

**OFFICE OF THE COUNTY COUNSEL  
COUNTY OF SANTA CLARA**

70 West Hedding Street, 9<sup>th</sup> Floor  
San Jose, California 95110-1770  
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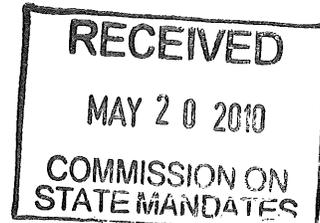
Miguel Márquez  
ACTING COUNTY COUNSEL

Winifred Botha  
Orry P. Korb  
Lori E. Pegg  
ASSISTANT COUNTY COUNSEL

May 14, 2010

VIA EMAIL & U.S. MAIL

Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814  
csminfo@csm.ca.gov



Re: *Audit of Mental Health Services Provided to Disabled Students by the County of Santa Clara in Fiscal Years 2004, 2005, and 2006*

To the Commission on State Mandates:

On April 12, 2010, the County of Santa Clara submitted an Incorrect Reduction Claim (IRC) seeking reversal of the State Controller's audit decision disallowing reimbursement for costs incurred by the County in providing mental health rehabilitation services to disabled students pursuant to AB 3632. The County's IRC included copies of all written correspondence between the County and the State Controller's Office related to the audit that had been exchanged prior to the filing of the IRC. I write to supplement the County's IRC submission with a letter I received from the Controller on May 12, 2010, and to amend the amount of the incorrect reduction challenged in our IRC in light of the Controller's letter.

On January 15, 2010, the County sent the State Controller a letter requesting reconsideration of his audit finding, along with evidence supporting reversal of that finding. On March 11, 2010, the County supplemented that request through a letter to the Controller with a declaration of Laura Champion, the Bay Area Director of EMQ Families First, one of the organizations with which the County contracts to provide the mental health rehabilitation services at issue in the Controller's audit. The County's March 11<sup>th</sup> letter also asked the Controller to confirm that the total disallowance for mental health rehabilitation services was \$8,606,362. On March 16, 2010, the County received a letter from the Controller denying the County's request for reconsideration. On April 12, 2010, the County filed its IRC with the Commission. Both the March 11, 2010 letter from the County to the Controller and the Controller's letter denying the County's request for reconsideration were included in the written correspondence that the County submitted to the Commission with its IRC.

Two days ago, we received a letter from the State Controller's Office dated May 7, 2010 responding to our letter of March 11, 2010. In that letter, the Controller reaffirmed his denial of the County's request for reconsideration of his audit decision. The Controller also informed the

To: The Commission on State Mandates

Re: *Audit of Mental Health Services Provided to Disabled Students by the County of Santa Clara in Fiscal Years 2004, 2005, and 2006*

Date: May 14, 2010

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County that the amount of the disallowance for mental health rehabilitation services was greater than the County believed it to be. Accordingly, I write to supplement our IRC submission with a copy of the Controller's May 7<sup>th</sup> letter. That letter is attached. I also write to amend the amount of the incorrect reduction challenged in our IRC. According to the Controller's May 7<sup>th</sup> letter, the amount of the disallowance was \$3,172,403 for fiscal year 2004, \$2,791,393 for fiscal year 2005, and \$2,694,540 for fiscal year 2006. Thus, the total amount of the incorrect reduction is \$8,658,336 rather than \$8,606,362, the amount set forth on the County's IRC claim form. Attached is an amended claim form reflecting the \$8,658,336 that the County is now challenging through its IRC.

Very truly yours,

MIGUEL MÁRQUEZ  
Acting County Counsel



GRETA S. HANSEN  
Deputy County Counsel

CC: Lynn Pasahow, Ryan Tyz, and Betsy White, Fenwick & West, LLP



**JOHN CHIANG**  
California State Controller

May 7, 2010

Greta S. Hansen  
Deputy County Counsel  
Santa Clara County  
70 West Hedding Street, 9<sup>th</sup> Floor  
San Jose, CA 95110-1770

Re: Santa Clara County's Request for State Controller's Office to Reconsider Audit Findings

Dear Ms. Hansen:

This is in response to your March 11, 2010, letter that provided additional support for Santa Clara County's January 15, 2010, request that we reconsider the validity of unallowable services identified in our final audit report issued June 30, 2010. In that report, we audited costs claimed for the legislatively mandated Handicapped and Disabled Students Program for the period of July 1, 2003, through June 30, 2006. My staff reviewed the additional documentation and believes that our conclusion continues to be valid.

The additional support discusses the appropriateness of rehabilitation services. As discussed in our final audit report and prior response dated March 10, 2010, an assessment of the appropriateness of rehabilitation services is outside the scope of our audit. Our audit objective was to determine whether costs of county-filed claims are reimbursable under the program's parameters and guidelines adopted by the Commission on State Mandates (CSM).

Our audit report and prior response letter maintain that rehabilitation services are not included in the program's parameters and guidelines and the underlying State regulations, Title 2, California Code of Regulations, section 60020, subdivision (i), that form the basis for the program services. As rehabilitation services are not identified in the underlying regulation, it has not been pled before the CSM as part of a related test claim.

Your letter also requested confirmation of the unallowable rehabilitation costs. The unallowable rehabilitation costs total \$8,658,336 (\$3,172,403 for fiscal year [FY] 2003-04, \$2,791,393 for FY 2004-05, and \$2,694,540 for FY 2005-06). We provided the county the detailed audit adjustments and discussed them with county representatives prior to issuing the May 22, 2009, draft report.

