



LOS ANGELES COUNTY DEPARTMENT OF MENTAL HEALTH  
550 S. VERMONT AVE., LOS ANGELES, CA 90020 HTTP://DMH.LACOUNTY.GOV



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Chief Deputy Director  
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Medical Director

**RECEIVED**  
March 26, 2015  
*Commission on  
State Mandates*

March 25, 2015

Heather Halsey, Executive Director  
State of California Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814

Dear Ms. Halsey:

**LOS ANGELES COUNTY REBUTTAL TO  
STATE CONTROLLER'S OFFICE COMMENTS TO IRC NO. 12-0240-I-01  
(Handicapped and Disabled Students Program II)**

On behalf of the County of Los Angeles, I am submitting the attached rebuttal to the State Controller's comments on the County's Incorrect Reduction Claim (IRC) No. 12-0240-I-01 related to the disallowance of costs associated with the provision of mental health services to pupils under the above-referenced program.

We appreciate your consideration of this information.

Sincerely,

Robin Kay, Ph.D.  
Chief Deputy Director

RK:lw

c: Lyn Wallensak

**Los Angeles County IRC No. 12-0240-I-01**  
Handicapped and Disabled Students Program II  
Fiscal Years 2002-03 and 2003-04  
Rebuttal to State Controller's Office Comments

**Introduction**

The following is the County of Los Angeles' response to the State Controller's Office (SCO) comments on the County's Incorrect Reduction Claim (IRC) contesting the disallowance of costs associated with the County's provision of State-mandated mental health services under the Handicapped and Disabled Students Program II for the period of July 1, 2002, through June 30, 2004. Of the \$3,276,316 in claimed costs during this two-year period, the SCO disallowed \$717,879.

The County seeks to have \$448,202 reinstated, as follows:

- Fiscal Year 2002-03:       \$216,793
- Fiscal Year 2003-04:       \$231,409

**SCO Comments and County Response**

The County's IRC is based on a review of the documentation supporting the SCO's audit findings. During this review, the County determined the query parameters used to extract data from Los Angeles County Department of Mental Health (LAC DMH) Management Information System (MIS) and Integrated System (IS)<sup>1</sup> were flawed and did not accurately reflect the services encompassed by the original claims. In addition, the review determined that certain assumptions made in the audit reports related to off-setting reimbursements for direct and indirect costs resulted in the miscalculation of off-setting reimbursement revenue.

Significantly, the SCO does not dispute that these errors occurred. Instead, the SCO states it does not have the authority to consider the County's information because it was not presented during the period of the audit and that providing for the correction now would represent an illegal gift of public funds under the State Constitution and Government Code.

Such a claim is preposterous. Expenditures of public funds are not "gifts" within the Constitutional prohibition if expended for a *public purpose*. In this case, the County is requesting recognition of costs it incurred in the provision of State-mandated services and corrections to offsetting revenues because the SCO made erroneous assumptions. Accurately reimbursing a county for costs it incurred pursuant to a State-imposed mandate cannot, by any sound logic, be construed to constitute a gift of public funds.

Further, as described in the IRC, the concept of equitable set-off would apply regardless. Equitable set-off is a right developed by the courts many years ago as an exercise of their

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<sup>1</sup> The LAC DMH MIS and IS are the LAC DMH claim processing information systems in use during Fiscal Years 2002-03 and 2003-04. These systems were used to collect data on services rendered to mental health clients in Los Angeles County, determine provisional payments to contract providers, and to forward claims for Short-Doyle/Medi-Cal and Healthy Families reimbursement to the State Department of Mental Health for adjudication.

equitable powers, and their inherent obligation to do justice. Under equitable set-off, a party which owes money to another entity (hereafter "debtor") as part of a transaction which has mutual debits and credits, is permitted to apply the credits against the debt, ultimately leaving the debtor liable only for the balance.<sup>2</sup> A complete discussion of equitable set-off was included in the original IRC and for brevity will not be repeated here.

### Conclusion

In providing services to pupils under the Handicapped and Disabled Students Program, the County incurred State-mandated costs that have been inappropriately disallowed by the SCO. Therefore, the County requests the Commission reinstate \$448,202 of claimed costs.

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<sup>2</sup> Plut v. Fireman's Fund Insurance (2000) 85 Cal. App. 4<sup>th</sup> 89, 106

**DECLARATION OF SERVICE BY EMAIL**

I, the undersigned, declare as follows:

I am a resident of the County of Sacramento and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

On March 27, 2015, I served the:

**Claimant Rebuttal Comments**

Incorrect Reduction Claim, 12-0240-I-01

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

Government Code Section 7572.55 and 7576

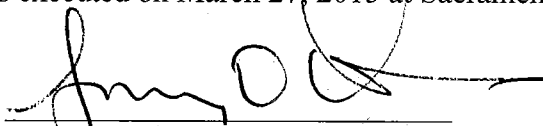
Statutes 1994, Chapter 1128; Statutes 1996, Chapter 654

Fiscal Years: 2002-2003 and 2003-2004

County of Los Angeles, Claimant

By making it available on the Commission's website and providing notices of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on March 27, 2015 at Sacramento, California.



Lorenzo Duran  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814  
(916) 323-3562

# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 2/19/15

**Claim Number:** 12-0240-I-01

**Matter:** Handicapped and Disabled Students II

**Claimant:** County of Los Angeles

### TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.3.)

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