, 1995, and that while OMB A-87 is based on the concept of full allocation of indirect costs, it recognizes that in addition to its restrictions, there may be state laws or state regulations which further restrict allowability of costs. Additionally, if more than one department is involved in the mandated program; each department must have its own ICRP. Under this method, total reimbursement for program indirect costs from combined DMH and SCO sources must not exceed the total for those items as computed in the ICRP(s).

B. Cost Report Method. Under this claiming method the mandate reimbursement claim is still submitted on the State Controller's claiming forms in accordance with the claiming instructions. A complete copy of the annual cost report including all supporting schedules attached to the cost report as filed with DMH must also be filed with the claim forms submitted to the State Controller.

1. To the extent that reimbursable indirect costs have not already been reimbursed by DMH from categorical funding sources, they may be claimed under this method in either of the two following ways prescribed in the State Controller's claiming instructions :

   a. Ten (10) percent of related direct labor, excluding fringe benefits. This method may not result in a total combined reimbursement from DMH and SCO for program indirect costs which exceeds ten (10) percent of total program direct labor costs, excluding fringe benefits.

   OR if an indirect cost rate greater than ten (10) percent is being claimed,

   b. By preparation of an "Indirect Cost Rate Proposal" (ICRP) in full compliance with Office of Management and Budget Circular No. A-87 (OMB A-87). Note that OMB A-87 was revised as of May 17, 1995, and that while OMB A-87 is based on the concept of full allocation of indirect costs, it recognizes that in addition to its restrictions, there may be state laws or state regulations which further restrict allowability of costs. Additionally, if more than one department is involved in the mandated program; each department must have its own ICRP. Under this method, total reimbursement for program indirect costs from combined DMH and SCO sources must not exceed the total for those items as computed in the ICRP(s).

VII. SUPPORTING DATA

For auditing purposes, all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs. Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district is subject to audit by the State Controller no later than two years after the end of the calendar year in which the reimbursement claim is filed or last amended. However, if no funds are appropriated for the program for the fiscal year for which the claim is made, the time for the State Controller to initiate an audit shall commence to run from the date of initial payment of the claim.

VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENTS

A. Any offsetting savings the claimant experiences as a direct result of this statute must be deducted from the costs claimed.

B. The following reimbursements for this mandate shall be deducted from the claim:

1. Any direct payments (categorical funding) received from the State which are specifically allocated to this program; and

2. Any other reimbursement for this mandate (excluding Short-Doyle funding, private insurance payments, and Medi-Cal payments), which is received from any source, e.g. federal, state, etc.

IX. REQUIRED CERTIFICATION

An authorized representative of the claimant will be required to provide a certification of claim, as specified in the State Controller's claiming instructions, for those costs mandated by the state contained herein.

TAB 4

BEFORE THE

COMMISSION ON STATE MANDATES

STATE OF CALIFORNIA

IN RE PARAMETERS AND GUIDELINES ON: Government Code Sections 7572.55 and 7576 Statutes 1994, Chapter 1128, Statutes 1996, Chapter 654, and California Code of Regulations, Title 2, Sections 60000 et seq. (Emergency Regulations Effective July 1, 1998 [Register 99, No. 33]) Filed on June 20, 2005, by County of Los Angeles, Claimant.	No. 02-TC-40, 02-TC-49 *Handicapped and Disabled Students II* ADOPTION OF PARAMETERS AND GUIDELINES PURSUANT TO GOVERNMENT CODE SECTION 17557 AND TITLE 2, CALIFORNIA CODE OF REGULATIONS, SECTION 1183.14 *(Adopted on December 9, 2005; Corrected on July 21, 2006)*

CORRECTED PARAMETERS AND GUIDELINES

On December 9, 2005, the Commission on State Mandates adopted the parameters and guidelines for this program and authorized staff to make technical corrections to the parameters and guidelines following the hearing.

On May 26, 2006, the State Controller's Office filed a letter with the Commission requesting a technical correction to the parameters and guidelines to identify and add to the parameters and guidelines language allowing eligible claimants to claim costs using the cost report method. The cost report method was included in the parameters and guidelines for the original *Handicapped and Disabled Students* program (CSM 4282) and inadvertently omitted from the parameters and guidelines for *Handicapped and Disabled Student II*. The State Controller's Office states the following:

> The majority of claimants use this method to claim costs for the mental health portion of their claims. The resulting costs represent actual costs consistent with the cost accounting methodology used to report overall mental health costs to the State Department of Mental Health. The method is also consistent with how counties contract with mental health service vendors to provide services.

The following language is added to Section V, Claim Preparation and Submission:

Cost Report Method

A. Cost Report Method

Under this claiming method, the mandate reimbursement claim is still submitted on the State Controller's claiming forms in accordance with claiming instructions. A complete copy of the annual cost report, including all supporting schedules attached to the cost report as filed

with the Department of Mental Health, must also be filed with the claim forms submitted to the State Controller.

B. Indirect Cost Rates

To the extent that reimbursable indirect costs have not already been reimbursed by the Department of Mental Health from categorical funding sources, they may be claimed under this method.

Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include (1) the overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in the Office of Management and Budget (OMB) Circular A-87. Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in OMB Circular A-87 Attachments A and B) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in OMB A-87 Attachments A and B). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) classifying a department's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected; or

2. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected.

In addition, a correction is made to Section IV(G), Reimbursable Activities, "Providing Psychotherapy or Other Mental Health Treatment Services." On May 26, 2005, the Commission adopted the Statement of Decision in the reconsideration of *Handicapped and Disabled Students* (04-RL-4282-10), and approved as a reimbursable state-mandated activity, beginning July 1, 2004, providing mental health assessments, collateral services, intensive day treatment, and day rehabilitation services when required by the pupil's IEP. When adopting the parameters and guidelines on the reconsidered program, the Commission determined that it would include psychotherapy and other mental health treatment activities in the parameters and guidelines in *Handicapped and Disabled Students II* (02-TC-40/02-TC-49), since it had an earlier reimbursement period (July 1, 2001) and the definition of mental health treatment services was substantially amended. The Commission's finding is as follows:

> The Commission's Statement of Decision authorizes reimbursement for providing psychotherapy or other mental health services identified in a pupil's IEP, as defined in sections 542 and 543 of the Department of Mental Health regulations. As noted in the Statement of Decision, however, the original definition of the types of services was repealed and replaced by the Departments of Mental Health and Education in 1998. [Footnote omitted.] The Commission concluded that the new definition of psychological and other mental health services constitutes a reimbursable new program or higher level of service in *Handicapped and Disabled Students II* (02-TC-40/02-TC-49) and, in December 2005, the Commission adopted parameters and guidelines for *Handicapped and Disabled Students II.* The reimbursement period for *Handicapped and Disabled Students II* begins July 1, 2001.
>
> Therefore, costs incurred by eligible claimants for the activity of providing psychological and other mental health services may be claimed pursuant to the parameters and guidelines in *Handicapped and Disabled Students II* (02-TC-40/02-TC-49), beginning July 1, 2001. Since the proposed parameters and guidelines for the reconsideration of the original *Handicapped and Disabled Students* program (04-RL-4282-10) has a later reimbursement period, the activity is not included in these proposed parameters and guidelines.[1]

On May 26, 2005, the Commission adopted the Statement of Decision in *Handicapped and Disabled Students II* (02-TC-40/02-TC-49) and found that section 60020 of the test claim regulations continued to include mental health assessments, collateral services, intensive day treatment, and day rehabilitation in the definition of "mental health services." However, the activities of crisis intervention, vocational services, and socialization services were deleted by the test claim regulations. The Commission also found that case management services were reimbursable. The Commission's findings are as follows:

> In addition, section 60020, subdivision (i), changed the definition of mental health services. As indicated above, the former regulations defined "psychotherapy and other mental health services" to include the day services and outpatient services identified in sections 542 and 543 of the Department of Mental Health regulations. (Former Cal. Code Regs., tit. 2, § 60020, subd. (a).) Under the prior regulations, these services included the following: day care

[1] Staff analysis adopted by Commission on January 26, 2006.

intensive services, day care habilitative (counseling and rehabilitative) services, vocational services, socialization services, collateral services, assessment, individual therapy, group therapy, medication (including the prescribing, administration, or dispensing of medications, and the evaluation of side effects and results of the medication), and crisis intervention.

Section 60020, subdivision (i), of the regulations, now defines "mental health services" as follows:

> "Mental health services" means mental health assessment and the following services when delineated on an IEP in accordance with Section 7572(d) of the Government Code: psychotherapy as defined in Section 2903 of the Business and Professions Code provided to the pupil individually or in a group, collateral services, medication monitoring, intensive day treatment, day rehabilitation, and case management. These services shall be provided directly or by contract at the discretion of the community mental health service of the county of origin.

Section 60020 of the test claim regulations continues to include mental health assessments, collateral services, intensive day treatment, and day rehabilitation within the definition of "mental health services." These services are not new. [Footnote deleted.]

However, the activities of crisis intervention, vocational services, and socialization services were deleted by the test claim regulations. ...

Thus, counties are not eligible for reimbursement for providing crisis intervention, vocational services, and socialization services since these activities were repealed as of July 1, 1998.

Nevertheless, section 60020 of the regulations increases the level of service of counties providing mental health services by including case management services and "psychotherapy" within the meaning of "mental health services." The regulation defines psychotherapy to include both individual and group therapy, based on the definition in Business and Professions Code section 2903.

The parameters and guidelines for the program, however, inadvertently included in the identification of activities that were *not* reimbursable the activities of mental health assessments, collateral services, intensive day treatment, and case management. The parameters and guidelines also inadvertently did not include reimbursement for day rehabilitation services. Based on the Commission's Statements of Decision for these programs, claimants are eligible for reimbursement, beginning July 1, 2001, for case management services. Claimants are also eligible for reimbursement, beginning July 1, 2004, for mental health assessments, collateral services, intensive day treatment, and day rehabilitation services.

Thus, in order for the parameters and guidelines to conform to the findings of the Commission in the reconsideration of *Handicapped and Disabled Students* (04-RL-4292-10) and *Handicapped and Disabled Students II* (02-TC-40, 02-TC-49), Section IV(G) is corrected as follows:

G. Provide Psychotherapy or Other Mental Health Treatment Services (Cal. Code Regs., tit. 2, §§ 60020, subd. (i), 60050, subd. (b), 60200, subd. (c))

1) The host county shall make its provider network available and provide the county of origin a list of appropriate providers used by the host county's managed care plan who are currently available to take new referrals. (Cal. Code Regs., tit. 2, § 60200, subd. (c)(1).)

2) The county of origin shall negotiate with the host county to obtain access to limited resources, such as intensive day treatment and day rehabilitation. (Cal. Code Regs., tit. 2, § 60200, subd. (c)(1).)

3) Provide case management services to a pupil when required by the pupil's IEP. This service shall be provided directly or by contract at the discretion of the county of origin. (Cal. Code Regs., tit. 2, § 60020, subd. (i).)

4) Provide case management services and individual or group psychotherapy services, as defined in Business and Professions Code section 2903, when required by the pupil's IEP. This service shall be provided directly or by contract at the discretion of the county of origin. (Cal. Code Regs., tit. 2, § 60020, subd. (i).)

5) *Beginning July 1, 2004*, provide mental health assessments, collateral services, intensive day treatment, and day rehabilitation services when required by the pupil's IEP. These services shall be provided directly or by contract at the discretion of the county of origin. (Cal. Code Regs., tit. 2, § 60020, subd. (i).)

6) Provide medication monitoring services when required by the pupil's IEP. "Medication monitoring" includes all medication support services with the exception of the medications or biologicals themselves and laboratory work. Medication support services include prescribing, administering, and monitoring of psychiatric medications or biologicals as necessary to alleviate the symptoms of mental illness. This service shall be provided directly or by contract at the discretion of the county of origin. (Cal. Code Regs., tit. 2, § 60020, subds. (f) and (i).)

7) Notify the parent and the local educational agency when the parent and the county mutually agree upon the completion or termination of a service, or when the pupil is no longer participating in treatment. ((Cal. Code Regs., tit. 2, § 60050, subd. (b).)

(When providing psychotherapy or other mental health treatment services, the activities of ~~mental health assessments, collateral services, intensive day treatment, case management,~~ crisis intervention, vocational services, and socialization services are not reimbursable.)

Finally, language is added to Section III, Period of Reimbursement, to reflect the July 1, 2004 period of reimbursement for the activities of mental health assessments, collateral services, intensive day treatment, and day rehabilitation services.

Dated: _____

_____
Paula Higashi, Executive Director

Corrected: July 21, 2006
Adopted: December 9, 2005
j:mandates/2000/tc/02tc40/psgs/corrected psgs

CORRECTED
PARAMETERS AND GUIDELINES

Government Code Sections 7572.55 and 7576
Statutes 1994, Chapter 1128, Statutes 1996, Chapter 654

California Code of Regulations, Title 2, Sections 60000 et seq.
(emergency regulations effective July 1, 1998 [Register 98, No. 26],
final regulations effective August 9, 1999 [Register 99, No. 33])

Handicapped and Disabled Students II (02-TC-40/02-TC-49)

Counties of Stanislaus and Los Angeles, Claimants

I. SUMMARY OF THE MANDATE

On May 26, 2005, the Commission on State Mandates (Commission) adopted its Statement of Decision in *Handicapped and Disabled Students II*, finding that Government Code sections 7572.55 and 7576, as added or amended in 1994 and 1996, and the joint regulations adopted by the Departments of Mental Health and Education as emergency regulations in 1998 and final regulations in 1999 (Cal. Code Regs., tit. 2, §§ 60000 et seq.), impose a reimbursable state-mandated program on counties within the meaning of article XIII B, section 6 of the California Constitution and Government Code section 17514.

The Handicapped and Disabled Students program was initially enacted in 1984 and 1985 as the state's response to federal legislation (Individuals with Disabilities Education Act, or IDEA) that guaranteed to disabled pupils, including those with mental health needs, the right to receive a free and appropriate public education. Three other Statements of Decision have been adopted by the Commission on the Handicapped and Disabled Students program. They include *Handicapped and Disabled Students* (CSM 4282), *Reconsideration of Handicapped and Disabled Students* (04-RL-4282-10), and *Seriously Emotionally Disturbed (SED) Pupils: Out-of-State Mental Health Services* (97-TC-05).

Eligible claimants are ***not*** entitled to reimbursement under these parameters and guidelines for the activities approved by the Commission in *Handicapped and Disabled Students* (CSM 4282), *Reconsideration of Handicapped and Disabled Students* (04-RL-4282-10), and *Seriously Emotionally Disturbed (SED) Pupils: Out-of-State Mental Health Services* (97-TC-05).

These parameters and guidelines address only the amendments to the *Handicapped and Disabled Students* program. The Commission found, pursuant to the court's ruling in *Hayes v. Commission on State Mandates* (1992) 11 Cal. App.4th 1564, that Government Code sections 7572.55 and 7576, as added or amended in 1994 and 1996, and the joint regulations adopted by the Departments of Mental Health and Education as emergency regulations in 1998 and final regulations in 1999, constitute a reimbursable state-mandated program since the state "freely chose" to impose the costs upon counties as a means of implementing the federal IDEA program.

II. ELIGIBLE CLAIMANTS

Any county, or city and county, that incurs increased costs as a result of this reimbursable state-mandated program is eligible to claim reimbursement of those costs.

III. PERIOD OF REIMBURSEMENT

Government Code section 17557 states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for reimbursement for that fiscal year. The test claim for this mandate was filed by the County of Stanislaus (02-TC-40) on June 27, 2003, and filed by the County of Los Angeles (02-TC-49) on June 30, 2003. Therefore, except as expressly provided in Section IV. G (5), the period of reimbursement begins July 1, 2001.

Actual costs for one fiscal year shall be included in each claim. Estimated costs for the subsequent year may be included on the same claim, if applicable. Pursuant to Government Code section 17561, subdivision (d)(l)(A), all claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions.

If the total costs for a given year do not exceed $1,000, no reimbursement shall be allowed, except as otherwise allowed by Government Code section 17564.

IV. REIMBURSABLE ACTIVITIES

To be eligible for mandated cost reimbursement for any given fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, calendars, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise reported in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Claims should *exclude* reimbursable costs included in claims previously filed, beginning in fiscal year 2001-2002, for the Handicapped and Disabled Students program (CSM 4282).[2] Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

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[2] Some costs disallowed by the State Controller's Office in prior years are now reimbursable beginning July 1, 2001 (e.g., medication monitoring). Rather than claimants re-filing claims for

For each eligible claimant, the following activities are eligible for reimbursement:

A. Interagency Agreements (Cal. Code Regs., tit. 2, § 60030)

The one-time activity of revising the interagency agreement with each local educational agency to include the following eight procedures:

1) Resolving interagency disputes at the local level, including procedures for the continued provision of appropriate services during the resolution of any interagency dispute, pursuant to Government Code section 7575, subdivision (f). For purposes of this subdivision only, the term "appropriate" means any service identified in the pupil's IEP, or any service the pupil actually was receiving at the time of the interagency dispute. (Cal. Code Regs, tit. 2, § 60030, subd. (c)(2).)

2) A host county to notify the community mental health service of the county of origin within two (2) working days when a pupil with a disability is placed within the host county by courts, regional centers or other agencies for other than educational reasons. (Cal. Code Regs, tit. 2, § 60030, subd. (c)(4).)

3) Development of a mental health assessment plan and its implementation. (Cal. Code Regs., tit. 2, § 60030, subd. (c)(5).)

4) At least ten (10) working days prior notice to the community mental health service of all IEP team meetings, including annual IEP reviews, when the participation of its staff is required. (Cal. Code Regs., tit. 2, § 60030, subd. (c)(7).)

5) The provision of mental health services as soon as possible following the development of the IEP pursuant to section 300.342 of Title 34 of the Code of Federal Regulations. (Cal. Code Regs., tit. 2, § 60030, subd. (c)(9).)

6) The provision of a system for monitoring contracts with nonpublic, nonsectarian schools to ensure that services on the IEP are provided. (Cal. Code Regs., tit. 2, § 60030, subd. (c)(14).)

7) The development of a resource list composed of qualified mental health professionals who conduct mental health assessments and provide mental health services. The community mental health service shall provide the LEA with a copy of this list and monitor these contracts to assure that services as specified on the IEP are provided. (Cal. Code Regs., tit. 2, § 60030, subd. (c)(15).)

8) Mutual staff development for education and mental health staff pursuant to Government Code section 7586.6, subdivision (a). (Cal. Code Regs., tit. 2, § 60030, subd. (c)(17).)

(The activities of updating or renewing the interagency agreements are not reimbursable.)

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those costs incurred beginning July 1, 2001, the State Controller's Office will reissue the audit reports.

B. Referral and Mental Health Assessments (Gov. Code, § 7576; Cal. Code Regs., tit. 2, §§ 60040, 60045)

1) Work collaboratively with the local educational agency to ensure that assessments performed prior to referral are as useful as possible to the community mental health service in determining the need for mental health services and the level of services needed. (Gov. Code, § 7576, subd. (b)(1).)

2) A county that receives a referral for a pupil with a different county of origin shall forward the referral within one working day to the county of origin. (Gov. Code, § 7576, subd. (g); Cal. Code Regs., tit. 2, § 60040, subd. (g).)

3) If the county determines that a mental health assessment is not necessary, the county shall document the reasons and notify the parents and the local educational agency of the county determination within one day. (Cal Code Regs., tit. 2, § 60045, subd. (a)(1).)

4) If the county determines that the referral is incomplete, the county shall document the reasons, notify the local educational agency within one working day, and return the referral. (Cal. Code Regs., tit. 2, § 60045, subd. (a)(2).)

5) Notify the local educational agency when an assessment is determined necessary. (Cal. Code Regs., tit. 2, § 60045, subd. (b).)

6) Provide the assessment plan to the parent. (Cal. Code Regs., tit. 2, § 60045, subd. (b).)

7) Report back to the referring local educational agency or IEP team within 30 days from the date of the receipt of the referral if no parental consent for a mental health assessment has been obtained. (Cal. Code Regs., tit. 2, § 60045, subd. (c).)

8) Notify the local educational agency within one working day after receipt of the parent's written consent for the mental health assessment to establish the date of the IEP meeting. (Cal. Code Regs., tit. 2, § 60045, subd. (d).)

9) Provide the parent with written notification that the parent may require the assessor to attend the IEP meeting to discuss the recommendation when the parent disagrees with the assessor's mental health service recommendation. (Cal. Code Regs., tit. 2, § 60045, subd. (f).)

10) The county of origin shall prepare yearly IEP reassessments to determine the needs of a pupil. (Cal. Code Regs., tit. 2, § 60045, subd. (h).)

C. Transfers and Interim Placements (Cal. Code Regs., tit. 2, § 60055)

1) Following a pupil's transfer to a new school district, the county shall provide interim mental health services, as specified in the existing IEP, for thirty days, unless the parent agrees otherwise.

2) Participate as a member of the IEP team of a transfer pupil to review the interim services and make a determination of services.

D. Participate as a Member of the Expanded IEP Team When Residential Placement of a Pupil is Recommended (Gov. Code, § 7572.55; Cal Code Regs., tit. 2, § 60100)

1) When a recommendation is made that a child be placed in an out-of-state residential facility, the expanded IEP team, with the county as a participant, shall develop a plan for using less restrictive alternatives and in-state alternatives as soon as they become available, unless it is in the best educational interest of the child to remain in the out-of-state school. (Gov. Code, § 7572.55, subd. (c).)

2) The expanded IEP team, with the county as a participant, shall document the alternatives to residential placement that were considered and the reasons why they were rejected. (Cal. Code Regs., tit. 2, § 60100, subd. (c).)

3) The expanded IEP team, with the county as a participant, shall ensure that placement is in accordance with the admission criteria of the facility. (Cal. Code Regs., tit. 2, § 60100, subd. (j).)

4) When the expanded IEP team determines that it is necessary to place a pupil who is seriously emotionally disturbed in residential care, counties shall ensure that: (1) the mental health services are specified in the IEP in accordance with federal law, and (2) the mental health services are provided by qualified mental health professionals. (Cal. Code Regs., tit. 2, § 60100, subd. (i).)

E. Case Management Duties for Pupils Placed in Residential Care (Cal. Code Regs., tit. 2, §§ 60100, 60110)

1) Coordinate the residential placement plan of a pupil with a disability who is seriously emotionally disturbed as soon as possible after the decision has been made to place the pupil in residential placement. The residential placement plan shall include provisions, as determined in the pupil's IEP, for the care, supervision, mental health treatment, psychotropic medication monitoring, if required, and education of the pupil. (Cal. Code Regs., tit, 2, § 60110, subd, (b)(1).)

2) When the IEP team determines that it is necessary to place a pupil with a disability who is seriously emotionally disturbed in a community treatment facility, the lead case manager shall ensure that placement is in accordance with admission, continuing stay, and discharge criteria of the community treatment facility. (Cal. Code Regs., tit. 2, § 60110, subd. (b)(3).)

3) Identify, in consultation with the IEP team's administrative designee, a mutually satisfactory placement that is acceptable to the parent and addresses the pupil's educational and mental health needs in a manner that is cost-effective for both public agencies, subject to the requirements of state and federal special education law, including the requirement that the placement be appropriate and in the least restrictive environment. (Cal. Code Regs, tit. 2, §§ 60100, subd. (e), 60110, subd. (c)(2).)

4) Document the determination that no nearby placement alternative that is able to implement the IEP can be identified and seek an appropriate placement that is as close to the parents' home as possible. (Cal. Code Regs., tit. 2, § 60100, subd. (f).)

5) Notify the local educational agency that the placement has been arranged and coordinate the transportation of the pupil to the facility if needed. (Cal. Code Regs, tit. 2, § 60110, subd. (c)(7).)