As discussed in our final audit report and prior response, if the county continues to disagree with the audit findings, it may file an Incorrect Reduction Claim (IRC) with the CSM. The IRC must be filed within three years following the date that we notify the county of a claim reduction. The county may obtain information at CSM's Web site link at [www.csm.ca.gov/docs/IRCFForm.pdf](http://www.csm.ca.gov/docs/IRCFForm.pdf).

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

Sincerely,



JOHN CHIANG  
California State Controller

cc: Jeffrey V. Brownfield, Chief  
Division of Audits, State Controller's Office  
Jim L. Spano, Bureau Chief  
Division of Audits, State Controller's Office

## 1. INCORRECT REDUCTION CLAIM TITLE

Controller's Audit of the County of Santa Clara's Claims for  
Reimbursement for Services Provided Pursuant to AB 3632

## 2. CLAIMANT INFORMATION

The County of Santa Clara  
Name of Local Agency or School District  
Dr. Nancy Peña  
Claimant Contact  
Mental Health Director  
Title  
820 S. Bascom Ave.  
Street Address  
San Jose, CA 95128  
City, State, Zip  
408-885-5783  
Telephone Number  
408-813-4262  
Fax Number  
Nancy.Pena@hhs.sccgov.org  
E-Mail Address

## 3. CLAIMANT REPRESENTATIVE INFORMATION

Claimant designates the following person to act as its sole representative in this incorrect reduction claim. All correspondence and communications regarding this claim shall be forwarded to this representative. Any change in representation must be authorized by the claimant in writing, and sent to the Commission on State Mandates.

Greta S. Hansen  
Claimant Representative Name  
Deputy County Counsel  
Title  
Office of the County Counsel, County of Santa Clara  
Organization  
70 W. Hedding Street, East Wing 9th Floor  
Street Address  
San Jose, CA 95110  
City, State, Zip  
408-299-5930  
Telephone Number  
408-292-7240  
Fax Number  
Greta.Hansen@cco.sccgov.org  
E-Mail Address

For CSM Use Only

Filing Date:

IRC #:

## 4. IDENTIFICATION OF STATUTES OR EXECUTIVE ORDERS

Please specify the subject statute or executive order that claimant alleges is not being fully reimbursed pursuant to the adopted parameters and guidelines.

California Government Code Sections 7570 et seq. (AB 3632)

## 5. AMOUNT OF INCORRECT REDUCTION

Please specify the fiscal year and amount of reduction. More than one fiscal year may be claimed.

Fiscal Year	Amount of Reduction
2004	\$3,172,403.00
2005	\$2,791,393.00
2006	\$2,694,540.00

**TOTAL:** \$8,658,336.00

## 6. NOTICE OF INTENT TO CONSOLIDATE

Please check the box below if there is intent to consolidate this claim.

**Yes, this claim is being filed with the intent to consolidate on behalf of other claimants.**

Sections 7 through 11 are attached as follows:

### 7. Written Detailed

**Narrative:** pages 1 to 34.

### 8. Documentary Evidence and Declarations:

Exhibit A.

### 9. Claiming Instructions:

Exhibit B.

### 10. Final State Audit Report or Other Written Notice of Adjustment:

Exhibit C.

### 11. Reimbursement Claims:

Exhibit D.

*Sections 7 through 11 shall be included with each incorrect reduction claim submittal.*

#### **7. WRITTEN DETAILED NARRATIVE**

Under the heading "7. Written Detailed Narrative," please describe the alleged incorrect reduction(s). The narrative shall include a comprehensive description of the reduced or disallowed area(s) of cost(s).

#### **8. DOCUMENTARY EVIDENCE AND DECLARATIONS**

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 under the heading "8. Documentary Evidence and Declarations." 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.

#### **9. CLAIMING INSTRUCTIONS**

Under the heading "9. Claiming Instructions," please include 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).

#### **10. FINAL STATE AUDIT REPORT OR OTHER WRITTEN NOTICE OF ADJUSTMENT**

Under the heading "10. Final State Audit Report or Other Written Notice of Adjustment," please include a copy of the final state audit report, letter, remittance advice, or other written notice of adjustment from the Office of State Controller that explains the reason(s) for the reduction or disallowance.

#### **11. REIMBURSEMENT CLAIMS**

Under the heading "11. Reimbursement Claims," please include a copy of the subject reimbursement claims the claimant submitted to the Office of State Controller.

## 12. CLAIM CERTIFICATION

*Read, sign, and date this section and insert at the end of the incorrect reduction claim submission.\**

This claim alleges an incorrect reduction of a reimbursement claim filed with the State Controller's Office pursuant to Government Code section 17561. This incorrect reduction claim is filed pursuant to Government Code section 17551, subdivision (d). I hereby declare, under penalty of perjury under the laws of the State of California, that the information in this incorrect reduction claim submission is true and complete to the best of my own knowledge or information or belief.

Greta S. Hansen

Print or Type Name of Authorized Local Agency  
or School District Official

Deputy County Counsel

Print or Type Title

Greta Hansen

Signature of Authorized Local Agency or  
School District Official

5/14/10

Date

*\* If the declarant for this Claim Certification is different from the Claimant contact identified in section 2 of the incorrect reduction claim form, please provide the declarant's address, telephone number, fax number, and e-mail address below.*