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SAPC INFORMATION NOTICE 25-08
Supersedes IN 23-10 Effective 6-10-25

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TO: Los Angeles County Substance Use Continuum
Contracted Service Provider Agencies

FROM: Gary Tsai, M.D., Bureau Director 
Substance Abuse Prevention and Control Bureau

**SUBJECT: IMPLEMENTATION OF FISCAL REPORTING PROCESS FOR ALL
SUBSTANCE ABUSE PREVENTION AND CONTROL BUREAU
SERVICES PROVIDER AGENCIES**

The Los Angeles County Department of Public Health, Substance Abuse Prevention and Control Bureau (SAPC) is issuing this Information Notice (IN) to outline SAPC's Fiscal Reporting process, which launched on July 1, 2023. This process serves as the standardized mechanism for reporting costs and other key fiscal information across all SAPC contracts and agreements.

The Fiscal Reporting process significantly streamlines the State of California Department of Health Care Services' (DHCS) Cost Reporting requirements by reducing administrative burden. It does so by capturing financial information through a simplified format using defined line items and/or dedicated tabs.

For treatment contracts specifically, the Fiscal Reporting Tool is aligned with the updated guidelines under DHCS California Advancing and Innovating Medi-Cal (CalAIM) payment reform initiative, in accordance with:

- [State of California Department of Health Care Services' Behavioral Health Information Notice No. 23-023](#),

- [California Welfare and Institutions Code \(W&I Code\) Article 5.51 Sections 14184.100, 14184.102, 14184.402, 14184.403, 14184.404, and 14184.405,](#)
- [Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200, § 200.328,](#) and
- [Code of Federal Regulations Title 42, Chapter IV, Subchapter B, Part 413, Subpart B, § 413.24.](#)

To support these goals, SAPC developed a Fiscal Reporting process to collect expenditure data, fulfill local funding requirements, and reduce administrative burden for provider agencies. This IN outlines the purpose, process, timelines, and potential benefits of Fiscal Reporting for SAPC and provider agencies. Additional guidance can be found in your SAPC contracts/agreements and the [County of Los Angeles Department of Auditor-Controller's Contract Accounting and Administrative Handbook](#) (A-C Handbook).

The Fiscal Reporting process applies to SAPC's entire substance use service provider network, including but not limited to: Drug Medi-Cal (DMC), Recovery Bridge Housing (RBH), Recovery Housing (RH), Client Engagement and Navigation Services (CENS), Prevention, Harm Reduction, Driving Under the Influence (DUI), and all other contracted services.

Tool	Services
Drug Medi-Cal-Organized Delivery System (DMC-ODS) Tool	All American Society of Addiction Medicine (ASAM) Levels of Care
Prevention, Harm Reduction, and Other Services	All Prevention, Harm Reduction, Training and Technical Assistance, RBH, RH, CENS and other contacted services
Driving Under the Influence (DUI)	All DUI service agreements.

The Fiscal Reporting process ensures SAPC and its provider agencies deliver services in alignment with applicable regulations and guidelines, and as referenced in the Record Retention and Audits section of service contracts/agreements. All provider agencies must also adhere to the A-C Handbook, which requires the establishment of accounting systems capable of capturing and distinguishing costs appropriately. This process is separate from, and in addition to, any cost reporting requirements from DHCS.

Provider agencies must develop and implement cost allocation plan(s) and fiscal systems to ensure that only actual expenditures are reported in cost/fiscal reports. Supporting documentation must be maintained to verify all reported costs, including actual time spent providing services and the cost of services by cost center(s). Documentation must be made available upon requests for all audit and/or compliance review activities, including those conducted by the federal, State, County, and local entities. Failure to adequately support costs may result in the disallowance of expenditures.

The effectiveness of the Fiscal Reporting Tool and process depends on provider agencies submitting invoices and claims in a timely, accurate, and complete manner, in accordance with deadlines communicated by SAPC. Failure to do so may result in an inability to fully capture and claim costs.

The Fiscal Reporting Tool and process are also designed to meet specific requirements for DUI and Opioid Treatment Programs (OTP), as described below:

Driving Under the Influence (DUI) Programs

Title 9 requires that the County establish a system of oversight to ensure DUI programs do not use other DHCS-administered funds for DUI program operations and that participant fees are used solely for DUI-related activities. Additionally, DUI provider agencies' profits or surpluses may not exceed ten percent (10%) of gross revenue from participant fees.

Opioid Treatment Programs (OTP)

DHCS requires the County to verify and monitor the following for provider agencies:

- Usual and customary charge to the general public, in accordance with Centers for Medicare & Medicaid Services requirements, for comparison to the DMC-ODS cost per unit.
- Documentation of units of service to determine the final number of approved units.
- The amount of clients' third-party revenue and Medi-Cal share of cost to offset allowable DMC-ODS reimbursements.
- Cost report pursuant to the California Welfare and Institutions (W&I) Code Section 14124.24, and a review of cost allocation methodology between OTP and other service modalities, and between DMC-ODS and other funding sources.
- Review of actual costs incurred compared to services claimed.
- Final settlement computation based on the lower of Uniform Statewide Daily Reimbursement Rates (USDR) or the agency's usual and customary charge to the general public.

Service Provider Agencies

As part of your SAPC service agreement(s), the Fiscal Reporting process is a key tool, which enhances financial management of provider agencies and identifies areas of needed growth and/or improvements in the management and/or delivery of services. The Fiscal Reporting process can assist provider agencies in gaining greater insight into the following areas:

- Identifying staffing plan opportunities to optimize treatment service deliveries for clients and increase staff capacity.

