

Office of Controller



**TOM HUENING
CONTROLLER**

ROBERT G. ADLER
ASSISTANT CONTROLLER

KANCHAN K. CHARAN
DEPUTY CONTROLLER

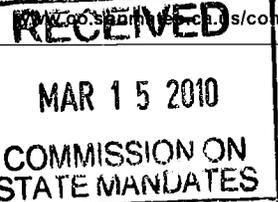
COUNTY OF SAN MATEO

555 COUNTY CENTER, 4TH FLOOR • REDWOOD CITY • CALIFORNIA 94063

TELEPHONE: (650) 363-4777

FAX: (650) 363-7888

www.co.sanmateo.ca.us/controller/



March 5, 2010

CERTIFIED MAIL

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

Ginny Brummels
Division of Accounting and Reporting
California State Controller
300 Capitol Mall, Suite 1850
Sacramento, CA 95814

Subject: County of San Mateo - Handicapped & Disabled Students
Incorrect Reduction Claim (IRC) File 05-4282-1-03
Statues 1984, Chapter 1747; Statues 1985, Chapter 1274
Fiscal Years 1996-1997, 1997-1998 and 1998-1999

Dear Ms. Patton and Ms. Brummels:

This letter is to serve as our written rebuttal to the State Controller's Office ("SCO") letter dated May 1, 2009 (Attachment A) regarding the above referenced Incorrect Reduction Claim (IRC) filed by the County of San Mateo.

Documentation of Degree AB3632 Students were also Medi-Cal Beneficiaries - EPSDT Offsets

The County of San Mateo agrees in part with the SCO finding regarding Medi-Cal beneficiaries with respect to the offset of federal Medi-Cal funds. However, as outlined in the original filing of the IRC, the SCO offset all EPSDT revenue even though only a portion of our clients covered by EPSDT received AB 3632 services.

In the SCO's audit report, the SCO stated "...if the County can provide an accurate accounting of the number of Medi-Cal units of services applicable to the mandate, the SCO auditor will review the information and adjust the audit finding as appropriate." We have provided this data as requested by the SCO. The State auditor also recalculated the data, but no audit adjustments were made.

Here is a brief chronology of the calculation of the offset amount:

- The County initially calculated the offset for the three-year total to be \$166,352.
- The State SB90 auditor, utilizing a different methodology, then calculated the offset separately, and came to a three-year total for the offset of \$665,975.
- Subsequently, in FY 2003-04 the Department of Mental Health (DMH) developed a standard methodology for calculating EPSDT offset for SB90 claims. Applying this approved methodology the EPSDT offset is \$524,389, resulting in \$1,544,805 being due to the County. This methodology is supported by the State and should be accepted as the final calculation of the accurate EPSDT offset and resulting reimbursement due to the County.

These calculations are provided with this letter as Attachment B.

Reduction of Medication Monitoring and Crisis Intervention

The original audit report, referring to the parameters and guidelines, states "...since Medication Monitoring and Crisis Intervention...were not included as reimbursable costs, the only reasonable conclusion is that they were intentionally excluded and, therefore, not reimbursable". However, the County provided mandated medication monitoring and crisis intervention services under the authority of the California Code of Regulations – Title 2, Division 9, Joint Regulations for Handicapped Children. Chapter 1 of Title 2 includes emergency regulations for the implementation of provisions of Chapter 26.5 of the Government Code. In Chapter 1, Article 2 "Mental Health and Related Services 60020 (a) defines ""psychotherapy and other mental health services" as those services defined in Sections 542 and 543, inclusive, of Title 9 of the Administrative Code..." Section 543 of Title 9 ("Outpatient Services") includes the following:

(e) Medication, which includes the prescribing, administration, or dispensing of medications necessary to maintain individual psychiatric stability during the treatment process. This service shall include evaluation of side effects and results of medication.