6) Facilitate placement authorization from the county's interagency placement committee pursuant to Welfare and Institutions Code section 4094.5, subdivision (e)(1), by presenting the case of a pupil with a disability who is seriously emotionally disturbed prior to placement in a community treatment facility. (Cal. Code Regs, tit. 2, § 60110, subd. (c)(11).)

7) Evaluate every 90 days the continuing stay criteria, as defined in Welfare and Institutions Code section 4094, of a pupil placed in a community treatment facility every 90 days. (Cal. Code Regs, tit. 2, § 60110, subd. (c)(8).)

8) Schedule and attend the next expanded IEP team meeting with the expanded IEP team's administrative designee within six months of the residential placement of a pupil with a disability who is seriously emotionally disturbed and every six months thereafter as the pupil remains in residential placement. (Cal. Code Regs, tit. 2, § 60110, subd. (c)(10).)

F. Authorize Payments to Out-Of-Home Residential Care Providers (Cal. Code Regs., tit. 2, § 60200, subd. (e))

1) Authorize payments to residential facilities based on rates established by the Department of Social Services in accordance with Welfare and Institutions Code sections 18350 and 18356. This activity requires counties to determine that the residential placement meets all the criteria established in Welfare and Institutions Code sections 18350 through 18356 before authorizing payment.

G. Provide Psychotherapy or Other Mental Health Treatment Services (Cal. Code Regs., tit. 2, §§ 60020, subd. (i), 60050, subd. (b), 60200, subd. (c))

1) The host county shall make its provider network available and provide the county of origin a list of appropriate providers used by the host county's managed care plan who are currently available to take new referrals. (Cal. Code Regs., tit. 2, § 60200, subd. (c)(1).)

2) The county of origin shall negotiate with the host county to obtain access to limited resources, such as intensive day treatment and day rehabilitation. (Cal. Code Regs., tit. 2, § 60200, subd. (c)(1).)

3) Provide case management services to a pupil when required by the pupil's IEP. This service shall be provided directly or by contract at the discretion of the county of origin. (Cal. Code Regs., tit. 2, § 60020, subd. (i).)

4) Provide <u>case management services and</u> individual or group psychotherapy services, as defined in Business and Professions Code section 2903, when required by the pupil's IEP. This service shall be provided directly or by contract at the discretion of the county of origin. (Cal. Code Regs., tit. 2, § 60020, subd. (i).)

5) <u>*Beginning July 1, 2004*, provide mental health assessments, collateral services, intensive day treatment, and day rehabilitation services when required by the pupil's</u>

IEP. These services shall be provided directly or by contract at the discretion of the county of origin. (Cal. Code Regs., tit. 2, § 60020, subd. (i).)

6) Provide medication monitoring services when required by the pupil's IEP. "Medication monitoring" includes all medication support services with the exception of the medications or biologicals themselves and laboratory work. Medication support services include prescribing, administering, and monitoring of psychiatric medications or biologicals as necessary to alleviate the symptoms of mental illness. This service shall be provided directly or by contract at the discretion of the county of origin. (Cal. Code Regs., tit. 2, § 60020, subds. (f) and (i).)

7) Notify the parent and the local educational agency when the parent and the county mutually agree upon the completion or termination of a service, or when the pupil is no longer participating in treatment. ((Cal. Code Regs., tit. 2, § 60050, subd. (b).)

(When providing psychotherapy or other mental health treatment services, the activities of ~~mental health assessments, collateral services, intensive day treatment, case management,~~ crisis intervention, vocational services, and socialization services are not reimbursable.)

V. CLAIM PREPARATION AND SUBMISSION

Each of the following cost elements must be identified for each reimbursable activity identified in section IV. of this document. Each claimed reimbursable cost must be supported by source documentation as described in section IV. Additionally, each reimbursement claim must be filed in a timely manner.

There are two satisfactory methods of submitting claims for reimbursement of increased costs incurred to comply with the mandate: the direct cost reporting method and the cost report method.

Direct Cost Reporting Method

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for the reimbursable activities. The following direct costs are eligible for reimbursement.

1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the services that were performed during the period covered by the reimbursement claim. If the contract services are also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services.

4. Fixed Assets and Equipment

Report the purchase price paid for fixed assets and equipment (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset or equipment is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

B. Indirect Cost Rates

Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include (1) the overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in the Office of Management and Budget (OMB) Circular A-87. Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in OMB Circular A-87 Attachments A and B) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in OMB A-87 Attachments A and B). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) classifying a department's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected; or

2. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected.

Cost Report Method

A. Cost Report Method

Under this claiming method, the mandate reimbursement claim is still submitted on the State Controller's claiming forms in accordance with claiming instructions. A complete copy of the annual cost report, including all supporting schedules attached to the cost report as filed with the Department of Mental Health, must also be filed with the claim forms submitted to the State Controller.

B. Indirect Cost Rates

To the extent that reimbursable indirect costs have not already been reimbursed by the Department of Mental Health from categorical funding sources, they may be claimed under this method.

Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include (1) the overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in the Office of Management and Budget (OMB) Circular A-87. Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in OMB Circular A-87 Attachments A and B) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in OMB A-87 Attachments A and B). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) classifying a department's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an

equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected; or

2. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected.

VI. RECORDS RETENTION

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter[3] is subject to the initiation of an audit by the State Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

VII. OFFSETTING SAVINGS AND REIMBURSEMENTS

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any of the following sources shall be identified and deducted from this claim:

1. Funds received by a county pursuant to Government Code section 7576.5.
2. Any direct payments or categorical funding received from the state that is specifically allocated to any service provided under this program. This includes the appropriation made by the Legislature in the Budget Act of 2001, which appropriated funds to counties in the amounts of $12,334,000 (Stats. 2001, ch. 106, items 4440-131-0001), and the $69 million appropriations in 2003 and 2004 (Stats. 2003, ch. 157, item 6110-161-0890, provision 17; Stats. 2004, ch. 208, item 6110-161-0890, provision 10).
3. Private insurance proceeds obtained with the consent of a parent for purposes of this program.

[3] This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

4. Medi-Cal proceeds obtained from the state or federal government that pay for a portion of the county services provided to a pupil under the Handicapped and Disabled Students program in accordance with federal law.
5. Any other reimbursement received from the federal or state government, or other non-local source.

Beginning July 1, 2001, realignment funds under the Bronzan-McCorquodale Act that are used by a county for this program are not required to be deducted from the costs claimed. (Stats. 2004, ch. 493, § 6 (SB 1895).)

VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS

Pursuant to Government Code section 17558, subdivision (b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the statute or executive order creating the mandate and the parameters and guidelines adopted by the Commission.

Pursuant to Government Code section 17561, subdivision (d)(l), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

IX. REMEDIES BEFORE THE COMMISSION

Upon request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for reimbursement of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557, subdivision (a), and the California Code of Regulations, title 2, section 1183.2.

X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES

The Statement of Decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the Statement of Decision, is on file with the Commission.

TAB 5

Welcome to the online source for California Code of Regulations

2 CA ADC § 1185

Term

2 CCR s 1185

Cal. Admin. Code tit. 2, s 1185

BARCLAYS OFFICIAL CALIFORNIA CODE OF REGULATIONS
TITLE 2. ADMINISTRATION
DIVISION 2. FINANCIAL OPERATIONS
CHAPTER 2.5. COMMISSION ON STATE MANDATES
ARTICLE 5. INCORRECT REDUCTION CLAIMS
This database is current through 4/13/07, Register 2007, No. 15

s 1185. Incorrect Reduction Claim Filing.

(a) To obtain a determination that the Office of State Controller incorrectly reduced a reimbursement claim, a claimant shall file an "incorrect reduction claim" with the commission.

(b) All incorrect reduction claims shall be filed with the commission no later than three (3) years following the date of the Office of State Controller's remittance advice or other notice of adjustment notifying the claimant of a reduction.

(c) An incorrect reduction claim shall pertain to alleged incorrect reductions in a reimbursement claim (s) filed by one claimant. The incorrect reduction claim may be for more than one fiscal year.

(d) All incorrect reduction claims, or amendments thereto, shall be filed on a form provided by the commission.

(e) All incorrect reduction claims, or amendments thereto, shall contain at least the following elements and documents:

(1) A copy of the Office of State Controller's claiming instructions that were in effect during the fiscal year(s) of the reimbursement claim(s).

(2) A written detailed narrative that describes the alleged incorrect reduction(s). The narrative shall include a comprehensive description of the reduced or disallowed area(s) of cost(s).

(3) If the narrative describing the alleged incorrect reduction(s) involves more than discussion of statutes or regulations or legal argument and utilizes assertions or representations of fact, such assertions or representations shall be supported by testimonial

or documentary evidence and shall be submitted with the claim. All documentary evidence must be authenticated by declarations under penalty of perjury signed by persons who are authorized and competent to do so and be based upon the declarant's personal knowledge or information or belief.

(4) A copy of the final state audit report or letter or the remittance advice or other notice of adjustment from the Office of State Controller that explains the reason(s) for the reduction or disallowance.

(5) A copy of a letter sent by the claimant or the claimant's representative to the Office of State Controller explaining why the reduced area(s) of cost in dispute should be restored.

(6) A copy of the subject reimbursement claims the claimant submitted to the Office of State Controller.

(7) An incorrect reduction claim, or amendment thereto, shall be signed at the end of the document, under penalty of perjury by the claimant or its authorized representative, with the declaration that the test claim is true and complete to the best of the declarant's personal knowledge or information or belief. The date signed, the declarant's title, address, telephone number, and, if available, electronic mail address and facsimile number, shall be included.

(8) The claimant shall file one original incorrect reduction claim, or amendment thereto, and accompanying documents with commission. The original shall be unbound and single-sided, without tabs, and include a table of contents.

(9) The claimant shall also file two (2) copies of the incorrect reduction claim, or amendment thereto, and accompanying documents with the commission. The copies may be two-sided and shall not include tabs.

(f) Within ten (10) days of receipt of an incorrect reduction claim, commission staff shall notify the claimant if the incorrect reduction claim is complete or incomplete. Incorrect reduction claims will be considered incomplete if any of the elements required in subsections (d) through (f) of this section are illegible or not included. Incomplete incorrect reduction claims shall be returned to the claimant. If a complete incorrect reduction claim is not received by the commission with thirty (30) days from the date the incomplete claim was returned to the claimant, the commission shall deem the filing to be withdrawn.

<General Materials (GM) - References, Annotations, or Tables>

Note: Authority cited: Section 17527(g) and (h), Government Code. Reference: Sections 17551(b) and 17553, Government Code.

HISTORY

1. New Article 5 (Sections 1185 and 1185.1) filed 12-13-85; effective upon filing pursuant to Government Code Section 11346.2(d) (Register 85, No.

50).

2. Amendment of Note filed 4-29-87; operative 5-29-87 (Register 87, No. 18).

3. Amendment of subsections (a), (b) and (c)(4)-(5) and Note filed 7-23-96; operative 7-23-96. Submitted to OAL for printing only (Register 96, No. 30).

4. Amendment of section and Note filed 9-13-99; operative 9-13-99. Submitted to OAL for printing only pursuant to Government Code section 17527 (Register 99, No. 38).

5. Amendment of article heading and amendment of section and Note filed 4-21-2003; operative 4-21-2003. Submitted to OAL for printing only pursuant to Government Code section 17527(g) (Register 2003, No. 17).

2 CCR s 1185, **←2 CA ADC s 1185→**
1CAC

←2 CA ADC s 1185→

END OF DOCUMENT

COUNTY'S

INCORRECT REDUCTION CLAIM

FILED WITH THE

COMMISSION ON STATE MANDATES

ON MAY 1, 2006

STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, *Governor*

COMMISSION ON STATE MANDATES
980 NINTH STREET, SUITE 300
SACRAMENTO, CA 95814
PHONE: (916) 323-3562
FAX: (916) 445-0278
E-mail: csminfo@csm.ca.gov

Rec'd 5/22/06 JB / Auditors

May 12, 2006

Ms. Bang Quan
County of Orange
Auditor-Controller
P.O. Box 567
Santa Ana, CA 92702

Ms. Ginny Brummels
Division of Accounting and Reporting
State Controller's Office
3301 C Street, Suite 501
Sacramento, CA 95816

Re: **Incorrect Reduction Claim**
Handicapped and Disabled Students, 05-4282-I-02
County of Orange, Claimant
Statutes 1984, Chapter 1747; Statutes 1985, Chapter 1274
Fiscal Years 1997-1998 and 1998-1999

AV
Reconsideration 7/11/01 + MED Mention

Dear Ms. Quan and Ms. Brummels:

On May 1, 2006, the County of Orange filed an incorrect reduction claim (IRC) with the Commission on State Mandates (Commission) based on the *Handicapped and Disabled Students* program for fiscal years 1997-1998 and 1998-1999. Commission staff determined that the IRC filing is complete.

Government Code section 17551, subdivision (b), requires the Commission to hear and decide upon claims filed by local agencies and school districts that the State Controller's Office (SCO) has incorrectly reduced payments to the local agencies or school districts.

SCO Review and Response. Please file the SCO response and supporting documentation regarding this claim within 90 days of the date of this letter. Please include an explanation of the reason(s) for the reductions and the computation of reimbursements. All documentary evidence must be authenticated by declarations under penalty of perjury signed by persons who are authorized and competent to do so and be based on the declarant's personal knowledge, information or belief. The Commission's regulations also require that the responses (opposition or recommendation) filed with the Commission be simultaneously served on the claimants and their designated representatives, and accompanied by a proof of service. (Cal. Code Regs., tit. 2, § 1185.01.)

The failure of the SCO to respond within this 90-day timeline shall not cause the Commission to delay consideration of this IRC.

Claimant's Rebuttal. Upon receipt of the SCO response, the claimant and interested parties may file rebuttals. The rebuttals are due 30 days from the service date of the response.

Prehearing Conference. A prehearing conference will be scheduled if requested.

Public Hearing and Staff Analysis. The public hearing on this claim will be scheduled after the record closes. A staff analysis will be issued on the IRC at least eight weeks prior to the public hearing.

Dismissal of Incorrect Reduction Claims. Under section 1188.31 of the Commission's regulations, IRCs may be dismissed if postponed or placed on inactive status by the claimant for more than one year. Prior to dismissing a claim, the Commission will provide 60 days notice and opportunity for the claimant to be heard on the proposed dismissal.

Please contact Tina Poole at (916) 323-8220 if you have any questions.

Sincerely,

NANCY PATTON
Assistant Executive Director

Enclosure: Incorrect Reduction Claim Filing - (SCO only)

J:mandates/IRC/2005/4282-I-02/completeltr

State of California
COMMISSION ON STATE MANDATES
980 Ninth Street, Suite 300
Sacramento, CA 95814
(916) 323-3562

For Official Use Only

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COMMISSION ON STATE MANDATES

Claim No. 05-4282-I-02

INCORRECT REDUCTION CLAIM FORM

Local Agency or School District Submitting Claim

Auditor-Controller
County of Orange

Contact Person

Kim Engelby/Howard Thomas

Telephone No.

(714) 834-7407
(714) 834-5313

Address

515 Sycamore St, 5th Floor
Santa Ana, CA 92702

Representative Organization to be Notified

County of Orange, Auditor-Controller Financial Reporting and Mandated Costs

Attn: Bang Quan
PO Box 567
Santa Ana, CA 92702

This claim alleges an incorrect reduction of a reimbursement claim filed with the state Controller's Office pursuant to section 17561 of the Government Code. This incorrect reduction claim is filed pursuant to section 17551(b) of the Government Code.

CLAIM IDENTIFICATION: Specify Statute or Executive Order

Chapters 1747/84 & 1274/85 - Services to Handicapped Students

Fiscal Year*	Amount of the Incorrect Reduction
1997-98	$759,114
1998-99	$870,701
Total	$1,629,815

*More than one fiscal year may be claimed.

IMPORTANT: PLEASE SEE INSTRUCTIONS AND FILING REQUIREMENTS FOR COMPLETING AN INCORRECT REDUCTION CLAIM ON THE REVERSE SIDE.

Name and Title of Authorized Representative

Denise Steckler, Manager
Financial Reporting and Mandated Costs

Telephone No.

(714) 834-5367

Signature of Authorized Representative

Denise Steckler

Date

4/28/06

COUNTY OF ORANGE
HEALTH CARE AGENCY

BEHAVIORAL HEALTH SERVICES

JULIETTE A. POULSON, RN, MN
DIRECTOR

MARK A. REFOWITZ
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April 27, 2006

CERTIFIED MAIL

Paula Higashi, Executive Director
Commission on State Mandates
980 9th Street, Suite 300
Sacramento, CA 95814

Re: Incorrect Reduction Claim
Handicapped and Disabled SB90 Claim (HDS)
Fiscal Years 1997/98 and 1998/99

On May 2, 2003, the County of Orange received remittance advices totaling $1,791,058 resulting from findings from the State Controller Office's (SCO) audit of the County's SB90 *Handicapped and Disabled Students* (HDS) claims for Fiscal Years (FY) 1997/98 and 1998/99. Of this amount, $1,629,815 pertained to medication monitoring services that were at that time disallowed.

In our appeal to the findings of this audit, we cited several sections from the California Code of Regulations, Welfare and Institutions Code, and the Government Code that all mandate medication monitoring as a necessary part of treatment services provided for under Chapter 26.5 of the Government Code, and therefore were implied as claimable under the Parameters and Guidelines for this mandate at that time. The SCO's denial of this appeal was based on the argument that the Parameters and Guidelines specify all activities covered by the mandate, and by not specifically including medication monitoring, this implied that these services were not covered.

However, as a result of a successful HDS test claim by another entity, the Commission on State Mandates issued new parameters and guidelines for this claim on February 17, 2006 that allowed for the reimbursement of medication monitoring services. Based on this action, which validates that medication monitoring is and always has been a mandated activity, the County is thereby submitting this Incorrect Reduction Claim for the previously disallowed medication monitoring expenditures from FY 1997/98 and 1998/99 in the amount of $1,629,815 per Title 2, Division 2, Chapter 2.5, Article 1 of the California Code of Regulations.

In accordance with the claiming instructions, we have enclosed the required copies of the necessary documentation in support of this claim. If you require additional information or have any questions, please contact my office at (714) 834-6032.

Mark A. Refowitz
Deputy Agency Director
Behavioral Health Services

Attachments

MAR/ke

EXHIBIT A

SERVICES TO HANDICAPPED STUDENTS

1. Summary of Chapters 1747/84 and 1274/85

Chapter 1747, Statutes of 1984, added Chapter 26, commencing with § 7570, to Division 7 of Title 1 of the Government Code.

Chapter 1274, Statutes of 1985, amended Government Code § § 7572, 7572.5, 7575, 7576, 7579, 7582, and 7587; amended and repealed § 7583; added § 7586.5 and 7586.7; repealed § 7574 and amended § 5651 of the Welfare and Institutions Code. To the extent that Government Code § 7572 and § 60040, Title 2, Code of California Regulations, require county participation in the mental health assessment for "individuals with exceptional needs," such legislation and regulations impose a new program or higher level of service upon a county. Furthermore, any related county participation in the expanded "Individualized Education Program" (IEP) team and case management services for "individuals with exceptional needs" who are designated as "seriously emotionally disturbed", pursuant to Subdivisions (a), (b), and (c) of Government Code § 7572.5 and their implementing regulations.

The aforementioned mandatory county participation in the IEP process is not subject to the Short Doyle Act, and accordingly, such costs related thereto, are costs mandated by the state and are fully reimbursable within the meaning of § 6, Article XIIIB of the California Constitution.

The provisions of Welfare and Institutions Code § 5651, Subdivision (g), result in a higher level of service within the county Short-Doyle program because pursuant to Government Code § § 7571 and 7576 and their implementing regulations, the mental health services must be included in the county Short-Doyle annual plan. Such services include psychotherapy and other mental health services provided to "individuals with exceptional needs", including those designated as "seriously emotionally disturbed", and required in such individual's IEP.

Such mental health services are subject to the current cost sharing formula of the Short-Doyle Act, through which the state provides ninety (90) percent of the total costs of the Short-Doyle program, and the county is required to provide the remaining ten (10) percent of the funds. Accordingly, only ten (10) percent of such program costs are reimbursable within the meaning of § 6, Article XIIIB of the California Constitution as costs mandated by the state, because the Short-Doyle Act currently provides counties ninety (90) percent of the costs of furnishing those mental health services set forth in Government Code § § 7571 and 7576 and their implementing regulations, and described in the county's Short-Doyle annual plan pursuant to Welfare and Institutions Code § 5651, Subdivision (g).

On April 26, 1990, the Commission on State Mandates determined that Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985 resulted in state mandated costs that are reimbursable pursuant to Part 7 (commencing with Government Code § 17500) of Division 4 of Title 2. The Commission determined that county participation in the IEP process is a state mandated program and any related cost is fully reimbursable. Furthermore, any mental health treatment required by an IEP is subject to the Short-Doyle cost sharing formula. Consequently, only the county's Short-Doyle share (i.e., ten percent) of the mental health treatment costs will be reimbursed as costs mandated by the state.

2. Eligible Claimants

Any county incurring increased costs as a result of this mandate is eligible to claim reimbursement of these costs.

3. Appropriations

These claiming instructions are issued following the adoption of the program's amended parameters and guidelines by the Commission on State Mandates. Funds for payment of the 1994/95, 1995/96, 1996/97 costs are made available in state budget acts of these fiscal years.

To determine if this program is funded in subsequent fiscal years, refer to the schedule "Appropriations for State Mandated Cost Programs" in the "Annual Claiming Instructions for State Mandated Costs" issued in September of each year to county auditors.

4. Types of Claims

A. Reimbursement and Estimated Claims

A claimant may file a reimbursement and/or an estimated claim. A reimbursement claim details the costs actually incurred for a prior fiscal year. An estimated claim shows the costs to be incurred for the current fiscal year.

B. Minimum Claim

Government Code § 17564(a) provides that no claim shall be filed pursuant to Government Code § 17561 unless such a claim exceeds $200 per program per fiscal year.

5. Filing Deadline

A. Initial Claims

Initial claims must be filed within 120 days from the issuance date of claiming instructions. Accordingly:

(1) Reimbursement claims detailing the actual costs incurred for the 1994/95 and 1995/96 fiscal years must be filed with the State Controller's Office and post- marked by July 28, 1997. If the reimbursement claim is filed after the deadline of July 28, 1997, the approved claim must be reduced by a late penalty of 10%, not to exceed $1,000. Claims filed more than one year after the deadline will not be accepted.

(2) Estimated claims for costs to be incurred during the 1996/97 fiscal year must be filed with the State Controller's Office and postmarked by July 28, 1997. Timely filed estimated claims are paid before late claims. If a payment is received for the estimated claim, a 1996/97 reimbursement claim must be filed by November 30, 1997.

B. Annually Thereafter

Refer to the item "Reimbursable State Mandated Cost Programs" contained in the annual cover letter for mandated cost programs issued annually in September, which identifies the fiscal years for which claims may be filed. If an "x" is shown for the program listed under "19__/19__ Reimbursement Claim," and/or "19__/19__ Estimated Claim," claims may be filed as follows:

(1) An estimated claim must be filed with the State Controller's Office and postmarked by November 30 of the fiscal year in which costs are to be incurred. Timely filed estimated claims will be paid before late claims.

After having received payment for an estimated claim, the claimant must file a reimbursement claim by November 30 of the following fiscal year. If the local agency fails to file a reimbursement claim, monies received for the estimated claim must be returned to the State. If no estimated claim was filed, the agency may file a reimbursement claim detailing the actual costs incurred for the fiscal year, provided there was an appropriation for the program for that fiscal year. For information regarding appropriations for reimbursement claims, refer to the "Appropriation for State Mandated Cost Programs" in the previous fiscal year's annual claiming instructions.

