

## **Department of Health Services' Response to "The Behavioral Health Budget – A Perfect Storm" Grand Jury Report**

### **SUMMARY**

The Sonoma County Department of Health Services (DHS) is appreciative of the Sonoma County Civil Grand Jury and the time and dedication put into identifying areas for improvement within the Behavioral Health Division (BHD). DHS strives to provide the highest quality of services to our community with the resources and funding available.

However, as identified by the Civil Grand Jury, "state and federal funding are insufficient to meet Sonoma County Behavioral Health Services' needs," which only adds to the complexity of the challenges faced by the Department and BHD. It is important to note that Sonoma County DHS is not the only local health department with responsibility for operating a Mental Health Plan (MHP) that is struggling to administer it. These systemic challenges also affect other counties in California and nationwide. The challenges are exacerbated by the lack of mental health parity. The Civil Grand Jury Report comes when a spotlight needs to be shone on the impact of limited funding on the local health departments' ability to provide high quality services with adequate administrative resources to do so.

The 2019-2020 Civil Grand Jury findings and recommendations regarding the BHD budget and administrative operations come as no surprise to DHS, whose current leadership team brought the budget and operational issues to light. Over the past three years, the Department has been transparent and forthcoming about the challenges DHS faced when leadership publicly identified, prioritized and immediately began working to remedy many of the issues identified in the Civil Grand Jury findings.

As a result, DHS leadership has already addressed and implemented many changes, detailed in the responses to the findings and recommendations below, and outcomes from our efforts to address these challenges are beginning to show DHS and the BHD are moving in the right direction. Notwithstanding the aforementioned progress, the work ahead for DHS will remain challenging. Continuing to address the complex issues will be a multi-year process for fiscal sustainability as DHS leadership has said in the past; however, DHS leadership is dedicated to continuing to advance, improve, and build the appropriate administrative and programmatic infrastructure, which includes maximizing internal controls to ensure our community is receiving the highest quality of services within the resources available.

## **FINDINGS**

### **We agree with these finding(s):**

#### **F1: The Department of Health Services Fiscal Department lacked formal, written policies and procedures congruent with industry-standard budget development.**

Agree. All general budget development policies are established and implemented by the County Administrator's Office (CAO). DHS works closely with the CAO during the budget development process following all established budget related policies.

The Department is currently working on developing DHS-specific policies and procedures that document its internal budgeting processes, while concurrently identifying best practices to improve the effectiveness and efficiency of those processes. These documents are currently under review and will be finalized and implemented by September 30, 2019. The development of the above-mentioned policies and procedures document necessary internal control methods to ensure the DHS budget is developed appropriately using government accepted best practices.

#### **F2: BHD failed to establish and audit all CBO performance requirements.**

Agree. For many years, the Department lacked adequate resources to conduct both fiscal and programmatic audits of community-based organizations (CBOs) that contract with the Department to provide behavioral health services. However, in January 2017, the Department's current leadership team identified this as an issue and immediately began to address it.

In March 2017, the Department's leadership moved the fiscal audit staff from the Compliance Unit into the Fiscal Unit to ensure greater fiscal oversight that adheres to accounting principles, cost-report regulations and other relevant functions. Additionally, the Fiscal Unit is working to further refine its audit procedures.

In 2017, the DHS leadership team retained an outside consultant to conduct a high-level assessment of the DHS Compliance Program to identify opportunities to either redesign, develop or further enhance the program's structures and processes to assure the effective operation of the program consistent with State and Federal requirements.

As a result of the Compliance Program Review, the BHD established a new auditing team in July 2018 with dedicated staff to independently audit behavioral health programs and CBOs. As a result, the Fiscal Unit has increased the number of times it audits CBOs. The Fiscal Unit now audits CBOs an average of 20 audits per fiscal year as compared to an average of 8 audits previously. Likewise, the Fiscal Unit is currently updating and strengthening the current CBO contract language.

In January 2019, additional BHD Quality Assessment and Performance Improvement (QAPI) Unit staff were hired whose duties include documentation training with all CBOs and BHD staff to ensure that billing is accurate, and to guard against fraud, waste, and abuse. In February 2019, a BHD Section Manager position was dedicated to overseeing the QAPI Unit.