(f) Crisis Intervention, which means immediate therapeutic response which must include a face-to-face contact with a patient exhibiting acute psychiatric symptoms to alleviate problems which, if untreated, present an imminent threat to the patient or others.

In addition, Article 2 60020 (c) states:

"Mental health professionals" means psychiatrists, psychologists, clinical social workers, and marriage, family and child counselors meeting the appropriate criteria specified in Sections 5600.2 and 5650 of the Welfare and Institutions Code, and Article 8 of subchapter 3 of Title 9 of the Administrative Code.

We note that a core service function of psychiatrists is the provision of medication monitoring, which, of those professional categories included in Article 2 60020 (c), they alone are qualified to provide.

Per the State Controller's Office response, the Controller's Office is empowered to audit claims for mandated costs and to reduce those that are "excessive or unreasonable." Given this directive the County feels that the SCO overstepped its authority in coming to a conclusion using this assumption (or "reasonable conclusion"). The County believes even at the time of the audit (before HDS II), that the auditor overstepped in making assumptions to deprive the County of millions of dollars of revenue for services provided.

The SCO's position in their response to the IRC is that medication monitoring "was not included in the adoption of the parameters and guidelines as reimbursable costs." The parameters and guidelines are not the mandate itself, but a tool used to claim for services mandated by the State. In addition, the parameters and guidelines in effect at the time of these services (as amended on August 26, 1996) state that "any costs related to the mental health treatment services rendered under the Short Doyle Act" are reimbursable (Attachment C). The parameters and guidelines go on to say that certain specific treatment services are eligible, and, while medication monitoring and crisis intervention are not mentioned specifically, they are also not excluded. There is no mention in the parameters and guidelines that the listing of services was an all inclusive list. There is no disputing the fact that the provided medication monitoring and crisis intervention services were mental health treatment services rendered under the Short Doyle Act, and were mandated under Chapter 26.5 of the Government Code. It is the position of the County that, given the clear mandate to provide medication monitoring services as delineated in Chapter 26.5, and the lack of clarity requiring exclusion of these services provided in the applicable parameters and guidelines, the County believes the recommendation to exclude these services was in error.

The "reasonable conclusion" of the SCO to exclude medication support services has come under question given the adoption of Handicapped and Disabled Students II (HDS II) and its inclusion of medication monitoring. The SCO asserts that the dates set forth in HDS II define the period of reimbursement for the amended portions beginning July 1, 2001 and as a result of that fact the counties cannot claim for these services prior to that date. We again point out that we are not claiming reimbursement under HDS II, but rather under the regulations in place at the time services were provided.

We are unaware of any change to the legislative mandate for the provision of Chapter 26.5 program services that made the reimbursement of medication monitoring services 'unreasonable' prior to July 1, 2001, and 'reasonable' from that date forward. We maintain that there was no underlying change in Chapter 26.5 program services that took place beginning in July of 2001. In light of this fact the SCO's conclusion seems unreasonable.

Statute of Limitations

The analysis by the SCO identified Statute of Limitations (SOL) issue with our claim. Specifically, it stated that our IRC was filed with the Commission on May 25, 2006, which

was past the deadline of April 28, 2006. In fact, our IRC was initially received by the Commission on April 26, 2006. We were then requested to add documentation solely to establish the final date by which the IRC must have been submitted in order to avoid the SOL issue. This documentation was provided promptly, and the Commission subsequently notified the County that the IRC was complete.

The SCO asserts that the basis of the SOL issue is that the IRC was not submitted by the deadline of April 28, 2006. The confirmation of this deadline by the SCO supports the timeliness of the initial presentation of our IRC to the Commission. As the IRC was submitted to the Commission, which received it as a complete submission, the County this non-audit suggestion is without merit.

Request Meeting to Discuss the Above Issues

We would like to meet with you in person to resolve our conflicting understanding regarding these two outstanding issues. Some participants could do this via teleconference as our consultants are located across the street from your office in Sacramento.