(2) A reimbursement claim detailing the actual costs must be filed with the State Controller's Office and postmarked by November 30 following the fiscal year in which costs were incurred. If the claim is filed after the deadline but by November 30 of the succeeding fiscal year, the approved claim must be reduced by a late penalty of 10%, not to exceed $1,000. Claims filed more than one year after the deadline will not be accepted.

6. Reimbursable Components

Eligible claimants will be reimbursed for the direct and indirect cost of labor, supplies, and services incurred for the following mandated components:

A. Assessment, IEP Participation, Case Management

(1) The scope of the mandate is one hundred percent (100) percent reimbursement of any costs related to IEP Participation, Assessment, and Case Management, except for individuals billed to Medi-Cal only. The Federal Financing Participation portion (FFP) for these activities should be deducted from reimbursable activities not subject to the Short-Doyle Act.

(2) For each eligible claimant, the following cost items are one hundred (100%) percent reimbursable (G. C. § 7572, subd. (d)(1)):

(a) Whenever an LEA refers an individual suspected of being an "individual with exceptional needs" to the local mental health department, mental health assessment and recommendation by qualified mental health professionals in conformance with assessment procedures set forth in Article 2 (commencing with § 56320) of Chapter 4 of part 30 of Division 4 of the Education Code, and regulations developed by the State Department of Mental Health, in consultation with the State Department of Education, including but not limited to the following mandated services:

i. Interview with the child and family

ii. Collateral interviews as necessary

iii. Review of the records

iv. Observation of the child at school

v. Psychological testing and/or psychiatric assessment, as necessary.

(b) Review and discussion of mental health assessment and recommendations with parent and appropriate IEP team members. (G. C. § 7572, subd. (d)(1)).

(c) Attendance by the mental health professional who conducted the assessment at IEP meetings, when requested. (G. C. § 7572, subd. (d)(1)).

(d) Review by claimant's mental health professional of any independent assessment(s) submitted by the IEP team. (G. C. 7572, subd. (d)(2)).

(e) When the written mental health assessment report provided by the local mental health program determines that an "individual with special needs" is seriously

emotionally disturbed", and any member of the IEP team recommends residential placement based upon relevant assessment information, inclusion of the claimant's mental health professional on that individual's expanded IEP team.

(f) When the IEP prescribes residential placement for an "individual with exceptional needs" who is "seriously emotionally disturbed," claimant's mental health personnel's identification of out-of-home placement, case management, six month review of IEP, and expanded IEP responsibilities. (G. C. § 7572.5).

(g) Required participation in due process procedures, including but not limited to due process hearings.

(b) One hundred (100%) percent of any administrative costs related to IEP Participation, Assessment, and Case Management, whether direct or indirect.

B. Treatment Services

Any costs related to mental health treatment services rendered under the Short-Doyle Act:

(1) The scope of the mandate is ten (10%) percent reimbursement.

(2) For each eligible claimant, the following cost items for the provision of mental health services when required by a child's individualized education program are ten (10%) percent reimbursable (G. C. § 7576):

(a) Individual therapy

(b) Collateral therapy and contacts

(c) Group therapy

(d) Day treatment

(e) Mental health portion of residential treatment in excess of the State Department of Social Services payment for the residential placement.

(b) Ten (10%) percent of any administrative costs related to mental health treatment services rendered under the Short-Doyle Act, whether direct or indirect.

7. Reimbursement Limitations

A. Any offsetting savings the claimant experiences as a direct result of this statute must be deducted from the costs claimed.

B. The following reimbursements for this mandate shall be deducted from the claim:

1. Any direct payments (categorical funding) received form the State which are specifically allocated to this program.

2. Any other reimbursement for this mandate (excluding Short-Doyle funding, private insurance payments, and Medi-Cal payments), which is received from any source, e.g., federal, state, etc.

8. Claiming Forms and Instructions

The diagram "Illustration of Claim Forms" provides a graphical presentation of forms required to be filed with a claim. A claimant may submit a computer generated report in substitution for forms HDS-1, HDS-2, HDS-3, HDS-4, HDS-5, and HDS-6 provided the format of the report and data fields contained within the report are identical to the claim forms included in these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file estimated or reimbursement claims. The State Controller's Office will revise the manual and claim forms as necessary. In such instances, new replacement forms will be mailed to claimants.

9. Claim Preparation

There are two satisfactory methods of submitting claims for reimbursement of increased costs incurred to comply with the mandate:

A. Cost Report Method

Under this claiming method a complete copy of the annual cost report including all supporting schedules attached to the cost report as filed with DMH must also be filed with the claim forms submitted to the State Controller.

To the extent that reimbursable indirect costs have not already been reimbursed by DMH from categorical funding sources, they may be claimed under this method in either of the two following ways prescribed in the State Controller's claiming instructions:

Ten (10%) percent of related direct labor, excluding fringe benefits. This method may not result in a total combined reimbursement from DMH and SCO for program indirect costs that exceed ten (10%) percent of total program direct labor costs, excluding fringe benefits.

OR if an indirect cost rate greater than ten (10%) is being claimed:

By preparation of an "Indirect Cost Rate Proposal" (ICRP) in full compliance with Office of Management and Budget Circular A-87 (OMB A-87). Note that OMB A-87 was revised as of May 17, 1995, and that while OMB A-87 is based on the concept of full allocation of indirect costs, it recognizes that in addition to its restrictions, there may be state laws or state regulations that further restrict allowability of costs. Additionally, if more than one department is involved in the mandated program, each department must have its own ICRP. Under this method, total reimbursement for program indirect costs from combined DMH and SCO sources must not exceed the total for those items as computed in the ICRP's.

1. Form HDS-6, Component/Activity Cost Detail

This form is used to detail the cost of administration for Assessment, IEP Participation, Case Management and Mental Health Treatment. The indirect costs summarized on this form must be carried forward to HDS-3, line (03)(e) or HDS-3, line (03)(g), as appropriate.

Indirect costs may be computed as ten (10%) of direct labor costs, excluding fringe benefits. If an indirect cost rate greater than ten (10%) is used, include the Indirect Cost Proposal (ICRP) with the claim. If more than one department is involved in the mandated costs program, each department must have their own ICRP.

2. Form HDS-5, Component/Activity Cost Detail

This form is used to detail the cost of due process proceedings. Claim statistics shall identify the amount of work performed during the period in which costs are claimed. The claimant must provide the number of due process proceedings. The cost summarized on this form must be carried forward to HDS-3, line (03)(d).

Indirect costs may be computed as ten (10%) of direct labor costs, excluding fringe benefits. If an indirect cost rate greater than ten (10%) is used, include the Indirect Cost Proposal (ICRP) with the claim. If more than one department is involved in the mandated costs program, each department must have their own ICRP.

3. Form HDS-4, Component/Activity Cost Detail

This form is used to segregate the detailed cost by claim component. Information required to complete this form: (a) Name of Providers, (b) Provider I.D. Numbers, (c) Service Function Codes, (d) Units of Service, and (e) Rate Per

Unit. Carry forward the total from line (05) column (f) to form HDS-3, block (03) in the appropriate line.

4. **Form HDS-3, Claim Summary**

This form is used to summarize the cost from forms HDS-4, HDS-5, and HDS-6. The cost must be reduced by the amount of funds received from Non-Categorical State General/Realignment Funds, State Categorical Funds, Short-Doyle/Medi Cal (FFP only), and other funds that reimburse any portion of the mandate. The total claimed amount on this form is carried forward to form FAM-27.

B. **Actual Increased Cost Method**

Report actual increased costs incurred for each of the following expense categories in the format specified by the State Controller's claiming instructions. Attach supporting schedules as necessary.

1. **Form HDS-2, Component/Activity Cost Detail**

This form is used to segregate the detailed cost by claim component. A separate form HDS-2 must be completed for each cost component being claimed. Costs reported on this form must be supported as follows:

(a) Salaries and Benefits

Identify the employee(s), and/or show the classification of the employee(s) involved. Describe the mandated functions performed by each employee and specify the actual time spent, the productive hourly rate and related fringe benefits.

Source documents required to be maintained by the claimant may include, but are not limited to, employee time records that show the employee's actual time spent on this mandate.

(b) Materials and Supplies

Only expenditures that can be identified as a direct cost of this mandate may be claimed. List the cost of materials consumed or expended specifically for the purpose of this mandate.

Source documents required to be maintained by the claimant may include, but are not limited to, invoices, receipts, purchase orders and other documents evidencing the validity of the expenditures.

(c) Contracted Services

Contracting costs are reimbursable to the extent that the function to be performed requires special skill or knowledge that is not readily available from the claimant's staff or the service to be provided by the contractor is cost effective. Use of contract services must be justified by the claimant.

Give the name(s) of the contractor(s) who performed the services. Describe the activities performed by each named contractor, actual time spent on this mandate, inclusive dates when services were performed, and itemize all costs for services performed. Attach consultant invoices with the claim.

Source documents required to be maintained by the claimant may include, but are not limited to, contracts, invoices, and other documents evidencing the validity of the expenditures.

For audit purposes, all supporting documents must be retained for a period of two years after the end of the calendar year in which the reimbursement claim was filed or last amended, whichever is later. Such documents shall be made available to the State Controller's Office on request.

2. **Form HDS-1, Claim Summary**

This form is used to summarize direct costs by cost component and compute allowable indirect costs for the mandate. Direct costs summarized on this form are derived from form HDS-2 and carried forward to form FAM-27.

One hundred (100%) of any indirect administrative costs related to IEP participation, assessment, case management, and ten percent (10%) of mental health treatment rendered under the Short-Doyle Act may be claimed to the extent that reimbursable indirect costs have not already been reimbursed by the DMH. Indirect costs may be claimed using either of two methods:

(a) Ten (10) percent of related direct labor, excluding fringe benefits. This method may not result in a total combined reimbursement from DMH and SCO for program indirect costs which exceed ten (10) percent of total program direct labor costs, excluding fringe benefits.

OR if an indirect cost rate greater than ten (10) percent is being claimed,

(b) By preparation of an "Indirect Cost Rate Proposal" (ICRP) in full compliance with Office of Management and Budget Circular No. A-87 (OMB A-87). Note that OMB A-87 was revised as of May 17, 1995, and that while OMB A-87 is based on the concept of full allocation of indirect costs, it recognizes that in addition to its restrictions, there may be state laws or state regulations which further restrict allowability of costs. Additionally, if more than one department is involved in the mandated program, each department must have its own ICRP. Under this method, total reimbursement for program indirect costs from combined DMH and SCO sources must not exceed the total for those items as computed in the ICRP's.

C. **Form FAM-27, Claim for Payment**

This form contains a certification that must be signed by an authorized representative of the local agency. All applicable information from form HDS-1 or HDS-3 must be carried forward to this form for the State Controller's Office to process the claim for payment.

Illustration of Claim Forms

A. Cost Report Method

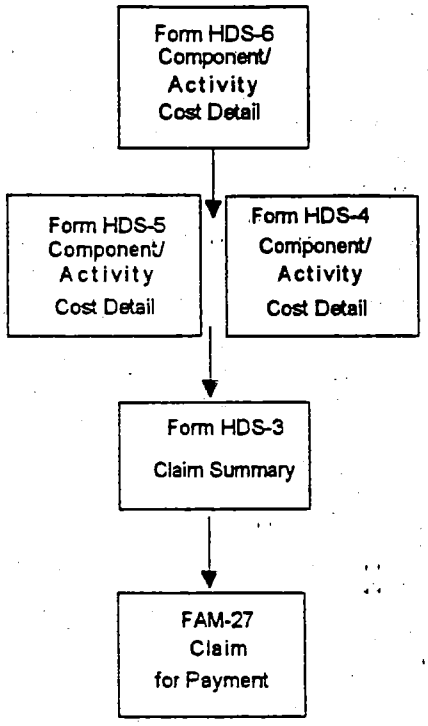
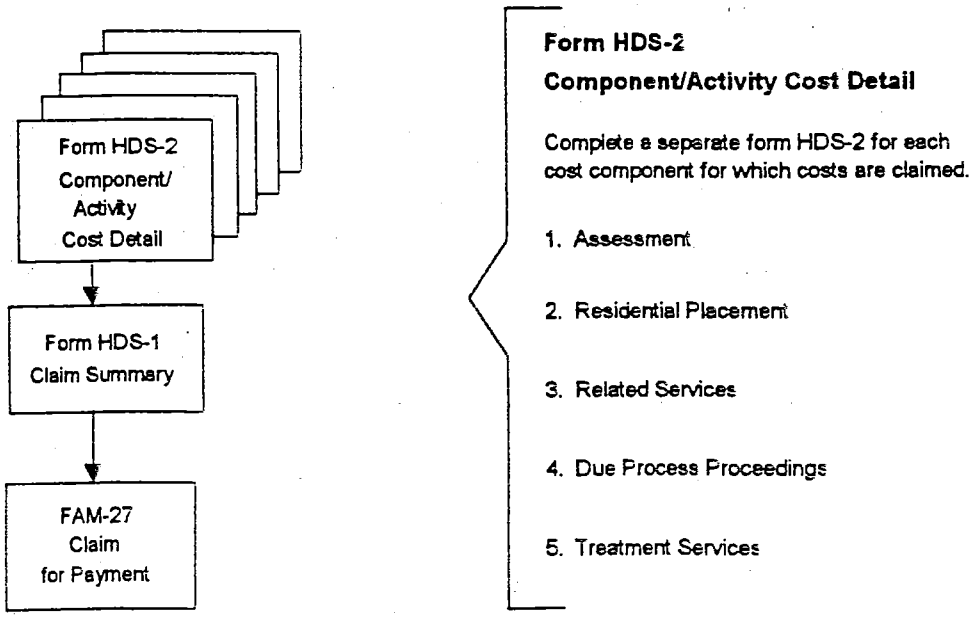


Illustration of Claim Forms

B. Actual Report Method



CLAIM FOR PAYMENT
Pursuant to Government Code Section 17561
SERVICES TO HANDICAPPED STUDENTS

For State Controller Use Only
(19) Program Number 00111
(20) Date File ______/______/______
(21) LRS Input ______/______/______

L A B E L H E R E

(01) Claimant Identification Number
(02) Mailing Address
Claimant Name
County of Location
Street Address or P. O.. Box
City State Zip Code

Type of Claim	**Estimated Claim**	**Reimbursement Claim**
	(03) Estimated ☐	(09) Reimbursement ☐
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☐
Fiscal Year of Cost	(06) 19___/19___	(12) 19___/19___
Total Claimed \mount	(07)	(13)
Less: 10% Late Penalty, not to exceed $1,000		(14)
Less: Estimated Claim Payment Received		(15)
Net Claimed Amount		(16)
Due from State	(08)	(17)
Due to State		(18)

Reimbursement Claim Data

(22) HDS-1, (03)(a)	
(23) HDS-1, (03)(b)	
(24) HDS-1, (03)(c)	
(25) HDS-1, (04)(1)(d)	
(26) HDS-1, (04)(2)(d)	
(27) HDS -1, (04)(3)(d)	
(28) HDS-1, (04)(4)(d)	
(29) HDS-1, (04)(5)(d)	
(30) HDS-1, (06)	
(31) HDS-3, (05)	
(32) HDS-3, (06)	
(33) HDS-3, (07)	
(34)	
(35)	
(36)	
(37)	

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for costs mandated by Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985 and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1096, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985.

The amounts for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs for the mandated program of Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985 set forth on the attached statements.

Signature of Authorized Representative ______________________ Date ______________________

______________________ ______________________
Type or Print Name Title

(39) Name of Contact Person for Claim
Telephone Number (___) ___ ___ Ext. ___

SERVICES TO HANDICAPPED STUDENTS Certification Claim Form Instructions	FORM FAM-27

(01) Leave blank.

(02) A set of mailing labels with the claimant's I.D. number and address has been enclosed with the claiming instructions. The mailing labels are designed to speed processing and prevent common errors that delay payment. Affix a label in the space shown on form FAM-27. Cross out any errors and print the correct information on the label. Add any missing address items, except county of location and a person's name. If you did not receive labels, print or type your agency's mailing address.

(03) If filing an original estimated claim, enter an "X" in the box on line (03) Estimated.

(04) If filing an original estimated claim on behalf of districts within the county, enter an "X" in the box on line (04) Combined.

(05) If filing an amended or combined claim, enter an "X" in the box on line (05) Amended. Leave boxes (03) and (04) blank.

(06) Enter the fiscal year in which costs are to be incurred.

(07) Enter the amount of estimated claim. If the estimate exceeds the previous year's actual costs by more than 10%, complete form HDS-1 and enter the amount from line (11) or complete form HDS-3 and enter the amount from line (15).

(08) Enter the same amount as shown on line (07).

(09) If filing an original reimbursement claim, enter an "X" in the box on line (09) Reimbursement.

(10) If filing an original reimbursement claim on behalf of districts within the county, enter an " X " in the box on line (10) Combined.

(11) If filing an amended or a combined claim on behalf of districts within the county, enter an "X " in the box on line (11) Amended.

(12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.

(13) Enter the amount of reimbursement claim from form HDS-1, line (11) or from form HDS-3, line (15), as appropriate.

(14) Filing Deadline, Amended Claims of Ch.1747/84 and Ch.1274/85. If the reimbursement claim for the 1994/95 or 1995/96 fiscal year is filed after July 28, 1997, the additional amount over the original claim must be reduced by a late penalty. Enter either the product of multiplying line (13) by the factor 0.10 (10% penalty) or $1,000, whichever is less.

Filing Deadline, Annually Thereafter. If the reimbursement claim is filed after November 30 following the fiscal year in which costs were incurred, the claim must be reduced by a late penalty.

(15) If filing a reimbursement claim and have previously filed an estimated claim for the same fiscal year, enter the amount received for the estimated claim. Otherwise, enter a zero.

(16) Enter the result of subtracting line (14) and line (15) from line (13).

(17) If line (16) Net Claimed Amount is positive, enter that amount on line (17) Due from State.

(18) If line (16) Net Claimed Amount is negative, enter that amount in line (18) Due to State.

(19) to (21) Leave blank.

(22) to (37) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (33) for the reimbursement claim [e.g., HDS-1 (03)(a), means the information is located on form HDS-1, line (03)(a). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, (i.e., no cents). Indirect costs percentage should be shown as a whole number and without the percent symbol (i.e., 35% should be shown as 35). The claim cannot be processed for payment unless this data block is correct and complete.

(38) Read the statement "Certification of Claim." If it is true, the claim must be dated, signed by the agency's authorized representative and must include the person's name and title, typed or printed. Claims cannot be paid unless accompanied by a signed certification.

(39) Enter the name of the person and telephone number that this office should contact if additional information is required.

SUBMIT A SIGNED ORIGINAL AND ONE COPY OF FORM FAM-27, AND ONE COPY OF ALL OTHER FORMS AND SUPPORTING DOCUMENTS TO:

Address, if delivered by:
U.S. Postal Service

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursement Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

Address, if delivered by:
Other delivery service

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursement Section
Division of Accounting and Reporting
3301 C Street, Suite 501
Sacramento, CA 95816

MANDATED COSTS SERVICES TO HANDICAPPED STUDENTS CLAIM SUMMARY	FORM HDS-1

(01) Claimant	(02) Type of Claim Reimbursement ☐ Estimated ☐	Fiscal Year 19___/19___

Claim Statistics

(03)(a) Number of students who were suspected of being "individuals with exceptional needs," and were referred to the local mental health department for assessment and recommendation in the fiscal year of claim.	
(b) Number of students who required residential placements in the fiscal year of claim.	
(c) Number of due process proceedings that took place in the fiscal year of claim.	

Direct Costs

(04) Reimbursable Components:	(a) Salaries	(b) Benefits	(c) Services and Supplies	(d) Total
1. Assessment				
2. Residential Placement				
3. Related Services				
4. Due Process Proceedings				
5. Treatment Services				
(05) Total Direct Costs				

Indirect Costs

(06) Indirect Cost Rate	[From ICRP]	%
(07) Total Indirect Costs	[Line (06) x line (05)(a)] or [line (06) x [line (05)(a) + line (05)(b)]]	
(08) Total Direct and Indirect Costs	[Line (05)(d) + line (07)]	

Cost Reduction

(09) Less: Offsetting Savings, if applicable	
(10) Less: Other Reimbursements, (i.e., State General/Realignment Funds, State Categorical Funds, Short-Doyle/Medi-Cal (FFP only), etc.)	
(11) Total Claimed Amount [Line (08) - {Line (09) + line (10)}]	

SERVICES TO HANDICAPPED STUDENTS CLAIM SUMMARY Instructions	FORM HDS-1

(01) Enter the name of the claimant. If more than one department has incurred costs for this mandate, give the name of each department. A form HDS-1 should be completed for each department

(02) Type of Claim. Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year for which costs were incurred or are to be incurred.

Form HDS-1 must be filed for a reimbursement claim. Do not complete form HDS-1 if you are filing an estimated claim and the estimate does not exceed the previous fiscal year's actual costs by more than 10%. Simply enter the amount of the estimated claim on form FAM-27, line (07). However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, form HDS-1 must be completed and a statement attached explaining the increased costs. Without this information the high estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.

(03) (a) Enter the number of students who were suspected of being "individuals with exceptional needs," and were referred to the local mental health department for assessment and recommendation in the fiscal year of claim.
(b) Enter the number of students who required residential placements in the fiscal year of claim.
(c) Enter the number of due process proceedings that took place in the fiscal year of claim.

(04) Reimbursable Components: For each reimbursable component , enter the totals from form HDS-2, line (05) columns (d), (e), and (f) to form HDS-1, block (04) columns (a), (b), and (c) in the appropriate row. Total each row.

(05) Total Direct Costs. Total columns (a) through (d).

(06) Indirect Cost Rate. Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits. If an indirect cost rate of greater than 10% is used, include the Indirect Cost Rate Proposal (ICRP) with the claim. If more than one department is reporting costs, each must have their own ICRP for the program.

(07) Total Indirect Costs. Multiply Total Salaries, line (05)(a) by the Indirect Cost Rate, line (06). If both salaries and benefits were used in the distribution base for the computation of the indirect cost rate, then multiply total Salaries and Benefits, line (05)(a) and line (05)(b) by the Indirect Cost Rate, line (06).

(08) Total Direct and Indirect Costs. Enter the sum of Total Direct Costs, line (05)(d) and Total Indirect Costs, line (07).

(09) Less: Offsetting Savings, if applicable. Enter the total savings experienced by the claimant as a direct result of this mandate. Submit a detailed schedule of savings with the claim.

(10) Less: Other Reimbursements, if applicable. Enter the amount of other reimbursements received from any source, [i.e., State General/Realignment Funds, State Categorical Funds, Short-Doyle/Medi-Cal (FFP only), service fees collected, federal funds, other state funds, etc.,] which reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.

(11) Total Claimed Amount. Subtract the sum of Offsetting Savings, line (09) and Other Reimbursements, line (10) from Total Direct and Indirect Costs, line (08). Enter the remainder on this line and carry the amount forward to form FAM-27, line (07) for the Estimated Claim or line (13) for the Reimbursement Claim.

MANDATED COSTS SERVICES TO HANDICAPPED STUDENTS COMPONENT/ACTIVITY COST DETAIL	FORM HDS-2

(01) Claimant

(02) Fiscal Year Costs Were Incurred

(03) Reimbursable Components: Check **only** one box per form to identify the component being claimed

- ☐ Assessment
- ☐ Due Process Proceedings
- ☐ Residential Placement
- ☐ Treatment Services
- ☐ Related Services

(04) Description of Expenses: Complete columns (a) through (f).