**F3: Projected revenue from anticipated programs and contracts continually failed to materialize but remained in the budget.**

Agree. However, the Department leadership team identified the problem in July 2017 and took immediate action. DHS leadership implemented corrective actions during the FY 17-18 budget year to address the issue and made appropriate adjustments to projected revenue in the FY 18-19 budget. We established budget policies that required a comprehensive review and vetting of projected revenues. DHS is monitoring revenues and making adjustments throughout the year as projections change. Additionally, DHS has developed budget policies and procedures and anticipates finalizing them soon. The Department is in the process of developing a revenue management team within the Fiscal Unit that will provide regular reports to the CFO to monitor and manage the BHD's revenues.

**F4: CSU costs exceeded anticipated revenues for those clients staying longer than the time reimbursable (20 hours) from Medi-Cal for CSU services.**

Agree. This remains a regulatory as well as a continuum of care challenge faced by local Health Departments across the State. There are extenuating circumstances that are beyond the Department's control that contribute to extended stays at the CSU. For instance, the lack of sufficient inpatient psychiatric beds in the County and the State creates longer wait times to transfer patients from the CSU to a more appropriate facility. As a result, patients often stay at the CSU for a period longer than the Department can bill the State for reimbursement.

For the past two years, the Department has been working in partnership with the Marin County Health and Human Service Agency, and three of the county's local hospitals to establish a regional Psychiatric Health Facility (PHF) in Sonoma County. The PHF would add an additional 14 inpatient psychiatric beds in the County and significantly reduce the strain on the CSU from extended stays and therefore reduce the overall cost of services as well.

**F5. Lack of adequate personnel compromised the Compliance Office's effectiveness. It also posed an independence issue for the Compliance Program staff in any oversight audits.**

Agree. In 2017, the DHS leadership team retained an outside consultant to conduct a high-level assessment of the DHS Compliance Program to identify opportunities to either redesign, develop or further enhance the program's structures and processes to assure the effective operation of the program consistent with State and Federal requirements.

As a result of the Compliance Program Review, DHS leadership has already implemented several of the consultant recommendations, including increasing resources for both the DHS Compliance Unit and the Behavioral Health QAPI Unit. Two positions were added to expand the capacity of the Compliance Unit and non-compliance responsibilities have been removed to allow staff in the unit to focus solely on compliance related issues. In the BHD, a new auditing team was established in July 2018 with dedicated staff to independently audit behavioral health programs and CBOs. Additionally, in January 2019, additional BHD QAPI staff were hired in the BHD whose duties include documentation training with all

CBOs and BHD staff, ensuring that billing is accurate, and to guard against fraud, waste, and abuse. In February 2019, a BHD Section Manager position was dedicated to overseeing the QAPI Unit.

DHS leadership implemented a new compliance governance structure, including the development of an Executive Compliance Committee and the Operational Compliance Committee. The new committees have been formed to specifically focus on compliance related issues throughout the Department.

The Department would like to address incorrect information in the following paragraph from page 6 of the Civil Grand Jury report:

*“BHD failed to adequately oversee all CBO contracts and ensure that contractual numbers were met. The job of maintaining accuracy in billing falls both to the biller (CBO) and the Behavioral Health Compliance Officer. The Compliance Officer ensures that each billing is legitimate for the purpose mandated by law. The lack of sufficient training for CBO personnel caused Compliance personnel to assist with billing which they were then required to audit. This led to possible conflicts of interest. It also posed an independence issue for the Compliance Program staff in any oversight audits. The failure of the county to conduct due diligence in auditing CBOs led to loss of revenue and exposed the county to risks of fraud, waste and abuse. A public report requested by the department noted that “The Compliance Programs’ scope and functioning [was] not fully understood and operationalized across the department.” Nearly half of the budget is paid to community-based organizations (CBOs).”*

1. The BHD does not have a Behavioral Health Compliance Officer. The Compliance Officer is at the Department level, and covers the entire Department of Health Services, including BHD.
2. The Compliance Officer responsibilities do not include billing and revenue management operations. The Compliance Officer is not responsible for ensuring that each billing is legitimate for the purpose mandated by law. This function is within the purview of the BHD and the Billing and Claiming component within the Fiscal Unit.
3. The lack of independence cited in this paragraph was due to Compliance Unit staff assisting in BHD audits, not billing, which the Compliance Unit was then required to audit. This was not due to a lack of sufficient training for CBO personnel as noted in the report.