Thank you for responding in writing to the ICR and we look forward to a resolution of these matters. Please feel free to contact me directly or the County's consultant Mr. Patrick Dyer by email at pdyer@mgtamer.com or by telephone at (916) 502-5243.

Sincerely,



Bob Adler
Assistant Controller
County of San Mateo

Cc: Louise Rogers, Director, San Mateo County Behavior Health
Shawn D. Silva, Staff Counsel, SCO
John Klyver, San Mateo County Behavior Health
Coleen Leong, San Mateo County Controller's Office
Jim Spano, SCO
Nancy Patton, Commission on State Mandates

Attachments:

Attachment A - State Controller's Office letter dated May 1, 2009
Attachment B - EPSDT offset calculations
Attachment C - August 26, 1996 parameters and guidelines



JOHN CHIANG
California State Controller

May 1, 2009

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

Patrick J. Dyer
Public Resource Management Group, LLC
1380 Lead Hill Boulevard, Suite 106
Roseville, CA 95661

Re: **Incorrect Reduction Claim**
Handicapped and Disabled Students, 05-4282-I-03
County of San Mateo, Claimant
Statutes 1984, Chapter 1747; Statutes 1985, Chapter 1274
Fiscal Years 1996-97, 1997-98, and 1998-99

Dear Ms. Patton and Mr. Dyer:

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 Claimant failed to document to what degree AB3632 students were also Medi-Cal beneficiaries, requiring that EPSDT revenues be offset. 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 them to demonstrate that they are 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

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.

May 1, 2009

Page 2

determined that the Claimant was claiming costs for medication monitoring and crisis intervention, which were not identified reimbursable activities in the Parameters & Guidelines as amended in 1996, and effective for the fiscal years that were the subject of this audit. Therefore, these claimed costs are unsupported and thus, disallowed.

The Claimant points to subsequent amendments of the Parameters & Guidelines adopted in 2005 and 2006, which refer to medication monitoring, to support their 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.

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

Sincerely,



SHAWN D. SILVA
Staff Counsel

SDS/ac

Enclosure

cc: Tom Huening, Auditor-Controller, San Mateo County
Ginny Brummels, Div. of Acctg. & Rptg., State Controller's Office (w/o encl.)
Jim Spano, Division of Audits, State Controller's Office (w/o encl.)

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."

Attachment B - San Mateo County EPSDT Offset Calculations

EPSDT Offset Calculations for SB 90
Audit Years 95-96 through 97-98
Recalculation 3/21/2006

	Recalculated EPSDT Offset*	Rosemary's Recalculation
96-97	\$217,395	\$166,969
97-98	\$362,439	\$243,758
98-99	-\$55,446	\$255,248
Total	\$524,389	\$665,975

*Using new methodology developed by DMH

Original SCO Audit Disallowance \$2,069,194
Recalculation of Correct EPSDT Offset \$524,389
SCO Disallowance to be Reinstated \$1,544,805
(refer to page 7 of Incorrect Reduction Claim)

3632 Worksheet for DMH			
96-97 SB 90 Audit			
Recalculation 3/21/2006			
SEP Costs (M-Cal) (w/o) admin*	1994-95	1996-97	Growth
	\$2,061,948	\$2,581,894	\$519,946
EPSDT Actual Cost	\$2,525,528 **	State estimate \$3,838,536 ***	\$1,313,008
TBS Program Cost****			\$0
Net EPSDT Total Growth			\$1,313,008
Ratio SEP Grwth/EPSDT Grwth			39.6%
EPSDT Revenue (MH 1992, Line 19)			\$548,983
TBS Portion of EPSDT Revenue			\$0
Net EPSDT Revenue Estimate			\$548,983
SEP State Share of EPSDT			\$217,395
Total Medi-Cal SEP Cost per Emy's SB90 worksheet			\$2,581,894
% of Total M-Cal Cost that is State EPSDT Share			8.42%
Calculations based on DMH methodology developed for 03-04 3632 cost report.			
*From spreadsheet titled SEP Medi-Cal Costs by FY 9596 to FY 0203			
**State number. Spreadsheet titled "Attachment 2: Fiscal Year 1997-99 Baselines. Column titled FY 94-95 Amount.			
This spreadsheet was referenced in DMH training for 03-04 3632 cost report training.			
***SD/MC Paid Claims for EPSDT FY's 94-95 to 00-01 - DMH spreadsheet dated 12/5/01			
****No TBS services 96-97			