(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	Object Accounts (d) Salaries	(e) Benefits	(f) Services and Supplies
(05) Total ☐ Subtotal ☐ Page:_____of_____					

SERVICES TO HANDICAPPED STUDENTS COMPONENT/ACTIVITY COST DETAIL Instructions	FORM HDS-2

(01) Enter the name of the claimant. If more than one department has incurred costs for this mandate, give the name of each department. A form HDS-2 should be completed for each department.

(02) Enter the fiscal year in which costs were incurred.

(03) Reimbursable Components. Check the box which indicates the cost component being claimed. Check only one box per form. A separate form HDS-2 shall be prepared for each component which applies.

(04) Description of Expenses. The following table identifies the type of information required to support reimbursable costs. To detail costs for the component activity box "checked" in line (03), enter the employee names, position titles, a brief description of their activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, contracted services, etc. **The descriptions required in column (4)(a) must be of sufficient detail to explain the cost of activities or items being claimed. If the descriptions are incomplete, the claim cannot be processed for payment.** For audit purposes, all supporting documents must be retained by the claimant for a period of two years after the end of the calendar year in which the reimbursement claim was filed or last amended, whichever is later. Such documents shall be made available to the State Controller's Office on request.

Object/ Sub-object Accounts	Columns						Submit these supporting documents with the claim
	(a)	(b)	(c)	(d)	(e)	(f)	
Salaries	Employee Name Title	Hourly Rate	Hours Worked	Salaries = Hourly Rate x Hours Worked			
Benefits	Activities Performed	Benefit Rate		Salaries	Benefits = Benefit Rate x Salaries		
Services and Supplies Office Supplies	Description of Supplies Used	Unit Cost	Quantity Used			Cost = Unit Cost x Quantity Consumed	
Contracted Services	Name of Contractor Specific Tasks Performed	Hourly Rate	Hours Worked Inclusive Dates of Service			Itemize Cost of Services Performed	Invoice

(05) Total line (04), columns (d), (e), and (f) and enter the sum on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed for the component/activity, number each page. Enter totals from line (05), columns (d), (e), and (f) to form HDS-1, block (04), columns (a), (b), and (c) in the appropriate row.

MANDATED COSTS SERVICES TO HANDICAPPED STUDENTS CLAIM SUMMARY	FORM HDS-3

(01) Claimant	(02) Type of Claim Reimbursement ☐ Estimated ☐	Fiscal Year 19 ___/19 ___

(03) **Reimbursable Components**	
Assessment of Individuals With Exceptional Needs	
(a) Assessment: Interviews, Review of Records, Observations, Testing, etc.	
(b) Residential Placement: IEP Reviews, Case Management, and Expanded IEP	
(c) Related Services: Attendance at IEP meetings, Meeting with IEP Members and Parents, and Review of Independent Assessment.	
(d) Due Process Proceedings	
(e) Administrative Costs	
Mental Health Treatment	
(f) Treatment Services: Short-Doyle Program	
(g) Administrative Costs	
(04) Sub-total for Assessment of Individual with Exceptional Needs [Sum of (03), lines (a) to (e)]	
(05) Less: Amount Received from Short-Doyle/Medi-Cal (FFP only)	
(06) Less: Amount Received from State Categorical Funding	
(07) Less: Amount Received from Other (Identify)	
(08) Total for Assessment of Individual with Exceptional Needs [Line (04) minus the sum of lines (05) to (07)]	
(09) Sub-Total for Mental Health Treatment [block (03), lines (f) and (g)]	
(10) Less: Non-Categorical State General/Realignment Funds	
(11) Less: Amount Received from State Categorical Funds	
(12) Less: Amount Received from Short-Doyle/Medi-Cal (FFP only)	
(13) Less: Amount Received from Other (Identify)	
(14) Total Mental Health Treatment [Line (09) minus the sum of lines (10) to (13)]	
(15) Total Claimed Amount [Sum of line (08) and line (14)]	

SERVICES TO HANDICAPPED STUDENTS CLAIM SUMMARY Instructions	FORM HDS-3

(01) Enter the name of the claimant.

(02) Type of Claim. Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year for which costs were incurred or are to be incurred.

Form HDS-3 must be filed for a reimbursement claim. Do not complete form HDS-3 if you are filing an estimated claim and the estimate does not exceed the previous fiscal year's actual costs by more than 10%. Simply enter the amount of the estimated claim on form FAM-27, line (07). However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, form HDS-3 must be completed and a statement attached explaining the increased costs. Without this information the high estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.

(03) Reimbursable Components. For each reimbursable component under block (03), lines (a), (b), and (c), enter the totals from form HDS-4, line (05) column (f), as applicable. For block (03), line (d), enter the cost from form HDS-5, line (08), if applicable. For block (03), lines (e) and (g), enter the cost from HDS-6, line (08), as appropriate.

(04) Sub-Total for Assessment of Individual with Exceptional Needs. Enter the sum of the amounts on block (03), lines (a), (b), (c), (d), and (e).

(05) Less: Amount Received from Short-Doyle/Medi-Cal (Federal Financial Participation only). From line 72, "Medi-Cal Federal", the Department of Mental Health Cost Reporting/Data Collection System, "Local Services Cost Report", form MH 1944, enter the sum of amounts shown for providers listed on form HDS-4, block (04)(a).

(06) Less: Amount Received from State Categorical Funding. Enter the total amount received from the State General Fund for special education.

(07) Less: Amount Received from Other (Identify). Enter the total amount received from sources which reimbursed the cost of this mandate (e.g., Patient health insurance, etc.). Attach a separate schedule identifying those funding sources.

(08) Total for Assessment of Individual with Exceptional Needs. Enter the result of subtracting the sum of lines (05), (06), and (07) from line (04).

(09) Sub-Total for Mental Health Treatment. Enter the sum of the amount from block (03), lines (f) and (g).

(10) Less: Non-Categorical State General/Realignment Funds.

(11) Less: Amount Received from State Categorical Funds. Enter the total amount received from the State General Fund for special education.

(12) Less: Amount Received from Short-Doyle/Medi-Cal (Federal Financial Participation only). From line 72 , "Medi-Cal Federal", the Department of Mental Health Cost Reporting/Data Collection System, "Local Services Cost Report", form MH 1944, enter the sum of amounts shown for providers listed on form HDS-4, block (04)(a).

(13) Less: Amount Received from Other (Identify). Enter the total amount received from sources which reimbursed the cost of this mandate (e.g., Patient health insurance). Attach a separate schedule identifying those funding.

(14) Total Mental Health Treatment. Enter the result of subtracting the sum of lines (10) to (13) from line (09).

(15) Total Claimed Amount. Enter the sum of line (08) and line (14). Carry forward the amount on this line to form FAM-27, line (07) for the Estimated Claim or line (13) for the Reimbursement Claim.

MANDATED COSTS SERVICES TO HANDICAPPED STUDENTS COMPONENT/ACTIVITY COST DETAIL	FORM HDS-4

(01) Claimant

(02) Fiscal Year Costs Were Incurred

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

- [ ] Assessment
- [ ] Treatment Services
- [ ] Residential Placement
- [ ] Other (Identify)

(04) Description of Expenses: Complete columns (a) through (f).

(a) Name of Providers	(b) Provider I. D. Numbers	(c) Service Function Codes	(d) Units of Service	(e) Rate per Unit	(f) Total

(05) Total [ ] Subtotal [ ] Page:_____of_____

SERVICES TO HANDICAPPED STUDENTS COMPONENT/ACTIVITY COST DETAIL Instructions	FORM HDS-4

(01) Enter the name of the claimant.

(02) Enter the fiscal year of claim in which costs were incurred.

(03) Reimbursable Components. Check the box which indicates the cost component being claimed. Check only one box per form. A separate form HDS-4 shall be prepared for each component which applies.

(04) Description of Expenses. For each "checked" component/activity box in block (03), enter the detailed costs for each case claimed.

(a) Enter the name of the provider.

(b) Enter the provider identification number.

(c) Enter the service function codes.

(d) Enter the number of units of service.

(e) Enter the rate per unit.

(f) Enter the total [multiply column (d) times column (e)]

A copy of that portion of the county's Short-Doyle fiscal year end report relating to the amounts claimed must be submitted with the claim.

For audit purposes, all supporting documents must be retained for a period of two years after the end of the calendar year in which the reimbursement claim was filed, or last amended, whichever is later. Such documents shall be made available to the State Controller's Office on request.

(05) Total line (04) column (f) and enter the sum on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed to detail the component/activity costs, number each page. Carry forward the total from line (05) column (f) to form HDS-3, block (03) in the appropriate line.

MANDATED COSTS SERVICES TO HANDICAPPED STUDENTS COMPONENT/ACTIVITY COST DETAIL	FORM HDS-5

(01) Claimant	(02) Fiscal Year Costs Were Incurred

(03) Reimbursable Components: Due Process Proceedings

(04) Description of Expenses: Complete columns (a) through (g).

(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	Object Accounts (d) Salaries	(e) Benefits	(f) Office Supplies	(g) Contracted Services
Totals						
(05) Total Direct Costs						

Indirect Costs

(06) Indirect Cost Rate	[From ICRP]	%
(07) Total Indirect Costs	[Line (06) x line (05)(d)] or [Line (06) x {(05)(d) + (05)(e)}]	
(08) Total Direct and Indirect Costs	[Line (05) + line (07)]	

SERVICES TO HANDICAPPED STUDENTS COMPONENT/ACTIVITY COST DETAIL Instructions	FORM HDS-5

(01) Enter the name of the claimant.

(02) Enter the fiscal year in which costs were incurred.

(03) Reimbursable Components. Due Process Proceedings.

(04) Description of Expenses. The following table identifies the type of information required to support reimbursable costs. To detail costs for the component activity box "checked" in line (03), enter the employee names, position titles, a brief description of their activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, contracted services, etc. Total each column (d) through (g). **The descriptions required in column (4)(a) must be of sufficient detail to explain the cost of activities or items being claimed. If the descriptions are incomplete, the claim cannot be processed for payment.** For audit purposes, all supporting documents must be retained by the claimant for a period of not less than two years after the end of the calendar year in which the reimbursement claim was filed or last amended, whichever is later. Such documents shall be made available to the State Controller's Office on request.

Object/ Subobject Accounts	Columns							Submit these supporting documents with the claim
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Salaries	Employee Name Title Activities Performed	Hourly Rate	Hours Worked	Salaries = Hourly Rate x Hours Worked				
Benefits		Benefit Rate		Salaries	Benefits = Benefit Rate x Salaries			
Services and Supplies Office Supplies	Description of Supplies Used	Unit Cost	Quantity Used			Cost = Unit Cost x Quantity Consumed		
Contracted Services	Name of Contractor Specific Tasks Performed	Hourly Rate	Hours Worked Inclusive Dates of Service				Itemized Cost of Services Performed	Invoice

(05) Total Direct Costs. Enter the total for columns (d) to (g).

(06) Indirect Cost Rate. Enter the indirect cost rate. Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits. If an indirect cost rate of greater than 10% is used, include the department's Indirect Cost Rate Proposal (ICRP) for the program with the claim. If more than one department is reporting costs, each must have their own ICRP for the program.

(07) Total Indirect Costs. Multiply Total Salaries, line (04)(d) by the Indirect Cost Rate, line (06). If both salaries and benefits are used in the distribution base for the computation of the indirect cost rate, then multiply Total Salaries, line (04)(d) and Total Benefits, line (04)(e) by the Indirect Cost Rate, line (06).

(08) Total Direct and Indirect Costs. Enter the sum of line (05) and line (07). Forward the amount to form HDS-1, line (03)(d).

MANDATED COSTS SERVICES TO HANDICAPPED STUDENTS COMPONENT/ACTIVITY COST DETAIL	FORM HDS-6

(01) Claimant	(02) Fiscal Year Costs Were Incurred

(03) Reimbursable Components: Administrative Costs

☐ Assessment of Individual ☐ Mental Health Treatment

(04) Description of Expenses: Complete columns (a) through (g).			Object Accounts			
(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Office Supplies	(g) Contracted Services
Totals						
(05) Total Direct Costs						

Indirect Costs

(06) Indirect Cost Rate	[From ICRP]	%
(07) Total Indirect Costs	[Line (06) x line (04)(d)] or [Line (06) x {(04)(d) + (04)(e)}]	

SERVICES TO HANDICAPPED STUDENTS COMPONENT/ACTIVITY COST DETAIL Instructions	FORM HDS-6

(01) Enter the name of the claimant.

(02) Enter the fiscal year in which costs were incurred.

(03) Reimbursable Components. Check the box which indicates the administrative cost component (i.e., Assessment of Individuals or Mental Treatment) claimed. A separate form HDS-6 shall be prepared for administrative costs associated with the assessment of individuals with exceptional needs, and for mental health treatment.. Do not include indirect costs for line (03)(d), since the cost should be recorded on form HDS-5.

(04) Description of Expenses. The following table identifies the type of information required to support reimbursable costs. To detail costs for the component activity box "checked" in line (03), enter the employee names, position titles, a brief description of their activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, contracted services, etc. Total each column (d) through (g). **The descriptions required in column (4)(a) must be of sufficient detail to explain the cost of activities or items being claimed. If the descriptions are incomplete, the claim cannot be processed for payment.** For audit purposes, all supporting documents must be retained by the claimant for a period of not less than two years after the end of the calendar year in which the reimbursement claim was filed or last amended, whichever is later. Such documents shall be made available to the State Controller's Office on request.

Object/ Subobject Accounts	Columns							Submit these supporting documents
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Salaries	Employee Name	Hourly Rate	Hours Worked	Salaries = Hourly Rate x Hours Worked				
Benefits	Title	Benefit Rate		Salaries	Benefits = Benefit Rate x			
Services and Supplies Office Supplies	Description of Supplies Used	Unit Cost	Quantity Used			Cost = Unit Cost x Quantity		
Contracted Services	Name of Contractor Specific Tasks	Hourly Rate	Hours Worked Inclusive Dates of				Itemized Cost of Services Performed	Invoice

(05) Total Direct Costs. Enter the total for columns (d) to (g).

(06) Indirect Cost Rate. Enter the indirect cost rate. Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits. If an indirect cost rate of greater than 10% is used, include the department's Indirect Cost Rate Proposal (ICRP) for the program with the claim. If more than one department is reporting costs, each must have their own ICRP for the program.

(07) Total Indirect Costs. Multiply Total Salaries, line (04)(d) by the Indirect Cost Rate, line (06). If both salaries and benefits are used in the distribution base for the computation of the indirect cost rate, then multiply Total Salaries, line (04)(d) and Total Benefits, line (04)(e) by the Indirect Cost Rate, line (06). Forward the amount of indirect costs to form HDS-3, line (03)(e) or line (03)(g) as appropriate.

EXHIBIT B

ORANGE COUNTY

Audit Report

HANDICAPPED AND DISABLED STUDENTS PROGRAM

Chapter 1747, Statutes of 1984, and
Chapter 1274, Statutes of 1985

July 1, 1997, through June 30, 1999

KATHLEEN CONNELL
California State Controller

December 2002

KATHLEEN CONNELL

Controller of the State of California

December 26, 2002

The Honorable David E. Sundstrom
Auditor-Controller
Orange County
12 Civic Center Plaza
Santa Ana, CA 92701

Dear Mr. Sundstrom:

The State Controller's Office (SCO) has completed an audit of the claims filed by Orange County for costs of the legislatively mandated Handicapped and Disabled Students Program (Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985) for the period of July 1, 1997, through June 30, 1999.

The county claimed and was paid $22,506,432 for the mandated program. The SCO audit disclosed that $20,715,374 is allowable and $1,791,058 is unallowable. The unallowable costs resulted primarily from the county claiming ineligible costs, which caused an overstatement in the county's Medi-Cal revenue offsets. Consequently, the amount paid in excess of allowable costs claimed, totaling $1,791,058, should be returned to the State.

The above amounts incorporate the fiscal effect of Assembly Bill 2781 (Chapter 1167, Statutes of 2002). The legislation changed the regulatory criteria by stating that the percentage of treatment costs claimed by counties for fiscal year 2000-01 and prior fiscal years is not subject to dispute by the SCO. Consequently, AB 2781 reduced realignment funding and, therefore, increased net reimbursable costs by $10,522,121.

The SCO has established an informal audit review process to resolve a dispute of facts. The auditee should submit, in writing, a request for a review and all information pertinent to the disputed issues within 60 days after receiving the final report. The request and supporting documentation should be submitted to: Richard J. Chivaro, Chief Counsel, State Controller's Office, Post Office Box 942850, Sacramento, CA 94250-0001.

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

Sincerely,

Walter Barnes

WALTER BARNES
Chief Deputy State Controller, Finance

WB:wq/jj

cc: Shawn Skelly
Assistant Auditor-Controller
Orange County
Douglas E. Barton, Director
Behavioral Health Department
Orange County
Alice Manning, Deputy Director
Behavioral Health Department
Orange County

Contents

Audit Report

Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by Orange County for costs of the legislatively mandated Handicapped and Disabled Students Program (Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985) for the period of July 1, 1997, through June 30, 1999. The last day of fieldwork was June 19, 2002.

The county claimed and was paid $22,506,432 in program costs for the audit period. The SCO audit disclosed that $20,715,374 is allowable and $1,791,058 is unallowable. The unallowable costs resulted primarily from the county claiming ineligible costs, which caused an overstatement in the county's Medi-Cal revenue offsets. The amount paid in excess of allowable costs claimed, totaling $1,791,058, should be returned to the State.

Background

Chapter 1747, Statutes of 1984, requires counties to participate in the mental health assessment for "individuals with exceptional needs," participate in the expanded Individualized Education Program (IEP) team, and provide case management services for "individuals with exceptional needs" who are designated as "seriously emotionally disturbed." These requirements impose a new program or a higher level of service upon counties. On April 26, 1990, the Commission on State Mandates determined that Chapter 1747, Statutes of 1984, resulted in state-mandated costs that are reimbursable pursuant to *Government Code* Section 17561.

Parameters and Guidelines, adopted by the Commission on State Mandates, establishes the state mandate and defines criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement to assist counties in claiming reimbursable costs.

Objective, Scope, and Methodology

The objective of the audit was to determine whether costs claimed were increased costs incurred as a result of the legislatively mandated Handicapped and Disabled Students Program (Chapter 1747, Statutes of 1984, and Chapter 1747, Statutes of 1985) for the period of July 1, 1997, through June 30, 1999.

The auditors performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The SCO did not audit the county's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the county's management controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

The SCO audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the Findings and Recommendations section of this report and in the accompanying Summary of Program Costs (Schedule 1).

For the two-year audit period, Orange County claimed $22,506,432 for costs of the legislatively mandated Handicapped and Disabled Students Program. The audit disclosed that $20,715,374 is allowable and $1,791,058 is unallowable.

For fiscal year (FY) 1997-98, the county was paid $10,585,561 by the State. The audit disclosed that $9,789,068 is allowable. The amount paid in excess of allowable costs claimed, totaling $796,493, should be returned to the State.

For FY 1998-99, the county was paid $11,920,871 by the State. The audit disclosed that $10,926,306 is allowable. The amount paid in excess of allowable costs claimed, totaling $994,565, should be returned to the State.

Views of Responsible Officials

The SCO issued a draft audit report on June 28, 2002. David E. Sundstrom, Auditor-Controller, responded by letter dated September 25, 2002, disagreeing with all findings in the draft report. The county's response is included as an attachment to this audit report.

The draft report included audit adjustments totaling $12,374,953. Audit adjustments in this final report have been reduced by $10,583,895, from $12,374,953 to $1,791,058.

Finding 2 of the draft report disclosed that $119,749 was unallowable because the county claimed various mental health services at rates that exceeded the statewide maximum allowance. Based on previous Commission on State Mandates rulings, the SCO determined that actual county costs incurred in excess of California Department of Mental Health statewide maximum rates are allowable. Consequently, the finding has been eliminated from the final report, and Findings 3 through 5 of the draft report have been renumbered as Findings 2 through 4.

The audit adjustment in Finding 4 of this final report has been revised because of the elimination of Finding 2 of the draft report and legislation occurring after the issuance of the draft report that changed the regulatory criteria (discussed in the Findings and Recommendations section). Consequently, rather than understating realignment funding by $10,445,864, the county overstated realignment funding by $76,257, a difference of $10,522,121.

The remaining findings continue to be valid.

Restricted Use

This report is solely for the information and use of Orange County 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.

WALTER BARNES
Chief Deputy State Controller, Finance

Findings and Recommendations

FINDING 1—
Ineligible costs claimed

The county claimed various ineligible case management and treatment costs.

The county claimed case management costs for clients placed in out-of-state residential facilities. These costs are not reimbursable under the Handicapped and Disabled Students Program, but rather under the Seriously Emotionally Disturbed Pupils: Out-of-State Mental Health Services Program.

The county also claimed treatment costs for medication support and crisis intervention, which are not reimbursable under program guidelines.

Parameters and Guidelines allows for reimbursement of increased costs incurred for the specific program filed. *Parameters and Guidelines* specifies that the following treatment services are reimbursable: individual therapy; collateral therapy and contacts; group therapy; day treatment; and the mental health portion of residential treatment in excess of the California Department of Social Services' payments for residential placement.

As a result, ineligible treatment and case management costs claimed are unallowable as follows:

	Audit Adjustment		
	FY 1997-98	FY 1998-99	Totals
Case management costs	$ (54,429)	$ (62,869)	$ (117,298)
Treatment costs	(915,082)	(1,023,438)	(1,938,520)
Totals	$ (969,511)	$(1,086,307)	$(2,055,818)

Recommendation

The county should establish procedures to ensure that costs claimed are eligible increased costs incurred as a result of the mandate.

Auditee's Response

The County does not concur. We have established procedures to ensure that costs claimed are eligible increased costs incurred as a result of the mandate, and we have been following those procedures since we started submitting claims for the *Handicapped and Disabled Students Program*. In the narrative below we have responded to the auditor's findings on (a) case management costs for clients placed in out-of-state residential facilities, (b) treatment costs for medication support, and (c) treatment costs for crisis intervention separately.

a) **Case Management costs for clients placed in out-of-state residential facilities.**

The County concurs that these costs are reimbursable under the *Seriously Emotionally Disturbed* (SED) *Pupils: Out-of-State Mental*

Health Services Program, and we have subsequently claimed these costs in the *SED* claim for Fiscal Years 1997-98, 1998-99, 1999-2000, and 2000-01.

However, at the time we filed the *Handicapped and Disabled Students Program* claims for Fiscal Years 1997-98 and 1998-99, which are the years being audited, the *SED Program* had not been identified as a mandated program, and the County believed that these costs were eligible to be claimed as part of the *Handicapped and Disabled Students Program* mandate. Claiming instructions for the *SED Program* were not issued until January 2001.

b) **Treatment Costs for Medication Support.**

The County does not concur that these are ineligible costs.

The *Parameters and Guidelines*, Summary of Mandates, references California Code of Regulations, Division 9, Sections 60000-60200, Title 2, as well as Division 7, Title 1 of the Government Code commencing with Section 7570. The *Parameters and Guidelines* specifically cites Government Code sections 7571 and 7576 and their implementing regulations as governance. The "implementing regulations" for the provision of Chapter 25.6 of the Government Code are found in the California Code of Regulations, Title 2, Division 9, the Joint Regulations for Handicapped Children.

Section 7576 (amended in 1996) of the Government Code identifies the Department of Mental Health's responsibility for the provision of Mental Health services and states, in part, that the Department of Mental Health "shall be responsible for the provision of mental health services as defined in regulations by the State Department of Mental Health, developed in connection with the State Department of Education, when required in the pupil's individualized education plan."