**F6. The failure to fully implement the medical record, claims and billing software, Avatar continues to result in lost revenues.**

Agree. For six years, implementation of the AVATAR health record had languished. However, over the past year, the current DHS leadership team prioritized the implementation of the AVATAR system. An AVATAR Executive Advisory Committee and AVATAR Implementation Team, which consists of the Department’s senior management team as well as a cross-section of Health Department staff focused on AVATAR implementation, were created to support and expedite the implementation of the Avatar system.

Additionally, the Department contracted with Netsmart for professional services to support the implementation of the AVATAR system and provide guidance on best practices and system capabilities. Consequently, the Department now has a projected go-live date of July 2019 for the AVATAR system.

**F7. Although current leadership understands government finance and budgeting process, the Grand Jury found that past BHD and DHS leadership lacked understanding.**

Agree. The Department's current leadership team initially identified the budget shortfalls in July 2017 and took immediate action to address the root causes. Current leadership recognized the importance of frequent communication, which was lacking, by establishing and continuing to facilitate a weekly budget meeting with the Behavioral Health Director, Behavioral Health Administrative Services Officer II, fiscal team staff, and DHS administration. These meetings ensure that there is ongoing, open, and structured communication occurs to prevent errors in the budgeting and management of revenue within the Behavioral Health Division. This is also a mechanism to catch fiscal anomalies and the budget is being actively monitored throughout the year.

Additionally, DHS leadership implemented the following directives to guide budget development:

- I. Responsibility for revenue projections would rest solely with the Fiscal Unit and not the division;
- II. Realignment revenue would be budgeted flat until growth returned; and
- III. Fund balance would be increased, consistent with sound fiscal practices.

The Department would also like to clarify that current leadership discovered the longstanding practice of using fund balance to cover budget deficits and immediately remediated this issue.

**F8. Budget development process lacked transparency and staff participation. Section and program managers were not included in budget development.**

Agree. DHS leadership recognized that the budget development process lacked transparency impacting open communication between staff and leadership. In order to address the issue, DHS brought in an outside consultant (who was also a former County Behavioral Health Director) to assess and implement budget system redesign strategies. Beginning in 2018 and on an ongoing basis, the Fiscal Unit trains the BHD managers and supervisors on how to effectively track, monitor and manage its budget throughout the year. DHS leadership also surveyed staff and managers in April 2018 to identify recommendations that might help the Department meet the current budgetary challenges and to better understand the need for workplace culture improvement.

Moreover, to increase communication and create a culture of shared communication, DHS leadership implemented weekly meetings with BH staff in February 2018 until the budget passed in June 2018. Currently, BHD leadership meetings occur on a weekly basis and BHD leadership and the Fiscal Unit meet weekly to address fiscal issues. In addition, BHD leadership meets with all staff on a monthly basis. At the end of every staff meeting

feedback is solicited about ways to improve communication at these meetings by the BHD director. DHS leadership now has bi-annual all hands meetings to update staff about budgetary challenges, among other relevant topics. DHS leadership has also set the expectation that division directors and managers and supervisors within the respective divisions and administration unit will have ongoing communication with staff. The Department is in the process of developing a new performance management system with performance elements related to strengthening communication between management and staff.

**F9. Professional communication was limited by management. This led to a lack of transparency between Fiscal and BHD.**

Agree. Since discovering the budgetary challenges in FY 17-18, the current DHS leadership team has prioritized open communication and has implemented strategies within the Department and Divisions to increase information sharing. The Department implemented a weekly Mental Health Plan Fiscal Meeting with key Behavioral Health and Fiscal staff and are also in the process of implementing the following monthly meetings: Mental Health Services Act (MHSA) Fiscal Meeting; Substance Use Disorder Fiscal Meeting; and yearly trainings for Fiscal Behavioral Health Program Managers. Additionally, an all hands BHD staff monthly meeting is currently on-going.