3632 Worksheet for DMH			
97-98 SB 90 Audit			
Recalculation 3/21/2006			
	1994-95	1997-98	Growth
SEP Costs (M-Cal) (w/o) admin*	\$2,061,948	\$2,423,370	\$361,422
EPSDT Actual Cost	\$2,525,528**	\$4,193,250***	\$1,667,722
TBS Program Cost****			\$0
Net EPSDT Total Growth			\$1,667,722
Ratio SEP Grwth/EPSDT Grwth			21.7%
EPSDT Revenue (MH 1992, Line 19)			\$1,672,417
TBS Portion of EPSDT Revenue			\$0
Net EPSDT Revenue Est.			\$1,672,417
SEP State Share of EPSDT			\$362,439
Total Medi-Cal SEP Cost per Emy's SB90 worksheet			\$2,423,370
% of Total M-Cal Cost that is State EPSDT Share			14.9560%
Calculations based on DMH methodology developed for 03-04 3632 cost report			
*From spreadsheet titled SEP Medi-Cal Costs by FY 9596 to FY 0203			
**State number. Spreadsheet titled "Attachment 2: Fiscal Year 1997-99 Baselines. Column titled FY 94-95 Amount			
This spreadsheet was referenced in DMH training for 03-04 3632 cost report training.			
***SD/MC Paid Claims for EPSDT FY's 94-95 to 00-01 - DMH spreadsheet dated 12/5/01			
****No TBS services 97-98.			

3632 Worksheet for DMH			
98-99 SB 90 Audit			
Recalculation 3/21/2006			
	1994-95	1998-99	Growth
SEP Costs (M-Cal) (w/o admin*	\$2,061,948	\$1,943,094	-\$118,854
EPSDT Actual Cost	\$2,525,528 **	state figure \$5,121,182 ***	\$2,595,654
TBS Program Cost****			\$0
Net EPSDT Total Growth			\$2,595,654
Ratio SEP Grwth/EPSDT Grwth			-4.6%
EPSDT Revenue (MH 1992, Line 19)			\$1,210,879
TBS Portion of EPSDT Revenue			\$0
Net EPSDT Revenue Est.			\$1,210,879
SEP State Share of EPSDT			-\$55,446
Total Medi-Cal SEP Cost per Emy's SB90 worksheet			\$2,112,090
% of Total M-Cal Cost that is State EPSDT Share			-2.6252%
Calculations based on DMH methodology developed for 03-04 3632 cost report			
*per Emy, a decrease. From spreadsheet titled SEP Medi-Cal Costs by FY 9596 to FY 0203.			
**State number. Spreadsheet titled "Attachment 2: Fiscal Year 1997-99 Baselines. Column titled FY 94-95 Amount			
This spreadsheet was referenced in DMH training for 03-04 3632 cost report training.			
***DMH spreadsheet "San Mateo Mental Health Plan EPSDT Approved Claims Estimate, with letter dated 2/26/04.			
****TBS billed as part of case rate.			

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

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

f:\...4282\p&gcvr.doc

FILE COPY

Hearing Date: August 29, 1996
File Number: CSM-4282
Commission Staff: Lucila Ledesma
LL\4282\RevP&G.Amd

Original Adopted: 8/22/91
Revised: 8/29/96

PARAMETERS AND GUIDELINES

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 XIII B 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 XIII B 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 31 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.