Additionally, the *Parameters and Guidelines* references Section 5651 of the Welfare and Institutions code which assures, in part, that "the county shall provide the mental health services required by Chapter 26.5 (commencing with Section 7570) of Division 7 of Title 1 of the Government Code and will comply with all requirement of that chapter."

The California Code of Regulations in Section 60020(i) defines Mental Health services as such: "Mental Health services" means mental health assessments and the following services when delineated on an IEP in accordance with Section 7572(d) of the Government Code: psychotherapy as defined in Section 2903 of the Business and Professions Code; provided to the pupil individually or in a group, collateral services, ***medication monitoring***, intensive day treatment, day rehabilitation, and case management. "Medication monitoring" is clearly defined in 60020(f) as including all medication support services including prescribing, administering, dispensing, and monitoring of psychiatric medications or biologicals necessary to alleviate the symptoms of mental illness. The cost of the medications is not a covered service and has not been billed in the SB90 claiming process.

By citing the above code sections that mandate medication monitoring as a service provided under Chapter 26.5, the *Parameters and Guidelines* includes medication monitoring by implication and reference. That this service was not specifically listed in the guidelines was clearly an oversight and indicates that the *Parameters and Guidelines* need to be amended accordingly.

c) **Treatment Costs for Crisis Intervention**

The County does not concur that these are ineligible costs.

It was the intent of AB3632 and later amendments not to include mental health services designed to respond to "psychiatric emergencies or other situations requiring an immediate response" (Article 2, section 60040(e)). This language was related primarily to inpatient hospitalization. The services currently in dispute were not provided as psychiatric emergency services leading to hospitalization or other emergency care, but rather were provided in the normal course of mental health treatment. These services were provided as defined in the California Code of Regulations, Title 9, Section 543, and designed to alleviate problems which, if untreated, presented imminent threat to the pupil.

SCO's Comments

The finding and recommendation for ineligible case management costs for clients placed in out-of-state residential facilities, and treatment costs for medication support and crisis intervention, remain unchanged.

Case management costs incurred for handicapped and disabled students placed in out-of-state schools are an ineligible cost for the Handicapped and Disabled Students Program but are eligible under the Seriously Emotionally Disturbed Pupils: Out-of State Mental Health Services Program. *Parameters and Guidelines* for this program, adopted October 26, 2000, allows claimants to claim costs commencing on January 1, 1997.

Parameters and Guidelines, Section V(B)2, specifies the following treatment services, when required by a child's individualized education program (IEP), are reimbursable: individual therapy; collateral therapy and contacts; group therapy; day treatment; and the mental health portion of residential treatment in excess of the California Department of Social Services' payments for residential placement. Each treatment service above is defined under Title 9, Section 543 of the *California Administrative Code*. Since medication monitoring and crisis intervention were both defined in regulation at the time *Parameters and Guidelines* was adopted and were not included as reimbursable costs, the only reasonable conclusion is that they were intentionally excluded and, therefore, not reimbursable.

FINDING 2—SEP funds inequitably distributed

The county deducted Special Education Pupil (SEP) categorical funds, also known as AB 3632 funds, received from the State on its claim. However, the offsets were made to treatment costs rather than in direct proportion to allowable assessment/case management and treatment costs.

As a result, SEP funds have been reallocated as follows:

	Audit Adjustment		
	FY 1997-98	FY 1998-99	Totals
Assessment costs	$ (270,394)	$ (255,773)	$ (526,167)
Treatment costs	270,394	255,773	526,167
Difference	$ —	$ —	$ —

Recommendation

The county should ensure that SEP funds are properly allocated to assessment and treatment costs.

Auditee's Response

The County does not concur. Even though this is merely a redistribution, with no dollar difference between the amounts claimed and the amounts allowed, the County does not concur with the SCO auditor's reason for this redistribution. The auditor states that the redistribution was necessary because the net assessment/case management costs are fully reimbursable under this mandate, while net treatment costs are reimbursable at a rate of only 10%. The County believes that **both** assessment/case management and treatment costs are fully reimbursable. As stated in the response to Finding 5 below, this issue is being clarified in budget trailer bill legislation (AB 2781).

SCO's Comments

The narrative portion of this finding has been edited as a result of a legislative change in allowable treatment costs (see Finding 4). However, the fiscal effect of the finding and recommendation remains unchanged.

FINDING 3—Medi-Cal revenue offsets overstated

The county properly offset its claimed costs by the amount of Medi-Cal funding received that was applicable to the mental health treatment services provided. However, since the SCO auditor reduced the amount of allowable treatment costs in Finding 1 above, the county's Medi-Cal revenue offsets are overstated as follows:

	Audit Adjustment		
	FY 1997-98	FY 1998-99	Totals
Treatment costs:			
Medi-Cal offsets claimed	$ 768,403	$ 631,404	$ 1,399,807
Medi-Cal offsets allowed	(671,642)	(539,662)	(1,211,304)
Difference	$ 96,761	$ 91,742	$ 188,503

Recommendation

No recommendation is necessary because the county properly offset Medi-Cal funding received against claimed costs.

Auditee's Response

The auditor credited back the federal share of Medi-Cal revenue that was received for services found to be ineligible for compensation under this claim. This credit back to the County would be adjusted if any disallowed services are found to be eligible.

SCO's Comments

No adjustment to Medi-Cal revenue offsets is required because no revision has been made to Finding 1.

FINDING 4—Fiscal effect of Assembly Bill 2781 on net treatment costs

For FY 1997-98, the county claimed net mental health treatment costs at a level greater than 10% of allowable net treatment costs reimbursable under this program. A portion of the non-reimbursable costs was funded with realignment (non-categorical) funds. For FY 1998-99, the county claimed 100% of net mental health treatment costs incurred rather than 10% of treatment costs.

Parameters and Guidelines specifies that 10% of mental health treatment costs covered by the State's Short-Doyle Act are reimbursable. Therefore, the SCO auditor computed the required offset to claimed costs as follows:

	Audit Adjustment		
	FY 1997-98	FY 1998-99	Totals
Net treatment costs claimed	$ 6,613,403	$ 7,239,637	$ 13,853,040
Less treatment costs adjusted in Findings 1 through 4 above	(547,927)	(675,923)	(1,223,850)
Allowable net treatment costs	6,065,476	6,563,714	12,629,190
Less reimbursable costs (10%)	(606,548)	(656,371)	(1,262,919)
Non-reimbursable costs (90%)	5,458,928	5,907,343	11,366,271
Non-reimbursable costs claimed	(920,407)	—	(920,407)
(Understated) funding of non-reimbursable costs [1]	$ (4,538,521)	$(5,907,343)	$(10,445,864)

[1] The audit adjustment for understated funding of non-reimbursable costs was increased by $57,975, from $10,387,889 ($4,480,546 for FY 1997-98 and $5,907,343 for FY 1998-99) to $10,445,864 ($4,538,521 for FY 1997-98 and $5,907,343 for FY 1998-99) because of the elimination of the finding relating to claimed unit rates exceeding the maximum rates allowable.

On September 30, 2002, (subsequent to the issuance of the draft report) AB 2781 (Chapter 1167, Statutes of 2002) changed the *Parameters and Guidelines* regulatory criteria. The legislation states that the percentage of treatment costs claimed by counties for FY 2000-01 and prior fiscal years is not subject to dispute by the SCO. Consequently, the SCO applied the percentage of net treatment costs claimed to allowable net

treatment costs. As a result, rather than understating realignment funding by $10,445,864, the county overstated realignment funding by $76,257, a difference of $10,522,121, as follows:

	Audit Adjustment		
	FY 1997-98	FY 1998-99	Total
Calculation to determine allowable net treatment costs:			
Net treatment costs claimed	$ 6,613,403	$ 7,239,637	$ 13,853,040
Less realignment funding claimed	(920,407)	—	(920,407)
Adjusted net treatment costs claimed	$ 5,692,996	$ 7,239,637	$ 12,932,633
Percentage of adjusted net treatment costs claimed	86.08%	100%	
Calculation to determine overstated realignment funding claimed:			
Allowable net treatment costs per audit	$ 6,065,476	$ 6,563,714	$ 12,629,190
Percentage of treatment costs claimed	86.08%	100%	
Reimbursable treatment costs	$ 5,221,326	$ 6,563,714	$ 11,785,040
Less allowable net treatment costs per audit	(6,065,476)	(6,563,714)	(12,629,190)
Realignment funding per audit	$ (844,150)	—	$ (844,150)
Less realignment funding claimed	(920,407)	—	(920,407)
Overstated realignment funding claimed	$ 76,257	$ —	$ 76,257

Recommendation

The county should ensure that only reimbursable treatment costs are claimed in accordance with program guidelines.

Auditee's Response

The SCO auditor allowed only 10% of treatment costs related to this program, while the County claimed these costs at 100%. Since this issue is being clarified in budget trailer legislation (AB 2781), the County will reserve comment and discussion on this matter pending the outcome of this legislative effort.

SCO's Comments

The above finding has been adjusted to reflect the fiscal effect of AB 2781. AB 2781 reduced realignment funding and, therefore, increased net reimbursable costs by $10,522,121 ($4,614,778 for FY 1998-99 and $5,907,343 for FY 1999-2000).

Schedule 1—
Summary of Program Costs
July 1, 1997, through June 30, 1999

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference [1]
July 1, 1997, through June 30, 1998				
Assessment/case management costs	$ 4,043,451	$ 3,989,022	$ (54,429)	Finding 1
Administrative costs	1,112,862	1,112,862	—	
Offsetting revenues:				
State categorical funds	—	(270,394)	(270,394)	Finding 2
Short-Doyle/Medi-Cal funds	(263,748)	(263,748)	—	
Net assessment/case management costs	4,892,565	4,567,742	(324,823)	
Treatment costs	6,763,081	5,847,999	(915,082)	Finding 1
Administrative costs	1,410,275	1,410,275	—	
Offsetting revenues:				
State categorical funds	(791,550)	(521,156)	270,394	Finding 2
Short-Doyle/Medi-Cal funds	(768,403)	(671,642)	96,761	Finding 3
Net treatment costs	6,613,403	6,065,476	(547,927)	
Realignment funding adjustment	(920,407)	(844,150)	76,257	Finding 4
Net treatment costs after funding adjustment	5,692,996	5,221,326	(471,670)	
Total costs	$10,585,561	9,789,068	$ (796,493)	
Amount paid by the State		(10,585,561)		
Amount paid in excess of allowable costs claimed		$ 796,493		
July 1, 1998, through June 30, 1999				
Assessment/case management costs	$ 3,682,941	$ 3,620,072	$ (62,869)	Finding 1
Administrative costs	1,315,956	1,315,956	—	
Offsetting revenues:				
State categorical funds	—	(255,773)	(255,773)	Finding 2
Short-Doyle/Medi-Cal funds	(317,663)	(317,663)	—	
Net assessment/case management costs	4,681,234	4,362,592	(318,642)	
Treatment costs	6,778,968	5,755,530	(1,023,438)	Finding 1
Administrative costs	1,883,623	1,883,623	—	
Offsetting revenues:				
State categorical funds	(791,550)	(535,777)	255,773	Finding 2
Short-Doyle/Medi-Cal funds	(631,404)	(539,662)	91,742	Finding 3
Net treatment costs	7,239,637	6,563,714	(675,923)	
Total costs	$11,920,871	10,926,306	$ (994,565)	
Amount paid by the State		(11,920,871)		
Amount paid in excess of allowable costs claimed		$ 994,565		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference [1]
Summary: July 1, 1997, through June 30, 1999				
Assessment/case management costs	$ 7,726,392	$ 7,609,094	$ (117,298)	Finding 1
Administrative costs	2,428,818	2,428,818	—	
Offsetting revenues:				
State categorical funds	—	(526,167)	(526,167)	Finding 2
Short-Doyle/Medi-Cal funds	(581,411)	(581,411)	—	
Net assessment/case management costs	9,573,799	8,930,334	(643,465)	
Treatment costs	13,542,049	11,603,529	(1,938,520)	Finding 1
Administrative costs	3,293,898	3,293,898	—	
Offsetting revenues:				
State categorical funds	(1,583,100)	(1,056,933)	526,167	Finding 2
Short-Doyle/Medi-Cal funds	(1,399,807)	(1,211,304)	188,503	Finding 3
Net treatment costs	13,853,040	12,629,190	(1,223,850)	
Realignment funding adjustment	(920,407)	(844,150)	76,257	Finding 4
Net treatment costs after funding adjustment	12,932,633	11,785,050	(1,147,593)	
Total costs	$22,506,432	20,715,374	$(1,791,058)	
Amount paid by the State		(22,506,432)		
Amount paid in excess of allowable costs claimed		$ 1,791,058		

[1] See Schedule 2

Schedule 2—
Summary of Audit Adjustments
July 1, 1997, through June 30, 1999

	Audit Adjustments[1]				
	Finding 1	Finding 2	Finding 3	Finding 4	Total
July 1, 1997, through June 30, 1998					
Assessment/case management costs	$ (54,429)	$ —	$ —	$ —	$ (54,429)
Offsetting revenues:					
State categorical funds	—	(270,394)	—	—	(270,394)
Net assessment/case management costs	(54,429)	(270,394)	—	—	(324,823)
Treatment costs	(915,082)	—	—	—	(915,082)
Offsetting revenues:					
State categorical funds	—	270,394	—	—	270,394
Short-Doyle/Medi-Cal funds	—	—	96,761	—	96,761
Net treatment costs	(915,082)	270,394	96,761	—	(547,927)
Realignment funding adjustment	—	—	—	76,257	76,257
Net treatment costs after funding adjustment	(915,082)	270,394	96,761	76,257	(471,670)
Total adjustment for FY 1997-98	(969,511)	—	96,761	76,257	(796,493)
July 1, 1998, through June 30, 1999					
Assessment/case management costs	(62,869)	—	—	—	(62,869)
Offsetting revenues:					
State categorical funds	—	(255,773)	—	—	(255,773)
Net assessment/case management costs	(62,869)	(255,773)	—	—	(318,642)
Treatment costs	(1,023,438)	—	—	—	(1,023,438)
Offsetting revenues:					
State categorical funds	—	255,773	—	—	255,773
Short-Doyle/Medi-Cal funds	—	—	91,742	—	91,742
Net treatment costs	(1,023,438)	255,773	91,742	—	(675,923)
Total adjustment for FY 1998-99	(1,086,307)	—	91,742	—	(994,565)
Totals	$ (2,055,818)	$ —	$ 188,503	$ 76,257	$ (1,791,058)

[1] See Findings and Recommendations section.

Attachment—
Auditee's Response to Draft Audit Report

AUDITOR-CONTROLLER
COUNTY OF ORANGE

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DAVID E. SUNDSTROM, CPA
AUDITOR-CONTROLLER

September 25, 2002

State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Attn: Jim L. Spano, Chief
Compliance Audits Bureau

We have reviewed the draft report prepared by the State Controller's Office covering their audit of the claims filed by our county for the costs of the legislatively mandated *Handicapped and Disabled Students Program* (Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985), for the period of July 1, 1997 through June 30, 1999.

The County does not concur with the recommendations made in this draft report. However, regarding the recommendation dealing with case management costs for clients placed in out-of-state residential facilities, the County has claimed these expenditures under a separate, newly-identified mandated costs claim. Our responses to the auditor's findings are attached.

Please contact Shaun Skelly at (714) 834-5521 if you have any questions concerning our responses.

David E. Sundstrom
Auditor-Controller

DES:as

Attachment
cc: Doug Barton, Health Care Agency, Behavioral Health Services
Alice Manning, Health Care Agency, Financial & Administrative Services
Shaun Skelly, Auditor-Controller, Agency Accounting
Alice Sworder, Health Care Agency Accounting

RESPONSES TO
ORANGE COUNTY AUDIT REPORT
HANDICAPPED AND DISABLED STUDENTS PROGRAM

Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985
July 1, 1997 through June 30, 1999

1. FINDING 1 – Ineligible costs claimed

Recommendation: The county should establish procedures to ensure that costs claimed are eligible increased costs incurred as a result of the mandate.

Response:
The County does not concur. We have established procedures to ensure that costs claimed are eligible increased costs incurred as a result of the mandate, and we have been following those procedures since we started submitting claims for the *Handicapped and Disabled Students Program*. In the narrative below we have responded to the auditor's findings on (a) case management costs for clients placed in out-of–state residential facilities, (b) treatment costs for medication support, and (c) treatment costs for crisis intervention separately.

a) **Case Management costs for clients placed in out-of-state residential facilities.**
The County concurs that these costs are reimbursable under the *Seriously Emotionally Disturbed (SED) Pupils: Out-of-State Mental Health Services Program*, and we have subsequently claimed these costs in the *SED* claim for Fiscal Years 1997-98, 1998-99, 1999-2000, and 2000-01.

However, at the time we filed the *Handicapped and Disabled Students Program* claims for Fiscal Years 1997-98 and 1998-99, which are the years being audited, the *SED Program* had not been identified as a mandated program, and the County believed that these costs were eligible to be claimed as part of the *Handicapped & Disabled Students Program* mandate. Claiming instructions for the *SED Program* were not issued until January 2001.

b) **Treatment Costs for Medication Support.**
The County does not concur that these are ineligible costs.

The *Parameters and Guidelines*, Summary of Mandates, references California Code of Regulations, Division 9, Sections 60000-60200, Title 2, as well as Division 7, Title 1 of the Government Code commencing with Section 7570. The *Parameters and Guidelines* specifically cites Government Code sections 7571 and 7576 <u>and their implementing regulations</u> as governance. The "implementing regulations" for the provision of Chapter 25.6 of the Government Code are found in the California Code of Regulations, Title 2, Division 9, the Joint Regulations for Handicapped Children.

Section 7576 (amended in 1996) of the Government Code identifies the Department of Mental Health's responsibility for the provision of Mental Health services and states, in part, that the Department of Mental Health "shall be responsible for the provision of mental health services as defined in regulations by the State Department of Mental Health, developed in connection with the State Department of Education, when required in the pupil's individualized education plan."

Additionally, the *Parameters and Guidelines* references Section 5651 of the Welfare and Institutions code which assures, in part, that "the county shall provide the mental health services required by Chapter 26.5 (commencing with Section 7570) of Division 7 of Title 1 of the Government Code and will comply with all requirement of that chapter."

The California Code of Regulations in Section 60020(*i*) defines Mental Health services as such: "Mental Health services" means mental health assessments and the following services when delineated on an IEP in accordance with Section 7572(d) of the Government Code; psychotherapy as defined in Section 2903 of the Business and Professions Code provided to the pupil individually or in a group, collateral services, ***medication monitoring***, intensive day treatment, day rehabilitation, and case management. "Medication monitoring" is clearly defined in 60020(*f*) as including all medication support services including prescribing, administering, dispensing, and monitoring of psychiatric medications or biologicals necessary to alleviate the symptoms of mental illness. The cost of the medications is not a covered service and has not been billed in the SB90 claiming process.

By citing the above code sections that mandate medication monitoring as a service provided under Chapter 26.5, the *Parameters and Guidelines* includes medication monitoring by implication and reference. That this service was not specifically listed in the guidelines was clearly an oversight and indicates that the *Parameters and Guidelines* need to be amended accordingly.

c) **Treatment Costs for Crisis Intervention**
The County does not concur that these are ineligible costs.

It was the intent of AB3632 and later amendments not to include mental health services designed to respond to "psychiatric emergencies or other situations requiring an immediate response" (Article 2, section 60040(e)). This language was related primarily to inpatient hospitalization. The services currently in dispute were not provided as psychiatric emergency services leading to hospitalization or other emergency care, but rather were provided in the normal course of mental health treatment. These services were provided as defined in the California Code of Regulations, Title 9, Section 543, and designed to alleviate problems which, if untreated, presented imminent threat to the pupil.

2. FINDING 2 – Claimed unit rates exceeded the maximum rates allowable.

Recommendation: The county should ensure that costs claimed are within the maximum rates set by the California Department of Mental Health.

Response: The County does not concur. We believe this finding by the State Controller is misstated in three respects. The first relates to the County's right to reimbursement of the costs of performing the mandated activity. The second relates to an existing interpretation by the Commission on State mandates relating to capitated rates relating to SB 90 programs. The third relates to the State Controller's misrepresentation of the *Parameters and Guidelines* for this program.

1. Article XIIIB, Section 6 of the State Constitution allows for the reimbursement of the costs of state mandates passed down to local agencies:

   CALIFORNIA CONSTITUTION
   ARTICLE 13B: GOVERNMENT SPENDING LIMITATION

SEC. 6. Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the State shall provide a subvention of funds to reimburse such local government for the costs of such program or increased level of service...

2. The Commission on State Mandates has contemplated the issue of capitated rates vs. full-cost rates in their revised parameters and guidelines for the program known as *Prisoner Parental Rights* (Chapter 1376, Statutes of 1976, Welfare and Institutions Code, Sections 366.26 and 300 c, e, f, l and j). The Commission ruled that the mandated costs associated with Article XIIIB, Section 6 of the State Constitution could not be capitated at a statewide level. They ruled that the State was required to reimburse local agencies for the full cost rate, and required local governments to provide additional documentation if they used a rate higher than the average daily jail rate. This situation is identical. The Department of Justice, just like the California Department of Mental Health, annually establishes statewide reimbursement rates, otherwise referred to as statewide maximum allowances (SMAs). These SMAs or capitated rates are applicable to many purposes, but they are not to be applied to state mandated costs covered under Article XIIIB.

3. In the draft audit findings, the State Controller misrepresents what is stated in the *Parameters and Guidelines* by saying, "Parameters and Guidelines states that reimbursable costs are governed by the Short-Doyle/Medi-Cal Program." The *Parameters and Guidelines* refer to the Short-Doyle/Medi-Cal Program in the following contexts:

- IEP participation is not subject to the Short-Doyle Act (Summary of the Mandate)
- Provisions of WIC Section 5651, Subdivision (g), result in a higher level of service within the county Short-Doyle program (Summary of the Mandate)
- Such mental health services are subject to the current cost sharing formula of the Short-Doyle Act (90-10 cost sharing). (Summary of the Mandate)
- Any mental health treatment required by an IEP is subject to the Short-Doyle cost sharing formula. (Commission on State Mandates' decision)
- Reimbursable activities not subject to the Short-Doyle Act (IEP costs, et al). (Reimbursable Costs)
- The scope of the mandate is 100% reimbursement, except that for individuals billed to Medi-Cal only, the Federal Financing Participation portion (FFP) for these activities should be deducted from the reimbursable activities not subject to the Short-Doyle Act. (Reimbursable Costs)
- Reimbursable activities subject to the Short-Doyle Act, or Mental Health Treatment Services. (Reimbursable Costs)
    - Scope of mandate is 10% reimbursement
    - Provision of mental health services when required by child's IEP are 10% reimbursable: Individual therapy, Collateral therapy and contacts, Group therapy, Day treatment, and Mental Health portion of residential treatment in excess of the Department of Social Services payment for the residential placement.
- Any other reimbursement for this mandate (excluding Short-Doyle funding, private insurance payments and Medi-Cal payments), which is received from any source, e.g. federal, state, etc.

Those are the sum total of references to the term "Short-Doyle" in the *Parameters and Guidelines* for this program. At no point is it stated or implied that the Short-Doyle program governs the definition of reimbursable costs as the State Controller notes in the audit finding. Therefore, we do not agree with the conclusions reached by the State Controller in Finding 2.