**F10. Inadequate staffing and insufficiently trained staff in DHS Fiscal led to a severely flawed budget for both FY 16-17 and 17-18.**

Agree. However, Department leadership has instructed the Fiscal Unit to hold trainings for its staff on an ongoing basis and is in the process of creating formal policies and procedures to adequately train staff. Moving forward, the Fiscal Unit is also planning to hold regular trainings on the budget for its staff. These trainings will begin in November and will be ongoing. As another measure, the Fiscal Unit conducts weekly meetings with accountants to review upcoming deadlines and how to perform those budget/accounting tasks. Additionally, the Department has successfully recruited a Chief Financial Officer (CFO) with strong county government finance experience to lead the Fiscal Unit. The new CFO will begin July 30, 2019. The expertise and experience of the new CFO will strengthen the training to staff in the BHD. Lastly, the BHD hired a new budget Administrative Services Officer (ASO) with government accounting and budgeting experience.

**F11. The budget shortfall caused BHD to reduce vital staffing.**

We agree partially with this finding. Going into FY 2018-19, the BHD budget was facing a \$19 million revenue gap, primarily the result of over-projected federal reimbursement in the prior fiscal years, decreased revenues, and increased costs.

The Department was able to avoid significant reductions to staff and provider contracts through a decision by the Board of Supervisors to provide significant funding for behavioral health services, the use of one-time funds (reserves), system redesign, and through implementation of various fiscal strategies. These include reducing expenditures (staffing

and contract reductions), implementation of strategies to maximize federal revenues (Medicare; Client Treatment plans).

Despite leadership's best efforts to avoid eliminating vacancies, a total of 53 (FTEs vacancies) were eliminated in FY 2018-19 as a result of the previous fiscal years in question.

**F12. Auditing procedures designed to detect incorrect revenue information were not evident.**

Agree. However, DHS leadership has already addressed this issue by implementing internal controls in the Fiscal Unit to detect incorrect revenue information and increasing the frequency of communication between DHS leadership, the BHD, and the Fiscal Unit. The Fiscal Unit now provides estimates for three quarters during the year, staff in the Fiscal Unit provide weekly updates to BHD and DHS leadership on current revenue projections. Estimates and revenue projections are reported to BHD and DHS leadership regularly now, and the Fiscal Unit, BHD and DHS leadership discuss potential risks on a weekly basis.

Furthermore, appropriate checks and balances are in place where the Fiscal Unit provides the revenue projections for the budget. The BHD develops the budget based on those projections and the Fiscal Unit assesses/vets the proposed services and programs costs submitted by the BHD.

**RECOMMENDATIONS**

**R2. DHS prioritize implementation of the Avatar system by Dec. 31, 2019 [F6]**

Response: Recommendation R2 has been implemented.

For six years, implementation of the AVATAR health record had languished. However, last year, the Department of Health Services' current leadership team recognized the importance and value of the AVATAR system and prioritized its implementation.

DHS leadership created an AVATAR Executive Advisory Committee and AVATAR Implementation Team, which consists of the Department's senior management team as well as a cross-section of Health Department staff focused on AVATAR implementation, to support and expedite the implementation of the AVATAR system.

Additionally, the Board of Supervisors made a significant financial investment that allowed the Department to contract with Netsmart for professional services to support the implementation of the AVATAR system and provide guidance on best practices and system capabilities. Consequently, Department leadership is excited to announce that the proactive steps already taken have led to a projected go-live date of **July 2019** for the AVATAR system.

**R3. BHD include all managers in budget development and review by Dec. 31, 2019. [F8]**

Response: Recommendation R3 has been implemented.

Last year, DHS leadership recognized that the budget development process lacked internal transparency. In order to improve effective communication throughout the levels within BHD, DHS leadership implemented several procedures to increase regular information sharing between BHD leadership and staff.