- Modifying service costs and/or delivery models if costs exceed the revenue generated, which would result in County recoupment – except for DUI programs, which may retain a profit or surplus not exceeding ten percent (10%) of gross revenue from participant fees.
- Refining financial infrastructure and establishing necessary controls to ensure compliance with the Generally Accepted Accounting Principles (GAAP) and all applicable regulations, including, but not limited to, the A-C Handbook.
- Increasing and strengthening fiscal compliance infrastructure and processes to minimize deficiencies during the A-C's Fiscal Compliance Reviews and/or DHCS audits/reviews.

As program types are governed by different regulations, agencies must complete the Fiscal Reporting Tool specific to their contract/agreement type(s). This document refers to two (2) distinct contract types:

- DMC Treatment Contracts: Used to implement substance use disorder (SUD) treatment services, funded by both state and local sources.
- Non-Treatment Contracts: Used to implement Prevention, Harm Reduction, DUI, RH, RBH, CENS, and others.

For DMC Treatment provider agencies, SAPC's Fiscal Reporting process is significantly truncated from DHCS' Cost Reporting process through Fiscal Year (FY) 2022-23. SAPC's process is conducted over a few months following the end of the FY, allowing provider agencies to more quickly identify financial risks and implement organizational changes.

Fiscal Reporting Process

By September 30th of each fiscal year, provider agencies must submit a completed Fiscal Reporting Tool for services delivered under their SAPC service contracts/agreements. Each provider agency will be assigned a Fiscal Reporting Analyst (FRA) to serve as their point-of-contact for guidance and technical assistance throughout the process.

The summary table and detailed steps outline the required actions and target dates to support timely and accurate completion and submission of the Fiscal Reporting Tool.

STEP	ACTION	DEADLINE EACH FISCAL YEAR
1	SAPC distributes the Fiscal Reporting Tool template(s) so provider agencies may begin to gather the needed information.	By July 30 th
2	SAPC provides related cost and reimbursement data by contracted services.	By August 31 st
3	Provider agencies complete and submit the Fiscal Reporting Tool(s) to SAPC for review and approval.	By September 30 th
4	SAPC issues Fiscal Report(s) to provider agencies with summary and key findings.	By December 31 st

- Step #1: Initial Request for Cost Information

SAPC will distribute the Fiscal Reporting Tool template and instructions to provider agencies by **July 30th** of each FY. Provider agencies use the provided materials to begin compiling the information needed to complete the Fiscal Reporting Tool.

- Step #2: SAPC Distributes Provisional Units of Services

SAPC FRA compiles data reports capturing all units of service delivered during the prior fiscal year by **August 31st** of each FY. This step is highly dependent on Provider Agencies submitting complete, accurate, and timely service claims by the end-of-year billing deadline. Meeting this deadline is essential to ensure the full and accurate capture of services provided in the prior fiscal year and is critical to SAPC's ability to fund costs not covered by DMC or other funding sources.

- Step #3: Provider Agency Submission of Fiscal Reporting Tool

Provider agencies complete and submit their Fiscal Reporting Tool to the assigned SAPC FRA for review and processing; and should contact their assigned FRA with any questions or concerns for clarifications and support.

- Step #4: Fiscal Reporting Issued

SAPC FRA reviews the submitted Fiscal Reporting Tool and may follow up with the provider agency to request additional information or resolve outstanding question(s) and/or issue(s). Once finalized and approved, the Fiscal Report is issued to the provider agency. The report will include key findings and/or any reconciliation payments owed to either the Provider Agency or the County.

For DMC Treatment provider agencies, the Fiscal Report may include recommendations for improvement when costs are below or above the received rates. In both cases, the process provides an opportunity to identify areas for streamlining operations and enhancing efficiency. This is particularly important to ensure that program expenditures ultimately lead to improved clinical care and better patient outcomes.

Fiscal Reporting Settlements

DMC Treatment Contracts: For FYs prior to FY 2023-24, DMC contracts will continue to reconcile to the lesser of allowable cost or charges. Effective, FY 2023-24, DMC Contracts will no-longer include a reconciliation and/or settlement process.

Non-Treatment Contracts: These contracts will continue to reconcile to the lesser of allowable cost or charges, where applicable. Final settlement amounts will be based on the submission of the Fiscal Report and will be included in the summary issued by SAPC Finance Services Division.

Provider Agency Responsibilities

SAPC provider agencies must submit all requested documents in a timely manner. Delays in responding to SAPC requests may affect a provider agency's ability to accurately complete the Fiscal Reporting Tool and may result in financial consequences. Once the final Fiscal Report is issued, provider agencies should review the findings to assess any potential impact of their current organizational structure, service delivery models, and volumes.

Additionally, provider agencies are required to retain (per Record Retention and Audits requirements) all documentation used to complete the template in an organized manner consistent with current Los Angeles County policy. This documentation may be subject to audits, investigations, or reviews by funder(s), including DHCS as part of its Final Cost reconciliation process for treatment services.

Cost Settlement Payments

Effective immediately, SAPC will no longer issue cost settlement payments to provider agencies for the delivery of DMC services based on DHCS's initial Cost Reports. Instead, SAPC will issue payments only after DHCS has released its Final Cost Settlement for the applicable fiscal year.

The Fiscal Reporting Tools (by program) are available on SAPC's website and are included in this IN.

Please contact SAPC's Finance Services Division at SAPC-Finance@ph.lacounty.gov should you have any questions or need additional information.

GT:dd

Attachments