EXHIBIT C

AUDITOR-CONTROLLER
COUNTY OF ORANGE

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DAVID E. SUNDSTROM, CPA
AUDITOR-CONTROLLER

May 22, 2003

Steve Westly
California State Controller
Division of Accounting and Reporting
P. O. Box 942850
Sacramento, CA 94250

Attn: Ginny Brummels

Re: Handicapped and Disabled Students Claim, Chapter 1747/84
Fiscal Years 1997/98 and 1998/99

This is in response to your letters of April 28, 2003, instructing our office to remit a payment for $796,493 for amounts owed to the State for our county's Fiscal Year 1997/98 claim for the *Handicapped and Disabled Students* mandated cost program, and $994,565 for the Fiscal Year 1998/99 claim. As stated in our letter of February 24, 2003, the County does not concur with the State Controller's audit finding that these costs, which represent medication monitoring and crisis intervention services, are ineligible for reimbursement. Therefore, we will not be remitting payment for these costs, and we do not agree that the State Controller should offset these amounts from the next payments due to our county for State mandated cost programs.

We had previously requested a review of all disputed issues named in your audit report for this program, and we supplied documentation supporting our responses to the audit. Our request for a review was denied. It is therefore our county's intention to file an Incorrect Reduction Claim with the Commission on State Mandates.

Please contact Sandra Fair, Chief of Behavioral Health Operations for the Health Care Agency for the County of Orange, at (714) 834-6032, if you wish further information on the health services being disallowed in your audit. Contact Shaun Skelly of my office at (714) 834-5521 if you have any questions concerning this correspondence.

David E. Sundstrom
Auditor-Controller

DES:as

cc: Jim L. Spano, State Controller's Office, Compliance Audit Bureau
Walter Barnes, Chief Deputy State Controller, Finance
Sandra Fair, Health Care Agency, Behavioral Health Services
Alice Manning, Health Care Agency, Financial & Administrative Services
Shaun Skelly, Auditor-Controller, Agency Accounting
Alice Sworder, Auditor-Controller, Health Care Agency Accounting

9930

STEVE WESTLY
CALIFORNIA STATE CONTROLLER
DIVISION OF ACCOUNTING AND REPORTING

APRIL 28, 2003

AUDITOR-CONTROLLER
COUNTY OF ORANGE
P O BOX 567
SANTA ANA CA 92702

DEAR CLAIMANT:

RE: HANDI & DISABLE STU CH 1747/84

WE HAVE REVIEWED YOUR 1998/1999 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED	11,920,871.00
LESS: TOTAL ADJUSTMENTS (DETAIL ON PAGE 2)	- 994,565.00
CLAIM AMOUNT APPROVED	10,926,306.00
LESS: TOTAL PRIOR PAYMENTS (DETAIL ON PAGE 2)	11,920,871.00
AMOUNT DUE STATE	$ 994,565.00

PLEASE REMIT A WARRANT IN THE AMOUNT OF $ 994,565.00 WITHIN 30 DAYS FROM THE DATE OF THIS LETTER, PAYABLE TO THE STATE CONTROLLER'S OFFICE, DIVISION OF ACCOUNTING AND REPORTING, P.O. BOX 942850, SACRAMENTO, CA 94250-5875 WITH A COPY OF THIS LETTER. FAILURE TO REMIT THE AMOUNT DUE WILL RESULT IN OUR OFFICE PROCEEDING TO OFFSET THE AMOUNT FROM THE NEXT PAYMENTS DUE TO YOUR AGENCY FOR STATE MANDATED COST PROGRAMS.

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT FRAN STUART AT (916) 323-0766 OR IN WRITING AT THE ABOVE ADDRESS.

SINCERELY,

Ginny Brummels

GINNY BRUMMELS,
MANAGER

LOCAL REIMBURSEMENT SECTION
P.O. BOX 942850 SACRAMENTO, CA 94250-5875

ADJUSTMENT TO CLAIM:		
FIELD AUDIT FINDINGS	- 994,565.00	
LESS: TOTAL ADJUSTMENTS		- 994,565.00
PRIOR PAYMENTS:		
SCHEDULE NO. MA01326A PAID 09-25-2000	0.00	
SCHEDULE NO. MA91376A PAID 03-20-2000	1,920,871.00	
SCHEDULE NO. MA81002E PAID 03-03-1999	10,000,000.00	
LESS: TOTAL PRIOR PAYMENTS		11,920,871.00

STEVE WESTLY
California State Controller
Division of Accounting and Reporting

April 28, 2003

The Honorable David E. Sundstrom
Auditor-Controller, Orange County
12 Civic Center Plaza
Santa Ana, CA 92701

Dear Claimant:

Re: HANDICAPPED & DISABLED STUDENTS CH 1747/84

We have reviewed your 1997/1998 fiscal year reimbursement claim for the mandated cost program referenced above. The results of our review are as follows:

Amount Claimed	$10,585,561.00
Less: Total Adjustments (Detail on Page 2)	-796,493.00
Claim Amount Approved	9,789,068.00
Less: Total Prior Payments (Detail on Page 2)	-10,585,561.00
Amount Due State	$-796,493.00

Please remit a warrant in the amount of $796,493.00 within 30 days from the date of this letter, payable to the State Controller's Office, Division of Accounting and Reporting, P. O. Box 942850, Sacramento, CA 94250-5875 with a copy of this letter. Failure to remit the amount due will result in our office proceeding to offset the amount from the next payments due to your agency for State Mandated Cost Programs. If you have any questions, please contact Fran Stuart at (916) 323-0766 or in writing at the above address.

Sincerely,

Ginny Brummels

Ginny Brummels,
Manager

MAILING ADDRESS P.O. Box 942850, Sacramento, CA 94250
SACRAMENTO 3301 C Street, Suite 500, Sacramento, CA 95816 (916) 445-8717

ADJUSTMENT TO CLAIM

Field Audit Findings	-$796,493.00	
Less: Total Adjustments		-$796,493.00

PRIOR PAYMENTS:

SCHEDULE NO. MA71656E PAID 01/22/1998	$5,213,171.00	
SCHEDULE NO. MA81005A PAID 03/15/1999	$1,698,983.00	
SCHEDULE NO. MA91305A PAID 08/13/1999	$3,662,883.00	
SCHEDULE NO. MA91332A PAID 10/29/1999	$ 10,524.00	
Less: Total Prior Payments		- $10,585,561.00

STEVE WESTLY
CALIFORNIA STATE CONTROLLER

P.O. BOX 942850
SACRAMENTO, CA 94250-0001

SACRAMENTO
APR 30 '03
CA

PB METER 7110685 U.S. POSTAGE
$0.37

MAY 02 2003
AUDITOR-CONTROLLER

92701#4057

419

EXHIBIT D

COUNTY OF ORANGE
HEALTH CARE AGENCY

FINANCIAL AND ADMINISTRATIVE SERVICES

MICHAEL SCHUMACHER
DIRECTOR

DAVID L. RILEY
CHIEF FINANCIAL OFFICER

MAILING ADDRESS:
515 N. SYCAMORE, ROOM 618
SANTA ANA, CA 92701

TELEPHONE: (714) 834-4422
FAX: (714) 834-5506

December 27, 1999

State Controller's Office
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

Subject: FY 1998-99 Handicapped & Disabled Students Claim

Attached to the Handicapped & Disabled Students Claim (SB90) is a draft of Orange County's mental health cost report for FY 98-99. At this time, our cost report is in the process of being finalized. After the completion of our cost report, a copy of this version will be sent to your office.

If you have any questions, please call Sheri Vukelich at (714) 834-7591.

Sincerely,

Eliseo Gillamac, Senior Accountant
Behavioral Health Care Accounting

CLAIM FOR PAYMENT
Pursuant to Government Code Section 17561
SERVICES TO HANDICAPPED STUDENTS

For State Controller's Use Only
(19) Program Number 00111
(20) Date File ____/____/____
(21) LRS Input ____/____/____

LABEL HERE

(01) Claimant Identification Number			Reimbursement Claim Date	
(02) Mailing Address			(22) HDS-1, (03)(a)	
Claimant Name			(23) HDS-1, (03)(b)	
County of Location			(24) HDS-1, (03)(c)	
Street Address or P.O. Box			(25) HDS-1, (04)(1)(d)	
City	State	Zip Code	(26) HDS-1, (04)(2)(d)	
Type of Claim	Estimated Claim	Reimbursement Claim	(27) HDS-1, (04)(3)(d)	
	(03) Estimated [X]	(09) Reimbursement [ ]	(28) HDS-1, (04)(4)(d)	
	(04) Combined [ ]	(10) Combined [ ]	(29) HDS-1, (04)(5)(d)	
	(05) Amended [ ]	(11) Amended [X]	(30) HDS-1, (06)	
Fiscal Year of Cost	(06) 19 99 /2000	(12) 19 98 /19 99	(31) HDS-3, (05)	317,663
Total Claimed Amount	(07) 10,000,000	(13) 11,920,871	(32) HDS-3, (06)	0
Less: 10% Late Penalty, not to exceed $1,000		(14)	(33) HDS-3, (07)	0
Less: Estimated Claim Payment Received		(15) 10,000,000	(34)	
Net Claimed Amount		(16) 1,920,871	(35)	
Due From State	(08) 10,000,000	(17) 1,920,871	(36)	
Due to State	State	(18)	(37)	

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for costs mandated by Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985 and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1096, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985.

The amounts for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs for the mandated program of Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985 set forth on the attached statements.

Signature of Authorized Representative

Date 12/27/99

Eliseo Gillamac
Type or Print Name

Senior Accountant/Auditor
Title

(39) Name of Contact Person for Claim
Sheri Vukelich, Accountant/Auditor

Telephone Number
(714) 834-7591 Ext. ____

Form FAM-27 (Revised 3/97)
Chapters 1747/84 and 1274/85

CLAIM FOR PAYMENT
Pursuant to Government Code Section 17561
SERVICES TO HANDICAPPED STUDENTS

For State Controller Use Only
(19) Program Number 00111
(20) Date File ____/____/____
(21) LRS Input ____/____/____

LABEL HERE

(01) Claimant Identification Number			Reimbursement Claim Date	
(02) Mailing Address			(22) HDS-1, (03)(a)	
Claimant Name			(23) HDS-1, (03)(b)	
County of Location			(24) HDS-1, (03)(c)	
Street Address or P.O. Box			(25) HDS-1, (04)(1)(d)	
City	State	Zip Code	(26) HDS-1, (04)(2)(d)	
Type of Claim	Estimated Claim	Reimbursement Claim	(27) HDS-1, (04)(3)(d)	
	(03) Estimated [X]	(09) Reimbursement [ ]	(28) HDS-1, (04)(4)(d)	
	(04) Combined [ ]	(10) Combined [ ]	(29) HDS-1, (04)(5)(d)	
	(05) Amended [ ]	(11) Amended [X]	(30) HDS-1, (06)	
Fiscal Year of Cost	(06) 19 99 /2000	(12) 19 98 /19 99	(31) HDS-3, (05)	317,663
Total Claimed Amount	(07) 10,000	(13) 11,920,871	(32) HDS-3, (06)	0
Less: 10% Late Penalty, not to exceed $1,000		(14)	(33) HDS-3, (07)	0
Less: Estimated Claim Payment Received		(15) 10,000,000	(34)	
Net Claimed Amount		(16) 1,920,871	(35)	
Due From State	(08)	(17) 1,920,871	(36)	
Due to State		(18)	(37)	

(38) CERTIFICATION OF CLAIM
In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for costs mandated by Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985 and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1096, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985.

The amounts for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs for the mandated program of Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985 set forth on the attached statements.

Signature of Authorized Representative

Date

Eliseo Gillamac
Type or Print Name

Senior Accountant/Auditor
Title

(39) Name of Contact Person for Claim
Sheri Vukelich, Accountant/Auditor

Telephone Number
(714) 834-7591 Ext. ____

MANDATED COSTS SERVICES TO HANDICAPPED STUDENTS CLAIM SUMMARY	FORM HDS-3

(01) Claimant County of Orange/Health Care Agency	(02) Type of Claims Reimbursement [X] Estimated [ ]	Fiscal Year 1998/1999

(03) Reimbursable Components		
Assessment of Individuals With Exceptional Needs		
(a) Assessment : Interviews, Review of Records, Observations, Testing, etc.	From A3	3,682,941
(b) Residential Placement: IEP Reviews, Case Management, and Expanded IEP		
(c) Related Services: Attendance at IEP meetings, Meeting with IEP Members and Parents, and Review of Independent Assessment.		
(d) Due Process Proceedings		
(e) Administrative Costs	From A5	1,315,956
Mental Health Treatment		
(f) Treatment Services: Short-Doyle Program	From A4.1	6,778,968
(g) Administrative Costs	From A5.1	1,883,623
(04) Sub-total for Assessment of Individual with Exceptional Needs [Sum of (03), lines (a) to (e)]		4,998,897
(05) Less: Amount Received from Short-Doyle / Medi-Cal (FFP only)	From G2	317,663
(06) Less: Amount Received from State Categorical Funding		
(07) Less: Amount Received from Other (Patient Fees)		
(08) Total for Assessment of Individual with Exceptional Needs [Line (04) minus the sum of lines (05) to (07)		4,681,234
(09) Sub-Total for Mental Health Treatment [block (03), lines (f) and (g)]		8,662,591
(10) Less: Non-Categorical State General / Realignment Funds		
(11) Less: Amount Received from State Categorical Funds	From F1	699,001
(12) Less: Amount Received from Short-Doyle / Medi-Cal (FFP only)	From G2	631,404
(13) Less: Amount Received from Other (SAMSHA Grant, Patient Fees)	From J2	92,549
(14) Total Mental health Treatment [Line (09) minus the sum of lines (10) to (13)]		7,239,637
(15) Total Claimed Amount [Sum of line (08) and line (14)]		11,920,871

MANDATED COSTS
SERVICES TO HANDICAPPED STUDENTS
COMPONENT / ACTIVITY COST DETAIL

Form HDS-4

(01) Claimant
County of Orange Health Care Agency

(02) Fiscal Year Costs Were Incurred
FY 1998-99

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

- [X] Assessment
- [ ] Treatment Services
- [ ] Residential Placement
- [ ] Other (identify)

(04) Description of Expenses: Complete columns (a) through (f). From B1

(a) Name of Providers	(b) Provider I.D. Numbers	(c) Service Function Codes	(d) Units of Service	(e) Rate per Unit	(f) Total
East County - Santa Ana	3006	15/01	209,491	1.1600	243,010
East County - Santa Ana	3006	15/30	230,945	1.4900	344,108
West County - Westminster	3009	15/01	245,996	1.2700	312,415
West County - Westminster	3009	15/30	205,057	1.6300	334,243
CGC Inc. - Fullerton	3051	15/01	42,164	1.0337	43,585
CGC Inc. - Fullerton	3051	15/30	58,332	1.3310	77,640
South County - Laguna	8002	15/01	509,194	0.6900	351,344
South County - Laguna	8002	15/30	632,923	0.8800	556,972
CGC Inc. - Santa Ana	8034	15/01	63,347	1.0337	65,482
CGC Inc. - Santa Ana	8034	15/30	106,989	1.3310	142,402
Western Youth - Garden Grove	8035	15/01	75,103	1.1496	86,338
Western Youth - Garden Grove	8035	15/30	100,484	1.1496	115,516
Western Youth - Laguna	8056	15/01	64,051	1.1496	73,633
Western Youth - Laguna	8056	15/30	280,123	1.1496	322,029
Western Youth - Anaheim	8061	15/01	6,528	1.1496	7,505
Western Youth - Anaheim	8061	15/30	30,261	1.1496	34,788
North County - Placentia	8067	15/01	170,800	1.0700	182,756
North County - Placentia	8067	15/30	276,638	1.3800	381,760
Latino Psych Center	30AE	15/01	1,203	1.4324	1,723
Latino Psych Center	30AE	15/30	3,097	1.8380	5,692
TOTAL ASSESSMENT			3,308,426		

(05) Total Subtotal Page: 1 of 1 — 3,682,941

MANDATED COSTS
SERVICES TO HANDICAPPED STUDENTS
COMPONENT / ACTIVITY COST DETAIL

Form HDS-4

(01) Claimant
County of Orange Health Care Agency

(02) Fiscal Year Costs Were Incurred
FY 1998-99

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

- [ ] Assessment
- [x] Treatment Services
- [ ] Residential Placement
- [ ] Other (identify)

(04) Description of Expenses: Complete columns (a) through (f). From 32

(a) Name of Providers	(b) Provider I.D. Numbers	(c) Service Function Codes	(d) Units of Service	(e) Rate per Unit	(f) Total
East County - Santa Ana	3006	15/10	116,558	1.4900	173,671
East County - Santa Ana	3006	15/40	286,730	1.4900	427,228
East County - Santa Ana	3006	15/50	18,875	1.4900	28,124
East County - Santa Ana	3006	15/60	48,891	2.7800	135,917
East County - Santa Ana	3006	15/70	3,673	2.2400	8,228
West County - Westminster	3009	15/10	123,518	1.6300	201,334
West County - Westminster	3009	15/40	399,514	1.6300	651,208
West County - Westminster	3009	15/50	180	1.6300	293
West County - Westminster	3009	15/60	66,169	3.0200	199,830
West County - Westminster	3009	15/70	8,229	2.4300	19,996
CGC Inc. - Fullerton	3051	15/10	99,891	1.3265	132,505
CGC Inc. - Fullerton	3051	15/40	187,119	1.3310	249,055
CGC Inc. - Fullerton	3051	15/50	87,042	1.3310	115,853
CGC Inc. - Fullerton	3051	15/60	10,280	2.2270	22,894
CGC Inc. - Fullerton	3051	15/70	3,420	2.4683	8,442
Sounty County - Laguna	8002	15/10	565,539	0.8800	497,674
Sounty County - Laguna	8002	15/40	1,021,061	0.8800	898,534
Sounty County - Laguna	8002	15/50	125,679	0.8800	110,598
Sounty County - Laguna	8002	15/60	144,887	1.6400	237,615
Sounty County - Laguna	8002	15/70	10,645	1.3200	14,051
Aspen Health Services	8079	15/10	18	2.7703	50
Aspen Health Services	8079	15/40	203	2.7703	562
Latino Psych Center	30AE	15/10	4,047	1.8380	7,438
Latino Psych Center	30AE	15/40	4,044	1.8380	7,433
Latino Psych Center	30AE	15/50	1,035	1.8380	1,902
Latino Psych Center	30AE	15/60	140	3.4164	478
			3,337,387		

(05) Total Subtotal X Page: 1 of 2 — 4,150,913

MANDATED COSTS
SERVICES TO HANDICAPPED STUDENTS
COMPONENT / ACTIVITY COST DETAIL

Form HDS-4

(01) Claimant
County of Orange Health Care Agency

(02) Fiscal Year Costs Were Incurred
FY 1998-99

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

- [ ] Assessment
- [x] Treatment Services
- [ ] Residential Placement
- [ ] Other (identify)

(04) Description of Expenses: Complete columns (a) through (f). From B2

(a) Name of Providers	(b) Provider I.D. Numbers	(c) Service Function Codes	(d) Units of Service	(e) Rate per Unit	(f) Total
CGC Inc. - Santa Ana	8034	15/10	93,534	1.3265	124,073
CGC Inc. - Santa Ana	8034	15/40	171,414	1.3310	228,152
CGC Inc. - Santa Ana	8034	15/50	6,376	1.3310	8,486
CGC Inc. - Santa Ana	8034	15/60	14,169	2.2270	31,554
CGC Inc. - Santa Ana	8034	15/70	2,288	2.4683	5,647
Western Youth - Garden Grove	8035	15/10	194,136	1.1496	223,179
Western Youth - Garden Grove	8035	15/40	380,490	1.1496	437,411
Western Youth - Garden Grove	8035	15/50	6,012	1.1496	6,911
Western Youth - Garden Grove	8035	15/60	30,405	1.1496	34,954
Western Youth - Garden Grove	8035	15/70	2,324	1.1496	2,672
Western Youth - Laguna	8056	15/10	118,215	1.1496	135,900
Western Youth - Laguna	8056	15/40	251,799	1.1496	289,468
Western Youth - Laguna	8056	15/50	78,256	1.1496	89,963
Western Youth - Laguna	8056	15/60	20,194	1.1496	23,215
Western Youth - Laguna	8056	15/70	328	1.1496	377
Western Youth - Anaheim	8090	15/10	3,441	1.1496	3,956
Western Youth - Anaheim	8090	15/40	9,052	1.1496	10,406
Western Youth - Anaheim	8090	15/50	-	1.1496	-
Western Youth - Anaheim	8090	15/60	1,020	1.1496	1,173
Western Youth - Anaheim	8090	15/70	-	1.1496	0
North County - Placentia	8067	15/10	168,506	1.3800	232,538
North County - Placentia	8067	15/40	331,708	1.3800	457,757
North County - Placentia	8067	15/50	2,803	1.3800	3,868
North County - Placentia	8067	15/60	105,198	2.5600	269,307
North County - Placentia	8067	15/70	3,424	2.0700	7,088
Page Total			1,995,092		2,628,055
Grand Total			5,332,479		

(05) Total X Subtotal Page: 2 of 2 — 6,778,968

MANDATED COSTS
SERVICES TO HANDICAPPED STUDENTS
COMPONENT / ACTIVITY COST DETAIL

Form HDS-6

(01) Claimant: County of Orange Health Care Agency

(02) Fiscal Year Costs Were Incurred: FY 1998-99

(03) Reimbursable Components: Administrative Costs

[X] Assessment of Individuals [ ] Mental Health Treatment

(04) Description of Expenses: Complete columns (a) through (g).

(a) Employee Names, Job Classifications, Functions Performed and Descripton of Expenses	(b) Hourly Rate of Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Office Supplies	(g) Contracted Services
			Object Accounts			
Administrative Cost (See Attached Schedule)			From A 1,315,956			
Totals			1,315,956	0	0	0

(05) Total Direct Costs	1,315,956
Indirect Costs	
(06) Indirect Cost Rate [From ICRP]	0.00%
(07) Total Indirect Costs [Line (06) x line (04)(d)] or [Line (06) x { (04)(d) + (04)(e) }]	
(08) Total Direct and Indirect Costs [Line (05) + line (07)]	1,315,956

MANDATED COSTS
SERVICES TO HANDICAPPED STUDENTS
COMPONENT / ACTIVITY COST DETAIL

Form HDS-6

(01) Claimant
County of Orange Health Care Agency

(02) Fiscal Year Costs Were Incurred
FY 1998-99

(03) Reimbursable Components: Administrative Costs

[ ] Assessment of Individuals [X] Mental Health Treatment

(04) Description of Expenses: Complete columns (a) through (g).

(a) Employee Names, Job Classifications, Functions Performed and Descripton of Expenses	(b) Hourly Rate of Unit Cost	(c) Hours Worked or Quantity	Object Accounts (d) Salaries	(e) Benefits	(f) Office Supplies	(g) Contracted Services
Administrative Cost (See Attached Schedule)			From Ac 1,883,623			
Totals			1,883,623	0	0	0

(05) Total Direct Costs	1,883,623
Indirect Costs	
(06) Indirect Cost Rate [From ICRP]	0.00%
(07) Total Indirect Costs [Line (06) x line (04)(d)] or [Line (06) x { (04)(d) + (04)(e) }]	
(08) Total Direct and Indirect Costs [Line (05) + line (07)]	1,883,623

SB 90 Handicapped & Disabled Students Claim
Allocation of Administration applied to claim
FY 98/99

	Administration	% of Admin. Applied to Mode 15	Mode 15 Administration	SEP/AB 3632 % Assmnt	SEP/AB 3632 % Trtmt	SEP/AB 3632 Administration Assmnt	SEP/AB 3632 Administration Trtmt
Non-M/C Administration (1)	8,369,902	92.39%	7,732,952	10.20%	14.60%	788,761	1,129,011
M/C Administration (2)	5,382,812	96.02%	5,168,576	10.20%	14.60%	527,195	754,612
Total	13,752,714		12,901,528			1,315,956	1,883,623

Notes:
Allocation of administration to mode 15 based on total labor charges (salaries and wages).
(1) Non/Medi-Cal administration allocated to all modes of services. (2) Medi-Cal administration allocated to the modes of services which generate Medi-Cal.
(3) Mode 15 administration allocated to AB 3632 program based on units of service.