Immediately after these issues were discovered in early 2018, weekly meetings were held with DHS and BHD leadership and staff. These meetings were held February 2018 and continued until the budget passed in June 2018 with the purpose of increasing staff awareness of the budget and collaborate to make intentional, strategic and informed decisions. DHS leadership also surveyed BHD staff and managers in April 2018 to identify recommendations that might help the Department meet the current budgetary challenges and to better understand the need for workplace culture improvement.

Currently, DHS and BHD leadership meet on a weekly basis and BHD leadership and the Fiscal Unit meet weekly as well to encourage and foster effective communication. Being mindful of the previous lack of communication, BHD leadership communicates regularly to its staff both directly and through the division's managers and supervisors. BHD leadership meets weekly with its management team and with all staff on a monthly basis. These meetings are transparent with the goal of both informing and engaging staff of the division's current state of affairs.

Additionally, current DHS leadership implemented a Department-wide managers' and supervisors' meetings to regularly communicate issues affecting DHS, including its budget. At the end of every staff meeting feedback is solicited about ways to improve communication at these meetings by the Department director.

DHS leadership now has bi-annual all hands staff meetings to update staff about budgetary challenges, among other relevant topics. Likewise, the Department implemented a weekly Mental Health Plan Fiscal Meeting with key Behavioral Health and Fiscal staff and are in the process of implementing the following monthly meetings: MHSA Fiscal Meeting, Substance Use Disorder Fiscal Meeting, and yearly trainings for Fiscal Behavioral Health Program Managers.

**R4. BHD institute procedures for effective and respectful staff communication and support at all levels by Dec. 31, 2019. [F8, F9]**

Response: Recommendation R4 has been implemented.

As mentioned previously in the response above, last year, DHS leadership recognized that effective communication throughout the levels within BHD and the entire organization needed to improve. As a result, DHS leadership implemented several procedures to increase regular information sharing, overall communication and provide increased support for staff.

Procedures implemented include but are not limited to:

- I. Weekly meetings instituted with DHS and BHD leadership and staff;



- II. DHS leadership surveyed BHD staff and managers in April 2018 to better understand the need for workplace culture improvement;
- III. BHD leadership now communicates regularly to its staff both directly and through the division's managers and supervisors;
- IV. BHD leadership meets weekly with its management team and with all staff on a monthly basis;
- V. Current DHS leadership has implemented a Department-wide managers' and supervisors' meetings to regularly communicate issues affecting DHS, including its budget;
- VI. The Department director solicits feedback from staff during meetings about ways to improve communication during meetings; and
- VII. DHS leadership now has bi-annual all hands staff meetings to update staff about budgetary challenges, among other relevant topics.

Accordingly, DHS leadership is continuing to develop innovative ideas that will foster effective and respectful information sharing across the organization and continue to create a Department wide culture of communication.

**R5. DHS continue and expedite the CBO contract evaluation and build performance metrics by Dec. 31, 2019. [F2, F5]**

Response: Recommendation R5 has not been implemented but will be implemented in the future.

The Department will continue to monitor this issue and prioritize CBO contracts. DHS is currently developing an evaluation process for CBO contracts. This process would identify and update tools to effectively manage contract performance. To date, DHS is in the process of hiring a consultant to build the contract evaluation process.

As an additional measure, leadership created a new behavioral health program auditing team in July of 2018 with dedicated audit staff to address the independence issue and audit CBOs.

**R6. DHS and BHD receive continued training in government finance by Dec. 31, 2019. [F3, F7]**

Response: Recommendation R6 has been implemented.

The Department's current leadership team identified the need for additional and ongoing government finance trainings. Accordingly, DHS brought in a former behavioral health director with more than 20 years of experience, to implement budget redesign strategies and to train BHD managers and supervisors on how to manage and track their program budget throughout the year.

Beginning in 2018 and currently on an ongoing basis, the Fiscal Unit now trains BHD managers and supervisors on how to effectively track, monitor, and manage the BHD budget throughout the year. In relation, the Fiscal Unit is currently planning to host regular budget trainings for BHD managers and supervisors and are currently working on creating formal policies and procedures to adequately train staff. Additionally, DHS has developed

budget policies and procedures and anticipates finalizing them soon. The Department is in the process of developing a revenue management team within the Fiscal Unit that will report to the CFO.

**R7. DHS hire a CFO who is experienced in government finance and systems. [F7, F12]**

Response: Recommendation R7 has been implemented.

The Department has successfully recruited a Chief Financial Officer (CFO) to lead the Fiscal Unit with an anticipated start date in July 2019. Additionally, the Department hired a new budget Administrative Services Officer (ASO) with government accounting and budgeting experience to work in the BHD.

As an additional measure, Department leadership has instructed the Fiscal Unit to hold trainings for its staff on an ongoing basis and is in the process of creating formal policies and procedures to adequately train staff. Moving forward, the Fiscal Unit is also planning to hold regular trainings on the budget for its staff.

**R8. The County Auditor's Office institute procedures for verifying actual revenue figures, rather than verifying that projected budgets balance, by Dec. 31, 2019. [F12]**

Response: Recommendation R8 has been implemented.

DHS leadership has already taken action to address this issue by implementing internal controls in the Fiscal Unit to detect incorrect revenue information and increasing the frequency of communication between DHS leadership, the BHD, and the Fiscal Unit.

The Fiscal Unit now provides estimates for three quarters during the year (it is recommended to provide two), staff in the Fiscal Unit provide weekly updates to BHD and DHS leadership on current revenue projections. Estimates and revenue projections are reported to BHD and DHS leadership on a quarterly basis now, and Fiscal Unit, BHD and DHS leadership discuss potential risks on a weekly basis.

Additionally, in recognition of the need for increased communication, leadership established and continues to facilitate a weekly budget meeting with the behavioral health fiscal team staff and DHS administration. Additionally, DHS leadership implemented the following directives to guide budget development:

- I. Responsibility for revenue projections would rest solely with the Fiscal Unit and not the division;
- II. Realignment revenue would be budgeted flat until growth returned; and
- III. Fund balance would be increased, consistent with sound fiscal practices.

The Department will continue to work with the Auditor's Office and County Administrator's Office to evaluate and institute appropriate procedures for verifying projected budgets are balanced.

**R9. The Compliance Program be adequately funded and supported, by Dec. 31, 2019. [F5]**

Response: Recommendation R9 has been implemented.

In 2017, the current DHS leadership team retained an outside consultant to conduct a high-level assessment of the DHS Compliance Program to identify opportunities to either redesign, develop or further enhance the program's structures and processes to assure the effective operation of the program consistent with State and Federal requirements.

As a result of the Compliance Program Review, DHS leadership has already implemented several of the consultant recommendations, including increasing resources for both the DHS Compliance Unit, the Behavioral Health QAPI Unit. Two positions have been added to the Compliance Unit to expand capacity and non-compliance responsibilities have been removed to allow staff in the unit to focus solely on compliance related issues. In the BHD, a new auditing team was established in July of 2018 with dedicated staff to independently audit behavioral health programs and CBOs. Additionally, in January 2019, additional BHD QAPI staff were hired in the BHD whose duties include documentation training with all CBOs and BHD staff, ensuring that billing is accurate, and to guard against fraud, waste, and abuse. In February 2019, a BHD Section Manager position was dedicated to overseeing the QAPI Unit.

Based on the consultant's recommendations, DHS leadership implemented a new compliance governance structure, including the development of an Executive Compliance Committee and Operational Compliance Committee. The new committees have been formed to specifically focus on compliance related issues throughout the Department.

The Department would like to address incorrect information in the following paragraph from page 6 of the report:

*"BHD failed to adequately oversee all CBO contracts and ensure that contractual numbers were met. The job of maintaining accuracy in billing falls both to the biller (CBO) and the Behavioral Health Compliance Officer. The Compliance Officer ensures that each billing is legitimate for the purpose mandated by law. The lack of sufficient training for CBO personnel caused Compliance personnel to assist with billing which they were then required to audit. This led to possible conflicts of interest. It also posed an independence issue for the Compliance Program staff in any oversight audits. The failure of the county to conduct due diligence in auditing CBOs led to loss of revenue and exposed the county to risks of fraud, waste and abuse. A public report requested by the department noted that "The Compliance Programs' scope and functioning [was] not fully understood and operationalized across the department." Nearly half of the budget is paid to community-based organizations (CBOs)."*

1. The BHD does not have a Behavioral Health Compliance Officer. The Compliance Officer is at the Department level, and covers the entire Department of Health Services, including BHD.
2. The Compliance Officer does not ensure that each billing is legitimate for the purpose mandated by law. This function is within the purview of the BHD and the Billing and Claiming component within the Fiscal Unit.