EXHIBIT E

State Controller's Office

Mandated Cost Manual

CLAIM FOR PAYMENT
Pursuant to Government Code Section 17561
SERVICES TO HANDICAPPED STUDENTS

State Controller Use Only
(19) Program Number 00111
(20) Date File ____/____/____
(21) LRS Input ____/____/____

LABEL HERE			
(01) Claimant Identification Number			Reimbursement Claim Date
(02) Mailing Address			(22) HDS-1, (03)(a)
Claimant Name			(23) HDS-1, (03)(b)
County of Location			(24) HDS-1, (03)(c)
Street Address or P.O. Box			(25) HDS-1, (04)(1)(d)
City	State	Zip Code	(26) HDS-1, (04)(2)(d)

Type of Claim	Estimated Claim	Reimbursement Claim		
	(03) Estimated [X]	(09) Reimbursement [ ]	(27) HDS-1, (04)(3)(d)	
	(04) Combined [ ]	(10) Combined [ ]	(28) HDS-1, (04)(4)(d)	
	(05) Amended [ ]	(11) Amended [X]	(29) HDS-1, (04)(5)(d)	
			(30) HDS-1, (06)	
Fiscal Year of Cost	(06) 19 98 /19 99	(12) 19 97 /19 98	(31) HDS-3, (05)	263,748
Total Claimed Amount	(07) 10,000,000	(13) 10,585,561	(32) HDS-3, (06)	0
Less: 10% Late Penalty, not to exceed $1,000		(14)	(33) HDS-3, (07)	0
Less: Estimated Claim Payment Received		(15) 5,213,171	(34)	
Net Claimed Amount		(16) 5,372,390	(35)	
Due From State	(08) 10,000,000	(17) 5,372,390	(36)	
Due to State		(18)	(37)	

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for costs mandated by Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985 and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1096, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985.

The amounts for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs for the mandated program of Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985 set forth on the attached statements.

Signature of Authorized Representative: Dawn Nelson

Date: 12-24-98

Dawn Nelson
Type or Print Name

Senior Accountant/Auditor
Title

(39) Name of Contact Person for Claim: Sheri Vukelich, Accountant/Auditor

Telephone Number: (714) 834-7591 Ext. ____

Form FAM-27 (Revised 3/97)

Chapters 1747/84 and 1274/85

MANDATED COSTS SERVICES TO HANDICAPPED STUDENTS CLAIM SUMMARY	FORM HDS-3

(01) Claimant County of Orange/Health Care Agency	(02) Type of Claims Reimbursement [X] Estimated [ ]	Fiscal Year 1997/1998

(03) Reimbursable Components	
Assessment of Individuals With Exceptional Needs	
(a) Assessment : Interviews, Review of Records, Observations, Testing, etc.	4,043,451
(b) Residential Placement: IEP Reviews, Case Management, and Expanded IEP	
(c) Related Services: Attendance at IEP meetings, Meeting with IEP Members and Parents, and Review of Independent Assessment.	
(d) Due Process Proceedings	
(e) Administrative Costs	1,112,862
Mental Health Treatment	
(f) Treatment Services: Short-Doyle Program	6,763,081
(g) Administrative Costs	1,410,275
(04) Sub-total for Assessment of Individual with Exceptional Needs [Sum of (03), lines (a) to (e)]	5,156,313
(05) Less: Amount Received from Short-Doyle / Medi-Cal (FFP only)	263,748
(06) Less: Amount Received from State Categorical Funding	
(07) Less: Amount Received from Other (Patient Fees)	
(08) Total for Assessment of Individual with Exceptional Needs [Line (04) minus the sum of lines (05) to (07)	4,892,565
(09) Sub-Total for Mental Health Treatment [block (03), lines (f) and (g)]	8,173,356
(10) Less: Non-Categorical State General / Realignment Funds	920,407
(11) Less: Amount Received from State Categorical Funds	699,001
(12) Less: Amount Received from Short-Doyle / Medi-Cal (FFP only)	768,403
(13) Less: Amount Received from Other (SAMSHA Grant, Patient Fees)	92,549
(14) Total Mental health Treatment [Line (09) minus the sum of lines (10) to (13)]	5,692,996
(15) Total Claimed Amount [Sum of line (08) and line (14)]	10,585,561

MANDATED COSTS
SERVICES TO HANDICAPPED STUDENTS
COMPONENT / ACTIVITY COST DETAIL

Form HDS-4

(01) Claimant
County of Orange Health Care Agency

(02) Fiscal Year Costs Were Incurred
FY 1997-98

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

- [X] Assessment
- [ ] Treatment Services
- [ ] Residential Placement
- [ ] Other (identify)

(04) Description of Expenses: Complete columns (a) through (f).

(a) Name of Providers	(b) Provider I.D. Numbers	(c) Service Function Codes	(d) Units of Service	(e) Rate per Unit	(f) Total
East County - Santa Ana	3006	15/01	74,532	1.7100	127,450
East County - Santa Ana	3006	15/30	146,964	2.1900	321,851
West County - Westminster	3009	15/01	121,237	1.3700	166,095
st County - Westminster	3009	15/30	141,760	1.7500	248,080
CGC Inc. - Fullerton	3051	15/01	17,683	1.2909	22,827
CGC Inc. - Fullerton	3051	15/30	112,952	1.5255	172,308
South County - Laguna	8002	15/01	217,148	1.3500	293,150
South County - Laguna	8002	15/30	875,932	1.7300	1,515,362
CGC Inc. - Santa Ana	8034	15/01	28,139	1.2909	36,325
CGC Inc. - Santa Ana	8034	15/30	64,492	1.5255	98,383
Western Youth - Garden Grove	8035	15/01	58,162	1.2081	70,266
Western Youth - Garden Grove	8035	15/30	160,647	1.2031	193,274
Western Youth - Laguna	8056	15/01	44,917	1.2081	54,264
Western Youth - Laguna	8056	15/30	196,658	1.2031	236,599
Western Youth - Westmont	8061	15/01	5,980	1.2081	7,224
Western Youth - Westmont	8061	15/30	11,063	1.2031	13,310
North County - Placentia	8067	15/01	102,282	1.3200	135,012
North County - Placentia	8067	15/30	196,255	1.6900	331,671
TOTAL ASSESSMENT			2,576,803		

(05) Total Subtotal Page: 1 of 1 — 4,043,451

MANDATED COSTS SERVICES TO HANDICAPPED STUDENTS COMPONENT / ACTIVITY COST DETAIL	Form HDS-4

(01) Claimant	(02) Fiscal Year Costs Were Incurred
County of Orange Health Care Agency	FY 1997-98

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

- [ ] Assessment
- [x] Treatment Services
- [ ] Residential Placement
- [ ] Other (identify)

(04) Description of Expenses: Complete columns (a) through (f).

(a) Name of Providers	(b) Provider I.D. Numbers	(c) Service Function Codes	(d) Units of Service	(e) Rate per Unit	(f) Total
East County - Santa Ana	3006	15/10	65,431	2.1900	143,294
East County - Santa Ana	3006	15/40	172,341	2.1900	377,427
East County - Santa Ana	3006	15/50	810	2.1900	1,774
East County - Santa Ana	3006	15/60	25,666	4.0800	104,717
F t County - Santa Ana	3006	15/70	2,711	3.2900	8,919
West County - Westminster	3009	15/10	85,916	1.7500	150,353
West County - Westminster	3009	15/40	352,503	1.7500	616,880
West County - Westminster	3009	15/50	2,346	1.7500	4,106
West County - Westminster	3009	15/60	54,636	3.2500	177,567
West County - Westminster	3009	15/70	5,214	2.6200	13,661
CGC Inc. - Fullerton	3051	15/10	111,088	1.5255	169,465
CGC Inc. - Fullerton	3051	15/40	219,760	1.5255	335,244
CGC Inc. - Fullerton	3051	15/50	54,715	1.5255	83,468
CGC Inc. - Fullerton	3051	15/60	9,275	2.4156	22,405
CGC Inc. - Fullerton	3051	15/70	3,148	2.5859	8,140
Sounty County - Laguna	8002	15/10	436,049	1.7300	754,365
Sounty County - Laguna	8002	15/40	539,572	1.7300	933,460
Sounty County - Laguna	8002	15/50	122,239	1.7300	211,473
Sounty County - Laguna	8002	15/60	90,941	3.2200	292,830
Sounty County - Laguna	8002	15/70	7,671	2.6000	19,945
			2,362,032		
.5) Total	Subtotal X	Page: 1 of 2			4,429,493

MANDATED COSTS
SERVICES TO HANDICAPPED STUDENTS
COMPONENT / ACTIVITY COST DETAIL

Form HDS-4

(01) Claimant
County of Orange Health Care Agency

(02) Fiscal Year Costs Were Incurred
FY 1997-98

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

- [ ] Assessment
- [x] Treatment Services
- [ ] Residential Placement
- [ ] Other (identify)

(04) Description of Expenses: Complete columns (a) through (f).

(a) Name of Providers	(b) Provider I.D. Numbers	(c) Service Function Codes	(d) Units of Service	(e) Rate per Unit	(f) Total
CGC Inc. - Santa Ana	8034	15/10	107,053	1.5255	163,309
CGC Inc. - Santa Ana	8034	15/40	156,544	1.5255	238,808
CGC Inc. - Santa Ana	8034	15/50	7,614	1.5255	11,615
CGC Inc. - Santa Ana	8034	15/60	15,934	2.4156	38,490
CGC Inc. - Santa Ana	8034	15/70	1,364	2.5859	3,527
Western Youth - Garden Grove	8035	15/10	171,829	1.2031	206,727
Western Youth - Garden Grove	8035	15/40	342,955	1.2031	412,609
Western Youth - Garden Grove	8035	15/50	13,586	1.2031	16,345
Western Youth - Garden Grove	8035	15/60	25,511	1.2242	31,231
Western Youth - Garden Grove	8035	15/70	1,855	1.2232	2,269
Western Youth - Laguna	8056	15/10	97,532	1.2031	117,341
Western Youth - Laguna	8056	15/40	137,339	1.2031	165,233
Western Youth - Laguna	8056	15/50	67,964	1.2031	81,767
Western Youth - Laguna	8056	15/60	7,490	1.2242	9,169
Western Youth - Laguna	8056	15/70	1,917	1.2232	2,345
Western Youth - Westmont	8061	15/10	13,687	1.2031	16,467
Western Youth - Westmont	8061	15/40	26,932	1.2031	32,402
Western Youth - Westmont	8061	15/50	-	1.2031	-
Western Youth - Westmont	8061	15/60	3,061	1.2242	3,747
Western Youth - Westmont	8061	15/70	567	1.2232	694
North County - Placentia	8067	15/10	150,012	1.6900	253,520
North County - Placentia	8067	15/40	207,424	1.6900	350,547
North County - Placentia	8067	15/50	-	-	-
North County - Placentia	8067	15/60	54,264	3.1400	170,389
North County - Placentia	8067	15/70	1,991	2.5300	5,037
Page Total			1,614,425		2,333,588
Grand Total			3,976,457		

(05) Total X Subtotal Page: 2 of 2 — 6,763,081

MANDATED COSTS SERVICES TO HANDICAPPED STUDENTS COMPONENT / ACTIVITY COST DETAIL	Form HDS-5

(01) Claimant	(02) Fiscal Year Costs Were Incurred
County of Orange Health Care Agency	FY 1997-98

(03) Reimbursable Components: Due Process Proceedings

(04) Description of Expenses: Complete columns (a) through (g).

(a) Employee Names, Job Classifications, Functions Performed and Descripton of Expenses	(b) Hourly Rate of Unit Cost	(c) Hours Worked or Quantity	Object Accounts (d) Salaries	(e) Benefits	(f) Office Supplies	(g) Contracted Services
Totals			0	0	0	0

(05) Total Direct Costs	0
Indirect Costs	
(06) Indirect Cost Rate [From ICRP]	0.00%
(07) Total Indirect Costs [Line (06) x line (05)(d)] or [Line (06) x { (05)(d) + (05)(e) }]	
(08) Total Direct and Indirect Costs [Line (05) + line (07)]	0

MANDATED COSTS
SERVICES TO HANDICAPPED STUDENTS
COMPONENT / ACTIVITY COST DETAIL

Form HDS-6

(01) Claimant: County of Orange Health Care Agency

(02) Fiscal Year Costs Were Incurred: FY 1997-98

(03) Reimbursable Components: Administrative Costs

[X] Assessment of Individuals [ ] Mental Health Treatment

(04) Description of Expenses: Complete columns (a) through (g).

(a) Employee Names, Job Classifications, Functions Performed and Descripton of Expenses	(b) Hourly Rate of Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Office Supplies	(g) Contracted Services
			Object Accounts			
Administrative Cost (See Attached Schedule)			1,112,862			
Totals			1,112,862	0	0	0

(05) Total Direct Costs	1,112,862
Indirect Costs	
(06) Indirect Cost Rate [From ICRP]	0.00%
(07) Total Indirect Costs [Line (06) x line (04)(d)] or [Line (06) x { (04)(d) + (04)(e) }]	
(08) Total Direct and Indirect Costs [Line (05) + line (07)]	1,112,862

MANDATED COSTS SERVICES TO HANDICAPPED STUDENTS COMPONENT / ACTIVITY COST DETAIL	Form HDS-6

(01) Claimant	(02) Fiscal Year Costs Were Incurred
County of Orange Health Care Agency	FY 1997-98

(03) Reimbursable Components: Administrative Costs

[ ] Assessment of Individuals [X] Mental Health Treatment

(04) Description of Expenses: Complete columns (a) through (g).

(a) Employee Names, Job Classifications, Functions Performed and Descripton of Expenses	(b) Hourly Rate of Unit Cost	(c) Hours Worked or Quantity	Object Accounts (d) Salaries	(e) Benefits	(f) Office Supplies	(g) Contracted Services
Administrative Cost (See Attached Schedule)			1,410,275			
Totals			1,410,275	0	0	0

(05) Total Direct Costs	1,410,275
Indirect Costs	
(06) Indirect Cost Rate [From ICRP]	0.00%
(07) Total Indirect Costs [Line (06) x line (04)(d)] or [Line (06) x { (04)(d) + (04)(e) }]	
(08) Total Direct and Indirect Costs [Line (05) + line (07)]	1,410,275

SB 90 Handicapped & Disabled Students Claim
Allocation of Administration applied to claim
FY 97/98

	From J6 Administration	From A6 % of Admin. Applied to Mode 15	Mode 15 Administration	From A6 SEP/AB 3632 % Assmnt	Trtmt	SEP/AB 3632 Administration Assmnt	Trtmt
Non-M/C Administration (1)	7,976,880	90.67%	7,232,637	9.13%	11.57%	660,340	836,816
M/C Administration (2)	5,190,525	95.49%	4,956,432	9.13%	11.57%	452,522	573,458
Total	13,167,405		12,189,069			1,112,862	1,410,275

Notes:
Allocation of administration to mode 15 based on total labor charges (salaries and wages).
(1) Non/Medi-Cal administration allocated to all modes of services. (2) Medi-Cal administration allocated to the modes of services which generate Medi-Cal.
(3) Mode 15 administration allocated to AB 3632 program based on units of service.

EXHIBIT F

OFFICE OF THE STATE CONTROLLER

STATE MANDATED COSTS CLAIMING INSTRUCTIONS NO. 2006-03

HANDICAPPED AND DISABLED STUDENTS II

February 17, 2006

In accordance with Government Code (GC) section 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of costs incurred for state mandated cost programs. The following are claiming instructions and forms that eligible claimants will use for filing claims for the Handicapped and Disabled Students II (HDS II) program. These claiming instructions are issued subsequent to adoption of the program's Parameters and Guidelines (P's & G's) by the Commission on State Mandates (COSM).

On May 26, 2005, the COSM determined that GC sections 7572.55 and 7576, as added and amended in 1994 and 1996, and the joint regulations adopted by the Departments of Mental Health and Education as emergency regulations in 1998 and final regulations in 1999 (Cal. Code Regs., tit. 2, §§ 60000 et seq.), established costs mandated by the State according to the provisions listed in the P's & G's. For your reference, the P's & G's are included as an integral part of the claiming instructions.

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Eligible Claimants

Any city, county, or city and county that incurs increased costs as a result of this mandate, is eligible to claim reimbursement of these costs.

Filing Deadlines

A. Reimbursement Claims

Initial reimbursement claims must be filed within 120 days from the issuance date of claiming instructions. Costs incurred for this program, are eligible for reimbursement for fiscal years 2001-02 to 2004-05. Claims for fiscal years 2001-02 to 2004-05 must be filed with the SCO and be delivered or postmarked on or before **June 19, 2006**. Actual reimbursement claims for fiscal year 2005-06 and estimated claims for fiscal year 2006-07 must be filed on or before **January 16, 2007**.

In order for a claim to be considered properly filed, it must include any specific supporting documentation requested in the instructions. **Claims filed more than one year after the deadline or without the requested supporting documentation will not be accepted.**

B. Late Penalty

1. Initial Claims

AB 3000, enacted into law on September 30, 2002, amended the late penalty assessments on initial claims. Late initial claims submitted **on or after September 30, 2002,** are assessed a late penalty of 10% of the total amount of the initial claims **without limitation.**

2. Annual Reimbursement Claims

All late annual reimbursement claims are assessed a late penalty of 10% subject to the $1,000 limitation regardless of when the claims were filed.

C. Estimated Claims

Unless otherwise specified in the claiming instructions local agencies are not required to provide cost schedules and supporting documents with an estimated claim if the estimated amount does not exceed the previous fiscal year's actual costs by more than 10%. Claimants can simply enter the estimated amount on form FAM-27, line (07).

However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, claimants must complete supplemental claim forms to support their estimated costs as specified for the program to explain the reason for the increased costs. If no explanation supporting the higher estimate is provided with the claim, it will automatically be adjusted to 110% of the previous fiscal year's actual costs. Future estimated claims filed with the SCO must be postmarked by January 15 of the fiscal year in which costs will be incurred. Claims filed timely will be paid before late claims.

Minimum Claim Cost

GC section 17564(a) provides that no claim shall be filed pursuant to Sections 17551 and 17561, unless such claim exceeds one thousand dollars ($1,000).

Reimbursement of Claims

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question.

Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts. Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

Certification of Claim

In accordance with the provisions of GC section 17561, an authorized representative of the claimant shall be required to provide a certification of claim stating: "I certify, (or declare), under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of the Code of Civil Procedure section 2015.5, for those costs mandated by the State and contained herein.

Audit of Costs

All claims submitted to the SCO are reviewed to determine if costs are related to the mandate, are reasonable and not excessive, and the claim was prepared in accordance with the SCO's claiming instructions and the P's & G's adopted by the COSM. If any adjustments are made to a claim, a "Notice of Claim Adjustment" specifying the claim component adjusted, the amount adjusted, and the reason for the adjustment, will be mailed within 30 days after payment of the claim.

Pursuant to GC section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency pursuant to this chapter is subject to the initiation of an audit by the SCO no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the SCO to initiate an audit shall commence to run from the date of initial payment of the claim.

In any case, an audit shall be completed no later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the SCO during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. On-site audits will be conducted by the SCO as deemed necessary.

Retention of Claiming Instructions

The claiming instructions and forms in this package should be retained permanently in your Mandated Cost Manual for future reference and use in filing claims. These forms should be duplicated to meet your filing requirements. You will be notified of updated forms or changes to claiming instructions as necessary.

Questions, or requests for hard copies of these instructions, should be faxed to Angie Lowi-Teng at (916) 323-6527 or e-mailed to **LRSDAR@sco.ca.gov.** Or, if you wish, you may call the Local Reimbursements Section at (916) 324-5729.

For your reference, these and future mandated costs claiming instructions and forms can be found on the Internet at **www.sco.ca.gov/ard/local/locreim/index.shtml.**

Address for Filing Claims

Claims should be rounded to the nearest dollar. Submit a signed original and a copy of form FAM-27, Claim for Payment, and all other forms and supporting documents. **(To expedite the payment process, please sign the form in blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)**

Use the following mailing addresses:

If delivered by
U.S. Postal Service:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

If delivered by
other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 500
Sacramento, CA 95816

Adopted: December 9, 2005

PARAMETERS AND GUIDELINES

Government Code Sections 7572.55 and 7576
Statutes 1994, Chapter 1128, Statutes 1996, Chapter 654

California Code of Regulations, Title 2, Sections 60000 et seq.
(emergency regulations effective July 1, 1998 [Register 98, No. 26],
final regulations effective August 9, 1999 [Register 99, No. 33])

Handicapped and Disabled Students II (02-TC-40/02-TC-49)

Counties of Stanislaus and Los Angeles, Claimants

I. SUMMARY OF THE MANDATE

On May 26, 2005, the Commission on State Mandates (Commission) adopted its Statement of Decision in *Handicapped and Disabled Students II*, finding that Government Code sections 7572.55 and 7576, as added or amended in 1994 and 1996, and the joint regulations adopted by the Departments of Mental Health and Education as emergency regulations in 1998 and final regulations in 1999 (Cal. Code Regs., tit. 2, §§ 60000 et seq.), impose a reimbursable state-mandated program on counties within the meaning of article XIII B, section 6 of the California Constitution and Government Code section 17514.

The Handicapped and Disabled Students program was initially enacted in 1984 and 1985 as the state's response to federal legislation (Individuals with Disabilities Education Act, or IDEA) that guaranteed to disabled pupils, including those with mental health needs, the right to receive a free and appropriate public education. Three other Statements of Decision have been adopted by the Commission on the Handicapped and Disabled Students program. They include *Handicapped and Disabled Students* (CSM 4282), *Reconsideration of Handicapped and Disabled Students* (04-RL-4282-10), and *Seriously Emotionally Disturbed (SED) Pupils: Out-of-State Mental Health Services* (97-TC-05).

Eligible claimants are ***not*** entitled to reimbursement under these parameters and guidelines for the activities approved by the Commission in *Handicapped and Disabled Students* (CSM 4282), *Reconsideration of Handicapped and Disabled Students* (04-RL-4282-10), and *Seriously Emotionally Disturbed (SED) Pupils: Out-of-State Mental Health Services* (97-TC-05).

These parameters and guidelines address only the amendments to the Handicapped and Disabled Students program. The Commission found, pursuant to the court's ruling in *Hayes v. Commission on State Mandates* (1992) 11 Cal. App.4th 1564, that Government Code sections 7572.55 and 7576, as added or amended in 1994 and 1996, and the joint regulations adopted by the Departments of Mental Health and Education as emergency regulations in 1998 and final regulations in 1999, constitute a reimbursable state-mandated program since the state "freely chose" to impose the costs upon counties as a means of implementing the federal IDEA program.

II. ELIGIBLE CLAIMANTS

Any county, or city and county, that incurs increased costs as a result of this reimbursable state-mandated program is eligible to claim reimbursement of those costs.

III. PERIOD OF REIMBURSEMENT

Government Code section 17557 states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for reimbursement for that fiscal year. The test claim for this mandate was filed by the County of Stanislaus (02-TC-40) on June 27, 2003, and filed by the County of Los Angeles (02-TC-49) on June 30, 2003. Therefore, the period of reimbursement begins July 1, 2001.

Actual costs for one fiscal year shall be included in each claim. Estimated costs for the subsequent year may be included on the same claim, if applicable. Pursuant to Government Code section 17561, subdivision (d)(1)(A), all claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions.