3. The lack of independence cited in this paragraph was due to the Compliance Unit staff assisting in BHD audits, not billing, which the Compliance Unit was then required to audit. This was not due to a lack of sufficient training for CBO personnel as noted in the report. This occurred due to personnel deficits in the QAPI unit within BH and the lack of staff with expertise to help support the QAPI work. This was an aberration from how the Department Leadership intended to run compliance and QAPI operations. Due to staffing shortages, Compliance Unit staff helped support the development of the infrastructure for the newly formed QAPI unit and while not ideal, this allowed for the development of stronger infrastructure.

DRAFT

# **County Administrator Response**

## **“The Behavioral Health Budget – A Perfect Storm” Grand Jury Report**

<http://sonoma.courts.ca.gov/sites/all/assets/pdfs/general-info/grand-jury/2018-2019/GJBHDBudgetReport.pdf>

### **FINDINGS**

**F1** - The Department of Health Services Fiscal Department lacked formal, written policies and Procedures congruent with industry-standard budget development

**F3** - BHD failed to establish and audit all CBO performance requirements.

*Response: County Administrator Agrees with these Findings*

### **RECOMMENDATIONS**

**R1. The CAO's office create and maintain policy and procedure manuals for each DHS department, and desk manuals for all positions in Fiscal and Behavioral Health Divisions by Dec. 31, 2019 [F1]**

*Response: Recommendation has not been implemented but will be implemented in the near future.*

The Department of Health Services (DHS) has recently developed DHS-specific budget policies and procedures that document its internal budgeting processes and is working to finalize and implement these documents by September 30, 2019. The CAO will continue to work closely with DHS during the budget development process to ensure the Department is following all CAO established budget-related policies and guidelines.

## 2018-2019 Grand Jury Report:

### The Behavioral Health Budget – A Perfect Storm

#### *Response from the Sonoma County Auditor-Controller-Treasurer-Tax Collector*

#### FINDINGS ADDRESSED TO ACTTC:

*F12. Auditing procedures designed to detect incorrect revenue information were not evident.*

Disagree wholly with the finding. The Auditor-Controller-Treasurer-Tax Collector (ACTTC) cannot speak to the procedures in place within the Department of Health Services, but within the ACTTC office there are several long-standing procedures already in place to detect incorrect revenue information, which are detailed in the response to Recommendation R8.

#### RECOMMENDATIONS ADDRESSED TO ACTTC:

*R8. The County Auditor's Office institute procedures for verifying actual revenue figures, rather than verifying that projected budgets balance, by Dec. 31, 2019. [F12]*

This recommendation will not be implemented because it is not warranted. The ACTTC already has appropriate and effective procedures in place for verifying actual revenue figures, and the ACTTC is not part of the budget development process for Behavioral Health. Furthermore, the identified Behavioral Health issue is not the result of inaccurate actual revenue recognition.

The Auditor-Controller-Treasurer-Tax Collector has several effective and long-standing procedures in place to review revenues and receivables, which are detailed below.

**Review of Individual Transactions:** The first review occurs at the transaction level. Journal entries that establish or modify revenue and account receivable balances are reviewed by ACTTC staff prior to being posted. This review is to ensure that the department has sufficient documentation to support the recording of the revenue.

**Review of Account Balances:** The next level of review occurs at the account balance level during year-end close, and during the preparation of the Sonoma County Comprehensive Annual Financial Report (CAFR). This review is focused on confirming that revenues recognized during the year and receivable balances at year-end comply with the County's revenue recognition policy. In compliance with Generally Accepted Accounting Principles, the County's governmental funds, which includes the Behavioral Health special revenue funds, use the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. For state and federal grants and charges for services, revenues are considered available when the receipt occurs within 365 days of the end of the fiscal year. This means that the County recognizes revenue at the point we reasonably expect to receive payment within the next year. If,

during our review, we determine that the County cannot reasonably expect to receive payment within a year, we will defer the revenue to a future year. The ACTTC review of revenue and receivable accounts necessarily relies to an extent on the expertise of department accountants to provide information about revenue streams and the timing of anticipated receipts, but we also review historical trends and other information to determine if department assumptions are reasonable. Our office gives extra scrutiny to the accounting of departments that we consider to be at elevated risk for errors. The Department of Health Services has been receiving this extra scrutiny for several years.

External Audit: The final level of review occurs during the annual audit of the County's CAFR by independent external auditors. This audit is designed to provide reasonable assurance about whether the financial statements are free from material misstatement. The audit involves obtaining evidence about the amounts and disclosures in the financial statements, evaluating the appropriateness of accounting policies used, and evaluating the reasonableness of significant accounting estimates used by management.

Note that the procedures detailed above are designed to evaluate the accuracy of revenue and receivable transactions and balances, they are not designed to compare actual revenues to budgeted revenues or to evaluate the reasonableness of budgeted revenues. Roles and responsibilities related to county budget administration are governed by Chapter 1, Division 3, Title 3 of California Government Code, otherwise known as the *County Budget Act*. The authority and responsibility to prepare and evaluate budgeted revenues and expenditures lies with department management, the County Administrator and the Board of Supervisors. The ACTTC role in budget administration is primarily to support the Board of Supervisors and the County Administrator in their responsibilities and to ensure that actual expenditures do not exceed the adopted appropriation limits.

# **Human Resources Response to The Behavioral Health Budget Grand Jury Report**

## **FINDINGS**

**F3:** Projected revenue from anticipated programs and contracts continually failed to materialize, but remained in the budget.

*Response: The Human Resources department (HR) does not have a position on the finding related to the budgeting practices in the Behavioral Health Division. HR does not have a role in the accuracy of revenue projections for the Behavioral Health Division.*

**F7:** Although current leadership understands government finance and budgeting process, the Grand Jury found that past BHD and DHS leadership lacked understanding.

*Response: HR does not have a position on the finding regarding the level of knowledge of past employees with respect to government finance and budgeting processes. HR works with departments to determine their hiring needs and recruitments are conducted in accordance with Civil Service Rules, which includes determination of job candidates possessing the minimum qualifications for a job classification. Departments make final hiring decisions and are responsible for managing job performance.*

**F12:** Auditing procedures designed to detect incorrect revenue information were not evident.

*Response: HR does not have a position on the finding as HR does not have a role in auditing revenues.*

## **RECOMMENDATIONS**

**R6. DHS and BHD receive continued training in government finance by December 31, 2019  
[F3 and F7]**

*Response: Recommendation will not be implemented because it is not reasonable*

Human Resources Workforce Development division offers classes designed to support key competencies and skills across the organization. These classes support the development of broad skills that are generic to the organization such as effective communication, managing organizational change, project management, and dealing with conflict. Training in government finance is considered job specific technical training. Ensuring appropriate knowledge of government financing would be the responsibility of the employee and department through appropriate development plans and/or on-the-job training. The County provides staff development benefits that could be used towards these means. HR can assist departments, including DHS and BHD, upon request to identify external resources to provide technical skills training. Training in government finance specific to the public sector is available from external organizations such as the Government Finance Officers Association and the California State Association of Counties.

**R7. DHS hire a CFO who is experienced in government finance and systems. [F3 and F12]**



*Response: The recommendation has been implemented*

HR's Recruitment and Classification division (HR R&C) supports and assists County departments to determine needs and conducts recruitments to fill vacant positions. HR R&C conducted a recruitment to fill the vacant Chief Financial Officer position in DHS. In accordance with Civil Service Rules, HR R&C reviewed all submitted applications to ensure candidates met the minimum qualifications of the job classification. Those candidates determined to be qualified were then forwarded to the department for consideration. The department completed interviews and has selected a candidate who is scheduled to start on July 30, 2019. HR R&C cannot comment on the specific experience possessed by the selected candidate.