If the total costs for a given year do not exceed $1,000, no reimbursement shall be allowed, except as otherwise allowed by Government Code section 17564.

IV. REIMBURSABLE ACTIVITIES

To be eligible for mandated cost reimbursement for any given fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, calendars, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise reported in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Claims should *exclude* reimbursable costs included in claims previously filed, beginning in fiscal year 2001-2002, for the Handicapped and Disabled Students program (CSM 4282).[1] Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

[1] Some costs disallowed by the State Controller's Office in prior years are now reimbursable beginning July 1, 2001 (e.g., medication monitoring). Rather than claimants re-filing claims for

For each eligible claimant, the following activities are eligible for reimbursement:

A. Interagency Agreements (Cal. Code Regs., tit. 2, § 60030)

The one-time activity of revising the interagency agreement with each local educational agency to include the following eight procedures:

1) Resolving interagency disputes at the local level, including procedures for the continued provision of appropriate services during the resolution of any interagency dispute, pursuant to Government Code section 7575, subdivision (f). For purposes of this subdivision only, the term "appropriate" means any service identified in the pupil's IEP, or any service the pupil actually was receiving at the time of the interagency dispute. (Cal. Code Regs, tit. 2, § 60030, subd. (c)(2).)

2) A host county to notify the community mental health service of the county of origin within two (2) working days when a pupil with a disability is placed within the host county by courts, regional centers or other agencies for other than educational reasons. (Cal. Code Regs, tit. 2, § 60030, subd. (c)(4).)

3) Development of a mental health assessment plan and its implementation. (Cal. Code Regs., tit. 2, § 60030, subd. (c)(5).)

4) At least ten (10) working days prior notice to the community mental health service of all IEP team meetings, including annual IEP reviews, when the participation of its staff is required. (Cal. Code Regs., tit. 2, § 60030, subd. (c)(7).)

5) The provision of mental health services as soon as possible following the development of the IEP pursuant to section 300.342 of Title 34 of the Code of Federal Regulations. (Cal. Code Regs., tit. 2, § 60030, subd. (c)(9).)

6) The provision of a system for monitoring contracts with nonpublic, nonsectarian schools to ensure that services on the IEP are provided. (Cal. Code Regs., tit. 2, § 60030, subd. (c)(14).)

7) The development of a resource list composed of qualified mental health professionals who conduct mental health assessments and provide mental health services. The community mental health service shall provide the LEA with a copy of this list and monitor these contracts to assure that services as specified on the IEP are provided. (Cal. Code Regs., tit. 2, § 60030, subd. (c)(15).)

8) Mutual staff development for education and mental health staff pursuant to Government Code section 7586.6, subdivision (a). (Cal. Code Regs., tit. 2, § 60030, subd. (c)(17).)

(The activities of updating or renewing the interagency agreements are not reimbursable.)

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those costs incurred beginning July 1, 2001, the State Controller's Office will reissue the audit reports.

B. Referral and Mental Health Assessments (Gov. Code, § 7576; Cal. Code Regs., tit. 2, §§ 60040, 60045)

1) Work collaboratively with the local educational agency to ensure that assessments performed prior to referral are as useful as possible to the community mental health service in determining the need for mental health services and the level of services needed. (Gov. Code, § 7576, subd. (b)(1).)

2) A county that receives a referral for a pupil with a different county of origin shall forward the referral within one working day to the county of origin. (Gov. Code, § 7576, subd. (g); Cal. Code Regs., tit. 2, § 60040, subd. (g).)

3) If the county determines that a mental health assessment is not necessary, the county shall document the reasons and notify the parents and the local educational agency of the county determination within one day. (Cal Code Regs., tit. 2, § 60045, subd. (a)(1).)

4) If the county determines that the referral is incomplete, the county shall document the reasons, notify the local educational agency within one working day, and return the referral. (Cal. Code Regs., tit. 2, § 60045, subd. (a)(2).)

5) Notify the local educational agency when an assessment is determined necessary. (Cal. Code Regs., tit. 2, § 60045, subd. (b).)

6) Provide the assessment plan to the parent. (Cal. Code Regs., tit. 2, § 60045, subd. (b).)

7) Report back to the referring local educational agency or IEP team within 30 days from the date of the receipt of the referral if no parental consent for a mental health assessment has been obtained. (Cal. Code Regs., tit. 2, § 60045, subd. (c).)

8) Notify the local educational agency within one working day after receipt of the parent's written consent for the mental health assessment to establish the date of the IEP meeting. (Cal. Code Regs., tit. 2, § 60045, subd. (d).)

9) Provide the parent with written notification that the parent may require the assessor to attend the IEP meeting to discuss the recommendation when the parent disagrees with the assessor's mental health service recommendation. (Cal. Code Regs., tit. 2, § 60045, subd. (f).)

10) The county of origin shall prepare yearly IEP reassessments to determine the needs of a pupil. (Cal. Code Regs., tit. 2, § 60045, subd. (h).)

C. Transfers and Interim Placements (Cal. Code Regs., tit. 2, § 60055)

1) Following a pupil's transfer to a new school district, the county shall provide interim mental health services, as specified in the existing IEP, for thirty days, unless the parent agrees otherwise.

2) Participate as a member of the IEP team of a transfer pupil to review the interim services and make a determination of services.

D. Participate as a Member of the Expanded IEP Team When Residential Placement of a Pupil is Recommended (Gov. Code, § 7572.55; Cal Code Regs., tit. 2, § 60100)

1) When a recommendation is made that a child be placed in an out-of-state residential facility, the expanded IEP team, with the county as a participant, shall develop a plan for using less restrictive alternatives and in-state alternatives as soon as they become available, unless it is in the best educational interest of the child to remain in the out-of-state school. (Gov. Code, § 7572.55, subd. (c).)

2) The expanded IEP team, with the county as a participant, shall document the alternatives to residential placement that were considered and the reasons why they were rejected. (Cal. Code Regs., tit. 2, § 60100, subd. (c).)

3) The expanded IEP team, with the county as a participant, shall ensure that placement is in accordance with the admission criteria of the facility. (Cal. Code Regs., tit. 2, § 60100, subd. (j).)

4) When the expanded IEP team determines that it is necessary to place a pupil who is seriously emotionally disturbed in residential care, counties shall ensure that: (1) the mental health services are specified in the IEP in accordance with federal law, and (2) the mental health services are provided by qualified mental health professionals. (Cal. Code Regs., tit. 2, § 60100, subd. (i).)

E. Case Management Duties for Pupils Placed in Residential Care (Cal. Code Regs., tit. 2, §§ 60100, 60110)

1) Coordinate the residential placement plan of a pupil with a disability who is seriously emotionally disturbed as soon as possible after the decision has been made to place the pupil in residential placement. The residential placement plan shall include provisions, as determined in the pupil's IEP, for the care, supervision, mental health treatment, psychotropic medication monitoring, if required, and education of the pupil. (Cal. Code Regs., tit, 2, § 60110, subd, (b)(1).)

2) When the IEP team determines that it is necessary to place a pupil with a disability who is seriously emotionally disturbed in a community treatment facility, the lead case manager shall ensure that placement is in accordance with admission, continuing stay, and discharge criteria of the community treatment facility. (Cal. Code Regs., tit. 2, § 60110, subd. (b)(3).)

3) Identify, in consultation with the IEP team's administrative designee, a mutually satisfactory placement that is acceptable to the parent and addresses the pupil's educational and mental health needs in a manner that is cost-effective for both public agencies, subject to the requirements of state and federal special education law, including the requirement that the placement be appropriate and in the least restrictive environment. (Cal. Code Regs, tit. 2, §§ 60100, subd. (e), 60110, subd. (c)(2).)

4) Document the determination that no nearby placement alternative that is able to implement the IEP can be identified and seek an appropriate placement that is as close to the parents' home as possible. (Cal. Code Regs., tit. 2, § 60100, subd. (f).)

5) Notify the local educational agency that the placement has been arranged and coordinate the transportation of the pupil to the facility if needed. (Cal. Code Regs, tit. 2, § 60110, subd. (c)(7).)

6) Facilitate placement authorization from the county's interagency placement committee pursuant to Welfare and Institutions Code section 4094.5, subdivision (e)(1), by presenting the case of a pupil with a disability who is seriously emotionally disturbed prior to placement in a community treatment facility. (Cal. Code Regs, tit. 2, § 60110, subd. (c)(11).)

7) Evaluate every 90 days the continuing stay criteria, as defined in Welfare and Institutions Code section 4094, of a pupil placed in a community treatment facility every 90 days. (Cal. Code Regs, tit. 2, § 60110, subd. (c)(8).)

8) Schedule and attend the next expanded IEP team meeting with the expanded IEP team's administrative designee within six months of the residential placement of a pupil with a disability who is seriously emotionally disturbed and every six months thereafter as the pupil remains in residential placement. (Cal. Code Regs, tit. 2, § 60110, subd. (c)(10).)

F. Authorize Payments to Out-Of-Home Residential Care Providers (Cal. Code Regs., tit. 2, § 60200, subd. (e))

1) Authorize payments to residential facilities based on rates established by the Department of Social Services in accordance with Welfare and Institutions Code sections 18350 and 18356. This activity requires counties to determine that the residential placement meets all the criteria established in Welfare and Institutions Code sections 18350 through 18356 before authorizing payment.

G. Provide Psychotherapy or Other Mental Health Treatment Services (Cal. Code Regs., tit. 2, §§ 60020, subd. (i), 60050, subd. (b), 60200, subd. (c))

1) The host county shall make its provider network available and provide the county of origin a list of appropriate providers used by the host county's managed care plan who are currently available to take new referrals. (Cal. Code Regs., tit. 2, § 60200, subd. (c)(1).)

2) The county of origin shall negotiate with the host county to obtain access to limited resources, such as intensive day treatment and day rehabilitation. (Cal. Code Regs., tit. 2, § 60200, subd. (c)(1).)

3) Provide case management services to a pupil when required by the pupil's IEP. This service shall be provided directly or by contract at the discretion of the county of origin. (Cal. Code Regs., tit. 2, § 60020, subd. (i).)

4) Provide individual or group psychotherapy services, as defined in Business and Professions Code section 2903, when required by the pupil's IEP. This service shall be provided directly or by contract at the discretion of the county of origin. (Cal. Code Regs., tit. 2, § 60020, subd. (i).)

5) Provide medication monitoring services when required by the pupil's IEP. "Medication monitoring" includes all medication support services with the exception of the medications or biologicals themselves and laboratory work. Medication

support services include prescribing, administering, and monitoring of psychiatric medications or biologicals as necessary to alleviate the symptoms of mental illness. This service shall be provided directly or by contract at the discretion of the county of origin. (Cal. Code Regs., tit. 2, § 60020, subds. (f) and (i).)

6) Notify the parent and the local educational agency when the parent and the county mutually agree upon the completion or termination of a service, or when the pupil is no longer participating in treatment. ((Cal. Code Regs., tit. 2, § 60050, subd. (b).)

(When providing psychotherapy or other mental health treatment services, the activities of mental health assessments, collateral services, intensive day treatment, case management, crisis intervention, vocational services, and socialization services are not reimbursable.)

V. CLAIM PREPARATION AND SUBMISSION

Each of the following cost elements must be identified for each reimbursable activity identified in section IV. of this document. Each claimed reimbursable cost must be supported by source documentation as described in section IV. Additionally, each reimbursement claim must be filed in a timely manner.

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for the reimbursable activities. The following direct costs are eligible for reimbursement.

1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the services that were performed during the period covered by the reimbursement claim. If the contract services are also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services.

4. Fixed Assets and Equipment

Report the purchase price paid for fixed assets and equipment (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset or equipment is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

B. Indirect Cost Rates

Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include (1) the overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in the Office of Management and Budget (OMB) Circular A-87. Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in OMB Circular A-87 Attachments A and B) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in OMB A-87 Attachments A and B). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) classifying a department's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected; or
2. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected.

VI. RECORDS RETENTION

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter[2] is subject to the initiation of an audit by the State Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

VII. OFFSETTING SAVINGS AND REIMBURSEMENTS

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any of the following sources shall be identified and deducted from this claim:

1. Funds received by a county pursuant to Government Code section 7576.5.
2. Any direct payments or categorical funding received from the state that is specifically allocated to any service provided under this program. This includes the appropriation made by the Legislature in the Budget Act of 2001, which appropriated funds to counties in the amounts of $12,334,000 (Stats. 2001, ch. 106, items 4440-131-0001), and the $69 million appropriations in 2003 and 2004 (Stats. 2003, ch. 157, item 6110-161-0890, provision 17; Stats. 2004, ch. 208, item 6110-161-0890, provision 10).
3. Private insurance proceeds obtained with the consent of a parent for purposes of this program.
4. Medi-Cal proceeds obtained from the state or federal government that pay for a portion of the county services provided to a pupil under the Handicapped and Disabled Students program in accordance with federal law.
5. Any other reimbursement received from the federal or state government, or other non-local source.

Beginning July 1, 2001, realignment funds under the Bronzan-McCorquodale Act that are used by a county for this program are not required to be deducted from the costs claimed. (Stats. 2004, ch. 493, § 6 (SB 1895).)

VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS

Pursuant to Government Code section 17558, subdivision (b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the statute or executive order creating the mandate and the parameters and guidelines adopted by the Commission.

[2] This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

Pursuant to Government Code section 17561, subdivision (d)(1), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

IX. REMEDIES BEFORE THE COMMISSION

Upon request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for reimbursement of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557, subdivision (a), and the California Code of Regulations, title 2, section 1183.2.

X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES

The Statement of Decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the Statement of Decision, is on file with the Commission.

CLAIM FOR PAYMENT
Pursuant to Government Code Section 17561

HANDICAPPED AND DISABLED STUDENTS II

For State Controller Use Only	Program
(19) Program Number 00263	263
(20) Date Filed ___/___/___	
(21) LRS Input ___/___/___	

LABEL HERE

(01) Claimant Identification Number

(02) Claimant Name

County of Location

Street Address or P.O. Box Suite

City State Zip Code

Reimbursement Claim Data	
(22) HDS -1, (04)(A)(1)(f)	
(23) HDS -1, (04)(B)(1)(f)	
(24) HDS -1, (04)(C)(1)(f)	
(25) HDS -1, (04)(D)(1)(f)	
(26) HDS -1, (04)(E)(1)(f)	
(27) HDS -1, (04)(F)(1)(f)	
(28) HDS -1, (04)(G)(1)(f)	
(29) HDS -1, (06)	
(30) HDS -1, (07)	
(31) HDS -1, (09)	
(32) HDS -1, (10)	
(33)	
(34)	
(35)	
(36)	

Type of Claim	Estimated Claim	Reimbursement Claim
	(03) Estimated ☐	(09) Reimbursement ☐
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☐
Fiscal Year of Cost	(06) ___/___	(12) ___/___
Total Claimed Amount	(07)	(13)
Less: 10% Late Penalty		(14)
Less: Prior Claim Payment Received		(15)
Net Claimed Amount		(16)
Due from State	(08)	(17)
Due to State		(18)

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Section 17561, I certify that I am the officer authorized by the local agency to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein, and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amounts for this Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statements. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer Date

Type or Print Name Title

(38) Name of Contact Person for Claim Telephone Number ( ) - Ext.

E-Mail Address

Program 263	HANDICAPPED AND DISABLED STUDENTS II Certification Claim Form Instructions	FORM FAM-27

(01) Enter the payee number assigned by the State Controller's Office.

(02) Enter your Official Name, County of Location, Street or P. O. Box address, City, State, and Zip Code.

(03) If filing an estimated claim, enter an "X" in the box on line (03) Estimated.

(04) If filing a combined estimated claim on behalf of districts within the county, enter an "X" in the box on line (04) Combined.

(05) If filing an amended estimated claim, enter an "X" in the box on line (05) Amended.

(06) Enter the fiscal year in which costs are to be incurred.

(07) Enter the amount of the estimated claim. If the estimate exceeds the previous year's actual costs by more than 10%, complete form HDS-1 and enter the amount from line (11).

(08) Enter the same amount as shown on line (07).

(09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.

(10) If filing a combined reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.

(11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.

(12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 and supporting schedules for each fiscal year.

(13) Enter the amount of the reimbursement claim from form HDS-1, line (11). The total claimed amount must exceed $1,000.

(14) Claims for fiscal years 2001-02 to 2004-05 must be filed with the SCO and be delivered or postmarked on or before **June 19, 2006**. Actual reimbursement claims for fiscal year 2005-06 and estimated claims for fiscal year 2006-07 must be filed on or before **January 16, 2007**, or the claims shall be reduced by a late penalty. Enter zero if the claim was timely filed, otherwise, enter the product of multiplying line (13) by the factor (0.10% penalty).

(15) If filing an actual reimbursement claim and an estimated claim was previously filed for the same fiscal year, enter the amount received for the claim. Otherwise, enter a zero.

(16) Enter the result of subtracting line (14), and line (15), from line (13).

(17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.

(18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.

(19) to (21) Leave blank.

(22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g. HDS-1, (04)(A)(f), means the information is located on form HDS-1, block (04), line (A), column (f). Enter the information on the same line but in the right-hand column. Cost Information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 35.19% should be shown as 35. **Completion of this data block will expedite the payment process.**

(37) Read the statement "Certification of Claim." If it is true, the claim must be dated, signed by the district's authorized officer, and must include the person's name and title, typed or printed. **Claims cannot be paid unless accompanied by an original signed certification. (To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)**

(38) Enter the name, telephone number, and e-mail address of the person to contact if additional information is required.

Claims should be rounded to the nearest dollar. Submit a signed original and a copy of form FAM-27, Claim for Payment, and all other forms and supporting documents. Use the following mailing addresses:

Address, if delivered by U.S. Postal Service:

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

Address, if delivered by other delivery service:

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 500
Sacramento, CA 95816

Program 263	MANDATED COSTS HANDICAPPED AND DISABLED STUDENTS II CLAIM SUMMARY	FORM HDS-1

(01) Claimant	(02) Reimbursement ☐ Estimated ☐ Type of Claim	Fiscal Year ___ / ___

Claim Statistics	
(03) Number of student referrals during the fiscal year of claim	

Direct Costs	Object Accounts					
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contracted Services	(e) Fixed Assets	(f) Total
A. Interagency Agreements						
B. Referral and Mental Health Assessments						
C. Transfers and Interim Placements						
D. Membership Participation of Expanded IEP Team						
E. Case Management Duties for Pupils						
F. Payment Authorization to Care Providers						
G. Psychotherapy or Other Treatment Services						
(05) Total Direct Costs						

Indirect Costs		
(06) Indirect Cost Rate	[10% or ICRP from 2 CFR, Chapter II, formerly OMB A-87]	%
(07) Total Indirect Costs	[Line (06) x line (05)(a)] or [Line (06) x {line (05)(a) + line (05)(b)}]	
(08) Total Direct and Indirect Costs	[Line (05)(f) + line (07)]	
Cost Reduction		
(09) Less: Offsetting Savings		
(10) Less: Other Reimbursements		
(11) Total Claimed Amount	[Line (08) - {line (09) + line (10)}]	

Program 263	HANDICAPPED AND DISABLED STUDENTS II CLAIM SUMMARY Instructions	FORM HDS-1

(01) Enter the name of the claimant. If more than one department has incurred costs for this mandate, give the name of each department. A form HDS-1 should be completed for each department.

(02) Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year of costs.

Form HDS-1 must be filed for a reimbursement claim. Do not complete form HDS-1 if you are filing an estimated claim and the estimate does not exceed the previous fiscal year's actual costs by more than 10%. Simply enter the amount of the estimated claim on form FAM-27, line (07). However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, form HDS-1 must be completed and a statement attached explaining the increased costs. Without this information the estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.

(03) Enter the number of students who were referred during the fiscal year of claim.

(04) For each reimbursable activity, enter the total from form HDS-2, line (05), columns (d) through (i) to form HDS-1, block (04), columns (a) through (f) in the appropriate row. Total each row.

(05) Total columns (a) through (f).

(06) Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits. If an indirect cost rate of greater than 10% is used, include the Indirect Cost Rate Proposal (ICRP) with the claim. If more than one department is reporting costs, each must have its own ICRP for the program.

(07) Multiply Total Salaries, line (05)(a), by the Indirect Cost Rate, line (06). If both salaries and benefits were used in the distribution base for the computation of the indirect cost rate, then multiply the sum of Total Salaries, line (05)(a), and Total Benefits, line (05)(b), by the Indirect Cost Rate, line (06).

(08) Enter the sum of Total Direct Costs, line (05)(f), and Total Indirect Costs, line (07).

(09) Less: Offsetting Savings. If applicable, enter the total savings experienced by the claimant as a result of this mandate. Submit a detailed schedule of savings with the claim.

(10) Less: Other Reimbursements. If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds, that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.

(11) Total Claimed Amount. From Total Direct and Indirect Costs, line (08), subtract the sum of Offsetting Savings, line (09), and Other Reimbursements, line (10). Enter the remainder on this line and carry the amount forward to form FAM-27, line (07) for the Estimated Claim or line (13) for the Reimbursement Claim.

Program 263	MANDATED COSTS HANDICAPPED AND DISABLED STUDENTS II ACTIVITY COST DETAIL	FORM HDS-2

(01) Claimant (02) Fiscal Year

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

- ☐ Interagency Agreements
- ☐ Case Management Duties for Pupils
- ☐ Referral and Mental Health Assessments
- ☐ Payment Authorization to Care Providers
- ☐ Transfers and Interim Placements
- ☐ Psychotherapy or Other Treatment Services
- ☐ Member Participation of Extended IEP Team

(04) Description of Expenses			Object Accounts				
(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Materials and Supplies	(g) Contracted Services	(h) Fixed Assets
(05) Total ☐ Subtotal ☐ Page: ____of____							

New 02/06

Program 263	HANDICAPPED AND DISABLED STUDENTS II COMPONENT/ACTIVITY COST DETAIL Instructions	FORM HDS-2

(01) Enter the name of the claimant.

(02) Enter the fiscal year for which costs were incurred.

(03) Check the box which indicates the activity being claimed. Check only one box per form. A separate form HDS-2 shall be prepared for each applicable activity.

(04) Description of Expenses. The following table identifies the type of information required to support reimbursable costs. To detail costs for the activity box "checked" in block (03), enter the employee names, position titles, a brief description of the activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, and contracted services expenses. **The descriptions required in column (4)(a) must be of sufficient detail to explain the cost of activities or items being claimed.** For audit purposes, all supporting documents must be retained by the claimant for a period of not less than three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated and no payment was made at the time the claim was filed, the time for the Controller to initiate an audit shall be from the date of initial payment of the claim. Such documents shall be made available to the State Controller's Office on request.

Object/ Sub-object Accounts	Columns								Submit supporting documents with the claim
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
Salaries	Employee Name/Title	Hourly Rate	Hours Worked	Salaries = Hourly Rate x Hours Worked					
Benefits	Activities Performed	Benefit Rate			Benefits = Benefit Rate x Salaries				
Materials and Supplies	Description of Supplies Used	Unit Cost	Quantity Used			Cost= Unit Cost X Quantity Used			
Contracted Services	Name of Contractor Specific Tasks Performed	Hourly Rate	Hours Worked Inclusive Dates of Service				Itemized Cost of Services Performed		Copy of Contract and Invoice
Fixed Assets	Description of Equipment Purchased	Unit Cost	Usage					Cost= Unit Cost x Usage	

(05) Total line (04), columns (d) through (h) and enter the sum on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed to detail the activity costs, number each page. Enter totals from line (05), columns (d) through (h) to form HDS-1, block (04), columns (a) through (e) in the appropriate row.

New 02/06